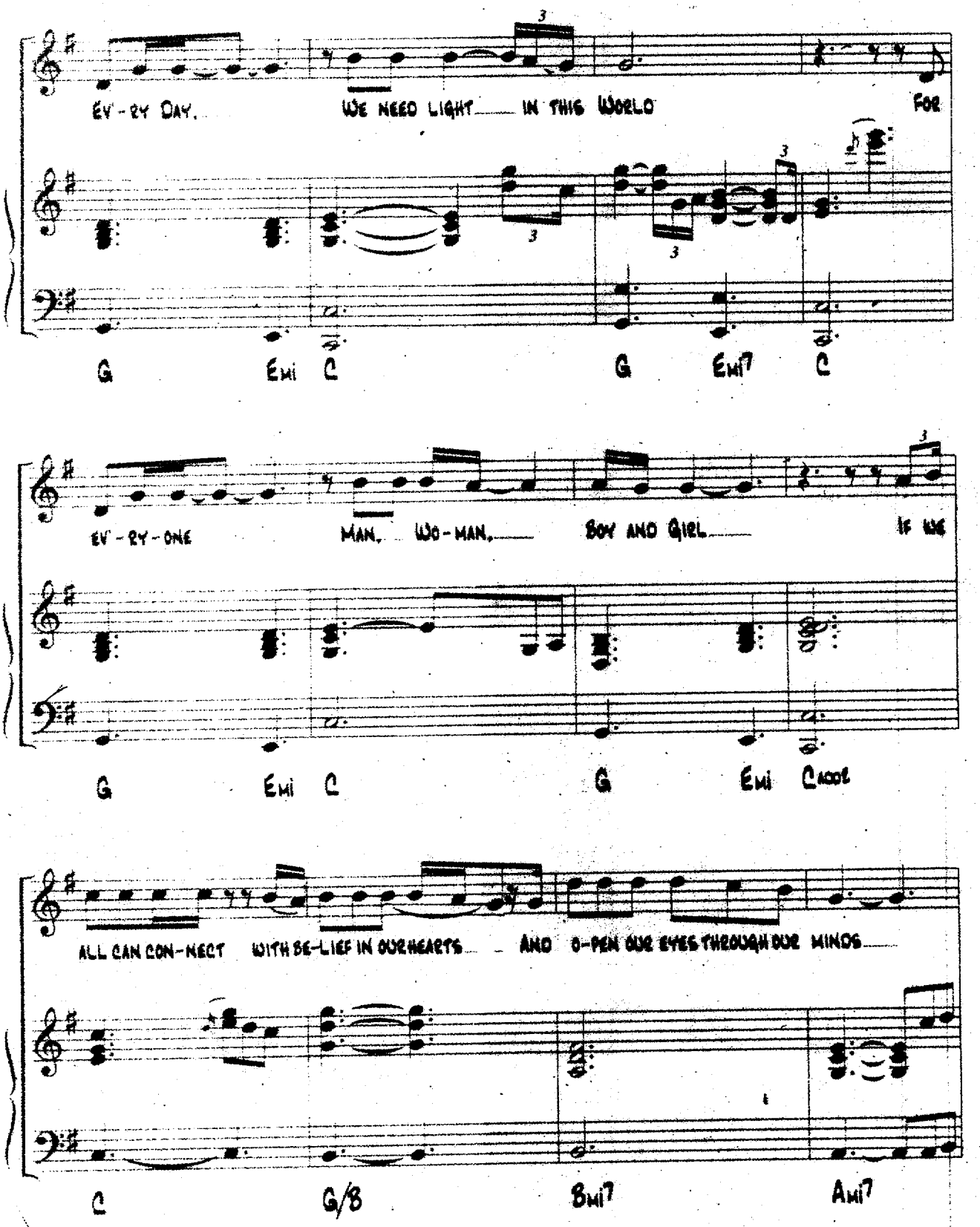
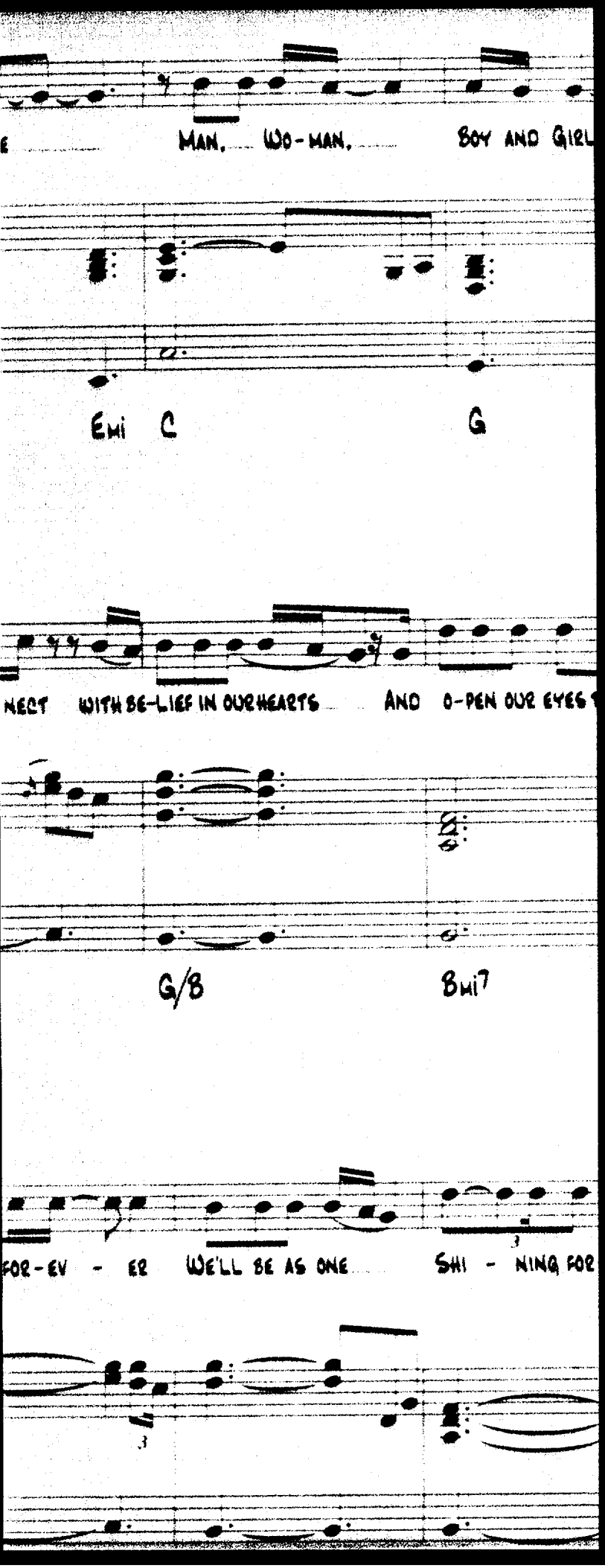
We Shine As One

