



*It's Common Sense to Generation
today's Generation, tomorrow's Generation*

Don't just get a power plant, get a power plant that's yours.
Corn Belt Power Cooperative 2003 Annual Report

*Blake Strickland, grandson of Jack Strickland,
system electrical superintendent*



*Abby and Luke McLean, grandchildren of
Donald McLean, director*



*Sarah Hinners, granddaughter of Jim Johnson,
engineering and construction superintendent*



*Tyler and Andrew Wempen, grandsons of
Diane Wempen, executive assistant*



*Nolan Darr, son of Shane Darr,
lineman*



Tomorrow's Generation

On the cover: Andrew Arndorfer, son of Jennifer Arndorfer, human resources specialist

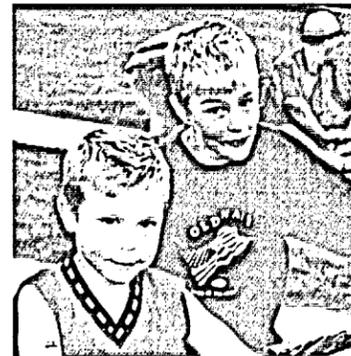
*Mason Askelsen,
grandson of Charlie Gilbert, director*



*Grandchildren of
Don Feldman, director*



*Travis and Brandon Reed, grandsons of
Angie Reed, general services assistant*



*Kate Sayers, daughter of Jim Sayers,
marketing director*



*Jay and Nick Peterson, grandsons of
Norman Kolbe, director*



Committed to serve its member cooperatives well into the 21st century, Corn Belt Power Cooperative experienced a remarkable year of investment in new generating sources in 2003. By building, partnering and contracting to expand its power supply during the year, the cooperative actively prepared for "Tomorrow's Generation."

Corn Belt Power's mission to deliver reliable, safe and affordable wholesale energy prompts the addition of new generation to serve member cooperatives in the future. In addition, its commitment to help improve economic growth, community vitality and overall sustainability for its communities compels decision-making that goes beyond just power supply and ensures an enhanced quality of life for both today's and tomorrow's members.



Cody Sayers,
son of Jim Sayers,
marketing director

Corn Belt Power is a well-run organization, with a board of directors and staff that have the knowledge and experience to make good decisions.

In 2003, we witnessed significant events in Corn Belt Power Cooperative's history as we built our first new power plant since the late 1970s, purchased wind generation for the first time, and progressed with the partnership that will construct the largest coal-fired plant in Iowa.

Corn Belt Power is proud of its history of owning most of the generation it provides to its member cooperatives. It has been our philosophy to maintain control over our destiny, and owning generation rather than purchasing market power allows us to do that. Although our cooperative is small compared to other wholesale suppliers of electricity, we have a good track record of handling new generation projects. Through good management and conservative practices, we're able to continue the tradition of adding new generating sources to our power supply.

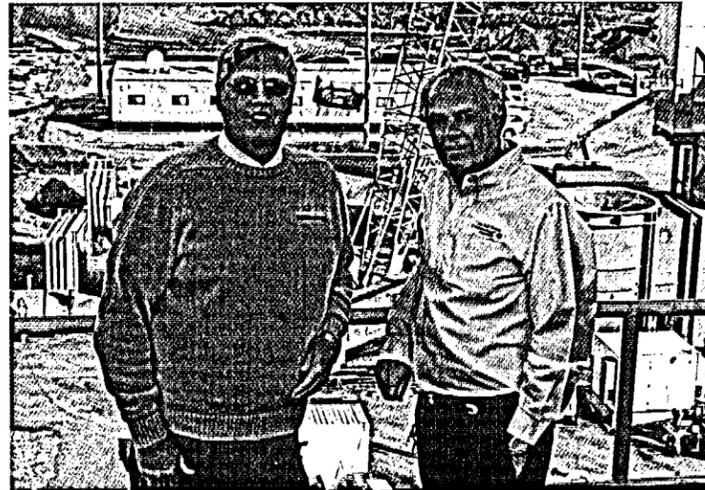
The addition of both natural gas-fired generation and wind power further strengthens Corn Belt Power's position. We've always had diversity in our generating mix, with coal, nuclear, fuel oil and hydro power fueling our power supply. Adding two new fuel types expands our diversity, which lowers the potential risk should one fuel type spike in price. Diversity is a great tool for keeping our rates down.

In 2003, Corn Belt Power sold more electricity than ever before. Even though additional sales prompt us to add new generating sources that will result in higher costs, we still welcome growth on our member systems' lines. We've implemented programs that encourage growth and they are working. So, when new loads come along, such as the new ethanol plants we're seeing now or the natural gas pumping stations that were added previously, we must accept the challenge and add new generation to fuel that growth.

Along with the successes of adding new power supplies and increasing sales, 2003 also witnessed some negative financial results. Corn Belt Power realized a deficit margin of \$419,484 due to factors that also affected our rates.

After 10 years of stable or declining rates, Corn Belt Power raised its wholesale rate in July of 2003. The approximately five percent increase in wholesale costs can be attributed to several factors external to the cooperative's control, including high plant maintenance costs, frequent operation of higher-cost plants and increasing fixed costs. Factors in our immediate future such as new generating sources, higher gas costs and changes in our dispatching costs will likely increase our rates in 2004. Energy prices are trending upward nationally and it appears unlikely that Corn Belt Power will be isolated from that trend.

With load growth comes the need for increased capacity, including transmission capacity. Customers are demanding more reliability now than in years past, not only to serve businesses and farmsteads, but also to power computer-operated machinery. In some manufacturing processes, a momentary blink in power supply can eliminate an entire shift's work. In response to this type of customer demand, Corn Belt Power continues to focus on increasing reliability of service. Numerous new switching stations were added to the system in 2003, along with many miles of new and reconducted transmission line.



Executive Report

Executive Report

Donald Feldman
Donald Feldman
President
Board of Directors

Dale M. Arends
Dale M. Arends
Executive Vice President
& General Manager

Although not required to join a regional transmission organization, Corn Belt Power actively took part in discussions in 2003 that worked toward RTO development. The Corn Belt Power board feels it is important for the cooperative to be at the table to have a voice in transmission developments. The cooperative's commitment of staff to the process is important to protect our future and manage future costs for our members.

Throughout 2003, Corn Belt Power and its member cooperatives actively continued to promote the Touchstone Energy® brand. Although we have not yet experienced deregulation, the Touchstone Energy® brand has already benefited us through increased exposure nationally. The brand is known well enough now that many potential new key accounts ask if a cooperative belongs to Touchstone Energy. Although deregulation has not yet come to Iowa, there is a good likelihood that the issue of competition will resurface in the future.

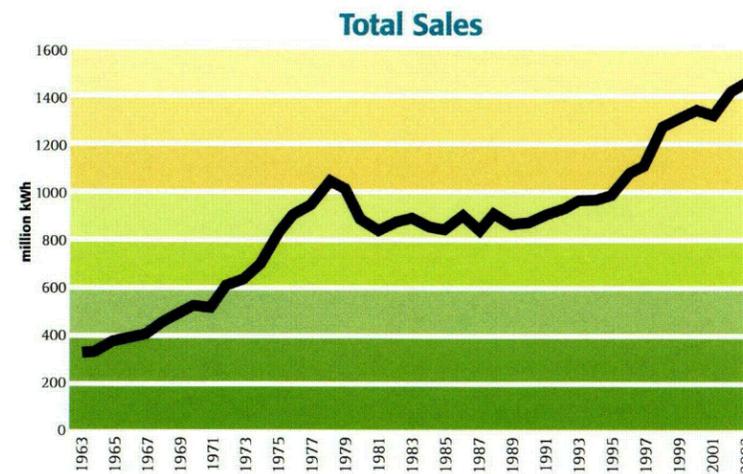
We know that cooperatives already have competition in a number of arenas. Businesses can choose to expand or locate in territories served by cooperatives, IOUs or municipal utilities. Residential consumers choose which type of heating system to install. The Touchstone Energy brand helps to communicate why members should choose what their cooperative has to offer.

We continue to be challenged to get the cooperative message to our stakeholders. Too many people in the general public and even in the cooperative membership don't understand the advantages offered by the cooperative way of doing business. The Touchstone Energy brand can help communicate this message.

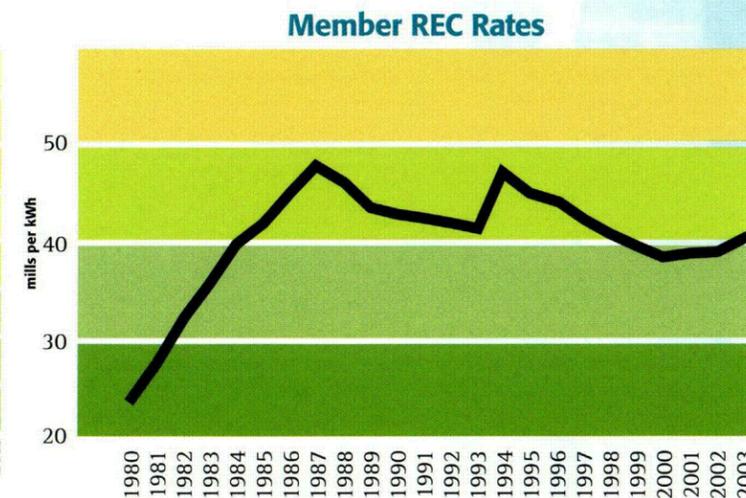
Corn Belt Power is a well-run organization, with a board of directors and staff that have the knowledge and experience to make good decisions. With good financial strength, a clear direction for serving members, and a strong reputation throughout the cooperative network, Corn Belt Power is poised for continued success well into the 21st century.

The Corn Belt Power board feels it is important for the cooperative to be at the table to have a voice in transmission developments.

Clare and Scott Anderson, grandchildren of Mike Anderson, environmental and safety coordinator



Includes RECs, NIMECA, Webster City and Sales to Others



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

New Generation

Near the spot where ground was first broken 45 years ago, Corn Belt Power directors and employees once again heralded a new source of generation with the April 29 groundbreaking at the Wisdom Station site northwest of Spencer, Iowa.



Corn Belt Power officials sign generation loan documents.

Construction of the new 80-megawatt simple cycle combustion turbine named the Earl F. Wisdom Generating Station Unit 2 began in April after the Corn Belt Power board accepted the joint venture bid from Utility Engineering, Minneapolis and Omaha, and TIC, Casper, Wyo., to build the unit. Construction took approximately 11 months with the first fire of the unit to take place in early 2004 with commercial operation following.

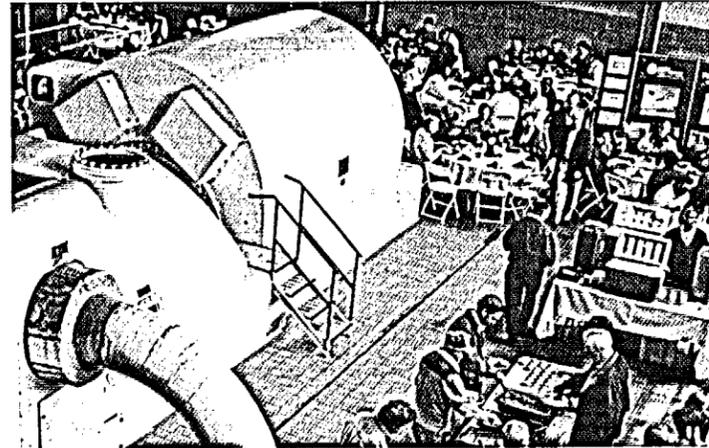
The chosen site near the existing Wisdom Station offers a rail line, hard-surfaced road, transmission system access, a natural gas pipeline and existing labor to operate and maintain the new plant. The new heavy frame 7EA GE turbine, co-owned by Corn Belt Power and Basin Electric Power Cooperative, will operate during peak power use.

On Sept. 9, 2003, groundbreaking ceremonies took place for the Council Bluffs 4 coal-fired plant adjacent to the existing Council Bluffs 3 unit. MidAmerican Energy Company, the primary owner, developer and operator of the \$1.2 billion plant, joined with Corn Belt Power and 13 additional utilities to construct the first generation project in the United States to incorporate "advanced supercritical" technology. Supercritical boilers create steam at higher temperatures and pressures than traditional plants, converting coal to electricity more efficiently and significantly reducing emissions. The plant will incorporate additional advanced technologies for clean-coal conversion including dry scrubbers and selective catalytic reduction.

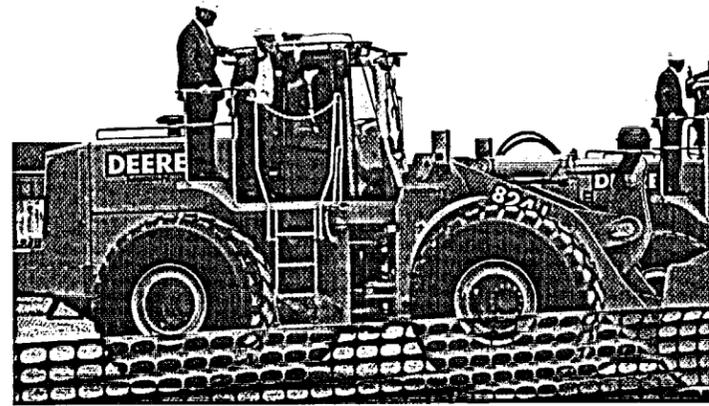
Corn Belt Power directors and employees once again heralded a new source of generation with the April 29 groundbreaking at the Wisdom Station site northwest of Spencer, Iowa.



