

**Corn Belt
Power Cooperative**

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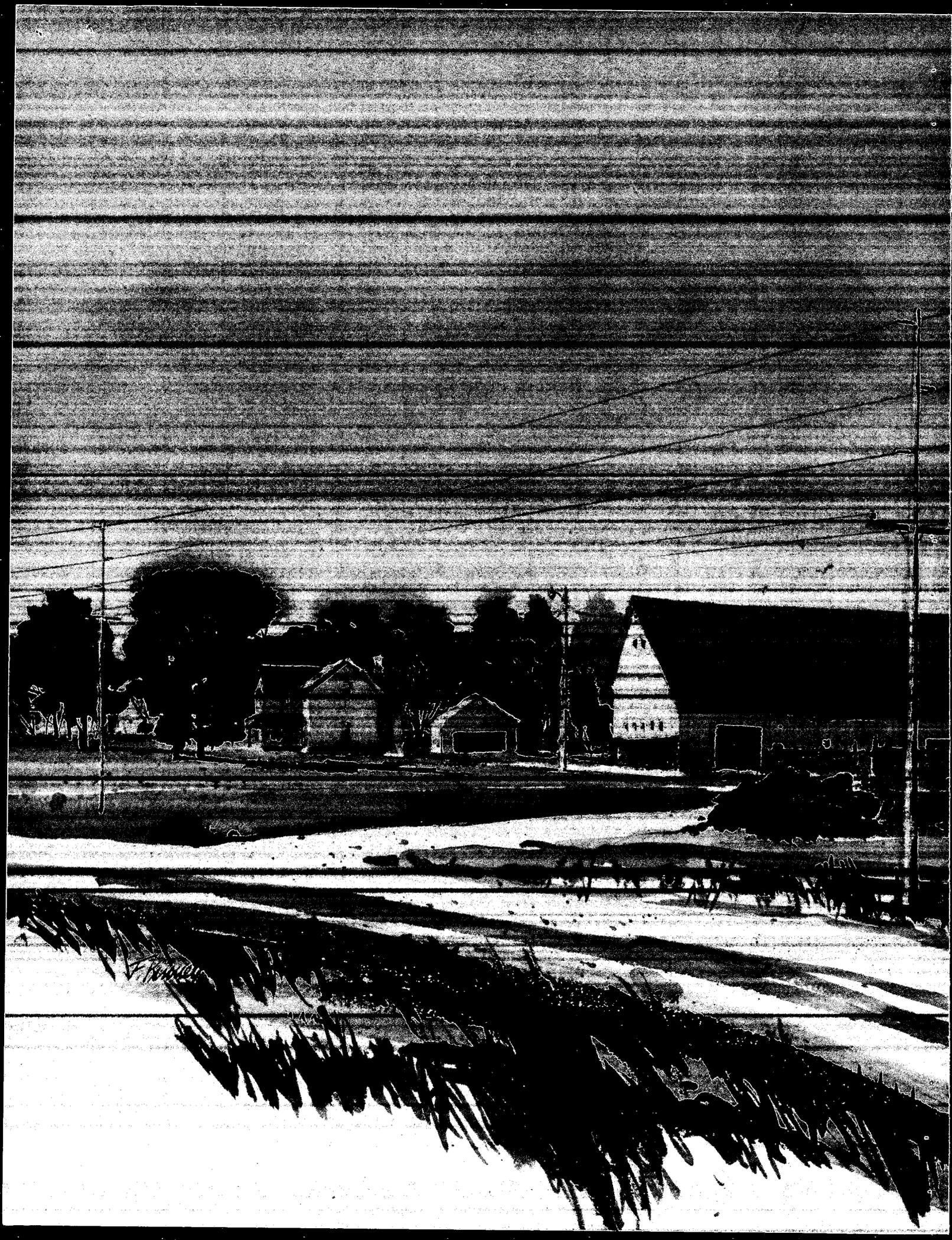
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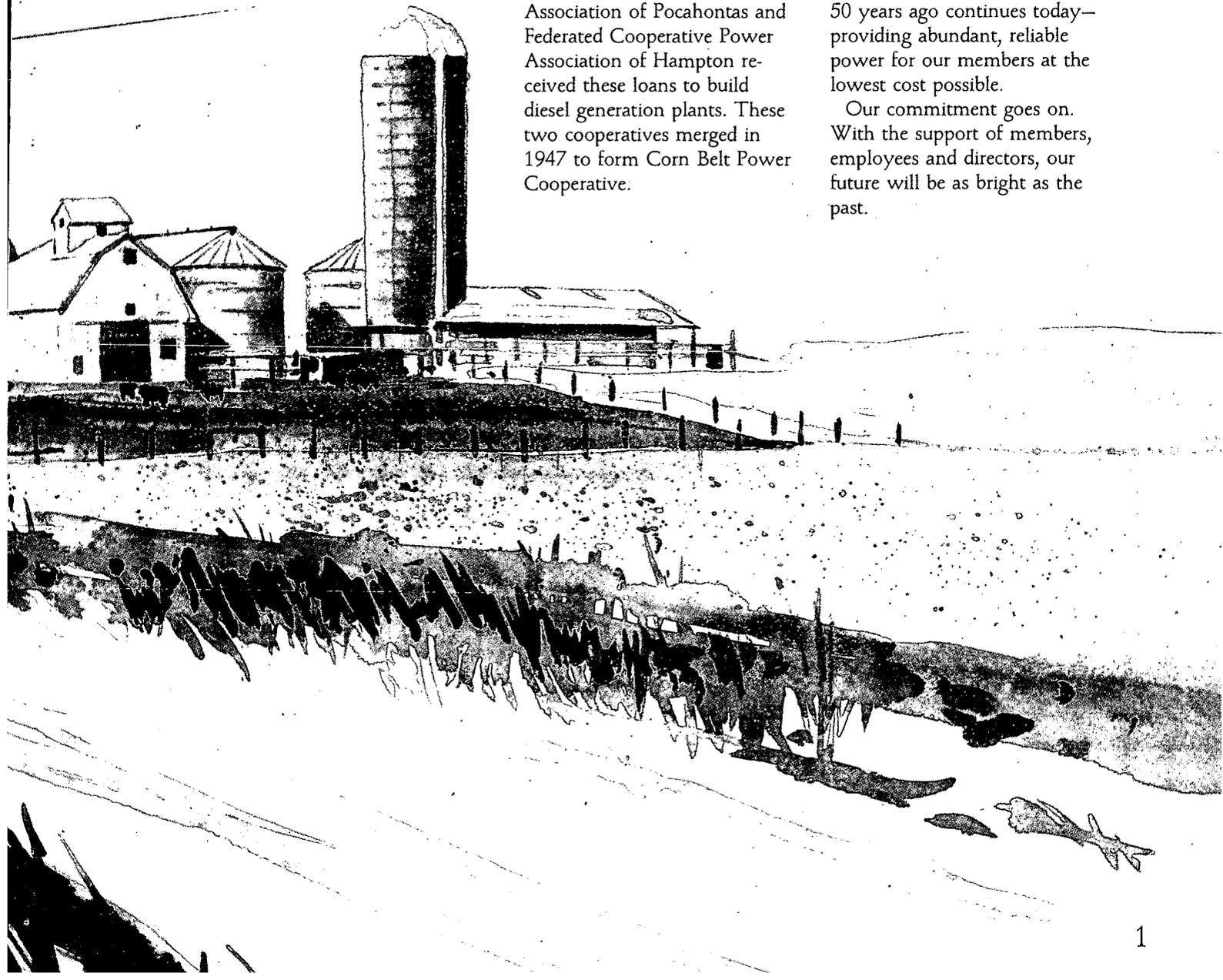
In 1935, President Franklin D. Roosevelt signed an Executive Order creating the Rural Electrification Administration. The Order specified that an Administrator of the REA would be appointed "to initiate, formulate, administer, and supervise a program of approved projects with respect to generation, transmission, and distribution of electric energy in rural areas."

The first two cooperatives to be granted power generation loans under the Rural Electrification Act were in northwest and north central Iowa. Central Electric Federated Cooperative Association of Pocahontas and Federated Cooperative Power Association of Hampton received these loans to build diesel generation plants. These two cooperatives merged in 1947 to form Corn Belt Power Cooperative.

Great changes have taken place across our nation's countryside since 1935. Electric power generating and transmission facilities were built. Rural electric cooperatives were formed. Milking machines, irrigation, refrigeration, light and power, agricultural mechanization—all became part of American farm life. Pioneer men and women of rural electrification, with support from the REA, built a program that now serves more than 25 million people in 46 states.

Corn Belt is proud of the part it had in the electrification of rural Iowa. The job begun 50 years ago continues today—providing abundant, reliable power for our members at the lowest cost possible.

Our commitment goes on. With the support of members, employees and directors, our future will be as bright as the past.



The REC in rural America in 1984 — what did the year bring, and how did the RECs cope with it?

1984 was a difficult year for the agricultural economy. As a farmer, I am very concerned about neighboring farmers in the Corn Belt area and across Iowa. Will they be there next year? Only if farmers can stay on the land will there continue to be a strong and healthy cooperative.

Like other agribusinesses, RECs are dependent on a healthy rural economy. Our success is interdependent with that of farms and small town businesses.

Because of this relationship, Corn Belt decided to take some active steps in 1984 — not only to respond to the current economic situation, but to make decisions about the REC's place in the future.

In the early part of 1984, we sent out a member attitude survey. Its purpose was to give us a better idea what co-op member-consumers think about their REC and its service. We have already used results from the survey to help us understand member electric use, participation in co-op activities and opinions about energy costs.

President's Report

In late 1984, we entered into the Pooling Agreement with Central Iowa Power Cooperative (CIPCO). Sharing power supplies should help us save on costs, and the diversity of our service areas may give us new opportunities for growth and sales.

With CIPCO, we have formed a marketing committee which will explore possible ways to promote the wise use of electricity. Selling more kilowatt hours will not only help the cooperative, but also the individual members, because electricity is the cleanest, most dependable energy they have on the farm or in the home.

The committee is developing a marketing program which will be successful only if we all participate.

