ADAPTATION THROUGH PRUDENT LEADERSHIP

2001 ANNUAL REPORT

CIPCO

C01

Message from the President

Introduction

Central Iowa Power Cooperative, a consumer-owned, not-for-profit cooperative, embraces the philosophy of providing the most reliable, economical service to its member distribution cooperatives. These members serve a variety of retail customers, including rural residences, farmsteads, manufacturers, high tech industries, upscale urban neighborhoods and small businesses. The changing needs of these retail members are also a priority of CIPCO as they strive to create new services and products to meet the demands of today's sophisticated customer.

As a generation and transmission cooperative responsible for the electric requirements of over 250,000 Iowans, CIPCO addresses the opportunities and challenges each day that ensure financial integrity, innovative products and services for the members, and stability in its partnerships and strategic alliances. Attention to these details assures success for CIPCO and its members into the future.

C02

Table of Contents

C03

Message from the President

As we moved into the new millennium, our business continued to bring the challenges and opportunities it always has. Shortfalls were created by an extremely cold winter, scarce supplies of fuels, and major outages at power generating facilities across the state. Notwithstanding these events, CIPCO's prudent leadership analyzed these situations and implemented solutions.

Just when we were settling back into the challenges of the day, the events of September 11, 2001, shook us to our core. That day will forever be remembered as a watershed in world history, a moment in time that defines the extent of our freedoms and the limits of peaceful diplomacy. It made us all take a moment to deeply reflect on a personal level, as well as in our business.

These events sharpened our resolve as responsible stewards in the electric utility industry, an industry that represents more investment dollars than the airlines, banking and telecommunications industries combined. It employs tens of thousands of people and pays billions of dollars in property and income taxes. We believe it is our duty and responsibility to help maintain the stability of this industry that is woven into the fabric of America. The focus of our leadership is to maintain the integrity of the business while providing a reliable, reasonably priced product. In so doing, we decided to raise wholesale rates after nearly ten years of decline.

Although a ripple of disruption has been felt from ground zero of the world financial community, CIPCO has remained on solid ground due to sound asset management and preparedness. The experiences of last year and new priorities have caused us to reconsider our goals and our business strategies. We have a strong commitment at CIPCO to employ a group of management professionals and staff of the highest quality with skills that fit the needs of a progressive, ever-changing electric cooperative. With this support we can confidently address the goals we have set for the cooperative.

Over the next two years, we will look closely at our asset strategies. With the achievement of excellent investment credit ratings from both Standard & Poor's and Fitch, the CIPCO board of directors and staff will be reconsidering future financing and investment strategies. We will review our existing contractual relationships and look for ways to make improvements. Leveraging resources will be on the list of priority items. We will assess our areas of risk and look for ways to better manage them in the future.

We know that we have set a full agenda for ourselves, and it will challenge us. However, there are no prescribed solutions or approaches to success. We need to continue to be creative and innovative to assure those who depend on us for their electric power and energy that their future is secure. Throughout this annual report you will become acquainted with CIPCO's highly qualified leadership team and be assured that they will make decisions in the best interest of the cooperative and its members.

Keith Wirt

Keith Wirt
President,
Central Iowa Power Cooperative

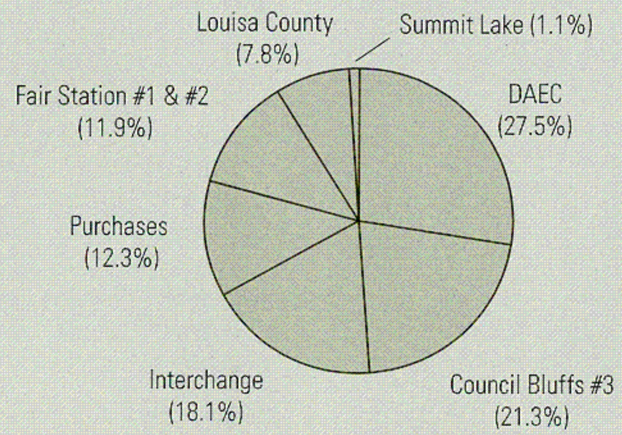
C04

CIPCO at a Glance

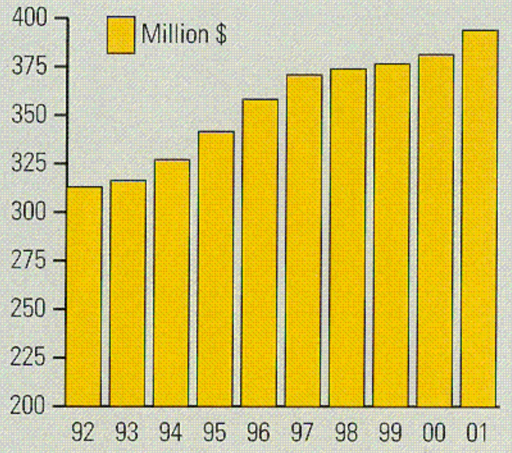
2001 Statistics

Energy Sales	2,732,741 MWh
Total Operating Revenue	$122,417,602
Net Loss	$(4,579,011)
Total Assets	$330,041,895
Average System Rate	42.02 Mills/kWh
Member Distribution Systems	14
Total Retail Consumers (approximate number of meters)	110,000
Approximate Population Served	250,000
2001 Peak Demand	539 MW
Miles of Transmission Line	2,000
Employees (including affiliated and subsidiary companies)	121

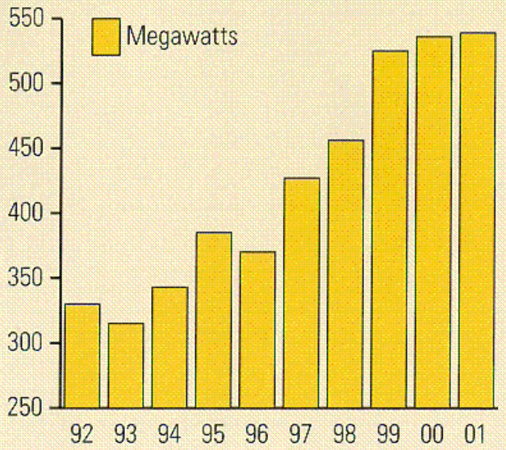
Sources of Energy



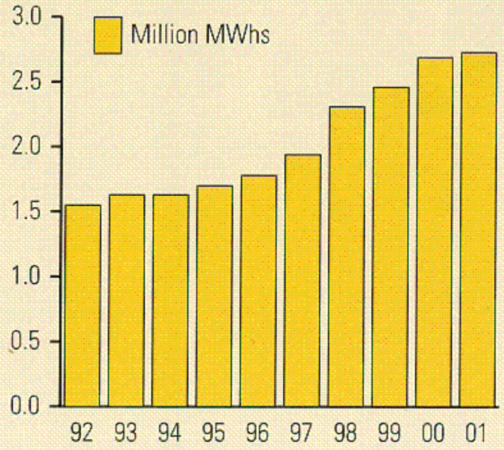
Utility Plant Investment



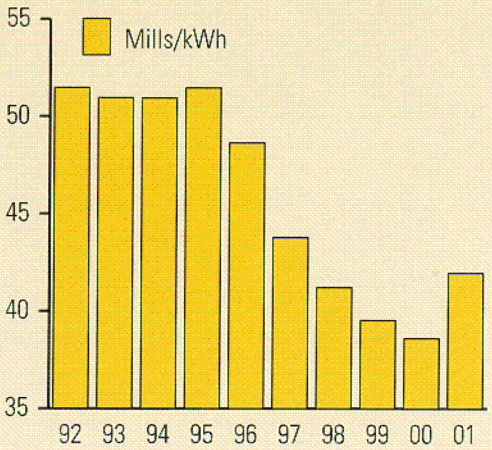
Peak Demand



Energy Sales

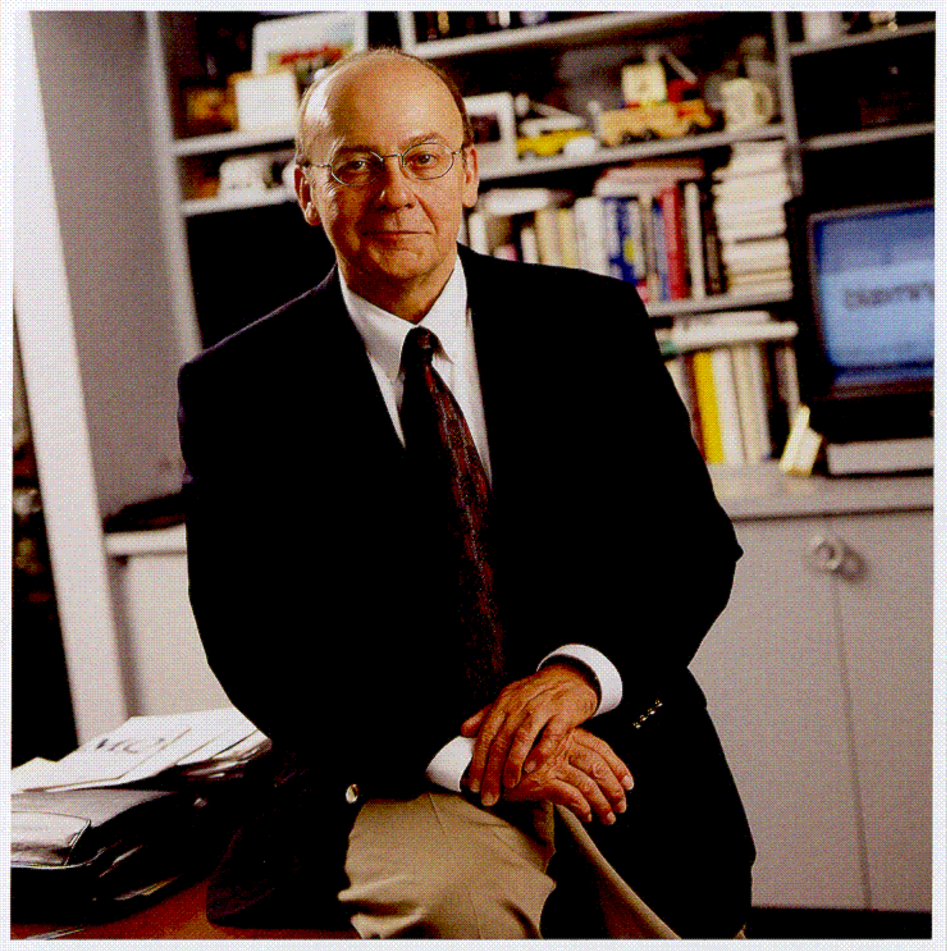


Average System Rate



C05

Dennis Murdock



Dennis Murdock, Executive Vice President & Chief Executive Officer

Dennis Murdock joined CIPCO in 1968 and has dedicated his entire career to the cooperative. His experience includes responsibilities in accounting, finance, contracts, and power supply. In addition to his duties as Executive Vice President and Chief Executive Officer of CIPCO he serves as Executive Vice President of Central Iowa Energy Cooperative. Mr. Murdock is also involved in many local, regional and national industry organizations and associations.

