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 MINECK, D.L. Iowa Electric Light & Power Co.
 RECIP. NAME RECIPIENT AFFILIATION
 MURLEY, T.E. Office of Nuclear Reactor Regulation, Director (Post 870411)

SUBJECT: Forwards 1988 annual repts for Iowa Electric Light & Power,
 Corn Belt Cooperative & Central Iowa Power Cooperative.

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NOTES: *see Annual Financial Rpts*

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Iowa Electric Light and Power Company

June 1, 1989

NG-89-1581

Dr. Thomas E. Murley, Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555

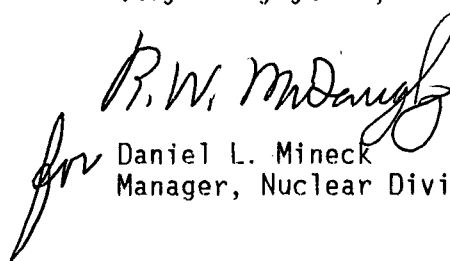
Subject: Duane Arnold Energy Center
Docket No: 50-331
Op. License No: DPR-49
Annual Financial Report
File: A-118e, A-105

Dear Dr. Murley:

Please find enclosed the 1988 Annual Reports for Iowa Electric Light and Power Company and its two partners, Corn Belt Cooperative and Central Iowa Power Cooperative. This information is submitted in accordance with the requirements of 10 CFR 50.71(b).

Should any questions arise, please contact this office.

Very truly yours,


Daniel L. Mineck
Manager, Nuclear Division

DLM/BGH/dd1+

cc: B. Hopkins
L. Liu
L. Root
R. McGaughy
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J. R. Hall (NRC-NRR)
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ARTHUR ANDERSEN & CO.

CHICAGO, ILLINOIS

To the Members of the Board of Directors of
Corn Belt Power Cooperative:

We have audited the financial statements of Corn Belt Power Cooperative (the Cooperative) for the year ended December 31, 1988, and have issued our report thereon dated February 21, 1989. Our audit was made in accordance with generally accepted auditing standards and specific Rural Electrification Administration (REA) procedures as set out in 7 CFR Part 1789, "REA Policy of Audits of Electric and Telephone Borrowers."

As part of our audit of the financial statements of the Cooperative for the year ended December 31, 1988, we considered its internal control structure as required by generally accepted auditing standards in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and as required by the specific REA audit requirements as set out in 7 CFR Part 1789. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

The management of the Cooperative is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures.

Among the objectives of the internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the internal control structure to future periods is subject to the risk it may become inadequate because of changes in conditions or deterioration in its operating effectiveness.

A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the

internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses as defined above. However, we noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

While our audit was not directed primarily toward obtaining knowledge of the matters addressed below, in accordance with REA reporting requirements, nothing came to our attention in connection with our audit that caused us to believe that:

1. The accounting records do not fairly reflect, in reasonable detail, the events and transactions of the Cooperative.
2. The accounting and reporting procedures and electronic data processing systems were not operating effectively insofar that the methods used were not adequate to accumulate cost of material, vehicles and work equipment, labor and overhead, and to provide a reasonable distribution thereof to construction, retirement and maintenance or other expense accounts.
3. The controls over materials and supplies were not operating effectively insofar that there were significant discrepancies among the physical inventory, perpetual inventory and the general ledger balances.
4. The Cooperative had not complied with the provisions of the applicable REA indenture requirements evidencing its indebtedness insofar as such provisions relate to the payment of dividends, payment of patronage refunds, retirement of any patronage capital or any other cash distribution, including abatement of charges.
5. The annual certification of insurance coverage provided the REA by the Cooperative on REA Form 12 was not appropriate.

The following comments on the scope of our audit are in response to the specific REA audit requirements as set out in 7 CFR Part 1789, "REA Policy on Audits of Electric and Telephone Borrowers":

1. We have not issued any special reports, summary of recommendations or similar communications during the performance of the audit or during interim audit work.
2. As a part of our audit, we read a copy of the December 31, 1988, Operating Report - Financial (Form 12A) on file at the Cooperative. The financial statements included therein are in agreement, in all material respects, with the Cooperative's accounting records.
3. We examined a copy of the service agreement between the Cooperative and the Central Iowa Power Cooperative and observed that the service covered by the contract is performed in accordance with the agreement. Our review of correspondence from the REA indicated REA approval was not required.

4. We examined the bank statements of all of the Cooperative's cash deposits at December 31, 1988, and noted that the deposits were in institutions in which accounts were insured by an agency of the federal government to the extent provided by statutes.
5. We examined the Cooperative's federal income tax return and noted that the Cooperative files an Internal Revenue Service (IRS) Form 990 which is the form used by entities covered by Section 501(c)(12) of the IRS. Nothing came to our attention that caused us to believe that the Cooperative's income tax filing status changed for 1988.
6. We examined, on a test basis, support for significant related-party transactions and have satisfied ourselves that the disclosures in the financial statements, or the notes thereto, relating to such transactions are in accordance with the requirements of Statement of Financial Accounting Standards No. 57.
7. As part of our tests of the property accounting records, we examined documentation that indicates there were not significant acquisitions of land during 1988.
8. As part of our audit, we reviewed the Cooperative's depreciation rates and noted that the depreciation rates used on two of the Cooperative's generating stations were straight-line, remaining life rates instead of composite straight-line rates. As this change was not subsequently approved by the REA, the 1988 financial statements of the Cooperative were adjusted to reflect depreciation using the composite straight-line rates.

This letter is intended solely for the use of management, the Board of Directors and the REA. To the extent that the REA intends to rely upon this letter, such reliance should take into account the limitations inherent in the internal control structure. In addition, the REA should understand that the criteria used by us in considering the internal control structure could differ significantly from the criteria the REA may be using for its purpose. This restriction is not intended to limit the distribution of this letter which, upon receipt by the REA, is a matter of public record.

Chicago, Illinois,
February 21, 1989

Arthur Andersen & Co.