In 1984, as in past years, Corn Belt has had a strong hand in the political field. Today it is becoming more important not only that we protect the rights we have, but we keep up on future legislation that will affect us. Corn Belt has been encouraging its directors to have a greater interest in politics — on local, state and national levels.

Nationally, the protection of our REA financing is important. Rural electrification is the target of many who propose to reduce financial support for rural areas in our country.

On the state level, the passing of the franchising bill was important in 1984. This bill eliminated excessive expense and paperwork for rural electric cooperatives.

Economic development is becoming increasingly important to our farmers, co-ops and rural communities. We must encourage our legislators to promote development — using tax structures and other incentives to bring new businesses to Iowa and help with the expansion of businesses we already have. We know that on more than one occasion, businesses have chosen to locate in places other than Iowa, due to better economic incentives in other states.

The Corn Belt Board and management have been very active during 1984 in negotiations with NIMECA. We want to gain better understanding of one another on items of importance so we can



Eugene Drager
President of the Board

Over the past 50 years since the REA started, rural electrification has been a success story. Corn Belt is proud to have been involved in this important part of rural America's history. We will work to make the best decisions we can for a bright future.

I wish to take this opportunity to thank Corn Belt's Board and management for their support and leadership. Because of their dedicated efforts, rural electric cooperatives will continue to hold an important place in rural Iowa.

Eugene Drager
President of the Board

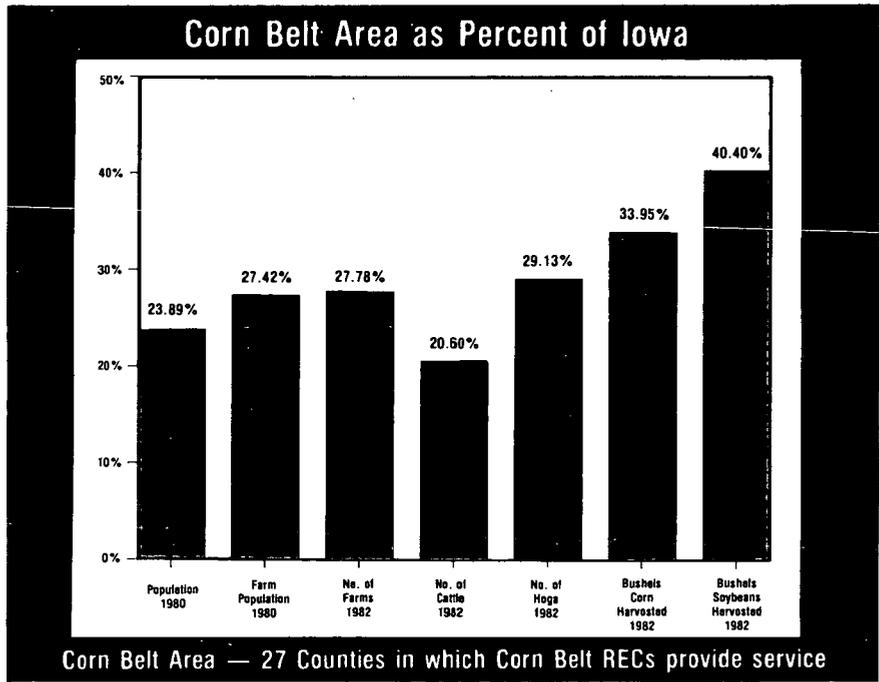
The rural electric cooperative is the member's business — member owned and controlled. The more that our members can use and participate in their cooperative, the stronger it will be.

work closer together on future issues.

We continue to keep close watch on our power supply capabilities. Even though today we are at a standstill in growth of sales, we need to project what our power needs will be ten years in the future. As a Board of Directors, it is our responsibility to make sure our members will have an adequate supply of power at the lowest possible cost.

We have several committees on the Corn Belt Board. One committee has been especially active — the rate committee. After many meetings and discussions, along with input from managers and board members, Corn Belt established a new rate, scheduled to be effective January 1, 1985.

At our Annual Meeting in March, 1984, we presented checks to our member distribution cooperatives totaling \$160,183.19. This amount represents payment for 1970 deferred patronage dividends.



Once again it is time to sit back and reflect on the happenings of the past year and their effect on your cooperative. We try to summarize some of them in this annual report.

The major item of concern in Iowa this past year has been the rural economy and the struggle for the farmer to survive. This has a ripple effect on other businesses, not the least of which is the Rural Electric Cooperative.

We read in the media of bankruptcies, farm sales and bank closings. RECs feel the effect in lower energy sales and declining revenues.

1984 has been a year of trying to hold the line on costs. We have also tried to make decisions for the future which would allow flexibility in planning for uncertainties, while at the same time save money for our members.

Reliability and economy – these are the guidelines we have tried to follow. We have added new facilities needed to maintain the quality of service at a high level. We have obtained new loans from the Rural Electrification Administration which will allow us to make future additions as required. Such construction has been, and will be, held to a minimum.

A major event which came into being during 1984 was a Pooling Agreement between Central Iowa Power Cooperative (CIPCO) and Corn Belt Power Cooperative. While this

General Manager's Report

agreement became official on January 1, 1985, much of the planning and preliminary work took place in 1984.

An early outgrowth of the Pooling Agreement has been the start of a marketing program to be developed jointly by CIPCO and Corn Belt.

Following is a summary of some of the major events affecting Corn Belt in 1984.

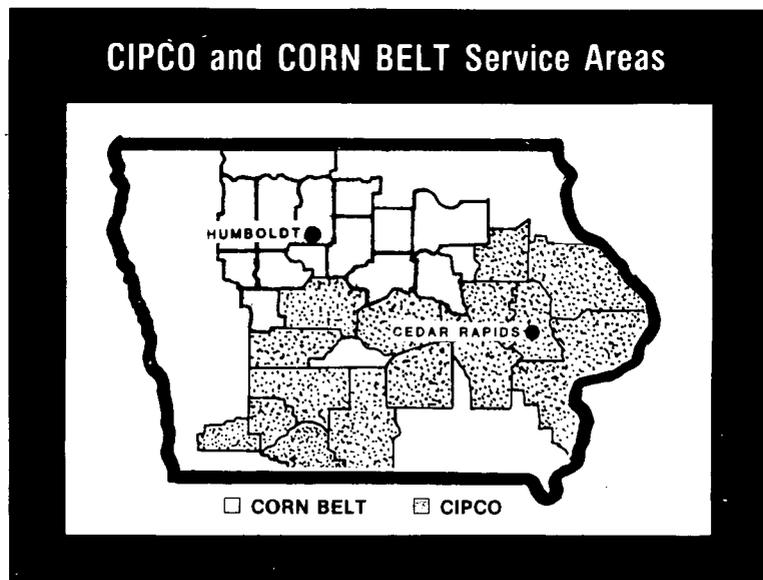
CIPCO/Corn Belt Pooling Agreement

In August, a "Coordination and Operation Agreement" was approved unanimously by

the respective boards of Corn Belt and CIPCO. The Pooling Agreement combines power supply facilities and costs in order to better serve our member-consumers at the lowest possible cost.

Planning for the Pool took place during the summer and fall of 1984. The Agreement, which has a duration of three years, commits all generation and transmission resources to a common Pool. Most costs of both co-ops, likewise, will be part of the Pool.

The Boards of Directors of both Corn Belt and CIPCO will continue as before. In addition, a Pool Board (which in-





George W. Toyne
General Manager

cludes both boards) will meet periodically.

I will be serving as General Manager of CIPCO, and will continue, by contract, as General Manager of Corn Belt. A Pool management committee will coordinate activities and includes: Mel Nicholas, Administration; Dennis Murdock, Finance; Archie Ryan, Operations and Engineering; Dale Arends, Power Supply; and myself.

Altogether, the consolidation of power supply resources will provide a generating capacity of about 800 megawatts. Our pooled service area will cover about two-thirds of rural Iowa, serving some 113,000 farms and rural residences.

CIPCO has 15 member rural electric cooperatives, along with one municipal cooperative, South Iowa Municipal Electric Cooperative Association (SIMECA).

Already, employees and distribution managers of Corn Belt and CIPCO have been meeting to share ideas and information. We look forward to

a number of benefits to all members through our pooling activities.

Member Attitude Survey and Marketing Efforts

In early 1984, Corn Belt sent out 2500 questionnaires as part of a member attitude survey. Thirteen of our member distribution co-ops participated in the survey, designed to give us a better understanding of the member-consumers and their opinions. Hershel Shosteck Associates, Washington, D.C., assisted us in survey preparation and analysis.

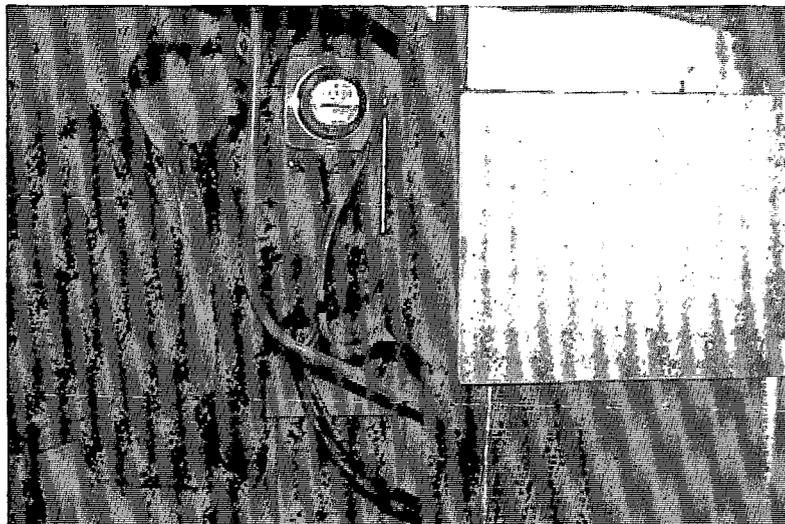
The last time Corn Belt carried out a member attitude survey was in 1977. At that time, we looked at member perceptions of the REC's service and electric rates, use of media, and attitudes toward conservation.

In 1984 we included questions on most of these topics, along with questions about use of electricity for water heaters, home heating and crop drying. When survey results were tabulated, the statistics indicated we were losing electric load in both water heating and home heating.