Q We saw a general downturn in financial markets and the economy in 2001. How is CIPCO positioned to get through these times and what are the plans for the future?

A Financing will be a major issue in the expansion and development of energy supply. As marketplaces change, risk capital will seek the more secure markets, such as metropolitan areas. In anticipation of the limited availability of traditional capital resources in 2-3 years, we are developing banking and financing alternatives. We were very successful in getting investment-grade ratings from credit agencies, and we're also expanding our banking relationships to navigate through tough times.

Because of the changes in the marketplace and increased wholesale electric market price volatility we have undertaken a process to assess our recognition and management of enterprise risks. Our team effort will result in a comprehensive risk review of current and future risks. With increased electric industry risks, it is important to further enhance our risk management efforts.

Q Ideally, a balance needs to be struck between markets that have excess capacity and markets with limited capacity. Will these issues be managed any differently in the future?

A We are well positioned, long term, to be a net purchaser. We currently operate a regional marketplace against a system infrastructure that was built for regional delivery issues. In a perfect world, the system should be able to import from marketplaces where excess capacity has developed. We are focused on improvement and additional investment in delivery assets and transmission networks, all developed against a backdrop of an overall national energy plan. Right now, there's excess capacity outside Iowa borders, which is where there will be buyer opportunities on the purchase market. Efficient purchasing will depend on transmission and delivery system design.

Capacity additions and expansion of our existing facilities will be an event of opportunity rather than design. We will look to participate in development of major facilities within Iowa borders as our next round of capacity expansion.

Q CIPCO currently structures patronage on a 20-year cycle. Is there any progress in developing a newer system that relies on a more rapid return on investment?

A We need to deliver a coop-based solution to these ownership structures and create an appropriate dividend process of CIPCO's financial successes to the membership. The board has endorsed a philosophy to roll patronage dividends earned in prior periods to a ten year basis, moving what was historically a 20-year payment on the dividend cycle to a 10-year payment. This will be accomplished in a new philosophy of distributing operating margin with an intention to cycle that margin on a much shorter term. It is expected in the following year that a piece of that margin would be rotated for existing patrons, who would have an opportunity to understand the cooperative business platform.

Q Do your strategies include plans to operate in a competitive retail market in the future?

C06

Executive Committee

q&a

vision/growth

Dennis Murdock, Executive Vice President & CEO; Denise Guy-Himes, Executive Assistant; Wayne Hornocker, Secretary/Treasurer; Keith Wirt, President; Marvin Focht, Vice President; Melvin Neil, Assistant Secretary/Treasurer.

A We know that customer choice has only been delayed in Iowa. We will pay close attention to developing our competitive strategies, so as to be prepared when it becomes a reality. In this arena we will look at generation expansion, buy vs. build; diversification of the non-core business; industry consolidations; governance and leadership; environmental constraints, and product development and pricing.

There are organizational development issues that concern us. We will be assessing the skill sets needed in the future to fill key positions that will be vacated due to retirements. We will stress internal leadership development among our mid-level managers and professionals.

Q What are our main priorities in the next 18-24 months?

A We will be managing our asset strategies to take advantage of transmission opportunities as they present themselves in excess capacity markets. Taking advantage of these opportunities will require financial strength, which we will leverage from new capital markets and developing relationships.

We will always be supporters of development in Iowa and in its business infrastructure. As we focus on developing business partners, we will look at investments that help establish networks and build connectivity to the information age. Gearing our support to the business customer is the key to helping rural communities grow.

C07

James Fogt

James Fogt, Vice President of Corporate Operations

Jim Fogt joined CIPCO in 1993 with a background in investment banking and financial administration. He assumed the position of Vice President of Corporate Operations in January 1996. In addition to his responsibilities as the chief financial officer of the Cooperative, Jim oversees all human resources and communication activities.

Q The year 2001 brought several critical situations to the table across the country. The energy crisis early in the year, the declining economy, and risks to national security have impacted businesses everywhere. What has been the impact on CIPCO and what is being done to reduce its financial exposure?

A We've reviewed our strategies and have new perspectives on our overall investment risk management. In hindsight, too much risk was inherent in some of our investments. The decline in the economy and market contributed to the lack of our margin and current income. We've removed some volatility out of our investment strategy and have gone to a market-neutral plan that invests in products with a stable return.

In our nuclear decommissioning fund, we have taken 50% of those assets and moved them into this market-neutral strategy. Those funds must grow at a regular rate to assure they are adequate at the time of decommissioning.

In the past we have used the income on portfolio investment to reduce member rate and have been able to provide a steady reduction over the past ten years. However, that will no longer be our strategy. We will plan and budget positive operating margins beginning with the 2002 operating budget.

Q What changes have you made this year to widen the opportunities for financing new generation and transmission projects?

A We successfully obtained an investment grade rating of A and BBB+ with Standard & Poor's and Fitch, respectively. We will alter our borrowing process from a mortgage-backed lending program to an indenture-backed program. The indenture, plus our credit rating, will open the door to new sources for borrowing but will require us to be diligent in maintaining good cash flows and ratios.

Q CIPCO's organizational development has put the best people in the best jobs. How will you maintain this?

A As things change in our industry we use various methods of getting the job done. We give our employees opportunities to train for new tasks, to become certified in their field of expertise, to take advantage of career advancement opportunities and to cross-train in other positions within the cooperative. We consider all possibilities for replacement personnel. Have the duties of that position changed? Should we look for new skill sets? Do we need to change a job description to cover added duties?

When we are facing a project that is highly technical in nature and beyond the capability of our staff in relation to time and skill, we take advantage of outside consultants. It is often more economical to use outside technical skills on a limited basis than to have on staff someone with such ability.

As we look into the near future, we are faced with the retirement of several key people. We do not have the luxury of a line of succession for most positions. However, our dedication to training, joint project work across departments, and the willingness of our employees to try new things has proven to be a good way to improve the skill sets of current employees.

C08

relationships/ organizational development

Carolyn Burger, Senior Accountant; Michelle Soyer, Controller; Donna Griebel, Communications Assistant; Cheryl Fratzke, Accounting Specialist; Sonya Williams, Human Resource Specialist; Plamena Koliucheva, Intern; Shelly Wright, Accounting Assistant; Joyce Haugen, Manager of Corporate Communications; Jim Albertson, Manager of Human Resources; Michelle Dirks, Administrative Assistant; Kathe Breheny, Administrator of Media and Member Relations; Vickie Houser, Communications Assistant; Evelyn McArtor, Receptionist.

Q What do you see as the communication challenges of the future?

A The day is ahead when we will operate in an environment of customer choice at the retail level. We are already competing in the wholesale marketplace. As cooperatives, we have quietly carried on our business for over 60 years. It is now important that we tell not only our members, but the general public about the high level of service we have provided to our membership over the years. Iowa's electric cooperatives need a public image, and we will continue to support our member distribution cooperatives in this effort.