Touchstone Energy Theme Song




E MAN, WO-MAN, BOY AND GIRL
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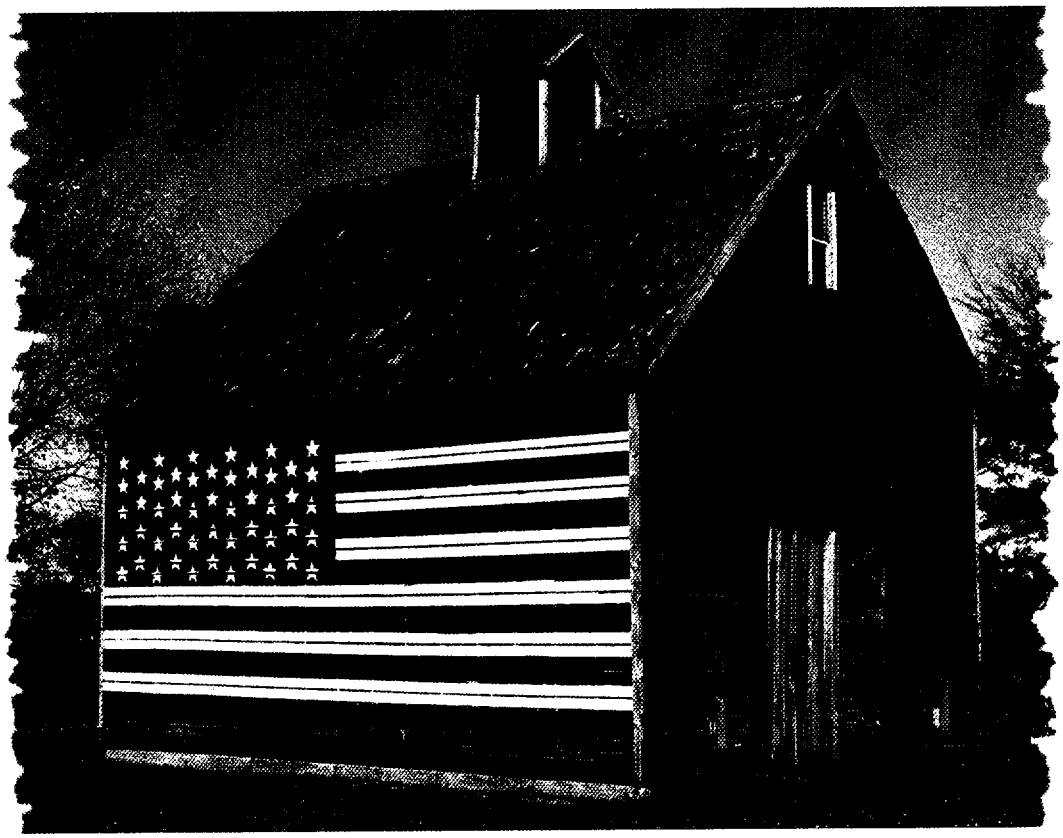
NECT WITH BE-LIEF IN OUR HEARTS AND O-PEN OUR EYES
G/B Bmi7
FOR-EV - ER WE'LL BE AS ONE SHI - NING FOR



Corn Belt
Power Cooperative
A Touchstone Energy® Cooperative

2001 Annual Report

We Shine As One

Certainly 2001 will be remembered for the shock and then the horror we felt when our homeland was attacked. But even more powerful than the loss every American experienced Sept. 11 is the strength we found in coming together. Diverse as Americans are in their lifestyles, religious beliefs, and ethnic heritage, we are united in our love of freedom.

Looking back on 2001 is painful in many ways. But it also provides an opportunity to celebrate what can be accomplished when we work together —

when we shine as one.

On the cover: This patriotic corn crib is located on the farm of Jerry & Angie Hartnett, members of Prairie Energy Cooperative, rural Webster City.

Executive Report

perating in an economy in which huge companies are filing for bankruptcy, downsizing their work forces and experiencing turbulent times, Corn Belt Power Cooperative emerged from 2001 rock solid.

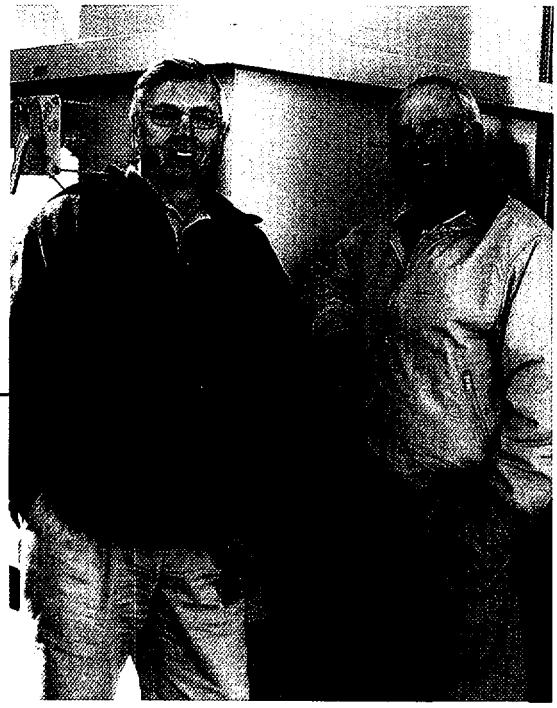
Corn Belt Power's rates are stable, our employment is stable and the balance sheets show our strength.

We can point to a host of reasons for the strong condition of our cooperative. Excellent employees, effective management and boards that have made decisions with foresight have led to our success.

During 2001, Corn Belt Power's board of directors held to a philosophy that is both conservative and aggressive, leading the cooperative toward its continued positive financial performance. Our decommissioning fund, for example, has been operated conservatively, with the board choosing a lower level of risk in its financial investment. We've also been conservative in our budgeting, keeping down expenses and trimming costs where possible. Instead of jumping out and tackling a new power plant all by ourselves, we've chosen a partner in our new venture to build generation, which will mitigate the risk.

At the same time, Corn Belt Power has been aggressive in its response to the changing needs of its member cooperatives. Growth in the RECs' systems has resulted in the need for additional capacity. Instead of choosing to rely on others for purchased capacity, we've decided to control our own destiny and build a combustion turbine. Owning our generation supply gives us a voice in our future. Our past power supply decisions have created a balanced mix of generation — coal, nuclear and hydropower. Our future progress will be aided by continued diversity with the addition of a combustion turbine, wind power and, possibly, expanded joint-ownership in a coal-fired plant. This approach accommodates growth, yet also spreads out risk through several smaller projects that use a variety of fuels.

Corn Belt Power continues to work aggressively with its member cooperatives to help them capture new loads. Significant investment in economic development activities has been a major element contributing to our continued strength. Our



Donald Feldman
President, Corn Belt Power Cooperative Board of Directors

Dale M. Arends
Executive Vice President & General Manager

banker has posed the question, "Are you guys good or just lucky?" Truthfully, some of our good fortune has been simply because of where we are located. Developers who want to build an ethanol plant in north central Iowa will likely build it on our member cooperatives' lines. However, large industries looking to locate a new site certainly check on electric rates and will insist on good reliability. CEOs of major companies have also told us that they have chosen to locate on our member cooperatives' lines because our communities offer good places to raise their families. Certainly, the quality of life that cooperatives work to support has been a major factor in the growth we've experienced.

Some may pose the question of why Corn Belt Power continues to advocate growth when our sales are high and new loads require us to build additional generation and, therefore, eventually raise rates. We know from the past that growth is always a better alternative than decline. Growth counteracts costs of inflation. Even though it may raise rates in the short term, growth still helps to hold rates down in the long run. New loads also keep employment and property values high.

Our ability to listen to our members is another reason that Corn Belt Power continues to enjoy success. We have excellent relationships with our member cooperatives and their boards of directors and management. Listening to their needs keeps us on the same path and helps us to draw consensus from the boardroom to the operations area. Good communication helps us come to the right decision and support it throughout the system.

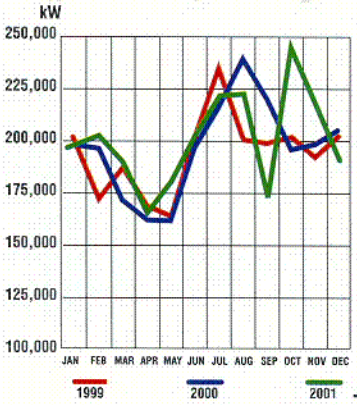
The future holds both change and consistency for our cooperative. We will soon see the effects of a new rate design that more accurately reflects the real cost of power during the summer months. Other new ventures include participation in the TRANSLink Transmission Company. It is important for Corn Belt Power to stay involved in transmission developments to continue to have a voice in how they proceed. The future holds our continued support for the Touchstone Energy® brand. With the progress toward competition delayed, the timing is perfect for us to build our brand toward becoming a household name.

