Corn Belt Power Cooperative 2000 Annual Report

CONNECTED TO OUR COMMUNITIES

Corn Belt Power Cooperative

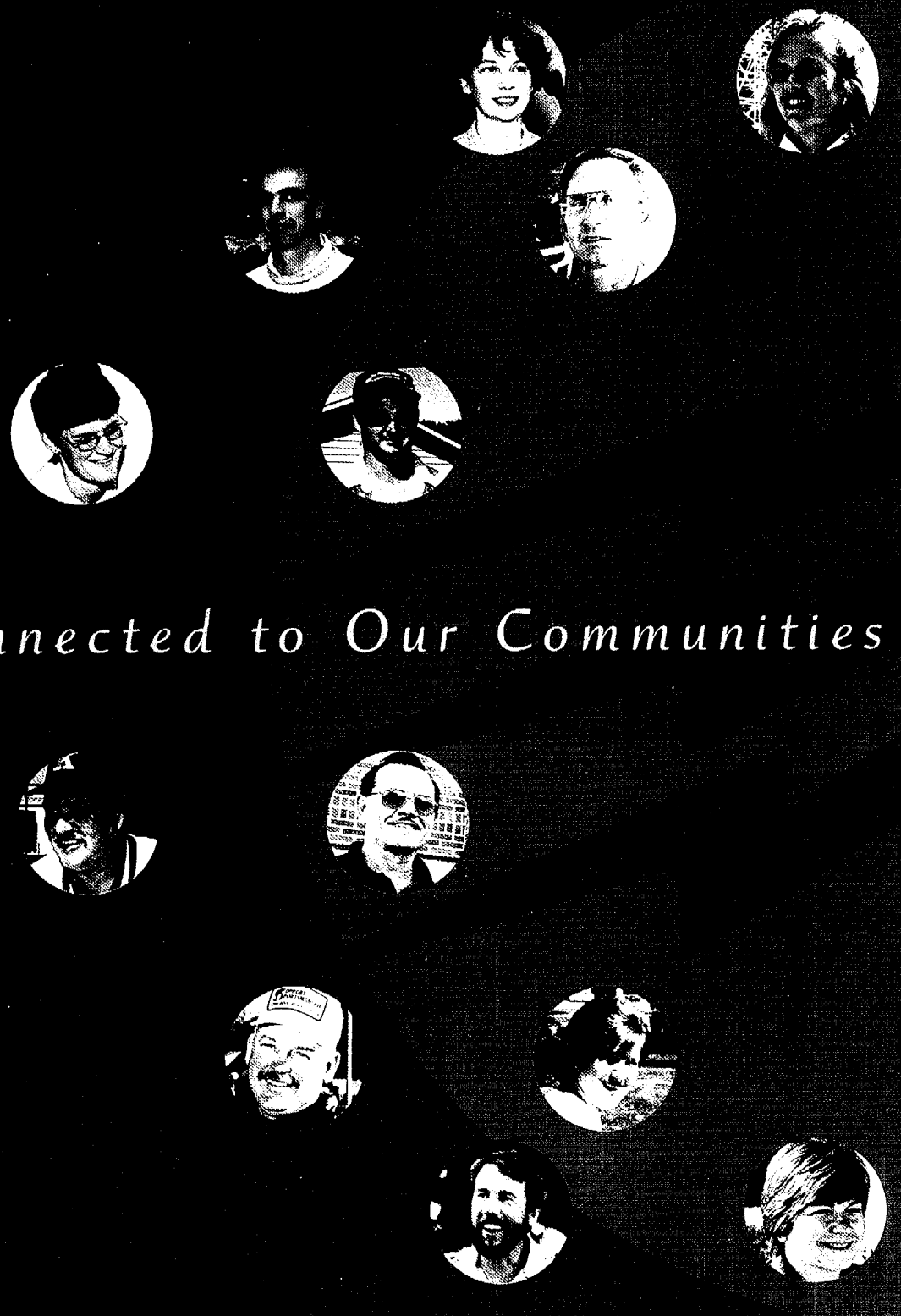
A Touchstone Energy® Cooperative

Connected to Our Communities

Born of a community spirit that responded with ingenuity, resolve and dedication to the people's need, electric cooperatives have been steadfastly "Connected to Our Communities" for decades.

As a new century begins, that commitment to serving our communities continues. Not only do Touchstone Energy® cooperatives contribute by offering safe, reliable power at a reasonable cost, but they also invest in economic development projects, provide labor and materials to support community projects and employ people who truly care about making the quality of life where they live the best it can be.

Corn Belt Power Cooperative and its member systems are proud to be firmly "Connected to Our Communities" — yesterday, today and tomorrow.



Executive Report

As we brought to a close the year 2000, numerous indicators showed that Corn Belt Power experienced some of the best times in its 50-plus year history.

Sales in 2000 were higher than the previous year's record sales. Also higher was the system peak, passing 1999's record high. Margins were again healthy in 2000 and our members received two patronage payments that totaled a little over $1.3 million and two marketing rebates for an additional $2.25 million. The average rate for our member systems was again lower in 2000, resulting in a decrease in rates for the sixth consecutive year.

In 2000, Corn Belt Power Cooperative experienced some of the best times in its history.

When we look at our generation sources, we see other positive indications. The proposed installation of a combustion turbine at Wisdom Station will mark the first addition to our generation sources in over 20 years. Pursuit of this project shows the Corn Belt Power board of directors intends to keep our cooperative in control of its own destiny. We will manage our growing summer peak by building more generation and expanding our ability to supply our own power. Corn Belt Power plans to partner with Basin Electric Power Cooperative, making the project more feasible and strengthening our relationship with an important ally.

Other generation projects include the purchase of electricity from the proposed Hancock County wind power project, an exciting possibility for our cooperative. Demolition of the Humboldt Station shows Corn Belt's commitment to taking responsibility for its past as we move on to new opportunities.

Dale M. Arends
Executive Vice President
& General Manager

Donald Feldman
President

Reconductoring projects will keep our transmission system strong well into the future. We built five new distribution substations in 2000 — more than in any other single year in recent history — that will allow us to serve new and expanding load on our member cooperatives' lines.

The Corn Belt Power board acknowledges that our cooperative must continue to adopt new technologies to be able to compete with other utilities in a deregulated market. The new supervisory control and data acquisition (SCADA) system being installed in our Control Center keeps our technology state-of-the-art and will help us access the most current information possible about our system. The coordinated group purchase of fuel cell sales territory shows not only interest in new technology, but also the advantage

2000 COOPERATIVE HIGHLIGHTS

	1999	2000
Total Energy Sales	1,312,388,566 kWh	1,338,809,727 kWh
REC Peak Demand (no losses)	171,420 kW	170,714 kW
System Peak Demand	228,864 kW	229,630 kW
Miles of Transmission Lines	1,614	1,620
Distribution Substations	125	129
Employees	89	87

	2000 kWh Billed by Corn Belt Power	Miles of Lines	# of Meters Served	# of Employees
Boone Valley Electric Co-op	8,192,023	57.50	140	2
Butler County REC	143,526,622	1,786.46	5,941	34
Calhoun County Electric Co-op	28,261,494	766.83	1,757	10
Franklin REC	48,836,312	820.00	1,800	13
Glidden REC	41,794,174	758.00	1,891	12
Grundy County REC	82,193,680	917.00	2,289	15
Humboldt County REC	46,213,613	939.00	1,862	14
Iowa Lakes Electric Co-op	253,000,200	4,615.15*	9,930*	71
Midland Power Co-op	114,057,071	1,175.00*	3,043*	36
Prairie Energy Co-op	234,742,393	2,010.00	4,948	33
Sac County REC	21,167,344	488.19	1,254	9

*Corn Belt Power service territory only

enjoyed by co-ops working together to minimize costs. Many of our distribution co-ops have installed automated meter reading equipment. A project coordinated by Corn Belt Power will develop cooperatives' e-commerce capabilities as the way to do business in the 21st century.

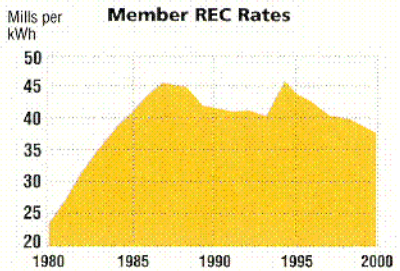
Our public relations and marketing efforts focusing on the Touchstone Energy® brand also received positive response in 2000. In fact, Corn Belt Power was recognized in 2000 as having the best G&T Touchstone Energy program in the country. We won that honor because our program emphasizes employees volunteering in their communities.

On the economic development front, Corn Belt Power helped pump one million dollars into local economies through its Intermediary Relending Program, which involves funding from both the United States Department of Agriculture (USDA) and Corn Belt Power that is used to make low interest loans to businesses and communities meeting USDA criteria. The funding is supporting projects that work to employ more people, improve schools and strengthen public infrastructure.

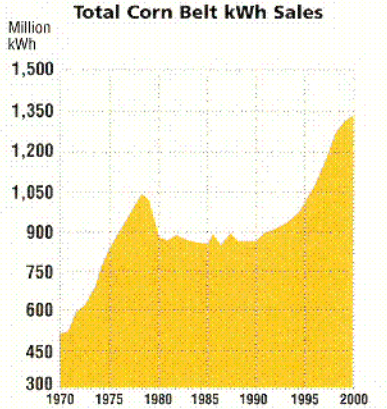
In preparation for competition in our industry and to strengthen relationships with major accounts, Corn Belt Power and its member systems began an extensive key accounts program in 2000. The program includes specialized key accounts managers, energy management programs and several new services offered to businesses and industries on our member systems' lines.

Corn Belt Power further strengthened its already powerful partnerships with its member cooperatives in 2000 and continues its positive relationships with its neighboring investor-owned utilities, other G&Ts and entities like EnPower and Gen~Sys.

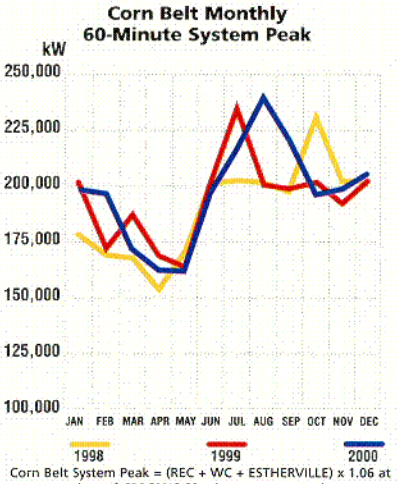
At Corn Belt Power's strategic planning session in June, directors, managers and staff members explored the cooperative's future in the face of a likely postponed deregulated market. The group's consensus was to continue to follow the path toward strengthening Corn Belt Power's position in a competitive market. Although deregulation is most likey delayed in Iowa because of circumstances in other parts of the country, we acknowledge that it will nonetheless be a reality someday. Corn Belt Power will continue to prepare by researching and implementing new technologies, strengthening its relationships with key accounts, furthering promotion of the Touchstone Energy brand, and encouraging and facilitating growth in our system.



Average REC member system cost, including substation charge; calculated average REC rate reflects power sold to municipals and others served by RECs.