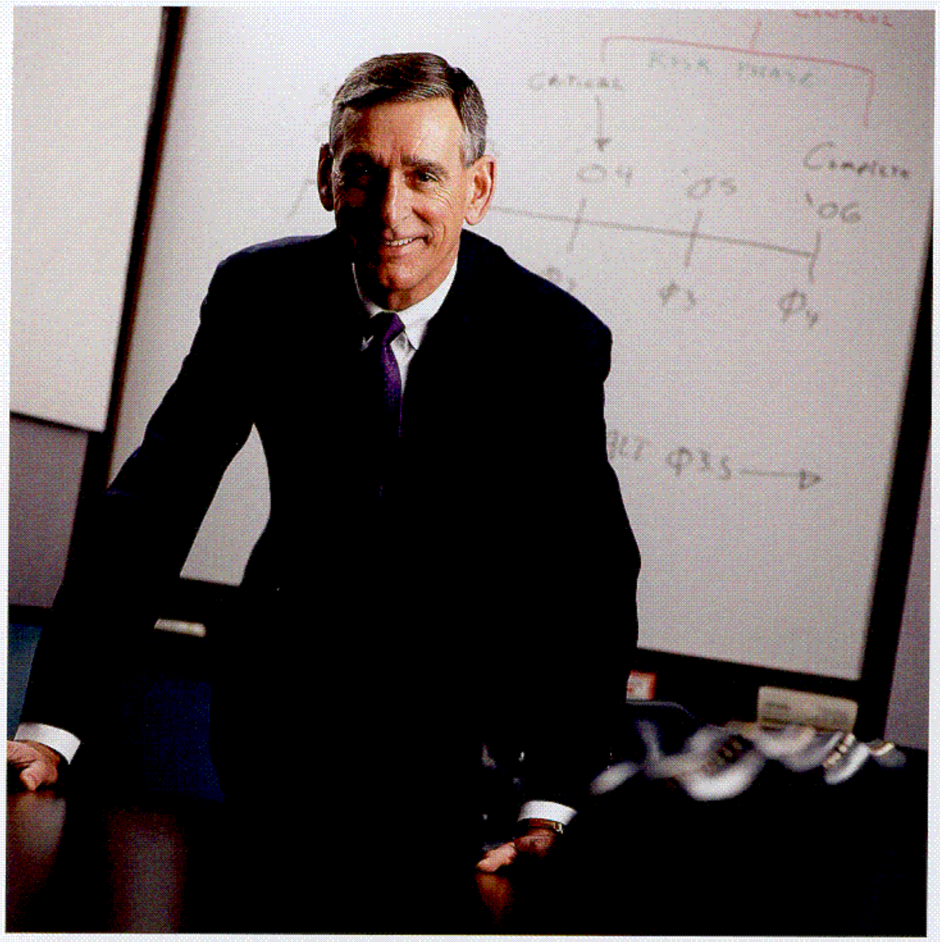
Touchstone Energy® national branding supports the message that over 550 electric cooperatives across the country are committed to their customers and their local communities. As a group, this is one of the largest utilities in the country. Iowa's generation and transmission cooperatives join forces to deliver the message and promote the electric cooperatives in the partnership.

We think communication is an essential part of a company's growth and success. To further support this belief, we have redesigned our website and added many new tools for our members and our public audience. I invite you to visit our site at www.cipco.net.

C09

C10

Richard Anderson



Richard L. Anderson, Vice President of Utility Operations

Dick Anderson is a 30-year employee of CIPCO. He served in a variety of transmission and operations positions before being named to lead the group as Vice President of Utility Operations early in 1995. His background prepared him for leadership in this area of CIPCO's business. However, the traditional functions of electric utility generation and transmission planning, construction, operations and maintenance has changed as the wholesale electric power and transmission markets have begun to slowly transcend into a competitive market since the adoption of the Energy Policy Act of 1992.

Q In addition to carrying out the traditional responsibilities of producing and delivering reasonably priced electric power in a safe and efficient manner, what challenges lay ahead for the Utility Operations staff?

A With ever-changing rules and practices brought on by new players in the competitive marketplace, we'll be looking at changes in energy transactions that used to be carried out between neighboring utilities. Now these transactions occur more often between the utility and independent power producers in other states. Historically, these transactions were for a few peak hours during a day. Now they're often contracted in 16-hour blocks on a take or pay basis.

Q Energy pricing was once incremental pricing plus 10% or 20%. But now it is tied to national hubs trading at wholesale competitive prices. What does this mean for CIPCO?

A In the past, transmission delivery for wholesale power transactions was assumed and at no charge from neighboring utilities. Now CIPCO's staff has to be extremely creative in finding paths for delivery. Typically, the cost for transmission will be more than the cost of the generation capacity.

A sense of security resulted from transacting business with a long established neighboring utility and typically resulted in a two or three page contract between the parties. Now the volatility of both marketers and utilities often warrant 100-plus page contracts.

Q What has CIPCO's Board and staff done to prepare for doing business as the industry moves toward a more competitive marketplace?

A We recognize the risk associated with not owning adequate generation assets, demonstrated by the California experience and the recent failure of one of the industry's largest power marketers. CIPCO is continually assessing its baseload fleet and has participated in the 2001 capacity uprate at the Duane Arnold Energy Center. We will join with the other partners in the 2002 uprate at Council Bluffs No. 3. Action was also taken in 2001 to install a natural gas pipeline into the Summit Lake Generating Station, which will afford the option of dispatching those units at intermediate versus peaking prices. Participation in the next joint owned coal-fired baseload generating plant in Iowa is also anticipated.

Q The strength and longevity of any cooperative has a lot to do with the reliability of its energy delivery. What is CIPCO doing to maintain transmission reliability?

A As new independent transmission organizations evolve resulting from FERC Order 2000, CIPCO recognizes that management of the delivery system will move from local to remote, sometimes many states away. In 2001, the CIPCO/Alliant joint transmission dispatch was contracted to the

transmission/ generation

Larry Carpenter, Draftsperson/Technician; Cindy Pfennig, Senior Administrative Assistant; Duke Dusheck, Manager of System Operations; Bill Waid, Draftsperson/Technician; Steve Towe, Substation Engineer; Dan Burns, Supervisor, System Planning; Rex Butler, Environmental and Safety Coordinator; Patrick Leer, Staff Engineer; Scott Schlegel, Headquarters Maintenance Superintendent; Marcia Banyas, Secretary; Joe Feld, Area Supervisor Integrated Operations; Dale Krohse, Manager of Engineering; Janiece Ehlers, Transmission Line Design Engineer Technician. Not shown, Gary Sharp, Manager of Generation Operations; Greg Gerdes, Supervisor Generation Engineering; Roger Ipsen, Transmission Coordinator.

American Transmission Company (ATC) in Madison, Wisconsin. CIPCO staff coordinated operating procedures and communications with the member systems, Alliant and directly with ATC to address "start up" and customer expectation issues. This process, while slow and painful at times, prepared staff for future challenges as independent system operators and independent transmission companies begin to take over the management and operation of the delivery system. Additionally, a new organizational structure was put in place for CIPCO's Integrated Operating Area in 2001 which will better focus on preventative and proactive operations and maintenance.

Q Safety is a core concern for CIPCO employees. What is being done to limit the chances of injury or accident on the job?

A CIPCO will meet the competitive challenges of the wholesale market by maintaining the safety of its knowledgeable staff. CIPCO is continually developing written task procedures, job safety analysis and training manuals to document proven procedures, and providing training and retraining. The development of an INTRANET based training platform by staff in 2001 will be a valuable tool for the future. CIPCO employees reached nearly 900,000 hours worked without a lost-time accident, which is the result of over four years of on-the-job safety awareness.

C11

Craig Fricke

Craig Fricke, Vice President of Corporate Planning & Business Development

Craig Fricke began his career at CIPCO in 1982 as a special projects engineer. He was promoted to the position of Vice President of Corporate Planning and Business Development in 1990 and now has over 23 years of progressive project, marketing, and business management experience. Mr. Fricke plays a lead role in managing the evolution of CIPCO's planning processes with emphasis on resource optimization, electric sales and purchase contracting, market assessments, and pricing.

Q What do you view as the focus of the Corporate Planning and Business Development (CPBD) group?

A Our charge is to anticipate changing electric wholesale and retail market conditions in order to frame a robust supply, sales, and demand response portfolio to serve our members' needs. The resulting resource mix must be economically sound and diverse, and be flexible enough to leverage emerging market opportunities and minimize risk over time.

The CPBD work environment is service oriented, and the success of the group depends primarily on the growth of its individual members and on the pooling of their expertise. Work schedules and deadlines are driven by the wants and needs of existing and prospective customers (wholesale and retail), board level goals and processes, and CPBD planning and business development initiatives. Professional competence, a genuine desire to be a team player, commitment to quality/accuracy, a results-oriented mindset, and an insatiable appetite for continuous learning and personal growth are the foundation for the group's ability to succeed.

Our continued employment and opportunity for career growth at CIPCO are solely dependent on our ability to "create and enhance value" as viewed through the eyes of our internal and external customers.

Q There is a nationwide debate about the availability of power supply in the near future. How is CIPCO prepared to meet its growing electric needs of the retail customers served by its member systems?

A We will assure adequate energy availability by diligently managing our power supply portfolio. Three to four years ago, we didn't have to perform the constant analyses we do now to review our options. Economic and risk analyses were done every few years ...now it's a continuous process. We determine the type of power purchases and sales we need to make in any given month. We have mature analytic and research processes available whereby we can reasonably predict our short-term and long-term resource needs.

Research studies carried out with our member cooperatives help us understand retail customers by identifying factors that influence their purchase decisions and energy use patterns. The knowledge gained from these research efforts is integrated with our ongoing power supply portfolio evaluations to achieve efficiencies in managing our diverse native generation fleet as supplemented with moderate levels of power purchases.

Q In planning for customer choice, do you feel that your pricing will allow you to be competitive?

A Pricing is an area that needs attention. The pricing signals that were developed many years ago need to be evaluated within the context of likely future market economics. We need to price our product at CIPCO's level in a manner that can easily be interpreted by our member cooperatives and packaged for retail members in a "customer friendly" fashion. We need pricing signals that will influence retail members' usage of our product in a manner that is efficient and economically

Corporate Planning and Business Development

new business

Michelle Corum, Senior Secretary; Mike Mast, System Analyst; Jerry Barker, Manager of Consumer and Corporate Research; Russ Steven, Marketing Engineer; Dave Duncan, Manager of Resource Planning; Lynn Martin, System Information Analyst/Programmer; Don Chaon, Manager of Data Systems; Sandy Parsons, Administrative Assistant; Kyle Schmidt, System Information Support Administrator; Kendra Graves, Energy Data Analyst; Pat Murphy, Assistant Vice President Business Development; Suzanne Hawley, Energy Accounting Specialist; Rich Peterson, Manager of Marketing.

sufficient for our business. Our goal is to provide an adequate, dependable, and competitively priced product for the customer.

Q Even though there is no immediate move toward customer choice in Iowa, it seems to be on the agenda of legislators in Washington. What do you see as the necessary steps in developing a common vision and shared implementation strategies with the member distribution cooperatives to ensure continued success in any future market situations?