With future changes, we will also hold fast to the philosophy that has kept us solid. Conservative approaches to decision making, taking calculated risks and keeping an active ear toward our member cooperatives will keep Corn Belt Power Cooperative strong.

for everyone man, woman, boy and girl if we all can connect with

Total Sales

Includes RECs, NIMECA, Webster City & Sales to Others



System Peak

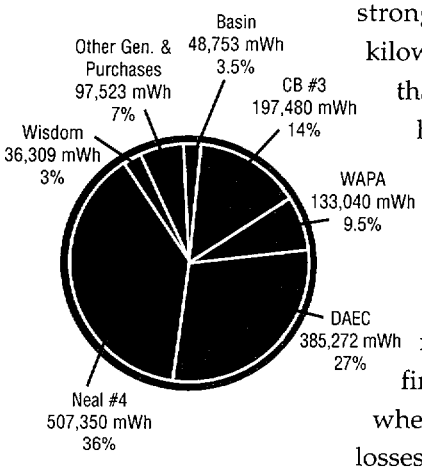
Corn Belt System Peak =
(REC + WC + Estherville) x 1.06
at time of CBPC/WC 60-minute system peak

C01

Year In Review

Strong Sales, Record Peak

Despite a relatively cool summer and a record-warm November and December, total sales to the member cooperatives, NIMECA, Webster City Municipal Utilities and others were strong in 2001, totaling 1,321 million kilowatt-hours — only 1.3 percent lower than the record 1,339 million kilowatt-hours set in 2000. Increased commercial and industrial load and a high crop drying demand buoyed the sales total through the mild weather.



2001 Generation Summary

(represents input from major resources and 100% ownership shares)

The crop drying demand set a new record peak for Corn Belt Power for firm power sales on Oct. 26 at 8 a.m. when 247 megawatts of demand including losses was recorded. The previous peak was set in August 2000 at 230 megawatts. Several factors entered into setting the new record, including a 27 degree temperature, winds blowing out of the northwest, a later than normal crop harvest and a large quantity of wet corn that needed to be dried.

New Rate Design

Corn Belt Power's rates remained stable for the ninth consecutive year in 2001. Acknowledging, however, that sales have grown and the cooperative no longer has excess capacity, the board of directors implemented a new wholesale firm power rate design effective Oct. 1 for its members and Webster City Municipal Utilities.

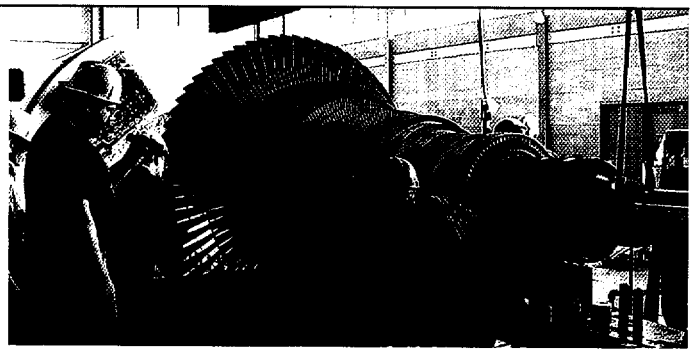
Corn Belt Power's former rate design included an equal demand charge every month of the year. The new rate, designed to be revenue neutral to Corn Belt Power, more accurately reflects wholesale power market conditions by incorporating an additional summer demand charge during June, July and August. Also, the revamped substation charge is now tied to the capacity of each substation.

During the annual meeting in April of 2001, patronage payments of $574,000 were distributed to the members from patronage allocated in 1989 and 1990. Margins were again strong during 2001, resulting in the Corn Belt Power board of directors allocating $625,000 in deferred patronage to members for the fiscal year.

Power Supply

The Corn Belt Power board made historic decisions in its direction of the cooperative's power supply in 2001. In addition to dismantling the Humboldt Station and approving construction of the Wisdom Unit 2 (see article page 14), the board issued a letter of intent to purchase 10 megawatts of wind generation from a project being explored in Hancock County by Florida Power and Light.

Employees at Wisdom Station set the repaired rotor after a major turbine overhaul.



At the Duane Arnold Energy Center, a refueling outage began in April and was completed in May. A power "uprate" approved by the Nuclear Regulatory Commission in November increased summer net megawatt output from 520 to 560 megawatts. Winter output was increased from 535 to 588 megawatts. The uprate was achieved by installing a new high-pressure turbine and installing a new moisture separator reheater. In 2001, the process for installing a dry cask storage system for spent fuel began. Also, security at the nuclear plant was heightened in response to the Sept. 11 terrorist attack.

At Wisdom Station, the turbine was online extensively during the spring and summer due to system requirements and outside system sales. Additional coal and sulfur dioxide allowances were purchased and a scheduled maintenance outage that included a major turbine overhaul took place at the end of the year. Turbine refurbishing and repairs were completed and the unit was back online in early January 2002.

Both the Neal 4 and Council Bluffs 3 plants operated satisfactorily in 2001. The Council Bluffs 3 unit experienced a record high net generation of 5,225,416 megawatt-hours and set its highest capacity factory at 88.37 percent. Despite two scheduled maintenance outages, the Neal 4 unit still experienced a 78 percent capacity factor.

Transmission and Electrical Maintenance

New commercial and industrial loads on member co-ops' lines resulted in extensive planning for new transmission and substation facilities. Planning for five new substations to serve these loads began during 2001. Three of the new substations — Tall Corn Substation near Coon Rapids, Gerled Substation near Lakota, and Pine Lake Substation near Cleves — will serve new ethanol projects. The former Maple Valley Substation was dismantled and moved to serve a new egg laying facility near

Corn Belt Power crews construct the Willemssen Switching Station southeast of Clarion.

Kevin Bornhoft, engineering assistant, surveys land for a substation as part of the extensive planning for new transmission and substation facilities.

Rembrandt. Petersen Substation is planned to serve a new industrial park near New Hampton.

Planning and construction began for two new switching stations that will create shorter line sections for increased reliability in the eastern part of the Corn Belt Power system. The Willemssen Switching Station was constructed southeast of Clarion, and the Garden City Switching Station southeast of Ellsworth is planned for construction in 2002. Other electrical maintenance projects included capacitor bank and breaker upgrades at Sherwood, Galbraith and Plainfield substations.

Journeyman electricians Bill Fort and Rich Van Gorp assemble a structure at the Rembrandt Substation. Planning and construction for five new substations began in 2001.

Several sections of transmission line will also be needed to serve the new loads.

Plans began in 2001 for construction of the following facilities:

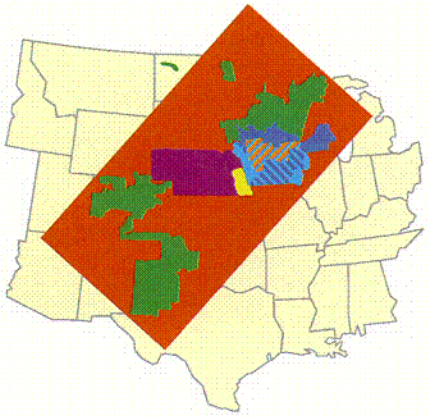
- Three miles of 69 kV line near Rembrandt for a new load for Iowa Lakes Electric Cooperative
- Three miles of 69 kV line to serve the new Midwest Grain Processors ethanol plant on Iowa Lakes Electric Cooperative's line near Lakota
- Three and a half miles of 69 kV line to serve the Tall Corn Ethanol plant on Glidden REC's line
- Nine miles of 69 kV line that will tie Corn Belt Power's Eagle Substation with Alliant Energy to increase reliability in the area
- Several new switches and ties that will increase reliability throughout the system

TRANSLink Transmission Company

In late September, Corn Belt Power, along with five other major utilities, filed with the Federal Energy Regulatory Commission (FERC) to create an independent entity called TRANSLink Transmission Company. If approved by FERC, TRANSLink will manage the transfer of electricity across the region's transmission system in an area that includes 14 states and 26,000 miles of transmission lines. The other utilities involved are

as one working together we're standing so strong and we shine as

This is the proposed "footprint" for the transmission service area covered by participants in the TRANSLink Transmission Company.