As a result of these figures, we initiated efforts to promote hot water heaters (with most of our co-ops now active in a program to sell new electric hot water heaters). By the end of 1984, approximately 450 electric water heaters had been sold, in part due to our new promotion.

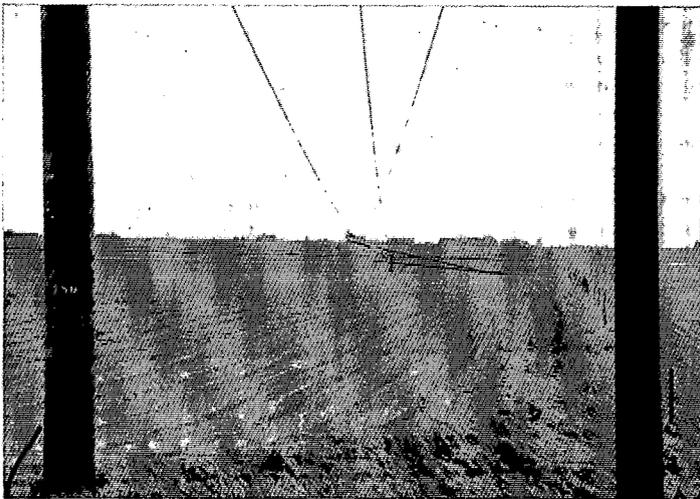
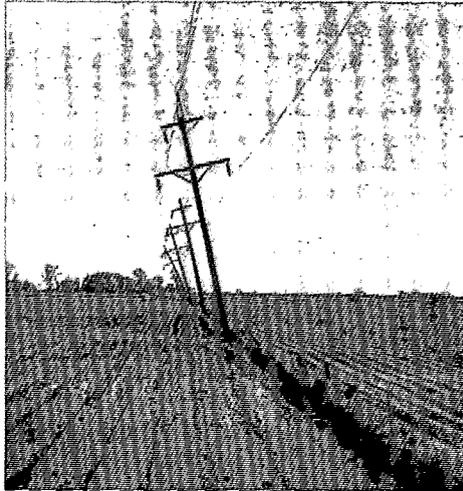
We also beefed up our two-year-old electric heat program to encourage new residential electric heating.

Finally, we formed a joint marketing committee with personnel from CIPCO in order



Corn Belt Director Dennis Larson, Pocahontas REC, installed a ground water heat pump in his farm home near Laurens in November, 1984. He reports good operation and energy savings during the first few months of operation.

A number of 69 KV lines were damaged during storms in the early part of 1984.



Over two miles of 161 KV line were torn down by tornadoes which ripped through Corn Belt's area in June, 1984. Here is a portion of the damaged Hancock-Burt line, near Britt.

to develop an overall marketing plan that included co-ops from both systems. By year end 1984, this committee had done preliminary planning and had selected Xenergy, Inc., a consulting firm from Burlington, Massachusetts, to guide our efforts. (Xenergy is the firm which developed the "Power of Choice" marketing program for the Edison Electric Institute in 1983-84.)

As a result of these efforts, we hope not only to resume growth in kilowatt hour sales, as we saw in the 1970s, but

also find new ways for our member-consumers to use electricity efficiently to save on their total energy bills.

Because fixed costs are a great proportion of our total expenses, any way we can find to spread these fixed costs across more kilowatt hour sales will put a downward pressure on rates. In the long run, that will benefit all our members.

The Year's Weather

A continuing environmental threat to the rural electric system is the weather. As our transmission system becomes more sophisticated, and as technology introduces more durable materials which can hold up to adverse conditions, trips and outages have become less frequent across our system.

But the same as it is for farmers, it is for us — weather ultimately has the last word. In 1984, the weather caused problems for us on more than one occasion.

The end of April brought two major storms to north central Iowa. High winds caused broken poles and outages on April 26. An unseasonably late blizzard plowed through our area April 29, causing problems in our communications system and our repair efforts. Resulting wet field conditions from both storms, along with mud from heavy rains throughout the month, compounded the difficulty of repairing downed lines and broken poles.

Five poles northeast of Sac City and two southwest of Humboldt (all 69 KV poles) were broken during the April

26 storm. In addition, there was conductor and other damage at the Rockford Tap, northwest of Allison.

What began as rain and cold weather early Sunday afternoon, April 29, turned to sleet, high winds, and a blizzard that dumped a foot of wet snow on the ground by the next morning. Strong winds moved our Pocahontas microwave communications dish, knocking out communications to the whole west side of our service area. Six 69 KV poles were broken during the storm, and a number of substation outages occurred, the longest being 4-6 hours.

Just when we thought we had things back under control, Mother Nature gave us another surprise June 7. That evening, about 30 tornadoes were reported across the state of Iowa, damaging farms and homes, and scattering debris across farmland.

Corn Belt sustained heavy damage to both 69 KV and 161 KV lines across the system. The greatest damage occurred on the Hancock-Burt Line (Britt area), where 17 structures in the 161 KV line, along a distance of over two miles, were completely torn down. Three 161 KV structures were downed on the Burt-Osgood line; 14 69 KV poles were knocked down in various locations; and other structures across the system were left leaning from the high winds.

These storms gave us our share of damage the first half of the year. Fortunately, fall and early winter 1984 brought no great weather disturbances to our system.

Co-ops Sign Purchase Contracts

In a rather unceremonious, yet important meeting, wholesale power contracts were signed by Corn Belt officers on May 25, 1984. The contracts, which commit our distribution cooperatives to continue to purchase power from Corn Belt through the year 2050, are necessary in order for us to continue to obtain financing through the Rural Electrification Administration in the future.



Participants study Corn Belt reports during the 1983 Annual Meeting held March 27, 1984.

1983 Annual Meeting

The 36th Annual Meeting of Corn Belt Power Cooperative was held March 27, 1984. Over 275 directors, spouses and guests attended.

At the meeting, checks totaling \$160,183.19 were presented to representatives of our member distribution co-ops for past allocated patronage for 1970.

Election of directors was held at the meeting, with the following being elected: Ralph Classon, Franklin REC, elected to a two-year term; and Albert

Swart, Buena Vista County REC, Lawrence Wittry, Glidden REC, Eugene Drager, Humboldt County REC, and Dennis Larson, Pocahontas REC, all elected to three-year terms. Carrol Boehnke was elected as the new director from Hancock County REC to serve a three-year term. He replaced Jim Lovick, who chose not to seek re-election.

Our keynote speaker at the annual meeting was Herb Plambeck, former farm director for radio station WHO, Des Moines.

Years of service awards were

given to seven Corn Belt employees.

Following the meeting, the board of directors met to elect officers for the coming year. All officers were re-elected to their positions: Eugene Drager, President; Reuben Holcomb, Vice President; Harold Taylor, Secretary; Clarence Lange, Treasurer; and Albert Swart, Assistant Secretary-Treasurer.

Member Information Meeting Focuses on Agriculture and the Economy

“Agriculture, Energy and the Future” was the theme of the 1984 Member Information Meeting which brought over 160 directors, employees, staff and guests to a meeting December 11. The information meeting is an annual event



Corn Belt Board President, Eugene Drager, seated, left, and Secretary Harold Taylor, right, sign co-op purchase contracts. The contracts commit Corn Belt's distribution cooperatives to purchase power from Corn Belt through year 2050.

designed to give Corn Belt members current data on power supply and economic situations which affect electrical power use.

This year, much attention was given to agricultural trends in our state, and their impacts on electric sales.

As our Member Attitude Survey had indicated, over 70 percent of Corn Belt distribution co-op's members buy electricity for farm uses. This makes us very dependent on changes in the agricultural economy.

Reductions in cattle inventories, decreases in the number of farms, changes in the structure of hog operations (fewer and larger), and declines in prices received for farm products all have consequences on electric demand.

The increase in the percentage of farm families' income earned from off-farm sources which is taking place gives us new motives to pursue economic/industrial development in rural communities. More jobs in our small towns and rural communities will provide sources of income for farm and nonfarm family alike. The rural electric cooperative can play a part in promoting this kind of economic development.

Mid-Continent Area Power Pool

The Mid-Continent Area Power Pool, MAPP, is a network of interconnected electric power suppliers. Through our

network, we buy and sell electric power from one another. This not only offers us reliability in having sufficient electric power available when needed, but it gives us the chance to use the power that is most economical in cost.

In July, 1984, the Corn Belt Board of Directors had a tour of the MAPP office and computer facilities in Minneapolis. There they heard about the organization's structure and how it operates.

Corn Belt has been a member of MAPP since 1972. I presently serve on MAPP's Management and Executive committees; other Corn Belt personnel serve on additional committees.

Western Area Power Administration

In 1984, we continued to work closely with the Western Area Power Administration to

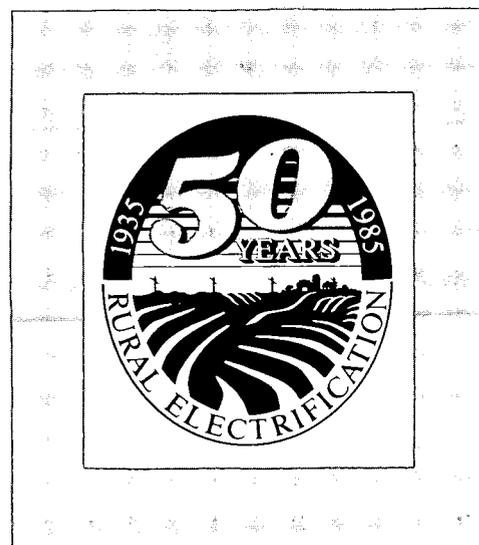
make maximum use of excess hydro energy. Hydropower is an exceptionally economical source of electric power for our members.

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It has been 50 years since the REA was formed to bring electricity to the farm. This program has succeeded far beyond what most people then could have imagined. This success has been caused by people — the directors, employees, and the members themselves — and I am most grateful for all they have done.

We are a strong, dependable organization, built on cooperative principles. By continuing to work together, we dedicate ourselves to providing the services our members want and need.

George W. Toyne
General Manager



Assistant General Manager's Report

When reviewing 1984 with an eye to the future, there are several significant events which deserve our attention.