A We must come to the realization that all members of CIPCO have a vested interest in contributing to the long-term success of the power supply organization. After all, the equity in CIPCO and our collective bulk power production and purchasing leverage are at risk if CIPCO fails. On Day 1 of customer choice in Iowa and into the future, our members' distribution delivery revenue stream is largely unaffected by the introduction of retail choice. Conversely, on Day 1, CIPCO's entire portfolio of production plant and purchased power assets are at risk. CIPCO and its members are an economic network. The distribution members need CIPCO to incessantly earn the position of being their preferred supplier while CIPCO needs its members to perform as world-class marketing and sales organizations. A common vision and shared implementation strategies are simply a natural outgrowth of an acknowledgement that these are the basic business tenets on which we will build a prosperous future together.

C13

C14

Our Employees, Our Partners, Our Community

Employees

CIPCO values its employees for the dedication and expertise they bring to the Cooperative in its day-to-day challenges. They contribute to CIPCO's mission to provide a quality, reliable product at a competitive price.

Partners

The alliances and partnerships that CIPCO has cultivated over the years allow the Cooperative to share services, facilities, expertise, development costs and other valuable resources to the benefit of its member cooperatives.

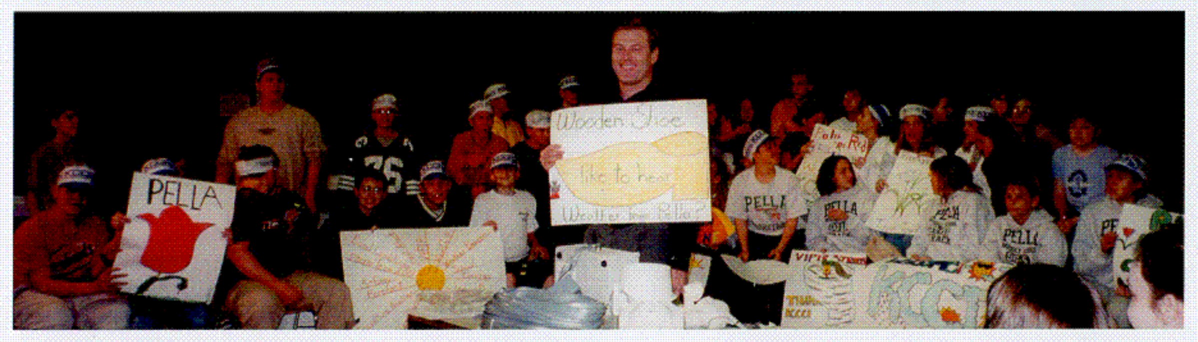
Community

CIPCO supports its member distribution cooperatives in the communities they serve. Creating and promoting programs and opportunities sponsored by the electric cooperatives reinforces the image that they are member-owned, service-oriented and long-standing businesses that live and work with those they serve.

On behalf of its member systems, CIPCO partnered with Corn Belt Power Cooperative and Northwest Iowa Power Cooperative in the development of a series of marketing brochures for use in the promotion of the cooperatives and their products and services.

CIPCO sponsors quarterly information meetings for its communication, member service and marketing personnel to share information and provide training updates.

(L) CIPCO employees from the Creston crew replace lightning arresters at the Summit Lake South substation. (R) CIPCO line crew work with linemen from SWISCO to install temporary service at the Carbon Substation to ensure customers will not lose service during installation of a new transformer.



CIPCO partners with its member cooperatives in sponsoring the KCCI-TV SchoolNet program. By the end of 2001 weather stations were installed in 27 schools in communities served by electric cooperatives. Due to the size of the KCCI-TV viewing area and the need for weather stations outside CIPCO's service territory, Corn Belt Power Cooperative is participating in this program and installed 6 of these stations in their service area.

CIPCO joins the other Iowa generation and transmission cooperatives to sponsor the Momentum Is Building contractors' conference each year. Member cooperatives invite their local contractors for the two day event featuring nationally known speakers and trainers.

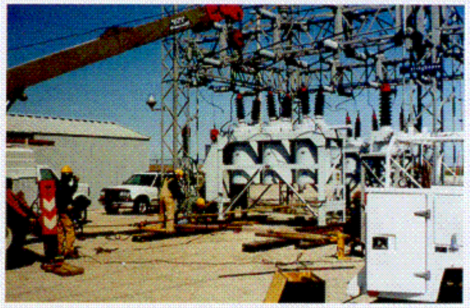
Our Employees, Our Partners, Our Community

The stack raising at Fair Station was a scheduled maintenance activity that took place in the spring of 2001.

Annual maintenance at all of CIPCO's generating facilities assures that the power will be available when it is needed by the 250,000 Iowans that the cooperative serves.

Transmission line maintenance is important to the reliability of the CIPCO system. Each year visual inspections are performed as part of this maintenance.

CIPCO trains its employees in all skills needed to perform their jobs as required. They also pay special attention to safety as demonstrated above by Mike Manternach, (left), Rex Butler (center) and Mark Tompkins. This training is paying dividends as CIPCO is on its way to 1,000,000 hours without a lost time injury.



Improvements are made to the system by installing gas breakers to replace obsolete oil circuit breakers at Grand Mound Substation.

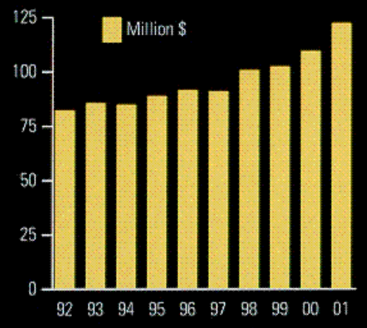
A new natural gas pipeline was installed to the Summit Lake Generating Plant to supply additional fuel to the combustion turbines.

A concrete transformer pad is poured at Newport Substation to prepare for a spare transformer to bolster system reliability.

C15

Board of Directors

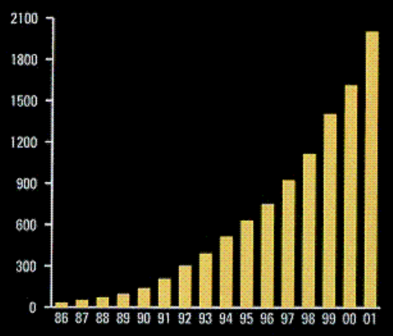
CIPCO Revenue



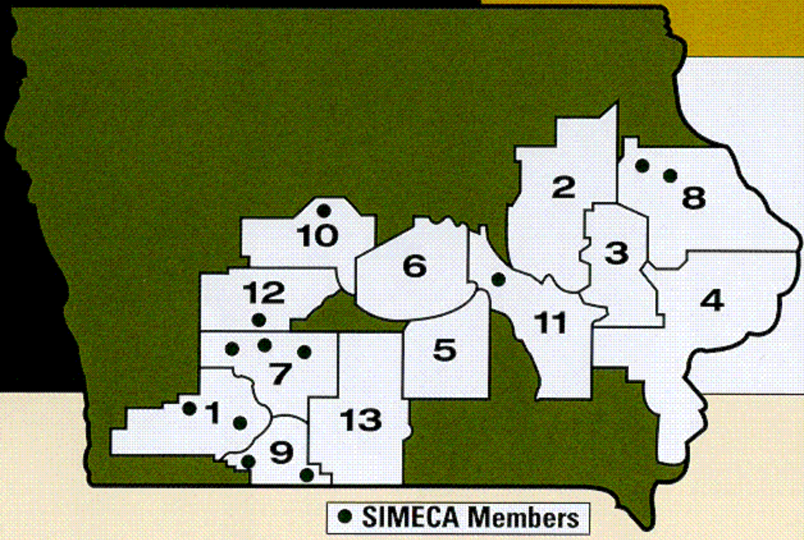
CIPCO's solid revenue growth is testimony to its prudent asset management and sound leadership.

From left to right: Tom Bass, Frederick Weis, Bob Collins, Allan Duffe, Duane Armstead, Kenneth Hastings, Norman Van Zante, Wayne Wilcox, Donald Williams and Dick Bishop.

System Managers



As of 2001, a total of 2,008 air-source and geothermal units receiving a CIPCO rebate have been installed by the member distribution cooperatives.



Left to right: **1.** *Duane Dinville, Southwest Iowa Service Cooperative (SWISCO), Corning;* **2.** *Martin Gardner, East-Central Iowa Rural Electric Cooperative, Urbana;* **3.** *Kim Colberg, Linn County Rural Electric Cooperative, Marion;* **4.** *Melvin Nicholas, Eastern Iowa Light and Power Cooperative, Wilton;* **5.** *John Smith, Pella Cooperative Electric Association, Pella;* **6.** *Brian Heithoff, Consumers Energy, Marshalltown;* **7.** *John Wietzke, Farmers Electric Cooperative, Inc., Greenfield;* **8.** *James Lauzon, Maquoketa Valley Electric Cooperative, Anamosa;* **9.** *Tim Stewart, Rideta Electric Cooperative, Inc., Mount Ayr;* **10.** *Roger Wieck, Midland Power Cooperative, Jefferson;* **11.** *Darrel Heetland, T.I.P. Rural Electric Cooperative, Brooklyn;* **12.** *Cozy Nelsen, Guthrie County Rural Electric Cooperative, Guthrie Center;* **13.** *Tom Killebrew, Clarke Electric Cooperative, Inc., Osceola; Dave Ferris,* ● *SIMECA.*

c17

Financial Highlights

The continuing slow economy in 2001 had a major impact in CIPCO's net margin. The primary factor in the negative margin was investment results. In 2001 an investment loss of $6.5 million was incurred as compared to investment gains of $8.5 million for 2000. During the fourth quarter of 2001 CIPCO rebalanced its investment portfolio to achieve reduced volatility and stabilized returns.