C02

MidAmerican Energy Company, Alliant Energy, Omaha Public Power District, Nebraska Public Power District and Xcel Energy. Although Corn Belt Power is not required to join a regional transmission organization like investor-owned utilities are, the board of directors approved participation in TRANSLink because the cooperative is interconnected with other utilities and is required to have a tariff for use of its transmission lines.

Unlike some other participants in TRANSLink, Corn Belt Power will not transfer ownership of its transmission system and, therefore, no jobs will be affected at the cooperative. Only Corn Belt Power's 161 kV and higher transmission lines will be included in TRANSLink. Corn Belt Power crews will continue to maintain all of the cooperative's transmission lines.

Economic Development and Key Accounts

Corn Belt Power, in partnership with its members, was the first Touchstone Energy® cooperative in Iowa to provide a company with the Energy Information Services consolidated billing service. Iowa Select Farms, L.P., Iowa's largest pork producing company with 240 locations in the state, signed a three-year contract for the service in March. The consolidated billing service helps businesses by reducing administrative costs, eliminating late fees, simplifying the payment process and tracking energy profiles.

Also in 2001, a second Intermediary Relending Program fund was developed with the United States Department of Agriculture (USDA) Rural Development approving an additional $500,000 in loan funds. With a Corn Belt Power match of $125,000, the new revolving loan fund has $625,000 to lend out to projects in these eight rural counties: Butler, Calhoun, Carroll, Franklin, Hardin, Kossuth, Palo Alto and Sac. USDA Rural Development makes loans available to intermediaries to establish revolving loan funds to provide loans to businesses and communities in rural areas.

Corn Belt Power developed a new interest buy-down program during the year. It allows Corn Belt Power and its distribution member co-ops to pay for up to a 30 percent reduction in a conventional bank loan for a new or expanding business.

Also during 2001, a new Business Development Department was created with Jim Vermeer named vice president, business development.

In partnership with its local distribution members and often with county development groups, Corn Belt Power actively

Randy Hildreth, right, USDA Rural Development, presents a plaque to Don Feldman, president, Corn Belt Power, in recognition of the cooperative's participation in the Intermediary Relending Program.

	2001 kWh Billed by Corn Belt Power	Miles of Lines	# of Meters Served	# of Employees
Boone Valley Electric Co-op	8,637,004	57.50	140	1
Butler County REC	146,931,029	1,790.24	5,844	35
Calhoun County Electric Co-op	31,113,230	764.91	1,737	10
Franklin REC	51,819,663	820.11	1,836	15
Glidden REC	44,762,250	758.00	1,684	13
Grundy County REC	76,124,095	913.23	2,285	14
Humboldt County REC	49,780,471	942.00	1,841	15
Iowa Lakes Electric Co-op	264,841,662	3,971.00*	10,000*	70
Midland Power Co-op	104,779,306	1,193.00*	3,082*	35
Prairie Energy Co-op	218,879,611	2,010.00	4,722	35
Sac County REC	22,031,101	487.19	1,113	9

*Corn Belt Power service territory only

one our power forever we'll be

2001 Cooperative Highlights

	2000	2001
Total Energy Sales	1,338,809,727 kWh	1,320,733,561kWh
REC Peak Demand (no losses)	170,714 kW	205,996kW
System Peak Demand	229,630 kW	246,843kW
Miles of Transmission Lines	1,620	1,620
Distribution Substations	129	129
Employees	87	87

C03

continued to support development of industrial parks and speculative buildings in 2001.

The Corn Belt Power board of directors approved funding for the following projects:

- Construction of a 20,000-square-foot speculative building in the Grundy County Industrial Park
- Construction of a 20,000-square-foot speculative building in the Northwest Industrial Park in Humboldt
- Development of a 154-acre industrial park on the south edge of New Hampton
- Development of a 40-acre industrial park on the southeast edge of Clarion
- Construction of a 30,000-square-foot speculative building in Hampton
- Construction of a 20,000-square-foot speculative building in the Spencer Technical Park; the building was expanded to 33,000-square-feet and is home to the NOK warehousing center
- Expansion totaling 12.5 acres in the Spencer Technical Park
- Construction of a 20,000-square-foot speculative building in the Spencer Technical Park addition
- Continued development of the Touchstone Energy® Park at Garner
- Economic development loan to Tall Corn Ethanol, Coon Rapids
- Construction of a 20,000-square-foot speculative building at Touchstone Energy® Park at Garner
- Construction of a new industrial park at Iowa Falls
- Development of the Willow Ridge housing addition in Humboldt

The first annual North Iowa Touchstone Energy® Invitational golf tournament was held July 30 at the Fort Dodge Country Club. Tournament players represented electric cooperatives, development partners and commercial and industrial members of Touchstone Energy® cooperatives. The golf day was organized to show appreciation and build relationships with member systems' key accounts, business contacts and development partners.

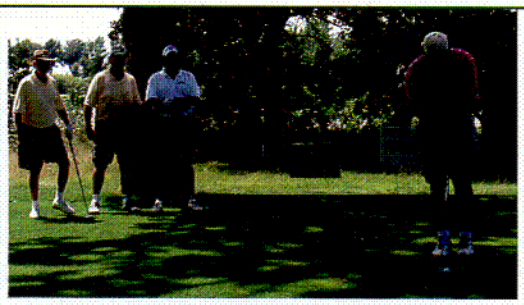
Two businesses served by member co-ops in the Corn Belt Power system received Venture Awards in 2001. Aspen Hills, Inc., and Daybreak Foods were two of eight Iowa businesses recognized for their contribution to Iowa's economic strength and diversity. Aspen Hills was nominated for the award by Prairie Energy Cooperative and Daybreak Foods was nominated by Iowa Lakes Electric Cooperative.

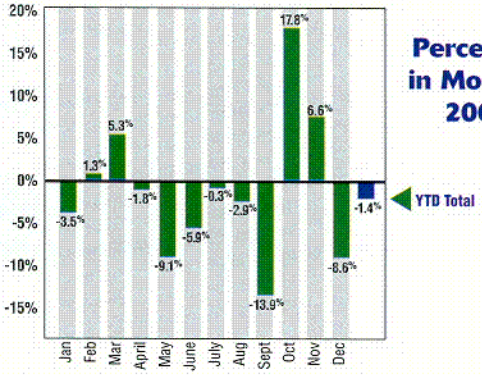
Marketing and Member Services

Corn Belt Power members installed record numbers of water heaters and heat pumps in

together as one. Shine as one through each generation, we've stood

A foursome from Midland Power Cooperative won first place in the North Iowa Touchstone Energy® Invitational Golf Tournament held July 30.





Percent Change in Monthly Sales 2001/2000

Includes RECs, Webster City, NIMECA & Sales to Others

C04

2001. Co-ops installed 986 electric water heaters — 44 percent of which replaced gas or were for new homes — during the year. This is the highest number of units installed since the water heater replacement program began in 1984.