Trinity Watnem, daughter of Dan Watnem, transmission superintendent



Guests attend a lunch held on the turbine deck of Wisdom Unit 1 after the groundbreaking ceremony for the Wisdom Unit 2 combustion turbine on April 29, 2003.



Iowa's Governor Tom Vilsack and Warren Buffet, chairman of Berkshire Hathaway, of which MidAmerican Holdings Company is an affiliate, help with the official groundbreaking for the Council Bluffs 4 coal-fired unit on Sept. 9, 2003.

Year in Review 2003

At 790 megawatts, Council Bluffs 4 will be the largest power plant built in Iowa history and is one of the largest construction projects to date in the Midwest. Construction, expected to be complete in the summer of 2007, will create more than 1,000 jobs.

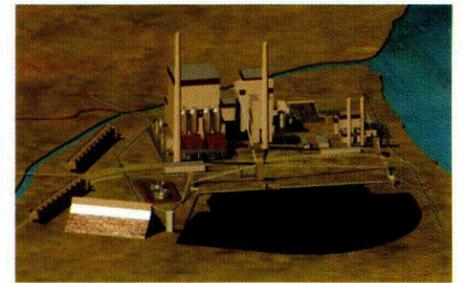
Corn Belt Power will own approximately 5 percent, a total of 42 megawatts, of the project. Power supply studies show Corn Belt Power member cooperatives will need more baseload power in the 2007 time frame. Because transmission constraints make it difficult to have electricity delivered, the Corn Belt Power board chose to own additional generation rather than purchase power on the open market.

When Council Bluffs 4 goes online, it will add approximately 70 full-time employees to the 146 now working at the Council Bluffs Energy Center, which includes units 1, 2 and 3. A long-term contract with Union Pacific railroad is in place to transport coal to the new plant from the Powder River Basin in Wyoming.

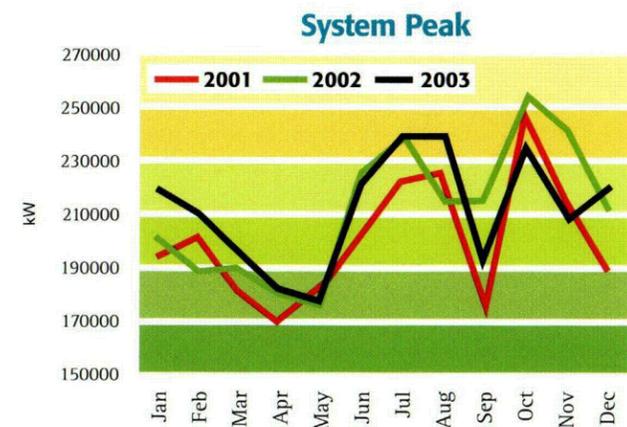
In yet another ceremony recognizing a new power supply, the Hancock County Wind Energy Center was officially dedicated at a ribbon cutting May 12. The 98-megawatt wind energy center is owned and operated by FPL Energy. Corn Belt Power has a 20-year contract to purchase approximately 11 megawatts of the wind energy center's output and began receiving power at the end of December 2002.



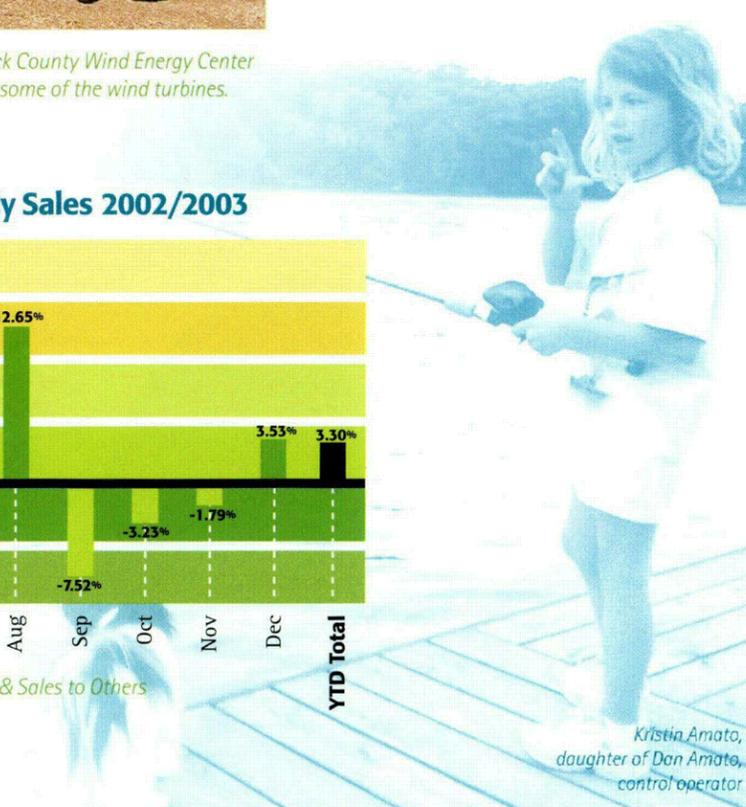
Corn Belt Power representatives attend the Hancock County Wind Energy Center dedication May 12, 2003, held at the kiosk near some of the wind turbines.



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Corn Belt Power system peak = (RECs + WC + Estherville) x 1.06 at time of CBPC/WC 60 min. system peak



Kristina Amato, daughter of Dan Amato, control operator

Record Sales

Corn Belt Power sold more electricity in 2003 than in any previous year. Total sales in 2003 to member cooperatives, NIMECA, Webster City Municipal Utilities and others were up 3.3 percent to 1,463 million kilowatt-hours, surpassing the previous record of 1,416 million kilowatt-hours set in 2002. Sales to rural electric cooperatives were also at a record high at 1,127 million kilowatt-hours, which is 2.73 percent greater than 2002 sales.

Sales to NIMECA increased in 2003 due to the extended outage of Neal 4. The addition of commercial and industrial loads in combination with strong sales to member co-ops' existing C&I loads also added to the record sales total.

Total system load in 2003 was down from the previous year's record peak of 253 megawatts. Lack of a significant corn drying peak in the fall of 2003 and some load control in August led to a 5.5 percent reduction.

Rates

After more than 10 years of maintaining or lowering its wholesale rates to member cooperatives, Corn Belt Power Cooperative made a price adjustment for sales during the second half of 2003.

The wholesale rate to member cooperatives increased 2.25 mills per kilowatt-hour, approximately five percent more than the previous rate, beginning July 1. This adjustment equals approximately one fifth of one cent per kilowatt-hour of electricity.

Power plants jointly owned by Corn Belt Power and other utilities have experienced expanded maintenance costs due to environmental and safety concerns, including measures related to the Sept. 11, 2001,

terrorist attacks. Also, higher power costs in the wholesale market resulted in significant additional operation of Corn Belt Power's Wisdom Unit 1, increasing the need for additional revenue to cover expenses. Power costs also increased due to Corn Belt Power's purchase of output from the Hancock County Wind Energy Center, which currently has a somewhat higher than average cost compared to other power supplies.

Existing Generation

Duane Arnold Energy Center, Corn Belt Power's jointly owned nuclear plant near Palo, Iowa, successfully completed its initial dry-storage installation campaign in the fall of 2003. Ten steel canisters filled with used nuclear fuel were transported from the spent fuel pool to the newly constructed on-site dry-storage facility from August to November. Each storage canister holds approximately one year's worth of used fuel.

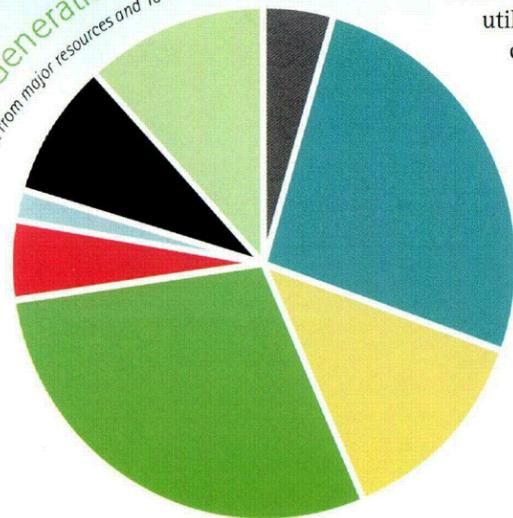
The \$24 million project fulfills DAEC's responsibility to provide interim storage capacity at its site and will enable DAEC to operate without storage capacity issues well into the future.

The used fuel will remain in dry storage until the federal permanent repository at Yucca Mountain, Nev., begins to accept used fuel after 2010. DAEC will conduct another fuel-moving campaign within six to eight years.

DAEC came back on line after a 28-day scheduled refueling outage that began in late March. Previously, the shortest outage length was 36½ days. The last refueling outage took place in 2001 and lasted 44 days. During the 2003 outage, 152 new fuel assemblies were placed in the reactor. In addition, crews completed more than 1,000 preventative maintenance and repair tasks.

Anna Taylor, daughter of Kathy Taylor, vice president, corporate relations

2003 Generation Summary
Represents input from major resources and 100% ownership shares



■ Wisdom Unit 1	73,027 MWh	4.7%
■ DAEC	398,766 MWh	25.9%
■ CB #3	203,173 MWh	13.2%
■ Neal #4	449,947 MWh	29.2%
■ Basin	75,379 MWh	4.9%
■ Hancock Wind	30,440 MWh	2.0%
■ WAPA	133,040 MWh	8.6%
■ Other Generation & Purchases	176,351 MWh	11.5%

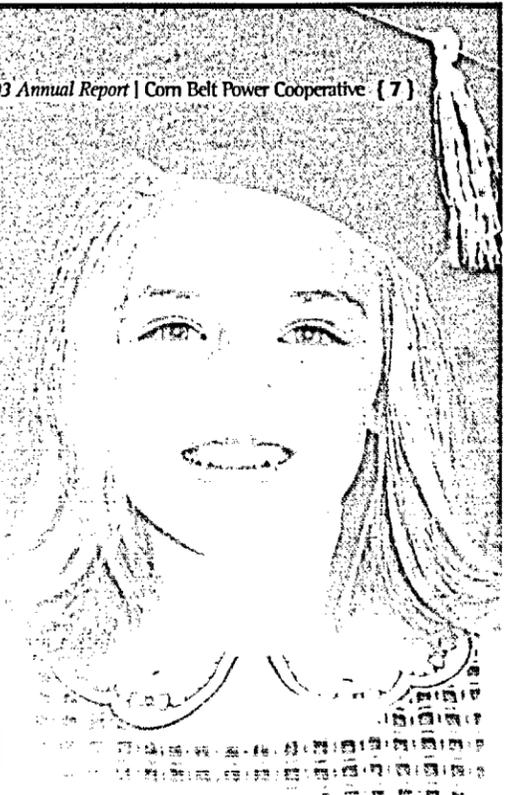


Canisters filled with used nuclear fuel are moved into on-site dry-storage facilities at the Duane Arnold Energy Center near Palo, Iowa.

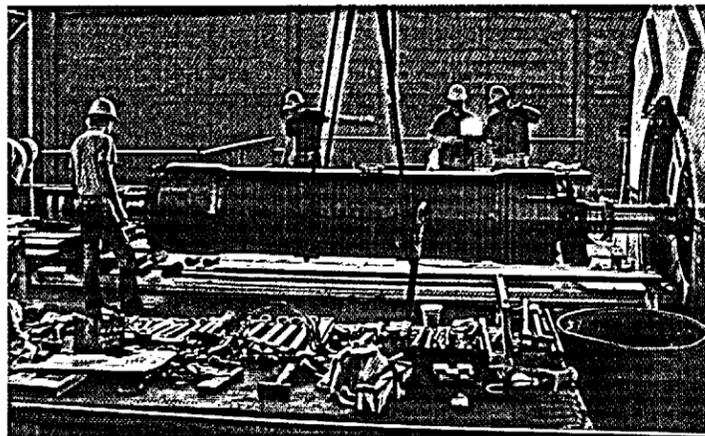
Neal 4, Corn Belt Power's jointly owned coal-fired plant near Sioux City, Iowa, underwent a five-week maintenance outage in November to rewind the stator, replace the superheater tubes and complete other maintenance projects.

Wisdom Unit 1, near Spencer, Iowa, generated more electricity in the seven months it was available in 2003 than in any year since 1979. The unit ran to meet the MidAmerican Energy Company's system pool requirements. Corn Belt Power is part of the pool. Outages at Corn Belt Power's jointly owned plants played a role in affecting pool requirements.

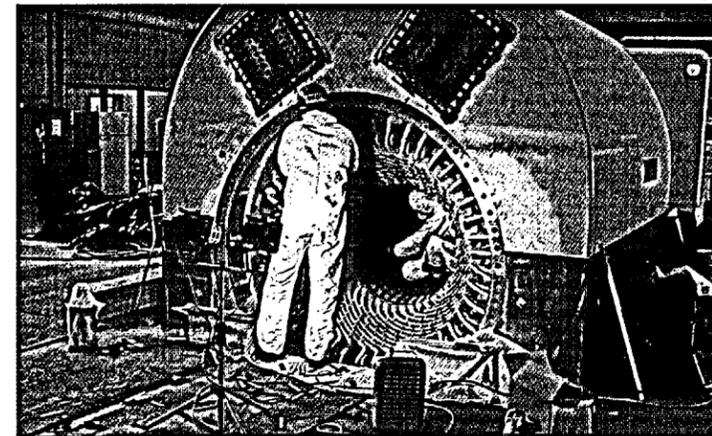
Wisdom Unit 1 was forced out of service July 23 when a new circuit breaker exploded while being installed outside in the switchyard, resulting in a power outage in the plant while the generator was still running. The incident damaged the generator rotor and stator windings beyond repair. A new rotor is being forged and rough-machined in Sweden and will then be sent to Columbus, Ohio, for final machining and installation of the windings. The rotor is expected to be ready for delivery to Wisdom Unit 1 in April of 2004. The plant is expected back in service by early summer.