Investment results further affected CIPCO's equity during 2001. A negative net margin of $4.6 million along with a change in unrealized losses in investments of $8.1 million, and patronage paid of almost $1 million to our members reduced equity by $13.7 million in 2001. In spite of these events total equity was $56.0 million or 17% of total assets at December 31, 2001.

Operations continued to be affected by purchased power in 2001. Purchased power costs were $38.7 million in 2001 as compared to $29.0 million in 2000. A scheduled refueling outage at DAEC along with unexpected outages at other facilities increased MWh purchases from 731,700 MWh in 2000 to 843,166 MWh in 2001. The average cost of purchased power further increased in 2001 to 35.2 mills/kWh from 34.2 mills/kWh in 2000. During 2001, DAEC was given an uprate in capacity of 45 MW by the NRC and a natural gas pipeline connection was completed at Summit Lake. The increase in DAEC capacity, Summit Lake capital improvements, and energy purchase contracts implemented early in 2002 should aid in stabilizing energy costs for 2002.

Despite some setbacks, CIPCO remained strong. Increases in energy sales and rates to members increased the net operating margin (excluding interest charges) from $10.0 million in 2000 to $13.8 million in 2001. CIPCO's net operating margin led to continued strong cash flows. During 2001, CIPCO funded $12.1 million in capital improvement projects, reduced principal on long-term debt by a net $6 million, and made interest payments on debt of $14.7 million.

C18

Independent Auditors' Report

KPMG

2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

The Board of Directors
Central Iowa Power Cooperative

We have audited the accompanying consolidated balance sheets of Central Iowa Power Cooperative and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of revenue and expenses, members' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Iowa Power Cooperative and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

February 15, 2002

KPMG LLP

CIPCO and Subsidiaries | Consolidated Balance Sheets • December 31, 2001 and 2000

	2001	2000
Assets (Note 6)		
Electric utility plant, at cost (Notes 2 and 9):		
In service	$ 394,111,157	381,541,733
Less accumulated depreciation	204,656,680	193,983,962
	189,454,477	187,557,771
Construction work in progress	5,364,089	7,218,981
Nuclear fuel, at cost less accumulated amortization of $75,923,404 in 2001 and $72,320,167 in 2000	10,717,180	12,727,037
Net electric utility plant	205,535,746	207,503,789
Non-utility property, at cost less accumulated depreciation of $381,318 in 2001 and $328,412 in 2000 (Note 3)	610,433	659,309
Investments and notes receivable (Note 1):		
Investments in associated and other organizations	19,432,352	16,718,163
Investments-decommissioning trust fund (Note 4)	18,036,875	19,270,961
Other investments (Note 4)	39,475,284	74,928,917
Notes receivable	4,037,616	3,269,489
Total investments and notes receivable	80,982,127	114,187,530
Current assets:		
Cash and cash equivalents	21,573,191	14,758,389
Accounts receivable, members	10,424,084	9,666,715
Other receivables	2,015,051	1,007,808
Fossil fuel, materials and supplies	4,661,533	4,895,288
Prepaid expenses	50,402	217,950
Interest receivable	91,533	151,535
Deferred charges	2,658,305	1,738,281
Total current assets	41,474,099	32,435,966
Deferred charges	1,439,490	1,673,665
Total assets	$ 330,041,895	356,460,259

	2001	2000
Capitalization and Liabilities		
Capitalization:		
Members' equity:		
Membership fees	$ 1,500	1,500
Patronage capital	28,579,344	25,574,194
Accumulated other comprehensive (loss) income	(1,957,469)	6,211,055
Other equities (Note 5)	29,402,673	37,981,684
Total members' equity	56,026,048	69,768,433
Long-term debt, less current maturities (Note 6)	218,889,113	225,669,647
Total capitalization	274,915,161	295,438,080
Current liabilities:		
Current maturities of long-term debt (Note 6)	12,031,743	11,326,145
Accounts payable	6,330,484	6,876,966
Accrued property taxes	2,815,560	2,769,025
Other accrued expenses	769,042	1,122,647
Total current liabilities	21,946,829	22,094,783
Other liabilities:		
Decommissioning reserves	30,748,955	29,445,255
Special assessment	1,439,490	1,673,665
Deferred taxes (Note 8)	909,539	7,724,665
Other	81,921	83,811
Total other liabilities	33,179,905	38,927,396
Commitments and contingent liabilities (Note 10)		
Total capitalization and liabilities	$ 330,041,895	356,460,259

See Accompanying Notes to Consolidated Financial Statements.

	2001	2000
Operating revenue:		
Electric:		
Energy sales	$ 114,830,422	103,615,493
Rent of property	4,684,747	4,512,918
Miscellaneous	1,790,983	602,069
Other	1,111,450	829,444
Total operating revenue	122,417,602	109,559,924
Operating expenses:		
Purchased power	38,715,073	29,043,582
Operations:		
Production plant - fuel	18,544,915	16,807,977
Production plant - other	16,240,333	16,882,424
Transmission plant	4,931,928	4,704,459
Maintenance:		
Production plant	6,576,807	6,482,902
Transmission plant	1,548,683	1,435,580
Member services	2,198,274	2,052,334
Administrative and general	5,606,032	4,807,670
Depreciation and amortization	11,960,331	12,045,902
Decommissioning provision	1,303,700	4,175,592
Property and other taxes and insurance	792,362	768,854
Other	217,864	353,257
Total operating expenses	108,636,302	99,560,533
Net operating margin	13,781,300	9,999,391
Other (expense) revenue:		
Investment (loss) income	(1,920,361)	11,130,535
Unrealized loss on investments of Iowa Capital Corporation (Note 1(i))	(4,609,859)	(2,629,638)
Patronage capital allocations	201,972	179,446
Miscellaneous income, net	471,590	33,024
Total other (expense) revenue	(5,856,658)	8,713,367
Net margin before interest charges and income taxes	7,924,642	18,712,758
Interest charges:		
Interest on long-term debt	14,704,395	15,029,097
Allowance for borrowed funds used during construction	(217,628)	(123,642)
Net interest charges	14,486,767	14,905,455
Net (loss) margin before income taxes	(6,562,125)	3,807,303
Income tax (benefit) expense (Note 8):		
Current income tax (benefit) expense	(139,880)	2,310,551
Deferred income tax benefit	(1,843,234)	(1,037,290)
Total income tax (benefit) expense	(1,983,114)	1,273,261
Net (loss) margin	$ (4,579,011)	2,534,042

See Accompanying Notes to Consolidated Financial Statements.

		Membership fees	Patronage capital	Accumulated other comprehensive income (loss)	Other equities	Total members' equity
Balance at December 31, 1999	$	1,500	28,194,642	17,751,162	35,447,642	81,394,946
Comprehensive (loss) income:						
Net margin		-	-	-	2,534,042	2,534,042
Investments held by Cooperative:						
Change in unrealized gains (losses) on securities available-for-sale (Net of tax benefit of $2,924,835)		-	-	(12,303,477)	-	(12,303,477)
Realized gains on securities available-for-sale		-	-	763,370	-	763,370
Total comprehensive (loss) income		-	-	(11,540,107)	2,534,042	(9,006,065)
Patronage capital paid		-	(2,620,448)	-	-	(2,620,448)
Balance at December 31, 2000		1,500	25,574,194	6,211,055	37,981,684	69,768,433
Comprehensive (loss) income:						
Net loss		-	-	-	(4,579,011)	(4,579,011)
Investments held by Cooperative:						
Change in unrealized gains (losses) on securities available-for-sale (Net of tax benefit of $4,971,892)		-	-	(13,728,763)	-	(13,728,763)
Realized gain on securities available-for-sale		-	-	5,560,239	-	5,560,239
Total comprehensive (loss) income		-	-	(8,168,524)	(4,579,011)	(12,747,535)
Patronage capital paid		-	(994,850)	-	-	(994,850)
Patronage capital allocated		-	4,000,000	-	(4,000,000)	-
Balance at December 31, 2001	$	1,500	28,579,344	(1,957,469)	29,402,673	56,026,048

See Accompanying Notes to Consolidated Financial Statements.

	2001	2000
Cash flows from operating activities:		
Net (loss) margin	$ (4,579,011)	2,534,042
Adjustments to reconcile net (loss) margin to net cash provided by operating activities:		
Depreciation and amortization	12,143,045	12,240,083
Amortization of deferred charges	2,003,616	2,728,996
Amortization of nuclear fuel	3,603,237	3,954,173
Decommissioning provision	1,303,700	4,175,592
Patronage capital allocations not received in cash	(161,849)	(141,685)
Loss on disposal of investments-decommissioning trust fund and other investments	8,330,532	7,130,670
Gain on disposal of investments-decommissioning trust fund and other investments	(2,505,803)	(9,357,454)
Unrealized loss on investments of Iowa Capital Corporation	4,609,859	2,629,638
Increase in receivables	(2,039,956)	(879,000)
Decrease in fossil fuel, materials and supplies	233,755	294,192
Decrease (increase) in prepayments and interest receivable	224,876	(8,345)
Refueling outage and other costs deferred	(2,689,465)	(763,411)
Decrease in accounts payable, accrued liabilities, and other liabilities	(561,428)	(38,664)
Deferred tax benefit	(1,843,234)	(1,052,290)
Other	(483,277)	(349,805)
Net cash provided by operating activities	17,588,597	23,096,732

