We Put You First!

Corn Belt Power Cooperative

1985 Annual Report

Corn Belt Power Cooperative, headquartered at Humboldt, Iowa, is a generation and transmission rural electric cooperative owned by its member systems. In 1985, Corn Belt provided electric power to 14 member distribution rural electric cooperatives and one municipal electric cooperative (NIMECA). Electricity supplied by Corn Belt serves farm members, rural residences, small towns and commercial/industrial interests across 27 counties in north central Iowa.

We Put You First!

Good service. Dependable product. Fair price. A voice in the operation of the business.

These are all traditional values of the rural electric cooperative.

In 1985, Corn Belt Power Cooperative, Central Iowa Power Cooperative and their member RECs recommitted themselves to these values through the formation and implementation of a new marketing program.

"We Put You First" was selected as the theme under which a number of marketing activities will be carried out.

A marketing program, if successful, will help the REC by increasing kilowatt hour sales. This, in turn, will benefit the member by stabilizing rates.

However, a good marketing program must also emphasize the importance of the member-consumer—the one ultimately responsible for the economic well-being of the cooperative—by promoting better service. Marketing must put the member first.

"We Put You First" — It's a good slogan.

But even more important, it's a good way to do business.

Cooperative Highlights

	1985	1984
Energy Sales to RECs (Million kWh)	680,466,049	666,891,366
Total System Sales (Million kWh)	841,013,356	851,648,041
Total Operating Revenue	$ 39,529,521	$ 37,052,779
Net Operating Margin	$ 1,069,948	$ 1,060,714
Total Assets	$148,780,290	$147,704,522
Peak Demand—RECs (Thousand kW)	174,290	171,402

President's Report

Eugene Drager, President of the Board

Be alive in eighty-five.

That was an appropriate slogan for the beginning of a new year—a year in which many of us wondered what was going to happen in the rural electric business. Many businesses and industries, including RECs, faced uncertainties throughout 1985 due to political and economic factors beyond our control.

The Economy

Here in Iowa, farms and farm-related businesses kept a careful eye on the economy throughout the year. The same was true for Corn Belt Power Cooperative.

As the year progressed, it didn't seem as though wholesale power rates would have to be increased. This was good news, knowing that at the local level things were rather hard-pressed.

Frankly, good news was hard to come by in 1985. It seemed that every day, all you read or heard were stories of negative things going on in the farm economy.

In times like we experienced in 1985 it was especially good to hear some positive ideas. We feel that your rural electric cooperative has taken a positive attitude toward solving some of our important problems. As the year progressed, Corn Belt continued to identify as many ways as possible to minimize costs in order to benefit our member distribution cooperatives and their member-consumers.

Our goal was to keep our wholesale rates as stable as possible so the distribution RECs would not have to increase their rates.

In 1985, the boards of Corn Belt Power Cooperative and Central Iowa Power Cooperative (CIPCO) began working together to pool a number of operations in order to increase efficiency and minimize costs.

For example, we moved dispatch operations of CIPCO's Wilton area in southeast Iowa to Corn Belt's Humboldt control center. By combining these operations, we were able to better utilize facilities and personnel of the Corn Belt and CIPCO systems.

Marketing

One of the exciting pooled activities to get off the ground in 1985 was the marketing program.

Due to our loss of rural consumers, livestock and related farm loads, Corn Belt and CIPCO began work during 1984 to develop a marketing plan which would "get us back into the electric sales business." After much study and hard work by many REC employees and board members, a marketing program was approved in mid-1985.

Among other things, this marketing program led to the

establishment of a new rural economic development department, the Iowa Area Development Group (IADG). The IADG is headed by Jack Bailey, former director of the Iowa Development Commission. We are participating in this venture with CIPCO, Northwest Iowa Power Cooperative (NIPCO), NIMECA and other municipals and RECs in the state. We are especially looking forward to positive things this new organization can do to expand industry in our small towns and rural areas.

Marketing will mean the promotion of our RECs' service and product—dependable electric power. We look forward to what it will mean in increasing our kilowatt hour sales, and helping us stabilize electric rates.

Information

In December, 1985, Corn Belt held its annual Member Information Meeting. This meeting is one of the highlights of the year. Member information meetings have been held in our system since the late 1960s to give all our distribution cooperatives and municipals a complete rundown on the operations at Corn Belt—and how these operations affect them. The employees at Corn Belt are very proud of their cooperative, and it shows through the reports presented at the information meeting.