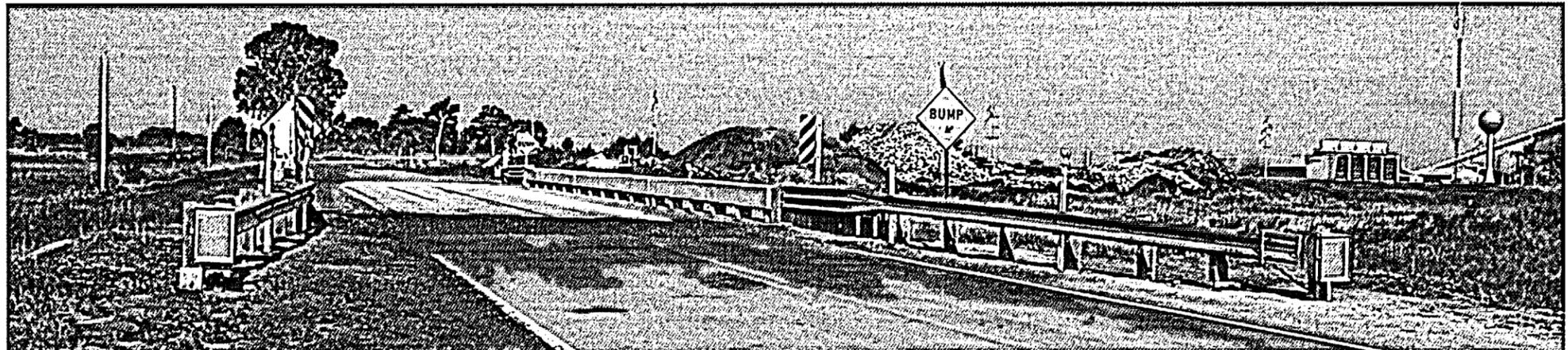
Emma Kate Wichman,
granddaughter of Dale Arends,
executive vice president and general manager



Crews pull the rotor of Wisdom Unit 1 after it was damaged when a circuit breaker in the switchyard failed.



A crew from National Electric Coil, Brownsville, Texas, removes the old stator windings from the generator of Wisdom Unit 1. The unit is expected to be back in service early summer 2004.



This new bridge now spans over Stony Creek near the Wisdom Station site. The old bridge collapsed April 22, 2003, just days before the groundbreaking for Wisdom Unit 2.



Corn Belt Power transmission crews modify a line to prepare for construction at Drager Switching Station near Glidden.



Linemen frame a transmission pole for the Willemssen-Blairsburg line.



Electrical maintenance and general maintenance crews erect the Toyne Switching Station near Carroll.

Transmission, Electrical Maintenance and System Operations

On Aug. 14, 2003, as millions of people throughout the north-eastern United States and Canada found themselves without power, system supervisors in the Corn Belt Power Cooperative control center monitored the event's effects on the power grid.

The event in the Northeast did not cascade into the Corn Belt Power area or cause outages in the region. The major impact observed on the Corn Belt Power system was a spike in frequency from 60 hertz to 60.26 hertz from the beginning of the event until the frequency returned to near normal approximately 10 minutes later.

Frequency higher than 60 hertz indicates that there is too much generation for the load. The cause of the high frequency on Aug. 14 indicated that, before the major outage in the East occurred, power was flowing from the Midwest to the East. When the transmission in the East was interrupted, power on the lines in the Midwest was no longer being delivered to where it was needed in the East, resulting in an increase in frequency in the Midwest system.

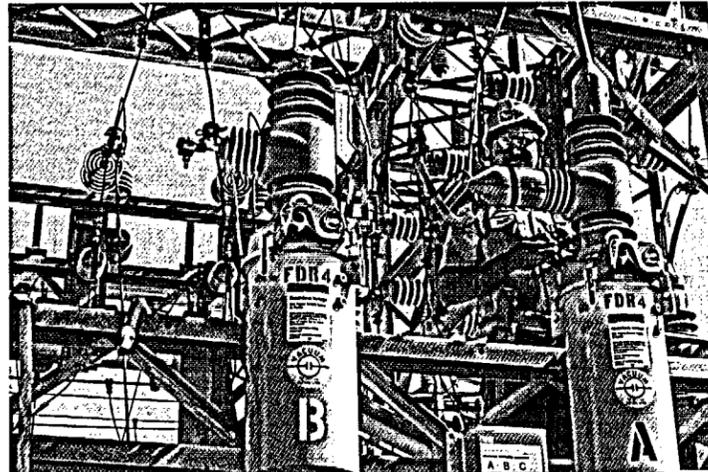
With the goal of additional reliability and the need to serve new loads on member cooperatives' and neighboring utilities' lines, Corn Belt Power began constructing numerous new switching stations and substations during 2003.

2003 Construction Projects

- **Drager Switching Station** – located near Glidden
- **Fredericksburg Switching Station** – this project will also include 1/4 mile of transmission line and will be completed in 2004
- **Williams Switching Station** – near the town of Williams
- **Sheffield Switching Station** – this project will be completed in 2004 and will add voltage support
- **Toyne Switching Station** – near Carroll, this was completed for additional reliability
- **Alden Switching Station** – this project will be concluded in 2004
- **Whittemore Switching Station** – most of the work on this project will take place in 2004
- **Pine Lake Substation** – located north of Steamboat Rock, this station will serve a planned ethanol plant; 4½ miles of transmission line will also be included in this project
- **IFE Substation** – located near the Southview Industrial Park at Iowa Falls, this substation will serve the Iowa Falls Ethanol Plant

	2003 kWh Billed by Corn Belt Power	Miles of Line	# of Meters Served	# of Employees
Boone Valley Electric Cooperative	8,622,795	61.5	141	1
Butler County REC	135,708,497	1,726	4,712	34
Calhoun County REC	33,249,068	765	1,742	11
Franklin REC	57,318,963	825	1,843	15
Glidden REC	80,987,560	762	1,690	13
Grundy County REC	107,117,913	910	2,284	15
Humboldt County REC	54,261,647	946	1,860	14
Iowa Lakes Electric Cooperative	309,644,979	4,644	11,792	70
Midland Power Cooperative	109,638,890	2858	6,858	35
Prairie Energy Cooperative	208,057,077	2018	4,720	38
Sac County REC	22,344,157	491	1,030	10

Sarah Gutsell, granddaughter of Donald O'Tool, director



Mike Finnegan, journeyman electrician, installs wildlife protection devices on substation equipment as part of a program to increase reliability in the Corn Belt Power system.

Corn Belt Power transmission crews worked on building a 12-mile stretch of new 69 kV transmission line as part of a joint project with Alliant Energy to strengthen the 69 kV transmission system in Wright and Hamilton counties. Corn Belt Power built its line between the Willemssen and Blairsburg substations and Alliant Energy is constructing its line between its Belmont Substation and Corn Belt Power's Willemssen Substation. The addition of these two lines will essentially tie four 161 kV sources together through the 69 kV system, which will help support area voltages and strengthen reliability.



Former general manager George W. Toyne, left, is recognized with a ceremony naming a switching station in his honor.

The Toyne Switching Station was officially dedicated Oct. 10 in honor of George W. Toyne, retired general manager of Corn Belt Power. Employees and directors, both current and retired, gathered at the switching station south of Carroll to recognize the contributions Toyne made to Corn Belt Power during his many years of employment.

In 2003, spill prevention control and countermeasure (SPCC) plans were updated for all of Corn Belt Power's substations and switching stations as required by an Environmental Protection Agency regulation.

All 144 Corn Belt Power substation and switching station sites were visited by a registered engineer who then prepared the plans. Corn Belt Power's crews are modifying approximately 100 of the sites to comply with the SPCC plans. Modifications include building berms, installing collection basins, placing underground storage tanks and adding oil/water separators.

In 2003, installation of a new digital microwave system continued, with new towers constructed, existing towers refurbished and state-of-the-art equipment installed. Phase one of the project, which included the east side of the Corn Belt Power system, was completed and work progresses on the west side, which will be finished in the spring of 2004. The third phase, which will conclude the project with the addition of microwave capabilities for the first loop, is targeted for completion at the end of 2004.

In 2003, installation of a new digital microwave system continued, with new towers constructed, existing towers refurbished and state-of-the-art equipment installed.

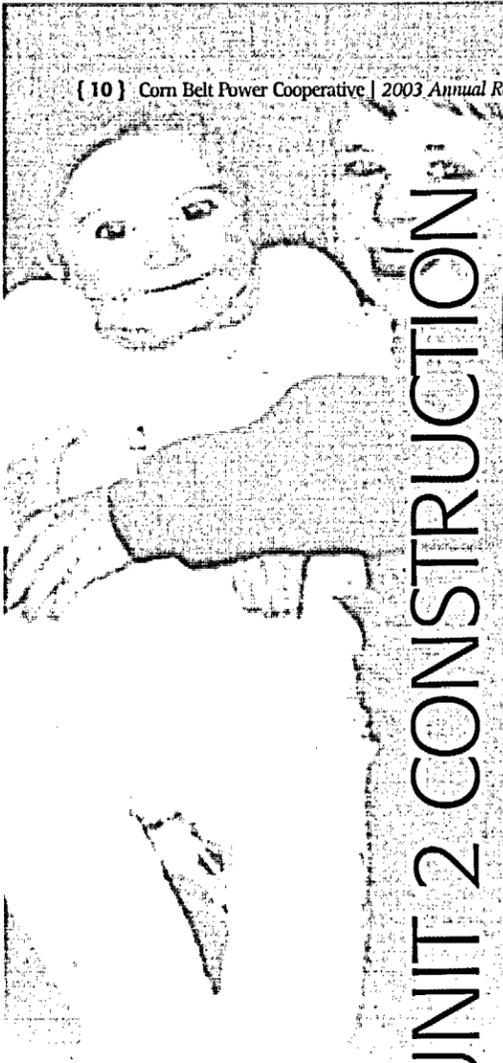
TRANSLink

In late November, TRANSLink Management Development Company announced that, upon the direction of the participant utilities including Corn Belt Power, formation of the proposed TRANSLink Transmission Company was suspended due to continued regulatory and market uncertainty. Plans had called for TRANSLink to own and operate electric transmission systems in portions of 13 states.

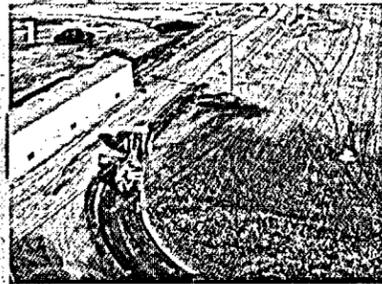
In other transmission reliability efforts, the Midwest Reliability Organization (MRO) held its organizational meeting of members and directors on Dec. 17. The MRO is a not-for-profit corporation dedicated to the reliability of the bulk power system. The current region includes the North Central United States and the Canadian Province of Manitoba. The MRO will replace the Mid-Continent Area Power Pool (MAPP) as a North American Electric Reliability Council (NERC) regional reliability council and is open for participation by members in other NERC regions. The MRO's initial membership includes electric utilities located in MAPP, the Southwest Power Pool (SPP) and the Mid-America Interconnected Network (MAIN). Corn Belt Power has membership in MAPP.



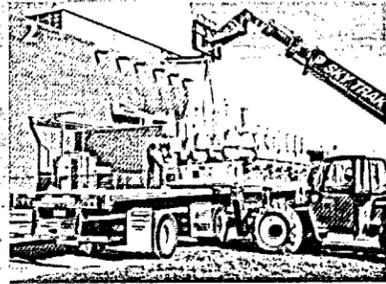
Isaiah Deiber, grandson of Ron Deiber, director



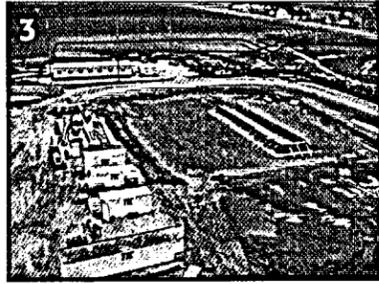
WISDOM UNIT 2 CONSTRUCTION



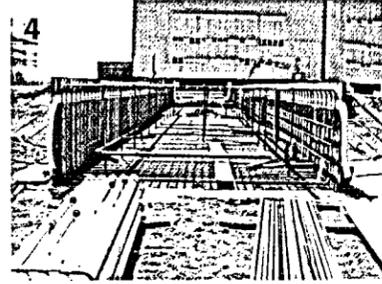
Dirt work begins for Wisdom Unit 2.