Peak Demand and Kilowatt Hour Sales

Corn Belt's 1984 peak kilowatt hour demand increased significantly over 1983. In fact, the 1984 system peak of 194,000 kilowatts was the second highest in Corn Belt's history and fell pretty much in line with past load projections. This peak occurred during October, 1984, and was a direct reflection of the amount of crop drying in the Corn Belt area.

You may recall that crop drying in 1983 was reduced due to the Payment-In-Kind (PIK) program. The 1984 peak was nearly 20 percent above 1983, but fell about four percent short of our all-time peak which occurred in the fall of 1982.

Kilowatt hour sales in 1984 continued to show a distressing trend and were about 1 percent below 1983 sales. Again, you may recall that 1983 sales were about 3 percent below total kilowatt hours sold in 1982.

Corn Belt's best kilowatt hour sales year was 1979. Our 1984 sales were 6 percent below the 1979 figure. As mentioned previously in this report, we have begun a marketing effort to help with this problem.

REA Loan Approval

In July, 1984, Corn Belt received final approval of the loan application submitted to REA in 1983. This loan will allow Corn Belt to add necessary equipment to all our generating stations and will provide for future transmission additions through 1987.

The total loan amount was \$36,522,900. Of this total, \$11,253,000 will be for additions to all our generating stations. These additions are primarily on D.A.E.C., Council Bluffs #3 and Neal #4. As a

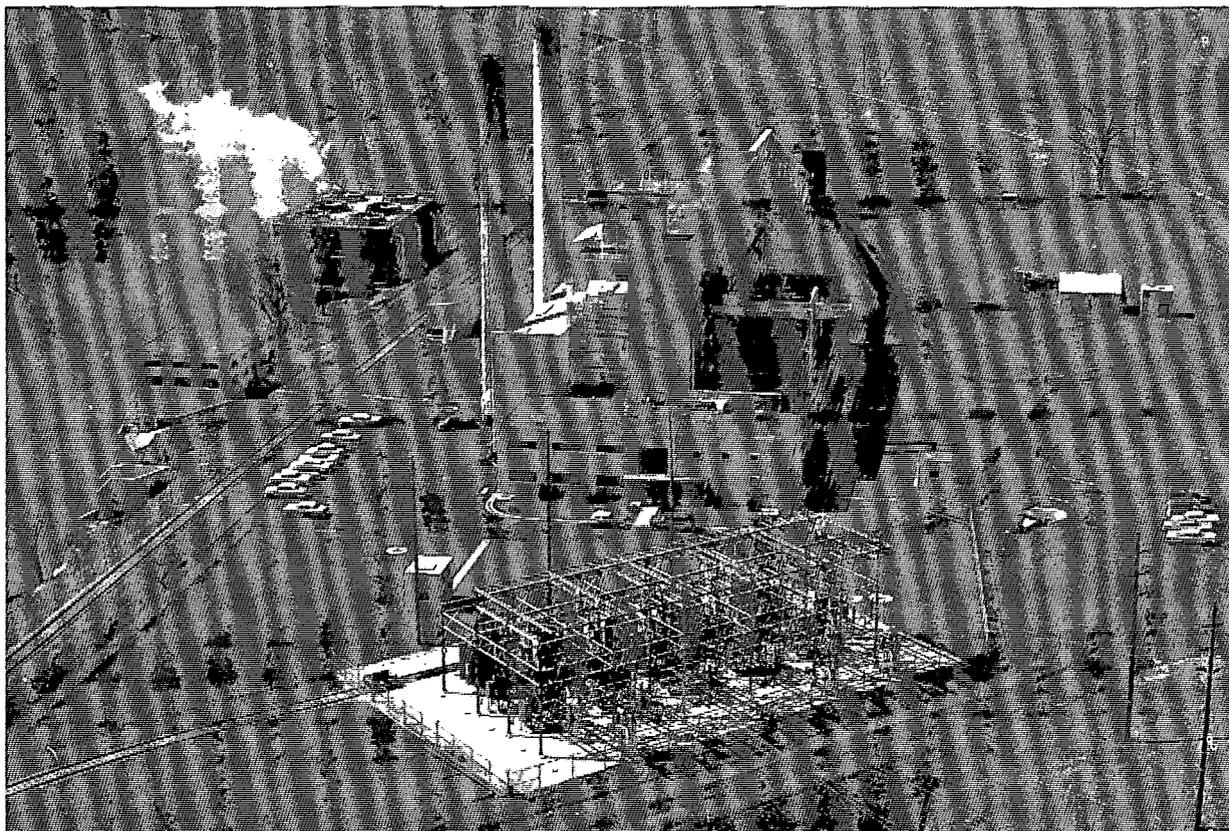
minority owner in these plants, Corn Belt is obligated to provide its share of necessary additions.

Transmission additions through 1987 will total \$25,269,900 of the new loan. These additions are dictated by future work plans of our distribution members. Work plans call for the addition of 270 miles of 69 KV line and 19 distribution substations during the next three years. In order to support these additions, Corn Belt will build seven miles of 161 KV line and three 161 KV substations.



Dale Arends
Assistant
General Manager

The Humboldt Generating Station, completed in 1950, was the subject of a study completed in 1984. The plant was found to be in excellent condition for its age, and can serve as an economical power source in the future. In fall, 1984, Corn Belt decided to purchase the six-mile railroad spur to the plant after the Chicago and Northwestern Railroad indicated it intended to abandon the line.



Humboldt Station and the Railroad Spur

During 1984, Corn Belt was notified of the intent by the Chicago and Northwestern Railroad (C&NW) to abandon its six mile spur to our Humboldt Station. This abandonment would have a tremendous effect on the future of Humboldt Station should it be carried through.

Before the Corn Belt Board of Directors could decide on whether or not to offer to buy the railroad spur from the C&NW, it had to determine the future value of the Humboldt Station to our system. The Board authorized Burns and McDonnell Engineering to conduct a study of the Humboldt Station and to look at its future value under various load increases.

The study conclusion was presented to the Board of Directors in November, 1984. Study results showed our Humboldt Station to be in excellent condition for a plant its age. In addition, the study indicated that under any future growth scenarios, keeping Humboldt Station was the least expensive option versus adding new generating facilities to replace Humboldt in the future.

With this information, the Board of Directors authorized negotiations with the C&NW for purchase of the six miles of line. We have been working very closely with the city of Humboldt and the Humboldt County Board of Supervisors to help in the purchase of the rail spur.

At the end of 1984, the C&NW agreed to sell us the rail spur at a favorable price. The city of Humboldt and Humboldt County agreed to pay about one-third of the cost. Corn Belt is very fortunate to have such fine cooperation from Humboldt and Humboldt County. The rail purchase will allow us to keep the Humboldt Station a viable energy source for the future.

NIMECA

The North Iowa Municipal Electric Cooperative Association (NIMECA) continues to work closely with Corn Belt.

During 1984, Corn Belt and NIMECA successfully completed negotiations on a short term transmission agreement. This interim agreement will expire the end of 1987.

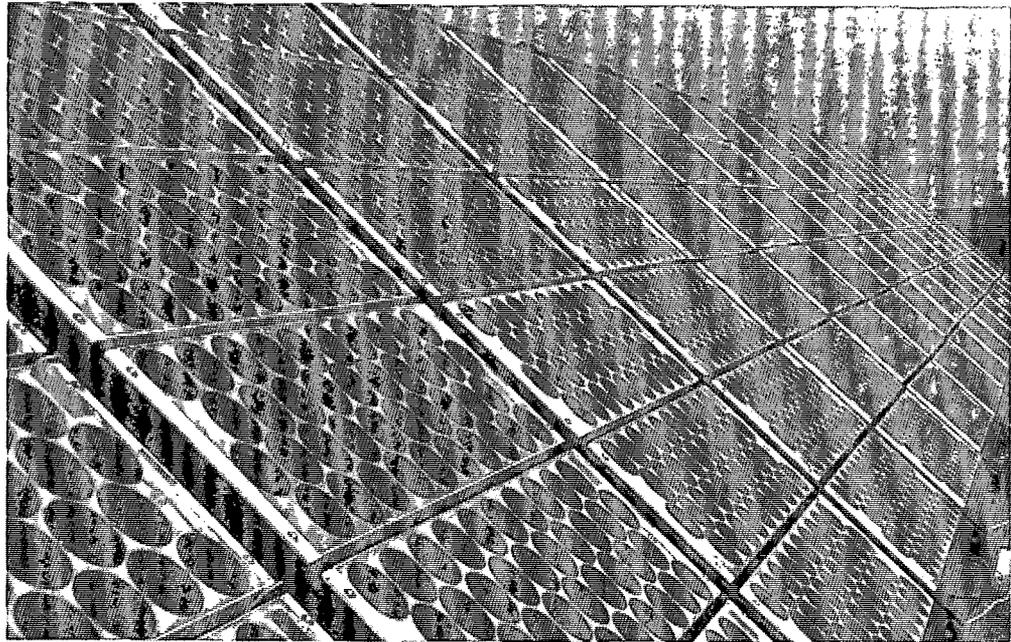
During this interim, we will be working toward a long term agreement which will encompass both generation and transmission. We believe a long term agreement will be of benefit to both parties and will help hold down future power costs to Corn Belt and NIMECA.

Energy Research

In 1984, Corn Belt continued its close work with Iowa State University (ISU) in several research areas. Research is important to us because it helps us learn what the future may have in store. Research also gives us knowledge so we may better answer member's questions on wind and solar energy, and on high voltage transmission line effects.

The wind generator located at the Land O'Lakes Answer Farm near Fort Dodge continues to give us valuable information on how this source of energy may fit on today's farm. Frankly, our experience so far has been less than satisfying.

We continue to have many mechanical problems, and the



Solar collectors at the Land O'Lakes Answer Farm, near Fort Dodge, are part of continuing research in which Corn Belt participates.

expense to purchase and maintain this unit has been quite high. We will, along with ISU, continue to test the wind generator in hopes that the research will help us judge the possible impact of wind energy on Corn Belt's future.

Along with the wind generator, Corn Belt recently completed a solar facility, also at the Answer Farm. During coming months and years we will be working with Iowa

State University to see how we might integrate solar energy into the farm environment. We will also carefully analyze its associated cost.

ISU is also conducting research on the possible effects of high voltage transmission lines on crops and livestock. The Iowa Test and Evaluation Facility, ITEF, located near Fort Dodge, is the location of this research. We have been an active supporter of this project.