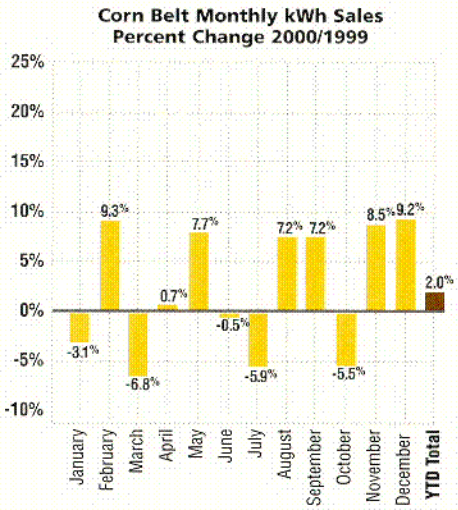
Includes RECs, NIMECA, Webster City & Sales to Others



Corn Belt System Peak = (REC + WC + ESTHERVILLE) x 1.06 at time of CBPC/WC 60-minute system peak

C01

Year in Review 2000



Includes RECs, Webster City, NIMECA & Sales to Others

From energy sales to economic development projects to new substation construction, events in 2000 pointed to Corn Belt Power Cooperative and its members being "Connected to Our Communities" in ways that will strengthen our service and continue to improve the quality of life for the people we serve.

Record Sales, Record Peak

Power delivered to our members pushed total energy sales to the RECs, NIMECA, Webster City and others to a new record in 2000, reaching a total of 1,338 million kilowatt-hours compared to 1,312 million kilowatt-hours in 1999. Also higher was the system peak with a new record set in August of 230 megawatts, just above of the previous record of 229 megawatts set in July 1999.

Power Supply

New system peaks that occurred during the summer months the past two years focused the Corn Belt Power board of directors on future power supply. The initial process for installing a proposed simple-cycle combustion turbine at the Wisdom Station site, Spencer, began by satisfying the Mid-Continent Area Power Pool transmission requirements. Corn Belt Power has teamed with Basin Electric Power Cooperative, Bismarck, North Dakota, to share ownership of the 80-megawatt gas-fired turbine that has a target date of early 2005 for operation. A power requirements study and an environmental report still must be completed for the project.

The Corn Belt Power board is also considering a purchase of up to 10 megawatts of power from a proposed wind generation project in Hancock County to be constructed by Florida Power and Light Company.

In other major decisions regarding generation facilities, the Corn Belt Power board approved the demolition of the Humboldt Station. Power requirements studies indicated that the plant, built in the late 1940s, is not capable of playing a part in the cooperative's future generation needs and should be dismantled to make way for future generating options at the site. MARCOR Remediation was hired to market salvageable equipment and dismantle the plant. Work started late in

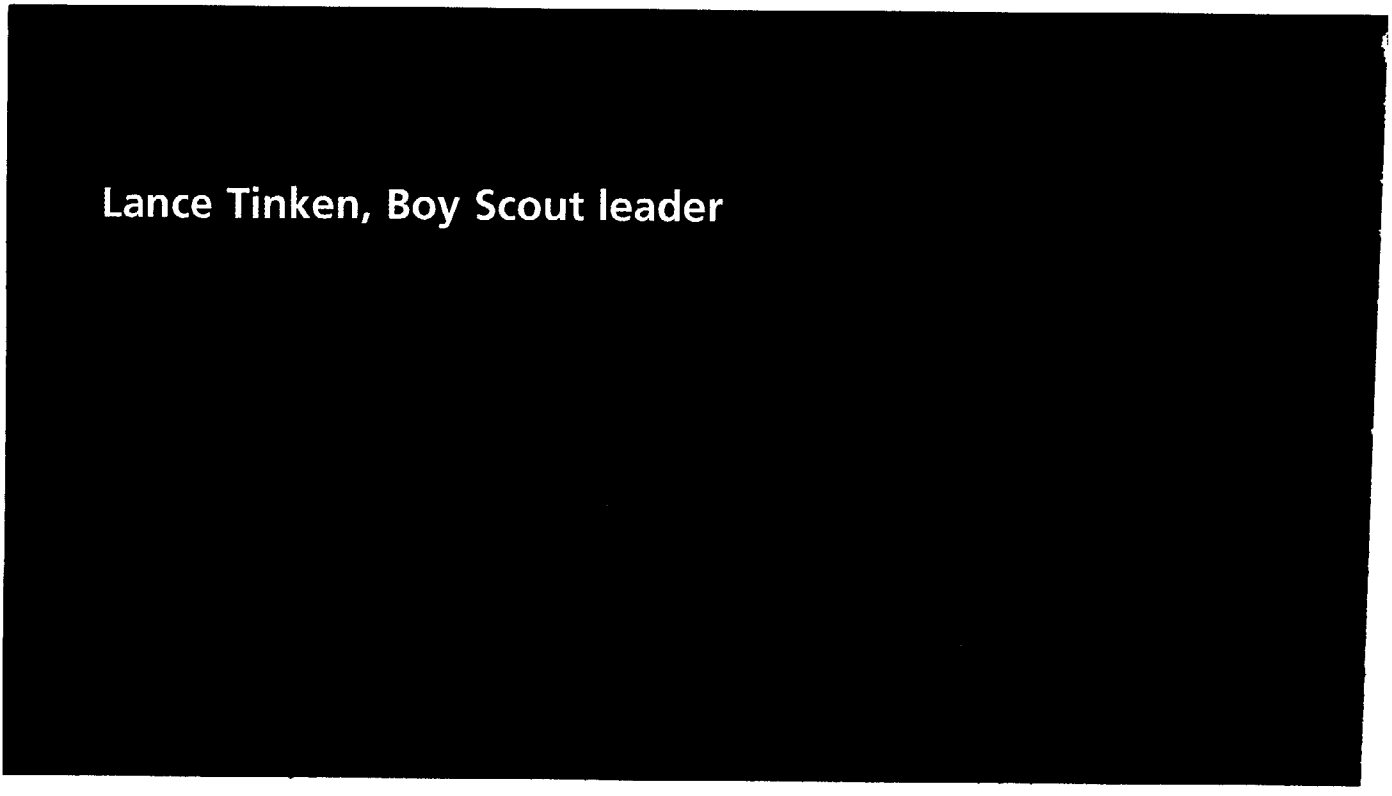
Don Jensen, vice president, generation, stands outside the Humboldt Station, which is being dismantled for future generating options. The plant went into operation in 1950.

C02

Corn Belt Power Co-op

Lance Tinken, Boy Scout leader

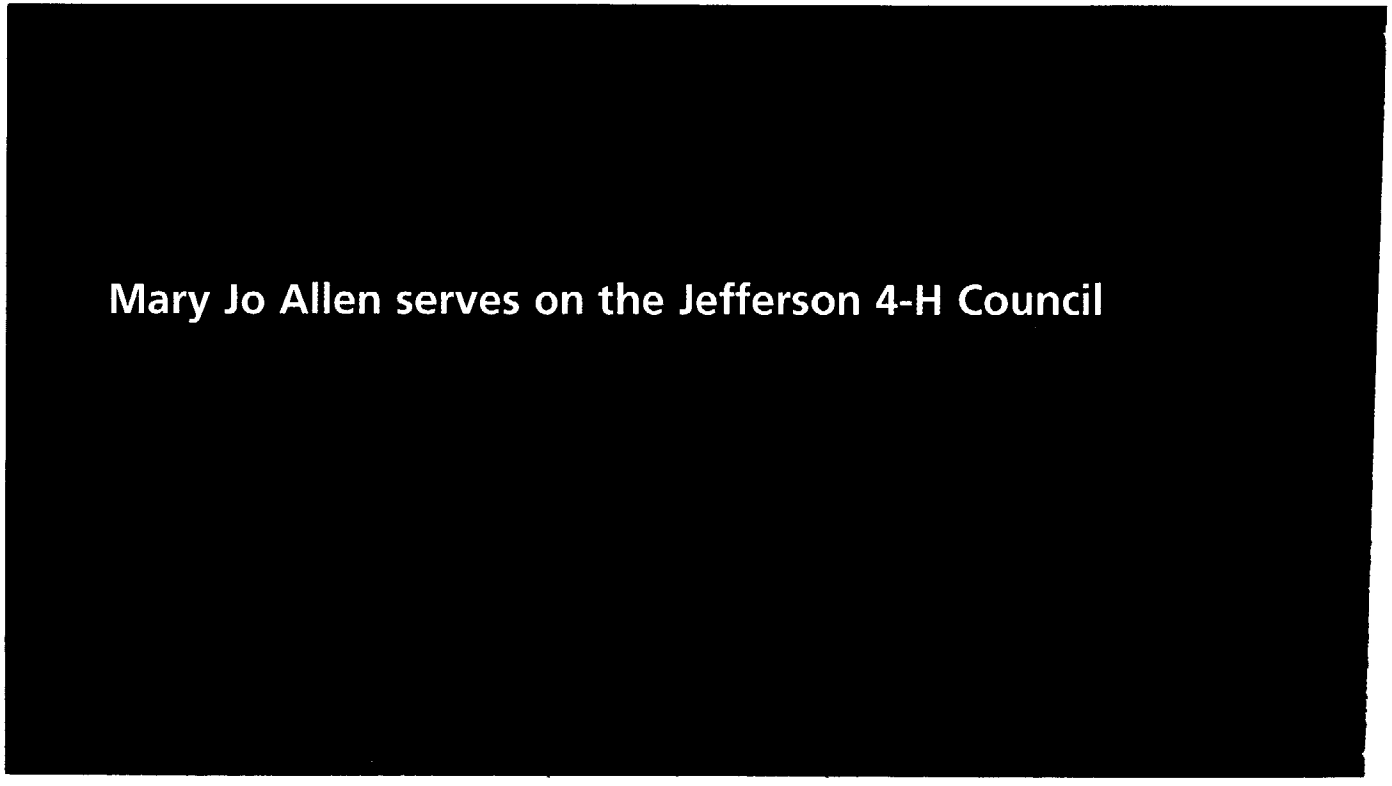
"Somebody has to step in and do the volunteer work. It's another way to contribute to the community and the youth. For some of these boys, it's their only chance to be outdoors."


Lance Tinken, Boy Scout leader

Midland Power Co-op

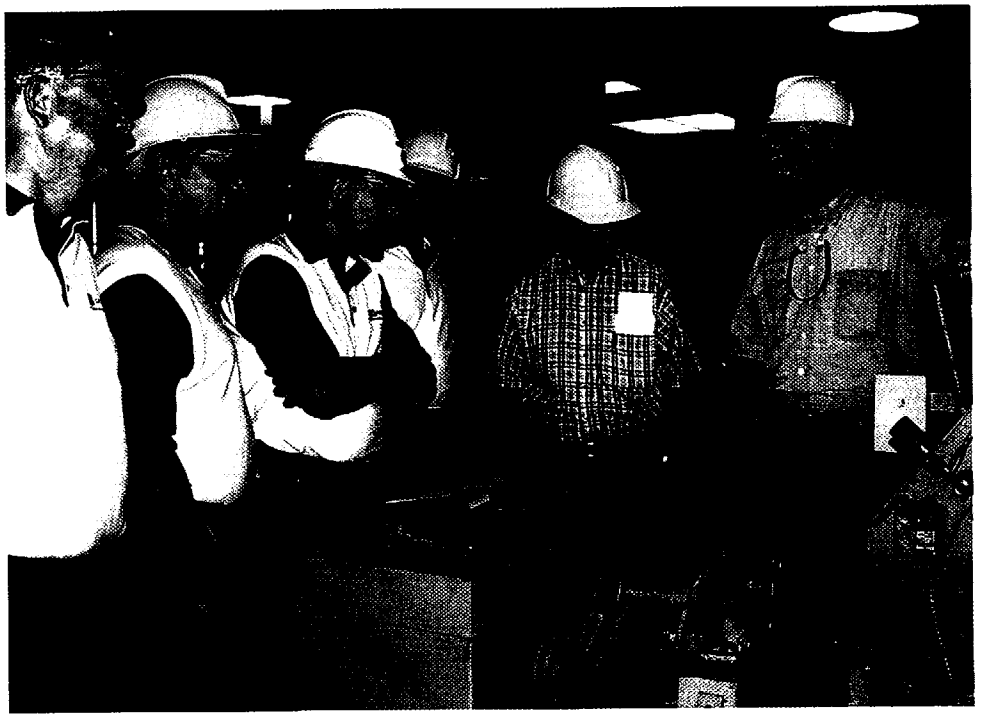
Mary Jo Allen serves on the Jefferson 4-H Council

"When you get involved in the community, you get to find out what's going on with kids and the different programs in place. It's satisfying to volunteer in this way."