	2001	2000
Cash flows from investing activities:		
Additions to electric utility plant, net	$ (12,131,953)	(8,963,332)
Additions to non-utility property, net	(4,030)	(83,725)
Proceeds from sale of non-utility property	-	274,418
Purchases of investments-decommissioning trust fund and other investments	(33,579,513)	(175,898,437)
Sales of investments-decommissioning trust fund and other investments	45,465,291	178,294,128
Interest and dividend income reinvested	(1,215,643)	(3,808,247)
Purchases of nuclear fuel	(1,593,380)	(5,445,439)
Purchase of investments in associated and other organizations	(175,000)	(3,907,816)
Receipt of prior years' patronage capital allocation	200,088	204,049
Sales of investments in associated and other organizations	164,254	225,518
(Increase) decrease in notes receivable	(834,123)	489,637
Net cash used in investing activities	(3,704,009)	(18,619,246)
Cash flows from financing activities:		
Principal payments on long-term debt	(11,474,936)	(10,866,432)
Proceeds from long-term borrowings	5,400,000	3,700,000
Patronage capital paid	(994,850)	(2,620,448)
Net cash used in financing activities	(7,069,786)	(9,786,880)
Net increase (decrease) in cash and cash equivalents	6,814,802	(5,309,394)
Cash and cash equivalents at beginning of year	14,758,389	20,067,783
Cash and cash equivalents at end of year	$ 21,573,191	14,758,389
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 14,486,767	14,905,455

Note 1: Summary of Significant Accounting Policies

(a) Basis of Accounting

The consolidated financial statements include the accounts of Central Iowa Power Cooperative (the Cooperative) and its majority owned subsidiaries, Central Iowa Energy Cooperative (CIECO) and Iowa Capital Corporation (ICC).
The Cooperative is an electric generation and transmission cooperative providing wholesale electric service to its 14 members. CIECO invests in joint ventures primarily with members of the Cooperative. ICC is an investment company incorporated for the purpose of advancing economic development in the state of Iowa. All significant intercompany balances and transactions have been eliminated in consolidation.

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts prescribed by the Rural Utilities Service (RUS). The Cooperative is not subject to external regulation other than by the RUS.

Distribution of margins of the Cooperative, CIECO and ICC (collectively, the Company) are made in accordance with the provisions of the Code of Iowa.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

(c) Electric Utility Plant

Depreciation of electric utility plant in service is provided over the estimated useful lives of the respective assets on the straight-line basis. Maintenance and repair of property and replacement and renewal of items determined to be less than units of property are charged to expense. Replacement and renewal of items considered to be units of property are charged to the property accounts. At the time properties are disposed of, the original cost, plus cost of removal less salvage of such property, is charged to accumulated depreciation.

(d) Nuclear Decommissioning

Based upon the Nuclear Regulatory Commission (NRC) DECON option (which provides for the removal or decontamination of all equipment and structures necessary to permit release of the property for unrestricted use), the Cooperative's share of the costs to decommission the Duane Arnold Energy Center (DAEC) is estimated at $115,118,000 in 2000 dollars. The Cooperative includes a provision for disposal of spent fuel in its nuclear fuel expense.

The NRC minimum formula estimate is being used as the basis for decommissioning funding. For purposes of developing a decommissioning funding method, the Cooperative assumes decommissioning costs will escalate at an annual rate of 5 percent and the average return on investments will be approximately 8 percent. The method assumes decommissioning will start in 2014, the anticipated plant shutdown date. The method is designed to accumulate a decommissioning reserve sufficient to cover the Cooperative's share of decommissiong costs by the year 2014. Amounts funded are included in the Cooperative's service rates. At December 31, 2001, the Cooperative has $18,036,875 in investments set aside for decommissioning in a legally restricted external trust fund and has also designated $12,712,080 of other investments for decommissioning.

(e) Non-utility Property

Non-utility property is carried at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 10 years for equipment.

(f) Allowance for Funds Used During Construction

The allowance for funds used during construction represents the estimated cost, during the period of construction, of borrowed funds used for construction purposes. The composite rates used to calculate the allowance for 2001 and 2000 were approximately 7.7 percent and 8.0 percent, respectively.

(g) Nuclear Fuel

The cost of nuclear fuel, including capitalized interest and taxes, is being amortized to fuel expense on the basis of the number of units of thermal energy produced in relationship to the total thermal units expected to be produced over the life of the fuel. Nuclear fuel expense includes a provision for estimated spent nuclear fuel disposal cost which is being collected currently from members.

(h) Fossil Fuel, Materials and Supplies

Fossil fuel, materials and supplies are stated at moving average cost.

(i) Investments and Notes Receivable

Investments in associated organizations consist primarily of approximately $5,413,000 in capital term certificates issued by National Rural Utilities Cooperative Finance Corporation (CFC) and memberships in other cooperatives. These investments are stated at cost, adjusted for patronage capital allocations. Investments in other organizations consist primarily of investments in private equity funds which are accounted for using the cost method.

Investments - decommissioning trust fund is a legally restricted external trust fund and consists primarily of corporate and other bonds and notes, common and preferred stock and money market funds, which are carried at market value with net unrealized gains and losses reported in members' equity until realized.

Other investments consist primarily of U.S. Treasury bonds, other bonds and notes, common and preferred stock and money market funds which are carried at market value with net unrealized gains and losses reported in members' equity until realized. Also included in other investments are ICC's investments in common stock which are carried at market value or estimated fair value, with unrealized gains and losses reported in the statement of revenue and expenses in accordance with accounting principles generally accepted in the United States of America for investment companies.

Notes receivable include notes from an affiliated joint venture in the amount of $2,235,840 and $2,339,926 at December 31, 2001 and 2000, respectively. These notes bear interest at 3.10 percent to 8.80 percent, and are due in quarterly installments of $66,600 including interest through 2020. Other notes receivable include a non-interest bearing note with a balance of $800,000 with annual installments of

$100,000 through 2009. The note was discounted using a 6.55 percent interest rate. Also included is a note receivable of $155,229 at December 31, 2001 which bears interest at 3.00 percent, and is due in monthly installments of $826 through 2023.

(j) Pension Plan

The Company's policy is to fund pension costs accrued.

(k) Deferred Charges

Deferred charges consist principally of a special assessment established by the Energy Policy Act of 1992 for decontamination and decommissioning of the Department of Energy enrichment facilities. The special assessment costs are being recovered through rates over 15 years ending in 2007. Deferred charges also includes costs associated with refueling costs at DAEC. The refueling costs are amortized over the expected period before the next refueling outage. The amount of these costs to be amortized in 2002 has been reflected as a current asset on the balance sheet.

(l) Cash Equivalents

Cash equivalents of $19,408,876 and $12,393,208 at December 31, 2001 and 2000, respectively, consist primarily of CFC commercial paper. For purposes of the statements of cash flows, the Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

(m) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Company accounts for long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 121, *Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.* This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(n) Fair Value of Financial Instruments

Fair value estimates, methods, and assumptions are set forth below.

Cash and Cash Equivalents, Accounts and Other Receivables, Interest Receivable and Accounts Payable

The carrying amounts approximate fair value because of the short-term nature of these instruments.

Investments and Notes Receivable

It was not practicable to estimate the fair value of investments in associated and other organizations. The investments in associated organizations are carried at their original cost, adjusted for patronage capital allocations. The untraded capital term certificates currently bear interest at 3 percent to 5 percent and primarily mature in 2020 through 2080. The patronage capital allocations are non interest-bearing and mature based upon the granting cooperatives' policies. The investments in untraded other organizations are accounted for on the cost method.

The fair value of investments-decommissioning trust fund and other investments are based on quoted market prices published in financial newspapers or quotations received from securities dealers. At December 31, 2001, the estimated fair value of investments-decommissioning trust fund and other investments were $18,036,875 and $39,475,284, respectively. The carrying value of the notes receivable approximates the fair value.

Long-Term Debt

The fair value of long-term debt is calculated by discounting scheduled cash flows through maturity using estimated market discount rates. The discount rate is estimated using the rates currently offered for long-term debt of similar remaining maturities. At December 31, 2001, the Company estimated the fair value of its long-term debt as $244,000,000.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. Because no market exists for a portion of the Company's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Note 2: Electric Utility Plant in Service

The major classes of electric utility plant in service at December 31, 2001 and 2000 and depreciation and amortization for 2001 and 2000 are as follows:

	Cost		Depreciation and amortization		Composite rates
	2001	2000	2001	2000	%
Intangible plant	$ 1,383,908	1,376,167	114,727	331,943	4.00-20.00
Production plant	252,265,193	242,282,693	7,964,375	7,958,985	3.10
Transmission plant	131,463,786	129,184,144	3,417,177	3,320,718	2.75
Distribution plant	454,256	454,256	12,913	12,913	2.75
General plant	8,544,014	8,244,473	580,947	564,295	3.00-16.00
Electric utility plant in service	$ 394,111,157	381,541,733	12,090,139	12,188,854	

Note 3: Non-utility Property

At December 31, 2001, and 2000, non-utility property consists of the following:

	2001	2000
Equipment	$ 703,158	699,128
Other property	288,593	288,593
	$ 991,751	987,721

Note 4: Investments

At December 31, 2001 and 2000, investments-decommissioning trust fund and other investments were classified as available-for-sale and consisted of the following:

	Decommissioning Trust Fund				Other Investments			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
2001								
Other bonds and notes	$ -	-	-	-	15,634,906	822,110	39,113	16,417,903
Common and preferred stock*	7,801,679	2,245,038	473,792	9,572,925	29,506,565	1,295,742	7,958,968	22,843,339
Money market funds	2,906,735	-	-	2,906,735	214,042	-	-	214,042
Other investments	5,500,000	57,215	-	5,557,215	-	-	-	-
Totals	$16,208,414	2,302,253	473,792	18,036,875	45,355,513	2,117,852	7,998,081	39,475,284
2000								
U.S. Treasury notes	$ 669,550	37,551	-	707,101	-	-	-	-
Other bonds and notes	2,009,949	35,814	20,942	2,024,821	24,708,982	383,176	2,031,019	23,061,139
Common and preferred stock*	12,631,794	4,004,251	1,445,204	15,190,841	37,258,779	18,877,060	6,341,910	49,793,929
Money market funds and other	1,348,198	-	-	1,348,198	2,073,849	-	-	2,073,849
Totals	$16,659,491	4,077,616	1,466,146	19,270,961	64,041,610	19,260,236	8,372,929	74,928,917

*Other investments at December 31, 2001 and 2000 includes ICC's investment in common stock with a market value of approximately $3,299,000 and $7,025,000, respectively; in 2001 and 2000 approximately $4,610,000 and $2,630,000, respectively, of unrealized losses have been included in the Statement of Revenue and Expenses in accordance with accounting principles generally accepted in the United States of America for investment companies.