Results so far show no effect on crops or livestock in the vicinity of the 345 KV transmission line at the ITEF site. It is important for our members that we continue to monitor these tests. Again, we feel that our future depends on us being able to provide good answers and service to our farm members.



High voltage line demonstrations are part of the work at the Iowa Test and Evaluation Facility, ITEF, near Fort Dodge. Iowa State University directs the research at ITEF.

Day at Corn Belt

One of the best ways we have of communicating to our members is through our annual "Day at Corn Belt." Each year, about 40 high school juniors from our service area spend one day with us learning about electricity, how it is produced and transmitted, about cooperatives, and of course, about how Corn Belt and its members work together.

The future of our whole program lies with these youngsters. It is imperative that we teach these and other young people all we can about our history and our way of doing business. Failing to do this means a loss of loyalty in the future.

Normally, the Day at Corn Belt is held in April, but in 1984 it was necessary to reschedule it due to a snowstorm.

Board Leadership

Success in any business, now or in the future, depends on good people. Throughout Corn Belt's history, we have been fortunate to have capable, devoted leadership from the directors on our board.

Carrol Boehnke became the newest member of Corn Belt's Board of Directors last year. From Hancock County REC, he was elected during our annual meeting, and replaced Jim Lovick who chose not to seek re-election.

Jim served us very well for six years. We know that Carrol will carry on with the same dedication and hard work that Jim offered to the Corn Belt Board.

Corn Belt Board Director Clarence Lange, from Hardin County REC, was elected last fall to the Iowa Association of

Electric Cooperatives Board of Directors. Clarence has served on the Corn Belt Board for over nine years. We congratulate him on his new post.

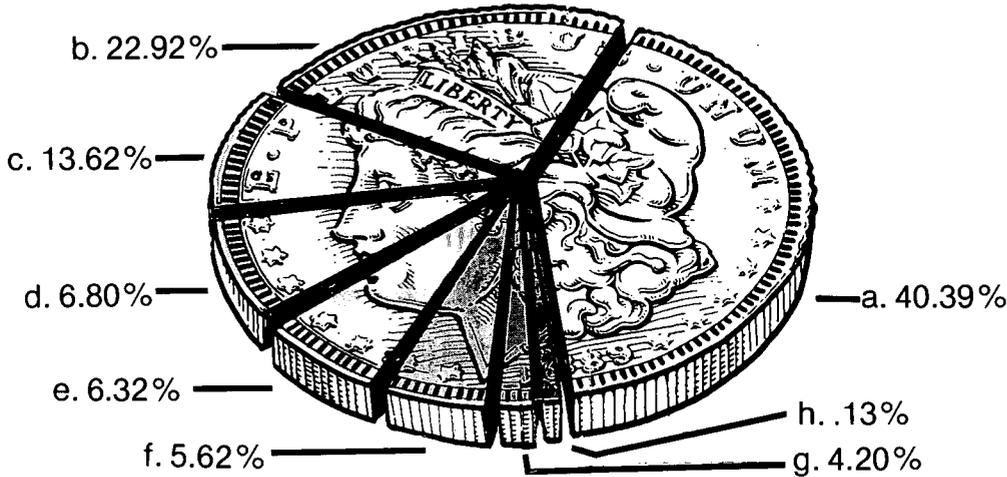
With the changes taking place in 1984 — from the CIPCO/Corn Belt Pooling Agreement, to the Humboldt Station and railroad, to the fine people we work with — the future has never been brighter. We continue to look toward the future with pride, and we renew our dedication to provide dependable electricity at the lowest possible cost.

Dale M. Arends
Assistant General Manager

High school juniors from across Corn Belt's service area participate in the annual "Day at Corn Belt" to learn about power generation and transmission, the REC, and the importance of electricity to the rural economy.



Expense Dollar Distribution



	1984		1983	
	Amount	Percent	Amount	Percent
a. Generation	\$14,535,680	40.39	\$13,729,589	38.44
b. Interest and Loan Expense	8,250,526	22.92	7,031,804	19.69
c. Depreciation	4,901,067	13.62	4,299,628	12.04
d. Taxes	2,448,618	6.80	2,292,720	6.42
e. Administrative and General	2,274,429	6.32	2,476,612	6.93
f. Purchased Power	2,022,877	5.62	4,421,524	12.38
g. Transmission	1,512,467	4.20	1,412,989	3.96
h. Sales	46,401	.13	48,885	.14
TOTAL	\$35,992,065	100.00	\$35,713,751	100.00

Load Summary – KWHs

Sources of Energy:

	1984	1983
D.A.E.C.	269,980,735	230,839,689
Council Bluffs #3	153,893,000	178,148,000
Neal #4	347,880,000	209,472,000
Humboldt	362,854	159,756
Wisdom	1,637,400	848,700
Webster City	34,100	29,800
NIMECA/Other	1,977,808	1,919,400
Western Area Power	447,523,000	372,736,000
IPS Economic Dispatch	(311,345,000)	(60,378,000)
TOTAL SOURCES	911,943,897	933,775,345

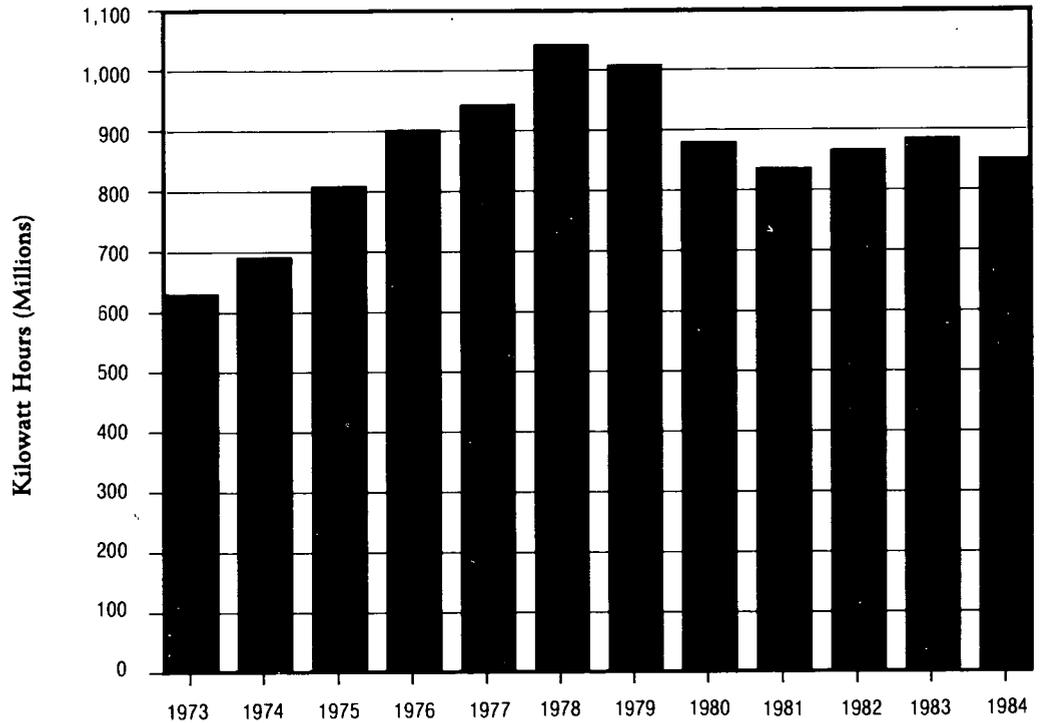
Sales of Energy:

RECs	666,891,366	674,837,002
Webster City	82,964,997	85,828,125
NIMECA	101,791,678	124,836,670
TOTAL SALES	851,648,041	885,501,797
System Losses	60,295,856	48,273,548
TOTAL SALES & SYSTEM LOSSES	911,943,897	933,775,345