Mary Jo Allen serves on the Jefferson 4-H Council

2000 and will continue until sometime in 2002. Over 130 employees, retirees, directors and their family members gathered at an open house June 17 to tour the plant one last time and reflect on the memories of almost 50 years of operating Corn Belt Power's former flagship generating station.

At the Wisdom Station in 2000, the unit generated nearly three times as many megawatt-hours as it did in 1999 and produced significantly more power than in any single year during the 1990s. The increase in generation can be attributed to the increase in off-system sales to MidAmerican Energy during November and December.

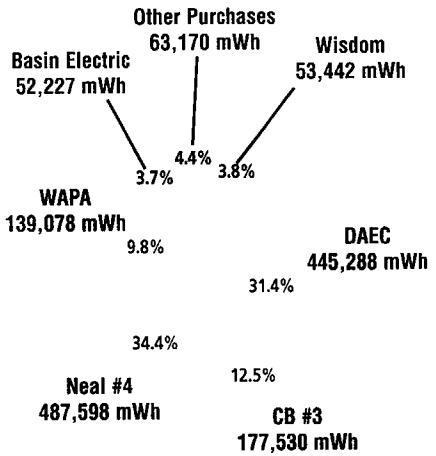


At right, Jim Roling, plant manager, Wisdom Station, explains the operation of a coal feeder to the directors of Glidden REC. During the tour Aug. 23, the plant was in operation for the relative accuracy test audit (RATA) of the continuous emissions monitoring system (CEMS).

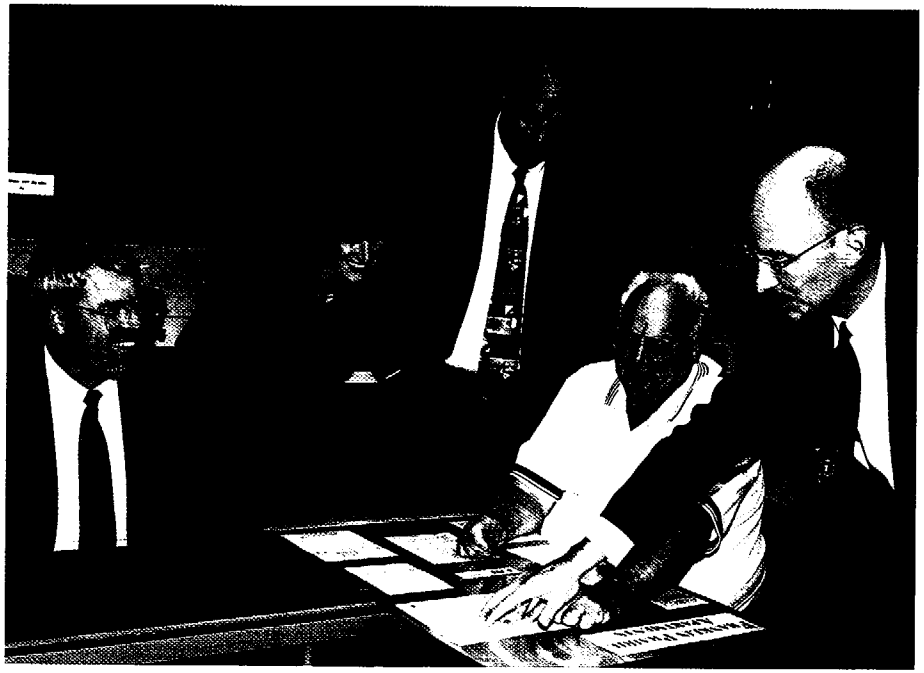
An employee of MARCOR Remediation cuts away pieces of steel inside the Humboldt Station as part of the plant demolition process.

The Neal 4 and Council Bluffs 3 plants continued to provide low cost energy during 2000. Neal 4 completed its power upgrade with an increase in net accredited capacity from 630 megawatts to 644 megawatts.

In 2000, the owners of Duane Arnold Energy Center (DAEC) joined with owners of several other nuclear plants to form the Nuclear Management Company (NMC) in an effort to reduce costs and potential risks experienced by single plants. DAEC personnel continued work on a capacity upgrade that will be completed during the refueling outage scheduled in 2001.



2000 Generation Summary
represents input from major resources and 100% ownership shares



From left, Chris Mercer, USDA Rural Development, and Karen Berte and Jim Vermeer, Corn Belt Power, look over plans for a new assisted living center with Jim Bobst and Scott Wells, Franklin General Hospital. The hospital received a low-interest loan for the project from Corn Belt Power and the USDA.

Rate Study

The growing demand for power during the summer months prompted a study of Corn Belt Power's wholesale rate design, creating a new formula that will be revenue neutral to Corn Belt Power, yet more accurately reflect current cost of service. Plans are for the new wholesale rate design to be implemented in October 2001.

Economic Development and Key Accounts

Nowhere was it more apparent that Corn Belt Power is "Connected to Our Communities" than in its contribution to and administration of its Intermediary Relending Program (IRP). Assistance to rural community development is the focus of the fund and six projects received the five-percent low-interest loans. The USDA made $800,000 available to Corn Belt Power, which contributed an additional $200,000 to create the $1 million fund. As the loans are repaid, Corn Belt Power will relend the monies to other deserving projects. A review committee determines which projects best fit the IRP objectives. In 2000, the following projects received funding in the first round of lending:

- *Country Maid, Inc., West Bend, investment in new equipment*
- *Conductive Circuits, Garner, business expansion creating new jobs*
- *Aspen Hills, Garner, new building construction*
- *City of Corwith, sanitary sewer lagoon refurbishment*
- *Franklin General Hospital, Hampton, assisted living facility construction*
- *Graettinger Economic Development Council, speculative building construction*

In 2000, Corn Belt Power matched its distribution cooperatives' investments and continued to support numerous other economic development projects, investing in speculative buildings and making low-interest loans to new and expanding businesses including:

- *Expansion of the Hall Industries building, Hampton Air Industrial Park*
- *Development of the Grundy County Industrial Park*
- *Construction of the Ramco building in the Humboldt Industrial Park*
- *Construction of a speculative building in the Spencer Technical Park*

Also in 2000, the Corn Belt Power board approved development of a new key accounts management program to help its member systems enhance their relationships with their commercial and industrial customers. The program focuses on identifying key accounts, providing exemplary customer service and offering free energy audits, thermographic testing and access to expertise in engineering and technology.

Prairie Energy Co-op
BRIAN RING
Lineman

Brian Ring, Volunteer sports coach and official
"My volunteer time goes to working with kids in scouts, at church and officiating sporting events. I hope I make some kind of impact with these kids."

Touchstone Energy®/ Corporate Relations

In 2000, the first place Award of Excellence for the Best G&T Touchstone Energy® Program went to Corn Belt Power in recognition of its volunteer community service program. Evidence of being "Connected to Our Communities," the program recognizes employees who donate their time to community projects. In 2000, over 18,000 hours were given to the Boy Scouts, church activities, Relay for Life teams, volunteer ambulance crews, 4-H groups, school boards, city councils, and many other organizations that work to make our communities better places to live.


wattswatt

wattswatt

Co-op leaders contact legislators in Des Moines

The Council of Rural Electric Communicators sponsors the award program at the NRECA Marketing, Member Services and Communication Conference. Also winning an Award of Excellence was Corn Belt Power's *Watts Watt* newsletter, which received recognition in the Best G&T Newsletter category.

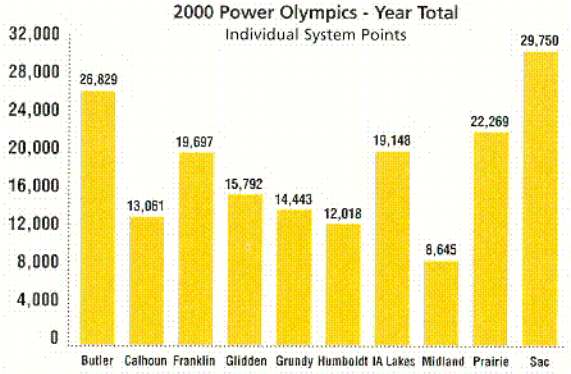
As a regional representative, Corn Belt Power continued to promote the Touchstone Energy brand throughout the year. Employee training that emphasized the development, meaning and objectives of the brand was held at each member distribution cooperative in the fall. Corn Belt Power expanded the Touchstone Energy advertising program to include extensive radio, print and billboard campaigns with two objectives: to communicate the same message at the same time across the entire Corn Belt Power system, and to link more closely the individual co-op names to the Touchstone Energy brand. Follow-up advertising awareness research conducted in November showed significant increase in awareness of the Touchstone Energy brand, both in the residential and commercial/industrial sectors and also among both members and non-members.

Nationally, Touchstone Energy sponsored several events to strengthen recognition of the brand. The Touchstone Energy Tucson Open held Feb. 21-27 in Arizona allowed cooperatives to target their commercial and industrial customers by participating in an event that receives national media coverage. Also, the first New and Emerging Technologies Conference preceding the tournament offered a look at the latest in technology, giving cooperatives the opportunity

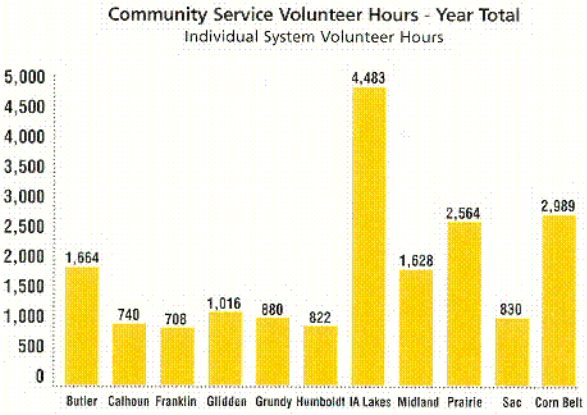
Billboards placed across the state in 2000 reminded passersby of electric cooperatives' connection to their communities. A "snipe" at the bottom closely associated the local co-op with the Touchstone Energy® brand.

Employees at Franklin REC don their new Touchstone Energy® sweatshirts after completing the training session that reviewed the strategy behind the brand. Like employees throughout the Corn Belt Power system, these employees can now list the four Touchstone Energy core values: integrity, accountability, innovation and commitment to community.

to show their key customers that innovation is an important Touchstone Energy value. The Touchstone Energy 300, a NASCAR Busch Series event at the Talladega Superspeedway in Alabama, was held April 15. Touchstone Energy's affiliation with NASCAR auto racing — the nation's number one spectator sport — helps America's electric cooperatives build on their close relationships with the communities they serve and brings national exposure to the brand.