Leadership and Our Future

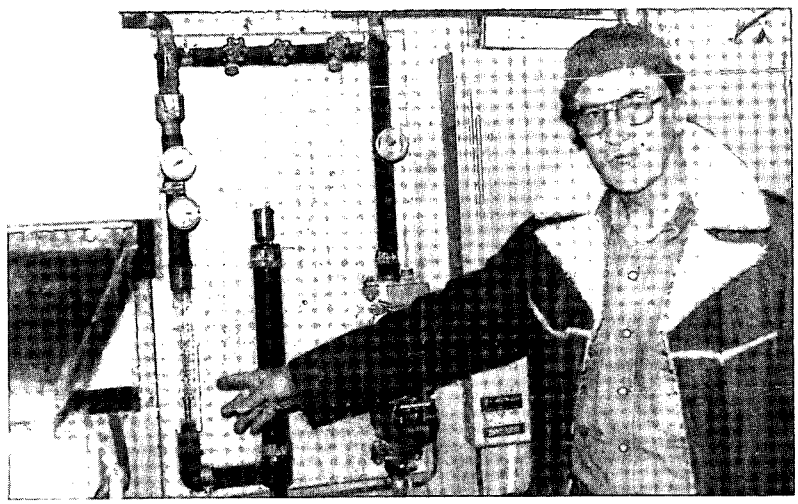
The Corn Belt board of directors is dedicated and provides capable leadership fulfilling its obligations as a board. It is the board's responsibility to determine that general objectives and major policies are carried out by management. Through our board committees, the directors develop ideas and formulate plans. These committees are to be commended for their hard work and excellent reports presented to the board of directors.

Our board members have good working relationships among themselves and with the cooperative's employees. These relationships are key factors in the success of our business.

I want to take this opportunity to thank Corn Belt's board and management for their hard work and dedication during 1985. In the midst of our state's economic situation, we were not without our difficulties and pressures.

With our cooperative spirit, we have met the challenges of the past and will continue to meet challenges of the future. We are proud of Corn Belt Power Cooperative and its positive role in Iowa's future. With the member utmost in our minds, "We Put You First."

Eugene Drager



A ground water heat pump system was installed in the new home of Lorraine and Eugene Drager in late 1985. Here Gene explains how water circulation and temperature are monitored in the system.

General Manager's Report

George Toyne, General Manager

Nineteen eighty-five was a year that left us with mixed feelings.

The farm economy in Iowa did not improve. Sales of electricity showed a slight gain over the year 1984 due to record-breaking weather in December and an increase in industrial and municipal loads for some of our members.

Nineteen eighty-five was a year in which your cooperative took several positive steps designed to help the REC member.

Pooling Agreement

Corn Belt Power Cooperative and Central Iowa Power Cooperative began working together under a pooling agreement January 1, 1985. This resulted in the two organizations sharing resources, costs and personnel.

We instituted cost-saving measures, standardization procedures and a number of programs designed to bring direct benefits to the members.

Cost-saving measures included moving the operational control of CIPCO's Wilton area transmission system to the Humboldt control center. Translation of all Corn Belt's magnetic tapes for power billings is now being handled from the CIPCO office. In addition, a microwave communications system connecting Corn Belt and CIPCO was completed during 1985.

Marketing

A combined Corn Belt and CIPCO marketing program was completed in July, 1985. This program, which represents months of data-gathering and planning by G&T and distribution REC personnel, focuses our efforts on four market sectors—residential, agricultural, municipal and commercial/industrial.

Through the combined efforts of Corn Belt, CIPCO, NIPCO, NIMECA and others, a new economic development office was started in late 1985. Jack Bailey, former director of the Iowa Development Commission, was selected to direct this new venture.

Under his leadership, our cooperative and its partners plan on developing and implementing programs to help boost Iowa's sagging economy.

The marketing program has shown great progress during 1985. In 1986, we expect to see continued progress in the implementation of a number of

programs directed toward each market sector. Through our marketing efforts, I have seen our G&T staff and distribution cooperatives share cooperation and commitment which will be beneficial to our utility industry.

Computer Training

Computers have become more and more important to the efficient operations of Corn Belt and its distribution cooperatives. During 1985, a series of workshops were sponsored by Corn Belt and CIPCO on the use of personal computers.

Over 250 staff members from Corn Belt, CIPCO and our distribution cooperatives participated in various workshops throughout the year. The workshops—along with computer software which will be used by the RECs—will increase uniformity and productivity among our cooperatives. Computer programs are being used in many areas of our business—accounting, member service, engineering and office work.

Storm Damage

Storms—and resulting damage to our transmission system—are ever-present threats to us. Nineteen eighty-five left its mark with a serious early March ice storm which ripped through the northeast part of the Corn Belt system.

Eight structures in the 161-kV transmission line had to be repaired, and 70 structures in the 69-kV transmission line were damaged. Crews from CIPCO assisted Corn Belt personnel in some of the repair.

A Look Ahead

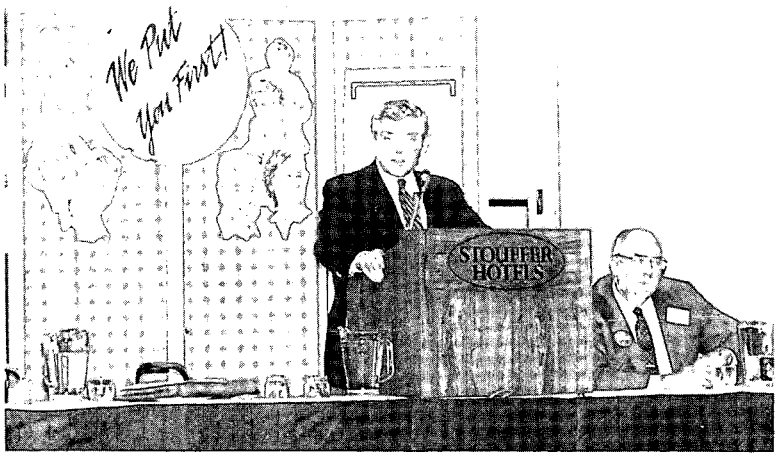
Some economic changes which took place during 1985 can give us optimism for the future. Inflation continued to slow down, and interest rates dropped to more reasonable levels than they had been in previous years. In addition, other costs began to stabilize.