Sixty new geothermal heat pumps and 99 air source heat pumps came online in homes of REC members, the highest number since the heat pump program began in 1986. Also, over 2,300 kW of new resistance heat came online during the year.

The Corn Belt Power system-wide target-marketing program continued in 2001, with direct marketing campaigns focusing on water heaters, geothermal heat pumps and surge protection. These direct marketing efforts contributed to increased sales and installations of electric water heaters and heat pumps.

Corn Belt Power and its member systems paid over $625,000 for marketing incentives to members who installed electric space heating or water heating systems in 2001. Rate incentives of over $1.3 million were paid to customers for almost 56 million kilowatt-hours of electric heating and cooling used during the year.

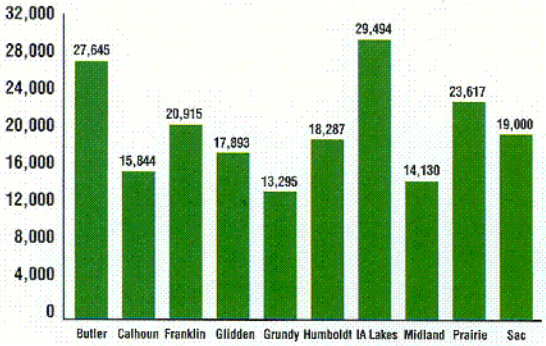
In parallel to the new wholesale rate structure, the heat rate program changed. Kilowatt-hour credits are now offered for all heat during the "non-summer" months of September through May. Due to higher summer energy costs, air conditioning credits are no longer offered to new program participants.

In 2001, the 10-year-old Power Olympics program adopted a new name — Touchstone Energy® Challenge. Its purpose continued: to recognize cooperatives for their success promoting electric products and services, setting and achieving marketing goals, increasing customer service and supporting community involvement in voluntary groups and organizations.

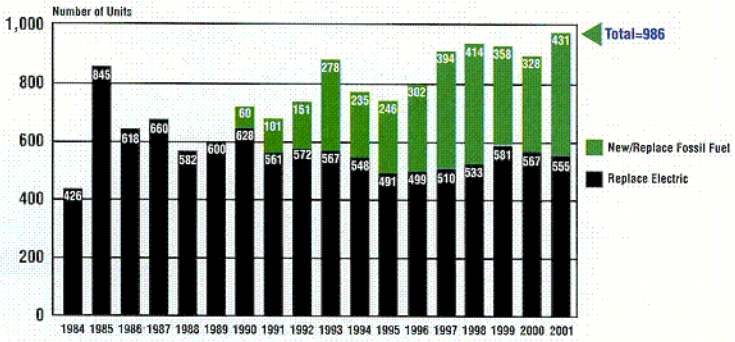
In support of the Touchstone Energy® value of commitment to community, member system employees, directors and Corn Belt Power employees reported over 19,000 hours of voluntary community service during the year to groups like Boy Scouts, 4-H, church and service clubs. This total topped hours reported in 2000. In addition, member cooperatives reported making over $60,000 in contributions to community service programs, and participating in 40 community service projects.

In January, Corn Belt Power hosted Touchstone Energy® Challenge training, featuring Bob Miller, Touchstone Energy® instructor. Miller identified key issues surrounding Touchstone Energy®, and

up with pride the journey's long and through it all we've held



2001 Touchstone Energy® Challenge



Water Heater Replacement Program

C05

encouraged employee participation and involvement in promoting the brand.

Year end Touchstone Energy® Challenge winners were:

Top points – Iowa Lakes Electric Cooperative

Growth (total points) – Midland Power Cooperative

Percent Growth (electric heating/cooling kWh) – Midland Power Cooperative

Percent Growth (system kWh) – Glidden REC

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

The Web development project directed by the E-Marketing Committee continued in 2001, focusing on common Web site design and functionality for member cooperatives. Also, a new e-mail marketing pilot program began, designed to enhance customer relationships through electronic communication.

During the year, Corn Belt Power coordinated training and communication efforts for new products, including surge protection and residential generators.

Touchstone Energy®

Corn Belt Power Cooperative continued its promotion of the Touchstone Energy® brand in 2001 through placement of a new ad series developed nationally. Focusing on a diverse group of individuals, the ads portray people in all walks of life who are part of their electric co-op. The message was communicated via television, radio, print and billboard advertisements. A special patriotic version of one of the ads titled "A Salute to America's Heroes" ran in *Time, U.S. News and World Report,* and *Newsweek* magazines. A patriotic television commercial was also

ABOVE: The students at Taft Elementary School in Humboldt were treated to ice cream after KCCI-TV and Humboldt County REC presented a SchoolNet weather station to the school.

LEFT: Jim Sayers, left, marketing director, meets with a trade show vendor at the Momentum is Building contractors conference held Feb. 8-9 in Des Moines.

produced highlighting the co-ops' anthem "We Shine as One." It started airing nationally in October on cable networks. The ad, projecting teamwork, solidarity and patriotism — qualities that Touchstone Energy® co-ops exhibit daily — was also placed on local Iowa television networks.

A new series of brochures was developed by Corn Belt Power, Central Iowa Power Cooperative (CIPCO) and Northwest Iowa Power Cooperative (NIPCO) for their member cooperatives. The new materials communicate the Touchstone Energy® brand while informing about heat pumps, energy efficiency and the value of doing business with cooperatives.

Students at 11 schools in the areas served by Corn Belt Power member systems are now able to study weather information and apply it to many different curriculum areas thanks to SchoolNet weather stations provided by KCCI News Channel 8, Corn Belt Power and local Touchstone Energy® co-ops. Mounted on the roofs of the schools, the weather stations provide real-time data for local students and the meteorologists at KCCI-TV in Des Moines. A total of 40 weather stations will be installed in the areas served by Corn Belt Power's and CIPCO's member cooperatives. KCCI-TV features the SchoolNet data on five daily newscasts and includes special coverage when areas experience severe weather. The weather data may also be accessed via the Internet through KCCI's website, TheIowaChannel.com.

Touchstone Energy® Cooperatives sponsored a tram at the Iowa State Fair Aug. 9-19. Fairgoers rode free of charge throughout the fairgrounds while listening to Touchstone Energy® messages.

Once again, Corn Belt Power and its member systems helped sponsor the Touchstone Energy® Tucson Open, held in January. Co-op representatives invited key accounts to attend the second annual New and Emerging Technologies Conference followed by the Touchstone Energy® Tucson Open. Corn Belt Power also helped sponsor a Touchstone Energy® booth at another national event, the Norsk Hostfest, held in Minot, North Dakota, in October.

Touchstone Energy® ran a special patriotic ad in several magazines nationwide in response to the Sept. 11 tragedy.

Corporate Relations

Dr. Tom Sutherland and his wife Jean were featured speakers at the Corn Belt Power annual meeting in April. A former American hostage in Lebanon, Sutherland shared the knowledge he gained about the value of commitment and the importance of finding the resources to deal with extreme change.

During 2001, Iowa's electric cooperatives showed their commitment to community by helping sponsor the exhibit called "A Few of

The Touchstone Energy® Cooperatives of Iowa once again sponsored a tram at the Iowa State Fair Aug. 9-19. Fairgoers rode free of charge throughout the fairgrounds while listening to Touchstone Energy messages.

Our Favorite Things," at the Iowa Historical Building. Subtitled "100 Creations of the 20th Century," the exhibit included several original electric appliances.

Employees and directors of Corn Belt Power will soon be communicating with increased efficiency, speed and accuracy due to Cooperative On-Line Resourcing, also known as the COLR (pronounced "color") project. Approved by the board of directors in the fall, the COLR project will create a computer Intranet and e-mail access for all employees and directors. The Intranet site will include information such as a daily news page, printed publications, plans and manuals, company forms, employee calendars, board minutes and agendas, inventory records and human resources information.