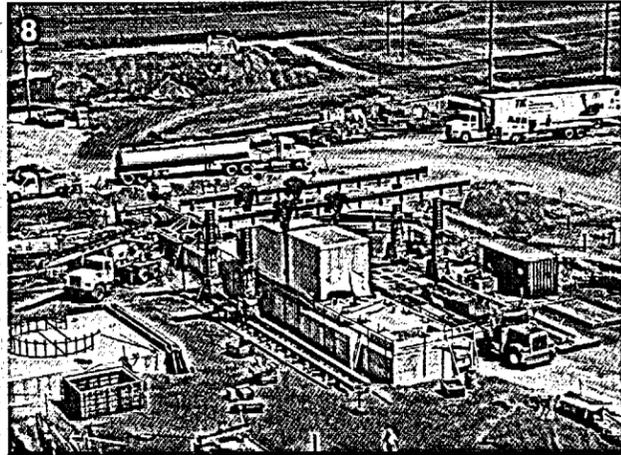
Breakers for the substation are unloaded.



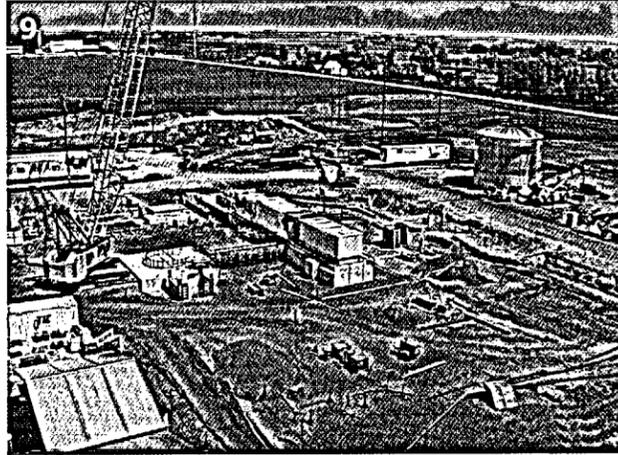
The combustion turbine's foundation is formed.



The view of the foundation looking south shows the substantial reinforcement required.



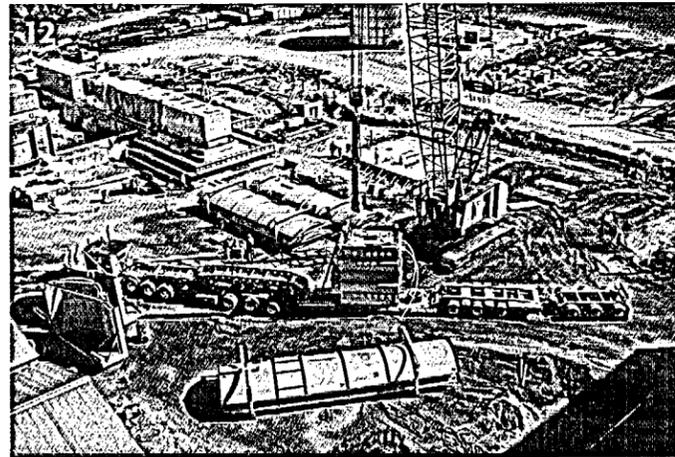
Wisdom Unit 2's turbine is set in place.



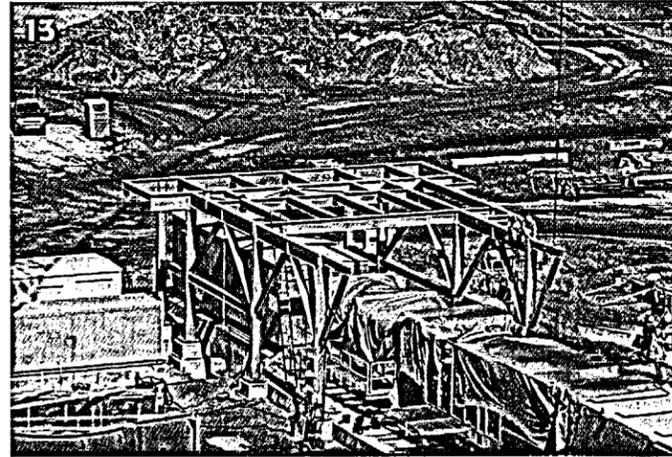
The generator is in place and the demineralizer tank is complete.



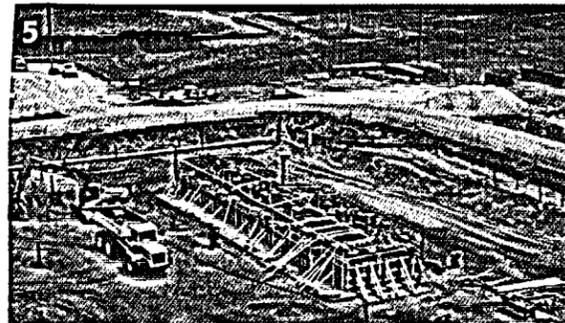
Macey and Macoy Rust, great-grandchildren of Roger Rust, director



A semi truck moves in the generator step-up transformer.



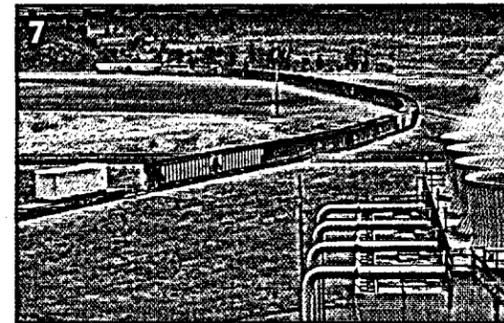
Construction continues on the inlet duct frame.



Forms surround the turbine foundation as it cures.



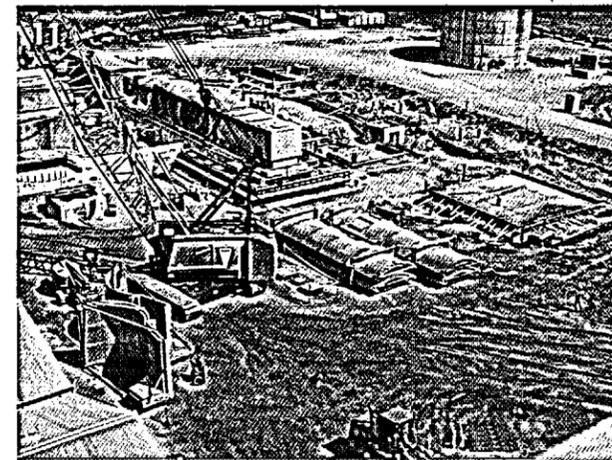
The turbine/generator and stack foundations are ready for the equipment placement.



The turbine arrives via rail.



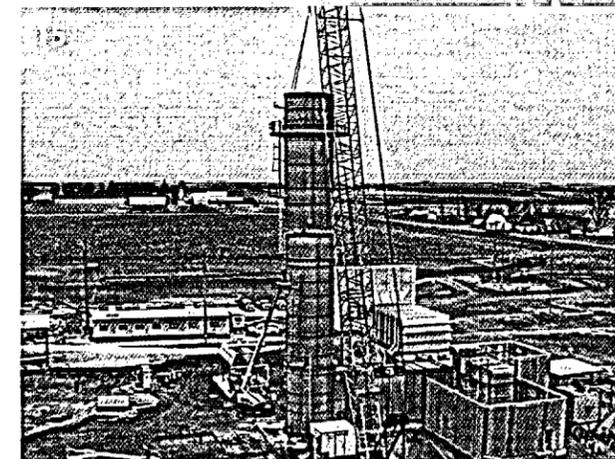
Employees tour the Wisdom Unit 2 construction site.



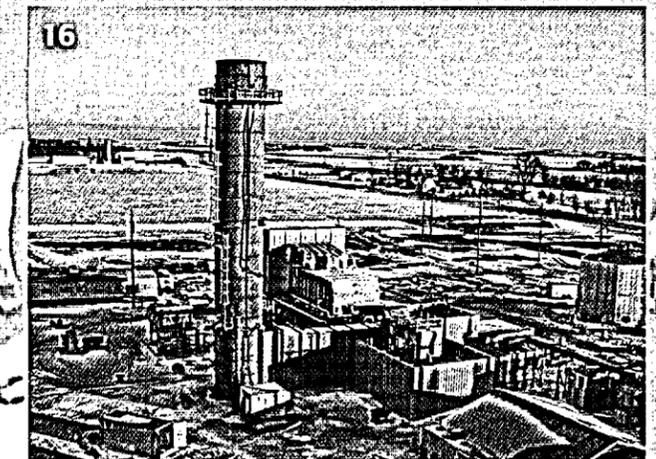
The crane prepares to move the stack sections.



The board of directors tours the Wisdom Unit 2 construction site in October.

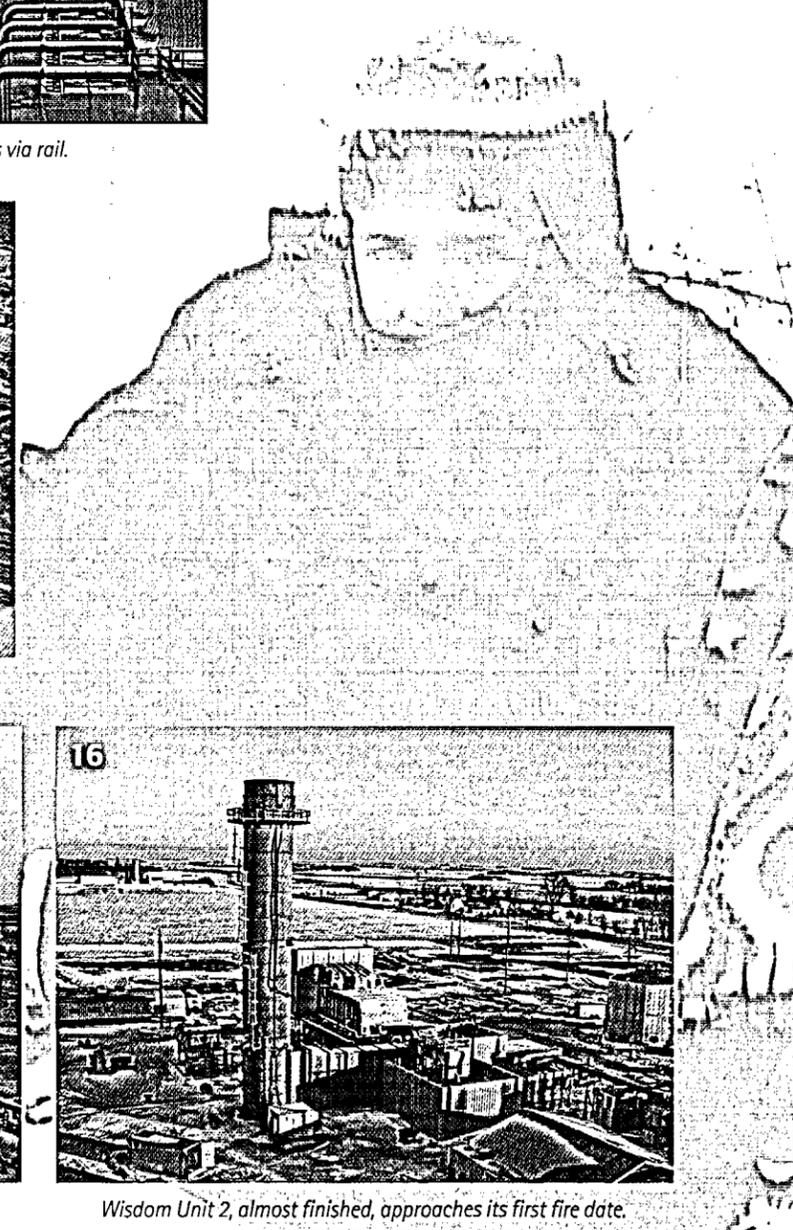


The crane finishes setting the stack.



Wisdom Unit 2, almost finished, approaches its first fire date.

Kenny Kuyper,
son of Ken Kuyper,
senior vice president,
engineering and system operations



The Touchstone Energy® Brand and Marketing

Advertising awareness research conducted in September 2003 showed that members of cooperatives served by Corn Belt Power have increased their awareness of the Touchstone Energy® brand, but there is still room for improvement in connecting that brand to their local cooperative. Also, although a majority of respondents said they preferred to be served by a cooperative, many said it doesn't matter which type of utility serves them.

As in any company image and branding effort, continual reinforcement of the advertising message over time is necessary to continue to increase public awareness and generate positive public opinion. These survey results not only indicate the positive results that can be obtained from consistent advertising and publicity, they also point out the need to continue the effort to develop greater public perception of the brand.

Corn Belt Power continued to coordinate advertising placement for its member cooperatives, communicating the Touchstone Energy brand and the cooperative difference on television and radio, in newspapers and on billboards. Corn Belt Power Cooperative, Central Iowa Power Cooperative and their member systems took first-place honors in the 2003 "Spotlight on Excellence" awards program, receiving an Award of Excellence in the Best Touchstone Energy® Program category for the cooperatives' sponsorship of the KCCI-TV Channel 8 SchoolNet program. Webcams were added as a new feature of the SchoolNet program. Mounted on communication towers and other elevated structures in several communities, the webcams show live shots of weather and community highlights on Channel 8.