Member Sales and Costs

Kilowatt Hour Sales

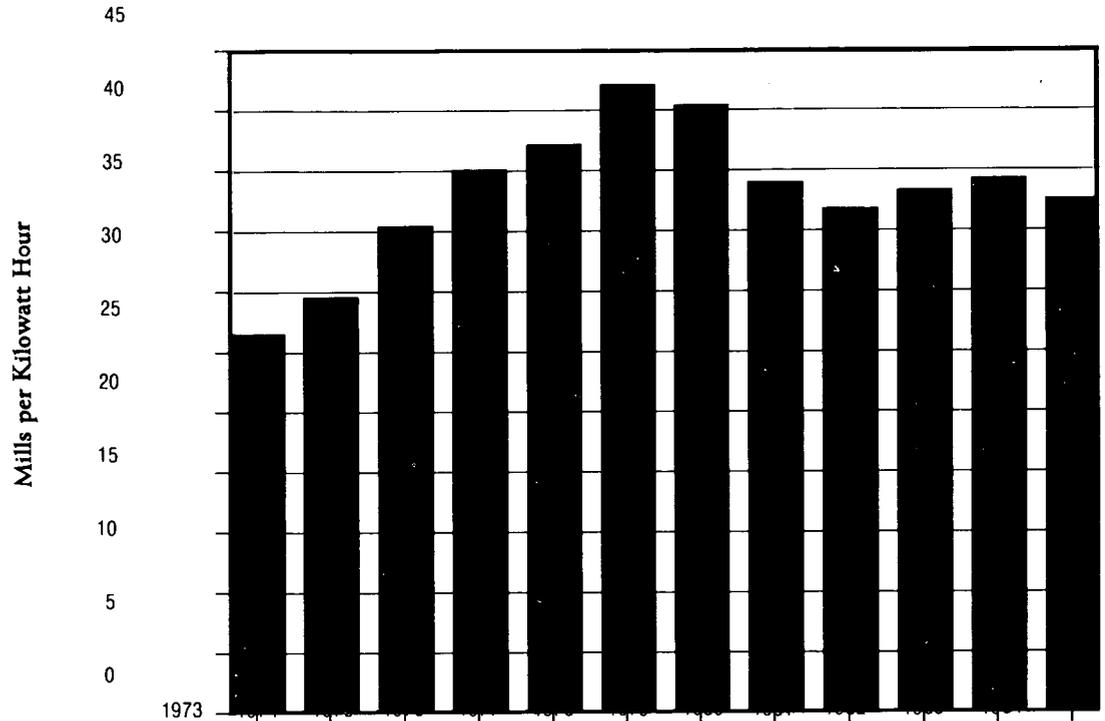
1973 - 1984



Total Corn Belt Sales

Member Costs

1973 - 1984

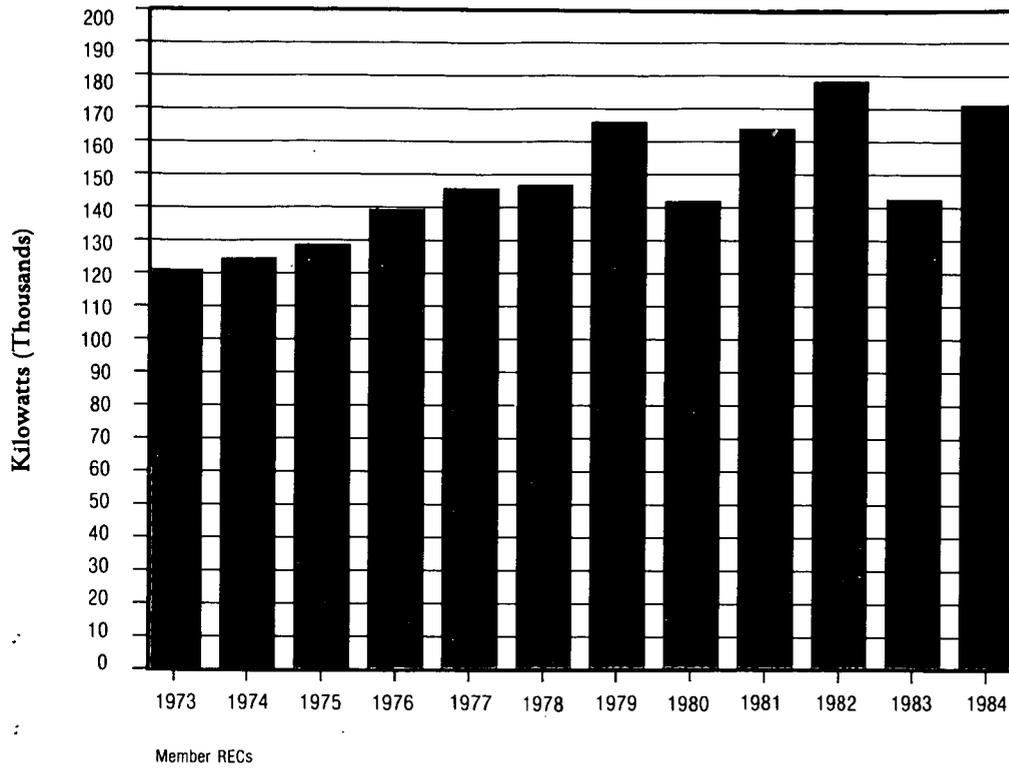


REC Member Costs, including Substation Charge

Peak Demand and Annual Load Factor

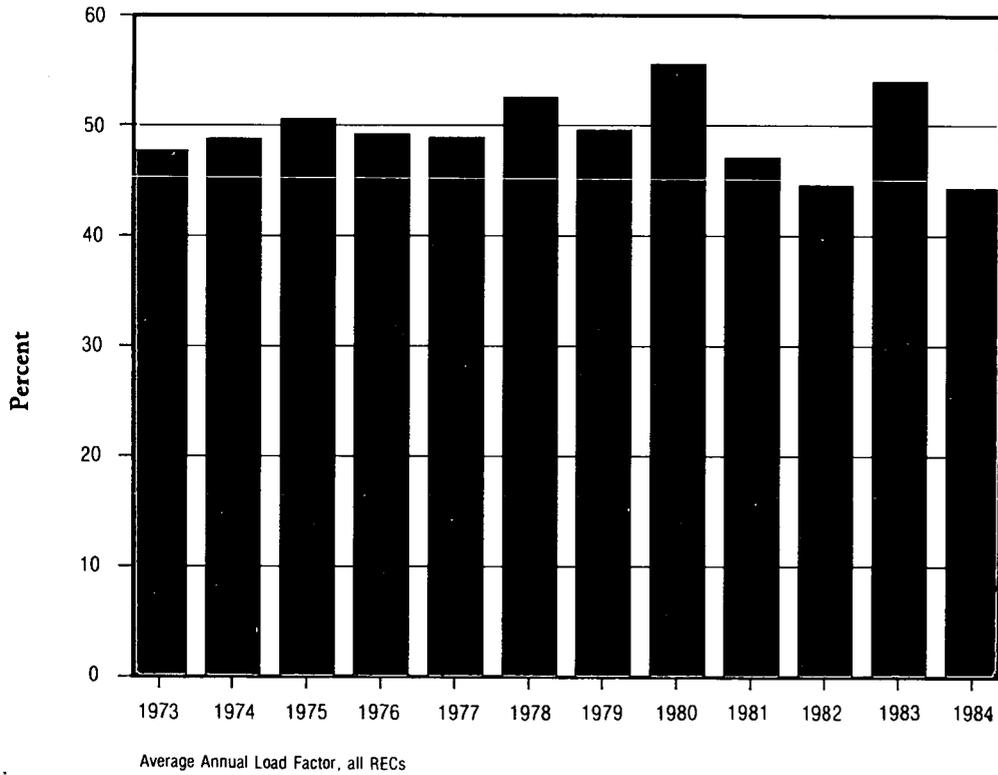
Peak Demand

1973 - 1984



Annual Load Factor

1973 - 1984



Assets

December 31, 1984 and 1983

	<u>1984</u>	<u>1983</u>
ELECTRIC PLANT (Notes 1 and 6):		
In Service	\$163,114,414	\$158,713,638
Less - Reserve for depreciation	47,936,407	42,646,278
	<u>115,178,007</u>	<u>116,067,360</u>
Construction work in progress	3,088,591	2,950,099
Nuclear fuel, net of amortization (Note 1)	5,568,460	3,470,581
	<u>123,835,058</u>	<u>122,488,040</u>
OTHER PROPERTY AND INVESTMENTS, at cost:		
Nonutility property	376,594	376,594
Investment in the National Rural Utilities Cooperative Finance Corporation	2,636,024	2,455,470
Land held for future generating site (Note 8)	3,856,509	3,856,509
Other investments	464,641	486,670
	<u>7,333,768</u>	<u>7,175,243</u>
CURRENT ASSETS:		
General fund cash and temporary cash investments	911,104	3,139,175
Special construction fund cash and temporary cash investments	428,615	406,329
Working capital advances	163,595	312,077
Member accounts receivable	3,557,200	3,787,431
Other accounts receivable	80,255	59,826
Inventories —		
Fuel, at last-in first-out cost (Note 1)	6,565,478	6,318,875
Materials and supplies, at average cost	1,644,514	1,695,802
Prepayments	566,764	491,173
	<u>13,917,525</u>	<u>16,210,688</u>
DEFERRED CHARGES:		
Deferred spent nuclear fuel costs (Note 9)	2,082,288	2,082,288
Unamortized plant development costs (Note 8)	287,785	578,521
Unamortized loan expense	103,338	119,730
Other	144,760	69,202
	<u>2,618,171</u>	<u>2,849,741</u>
	<u>\$147,704,522</u>	<u>\$148,723,712</u>

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

Membership Capital and Liabilities

December 31, 1984 and 1983

	<u>1984</u>	<u>1983</u>
MEMBERSHIP CAPITAL:		
Memberships, at \$100 per membership	\$ 1,600	\$ 1,500
Deferred patronage dividends, per accompanying statement (payment restricted as indicated in Note 2)	3,067,255	2,710,183
Other equities, per accompanying statement	<u>7,709,566</u>	<u>6,697,686</u>
	<u>10,778,421</u>	<u>9,409,369</u>
LONG-TERM DEBT (Note 3):		
Rural Electrification Administration	57,572,876	59,294,079
Federal Financing Bank	45,677,390	42,932,000
National Rural Utilities Cooperative Finance Corporation (Note 8)	1,525,326	2,353,016
Capital lease obligations (Note 1)	21,246,483	22,533,679
Pollution control revenue bonds	<u>3,630,000</u>	<u>3,705,000</u>
	<u>129,652,075</u>	<u>130,817,774</u>
Less - Current maturities of long-term debt	<u>4,548,489</u>	<u>4,340,943</u>
	<u>125,103,586</u>	<u>126,476,831</u>
OTHER LONG-TERM LIABILITIES:		
Liability for spent nuclear fuel disposal costs (Note 9)	—	2,364,292
Deferred compensation	<u>259,390</u>	<u>245,166</u>
	<u>259,390</u>	<u>2,609,458</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt	4,548,489	4,340,943
Accrued interest payable	—	1,326,201
Accounts payable	2,053,154	2,041,999
Accrued property and other taxes	2,279,131	2,205,425
Liability for spent nuclear fuel disposal costs (Note 9)	2,364,292	—
Other	<u>318,059</u>	<u>313,486</u>
	<u>11,563,125</u>	<u>10,228,054</u>
	<u>\$147,704,522</u>	<u>\$148,723,712</u>

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

Statements of Revenues and Expenses

For the Years Ended December 31, 1984 and 1983

OPERATING REVENUES:	<u>1984</u>	<u>1983</u>
Sales of electric energy	\$34,877,924	\$33,678,848
Other	<u>2,174,855</u>	<u>1,861,383</u>
	<u>37,052,779</u>	<u>35,540,231</u>
 OPERATING EXPENSES:		
Operation —		
Steam and other power generation (Notes 1 and 9)	12,183,154	10,873,720
Purchased power	2,022,877	4,421,524
Transmission	1,080,595	986,615
Sales	46,401	48,885
Administrative and general	1,948,893	2,142,408
Maintenance —		
Steam and other power generation	2,352,526	2,855,869
Transmission	431,872	426,374
General plant	34,800	43,468
Depreciation	4,901,067	4,299,628
Amortization of plant development costs (Note 8) ..	290,736	290,736
Property and other taxes	<u>2,448,618</u>	<u>2,292,720</u>
	<u>27,741,539</u>	<u>28,681,947</u>
Net Revenues From Operations	<u>9,311,240</u>	<u>6,858,284</u>
 INTEREST AND OTHER DEDUCTIONS:		
Interest on long-term debt	8,524,369	7,338,683
Other interest	34	15,562
Interest during construction (Note 1)	(303,294)	(347,094)
Amortization of loan expense	<u>29,417</u>	<u>24,653</u>
Total Interest and Other Deductions	<u>8,250,526</u>	<u>7,031,804</u>
NET OPERATING MARGIN (DEFICIT)	<u>1,060,714</u>	<u>(173,520)</u>
 NON-OPERATING MARGIN:		
Interest income	353,807	192,182
Other, net	<u>97,359</u>	<u>111,642</u>
Non-operating Margin	<u>451,166</u>	<u>303,824</u>
NET MARGIN	<u>\$1,511,880</u>	<u>\$ 130,304</u>