In other corporate relations activities, Orientation Days held Dec. 13 and 14 hosted over 60 new employees and directors of Corn Belt Power and its member systems who learned about Corn Belt Power history, generation planning, wholesale rates, the transmission and electrical system, finances, corporate relations, marketing, economic development and the Control Center.



Corn Belt Power, along with the other G&T systems in Iowa, showed its commitment to community by helping to sponsor "A Few of Our Favorite Things" at the Iowa Historical Building, Des Moines. Subtitled "100 Creations of the 20th Century," the exhibit highlights everything "from jazz to Jell-O, from airplanes to zippers, and from opinion polls to polio vaccine — the things that shaped our lives over the past 100 years." Labor-saving electric appliances are part of the exhibit.

Corn Belt Power, along with Iowa State University Extension, sponsored the 10th annual Mid-Iowa Community Development Conference in 2000. The conference brings together rural community representatives from north central Iowa to share success stories about how their communities enhance social and economic quality of life.

Marketing and Member Services

The Power Olympics program completed its ninth year in 2000. Power Olympics recognizes cooperatives for their success promoting electric products and services, setting and achieving marketing goals, increasing customer service and supporting community involvement.

During 2000, Corn Belt Power member systems sold or installed 895 electric water heaters, 2,943 kW of electric resistance heat and 417 tons of heat pumps. Rate incentives were paid to customers for almost 48 million kilowatt-hours of electric heating and cooling, amounting to kilowatt-hour credits — rate discounts to customers — of almost $1.15 million.

Corn Belt Power and its members paid almost $500,000 in marketing installation incentives to members installing electric space heating or water heating systems.

Due to upcoming changes in the wholesale power rate structure and the changes in Corn Belt Power's capacity needs, electric heat rate incentives for new installations were changed from a 12-month to a nine-month basis, beginning in 2001.

In January, Corn Belt Power hosted its ninth annual Power Olympics training which dealt with competition, restructuring and customer service issues in a changing utility environment.

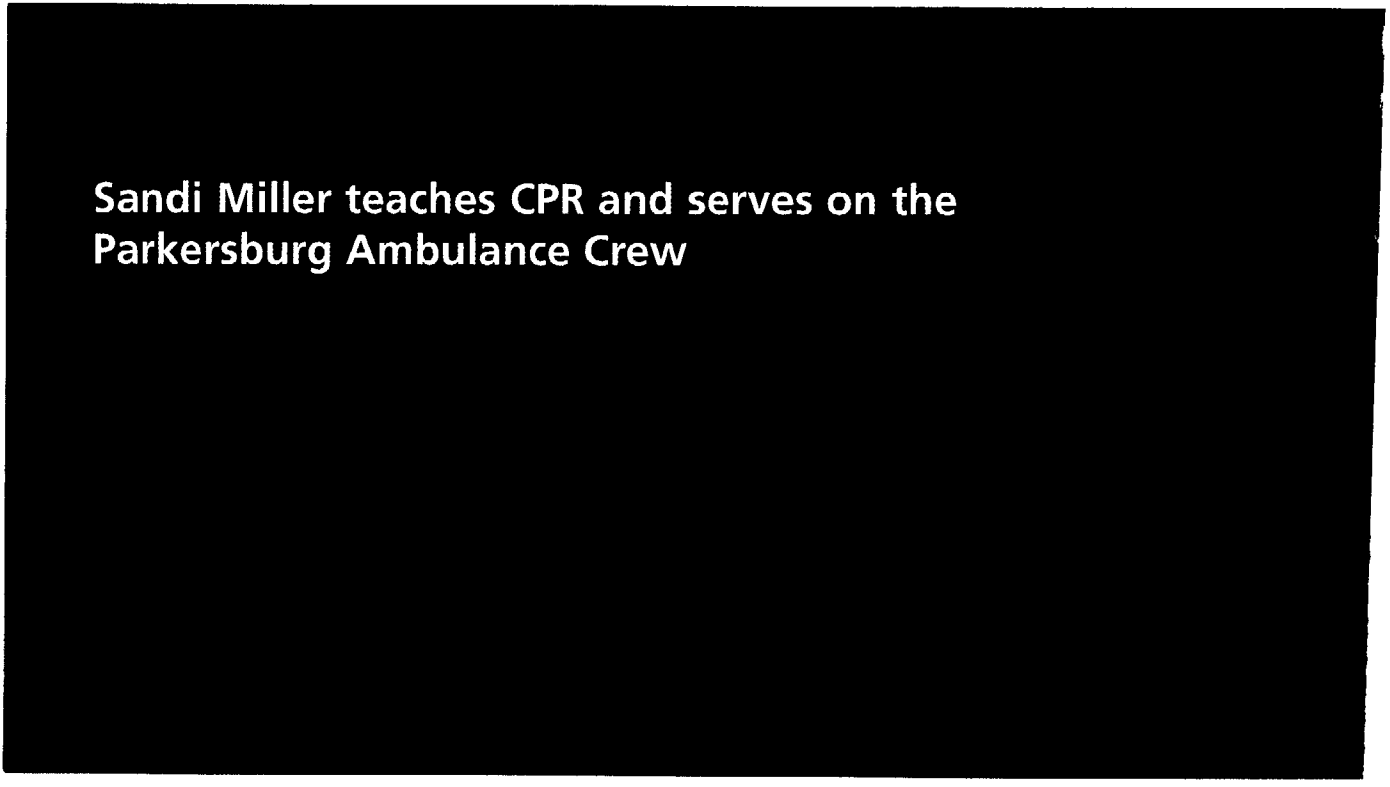
Year-end Power Olympics award winners were:

Top points – Sac Co. REC
Top percent of goal – Franklin REC
Growth (total points) – Franklin REC
Growth (electric heating/cooling kWh) – Sac Co. REC
Growth (system kWh) – Grundy Co. REC

Butler County REC
SANDI MILLER
Office Manager

Sandi Miller teaches CPR and serves on the Parkersburg Ambulance Crew

"The health teachers at the Allison-Bristow School approached me with the idea of teaching CPR to the entire high school. Over the course of two weeks, the students were certified in CPR. Butler County REC has always promoted volunteering in the community. It shows that the REC is there and cares for the community and the people living in it."



Sandi Miller teaches CPR and serves on the Parkersburg Ambulance Crew

Along with Iowa's other G&Ts, Corn Belt Power sponsored the eighth annual Momentum is Building contractors conference in February, hosting contractors from across Iowa to learn about energy efficient products and building technologies.

The system-wide target-marketing program continued in 2000, with a number of direct marketing campaigns. Direct mail and telemarketing campaigns promoted electric water heating, heat pumps and surge protection.

In 2000, Corn Belt Power started a Web development project that involved building a common Web site template and shared functionality to be used by member cooperatives and supported by a server located at the Corn Belt Power Cooperative office.

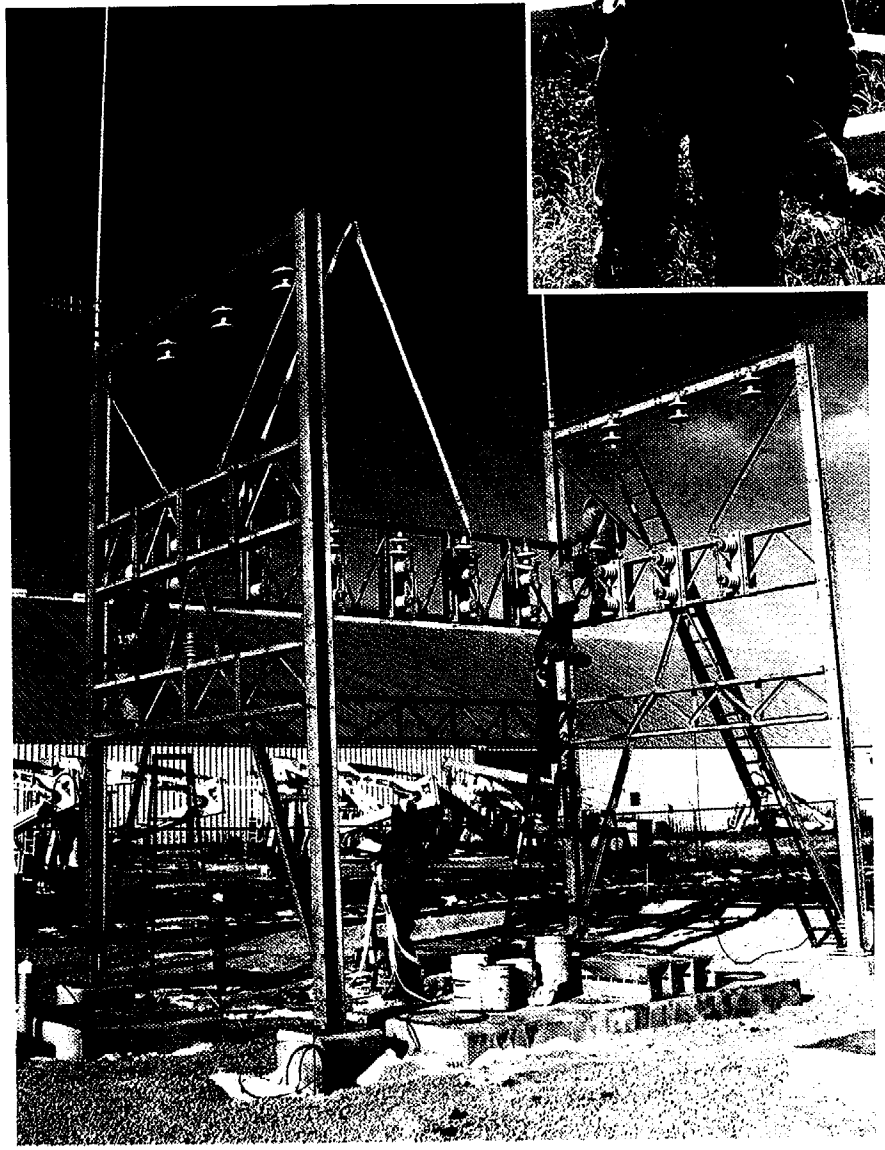
Transmission/Electrical Maintenance/ General Maintenance