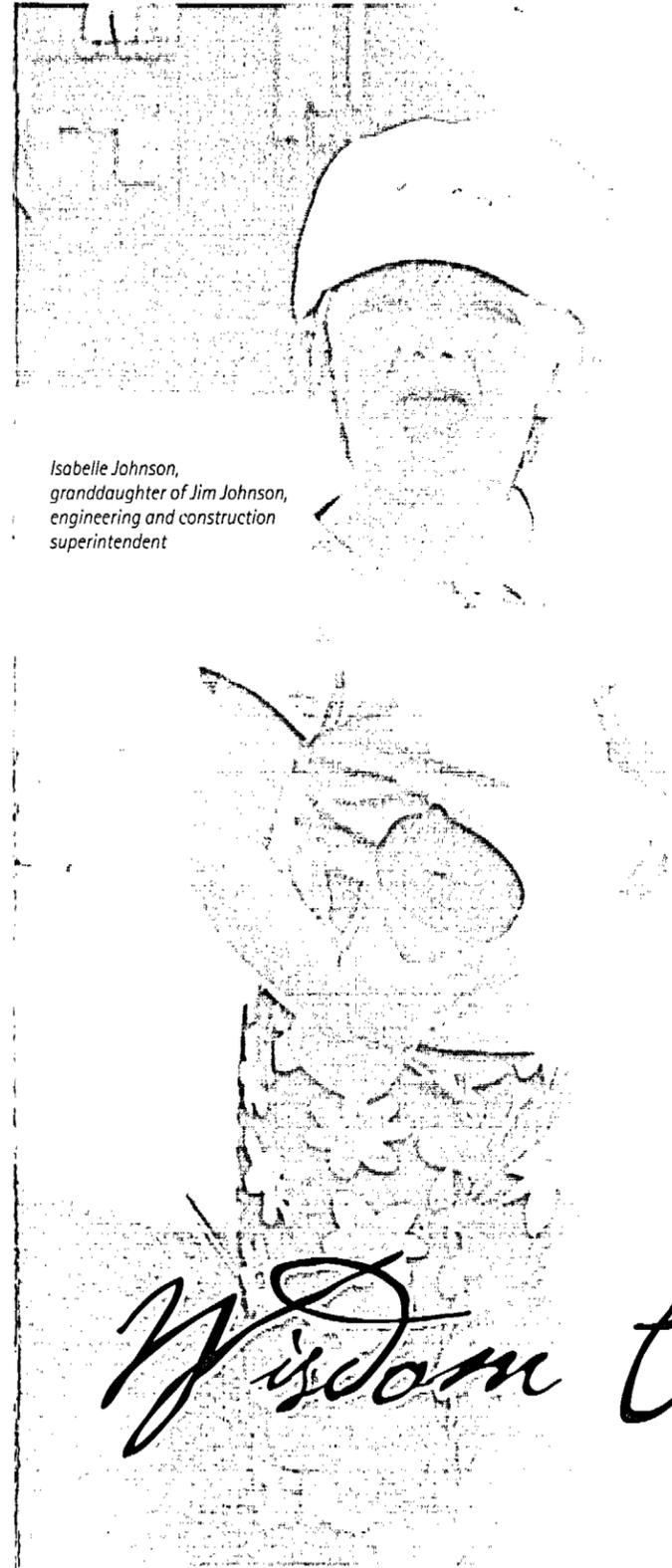
In 2003 Touchstone Energy Cooperatives of Iowa once again sponsored free rides at the Iowa State Fair on a Touchstone Energy-branded tram.

Ajay Reed,
grandson of Jim Johnson,
engineering and
construction superintendent

Corn Belt Power
Cooperative...took
first-place honors in the
2003 "Spotlight on
Excellence" awards program,
receiving an Award of
Excellence for the Best
Touchstone Energy® program.



John McLaughlin, chief meteorologist for KCCI-TV Channel 8, Des Moines, demonstrates how a helicopter toy works for 5th graders from Webster City Middle School at the dedication of the SchoolNet webcam on the Iowa Central Community College campus in Webster City Sept. 23, 2003.



Isabelle Johnson,
granddaughter of Jim Johnson,
engineering and construction
superintendent



Wisdom Station employees gather near the existing steam turbine before the groundbreaking ceremony for Wisdom Unit 2.

Front row from left: Dennis Roberts, tractor operator; Norman Moffitt, control operator; Jim Rolling, plant manager; Tony Borkowski, machinist-welder; and Clay Burkhart, electronics technician.

Second row from left: Raymond Lathrop, electrical and control; Dan Amato, control operator; Rodney Stephas, shift operator; Stanton Schauff, control operator; Scott Gilderhus, general plant worker; and Mike Thatcher, vice president, generation.

Third row from left: Darwin Johnson, shift operator; Monty Dammann, control operator; John Ralph, shift operator; and Charles Carrier, shift operator.

(Not pictured: Craig Poulsen, maintenance supervisor; Patrick Connor, operations supervisor; and Ken Stone, shift operator.)

Wisdom Unit 2 Groundbreaking



On the roof level of Wisdom Unit 1, overlooking Wisdom Unit 2 construction, are, front from left: John Schumacher, Glidden REC; Donald O'Tool, assistant secretary/treasurer, Calhoun County REC; Ronald Deiber, vice president, NIMECA; Roger Rust, Franklin REC; and Norman Kolbe, Sac County REC. Second row from left: Donald Feldman, president, Butler County REC; Scott Stecher, Prairie Energy Cooperative; Charles Gilbert, treasurer, Midland Power Cooperative; L. Kirby Range, Iowa Lakes Electric Cooperative; Donald McLean, secretary, Grundy County REC; LeRoy Weber, Humboldt County REC; and Dale Arends, executive vice president and general manager.



Senior Staff

Corn Belt Power Cooperative's senior staff includes, front row from left, Kathy Taylor, vice president, corporate relations; Karen Berte, vice president, finance and administration. Second row from left, Michael Thatcher, vice president, generation; Kenneth Kuyper, senior vice president, engineering and system operations; Jim Vermeer, vice president, business development; and Dale Arends, executive vice president and general manager.

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

Board of Directors



New Touchstone Energy programs in 2003 included sponsorship of Character Counts!, a framework for character education that is based on the six pillars of character: trustworthiness, respect, responsibility, fairness, caring and citizenship. Iowa's Touchstone Energy Cooperatives also sponsored distribution of the Discovery Channel's "Get Charged!" educational kits to junior high students studying electricity.

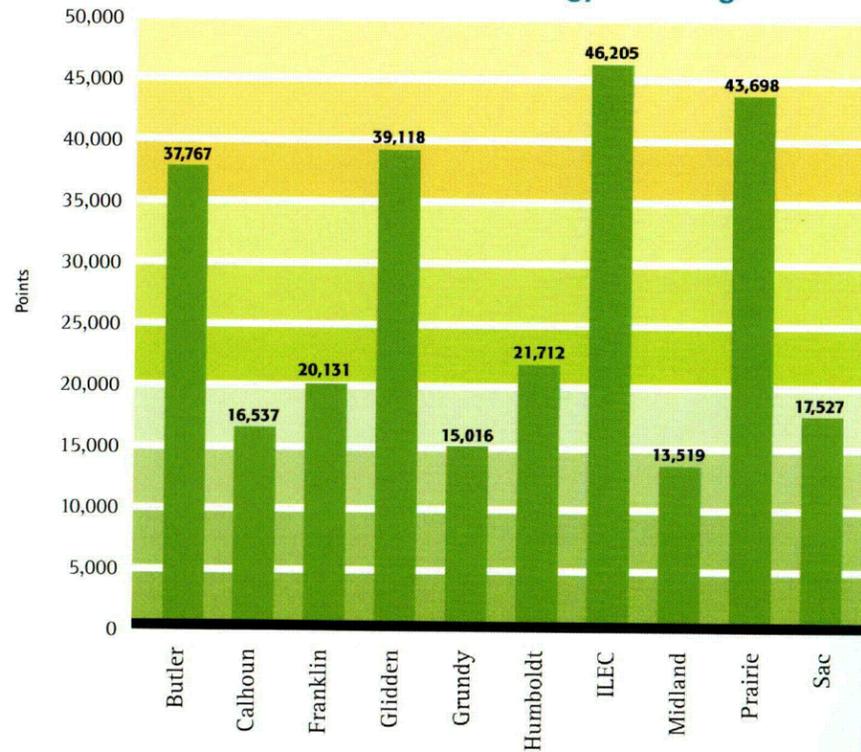
In 2003, Corn Belt Power continued its sponsorship of power line and electrical training at Northwest Iowa Community College by offering three scholarships to qualified students.

Corn Belt Power's Touchstone Energy Challenge program (originally called Power Olympics) completed its 12th year in 2003 as

a tool to encourage goal setting and REC employee participation in marketing, customer service and Touchstone Energy values. Year-end award winners were: Iowa Lakes Electric Cooperative – top points; Glidden REC – top percent growth (points and system kWh); and Prairie Energy Cooperative – top percent growth (heating kWh). Corn Belt Power member system directors and employees, along with Corn Belt Power employees, reported over 18,000 hours of voluntary service in 2003 – perhaps the strongest demonstration of cooperatives' commitment to their communities.

It was a record year for marketing incentives and installations. Heat pump installations on member co-ops' lines reached an all-time high with 108 air source heat pumps and 76 geothermal heat pumps installed. There were 983 new water heaters installed during the year – just shy of the all-time record of 986 installed two years ago. Electric resistance heat installations reached 291 units – the second highest year since the program began.

2003 Touchstone Energy® Challenge



Corn Belt Power and its member systems paid over \$700,000 in marketing installation incentives to members who installed electric space heating or water heaters in 2003. REC members received over \$1.4 million in energy credits for 60.4 million kilowatt-hours of electric heating and cooling energy used during the year. This was an all-time high since the heating program began in the mid-1980s.

Corn Belt Power joined other Iowa G&Ts and the Iowa Energy Center to host the 12th annual "Momentum is Building" contractors conference Feb. 5-6 in Des Moines for builders, electricians, plumbers, HVAC professionals and REC personnel. In June, Corn Belt Power joined CIPCO and NIPCO in sponsoring electrical code workshops at a three locations across Iowa.

*Ally Wichman,
granddaughter of Dale Arends,
executive vice president and
general manager*



Energy Co-Opportunity closed its doors in the summer of 2003, ending Corn Belt Power's participation in a planned fuel cell test program.

Corn Belt Power and its member systems continued their promotion of energy efficiency and heating and cooling technology through five "Build it Right" workshops held at various locations in the fall. This was the second year for the workshops, and the final class was a hands-on session held at Iowa Central Community College, Fort Dodge.

In 2003, Corn Belt Power continued to expand and enhance its activity in Web marketing through support of member cooperatives' Web portals, email marketing and online forms and contests.

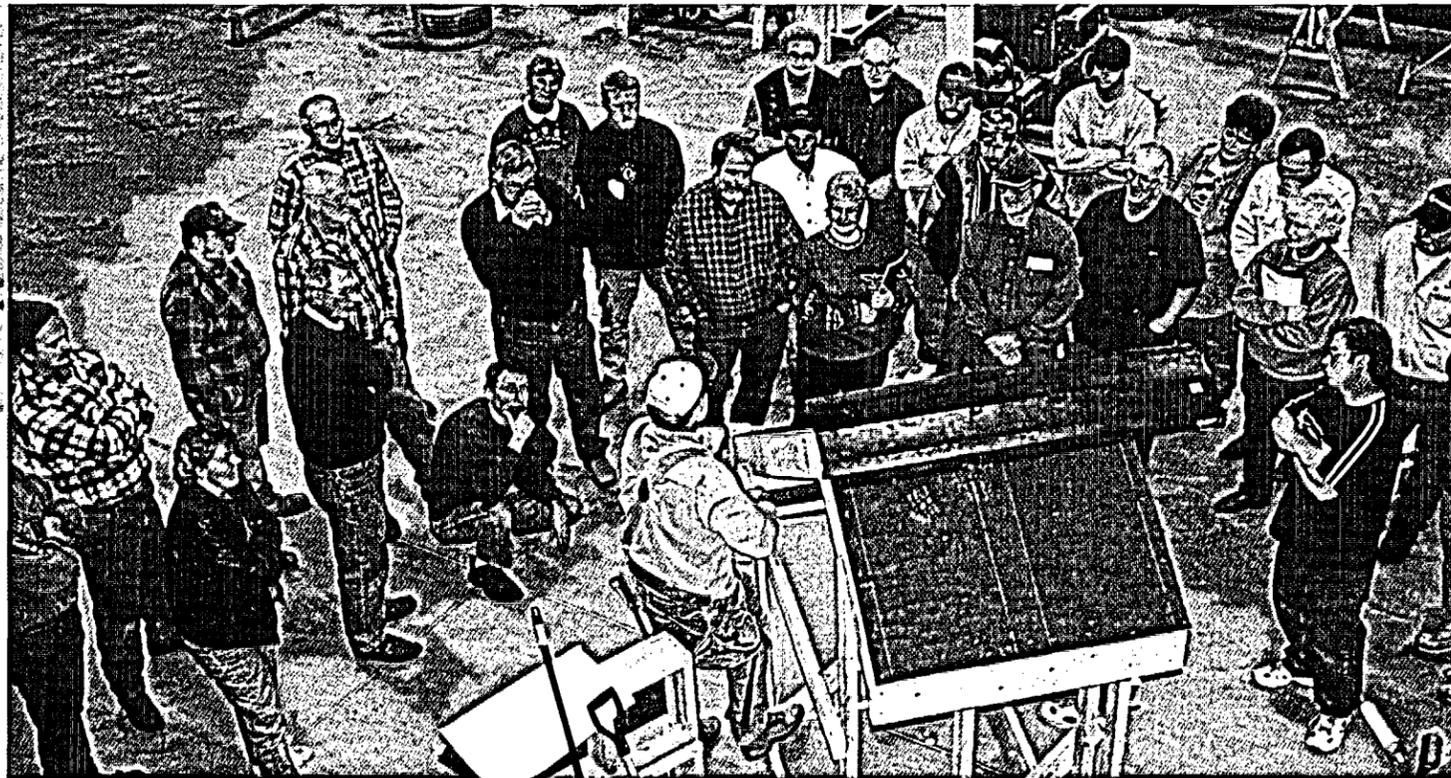
A new recipes section joined free classifieds and community events calendar as features to build Web traffic.