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

Statements of Changes in Financial Position

For the Years Ended
December 31, 1984 and 1983

FUNDS WERE PROVIDED FROM:	1984	1983
Operations —		
Net margin	\$ 1,511,880	\$ 130,304
Charges to operations not affecting working capital —		
Depreciation —		
Charged to expense	4,901,067	4,299,628
Charged to clearing and other accounts	289,657	204,025
Amortization of nuclear fuel	1,202,999	1,000,407
Amortization of plant development costs	290,736	290,736
Spent nuclear fuel disposal costs	—	34,318
Other	29,417	31,298
	<u>8,225,756</u>	<u>5,990,716</u>
Proceeds from long-term debt	3,176,000	19,723,138
Other	140,539	267,980
	<u>3,628,234</u>	<u>20,259,106</u>
Changes in working capital —		
Cash and working capital advances	2,354,267	(2,882,099)
Accounts receivable	209,802	(943,602)
Inventories	(195,315)	524,699
Prepayments	(75,591)	263,557
Current maturities of long-term debt	207,546	651,021
Accrued interest payable	(1,326,201)	1,326,201
Accounts payable	11,155	(1,097,004)
Accrued property and other taxes	73,706	121,006
Liability for spent nuclear fuel disposal costs	2,364,292	—
Other	4,573	92,598
	<u>3,628,234</u>	<u>(1,943,623)</u>
	<u>\$15,170,529</u>	<u>\$24,038,211</u>
 FUNDS WERE USED FOR:		
Additions to electric plant, net	\$ 4,439,863	\$18,738,136
Additions to nuclear fuel	3,300,878	360,738
Retirements and current maturities of long-term debt	4,549,245	4,342,337
Current maturity of liability for spent nuclear fuel disposal costs	2,364,292	—
Investments purchased, net	250,230	162,205
Deferred patronage dividends paid	160,183	251,353
Other	105,838	183,442
	<u>\$15,170,529</u>	<u>\$24,038,211</u>

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

Statements of Deferred Patronage Dividends and Other Equities

For the Years Ended December 31, 1984 and 1983 (Note 2)

DEFERRED PATRONAGE DIVIDENDS:	1984	1983
Balance Assigned Beginning of Period	\$ 2,710,183	\$ 2,961,536
Net Margin	1,511,880	130,304
Application of reserve for contingent losses.....	48,175	—
Lease revenue deferred patronage dividends.....	17,255	—
	4,287,493	3,091,840
Patronage dividends paid	(160,183)	(251,353)
Appropriation of margin —		
Reserve for contingent losses	(909,055)	(30,304)
Statutory surplus	(151,000)	(100,000)
Balance Assigned End of Period	\$ 3,067,255	\$ 2,710,183

OTHER EQUITIES:
(Appropriated Margins)

	Statutory Surplus	Reserve for Contingent Losses	Total
Balance December 31, 1982	\$798,484	\$5,768,898	\$6,567,382
Appropriation of margin	100,000	30,304	130,304
Balance December 31, 1983	898,484	5,799,202	6,697,686
Appropriation of margin	151,000	909,055	1,060,055
Application of reserve	—	(48,175)	(48,175)
Balance December 31, 1984	\$1,049,484	\$6,660,082	\$7,709,566

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

Notes to Financial Statements

December 31, 1984 and 1983

(1) SIGNIFICANT ACCOUNTING POLICIES:

Corn Belt Power Cooperative (the Cooperative) maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the Rural Electrification Administration (REA). The more significant accounting policies are described below.

A. Electric Plant, Depreciation and Maintenance —

Electric plant is stated at original cost which includes certain pension costs, sales and use taxes, payroll 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.

Depreciation is provided using a straight-line method and REA prescribed lives. These provisions, excluding nuclear facilities, were equivalent to an annual rate of 3.21% and 3.12% of the average depreciable plant for 1984 and 1983, 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. Since DAEC was placed in service in 1974, the Cooperative has utilized a straight-line depreciation rate of 3.57%. The expected physical life of the plant is difficult to estimate and significant uncertainties exist as to the process (and the related cost) by which DAEC will eventually be decommissioned. The Cooperative continues to review the adequacy of its depreciation provision and will reflect an appropriate change in its depreciation rate for any changes in estimated total costs for decommissioning.

B. Interest During Construction —

Interest during construction represents the cost of funds used for construction and nuclear fuel refinement. The average rate was 6.7% in 1984 and 8.5% in 1983 and is based on the Cooperative's levels and costs of financing during the year.

C. Amortization of Nuclear Fuel —

The cost of nuclear fuel is amortized to steam and other power generation expense based on the quantity of heat produced for the generation of electric energy. Such amortization was \$1,202,999 and \$1,000,407 for 1984 and 1983, respectively.

D. Capital Lease —

The Cooperative entered into long-term lease agreements with the City of Webster City (Webster City) and Northwest Iowa Power Cooperative (NIPCO) under which Webster City and NIPCO have 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 these leases and reflected them in electric plant and has reflected the related obligations as capital lease obligations.

E. Inventories —

The Cooperative's fuel inventories are valued at cost as determined by the last-in, first-out (LIFO) method.

F. Income Taxes —

The Cooperative has qualified for an exemption from federal and state income taxes as more than 85% of its income is derived from members.

(2) DEFERRED PATRONAGE DIVIDENDS AND OTHER EQUITIES:

In accordance with the Iowa Code, the Board of Directors is required to allocate a portion of the current year's net margin to statutory surplus until the statutory surplus equals 30% of total equity. No additions can be made to statutory surplus whenever it exceeds 50% of total equity. The Board of Directors appropriated \$151,000 of the 1984 net margin to statutory surplus.

The equity designated "Reserve for Contingent Losses" in the Statements of Deferred Patronage Dividends and Other Equities is an appropriation of equity by the Board of Directors. The Board of Directors appropriated \$909,055 of the 1984 net margin 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 \$517,255 of the 1984 net margin 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 REA and the National Rural Utilities Cooperative Finance Corporation (CFC) unless the remaining equity meets certain tests. The Cooperative does not meet these tests at December 31, 1984. The Cooperative received permission and retired the remaining 1970 patronage dividends of \$160,183 during 1984 and plans to request permission to retire \$200,000 of the 1976 deferred patronage dividends during 1985.

(3) LONG-TERM DEBT:

Long-term debt consists of mortgage notes payable to the United States of America acting through the REA and the Federal Financing Bank (FFB), notes payable to CFC, capital lease obligations and notes issued in conjunction with the issuance of pollution control revenue bonds. Substantially all the assets and all rents, income, revenue and net margins of the Cooperative are pledged as collateral for long-term debt of the Cooperative. Long-term debt is comprised of:

	1984	1983
Mortgage notes due in quarterly installments —		
REA 2% due 1985-2008	\$ 30,522,569	\$ 32,197,432
REA 5% due 1985-2014	27,050,307	27,096,647
FFB 7.7 - 16.5% due 1985-2016	45,677,390	42,932,000
CFC 8.5 - 9.5% due 1985-1987 (Note 8)	1,525,326	2,353,016
	<u>104,775,592</u>	<u>104,579,095</u>
Capital lease obligation —		
Webster City Revenue Bonds 4.7-7.5% due 1985-1997	7,461,178	7,848,371
Webster City Funds 5% due 1985-1987	708,213	944,284
Webster City Funds 12% due 1985	1,623	19,886
NIPCO 9% due 1985-2007	13,075,470	13,721,138
	<u>21,246,484</u>	<u>22,533,679</u>
Pollution control revenue bonds —		
4¼ - 6¼% due serially 1985-1997 and term due 2007	3,630,000	3,705,000
	<u>\$129,652,076</u>	<u>\$130,817,774</u>

In connection with the mortgage notes, the Cooperative at December 31, 1984, has available \$27,345,000 of loan funds from FFB, \$10,633,000 from REA and \$3,882,000 from CFC to meet future borrowing needs.

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

Year	Maturity
1985	\$4,548,489
1986	4,276,941
1987	3,742,144
1988	3,541,524
1989	3,698,984

(4) NOTES PAYABLE:

At December 31, 1984 and 1983, the Cooperative had an unused line of credit with CFC for \$12,000,000. The applicable interest rates at December 31, 1984 and 1983 were 10.75% and 10.375%, respectively. The interest rate is limited to the prime interest rate plus 1%.

In addition to the line of credit described above, the Cooperative has \$1,000,000 available in the event of disaster at DAEC and a \$2,000,000 line of credit with a bank.

(5) CONSTRUCTION COMMITMENTS:

Total construction expenditures for 1985, including expenditures for the jointly owned units, are estimated to be \$8,800,000.

(6) JOINT PLANT OWNERSHIP:

Under joint-ownership agreements with other Iowa utilities, the Cooperative had undivided interests at December 31, 1984, in three electric generating units as shown below:

	Neal Unit #4	Council Bluffs Unit #3	Duan Arnold Energy Center
Electric plant in service	\$43,060,005	\$12,500,735	\$39,097,550
Construction work in progress	157,358	161,994	2,433,120
TOTAL	<u>\$43,217,363</u>	<u>\$12,662,729</u>	<u>\$41,530,670</u>
Accumulated depreciation	\$ 7,672,818	\$ 2,384,710	\$10,239,010
Unit accredited capacity - MW	600	700	550
Cooperative's share-percent	11.63%	3.8%	10.0%
Cost per KW	\$ 619	\$ 476	\$ 750

The dollar amounts shown above represent the Cooperative's share in each jointly-owned unit. Each participant must provide 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 corresponding operating and maintenance expenses on the Statements of Revenues and Expenses.