Note 5: Other Equities

At December 31, 2001, and 2000, other equities consist of the following:

	2001	2000
Unallocated (loss) margin	$ (4,579,011)	2,534,042
Reserve for contingent losses	26,481,684	27,947,642
Surplus	7,500,000	7,500,000
	$ 29,402,673	37,981,684

The reserve for contingent losses is a discretionary reserve established by the Company for unexpected future losses.

Note 6: Long-term Debt

At December 31, 2001, and 2000, long-term debt consists of the following:

	2001	2000
RUS, 2% and 5% mortgage notes payable, due in quarterly installments approximating $1,700,000 adjusted quarterly, including interest, maturing through June 2031	$ 56,764,423	60,914,674
Federal Financing Bank (FFB), 5.418% to 10.584% mortgage notes payable, guaranteed by the RUS, due in quarterly installments approximating $3,915,000, including interest, maturing from December 2010 through 2029	145,574,105	145,702,560
CFC, 5.90% to 6.05% mortgage notes payable, due in quarterly installments approximating $518,000, including interest, maturing from December 2006, through March 2031	15,591,101	16,625,375
CFC, variable interest rate (4.70% at December 31, 2001) notes payable, due in quarterly installments approximating $180,000 adjusted quarterly, including interest, maturing in March 2031	8,921,686	9,055,413
Cooperative members, variable interest rate (5.80% at December 31, 2001) unsecured notes payable, due in quarterly installments approximating $10,100, including interest, maturing on December 31, 2006	143,701	172,844
City of Council Bluffs, Iowa 6.125% Pollution Control Revenue Bonds guaranteed by CFC, due in semi-annual installments ranging from $80,000 to $110,000, maturing on December 1, 2007	1,150,000	1,305,000
Louisa County, Iowa, 4.55% - 4.65% Pollution Control Revenue Bonds guaranteed by CFC, due in annual installments ranging from $295,000 to $305,000, maturing on December 15, 2003	600,000	880,000
National Cooperative Services Corporation, 6.80% to 8.65% mortgage notes payable, due in quarterly installments approximating $68,900, including interest, maturing through 2020	2,175,840	2,339,926
Total long-term debt	230,920,856	236,995,792
Less current maturities	12,031,743	11,326,145
Total long-term debt, less current maturities	$218,889,113	225,669,647

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2001 are as follows: 2002, $12,031,743; 2003, $12,679,012; 2004, $13,047,589; 2005, $13,622,330; and 2006, $13,791,487.

At December 31, 2001, the Cooperative had available a $10,000,000 short-term line of credit agreement with CFC and approximately $3,000,000 of unadvanced funds available for various construction projects. At December 31, 2001 and 2000 there were no borrowings outstanding under the line of credit agreement.

All assets of the Company are pledged to secure the long-term debt to RUS, FFB and CFC.

Note 7: Pension Plan

The Company participates in a multi-employer pension plan which covers substantially all employees. The accumulated plan benefits and net assets of the plan are not determined or allocated separately by individual employer. Pension expense for the years ended December 31, 2002 and 2001 amounted to $544,000 and $459,000; respectively.

Note 8: Income Tax Status

The Cooperative is a nonprofit corporation under the laws of Iowa and is exempt from federal and state income taxes under applicable tax laws.

CIECO is organized as a taxable cooperative under the laws of Iowa and ICC is a for-profit corporation under the laws of Iowa.

Deferred tax assets and liabilities related to temporary differences between the financial statement bases and income tax bases of assets and liabilities at December 31, 2001 and 2000 are as follows:

	2001	2000
Deferred tax liability:		
Financial statement gain on transfer of investment	$ 777,700	777,700
Unrealized gains in market value of investments	131,839	6,946,965
Total deferred tax liability	$ 909,539	7,724,665

At December 31, 2001 and 2000, CIECO had established a deferred tax liability of $781,063 and $5,752,955, respectively against the unrealized gain in fair value of investments recorded in accumulated other comprehensive income.

Income taxes for 2001 and 2000 differ from the (benefit) expense completed using the 34 percent statutory rate as follows:

	2001	2000
Income taxes at the statutory rate	$ (2,231,123)	1,294,483
State taxes, net of federal effect	(518,542)	359,262
Loss (income) of the Cooperative - tax exempt	468,079	(104,188)
Other	298,472	(276,296)
	$ (1,983,114)	1,273,261

Note 9: Jointly owned Electric Utility Plant

The Cooperative's share of jointly owned generating facilities as of December 31, 2001, is reflected in the following table. These facilities provide approximately 60% of the Cooperative's total generating capacity. The Cooperative is required to provide financing for its share of the units. The Cooperative's share of expenses associated with these units is included with the appropriate operating expenses in the statements of revenue and expenses. The following table provides the net balance recorded in the Electric-Utility Plant by facility, at December 31, 2001.

Facility	Percentage Ownership	Capacity MW	Electric Utility Plant, Net
DAEC	20.0%	116	$65,823,595
Council Bluffs Unit No. 3	11.5%	78	17,331,724
Louisa Generating Station	4.6%	32	14,019,766

Note 10: Commitments and Contingent Liabilities

The Cooperative's operations and activities with respect to its coal-fired facilities are subject to developing environmental legislation and regulations by Federal and State authorities. Recent amendments to the Federal Clean Air Act require utilities, including the Cooperative, to comply with more restrictive emissions standards commencing in 1996. The Cooperative is recovering any increased costs resulting from compliance with the environmental legislation through increased rates.

The Price-Anderson Amendments Act of 1988 (1988 Act) sets a statutory limit of $9.5 billion for liability to the public for a single nuclear power plant incident and requires nuclear power plant operators to provide financial protection for this amount. The DAEC provides this financial protection through a combination of $200 million of insurance and $9.3 billion of industry-wide retrospective payment plans. Under the industry-wide plans, DAEC could be assessed a maximum of $88.1 million per nuclear incident, with a maximum of $10 million per year (of which the Cooperative's 20 percent ownership portion would be $17.6 million and $2 million, respectively), if losses relating to the accidents exceeded $200 million.

The Cooperative, as 20 percent owner of DAEC, is a member of Nuclear Electric Insurance Limited (NEIL). NEIL provides $430 million of insurance coverage for the Cooperative on certain property damage, decontamination and premature decommissioning. The proceeds from this insurance, however, must first be used for reactor stabilization and site decontamination before the insurance can be used for plant repair and premature decommissioning. NEIL further provides separate coverage for additional expense incurred during certain outages. Owners of nuclear generating stations insured through NEIL are subject to retroactive premium adjustments if losses exceed accumulated reserve funds. NEIL's accumulated reserve funds are currently sufficient to cover its exposure in the event of a single incident under the primary and excess property damage or additional expense coverages. However, the Cooperative could be assessed annually a maximum of $0.83 million for NEIL primary property, $0.91 million for NEIL excess property and $0.69 million for NEIL additional expenses if losses exceed the accumulated reserve funds. The Cooperative is not aware of any losses which 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 DAEC owners and could have a material adverse effect on the Company's financial position and results of operations.

CIPCO and Subsidiaries | Ten Year Financial Summary - Unaudited

	2001	2000	1999	1998	1997
SUMMARY OF OPERATIONS					
Operating revenue	$ 122,417,602	109,559,924	102,538,259	100,809,254	91,200,299
Operating expenses and interest:					
Purchased power	38,715,073	29,043,582	21,381,342	16,789,263	12,844,702
Operations, maintenance and other	48,060,530	46,666,599	45,855,099	46,752,390	45,026,208
Member services	2,198,274	2,052,334	2,225,602	1,452,306	1,344,865
Administrative and general[1]	5,606,032	4,807,670	10,345,072	3,578,046	3,709,180
Depreciation and amortization	11,960,331	12,045,902	11,616,967	11,561,393	11,757,936
Decommissioning provision	1,303,700	4,175,592	3,696,936	3,219,840	2,476,040
Property and other taxes and insurance	792,362	768,854	683,723	602,289	664,729
Net interest charges	14,486,767	14,905,455	15,545,755	15,991,060	15,218,091
Total operating expenses and interest	123,123,069	114,465,988	111,350,496	99,946,587	93,041,751
Operating margin (deficit)	(705,467)	(4,906,064)	(8,812,237)	862,667	(1,841,452)
Other (expense) revenue	(5,856,658)	8,713,367	18,255,025	4,847,371	6,855,843
Income tax benefit (expense)	1,983,114	(1,273,261)	(3,925,370)	-	-
Net (loss) margin	$ (4,579,011)	2,534,042	5,517,418	5,710,038	5,014,391
ASSETS					
Electric utility plant	$ 486,115,830	473,807,918	460,595,676	448,048,533	444,800,113
Less accumulated depreciation and amortization	280,580,084	266,304,129	251,357,632	237,433,340	224,256,871
Net electric utility plant	205,535,746	207,503,789	209,238,044	210,615,193	220,543,242
Net non-utility plant, investments, and notes receivable	81,592,560	114,846,839	125,406,557	93,530,915	76,809,728
Current assets	41,474,099	32,435,966	38,775,134	48,216,714	42,677,841
Deferred charges	1,439,490	1,673,665	2,006,332	8,417,290	8,809,531
Total assets	$ 330,041,895	356,460,259	375,426,067	360,780,112	348,840,342
CAPITALIZATION AND LIABILITIES					
Members' equity	$ 56,026,048	69,768,433	81,394,946	70,653,802	64,424,325
Long-term debt	218,889,113	225,669,647	233,417,244	242,583,793	239,854,400
Current liabilities	21,691,079	22,094,783	21,553,988	20,223,123	20,400,913
Decommissioning reserves	30,748,955	29,445,255	25,269,663	21,572,727	18,352,887
Special assessment and other liabilities	2,686,700	9,482,141	13,790,226	5,746,667	5,807,817
Total capitalization and liabilities	$ 330,041,895	356,460,259	375,426,067	360,780,112	348,840,342