Corn Belt Power organized the Iowa State Fair webcams again in 2003, featuring live feeds of the world famous Butter Cow and the Varied Industries Building, and promoting Touchstone Energy Cooperatives of Iowa.

Product and service marketing for member systems was supported through a number of direct marketing campaigns during the year, coordinated by the Corn Belt Power Target Marketing Committee. Direct mail activities included promotions for electric heat, water heaters and general mailings to build member participation and loyalty. Several campaigns included coordinated mail and Internet response options.

Kaylee Van Pelt
granddaughter of Charles Gilbert,
director

Corn Belt Power and its member systems continued their promotion of energy efficiency and heating and cooling technology through five "Build it Right" workshops held at various locations in the fall.



Bill McAnally, one of the leaders for the "Build it Right" energy efficiency workshops, center of the photo, explains construction techniques for a comfortable home.

Business Development

In February 2003, Corn Belt Power was granted the status of a guaranteed lender in the United States Department of Agriculture's Business and Industry Guaranteed Loan Program. The program expands the lending capability of private lenders by providing guarantees of up to 80 percent of a loan made by a commercial lender. Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing. Corn Belt Power was the first non-traditional lender in Iowa to receive the status.

The Iowa Area Development Group presented Corn Belt Power with a community development award at the cooperative's annual meeting April 8.



Rand Fisher, Iowa Area Development Group, left, presents a community development award to Don Feldman, Dale Arends, and Jim Vermeer at Corn Belt Power's annual meeting.

A ribbon cutting ceremony welcomed Northern Pipe Products to Franklin REC's lines June 2. Through a partnership with the city of Hampton, Franklin County, Corn Belt Power, Franklin REC, and the Franklin County Development Group, a 45,000-square-foot facility was built for Northern Pipe, complete with a new rail spur to the building. The Iowa Area Development Group honored the project with a 2003 Iowa Venture Award.

Bancroft Municipal Utilities

- Receipt of USDA pass-through loan to assist Aluma, Ltd. with expansion of its manufacturing facility in Bancroft

Franklin REC

- Receipt of a \$450,000 USDA pass-through loan to assist Northern Pipe Products with new building

Grundy County REC

- Ribbon cutting and open house for the new 20,250-square-foot speculative building in the newly developed Grundy County Industrial Park
- Receipt of a \$450,000 USDA pass-through loan to assist Grundy Center with Infrastructure development in the Grundy Center Development Park

Humboldt County REC

- Receipt of a \$200,000 USDA grant for the Humboldt County Memorial Hospital to construct an assisted living facility

Iowa Lakes Electric Cooperative

- Ribbon cutting for the 20,250-square-foot speculative building located in the newly developed Spencer Technical Park South
- Groundbreaking for Daybreak Foods, located near Græettinger, to expand and construct four new layer barns

Midland Power Cooperative

- Development of the 42-acre Southview Industrial Park in Iowa Falls and addition of a 20,250-square-foot speculative building
- Groundbreaking for Pine Lake Ethanol, a 20-million-gallon ethanol plant located on Highway 20 north of Steamboat Rock
- Groundbreaking for Iowa Falls Ethanol Plant, a 50-million-gallon ethanol plant located west of Iowa Falls

Prairie Energy Cooperative

- Completion of first phase of infrastructure in the Clarion Industrial Park
- Construction of Sparboe Farms' 16 barn poultry layer facility in Wright County
- Construction of Environ Egg's 18 barn poultry layer facility in Wright County

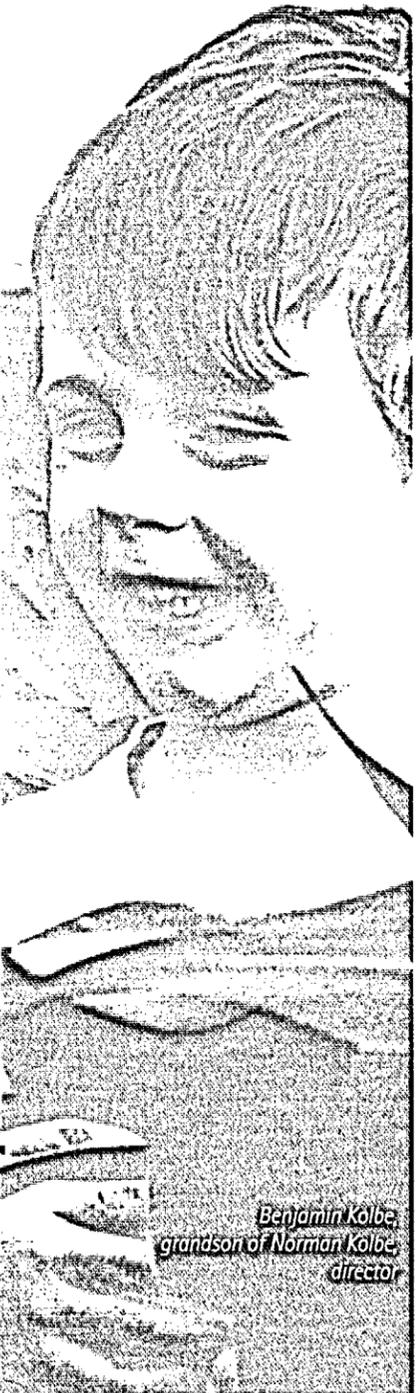
Sac County REC

- Expansion of Bil-Mar Turkey, adding two new grower houses

Webster City Municipal Utilities

- Remodeling of the Hy-Vee food store into a child care center which is heated and cooled with 60 tons of geothermal heat pumps
- Retooling of Arrow-Acme facility and receipt of a major contract with Tacumseh Engines

BUSINESS DEVELOPMENT 2003



Benjamin Kolbe, grandson of Norman Kolbe, director

Additional Venture Awards recognized Iowa Lakes Electric Cooperative's nomination of AERO Race Wheels company, which produces over 400 high quality steel race wheels per day at its Estherville location. Bauer Built Manufacturing, Inc., Paton, Iowa, nominated by Midland Power Cooperative and also an award winner, designs and manufactures the world's largest planter frames and bars in the agriculture industry.

An Aug. 5 ribbon cutting ceremony in the Spencer Technical Park South heralded the opening of a speculative building constructed through a partnership of Corn Belt Power, Iowa Lakes Electric Cooperative and the Spencer Industries Foundation.

In 2003, Corn Belt Power created the Community Development Program to assist local development organizations with marketing plans and programs.

Business and community development events in 2003 included the North Iowa Touchstone Energy Invitational held July 28 at the Fort Dodge Country Club. Approximately 120 business people, government officials and associates attended the event to learn more about their cooperatives.

The Mid-Iowa Community Development Conference featured keynote speaker Michael T. Blouin, director, Iowa Department of Economic Development, who discussed new challenges in Iowa's economic future. Corn Belt Power, along with ISU Extension, sponsored the conference, which brought 130 community leaders together to share ideas on improving their communities.



Cutting the ribbon at a ceremony Aug. 5, 2003, for the new speculative building in the Spencer Technical Park South is Steve Grell, president, Spencer Industries Foundation. Also in attendance are Terry Bruns, Iowa Lakes Electric Cooperative, and Jim Vermeer, Corn Belt Power.



Attending the third annual Touchstone Energy Invitational July 28, 2003 are, from left in the cart, Congressman Tom Latham, Latham Seed Company; Mike Hagen, Prairie Energy Cooperative; standing, Ron Sande, Sande Construction; Dale Arends, Corn Belt Power; and Dan Anderson, Iowa Area Development Group.

Hannah Friesth,
granddaughter of Coleen Davis,
accounts payable

Government Relations

U.S. House Representative Tom Latham met with co-op representatives Aug. 13 at Corn Belt Power headquarters to discuss pending federal issues and Corn Belt Power's new generation activities. Rep. Latham's visit included a tour of the cooperative's control center.

REC representatives participated in numerous opportunities during the year to communicate cooperatives' views, including two trips to see elected officials in the nation's Capitol, REC Day on the Hill in Des Moines and several local legislative meetings during the fall.



Senator Charles Grassley accepts a hat promoting "Truth, Justice and the Cooperative Way," during the Legislative Rally in Washington, D.C., in May.



Terry Bruns, right, and Hans Clausen, center, both with Iowa Lakes Electric Cooperative, speak with their legislator in Des Moines at REC Day on the Hill in March.

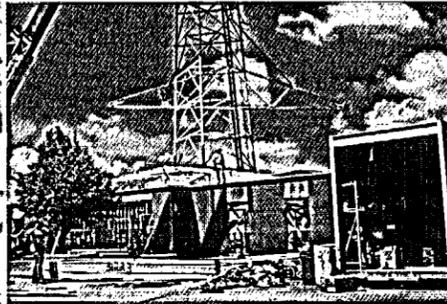


Lance Tinken, system supervisor, right, explains operations in the Corn Belt Power control center to Congressman Tom Latham, center, and his aide, Jim Oberhelman.



*Kolby Weber,
grandson of LeRoy Weber,
director*

Cooperative Highlights

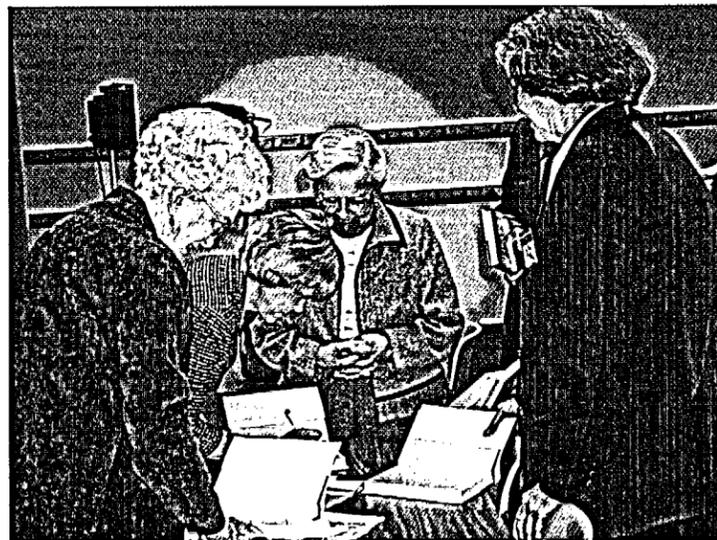


The new addition to the Humboldt headquarters building includes a training room and five offices.

In March, the Corn Belt Power board of directors approved plans for an addition to the headquarters building that will connect the main office and control center to the warehouse. The addition includes a training room, five offices, and a small conference room in addition to kitchenette and rest room facilities. A basement space under the addition provides storage.

Corn Belt Power's 2002 annual meeting featured Dr. John Paling, a *National Geographic* wildlife photographer, as its keynote speaker.

The spouses' program focused on the All Iowa Reads program and the novel *Peace Like a River*. Iowa's First Lady Christie Vilsack helped facilitate discussion of the novel at the Fort Dodge Public Library.



Iowa's First Lady Christie Vilsack signs a copy of the book *Peace Like a River* for attendees of the annual meeting spouses' program.

Corn Belt Power's annual report was honored in 2003, receiving the second-place Award of Merit for Best Annual Report in the G&T category in the "Spotlight on Excellence" awards program.

The board of directors had a membership change in June when Carrol Boehnke completed his tenure of more than 19 years of service representing Wright County REC and Prairie Energy Cooperative. Prairie Energy Cooperative appointed Scott Stecher to the Corn Belt Power board and Charlie Gilbert was elected to serve as the new treasurer.



Carrol Boehnke



Scott Stecher



Charles Gilbert



Building and Grounds Committee members, seated from left, L. Kirby Range, John Schumacher and Charles Gilbert, along with Karen Berte, vice president, finance and administration, look over plans for the building addition.



Chase and Hannah Boysen, nephew and niece of Jon Girres, electrician

The addition will include a training room, five offices, and a small conference room in addition to kitchenette and rest room facilities.