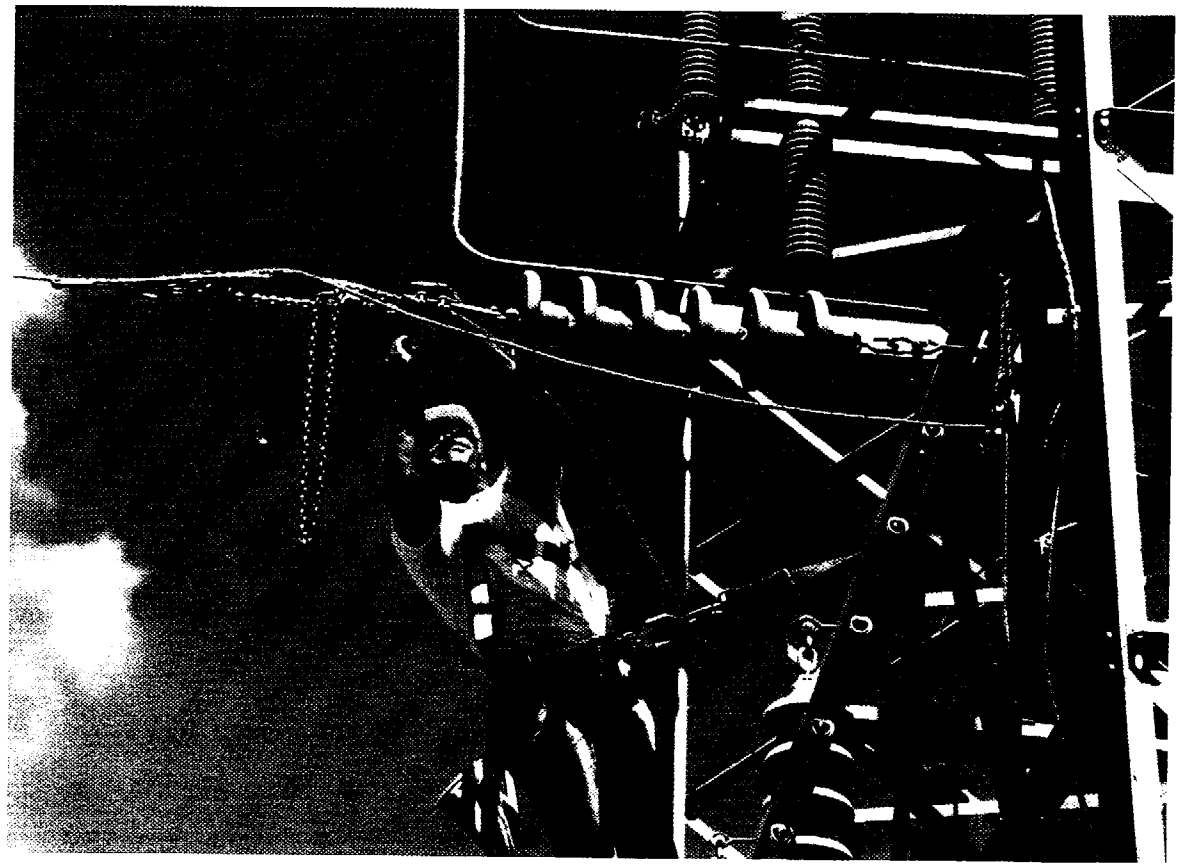
To serve new and expanding loads, Corn Belt Power built five new distribution substations in 2000 — more than in any single year in the cooperative's recent history. Although this was a heavier-than-normal construction schedule, no contract labor was hired to complete the work. Crews pre-assembled substation components in the winter. The five substations constructed were:

- Bosworth Substation, located near the Spirit Lake Industrial Park, built to serve expanding commercial and industrial load on Iowa Lakes Electric Cooperative's lines; the substation was dedicated in honor of J. Bruce Bosworth, retired manager of Iowa Lakes Electric Cooperative.
- Gar Substation, located near the city of Arnolds Park, serves expanding residential load on Iowa Lakes Electric Cooperative's lines.
- Touchstone Energy Substation, located in Touchstone Energy Park at Garner, serves new commercial and industrial load on Prairie Energy Cooperative's lines.

Bob Nielsen, line foreman, assembles a cross arm on a pole used in rebuilding a line near Alta.

Electrical maintenance and general maintenance crews construct the Touchstone Energy® Substation in Garner. The substation will serve new commercial and industrial load on Prairie Energy Cooperative's lines.





Joel Haynes, apprentice mechanic, completes the bus work on the high side of a substation. Five new distribution substations were built in 2000 — more than in any single year in the cooperative's recent history.

- GL Coating 2 Substation, located in the Hampton Air Industrial Park, serves expanding industrial load on Franklin REC's lines.
- Hanover Substation, located south of Alta, replaces two older substations and creates a tie between Corn Belt Power and Northwest Iowa Power Cooperative through distribution lines.

Transmission crews continued to improve Corn Belt Power's system, building one mile of 69 kV line and rebuilding four and one half miles of old 69 kV line near Alta, previously owned by MidAmerican Energy. The new line connects to the existing Albert City-Odebolt line and ties in the new Hanover Substation

A new tap was also built to connect the Gar Substation, and a three-and-a-half-mile section of line between Plainfield and Waverly was moved to allow for road construction. Crews also continued with the line reconductoring project, installing new, larger conductor in original sections of the Corn Belt Power system to increase line load capacity by more than 100 percent. In 2000, crews reconductored 20 miles of transmission line.

Construction of a new cold storage building began in the fall of 2000 at the Hampton Service Center. The new building replaces a deteriorating storage facility at another location in Hampton. Transmission and electrical maintenance materials stored outside will also be placed in the new building.

Control Center personnel installed a new supervisory control and data acquisition (SCADA) system in 2000 that will periodically collect, process and monitor information from

A new cold storage building was constructed in Hampton in the fall of 2000 to replace a deteriorating facility and to store materials previously kept outside.

Glidden REC

MYRON HEITHOFF

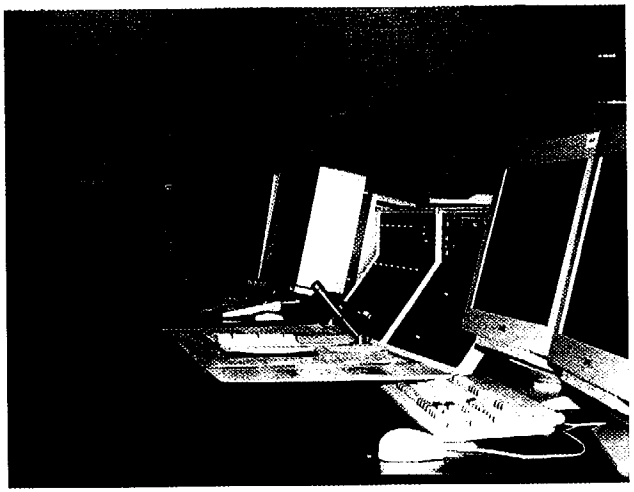
Assistant to the Manager

Myron Heithoff, Assistant coach for the Carroll Kuemper Junior High School football team

"I enjoy coaching kids. I choose to keep coaching so kids can learn to be the best they can be. Volunteering in your community is important. Coaching in the community builds relationships with parents and kids."

Myron Heithoff, Assistant coach for the Carroll Kuemper Junior High School football team

129 distribution substations in addition to data from the 40 transmission substations currently monitored. Workstations are located in all distribution co-op headquarters, allowing each co-op to monitor its own system during the day with Corn Belt Power personnel monitoring all sites after hours and on weekends. With the new SCADA system, an outage can be detected before members call in, and monitors show if the problem is transmission- or distribution-related. The new system also reads billing meters, records load profile data every 15 minutes and transfers the data to the billing computer. In the event the communication is lost, the SCADA system can store load profile data for 13 days or until communication is restored.



Paul Clay, system supervisor, works with both the old and new supervisory control and data acquisition (SCADA) systems. The new SCADA will collect, process and monitor information from 129 distribution substations.

Government Relations

In the spring of 2000, representatives from Corn Belt Power and its member cooperatives closely monitored House File 2530, a bill that would deregulate the electric utility industry in Iowa by allowing Iowans to choose a competitive electric service provider by Oct. 1, 2002.

The bill did not get out of subcommittee and, therefore, was not considered by the full House or Senate. During legislative meetings with co-op representatives later in the year, legislators agreed that it is highly unlikely the electric choice issue will be addressed at the state level in 2001, due to difficulties encountered in other parts of the country that are undergoing deregulation.

Throughout the year, Corn Belt Power directors and staff members attended several education modules designed by the Iowa Association of Electric Cooperatives to plan for deregulation and create co-ops' strategy for a future competitive marketplace.

From left, Rep. Russ Teig, Sen. Mike Sexton and Rep. George Eichhorn discuss issues with Mike Hagen, standing, manager, and Todd Foss, key accounts executive, Prairie Energy Cooperative, at a legislative meeting held in Webster City in November. Legislators stated they did not expect deregulation to be discussed in the 2001 legislative session.

Russell Krog
Wright County REC

Keith Gelder
Midland Power Cooperative

Lawrence Wittry
Glidden REC

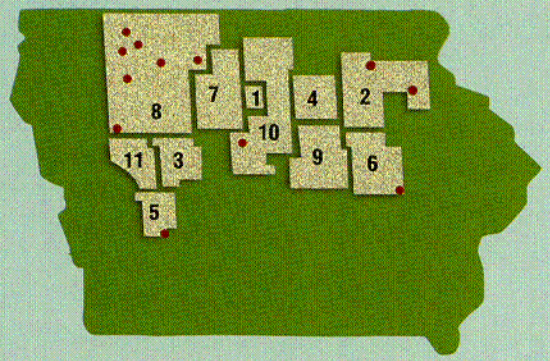
Personnel

There were several changes on Corn Belt Power's board of directors and its employee roster during 2000. Directors Lawrence Wittry, Glidden REC, Russell Krog, Wright County REC, and Keith Gelder, Midland Power Cooperative, all retired from the board. Philip Knouf, vice president, finance and administration, resigned and Donald Jensen, vice president, generation, announced his retirement after a 40-plus year career at Corn Belt Power. George Jensen, computer maintenance technician, also retired after more than 40 years with the cooperative.

New directors elected to the board were John Schumacher, Glidden REC, and Charles Gilbert, Midland Power Cooperative. Donald McLean, Grundy County REC, was newly elected secretary. Karen Berte, controller, was promoted to vice president, finance and administration, and Michael Thatcher, plant engineer, was named to fill the vice president, generation, position.

North Iowa Municipal Electric Cooperative Association (NIMECA) Members:

Alta • Bancroft • Coon Rapids • Graettinger
Grundy Center • Laurens • Milford • New Hampton
Spencer • Sumner • Webster City • West Bend



Corn Belt Power honored many long-time employees with service awards in 2000.

20 YEARS

Steve Bohan, assistant to the general manager; **Ken Kuyper**, senior vice president, engineering and system operations; and **Ron Lowrey**, warehouse clerk

25 YEARS

Gary Brinkley, foreman, electrical maintenance; **Steve Curry**, meter technician; and **Ray Lathrop**, electric and control

30 YEARS

Dave Stockdale, journeyman electrician

35 YEARS

Richard Hegna, chief system supervisor

40 YEARS

Don Jensen, vice president, generation; **Jim Johnson**, engineering and construction superintendent; and **Jim Roling**, plant manager

Four new employees were hired in 2000

Corie Erickson, maintenance and inventory assistant; **Craig Christensen**, key accounts manager; **Jody Hawkins**, network administrator; and **Jay Thiesen**, general plant worker. **Kurt Olson**, assistant fleet supervisor, began work Jan. 2, 2001.