We hope that these factors, along with our marketing programs, can help us to improve sales and hold our rates level.

As we continue to hold the line on costs, we are making decisions for the future.

Corn Belt is dedicated to the principle of having all the power you need at the lowest possible cost. Let us continue to work together to maintain this principle.

George W. Coyne



Corn Belt Power Cooperative joined other RECs and municipals in Iowa in forming the Iowa Area Development Group (IADG) in December, 1985. Jack Bailey, standing, former director of the Iowa Development Commission, was hired to lead the efforts of the IADG.

Assistant General Manager's Report

Dale Arends, Assistant General Manager

Nineteen eighty-five was an eventful year for Corn Belt. You have already read in this annual report that it was the first year of pooled operations between our cooperative and Central Iowa Power Cooperative. There were also other exciting things happening throughout the year.

Peak Load and Sales

Corn Belt's peak demand for 1985 exceeded the 1984 peak by over two percent. While the 1985 peak of 198,000 kW was not the highest we have ever had, it was very close to it. The only time our peak load has been higher was in 1979. We continue to experience a great deal of crop drying in our area, and the 1985 peak reflected the late harvest and a cold November.

Firm kilowatt hour sales in 1985 grew by over two percent from 1984. While this growth may not seem high, it definitely reversed the downward sales trend of the past few years.

There were two primary reasons for the increase in kilowatt hour sales. First, there was a major industry that had been shut down during 1984 but came back into operation during 1985. This industry accounts for a significant part of Corn Belt's total sales.

Second, two of our member cooperatives started serving small municipal systems in their areas during 1985. This also helped to increase our sales base.

The combination of these two factors was the primary reason our sales were up in 1985.

Marketing

Previous annual reports have noted Corn Belt's decline in sales since the late 1970s. With sales down, we have less kWh over which to spread our costs. If sales increase, we have a broader base over which to divide our costs.

Rural electric cooperatives have the responsibility of providing electricity at the lowest possible cost. Growth in kWh sales will help us do just that.

With the desire of holding rates as low as possible, the Corn Belt board adopted a marketing program that has a goal of increasing kWh sales by three percent per year. A great deal of the program will be developed in 1986, but the primary focus will be in two areas—home heating and commercial and industrial expansion.

Residential Sales

Over 25 percent of the homes served by Corn Belt members are still heated with oil! Another 50 percent are heated by propane. These statistics mean that there is a great potential out there for increasing the use of electricity for home heating. The key to accomplishing this is getting our product priced competitively.

The marketing program will concentrate heavily on a concept called "Dual Fuel." Dual fuel means using electricity as the primary home heating source and either oil or propane as a backup.

Through the dual fuel program, we hope to increase our share of the home heating market without needing additional generating capacity.

Commercial and Industrial Sales

The farm economy continued to show signs of distress during 1985. A major focus of Corn Belt's attention has been on how we might be able to help this situation. More and more we came to realize that the best help we can give our farmers and small towns is to actively promote jobs off the

farm—to give the farmer an income in addition to farming.

With this thought in mind, Corn Belt, CIPCO and others established an organization dedicated to promoting commercial and industrial loads in our rural areas.

By putting new industry in our area—or expanding existing businesses—we are creating jobs off the farm and increasing the kilowatt sales base over which our costs can be spread, thus holding down power costs.

Planning for the Future

Corn Belt is dedicated to helping improve the life of our members. Our future rests with our members. Through the marketing program we intend to provide jobs and stabilize power costs.

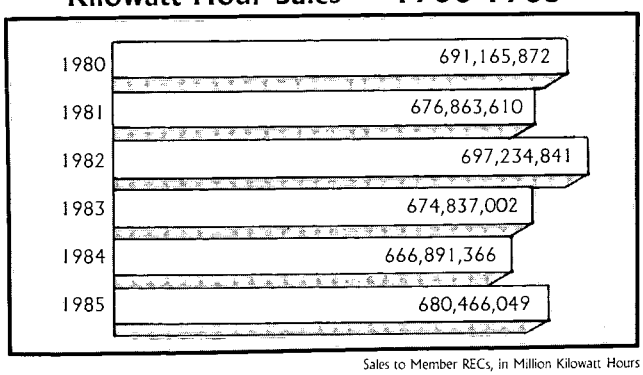
The next power supply decision will involve the implementation of a load managment program. We will try to manage our peak demand by installing equipment that will turn selected loads off during our peak periods. This overall program will be based on the success of our marketing efforts.

We must change our thinking. Today's world doesn't present us with problems; today's world presents us with unrealized opportunities. Each of us has a challenge and an opportunity to make our life better.

Let's work together to get it done.