Cooperative Highlights

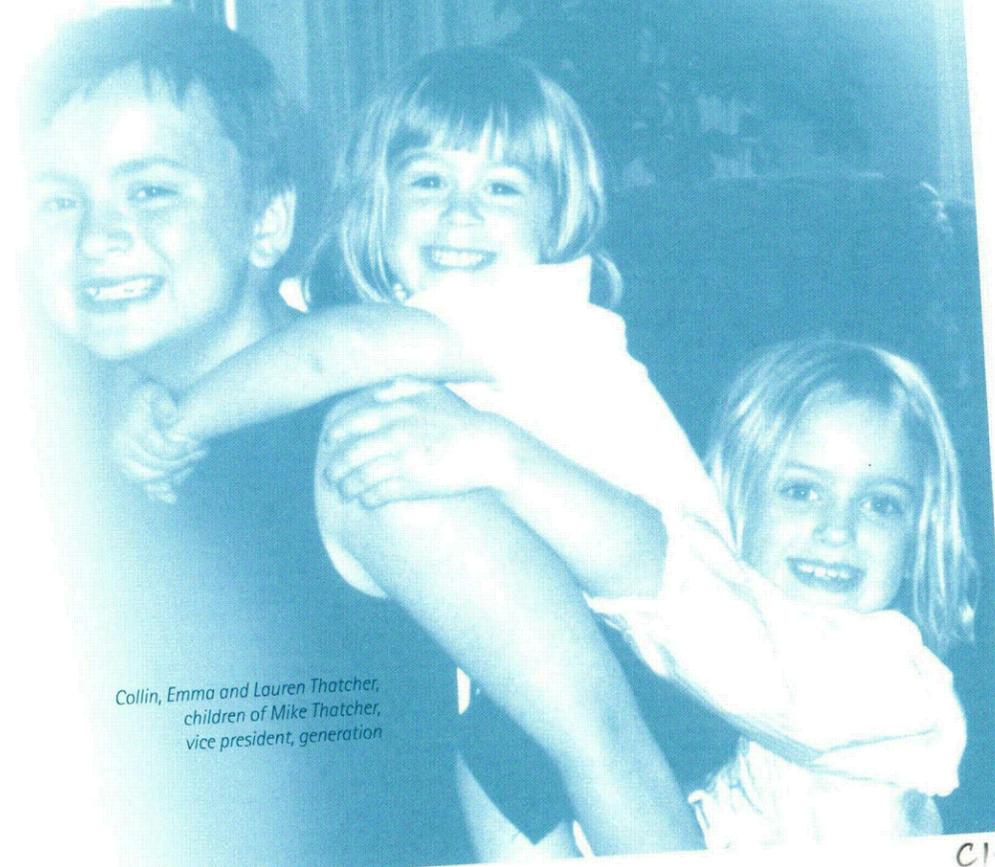
	2002	2003
Total Energy Sales	1,416,059,310 kWh	1,462,800,172 kWh
REC Peak Demand (no losses)	211,039 kW	196,724 kW
System Peak Demand	253,113 kW	239,312 kW
Miles of Transmission Line	1,638	1,638.50
Distribution Substations	134	134
Employees	91	91

Electronic communication capabilities were expanded with the further development of the Power Page, Corn Belt Power's Intranet, to include publications, daily news reports, company forms and manuals. A resigned Web site, www.cbpower.com, went live in November and enables search engines to locate the site more readily and allows for frequent updating of information.

Two new employees were hired in 2003: Josh Smith, apprentice electrician, Hampton, and Josie Simonsen, administrative assistant.

2003 service awards recognized the following employees:

- 40 years**
Bob Burgett System Supervisor
- 30 years**
Dale Arends Executive Vice President and General Manager
Bob Gress Journeyman Lineman
Joe Hanrahan System Supervisor
Bob Nielsen Line Foreman
John Ralph Shift Operator
- 25 years**
Bill Foreman Journeyman Lineman
John Larson Journeyman Lineman
Ken Stone Shift Operator
Diane Wempen Executive Assistant
- 20 years**
Karen Berte Vice President, Finance and Administration
- 15 years**
Sarah Dornath Administrative Assistant
Dennis Evans Journeyman Lineman
Ron Lanning General Accountant
Angie Reed General Services Assistant
- 10 years**
Mike Anderson Environmental and Safety Coordinator
Pat Connor Shift Operator
- 5 years**
Eileen Hanson Accountant
Mike Thatcher Vice President, Generation
Jim Vermeer Vice President, Business Development



Collin, Emma and Lauren Thatcher, children of Mike Thatcher, vice president, generation

Assets

December 31, 2003
and 2002

	<u>2003</u>	<u>2002</u>
ELECTRIC PLANT (Notes 2 and 7):		
In service	\$ 245,267,600	\$ 222,747,516
Less-accumulated depreciation	142,889,542	127,167,745
	102,378,058	95,579,771
Construction work in progress.....	30,281,067	11,800,568
Nuclear fuel, net of amortization (Note 2).....	6,299,528	5,968,375
	138,958,653	113,348,714
OTHER PROPERTY AND INVESTMENTS:		
Nonutility property	344,261	356,761
Investment in the National Rural Utilities Cooperative Finance Corporation (Note 2).....	2,517,028	2,514,836
Land held for future use (Note 2).....	2,977,665	2,977,665
Decommissioning fund (Note 2).....	21,613,519	17,884,979
Other investments (Note 2).....	1,425,489	1,346,126
Note receivables (Note 2)	3,741,251	3,995,580
	32,619,213	29,075,947
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	221,518	1,722,520
Member accounts receivable.....	5,199,793	3,718,926
Other receivables	2,136,822	244,626
Inventories –		
Fuel, primarily coal, at last-in, first-out cost.....	2,652,085	1,941,321
Materials and supplies, at average cost.....	4,052,506	3,969,483
Prepayments.....	236,833	277,403
	14,499,557	11,874,279
DEFERRED CHARGES:		
Deferred Department of Energy decommissioning costs (Note 11)	546,727	697,823
Deferred refueling costs (Note 2)	1,079,844	151,918
Decommissioning regulatory asset (Note 13)	34,284,964	0
Other	5,931	331
	35,917,466	850,072
	\$ 221,994,889	\$ 155,149,012

Balance Sheets

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

	<u>2003</u>	<u>2002</u>
MEMBERSHIP CAPITAL:		
Memberships, at \$100 per membership	\$ 1,300	\$ 1,300
Deferred patronage dividends, per accompanying statements (payment restricted as indicated in Note 3)	8,244,400	8,833,271
Other equities, per accompanying statements.....	26,719,677	27,139,161
Unrealized gain in market value of investments (Note 2)	<u>2,361,085</u>	<u>206,063</u>
	<u>37,326,462</u>	<u>36,179,795</u>
LONG-TERM DEBT (Note 5):		
Rural Utilities Service.....	20,524,354	23,075,680
Federal Financing Bank	74,875,292	67,217,906
Pollution control revenue bonds	1,025,000	1,245,000
NRUCFC.....	16,900,000	1,000,000
USDA Intermediary Relending Program	<u>974,040</u>	<u>880,000</u>
	114,298,686	93,418,586
Less – Current maturities of long-term debt.....	<u>7,369,297</u>	<u>6,645,928</u>
	<u>106,929,389</u>	<u>86,772,658</u>
OTHER LONG-TERM LIABILITIES:		
Deferred Department of Energy decommissioning costs (Note 11).....	290,952	445,598
DAEC decommissioning liability (Note 2)	57,431,000	17,671,299
Other.....	<u>10,000</u>	<u>10,000</u>
	<u>57,731,952</u>	<u>18,126,897</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt.....	7,369,297	6,645,928
Short-term debt (Note 4)	1,500,000	0
Accounts payable	8,342,134	4,760,816
Accrued property and other taxes.....	2,140,450	1,993,216
Accrued interest and other	<u>655,205</u>	<u>669,702</u>
	<u>20,007,086</u>	<u>14,069,662</u>
	<u>\$ 221,994,889</u>	<u>\$ 155,149,012</u>

*Membership
Capital and
Liabilities*

For the Years Ended
December 31, 2003
and 2002

B a l a n c e S h e e t s *Balance Sheets*

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, 2003
and 2002

	<u>2003</u>	<u>2002</u>
OPERATING REVENUES:		
Sales of electric energy.....	\$ 54,231,211	\$ 49,964,446
Other	<u>3,714,919</u>	<u>3,846,448</u>
	57,946,130	53,810,894
OPERATING EXPENSES:		
Operation –		
Steam and other power generation	19,183,407	18,810,422
Purchased power, net.....	9,480,123	6,989,479
Transmission.....	3,133,107	2,720,172
Sales	2,143,432	2,353,344
Administrative and general.....	3,919,637	3,030,169
Maintenance –		
Steam and other power generation	5,624,370	3,937,350
Transmission.....	846,534	793,956
General plant	26,863	30,471
Depreciation and decommissioning (Note 2)	8,631,516	7,683,327
	<u>52,988,989</u>	<u>46,348,690</u>
Net Operating Revenues.....	<u>4,957,141</u>	<u>7,462,204</u>
INTEREST AND OTHER DEDUCTIONS:		
Interest on long-term debt	5,910,343	5,968,691
Interest during construction (Note 2).....	(117,217)	(132,148)
Other interest and deductions.....	<u>36,052</u>	<u>11,842</u>
	5,829,178	5,848,385
NET OPERATING MARGIN (DEFICIT).....	<u>(872,037)</u>	<u>1,613,819</u>
NON-OPERATING MARGIN:		
Interest and dividend income.....	226,166	339,095
Other, net (Note 2)	<u>226,387</u>	<u>259,350</u>
	452,553	598,445
NET MARGIN (DEFICIT).....	<u>\$ (419,484)</u>	<u>\$ 2,212,264</u>

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

Statements of Cash Flows

For the Years Ended
December 31, 2003 and
2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin (deficit)	\$ (419,484)	\$ 2,212,264
Adjustments to reconcile net margin to cash provided by operations:		
Depreciation and amortization	7,814,934	6,942,218
Amortization of nuclear fuel	1,694,209	2,108,224
Amortization of deferred refueling costs.....	805,718	911,507
Amortization of Department of Energy decommissioning costs	136,316	133,783
Changes in current assets and liabilities:		
Accounts receivable	(3,373,063)	411,223
Inventories	(793,787)	309,755
Prepayments	40,570	(31,642)
Accounts payable.....	3,581,318	611,328
Accrued property and other taxes.....	147,234	(113,302)
Accrued interest and other liabilities	(16,624)	(56,817)
Payment to Department of Energy for decommissioning.....	(138,510)	(135,584)
Other	(5,600)	(885,117)
Net cash provided by operating activities.....	<u>9,473,231</u>	<u>12,417,840</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt.....	27,630,000	6,564,000
Repayment of long-term debt	(6,749,900)	(6,763,958)
Short-term borrowings, net	1,500,000	0
Deferred patronage dividends paid	(588,871)	(577,400)
Net cash provided (used) in financing activities	<u>21,791,229</u>	<u>(777,358)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to electric plant, net	(28,047,845)	(13,978,203)
Additions to nuclear fuel.....	(2,025,362)	(2,747,142)
Additions to deferred refueling costs.....	(1,733,644)	0
Sale of (additions to) non-utility plant, net	12,500	(47,063)
Additions to decommissioning fund	(1,144,656)	(1,045,052)
Change in other investments	173,545	(607,471)
Net cash provided (used) in investing activities	<u>(32,765,462)</u>	<u>(18,424,931)</u>
Net decrease in cash and cash equivalents	(1,501,002)	(6,784,449)
CASH AND CASH EQUIVALENTS AT:		
Beginning of year	1,722,520	8,506,969
End of year.....	<u>\$ 221,518</u>	<u>\$ 1,722,520</u>

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, 2003 and 2002

	<u>2003</u>	<u>2002</u>
DEFERRED PATRONAGE DIVIDENDS:		
Balance assigned beginning of year	\$ 8,833,271	\$ 8,660,671
Net margin (deficit)	(419,484)	2,212,264
Revenue deferred patronage dividends	<u>0</u>	<u>70,598</u>
	8,413,787	10,943,533
Patronage dividends paid	(588,871)	(577,400)
Appropriation of (margin) deficit –		
Reserve for contingent losses	419,484	(1,467,862)
Statutory surplus	<u>0</u>	<u>(65,000)</u>
Balance assigned end of year	<u>\$ 8,244,400</u>	<u>\$ 8,833,271</u>

OTHER EQUITIES:

Appropriated Margins (Deficit)

	<u>Statutory Surplus</u>	<u>Reserve for Contingent Losses</u>	<u>Total</u>
Balance December 31, 2001	\$ 4,349,484	\$ 21,256,815	\$ 25,606,299
Appropriation of margin	65,000	1,467,862	1,532,862
Balance December 31, 2002	\$ 4,414,484	\$ 22,724,677	\$ 27,139,161
Appropriation of deficit	<u>0</u>	<u>(419,484)</u>	<u>(419,484)</u>
Balance December 31, 2003	<u>\$ 4,414,484</u>	<u>\$ 22,305,193</u>	<u>\$ 26,719,677</u>

Statements of Comprehensive Income

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Net margin (deficit)	\$ (419,484)	\$ 2,212,264
Change in unrealized gain in market value of investments	<u>2,155,022</u>	<u>(816,600)</u>
Comprehensive income	<u>\$ 1,735,538</u>	<u>\$ 1,395,664</u>

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

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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 28 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 3.14% and 3.09% for 2003 and 2002, respectively.

Under a joint-ownership agreement, the Cooperative has a 10% undivided interest in the Duane Arnold Energy Center (DAEC), a nuclear-fueled generating station, which was placed in service in 1974. The Cooperative is depreciating its interest in the DAEC and each year's property additions subsequent to 1984 on a straight-line basis over the remaining term of the initial Nuclear Regulatory Commission license for DAEC (2014). The composite depreciation rate on gross plant for DAEC was 3.74% and 3.77% for 2003 and 2002, respectively.

A Nuclear Regulatory Commission estimate of the decommissioning costs of DAEC was updated in 2002. This report estimated the Cooperative's share of the decommissioning costs of DAEC to be approximately \$56,400,000 (in 2002 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 \$1,144,656 and \$1,045,052, for 2003 and 2002, respectively. These decommissioning costs are being recovered in rates.

Notes to Financial Statements

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

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The total market value of the decommissioning funds accumulated at December 31, 2003, was \$21,613,519, of which \$14,712,360 has been placed in a fund legally restricted for use in decommissioning DAEC. The remaining \$6,901,159, while not legally restricted, has been designated by the Cooperative for use in decommissioning DAEC. Prior to SFAS No. 143, "Accounting for Asset Retirement Obligations," (SFAS 143), the Cooperative recognized dividends, interest and realized gains (losses) on the sale of decommissioning fund investments as direct increases (decreases) to the DAEC decommissioning liability. In 2003, with the implementation of SFAS No. 143, the decommissioning liability is the current cost of the asset retirement obligation in 2003, and will continue to increase until the DAEC retirement date of 2014. See further discussion of SFAS No. 143 in Note 13.