1. Boone Valley Electric Cooperative
2. Butler County REC
3. Calhoun County Electric Cooperative Association
4. Franklin REC
5. Glidden REC
6. Grundy County REC
7. Humboldt County REC
8. Iowa Lakes Electric Cooperative
9. Midland Power Cooperative
10. Prairie Energy Cooperative
11. Sac County REC

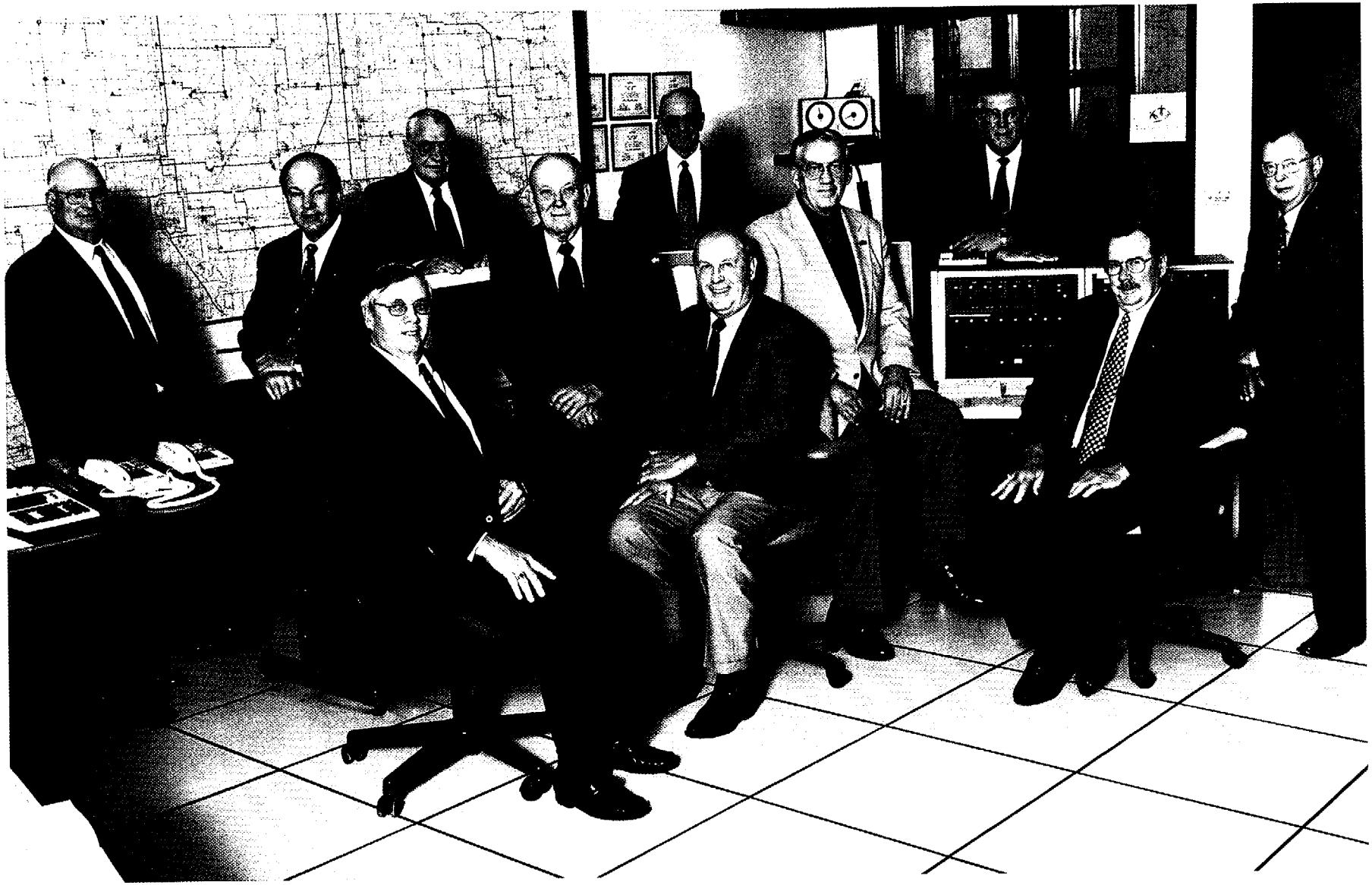
C04

Calhoun Co. Electric Co-op

Melody Cole is a member of the Calhoun County Fair Board.

"Serving on the fair board is a way for me to be part of the community and help kids. Volunteering is a family participation for us."

Melody Collins serves on the Calhoun County Fair Board



Seated, in front of the Control Center desk are, from left, Donald Feldman, president, Butler County REC; Donald O'Tool, assistant secretary/treasurer, Calhoun County Electric Cooperative Association; Ronald Deiber, vice president, NIMECA; LeRoy Weber, Humboldt County REC; Donald McLean, secretary, Grundy County REC; and Carrol Boehnke, treasurer, Prairie Energy Cooperative. Back row, from left, Norman Kolbe, Sac County REC; Charles Gilbert, Midland Power Cooperative; Roger Rust, Franklin REC; John Schumacher, Glidden REC; and L. Kirby Range, Iowa Lakes Electric Cooperative.

BALANCE SHEETS
December 31, 2000 and 1999

ASSETS

	2000	1999
ELECTRIC PLANT (Notes 2 and 6):		
In service	$ 218,758,401	$ 214,668,328
Less-accumulated depreciation	126,359,920	120,754,701
	92,398,481	93,913,627
Construction work in progress	6,259,750	4,316,544
Nuclear fuel, net of amortization (Note 2)	6,549,287	5,597,319
	105,207,518	103,827,490
OTHER PROPERTY AND INVESTMENTS:		
Nonutility property	453,161	484,145
Investment in the National Rural Utilities Cooperative Finance Corporation (Note 2)	2,514,836	2,514,836
Land held for future use (Note 2)	2,963,060	2,963,060
Decommissioning fund (Note 2)	19,110,564	17,889,867
Other investments (Note 2)	1,001,367	1,153,760
Note receivables (Note 2)	2,693,541	2,624,408
	28,736,529	27,630,076
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	13,641,362	12,986,659
Member accounts receivable	3,602,367	3,420,353
Other receivables	459,825	141,513
Inventories -		
Fuel, primarily coal, at last-in, first-out cost	1,042,958	1,505,716
Materials and supplies, at average cost	3,131,803	2,912,287
Prepayments	253,254	347,356
	22,131,569	21,313,884
DEFERRED CHARGES:		
Deferred Department of Energy decommissioning costs (Note 10)	944,768	1,108,026
Deferred refueling costs (Note 2)	372,015	1,577,781
Other	8,017	35,977
	1,324,800	2,721,784
	$ 157,400,416	$ 155,493,234

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

Iowa Lakes Electric Co-op
SEPTEMBER DAU
Director of Finance
and Human Services

September Dau helped with fundraising for Arnolds Park
"With the events at Arnolds Park, I felt there was an opportunity to get involved to coordinate the lemonade stand. The kids wanted to make sure the amusement park didn't go away. Iowa Lakes Electric wants to be a strong and active community partner. We encourage employees to be active in community efforts."

BALANCE SHEETS

December 31, 2000 and 1999

MEMBERSHIP CAPITAL AND LIABILITIES

	2000	1999
MEMBERSHIP CAPITAL:		
Memberships, at $100 per membership	$ 1,300	$ 1,400
Deferred patronage dividends, per accompanying statements (payment restricted as indicated in Note 3)	8,609,671	9,192,504
Other equities, per accompanying statements	24,357,096	22,954,079
Unrealized gain in market value of investments (Note 2)	624,815	1,167,049
	33,592,882	33,315,032
LONG-TERM DEBT (Note 4):		
Rural Utilities Service	27,984,711	30,332,646
Federal Financing Bank	62,745,633	63,781,247
Capital lease obligations (Note 2)	1,142,770	1,682,101
Pollution control revenue bonds	1,650,000	1,830,000
USDA Intermediary Relending Program	800,000	0
	94,323,114	97,625,994
Less - Current maturities of long-term debt	6,273,147	6,007,978
	88,049,967	91,618,016
OTHER LONG-TERM LIABILITIES:		
Deferred Department of Energy decommissioning costs (Note 10)	705,048	872,646
DAEC decommissioning liability (Note 2)	18,481,593	16,722,818
Other	1,060,129	1,128,360
	20,246,770	18,723,824
CURRENT LIABILITIES:		
Current maturities of long-term debt	6,273,147	6,007,978
Accounts payable	5,396,596	3,366,293
Accrued property and other taxes	2,029,663	1,802,259
Accrued other	1,811,391	659,832
	15,510,797	11,836,362
	$ 157,400,416	$ 155,493,234

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

STATEMENTS OF REVENUES AND EXPENSES

For the Years Ended
December 31, 2000 and 1999

	2000	1999
OPERATING REVENUES:		
Sales of electric energy	$ 46,106,407	$ 46,007,468
Other	3,741,423	3,449,926
	49,847,830	49,457,394
OPERATING EXPENSES:		
Operation -		
Steam and other power generation	17,521,230	14,469,139
Purchased power, net	5,490,061	6,197,756
Transmission	3,174,016	3,196,590
Sales	1,815,616	1,288,942
Administrative and general	3,287,755	2,856,729
Maintenance -		
Steam and other power generation	3,675,979	3,821,844
Transmission	774,830	735,537
General plant	30,099	30,856
Depreciation and decommissioning (Note 2)	8,404,610	9,452,101
	44,174,196	42,049,494
Net Operating Revenues	5,673,634	7,407,900
INTEREST AND OTHER DEDUCTIONS:		
Interest on long-term debt	6,110,668	6,154,625
Interest during construction (Note 2)	(379,425)	(184,754)
Other deductions	23,395	28,820
	5,754,638	5,998,691
NET OPERATING MARGIN (DEFICIT)	(81,004)	1,409,209
NON-OPERATING MARGIN:		
Interest and dividend income	1,024,264	598,858
Other, net (Note 2)	1,143,400	1,107,215
	2,167,664	1,706,073
NET MARGIN	$ 2,086,660	$ 3,115,282

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

Corn Belt Power Co-op
STEVE CURRY
Meter Technician

Steve Curry operates the lighting system for Humboldt Community Chorus

"It's nice to get involved and help make a project like this work. It takes several people, time and a lot of effort. I like being a part of it."

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000 and 1999 (NOTE 2)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	$ 2,086,660	$ 3,115,282
Adjustments to reconcile net margin to cash provided by operations:		
Depreciation and amortization	7,771,284	8,755,575
Amortization of nuclear fuel	1,964,339	1,595,857
Amortization of deferred refueling costs	1,270,133	1,259,959
Amortization of Department of Energy decommissioning costs	126,506	123,299
Gain on sale of investment	(836,783)	0
Changes in current assets and liabilities:		
Accounts receivable	(500,326)	584,143
Inventories	243,242	(60,856)
Prepayments	94,102	(53,340)
Accounts payable	953,139	417,964
Accrued property and other taxes	227,404	(295,188)
Accrued interest and other liabilities	1,149,432	139,751
Payment to Department of Energy for decommissioning	(129,582)	(125,380)
Other	(40,271)	(71,112)
Net cash provided by operating activities	14,379,279	15,385,954
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	1,964,387	5,470,000
Repayment of long-term debt	(5,267,267)	(5,382,600)
Deferred patronage dividends paid	(1,332,833)	(585,179)
Cash provided from CTS fund	0	1,012,204
Net cash provided/used in financing activities	(4,635,713)	514,425
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to electric plant, net	(6,279,280)	(5,016,871)
Additions to nuclear fuel	(2,916,307)	(3,584,990)
Additions to deferred refueling costs	(64,367)	(1,791,081)
Sale (purchase) of non-utility plant, net	30,984	(211,782)
Additions to decommissioning fund	(847,056)	(900,909)
Proceeds from sale of investment	1,836,783	0
Change in other investments	(849,620)	(455,694)
Net cash used in investing activities	(9,088,863)	(11,961,327)
Net increase in cash and cash equivalents	654,703	3,939,052
CASH AND CASH EQUIVALENTS AT:		
Beginning of year	12,986,659	9,047,607
End of year	$ 13,641,362	$ 12,986,659