Corn Belt Power Cooperative is partnering with Northwest Iowa Community College, Sheldon, to offer scholarship opportunities for students enrolled in electrical technology and power line technology training programs. Three separate $500 scholarships will be awarded annually to individuals who have met the eligibility requirements. As a Touchstone Energy® Cooperative, Corn Belt Power is committed to the communities it serves and to maintaining a skilled and educated workforce to serve its members well into the future.

TOP: Iowa's electric cooperatives helped sponsor an exhibit at the Iowa Historical Building.

BOTTOM: Representatives from Humboldt County REC meet with Sen. Thurman Gaskill in the rotunda of the Iowa State Capitol at REC Day on the Hill Feb. 21.

Legislative Contacts

Corn Belt Power and its member cooperatives continued to communicate with state and national legislators on issues of concern during 2001. In February, over 200 directors and employees of Iowa's electric cooperatives attended REC Day on the Hill at the State Capitol in Des Moines. Areas of concern included the co-op technical bill that clarified co-op law, a railroad right-of-way bill and an electric generation bill that would encourage construction of generation facilities in Iowa.

A group of REC leaders traveled to the nation's Capitol in May to update their congressional leaders on Iowa's electric industry. While in Washington, D.C., REC representatives asked their elected officials to oppose the national customer choice mandate and the expansion of the Federal Energy Regulatory Commission's regulation over electric co-ops.

Late in the year, co-op representatives met with state legislators to express their views on such topics as the Governor's Energy Policy Task Force, renewable and alternative energy production, net metering and energy efficiency programs.

Long-time employee Myron "Shorty" Card retired in December 2001 after 43 years working in the Transmission Department for Corn Belt Power.

New employees included Jodie Harker, human resources director; Monty Dammann, general plant worker; and Jessica Heiden, computer support specialist.

Corn Belt Power honored many long-time employees with service awards in 2001:

10 Years:
Darwin Johnson, shift operator
Dennis Roberts, tractor operator

15 Years:
Lance Tinken, system supervisor

20 Years:
Kevin Bornhoft, engineering assistant
Lynn Miller, communications technician

30 Years:
Jerry Moritz, electrical maintenance foreman
Jack Strickland, system electrical superintendent

35 Years:
Jack Bennett, general maintenance foreman
John Hatcher, meter technician
Richard Van Gorp, journeyman electrician
Paul Westfall, journeyman electrician

Ethanol

Low corn prices and new California markets for ethanol have provided renewed investment interest in ethanol production across Iowa. New ethanol plants will affect not only grain prices for area farmers, but also sales and revenues of the electric cooperatives that serve them.

Tall Corn Ethanol, located two miles east of Coon Rapids on Glidden REC's lines, began construction in June. The $55 million plant will produce 40 million gallons of ethanol using 15 million bushels of corn per year. Tall Corn plans to start producing ethanol in August or September 2002 and will employ 35 workers. Using 35 million kilowatt-hours per year, the plant will be Glidden REC's largest load. "This facility will double our sales and almost double our revenue," says Glidden REC CEO Bruce Bailey. "This will help keep our rates down over the next few years."

Midwest Grain Processors (MGP), located two miles west of Lakota and served by Iowa Lakes Electric Cooperative, is also under construction and will be the largest of all of the new ethanol plants in the state. Expected to produce 45 million gallons of ethanol per year, the plant will cost $59 million and will employ 30 workers. Terry Bruns, executive vice president and general manager of Iowa Lakes Electric Co-op, points to the boost that the plant will give to the overall farm economy in the area. "It is definitely a win-win situation for the area, economically speaking, because of the value-added ag that comes with any type of ethanol plant and the ability to have an increase in the price of farmers' corn. We hope to see the project become an ag industrial park and see the added property tax benefits," Bruns explains.

Three new ethanol projects are underway in territories served by Corn Belt Power's member cooperatives

Pine Lake Ethanol will be located between Steamboat Rock and Cleves on Midland Power Cooperative's lines. The $20 million plant will produce 15 gallons of ethanol per year and employ 20 people. The impact of the facility will total approximately $1.7 million annually in value-added products. Construction is planned to begin in the spring of 2002.

Craig Christensen, left, key accounts manager, and Bruce Bailey, right, CEO, Glidden REC, meet with Warren Puck, Tall Corn Ethanol, at the plant site in October. Tall Corn Ethanol will double the sales of Glidden REC.

Generation Update

Power supply decisions made at Corn Belt Power in 2001 will result in generation being built for the first time in 20 years. Also during the year, the cooperative said goodbye to a power source that played an important part in its history.

RIGHT: On Sept. 28, board members sign the document that makes Corn Belt Power and Basin Electric official partners in the development of a new combustion turbine.

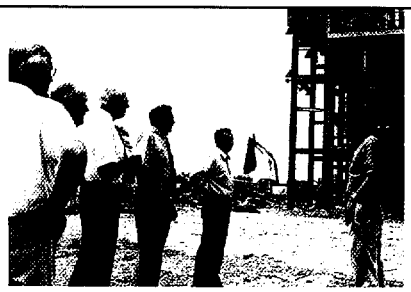
New system peaks and a power supply forecast that shows a shortage of capacity by 2003 resulted in the Corn Belt Power board approving installation of a simple-cycle combustion turbine at the existing Wisdom Station site. Along with Basin Electric Power Cooperative, Corn Belt Power signed an ownership and operating agreement for an 80-megawatt natural gas/oil-fired combustion turbine to be called Wisdom Unit 2. The chosen site near Spencer offers rail line access, a hard-surfaced road, transmission system access and a gas pipeline with sufficient capacity and pressure.

BELOW: Mike Thatcher, vice president, generation, detonates the dynamite on June 6 that brings down the Humboldt Station smokestacks.

The existing Wisdom Station will provide the needed labor to operate Wisdom Unit 2. The short distance from the combustion turbine site to the existing plant will allow for combined cycle operation should that be needed in the future.

The Rural Utilities Service required Corn Belt Power to issue a request for proposals for alternatives to supply future capacity needs. None of the alternatives submitted was found preferable to the construction of the combustion turbine as proposed. Turbine installation is planned for October 2003 with operation scheduled by the spring of 2004.

Not only did power supply studies indicate the need for new generation, they also pointed to the inefficiencies of the 50-year-old Humboldt Station. Research showed that the plant was not capable of playing a part in the cooperative's future generation needs. The dismantling project, approved by the Corn Belt Power board, was ongoing throughout 2001. In June, it took dynamite and only a few seconds to bring down the two towering smokestacks that had stood by the plant since 1950. By mid-summer, 50 percent of the project was complete and the remaining structures were then removed mechanically. Crews finished the job by the end of the year.



The Corn Belt Power board inspects the Humboldt Station demolition site.

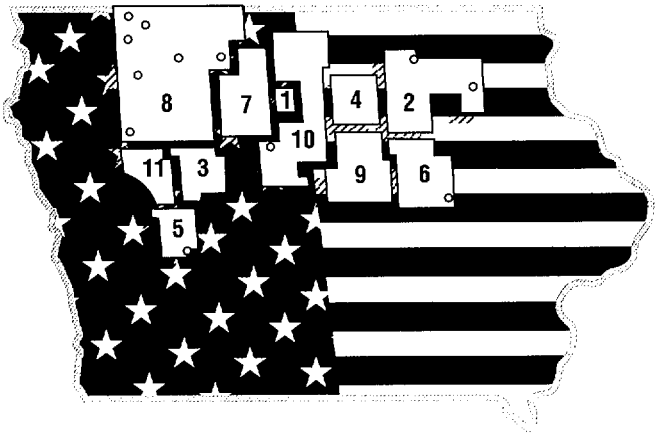
Board of Directors

First row, from left: L. Kirby Range, Iowa Lakes Electric Cooperative; Norman Kolbe, Sac County REC; Donald McLean, secretary, Grundy County REC; Donald O'Tool, assistant secretary/treasurer, Calhoun County Electric Cooperative Association; LeRoy Weber, Humboldt County REC; and Roger Rust, Franklin REC.