(7) PENSION PLAN:

The Cooperative has adopted a deposit administration defined benefit plan which covers substantially all employees and which provides for pension benefits. The plan is funded jointly by contributions from the Cooperative and all participants. Annual contributions by the Cooperative are equal to the amounts accrued for pension expense. Assets are held on deposit by an insurance company in its general account. The total pension costs for the years ended December 31, 1984 and 1983, were \$134,363 and \$128,229, respectively. Accumulated

plan benefit information, as estimated by actuaries employed by the insurance company, and plan net assets are:

	December 31,	
	1983*	1982
Actuarial present value of vested benefits	\$1,531,835	\$1,592,813
Actuarial present value of nonvested benefits	22,309	79,200
	<u>\$1,554,144</u>	<u>\$1,672,013</u>
Net assets available for benefits	<u>\$2,573,973</u>	<u>\$2,190,368</u>

*Valuation information as of December 31, 1983, is the latest available.

The assumed rate of return used in determining the actuarial present values of vested and nonvested accumulated plan benefits was 6% for both 1983 and 1982.

8) LAND HELD FOR FUTURE GENERATING SITE:

The Cooperative is a participant in Allied Power Cooperative of Iowa (Allied). Allied was organized for the purpose of building a generation plant and related transmission facilities to provide for the future power needs of its member cooperatives. During 1980, Allied determined that the estimated future power needs of its member cooperatives had declined and that the continued development of its plant site was not feasible. It is contemplated that the plant site will be developed in the future as the needs for power increase.

Costs associated with preliminary site studies and related engineering costs are reflected as Unamortized Plant Development Costs as authorized by the Board of Directors. These costs are being amortized over a five-year period ending in 1985, which corresponds to the period during which they are being recovered in the Cooperative's rates.

At December 31, 1981, the participants in Allied received an equitable interest in the assets, primarily land, of Allied and assumed the debt of Allied in proportion to their respective ownership interests.

9) LIABILITY FOR SPENT NUCLEAR FUEL DISPOSAL COSTS:

On December 20, 1982, Congress passed the Nuclear Waste Disposal Act which gives approval to the federal government to construct a repository for the nation's civilian spent nuclear fuel. The Act states that funding for this repository will be provided by assessing nuclear generating unit owners a one-time fee equivalent to 1.0 mil per kilowatt hour generated for spent nuclear fuel being stored on-site at each nuclear facility on April 7, 1983, and by assessing all future energy generated by nuclear facilities at a rate of 1.0 mil per kilowatt hour. The Cooperative is paying the post April 7, 1983 fees on a current basis and such fees are being charged to steam and other power generation expenses.

The Cooperative has accrued the one-time fee of \$2,364,292 based on the gross kwh generated by DAEC from its in-service date to April 7, 1983. This amount, payable in June 1985, has been reflected as a current liability at December 31, 1984. The Cooperative charged the portion of this fee which is related to 1983 and 1982 generation to current operating expenses and recorded the remaining balance as a deferred charge. This deferred charge will be amortized to future operations and recovered in electric rates over a thirteen-year period ending in 1998.

10) COAL TRANSPORTATION LITIGATION:

The Cooperative, as a participant in Council Bluffs Unit #3 and Neal Unit #4, is involved in several legal actions regarding transportation rates for hauling coal from Wyoming to Iowa. As a result of a United States District Court decision on November 22, 1983, the railroad has been ordered to refund a portion of the transportation rates collected from the Council Bluffs Unit #3 participants. On July 13, 1979, the Interstate Commerce Commission ordered the railroad to refund a certain portion of previously collected coal transportation costs to the Neal Unit #4 participants. This refund was received by the Neal Unit #4 participants in June 1980. The railroad is currently disputing the transportation rates in both cases. Legal counsel expects that it could be several years before the litigation is finally resolved. Management believes the final settlement of this litigation will not have a significant impact on the Cooperative's net margins.

11) POWER SUPPLY AGREEMENT:

One of the Cooperative's members, North Iowa Municipal Electric Cooperative Association (NIMECA) had a power supply agreement with the Cooperative which expired on October 31, 1984 and also has other agreements for the wheeling of power and the leasing of generating capacity. The power supply agreement was replaced with a one-year joint dispatch agreement. Total revenues from NIMECA amounted to \$3,585,707 or 9.8% of member revenues in 1984. Revenues from the power supply agreement amounted to \$1,675,715 in 1984.

12) COORDINATION AND OPERATION AGREEMENT:

During 1984, the Cooperative and Central Iowa Power Cooperative entered into an agreement to combine power supply facilities and costs from January 1, 1985 to December 31, 1987, and to consider merger into one entity effective as of January 1, 1988, or sooner. Costs to be combined will include substantially all costs of the cooperatives and will be shared by the cooperatives based on KWH usage. Studies evaluating the feasibility of merging the cooperatives are underway.

13) RECLASSIFICATION OF 1983 AMOUNTS:

Certain 1983 amounts have been reclassified to be consistent with the classification of the related 1984 amounts.

TO THE BOARD OF DIRECTORS OF CORN BELT POWER COOPERATIVE:

We have examined the balance sheets of CORN BELT POWER COOPERATIVE (a cooperative association incorporated in Iowa) as of December 31, 1984 and 1983, and the related statements of revenues and expenses, deferred patronage dividends and other equities and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Corn Belt Power Cooperative as of December 31, 1984 and 1983, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lincoln, Nebraska,
February 15, 1985.

Arthur Andersen & Co.
ARTHUR ANDERSEN & CO.



President
Eugene Drager
Humboldt



Vice President
Reuben Holcomb
D.E.K.



Secretary
Harold Taylor
Butler



Treasurer
Clarence T. Lange
Hardin

Board of Directors



Ass't. Secretary
Albert J. Swart
Buena Vista



Wilbur Harding
Calhoun



Ralph Classon
Franklin



Lawrence Wittry
Glidden



Paul Robertson
Grundy



Carrol Boehnke
Hancock



Ron Deiber
NIMECA



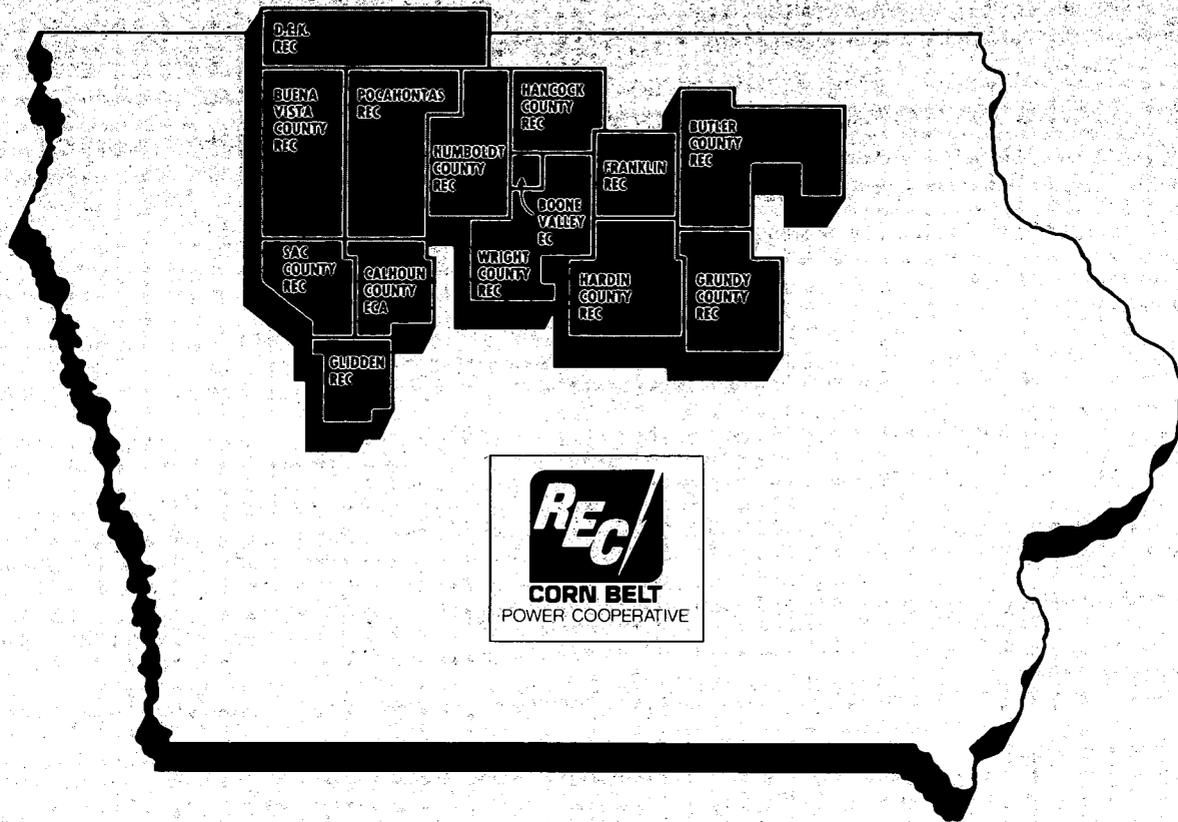
Dennis Larson
Pocahontas



Raymond Currie
Sac



J. Terry McNiel
Wright



Member Cooperative Managers

Alan Henriksen – Boone Valley Electric Cooperative
 Marvin C. Bach – Buena Vista County REC
 Robert Bauman – Butler County REC
 Robert J. Schulz – Calhoun County Electric Cooperative Association
 J. Bruce Bosworth – D.E.K. Rural Electric Cooperative
 Max Wilson – Franklin REC
 Robert Weaklend – Glidden REC
 Ken Wright – Grundy County REC
 Duane M. Cummings – Hancock County REC
 Donald A. Severson – Hardin County REC
 Dennis Fuller – Humboldt County REC
 Bruce B. Bailey – Pocahontas REC
 Kenneth Hobbs – Sac County REC
 Mike Hagen – Wright County REC
 Richard A. Johnson – North Iowa Municipal Electric
 Cooperative Association