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

STATEMENTS OF DEFERRED PATRONAGE DIVIDENDS AND OTHER EQUITIES

For the Years Ended
December 31, 2000 and 1999

	2000	1999
DEFERRED PATRONAGE DIVIDENDS:		
Balance assigned beginning of year	$ 9,192,504	$ 8,777,682
Net margin	2,086,660	3,115,282
Revenue deferred patronage dividends	66,357	90,820
	11,345,521	11,983,784
Patronage dividends paid	(1,332,833)	(585,179)
Appropriation of margin -		
Reserve for contingent losses	(1,403,017)	(1,956,101)
Statutory surplus	0	(250,000)
Balance assigned end of year	$ 8,609,671	$ 9,192,504

OTHER EQUITIES:
(Appropriated Margins)

	Statutory Surplus	Reserve for Contingent Losses	Total
Balance December 31, 1998	$4,099,484	$ 16,648,494	$ 20,747,978
Appropriation of margin	250,000	1,956,101	2,206,101
Balance December 31, 1999	$ 4,349,484	$ 18,604,595	$ 22,954,079
Appropriation of margin	0	1,403,017	1,403,017
Balance December 31, 2000	$ 4,349,484	$ 20,007,612	$ 24,357,096

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended
December 31, 2000 and 1999

	2000	1999
Net margin	$ 2,086,660	$ 3,115,282
Change in unrealized gain in market value of investments	(542,234)	(612,076)
Comprehensive income	$ 1,544,426	$ 2,503,206

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

GRUNDY CENTER
FIRE DEPT.
KEVIN KUESTER
Operations Manager
DAN HUFFMAN
Member Services Director
Grundy County REC

Kevin Kuester & Dan Huffman, Grundy Center Fire Department volunteer fire fighters

"The management and directors of the REC want us to volunteer and they support us 100 percent. If we don't do it, who can we expect to volunteer to do the work?" — Kevin

"The REC helped with the loan for our new fire station here in Grundy Center. That's great support. The REC lets its employees like myself respond to the fire calls during work hours. It's a big help to the community." — Dan

NOTE (1) ORGANIZATION:

Corn Belt Power Cooperative (the Cooperative) is a Rural Utilities Service (RUS) financed generation and transmission cooperative created and owned by 11 distribution cooperatives and one municipal cooperative association. Electricity supplied by the Cooperative serves farms, small towns and commercial and industrial businesses across 27 counties in north central Iowa.

The Cooperative's Board of Directors is comprised of one representative from each member cooperative and is responsible for, among other things, establishing rates charged to the member cooperatives.

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES:

The Cooperative maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the RUS. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies are:

A. Electric Plant -

Electric plant is stated at original cost which includes payroll and related benefits, sales and use taxes, property taxes and interest during the period of construction.

Costs in connection with repairs of properties and replacement of items less than a unit of property are charged to maintenance expense. Additions to and replacements of units of property are charged to electric plant accounts.

In 1999, the Cooperative realized a gain of $920,000, included in the non-operating margin, on the sale of several rail cars used at the Neal #4 electric generating unit.

B. Depreciation and Decommissioning -

Depreciation is provided using straight-line methods and RUS-prescribed lives. These provisions, excluding nuclear facilities, were equivalent to a composite depreciation rate on gross plant of 2.87% and 2.96% for 2000 and 1999, respectively.

Under a joint-ownership agreement, the Cooperative has a 10% undivided interest in the Duane Arnold Energy Center (DAEC), a nuclear-fueled generating station, which was placed in service in 1974. The Cooperative is depreciating its interest in the DAEC and each year's property additions subsequent to 1984 on a straight-line basis over the remaining term of the initial Nuclear Regulatory Commission license for DAEC (2014). The composite depreciation rate on gross plant for DAEC was 3.45% and 3.42% for 2000 and 1999, respectively.

A Nuclear Regulatory Commission estimate of the decommissioning costs of DAEC was updated in 1999. This report estimated the Cooperative's share of the decommissioning costs of DAEC to be approximately $59,062,000 (in 1999 dollars). The Cooperative is providing for overall nuclear decommissioning costs using a funding method which assumes a 5% rate of inflation and 5% real rate of return. The method is designed to accumulate a decommissioning reserve sufficient to cover the Cooperative's share of decommissioning costs by the year 2014.

Decommissioning costs are included in depreciation and decommissioning expense, in the Statements of Revenues and Expenses. Such costs were $847,056 and $900,909, for 2000 and 1999, respectively. These decommissioning costs are being recovered in rates.

The total market value of the decommissioning funds accumulated at December 31, 2000, were $19,110,564, of which $12,200,142 has been placed in a fund legally restricted for use in decommissioning DAEC. The remaining $6,910,422, while not legally restricted, has been designated by the Cooperative for use in decommissioning DAEC.

During 1999, the Board of Directors of the Cooperative approved a plan to fully decommission the Humboldt plant. The decommissioning will take approximately 2 years and the total estimated cost of $1,837,225 was accrued in 1999. In 2000, adjustments were made to the salvage value, which increased the provision by $1,077,164.

C. Nuclear Fuel -

The cost of nuclear fuel is amortized to steam and other power generation expenses based on the quantity of heat produced for the generation of electric energy. Such amortization was $1,964,339 and $1,595,857 for 2000 and 1999, respectively.

D. Land Held for Future Use -

The Cooperative owns land held for a potential generation plant and related transmission facilities to provide for future power needs.

E. Deferred Refueling Costs -

The Cooperative defers extraordinary operation and maintenance expenses incurred during refueling outages of DAEC. These costs are being amortized to expense based on the expected generation of the next fuel cycle which corresponds with the period the Cooperative is recovering these costs in its rates. Such amortization was $1,270,133 and $1,259,959 for 2000 and 1999, respectively.

F. Interest During Construction -

Interest during construction represents the cost of funds used for construction and nuclear fuel refinement. The average rate was 6.5% and 7.3% for 2000 and 1999, respectively, and is based on the Cooperative's levels and costs of financing.

G. Capital Lease -

The Cooperative has a long-term lease agreement with the City of Webster City (Webster City) under which Webster City has agreed to provide certain generation and transmission facilities to the Cooperative. In return, the Cooperative will pay a minimum charge which approximates the debt service on these facilities. The Cooperative has capitalized this lease and reflected it in electric plant and has reflected the related obligation as a capital lease obligation.

H. Income Taxes -

The Cooperative is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code.

I. Statements of Cash Flows -

For the purpose of reporting cash flows, the Cooperative considers temporary cash investments purchased with a maturity of three months or less to be cash equivalents. Cash paid for interest, net of interest capitalized, was $4,602,983 and $5,941,308 for 2000 and 1999, respectively.

DOUG BUELTEL
Line Foreman
Humboldt County REC

Doug Bueltel serves on the Humboldt Community Airport Board of Directors

"I've been on the Humboldt Community Airport Board for 12 years. We keep everything up to standards here at the airport and keep the cost of flying at a minimum, which benefits the whole community."

J. Cash and Investments -

The Cooperative has cash and investments in the following:

	2000	1999
Obligations of the U.S. government and its agencies	$ 9,268,733	$ 10,098,118
Corporate bonds	1,560,258	658,168
Common and preferred stock	7,211,981	5,749,520
National Rural Utilities Cooperative Finance Corporation commercial paper	13,101,138	12,704,719
Cash and CDs deposited with federally insured financial institutions	543,433	287,570
Funds held in trust	1,695,743	2,060,265
Other investments	372,007	471,926
	$ 33,753,293	$ 32,030,286

The above investments are included as follows in the accompanying balance sheets:		
Decommissioning fund	$ 19,110,564	$ 17,889,867
Other investments	1,001,367	1,153,760
Cash and cash equivalents	13,641,362	12,986,659
	$ 33,753,293	$ 32,030,286

The carrying amounts of cash and cash equivalents and short-term investments of $13,641,362 and $12,986,659 at December 31, 2000 and 1999, respectively, approximate the fair value because of the short maturity of these investments. The Cooperative's decommissioning fund investments, which include marketable debt and equity securities, are reported at fair value with unrealized gains and losses reported as a net amount in a separate component of membership capital until realized.

The fair value of the Cooperative's other investments are based on quoted market prices for those or similar investments, where available. The carrying value of these investments approximate fair value as of December 30, 2000.

For other investments of $2,682,239 and $3,757,432 at December 31, 2000 and 1999, respectively, for which there were no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. The 1999 investments at December 31, 1999 include $1,000,000 invested in the preferred stock of the Iowa Capital Corporation (ICC).

In 2000, the ICC stock was sold for $1,836,783 and a gain of $836,783 was realized.

The Cooperative has an investment of $2,514,836 at December 31, 2000 and 1999, with the National Rural Utilities Cooperative Finance Corporation (CFC). This investment is required in order to allow the Cooperative to borrow funds from CFC. The investment earns interest of 5% on $2,195,507 which matures between 2070 and 2080 and 3% on $319,289 which matures between 2007 and 2025.

K. Note Receivables -

Note receivables consist of notes to member cooperatives and other businesses to assist in economic development of qualifying industrial sites, speculative buildings, rural housing and certain joint venture projects.

L. Prior Year Reclassifications -

In order to consistently state the financial results of the Cooperative during the reporting periods, certain reclassifications were made to December 31, 1999 financial statements.

NOTE (3) DEFERRED PATRONAGE DIVIDENDS AND OTHER EQUITIES:

In accordance with the Iowa Code, the Board of Directors is required to allocate a portion of the current year's net margin to statutory surplus until the statutory surplus equals 30% of total equity. No additions can be made to statutory surplus whenever it exceeds 50% of total equity. The Board of Directors appropriated $250,000 of the 1999 net margins to statutory surplus.

The equity designated "Reserve for contingent losses" in the Statements of Deferred Patronage Dividends and Other Equities is an appropriation of equity by the Board of Directors. The Board of Directors appropriated $1,403,017 and $1,956,101 of the 2000 and 1999 net margins to reserve for contingent losses. There is no statutory restriction of this equity.

The Board of Directors is permitted by the Iowa Code to allocate the current year's net margin to deferred patronage dividends upon meeting certain requirements and is required to make such allocations if the net margin for the year exceeds specified maximums. The Board of Directors has appropriated $750,000 and $1,000,000 of the 2000 and 1999 net margins to deferred patronage dividends. Deferred patronage dividends are to be paid in the future as determined by the Board of Directors.

Under the conditions of the Cooperative's mortgages, deferred patronage dividends cannot be retired without approval of the RUS and the CFC unless the remaining equity meets certain tests. The Cooperative does not meet these tests at December 31, 2000. However, the Cooperative received permission and retired $742,504 of the 1988 and $590,329 of the 1989 patronage dividends during 2000. During 1999, $77,683 of the 1986, $500,000 of the 1987, and $7,496 of the 1988 patronage dividends were retired.

UNITED
METHODIST CHURCH
KAREN RINGLEB
Office Manager/Accountant
Franklin REC

Karen Ringleb, Volunteer groundskeeper,
United Methodist Church

Karen Ringleb, Volunteer groundskeeper,
United Methodist Church

"I like working for the church. They were looking for someone to mow the church grounds, and I chose to volunteer to help out. I think people know that a lot of REC people live and work in this community. Our employees are involved."