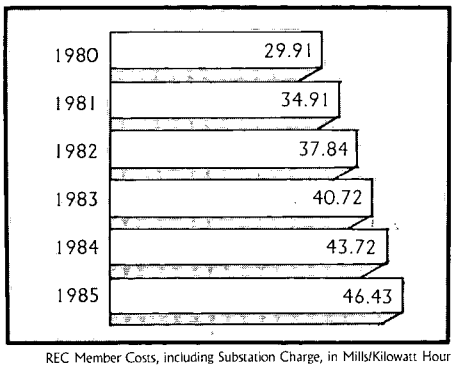
Dale M. Arnold

Kilowatt Hour Sales — 1980-1985



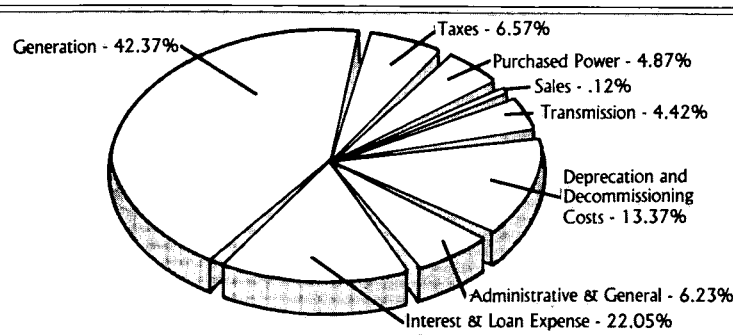
Sales to Member RECs, in Million Kilowatt Hours

Member Costs — 1980-1985



REC Member Costs, including Substation Charge, in Mills/Kilowatt Hour

Expense Dollar Distribution



	1985 Amount	1985 Percent	1984 Amount	1984 Percent
Generation	$16,296,966	42.37	$14,535,680	40.39
Interest and Loan Expense	8,479,850	22.05	8,250,526	22.92
Depreciation and decommissioning costs	5,140,163	13.37	4,901,067	13.62
Taxes	2,527,696	6.57	2,448,618	6.80
Administrative and General	2,396,387	6.23	2,274,429	6.32
Purchased Power	1,874,675	4.87	2,022,877	5.62
Transmission	1,698,066	4.42	1,512,467	4.20
Sales	45,770	.12	46,401	.13
TOTAL	$38,459,573	100.00	$35,992,065	100.00

Load Summary — Kilowatt Hours

Sources of Energy

	1985	1984
D.A.E.C.	192,688,714	269,980,735
Council Bluffs #3	141,475,000	153,893,000
Neal #4	451,196,000	347,880,000
Humboldt	11,082,311	362,854
Wisdom	877,400	1,637,400
Webster City	(1,100)	34,100
NIMECA/Other	14,342,676	1,977,808
Western Area Power	258,020,000	447,523,000
IPS Economic Dispatch	(169,610,000)	(311,345,000)
NIPCO Neal #4	222,884,000	—
CIPCO Neal #4	(222,884,000)	—
TOTAL SOURCES	900,071,001	911,943,897

Sales of Energy

RECs	680,466,049	666,891,366
Webster City	84,857,105	82,964,997
NIMECA	75,690,202	101,791,678
TOTAL SALES	841,013,356	851,648,041
System Losses	59,057,645	60,295,856
TOTAL SALES & SYSTEM LOSSES	900,071,001	911,943,897

1985 in Review

Annual Meeting Draws 300 People

Corn Belt Power Cooperative presented $200,000 in patronage dividend checks to its 15 member cooperatives during the 1984 annual meeting held March 27, 1985. It was the cooperative's 37th annual meeting.

Almost 300 directors, managers, spouses and guests were on hand to hear keynote speaker **Carl Hamilton**, vice president emeritus from Iowa State University. Other speakers included Glenn Lovig, executive director of the Iowa Association of Electric Cooperatives; Paul Franzenburg, Iowa State Commerce Commission; Frank Bennett, REA; and Henry Norwood, Xenergy, Incorporated.

Fourteen Corn Belt employees were honored for years of service to the cooperative.

Marketing Program Progresses

A combined marketing program developed by Corn Belt and CIPCO moved from research to implementation in 1985.

A joint marketing committee, including staff from Corn Belt, CIPCO and a number of distribution cooperatives, led the marketing efforts. Xenergy, Inc., Burlington, Massachusetts, provided consultative assistance in data-gathering and planning.

Seven overall objectives of the marketing program were identified in early 1985:

- Stabilize power costs and increase energy sales by three percent annually
- Encourage off-peak sales
- Maintain and improve member credibility and satisfaction
- Strengthen marketing capabilities of REC personnel
- Determine potential for additional and more efficient uses of electricity in agriculture
- Increase participation in economic development
- Minimize revenue erosion by marketing efforts

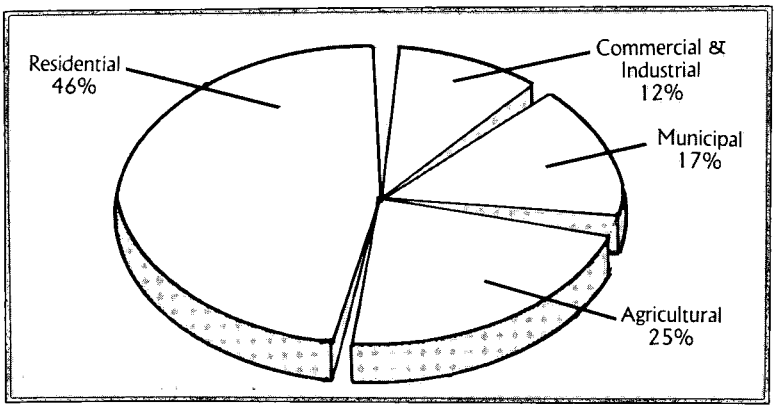
These objectives were used in developing specific marketing strategies directed toward four major market sectors: **Residential, Agricultural, Municipal and Commercial/Industrial.**

Throughout the year, G&T and distribution cooperative REC representatives met periodically to review marketing strategies and program progress. A strategic marketing plan was approved by the Corn Belt board at its August board meeting.