Second row, on ladders, from left: Donald Feldman, president, Butler County REC; John Schumacher, Glidden REC; Charles Gilbert, Midland Power Cooperative; Ronald Deiber, vice president; North Iowa Municipal Electric Cooperative Association; and Carrol Boehnke, treasurer, Prairie Energy Cooperative.

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



Member Cooperatives:

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

BALANCE SHEETS

December 31, 2001 and 2000

ASSETS

	2001	2000
ELECTRIC PLANT (Notes 2 and 6):		
In service	$ 216,798,323	$ 218,758,401
Less - Accumulated depreciation	121,895,992	126,359,920
	94,902,331	92,398,481
Construction work in progress	4,398,148	6,259,750
Nuclear fuel, net of amortization (Note 2)	5,329,457	6,549,287
	104,629,936	105,207,518
OTHER PROPERTY AND INVESTMENTS:		
Nonutility property	309,698	453,161
Investment in the National Rural Utilities Cooperative Finance Corporation (Note 2)	2,514,836	2,514,836
Land held for future use (Note 2)	2,977,665	2,963,060
Decommissioning fund (Note 2)	19,327,548	19,110,564
Other investments (Note 2)	1,102,541	1,001,367
Note receivables (Note 2)	3,562,377	2,693,541
	29,794,665	28,736,529
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	8,506,969	13,641,362
Member accounts receivable	3,855,569	3,602,367
Other receivables	519,206	459,825
Inventories -		
Fuel, primarily coal, at last-in, first-out cost	1,719,294	1,042,958
Materials and supplies, at average cost	4,501,265	3,131,803
Prepayments	245,761	253,254
	19,348,064	22,131,569
DEFERRED CHARGES:		
Deferred Department of Energy decommissioning costs (Note 10)	830,382	944,768
Deferred refueling costs (Note 2)	1,063,425	372,015
Other	5,964	8,017
	1,899,771	1,324,800
	$ 155,672,436	$ 157,400,416

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

BALANCE SHEETS

December 31, 2001 and 2000

MEMBERSHIP CAPITAL AND LIABILITIES

	2001	2000
MEMBERSHIP CAPITAL:		
Memberships, at $100 per membership	$ 1,300	$ 1,300
Deferred patronage dividends, per accompanying statements (payment restricted as indicated in Note 3)	8,660,671	8,609,671
Other equities, per accompanying statements	25,606,299	24,357,096
Unrealized gain in market value of investments (Note 2)	1,022,663	624,815
	35,290,933	33,592,882
LONG-TERM DEBT (Note 4):		
Rural Utilities Service	25,561,389	27,984,711
Federal Financing Bank	65,171,448	62,745,633
Capital lease obligations (Note 2)	555,707	1,142,770
Pollution control revenue bonds	1,450,000	1,650,000
USDA Intermediary Relending Program	880,000	800,000
	93,618,544	94,323,114
Less - Current maturities of long-term debt	6,696,769	6,273,147
	86,921,775	88,049,967
OTHER LONG-TERM LIABILITIES:		
Deferred Department of Energy decommissioning costs (Note 10)	583,366	705,048
DAEC decommissioning liability (Note 2)	18,298,445	18,481,593
Other	900,750	1,060,129
	19,782,561	20,246,770
CURRENT LIABILITIES:		
Current maturities of long-term debt	6,696,769	6,273,147
Accounts payable	4,149,488	5,396,596
Accrued property and other taxes	2,106,518	2,029,663
Accrued interest and other	724,392	1,811,391
	13,677,167	15,510,797
	$ 155,672,436	$ 157,400,416

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, 2001 and 2000

	2001	2000
OPERATING REVENUES:		
Sales of electric energy	$ 45,962,337	$ 46,106,407
Other	3,761,117	3,741,423
	49,723,454	49,847,830
OPERATING EXPENSES:		
Operation -		
Steam and other power generation	16,725,291	17,521,230
Purchased power, net	5,395,901	5,490,061
Transmission	2,987,310	3,174,016
Sales	2,716,145	1,815,616
Administrative and general	3,275,393	3,287,755
Maintenance -		
Steam and other power generation	3,967,806	3,675,979
Transmission	709,923	774,830
General plant	30,103	30,099
Depreciation and decommissioning (Note 2)	7,274,573	8,404,610
	43,082,445	44,174,196
Net Operating Revenues	6,641,009	5,673,634
INTEREST AND OTHER DEDUCTIONS:		
Interest on long-term debt	5,888,011	6,110,668
Interest during construction (Note 2)	(323,297)	(379,425)
Other deductions	17,735	23,395
	5,582,449	5,754,638
NET OPERATING MARGIN (DEFICIT)	1,058,560	(81,004)
NON-OPERATING MARGIN:		
Interest and dividend income	631,496	1,024,264
Other, net (Note 2)	133,218	1,143,400
	764,714	2,167,664
NET MARGIN	$ 1,823,274	$ 2,086,660

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

STATEMENTS OF CASH FLOWS

For the Years Ended
December 31, 2001 and 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	$ 1,823,274	$ 2,086,660
Adjustments to reconcile net margin to cash provided by operations:		
Depreciation and amortization	6,678,301	7,771,284
Amortization of nuclear fuel	1,787,375	1,964,339
Amortization of deferred refueling costs	921,164	1,270,133
Amortization of Department of Energy decommissioning costs	130,482	126,506
Realized gain on sale of investment	0	(836,783)
Changes in current assets and liabilities:		
Accounts receivable	(312,583)	(500,326)
Inventories	(2,045,798)	243,242
Prepayments	7,493	94,102
Accounts payable	(1,247,108)	953,139
Accrued property and other taxes	76,855	227,404
Accrued interest and other liabilities	(1,089,126)	1,149,432
Payment to Department of Energy for decommissioning	(133,183)	(129,582)
Other	(157,326)	(40,271)
Net cash provided by operating activities	6,439,820	14,379,279
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	6,433,000	1,964,387
Repayment of long-term debt	(7,137,570)	(5,267,267)
Deferred patronage dividends paid	(574,000)	(1,332,833)
Net cash used in financing activities	(1,278,570)	(4,635,713)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to electric plant, net	(6,474,115)	(6,279,280)
Additions to nuclear fuel	(567,545)	(2,916,307)
Additions to deferred refueling costs	(1,612,574)	(64,367)
Sale of non-utility plant, net	128,858	30,984
Additions to decommissioning fund	(848,718)	(847,056)
Proceeds from sale of investment	0	1,836,783
Change in other investments	(921,549)	(849,620)
Net cash used in investing activities	(10,295,643)	(9,088,863)
Net increase (decrease) in cash and cash equivalents	(5,134,393)	654,703
CASH AND CASH EQUIVALENTS AT:		
Beginning of year	13,641,362	12,986,659
End of year	$ 8,506,969	$ 13,641,362

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, 2001 and 2000

	2001	2000
DEFERRED PATRONAGE DIVIDENDS:		
Balance assigned beginning of year	$ 8,609,671	$ 9,192,504
Net margin	1,823,274	2,086,660
Revenue deferred patronage dividends	50,929	66,357
	10,483,874	11,345,521
Patronage dividends paid	(574,000)	(1,332,833)
Appropriation of margin -		
Reserve for contingent losses	(1,249,203)	(1,403,017)
Statutory surplus	0	0
Balance assigned end of year	$ 8,660,671	$ 8,609,671

OTHER EQUITIES:
(Appropriated Margins)

	Statutory Surplus	Reserve for Contingent Losses	Total
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
Appropriation of margin	0	1,249,203	1,249,203
Balance December 31, 2001	$ 4,349,484	$ 21,256,815	$ 25,606,299

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended
December 31, 2001 and 2000

	2001	2000
Net margin	$ 1,823,274	$ 2,086,660
Change in unrealized gain in market value of investments	397,848	(542,234)
Comprehensive income	$ 2,221,122	$ 1,544,426

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

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 accounting principles generally accepted in the United States 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.