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 \$1,694,209 and \$2,108,224 for 2003 and 2002, 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. DAEC nuclear refueling occurs every two years and occurred in March 2003. These deferred 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 \$805,718 and \$911,507 for 2003 and 2002, respectively.

F. Interest During Construction -

Interest during construction represents the cost of funds used for construction and nuclear fuel refinement. The average rate was 1.3% and 2.0% for 2003 and 2002, 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.

As of December 31, 2003, no additional debt is owed under the current capital lease. The Cooperative continues to operate certain Webster City generation and transmission assets and pay for the operation, maintenance, and capital additions associated with those assets. In the future, the Cooperative may request additional financing from Webster City for its share of capital additions to the combined system.

H. Income Taxes -

The Cooperative believes that it is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the Cooperative's financial statements.

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 \$6,005,755 and \$5,845,035 for 2003 and 2002, respectively.

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J. Cash and Investments –

The Cooperative has cash and investments in the following:

	<u>2003</u>	<u>2002</u>
Obligations of the U.S. government and its agencies	\$ 5,659,252	\$ 5,828,814
Corporate bonds	2,115,587	2,625,753
Common and preferred stock	12,712,607	7,787,117
National Rural Utilities Cooperative Finance Corporation commercial paper	0	1,400,000
Cash and CDs deposited with federally insured financial institutions	221,518	322,520
Funds held in trust	1,525,176	2,093,569
Other investments	1,026,386	895,852
	<u>\$ 23,260,526</u>	<u>\$ 20,953,625</u>

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

Decommissioning fund	\$ 21,613,519	\$ 17,884,979
Other investments	1,425,489	1,346,126
Cash and cash equivalents	221,518	1,722,520
	<u>\$ 23,260,526</u>	<u>\$ 20,953,625</u>

The carrying amounts of cash and cash equivalents and short-term investments of \$221,518 and \$1,722,520 at December 31, 2003 and 2002, 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, 2003.

The Cooperative has an investment of \$2,517,028 and \$2,514,836, at December 31, 2003 and 2002, respectively, 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. The remaining balance of the investment does not earn interest.

For investments in CFC, economic development loans and other associated organizations of \$4,541,739 and \$4,851,091 at December 31, 2003 and 2002, respectively, for which there were no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs.

Notes to Financial Statements

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K. Note Receivables -

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

L. Operating Revenues and Cost of Power -

The Cooperative recognizes sales of electric energy and the related cost of electric energy produced or purchased when energy is delivered to customers.

M. Regulatory Matters -

The Cooperative's utility operations are subject to provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." Therefore, its utility operations recognize the effects of rate regulation by the Board of Directors and, accordingly, have recorded regulated assets to reflect the impact of regulatory items for which future rates will be increased to recover.

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 Board of Directors appropriated \$65,000 of the 2002 net margins to statutory surplus; however, in 2003, an appropriation was not required as the Cooperative recognized a net loss of margin.

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 (\$419,484) and \$1,461,862 of the 2003 and 2002 net margin (deficit) 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 \$0 and \$750,000 of the 2003 and 2002 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, 2003. However, the Cooperative received permission and retired \$8,271 of the 1991 and \$580,600 of the 1992 patronage dividends during 2003. During 2002, \$85,671 of the 1990, and \$491,729 of the 1991 patronage dividends were retired.

NOTE (4) SHORT-TERM DEBT:

The Cooperative has a line of credit with CFC in the amount of \$12,000,000 of which \$1,000,000 is available only in the event of a nuclear incident. At December 31, 2003, only \$1,500,000 of this line of credit had been used at a variable interest rate of 2.80% on December 31, 2003, and is required to be repaid no later than December 31, 2004.

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NOTE (5) 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), 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:

	<u>2003</u>	<u>2002</u>
Mortgage notes due in quarterly installments:		
RUS 2%, due 2004-2008	\$ 3,615,089	\$ 4,871,056
RUS 5%, due 2004-2019	16,909,265	18,204,624
FFB 4.5%-10.7%, due 2004-2027	<u>74,875,292</u>	<u>67,217,906</u>
	<u>95,399,646</u>	<u>90,293,586</u>
Pollution control revenue bonds –		
6.125%, due 2004-2007	<u>1,025,000</u>	<u>1,245,000</u>
CFC interim loan –		
3.4%, due 2006	<u>16,900,000</u>	<u>1,000,000</u>
USDA Intermediary Relending Program –		
1%, due 2004-2029	<u>974,040</u>	<u>880,000</u>
	<u>\$ 114,298,686</u>	<u>\$ 93,418,586</u>

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

<u>Year</u>	<u>Maturity</u>
2004.....	\$ 7,369,297
2005.....	7,513,307
2006.....	24,555,241
2007.....	7,489,858
2008.....	7,178,498
Thereafter.....	<u>60,192,485</u>
	<u>\$ 114,298,686</u>

In 2002, the Cooperative entered into an interim loan agreement with CFC. The CFC interim loan allows the Cooperative to borrow up to \$17 million to fund construction commitments of which \$16,900,000 had been drawn as of December 31, 2003. It is expected this loan will be repaid upon receiving long-term financing from RUS.

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 \$101,934,723 and \$90,154,653 at December 31, 2003 and 2002, respectively.

As of December 31, 2003, due to the negative margin, the Cooperative was not in compliance with its financial ratio covenants on long-term debt. Restrictive covenants required the Cooperative to set rates that would enable it to maintain a times interest earned ratio (TIER) of 1.05 and a debt service coverage (DSC) of 1.0 on average in at least two out of every three years. In 2001 and 2002, the Cooperative was in compliance. The Cooperative increased rates in January 2004 to a level it believes will be adequate to create positive margin in 2004. The expected margin should enable the Cooperative to meet its debt covenants.

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NOTE (6) COMMITMENTS AND CONTINGENCIES:

Total construction expenditures for 2004, including expenditures for the jointly owned units, are estimated to be \$34,656,900, of which \$3,854,720 is for the purchase of nuclear fuel at DAEC.

In 2001, the Cooperative entered into a joint ownership agreement with Basin Electric Power Cooperative to construct an 80 megawatt, natural gas-fired peaking facility adjacent to the Cooperative's Wisdom Station. The Cooperative will have a 50% undivided interest in the plant. The Cooperative's cost to construct the plant is estimated to range from \$18,000,000 to \$23,000,000 depending on the outcome of certain proposed environmental regulations. As of December 31, 2003, approximately \$16,900,000 has been expended and is included in construction work in progress in the accompanying balance sheets. The plant is expected to be put in service during 2004.

In 2002, the Cooperative entered into a joint ownership agreement with several other utilities, cooperatives and municipals to construct a coal-fired facility with a planned capacity of at least 750 megawatts. The Cooperative is expected to have a 5.33% undivided interest in the plant. The Cooperative's cost to construct the plant is estimated to range from \$65,000,000 to \$72,000,000. As of December 31, 2003, approximately \$3,000,000 has been expended and is included in construction work in progress in the accompanying balance sheets. The plant is expected to be put in service during 2007.

In 2002, the Cooperative entered into a power purchase agreement to purchase 11.49% of the monthly generation from the Hancock County Wind Energy Center up to 11.22 megawatts. This agreement is effective through December 31, 2022 and rates are firm for the life of the contract.

The Cooperative and MidAmerican Energy have an agreement wherein the cheapest power sources between the two companies are used to meet the total area load requirement. MidAmerican Energy has indicated its desire to revise the arrangement and pricing methodology. In April 2003, MidAmerican Energy gave the Cooperative notice of its intent to terminate the dispatch agreement effective April 18, 2005. The Cooperative and MidAmerican Energy are currently in negotiations on this matter. The outcome of the negotiations remains uncertain; however, the negotiations will most likely result in increased purchased power costs.

NOTE (7) JOINT PLANT OWNERSHIP:

Under joint-ownership agreements with other Iowa utilities, the Cooperative had undivided interests at December 31, 2003 in three electric generating units as shown below:

	Neal #4	Council Bluffs #3	DAEC
Total electric plant	\$ 44,232,567	\$ 14,203,659	\$ 91,988,222
Accumulated depreciation	\$ 30,552,713	\$ 9,045,625	\$ 54,515,061
Unit accredited capacity (MW)	644	690	577
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.

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NOTE (8) 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 \$645,405 and \$562,610 for 2003 and 2002, respectively. In this multiple-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 40% of the employees' contributions up to 5% of the employees' wages. At December 31, 2003 and 2002, the Cooperative contributed \$87,938 and \$69,172, respectively, to the 401(k) plan.

NOTE (9) 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 reimbursement of the 2003 and 2002 operating expenses were \$411,441 and \$461,637, 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 (10) 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. In January of 2002, the Cooperative submitted a final alternate emissions limit petition for nitrous oxide emissions for the Wisdom Generating Station.

The EPA has proposed new rules that would reduce mercury emissions from power plants. These proposed rules would also require further reductions in sulfur dioxide and nitrous oxide emissions.

NOTE (11) 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 \$1,440,314 annually through 2007, of which the Cooperative's 10% share is \$144,031. The Cooperative's total assessment of \$1,814,613, which will be recovered in rates, has been recorded as a liability, net of payments, in the balance sheets. This liability, totaling \$432,094 including its long- and short-term portion on December 31, 2003, has been recorded with a corresponding deferred charge amortized over a 15-year period, beginning in 1992.

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NOTE (12) 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. The Cooperative was to submit responsibility of certain transmission assets to TRANSLink. In 2003, TRANSLink Management Development announced that, upon the direction of the participant utilities, formation of the proposed TRANSLink Transmission Company was suspended. TRANSLink was not operational in 2002 or 2003.

NOTE (13) NEW ACCOUNTING STANDARDS:

The Cooperative adopted SFAS No. 143, "Accounting for Asset Retirement Obligations" on January 1, 2003. SFAS 143 provides accounting requirements for the recognition and measurement of liabilities associated with the retirement of tangible long-lived assets. Under the standard, these liabilities will be recognized at fair value as incurred and capitalized and depreciated over the appropriate period as part of the cost of the related tangible long-lived assets.

SFAS No. 143 required the Cooperative to recognize and estimate the liability for its 10% share of the estimated cost to decommission DAEC. SFAS No. 143 requires the recognition of the present value of the asset retirement obligation the Cooperative incurred at the time it was placed into service in 1974. On January 1, 2003, the Cooperative recorded an asset retirement obligation of \$54,696,000. In addition, it increased the property and equipment balance, net of accumulated depreciation, by \$4,214,000. These amounts were estimated based on the calculation guidelines of SFAS No. 143. The Cooperative also established a regulatory asset for \$34,284,964 million, which represents the accretion of the liability since 1974 and the increased depreciation expense associated with the increase in plant. This asset will be recovered from the Cooperative's members in future rates.

The scope of SFAS No. 143 as it relates to the Cooperative includes decommissioning costs for DAEC. A reconciliation of the changes in the AROs is depicted below:

Balance at January 1, 2003	\$ 54,696,000
Accretion expense	<u>\$ 2,735,000</u>
Balance at December 31, 2003	\$ 57,431,000

If SFAS 143 had been adopted on January 1, 2002, the asset retirement obligation at December 31, 2002 would have approximated \$54,696,000.

The adoption of SFAS No. 143 will not impact income. Any income effects are offset by a regulatory asset created pursuant to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." Retirement obligations associated with long-lived assets included within the scope of SFAS No. 143 are those for which a legal obligation exists under enacted laws, statutes, written or oral contracts, including obligations arising under the doctrine of promissory estoppel.

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NOTE (14) NUCLEAR INSURANCE PROGRAM:

The Cooperative, under the provisions of the Price-Anderson Amendments Act of 1988 (the 1988 Act), has the benefit of \$10.86 billion of public liability coverage. The coverage consists of \$300,000,000 of insurance and \$10.56 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 \$300,000,000, each nuclear reactor may be assessed a maximum of \$70,400,000 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 \$7,040,000 per nuclear incident with a maximum of \$1,000,000 per year. These limits are subject to adjustments for inflation in future years. Existing nuclear power plants, including DAEC, are covered under the insurance system of the Act for the remainder of their operating lives. Extension or renewal of the Act applies only to new construction. Currently there is legislation in Congress that includes extensions of the Act, increasing the statutory limit for liability to the public for a single nuclear power plant incident and increasing the maximum annual assessment per incident.

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 \$1,710,000 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.

Notes to Financial Statements

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, 2003 and 2002, 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 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 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, 2003 and 2002, 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 of America.

As discussed in Note 13 to the financial statements, on January 1, 2003, the Cooperative adopted Statement of Accounting Standard No. 143, Accounting for Asset Retirement Obligations.

KPMG LLP

Kansas City, Missouri

February 20, 2004

Independent Auditors' Report
Independent Auditors' Report

*Natalie Amato, daughter of
Dan Amato, control operator*



*Allison Kolbe, granddaughter of
Norman Kolbe, director*



*Brittney and Olivia Arndorfer, daughters of
Jennifer Arndorfer, human resources specialist*



*Reegen Wempen, grandson of
Diane Wempen, executive assistant*



*Kesso Kuyper, daughter of Ken Kuyper, senior vice
president, engineering and system operations*





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