In September, a marketing kickoff meeting was held at Cedar Rapids. The kickoff highlighted a number of the new marketing activities and promotions.

Speakers at the kickoff included Henry Norwood, Xenergy, Inc.; Jack Bailey, then director of the Iowa Development Commission; Robert Lounsberry, Iowa Secretary of Agriculture; and Jim Bose and Bob Weaver, extension engineers from Oklahoma State University.

Our Market



Percent of Total Sales, by Market Sector
Corn Belt and CIPCO, 1984

Early March Ice Storm Damages Transmission System

Freezing drizzle, ice and high winds combined forces in early March, 1985, to tear apart transmission lines in the northeast part of Corn Belt's system. Ice up to 1½ inches thick coated poles and transmission lines. Winds of 45 miles per hour added to the line damage.

Seven structures in the Franklin-Emery 161-kV transmission line (Mason City area) and one structure in the Floyd-Black Hawk 161-kV transmission line (Nashua area) were damaged. Seventy structures in the 69-kV transmission line had to be repaired, including 51 structures in the Horton tap (Charles City area).

The L.E. Myers Company, Marshalltown, was contracted to repair the Franklin-Emery line. CIPCO crews assisted in repair of the Horton tap. All other repairs were completed by Corn Belt crews.

Water Heater Promotion Continues to Attract Participation

A special electric water heater promotion initiated by Corn Belt in 1984 continued to gain momentum during 1985. Through this program, Corn Belt and its distribution cooperatives contribute to the cost of installing new electric water heaters in member-consumers' homes.

Some cooperatives participate in the program by stocking and installing water heaters themselves. Others work through local appliance dealers who sell and install the heaters.

During 1985, **845 water heaters** were installed in the Corn Belt area through this program.

Economic Development Office Opens

Iowa RECs and municipal utilities joined forces for a stronger hand in economic development by forming the **Iowa Area Development Group (IADG)** in late 1985.

The new organization, headed by Jack Bailey, former director of the Iowa Development Commission, is supported by a number of rural electric cooperatives and municipal utilities. Joining CIPCO and Corn Belt in sponsoring the IADG are Northwest Iowa Power Cooperative (NIPCO), North Iowa Municipal Electric Cooperative Association (NIMECA) and South Iowa Municipal Electric Cooperative Association (SIMECA).

Craig Hamilton, who also was employed by the Iowa Development Commission, joined the IADG as manager.

Offices for the IADG are located at 2700 Westown Parkway, West Des Moines. The new organization will assist in the expansion of existing commercial/industrial loads in REC and municipal service areas, and in the attraction of new industries to the area.

Periodic training on economic development will also be offered by IADG staff.

Electric Heat Promotions Begin Residential Marketing Program

By late 1985, rates for **"Dual Fuel"** and **"Interruptible Electric Heat"** were approved by the Iowa State Commerce Commission for a number of Corn Belt distribution cooperatives. The rates were part of the overall marketing program accepted by Corn Belt and CIPCO to

promote energy sales and load management in the residential market sector.

Dual Fuel space heating systems rely on electric energy as the primary energy source, and have a secondary—or backup—system as well. For most REC members in the Corn Belt and CIPCO areas, the backup heat source would be existing fuel oil or propane furnaces. When a member installs a Dual Fuel system, he or she immediately qualifies for a lower electric heating rate, which is metered separately from electricity used in the rest of the home.

Interruptible Electric Heat gives REC members who use electricity as their primary space heating energy a discounted rate if they allow the REC to interrupt (temporarily shut off) power to this system. No backup system is required for the Interruptible Electric Heat program.

REC members who participate in either program must have all necessary wiring completed so that a control device may be attached by the REC in the future. Initial response by REC members to these programs has been favorable.

The Corn Belt Board of Directors has made a commitment to both heat programs by providing wholesale rates and other assistance in program development.