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% for 2001 and 2000.

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 3.50% and 3.45% for 2001 and 2000, respectively.

A Nuclear Regulatory Commission estimate of the decommissioning costs of DAEC was updated in 1999. The Cooperative anticipates receiving an updated decommissioning study in 2002. 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 $848,718 and $847,056, for 2001 and 2000, respectively. These decommissioning costs are being recovered in rates.

The total market value of the decommissioning funds accumulated at December 31, 2001, were $19,327,548, of which $12,661,625 has been placed in a fund legally restricted for use in decommissioning DAEC. The remaining $6,665,923, while not legally restricted, has been designated by the Cooperative for use in decommissioning DAEC. Furthermore, the dividends, interest and realized gains (losses) on the sale of decommissioning fund investments are recorded directly as increases (decreases) to the DAEC decommissioning liability in the amount of ($1,031,886) and $911,719 for 2001 and 2000, respectively, in the accompanying balance sheets.

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. As of December 31, 2001, approximately $9 million of the Humboldt plant costs had been retired from electric plant and accumulated depreciation.

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 $1,787,375 and $1,964,339 for 2001 and 2000, 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 $921,164 and $1,270,133 for 2001 and 2000, respectively.

F. Interest During Construction -

Interest during construction represents the cost of funds used for construction and nuclear fuel refinement. The average rate was 4.1% and 6.5% for 2001 and 2000, respectively, and is based on the Cooperative's 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 $6,710,593 and $4,602,983 for 2001 and 2000, respectively.

J. Cash and Investments -

The Cooperative has cash and investments in the following:

	2001	2000
Obligations of the U.S. government and its agencies	$ 8,462,179	$ 9,268,733
Corporate bonds	2,402,342	1,560,258
Common and preferred stock	7,720,679	7,211,981
National Rural Utilities Cooperative Finance Corporation commercial paper	7,446,220	13,101,138
Cash and CDs deposited with federally insured financial institutions	1,060,749	543,433
Funds held in trust	1,178,681	1,695,743
Other investments	666,208	372,007
	$ 28,937,058	$ 33,753,293

The above investments are included as follows in the accompanying balance sheets:

Decommissioning fund	$ 19,327,548	$ 19,110,564
Other investments	1,102,541	1,001,367
Cash and cash equivalents	8,506,969	13,641,362
	$ 28,937,058	$ 33,753,293

The carrying amounts of cash and cash equivalents and short-term investments of $8,506,969 and $13,641,362 at December 31, 2001 and 2000, 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 31, 2001.

The Cooperative has an investment of $2,514,836 at December 31, 2001 and 2000, 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.

For investments in CFC, economic development loans and other associated organizations of $4,352,952 and $2,682,239 at December 31, 2001 and 2000, respectively, for which there were no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs.

In 2000, the Iowa Capital Corporation stock was sold for $1,836,783 and a gain of $836,783 was realized. The realized gain is included in the "Other, net" line on the accompanying statements of revenues and expenses.

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.

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 membership capital. No additions can be made to statutory surplus whenever it exceeds 50% of total membership capital.

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 $1,249,203 and $1,403,017 of the 2001 and 2000 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 $625,000 and $750,000 of the 2001 and 2000 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, 2001. However, the Cooperative received permission and retired $159,671 of the 1989 and $414,329 of the 1990 patronage dividends during 2001. During 2000, $742,504 of the 1988, and $590,329 of the 1989 patronage dividends were retired.

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 2000 and received the proceeds in 2000 and 2001. 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:

	2001	2000
Mortgage notes due in quarterly installments:		
RUS 2%, due 2001-2008	$ 6,123,470	$ 7,372,643
RUS 5%, due 2001-2019	19,437,919	20,612,068
FFB 5.0%-10.7%, due 2001-2019	65,171,448	62,745,633
	90,732,837	90,730,344
Capital lease obligations -		
Webster City revenue bonds		
5.9%, due 2001-2002	555,707	1,142,770
Pollution control revenue bonds -		
6.125%, due 2001-2007	1,450,000	1,650,000
USDA Intermediary Relending Program -		
1%, due 2003-2029	880,000	800,000
	$ 93,618,544	$ 94,323,114

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

Year	Maturity
2002	$ 6,696,769
2003	6,426,163
2004	6,675,417
2005	6,810,164
2006	6,851,521
Thereafter	60,158,510
	$93,618,544

The Cooperative had available at December 31, 2001, 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 $92,300,614 and $98,214,058 at December 31, 2001 and 2000, respectively.

As of December 31, 2001, the Cooperative was in compliance with its covenants on long-term debt including financial ratios.

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

NOTE (5) CONSTRUCTION COMMITMENTS:

Total construction expenditures for 2002, including expenditures for the jointly-owned units, are estimated to be $25,695,280, of which $3,269,700 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, 2001 in three electric generating units as shown below:

	Neal #4	Council Bluffs #3	DAEC
Total electric plant	$ 43,847,465	$ 14,194,859	$ 74,172,627
Accumulated depreciation	$ 28,365,173	$ 8,560,581	$ 39,716,659
Unit accredited capacity (mW)	644	675	541
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 $517,232 and $482,774 for 2001 and 2000, 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.

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 2001 and 2000 operating expenses were $466,355 and $452,656, respectively, and were recorded as other 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 and Phase II of the Act. The Cooperative is currently seeking a final alternate emissions limit for nitrous oxide emissions for the Wisdom Generating Station.

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 $1,208,874 annually through 2007, of which the Cooperative's 10% share is $120,887. The Cooperative's total assessment of $1,813,311, which will be recovered in rates, has been recorded as a liability, net of payments, in the balance sheets. This liability, totaling $719,745 including its long- and short-term portion on December 31, 2001, has been recorded with a corresponding deferred charge amortized over a 15-year period, beginning in 1992.

NOTE (11) TRANSLINK LLC:

In 2001, the Cooperative entered into an agreement with several other regional utilities with the intent of pursuing, among other things, a program for compliance with Federal Energy Regulatory Commission ("FERC") Order No. 2000 which calls for owners and operators of transmission lines in the United States to join regional transmission organizations ("RTOs") on a voluntary basis. Once TRANSLink becomes operational, TRANSLink will exercise functional responsibility over certain transmission assets of the Cooperative. The Cooperative will be required to make payments to TRANSLink under a tariff agreement for its use of the transmission assets and will receive as compensation a monthly operating fee from TRANSLink. Furthermore, the Cooperative's participation in TRANSLink is contingent on pending tax legislation which would exclude income received or accrued by rural cooperatives from certain transactions that occur under electricity deregulation from the 85 percent test of member/non-member income. TRANSLink was not operational in 2001 and significant activity is not expected until late 2002.

NOTE (12) NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED:

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 establishes accounting and disclosure for asset retirement costs, including the decommissioning of nuclear power plants. The Cooperative is currently evaluating the effects of the new standard. However, when current electric utility industry accounting practices for nuclear power plant decommissioning are changed in 2003, the annual provision for decommissioning could increase relative to 2001.

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

NOTE (13) 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 $850,000 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, 2001 and 2000, 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, 2001 and 2000, 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.

ARTHUR ANDERSEN LLP

Kansas City, Missouri

February 22, 2002

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