NOTE (4) LONG-TERM DEBT:

Long-term debt consists of mortgage notes payable to the United States of America acting through the RUS and the Federal Financing Bank (FFB), capital lease obligations, notes issued in conjunction with the issuance of pollution control revenue bonds, and notes borrowed through the USDA Intermediary Relending Program "IRP Notes". The Cooperative applied for the IRP Notes in 1999 and received the proceeds in 2000. The proceeds of these IRP Notes are then relended to other eligible businesses within certain approved counties in the Cooperative service area. These IRP Notes are not secured by assets of the Cooperative. Substantially all the assets and all rent, income, revenue and net margin of the Cooperative are pledged as collateral for the long-term debt of the Cooperative. Long-term debt is comprised of:

	2000	1999
Mortgage notes due in quarterly installments:		
RUS 2%, due 2001-2008	$ 7,372,643	$ 8,604,299
RUS 5%, due 2001-2019	20,612,068	21,728,347
FFB 5.0%-10.7%, due 2001-2019	62,745,633	63,781,247
	90,730,344	94,113,893
Capital lease obligations -		
Webster City revenue bonds		
5.9%, due 2001-2002	1,142,770	1,682,101
Pollution control revenue bonds -		
6.125%, due 2001-2007	1,650,000	1,830,000
USDA Intermediary Relending Program -		
1%, due 2003-2029	800,000	0
	$ 94,323,114	$ 97,625,994

Maturities of long-term debt for the next five years are as follows:

Year	Maturity
2001	$ 6,273,147
2002	6,445,307
2003	6,162,252
2004	6,398,498
2005	6,522,343
Thereafter	62,521,567
	$ 94,323,114

The Cooperative had available at December 31, 2000, an unused $12,000,000 line of credit with CFC of which $1,000,000 is available only in the event of a nuclear incident.

Based on the borrowing rates currently available to the Cooperative for debt with similar terms and maturities, the fair value of the long-term debt was $98,214,058 and $102,802,652 at December 31, 2000 and 1999, respectively.

NOTE (5) CONSTRUCTION COMMITMENTS:

Total construction expenditures for 2001, including expenditures for the jointly-owned units, are estimated to be $10,729,755, of which $482,100 is for the purchase of nuclear fuel at DAEC.

NOTE (6) JOINT PLANT OWNERSHIP:

Under joint-ownership agreements with other Iowa utilities, the Cooperative had undivided interests at December 31, 2000 in three electric generating units as shown below:

	Neal #4	Council Bluffs #3	DAEC
Total electric plant	$ 43,702,926	$ 14,233,401	$ 70,920,542
Accumulated depreciation	$ 27,067,015	$ 8,301,235	$ 37,316,851
Unit accredited capacity (mW)	645.5	675	530
Cooperative's share (%)	11.3%	3.8%	10.0%

Each participant provided its own financing for its share of the unit. The Cooperative's share of direct expenses of the jointly-owned units is included in the operating and maintenance expenses on the Statements of Revenues and Expenses.

During 1991, the Cooperative, one of its members, North Iowa Municipal Electric Cooperative Association (NIMECA), and the City of Grundy Center (the City), a NIMECA member, entered into a long-term lease agreement for the use by the City of two megawatts of the Cooperative's capacity in the Neal #4 generation facilities. The Cooperative will continue to act as the Neal #4 partner on behalf of the City. The above plant statistics have been reduced to reflect the agreement.

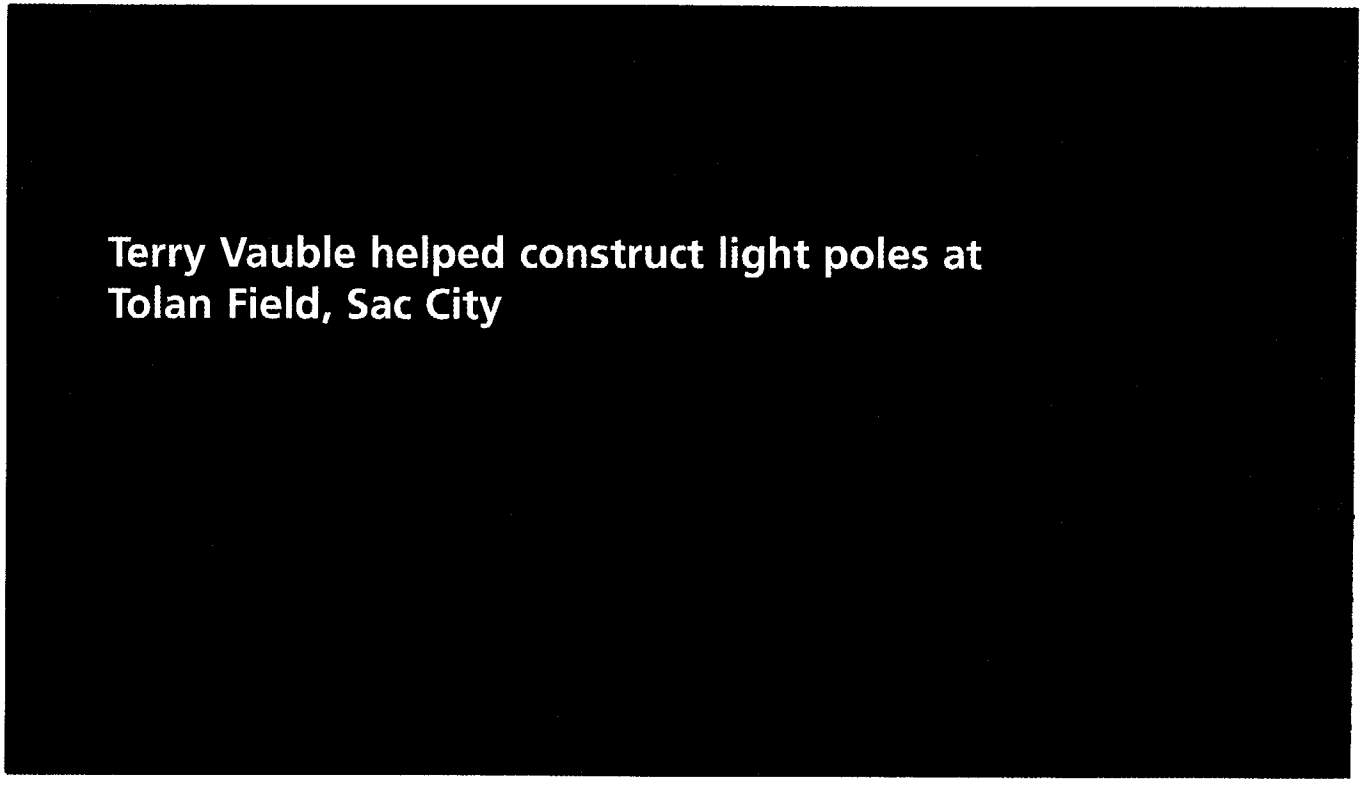
NOTE (7) BENEFIT PLANS:

The Cooperative participates in the National Rural Electric Cooperative Association (NRECA) Retirement & Security Program (the Program). The Program is a defined benefit pension plan qualified under Section 401 and tax exempt under Section 501 (a) of the Internal Revenue Code. The Cooperative recorded a total current period service cost to the Program of $482,774 and $362,135 for 2000 and 1999, respectively. In this multi-employer plan, which is available to all NRECA member cooperatives, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The Cooperative also provides a 401(k) plan, available to all employees with the Cooperative matching 25% of the employees' contributions up to 5% of the employees' wages. The maximum Cooperative match increased on July 1, 1999, from 4% to 5%.

TOLAN FIELD
TERRY VAUBLE
Line Sub Foreman
Sac County REC

Terry Vauble helped construct light poles at Tolan Field, Sag City.

"When someone was needed to install the lights, the REC had the equipment and we got it done. Small communities don't have the money to pay for everything and so volunteer work is pretty vital to a community and its existence."



Terry Vauble helped construct light poles at Tolan Field, Sac City

NOTE (8) NIMECA COMBINED TRANSMISSION SYSTEM:

In 1989, the Cooperative and one of its members, NIMECA, entered into a joint transmission agreement which allows several members of NIMECA an individual undivided ownership interest in and access to the Cooperative's transmission system. The Cooperative will continue to operate and maintain the system. NIMECA members will reimburse the Cooperative for the proportionate share of operating expenses of the system and will contribute proportionately for all future capital additions of the system.The reimbursements of the 2000 and 1999 operating expenses were $452,656 and $435,887, respectively, and were recorded as operating revenues. Additionally, the Cooperative and NIMECA entered into a capacity sharing agreement which provides for the sharing of generating resources through at least 2009.

NOTE (9) CLEAN AIR ACT:

The Clean Air Act (Act), as amended, made significant changes in the nation's clean air laws.The Act's specific amendments to acid deposition control (acid rain) make significant reductions in the amounts of sulfur dioxide and nitrous oxide emissions allowed on an annual basis nationwide.The Cooperative's coal-fired generating stations are in compliance with the standards established by Phase I of the Act and management has begun implementing the program necessary to meet the compliance requirements of Phase II. The Cooperative is currently seeking an alternate emissions limit to the existing Phase II compliance requirements for nitrous oxide emissions.

NOTE (10) NATIONAL ENERGY POLICY ACT:

The Federal National Energy Policy Act of 1992 requires owners of nuclear power plants to pay a special assessment into a "Uranium Enrichment Decontamination and Decommissioning Fund."The assessment is based upon prior nuclear fuel purchases and for the DAEC averages approximately $1,175,080 annually through 2007, of which the Cooperative's 10% share is $117,508. The Cooperative's total assessment of $1,978,529, which will be recovered in rates, has been recorded as a liability, net of payments, in the balance sheets.This liability, totaling $836,832 including its long- and short-term portion on December 31, 2000, has been recorded with a corresponding deferred charge amortized over a 15-year period, beginning in 1992.

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE (11) NUCLEAR INSURANCE PROGRAM:

The Cooperative, under the provisions of the Price-Anderson Amendments Act of 1988 (the 1988 Act), has the benefit of $9.5 billion of public liability coverage. The coverage consists of $200,000,000 of insurance and $9.3 billion of potential retroactive assessments from the owners of each commercial nuclear power plant. Under the 1988 Act for losses relating to nuclear accidents in excess of $200,000,000, each nuclear reactor may be assessed a maximum of $88,100,000 per nuclear incident, payable in annual installments of not more than $10,000,000. The Cooperative's assessment on its 10% ownership in DAEC may be up to $8,810,000 per nuclear incident with a maximum of $1,000,000 per year. These limits are subject to adjustments for inflation in future years.

Pursuant to provisions in various nuclear insurance policies, the Cooperative could be assessed retroactive premiums in connection with future accidents at a nuclear facility owned by a utility participating in the particular insurance plan. In addition, the Cooperative could be assessed annually $550,000 related to coverages for excess property damage if the insurer's losses relating to an accident exceed its reserves. While assessment may also be made for losses in certain prior years, the Cooperative is not aware of any losses in such years that it believes are likely to result in an assessment.

In the unlikely event of a catastrophic loss at DAEC, the amount of insurance available may not be adequate to cover property damage, decontamination and premature decommissioning. Uninsured losses, to the extent not recovered through rates, would be borne by the Cooperative and could have a material adverse effect on the Cooperative's financial position and results of operations.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS OF CORN BELT POWER COOPERATIVE:

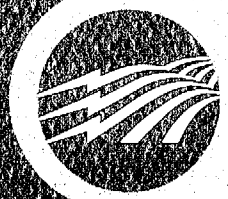
We have audited the accompanying balance sheets of Corn Belt Power Cooperative (a cooperative association incorporated in Iowa) as of December 31, 2000 and 1999, and the related statements of revenues and expenses, cash flows, deferred patronage dividends and other equities, and comprehensive income for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corn Belt Power Cooperative as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Kansas City, Missouri
March 2, 2001

ARTHUR ANDERSEN LLP



Corn Belt
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