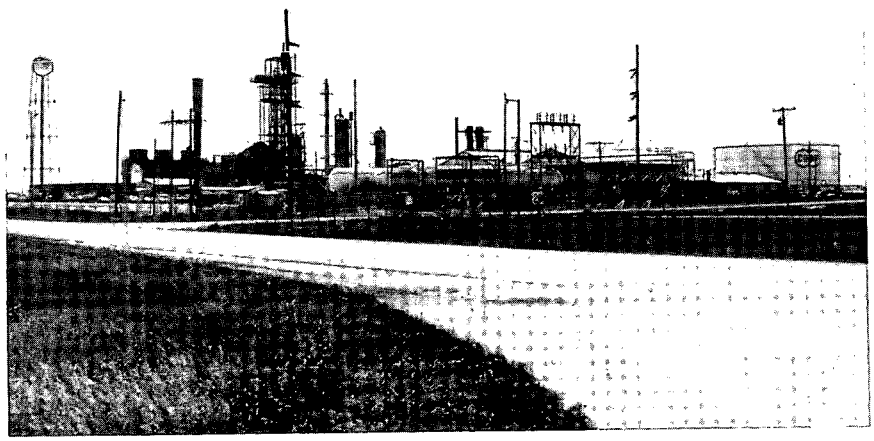
Corn Belt Receives Ownership of Railroad Spur

In mid-May, 1985, Corn Belt received the deed officially transferring ownership of 6.1 miles of railroad line located between the town of Humboldt and the Humboldt Station generating plant. The line was purchased from the Chicago and Northwestern (C&NW) Transportation Company.

The railroad purchase, approved in late 1984 by the Corn Belt board, was necessary because of the importance of the line as a means to transport coal to the Humboldt plant. C&NW had decided to abandon the line.

In addition to Corn Belt, both Humboldt County and the city of Humboldt contributed to the rail spur's purchase price.

During the summer, crews from the Humboldt Station cleared brush and overgrowth from the track's right-of-way, and made repairs needed to bring the track up to rail standards.



Corn Belt sales to RECs were up in 1985 over 1984, largely due to increases in sales to large commercial members. The Farmland Anhydrous Ammonia plant, east of Fort Dodge, came back in operation during the year, accounting for a significant part of total Corn Belt sales.

Day at Corn Belt Provides Teens with Energy Education

High school juniors from across Corn Belt's service area gathered at Humboldt April 29, 1985, for the "Day at Corn Belt"—an annual energy education day designed to teach participants about electrical energy and rural electric cooperatives. "Day at Corn Belt" has been held since 1971.

The 1985 event included presentations by I.A.E.C. communications director Karen Tisinger, Corn Belt Assistant General Manager Dale Arends and board member Harold Taylor. Activities for the day included a visit to Corn Belt's Humboldt Control Center and the Humboldt Station power plant.

Craig Johnson, Clarksville, won the drawing for a trip to Washington, D.C., as Corn Belt's representative on the REC Government in Action Youth Tour. In June, Craig joined a number of other youth from across Iowa to particiate in the tour.

Iowa Lakes Electric Cooperative Emerges from Consolidation

Following several months of promotional efforts by REC management, three Corn Belt distribution cooperatives voted in August, 1985, to consolidate. Buena Vista County REC, D.E.K. REC and Pocahontas REC voted to form the new **Iowa Lakes Electric Cooperative.**

In each of the three RECs, there was strong support in favor of the consolidation: Buena Vista—72%; D.E.K.—91%; and Pocahontas—83%.

Consolidation officially took place January 1, 1986. Iowa Lakes Electric Cooperative will have one representative on the Corn Belt Board of Directors.

Leadership Changes in 1985

Changes occurred in Corn Belt board leadership and distribution cooperative management in 1985.

Reuben Holcomb, Swea City, who served as the D.E.K. REC representative on the Corn Belt Board of Directors since 1972, retired from the board in 1985. Replacing him as D.E.K.'s representative was **Darwin Will,** Spirit Lake.

Two of Corn Belt's long-time distribution REC managers retired at the end of 1985.

Bob Weaklend, who served as manager of Glidden REC since 1962, retired from that position. He had worked with rural electric cooperatives for over 40 years.

Marvin "Cody" Bach retired from his job as manager of Buena Vista County REC on December 31. He had worked for Buena Vista since 1946.

Bruce Bailey, who worked at Pocahontas REC since 1968, and served as manager there since 1980, left that position the end of the year to become manager of Glidden REC.

REA 50th Anniversary Celebrated

A commemorative stamp, a special book, news articles and a governor's proclamation are a few of the promotions which celebrated the golden anniver-

U.S. Postmaster General Paul N. Carlin officially issued this commemorative stamp in observance of the Rural Electrification's 50th anniversary in 1985. About 160 million of the special stamps were issued.

The annual "Day at Corn Belt" was held in late April. High school juniors from several distribution cooperatives joined in the event to learn about electricity and cooperatives.

sary of the Rural Electrification Administration in 1985.

May 5-11 was proclaimed **Rural Electrification Week** by Iowa Governor Terry Branstad. On May 11, 1935, President Franklin Roosevelt signed the executive order establishing the REA. Since then, Iowa's 55 rural electric cooperatives have borrowed and repaid to the REA over $350 million in principal and interest, and have extended electric service to 144,000 households in all of Iowa's 99 counties.

A book commissioned by the National Rural Electric Cooperative Association, *The Next Greatest Thing*, was published to depict history of rural electric cooperatives across the country.

Corn Belt gave copies of the book to current and retired board members and to libraries at Iowa State University, the University of Iowa and the University of Northern Iowa. A number of distribution RECs presented copies of the book to local board members, schools and libraries.

The first two REA loans in the nation for electric generation facilities were made to Corn Belt's predecessors in 1937. Federated Cooperative Power Association, Hampton, and Central Electric Federated Cooperative Association, Pocahontas, received REC loans to build two diesel generators. Both plants came on line in early 1938.