1996	1995	1994	1993	1992
91,732,592	89,037,508	85,028,734	85,785,058	82,376,927
8,519,525	6,606,936	6,118,306	9,492,228	6,238,944
47,860,033	50,991,054	48,633,354	43,099,230	43,664,579
1,214,659	1,420,792	1,082,301	1,086,483	728,473
3,134,472	2,936,127	3,039,463	3,795,594	4,404,458
11,476,590	10,449,639	11,375,564	10,799,746	10,205,712
2,132,340	1,824,330	1,594,812	1,770,725	1,204,770
678,479	756,618	113,741	102,099	109,298
14,470,081	14,786,377	14,097,906	15,061,130	15,482,054
89,486,179	89,771,873	86,055,447	85,207,235	82,038,288
2,246,413	(734,365)	(1,026,713)	577,823	338,639
4,220,667	3,043,818	2,936,268	1,887,856	2,000,743
-	-	-	-	-
6,467,080	2,309,453	1,909,555	2,465,679	2,339,382
435,847,094	413,216,505	397,021,724	384,457,411	371,882,103
209,131,696	194,007,022	180,772,357	168,641,832	156,930,198
226,715,398	219,209,483	216,249,367	215,815,579	214,951,905
54,619,045	36,957,633	33,248,839	30,267,892	28,352,028
42,287,705	51,290,287	37,169,726	36,184,307	18,749,147
9,342,892	9,803,040	11,001,268	6,442,156	5,197,969
332,965,040	317,260,443	297,669,200	288,709,934	267,251,049
56,870,129	43,282,394	39,465,790	37,745,673	35,279,994
231,480,716	235,124,252	221,732,790	215,429,551	202,507,475
22,993,410	22,346,204	21,758,749	22,728,477	18,411,229
15,876,847	13,744,507	11,920,177	10,325,365	8,554,640
5,743,938	2,763,086	2,791,694	2,480,868	2,497,711
332,965,040	317,260,443	297,669,200	288,709,934	267,251,049

(1) Beginning in 1994, certain salaries, benefits, and other costs previously classified as administrative and general have been reclassified as member services or operations, maintenance and other to be more reflective of the services provided. Years 1993 through 1991 have not been reclassified on a comparative basis as it was not practical. In 1999, approximately $6.2 million relates to debt repricing costs written off in accordance with RUS' approval.

CIPCO and Subsidiaries | Member Cooperative Operating Statistics - Unaudited

2001	Clarke	Consumers	East-Central	Eastern	Farmers	Guthrie
SUMMARY OF OPERATIONS:						
Operating Revenue	$6,891,217	7,731,959	12,834,009	50,325,026	8,491,639	6,772,249
Purchased Power	3,530,408	4,412,984	7,794,328	39,834,592	5,285,769	4,010,668
Operating Expenses	2,032,177	1,903,979	2,863,740	5,999,432	1,995,459	1,623,364
Depreciation	546,944	504,756	915,844	2,198,021	539,963	357,506
Tax Expense	0	229,429	12,799	0	0	9,399
Interest Expense	574,562	533,814	864,258	1,445,917	590,346	409,927
Total Cost - Electric Service	$6,684,091	7,584,962	12,450,969	49,477,962	8,411,537	6,410,864
Operating Margins	207,126	146,997	383,040	847,064	80,102	361,385
Non-operating Margins & Capital Credits	217,944	157,571	333,297	685,483	195,523	(21,350)
Margins	$ 425,070	304,568	716,337	1,532,547	275,625	340,035
ASSETS AND OTHER DEBITS:						
Total Utility Plant	$21,752,892	17,972,109	32,110,768	78,695,431	20,366,656	15,016,114
Accumulated Depreciation & Amortization	7,724,706	5,964,589	8,051,328	24,856,530	5,782,451	6,260,223
Net Utility Plant	14,028,186	12,007,520	24,059,440	53,838,901	14,584,205	8,755,891
Property & Investments	2,023,030	1,801,481	4,202,996	9,081,635	3,339,349	2,150,809
Current & Accrued Assets	2,225,094	2,215,826	4,110,171	9,277,304	2,337,886	2,715,716
Deferred Debits	30,259	35,342	36,223	46,408	0	22,176
Total Assets & Other Debits	$18,306,569	16,060,169	32,408,830	72,244,248	20,261,440	13,644,592
LIABILITIES AND OTHER CREDITS:						
Margins & Equities	$6,415,110	5,631,310	15,012,325	37,034,067	7,623,627	6,163,520
Long Term Debt	10,799,961	9,115,687	15,728,798	27,848,883	11,065,030	6,258,119
Current & Accrued Liabilities	901,952	1,296,274	1,283,851	6,795,041	1,431,502	855,994
Deferred Credits & Misc. Oper. Reserves	189,546	16,898	383,856	566,257	141,281	366,959
Total Liabilities & Other Credits	$18,306,569	16,060,169	32,408,830	72,244,248	20,261,440	13,644,592
OTHER STATISTICS:						
Miles of Line	1,790	1,103	2,208	4,611	1,790	1,386
Consumers Served	4,782	4,745	7,792	21,611	4,639	4,434
Consumers Per Mile	2.7	4.3	3.5	4.7	2.6	3.2
kWhs Sold per Consumer	14,218	17,136	19,461	50,518	23,350	18,720
MWh Sales	67,990	81,308	151,640	1,091,750	108,321	83,005
Annual Revenue per Consumer	$1,441	$1,629	$1,647	$2,329	$1,830	$1,527
Plant Investment per Consumer	$4,549	$3,788	$4,121	$3,641	$4,390	$3,387

*These data represent the combined service territories of Greene County REC and Hardin County REC.

Linn	Maquoketa	Midland*	Pella	Rideta	SWISCO	T. I. P.	Total
21,563,637	19,180,604	16,060,108	4,476,149	4,052,786	4,530,294	9,844,357	172,754,034
13,876,973	12,618,105	9,567,936	2,516,700	2,049,015	2,383,526	5,967,319	113,848,323
4,007,187	3,971,517	3,569,281	1,036,060	1,080,226	1,475,969	2,103,373	33,661,764
1,178,047	1,169,111	1,322,007	215,366	363,755	354,555	547,219	10,213,094
727,168	554,514	15,057	109,947	4,046	4,369	266,894	1,933,622
2,153,363	896,050	1,057,370	290,764	341,893	329,187	741,589	10,229,040
21,942,738	19,209,297	15,531,651	4,168,837	3,838,935	4,547,606	9,626,394	169,885,843
(379,101)	(28,693)	528,457	307,312	213,851	(17,312)	217,963	2,868,191
557,502	521,283	337,328	(37,890)	122,242	122,326	517,519	3,708,778
178,401	492,590	865,785	269,422	336,093	105,014	735,482	6,576,969
48,804,822	40,422,268	42,090,435	10,309,645	12,988,224	12,828,247	21,301,363	374,658,974
9,025,847	15,262,083	12,968,340	2,937,469	4,093,915	4,590,378	6,306,053	113,823,912
39,778,975	25,160,185	29,122,095	7,372,176	8,894,309	8,237,869	14,995,310	260,835,062
4,937,015	6,311,022	4,671,220	1,345,532	1,212,864	1,622,478	2,694,378	45,393,809
3,372,354	4,428,361	7,124,579	1,878,311	1,154,417	1,044,216	6,620,202	48,504,437
(411,116)	0	20,221	107,050	4,231	835	24,304	(84,067)
47,677,228	35,899,568	40,938,115	10,703,069	11,265,821	10,905,398	24,334,194	354,649,241
10,183,359	16,670,722	17,307,865	4,090,271	3,874,080	3,934,297	11,971,119	145,911,672
27,559,301	16,282,375	21,797,641	5,454,078	6,821,192	6,038,092	10,600,437	175,369,594
9,174,568	2,491,970	1,744,860	882,302	448,755	908,628	1,281,342	29,497,039
760,000	454,501	87,749	276,418	121,794	24,381	481,296	3,870,936
47,677,228	35,899,568	40,938,115	10,703,069	11,265,821	10,905,398	24,334,194	354,649,241
1,907	3,094	2,840	611	1,209	1,365	1,751	25,665
17,030	13,523	8,723	2,541	2,675	3,049	5,798	101,342
8.9	4.4	3.1	4.2	2.2	2.2	3.3	3.9
15,458	16,996	23,186	19,980	15,305	14,530	19,598	24,955
263,246	229,833	202,255	50,769	40,942	44,301	113,631	2,528,991
$1,266	$1,418	$1,841	$1,762	$1,515	$1,486	$1,698	$1,705
$2,866	$2,989	$4,825	$4,057	$4,855	$4,207	$3,674	$3,697

CIPCO

A Touchstone Energy® Cooperative

© Central Iowa Power Cooperative • 1400 Highway 13 S.E. • P.O. Box 2517 • Cedar Rapids, Iowa 52406 • 319-366-8011 • www.cipco.net • cipco@cipco.net