During 1985, articles about Corn Belt and its history appeared in the *Iowa REC News* and a number of area papers as part of the REA 50th anniversary celebration.

Electrical Department Leads Seminars

A number of safety and training seminars led by Corn Belt's electrical department were held in 1985. These seminars provided training on mapping, testing ground rods, finding underground line faults and carrying out switching procedures.

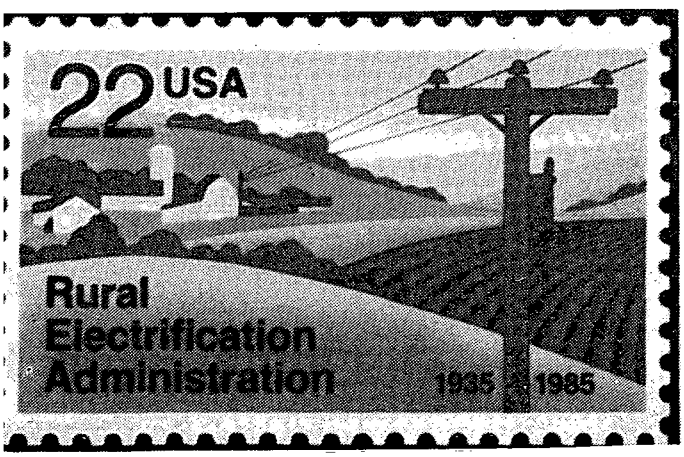
Participants in the seminars included NIMECA municipal employees, distribution REC personnel, students from the Northwest Iowa Technical College and representatives from neighboring investor-owned and public utilities.

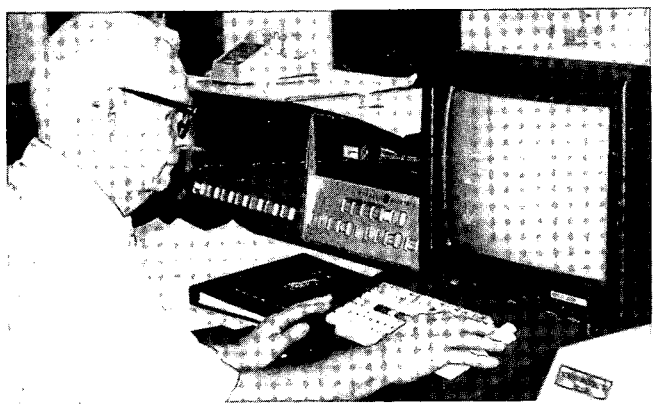
Over 150 people participated in the training sessions throughout the year.

CIPCO Wilton Dispatch Moved to Humboldt

Operational control of the CIPCO Wilton area transmission system was moved to Corn Belt's Humboldt Control Center in mid-November. Dispatch equipment, moved from Wilton to Humboldt, allows system supervisors to monitor approximately 380 miles of high voltage transmission line (most of which is 69-kV) and control six CIPCO-owned switching stations.

Through microwave communications, Corn Belt Control Center personnel are able to operate breakers at the switching stations, monitor energy flow along the power lines and dispatch crews to repair lines when necessary.





Operational control of CIPCO's Wilton area transmission system was moved to Corn Belt's Humboldt Control Center in November. Here Corn Belt system supervisor Joe Lodden monitors dispatch equipment which was moved from Wilton.

RECs Combine Efforts in Computer Education

Terms like "Lotus 1-2-3" and "dBaseIII" became commonplace around RECs in Iowa last year as a result of a number of personal computer classes offered through CIPCO and Corn Belt. Over 250 REC employees participated in courses throughout the year, learning how to use computers to increase productivity on the job.

Although the classes have been offered by CIPCO and Corn Belt, they have been available to interested employees from all Iowa RECs. Teachers for the courses included REC staff persons as well as professional computer instructors.

All the workshops have utilized programs written for IBM or IBM-compatible computers. Programs include heat loss/heat gain (home energy audits), Multimate (word processing), Lotus 1-2-3 (spreadsheets) and dBaseIII (data management). Each class emphasized how the specific program could have applications for rural electric operations.

A combined CIPCO and Corn Belt computer committee, organized in 1985, coordinated the courses. Jack Hicks, who retired the end of 1985 as general manager of the Linn County REC, took much of the initiative in organizing and leading the classes.

Corn Belt and MAPP: The Key to Competitive Power Supply

Corn Belt Power Cooperative has been a member of the **Mid-Continent Area Power Pool (MAPP)** since 1972. Membership in MAPP enables power supply to be competitive in several ways.

Through MAPP, Corn Belt can sell electricity which is temporarily unneeded or buy from other power suppliers when their power production costs are lower. Such transactions take place daily around the clock.

These transactions—buying and selling electrical energy—make Corn Belt and the other members of MAPP more economical. This in turn makes the entire MAPP region more attractive for development.

Corn Belt's membership in MAPP benefits REC members in other ways. Through the

One of the first promotions of the "We Put You First" marketing campaign is a cooperative project of the RECs and Casey's General Stores. REC members can have their REC travel mugs filled for a dime at all Casey's stores. Bob Stevens, president of Wright County REC, gets his cup filled by Vicki Oberender, Casey's manager, Clarion.

power pool, reserves of the entire region are available during emergencies and power plant maintenance. This reduces the amount Corn Belt needs for capacity reserves, and saves millions of dollars annually.

Information Meeting Held in December

Each year since 1970, Corn Belt Power Cooperative has held a **Member Information Meeting** to update distribution cooperative directors, managers and staff about the operations of Corn Belt. Over 160 people were on hand December 12 for the 1985 Member Information Meeting.

George Toyne, general manager, and Dale Arends, assistant general manager, gave presentations about 1985 sales, coal inventory and pooled activities with Central Iowa Power Cooperative. Jack Bailey, director of the newly-formed Iowa Area Development Group, spoke about the need for economic development.

Arends reported that firm Corn Belt sales were up in 1985 about two percent over 1984—largely due to increases in commercial/industrial sales. It was reported that no wholesale power rate increase was expected in 1986.

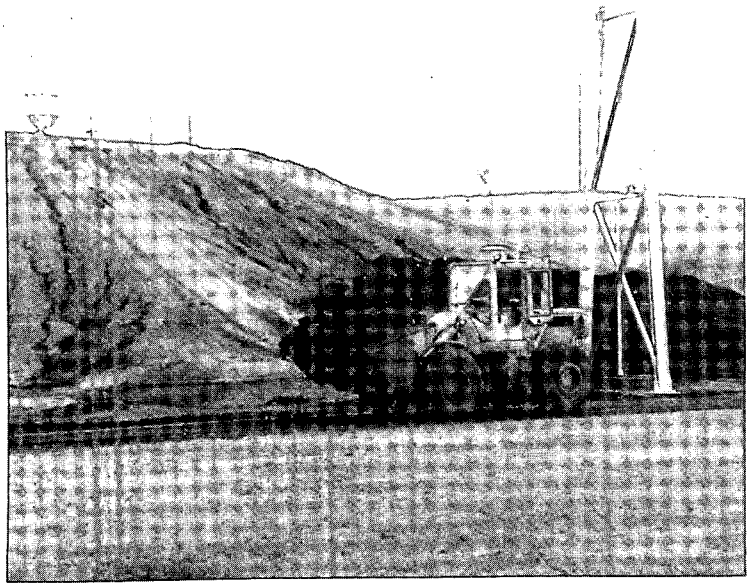
The Humboldt Station Begins Fall Operation

Beginning in October, 1985, the Humboldt Station began operation in order to reduce the amount of inventory in its coal pile. Unit #4 was started up initially, and Unit #3 was later brought on line.

Operations continued through the 1985-86 winter months, and the station will be run again in the 1986-87 winter season. Personnel from the Wisdom Station assisted in operating the plant.

The coal inventory had been increased due to rising electric demand during the late 1970s. With declining energy use in the 1980s, however, along with the availability of more economical power from other sources, the Humboldt Station has not been used to its capacity in recent years.

After studying the situation, the Corn Belt board decided it would be most economical to reduce the existing coal inventory at this time. Final coal inventory, after reduction operations, is expected to be 20,000 tons.



The Humboldt Station began operation in fall, 1985, to reduce the amount of inventory in its coal pile. The plant is to run for two winter seasons, until inventory is approximately 20,000 tons.

Balance Sheets

Assets

December 31, 1985 and 1984

	1985	1984
ELECTRIC PLANT (Notes 2 and 7):		
In Service	**$168,385,760**	$163,114,414
Less - Reserve for depreciation	**52,970,429**	47,936,407
	115,415,331	115,178,007
Construction work in progress	**3,065,291**	3,088,591
Nuclear fuel, net of amortization (Note 2)	**5,265,858**	5,568,460
	123,746,480	123,835,058
OTHER PROPERTY AND INVESTMENTS, at cost:		
Nonutility property	**375,594**	376,594
Investment in the National Rural Utilities Cooperative Finance Corporation	**2,644,031**	2,636,024
Land held for future generating site (Note 9)	**3,856,509**	3,856,509
Other investments	**511,013**	464,641
	7,387,147	7,333,768
CURRENT ASSETS:		
General fund cash and temporary cash investments	**36,234**	911,104
Special construction fund cash and temporary cash investments	**240,708**	428,615
Working capital advances	**346,583**	163,595
Member accounts receivable	**4,215,609**	3,557,200
Other accounts receivable	**67,679**	80,255
Inventories —		
Fuel, primarily coal, at last-in first-out cost	**6,696,775**	6,565,478
Materials and supplies, at average cost	**2,129,143**	1,644,514
Prepayments	**474,839**	566,764
	14,207,570	13,917,525
DEFERRED CHARGES:		
Deferred spent nuclear fuel costs (Note 10)	**2,002,200**	2,082,288
Deferred refueling costs (Note 2)	**1,317,571**	—
Unamortized plant development costs (Note 9)	**—**	287,785
Other	**119,322**	248,098
	3,439,093	2,618,171
	$148,780,290	$147,704,522

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

Balance Sheets

Membership Capital and Liabilities

December 31, 1985 and 1984

	1985	1984
MEMBERSHIP CAPITAL:		
Memberships, at $100 per membership	$ 1,600	$ 1,600
Deferred patronage dividends, per accompanying statement (payment restricted as indicated in Note 3)	3,867,255	3,067,255
Other equities, per accompanying statement	8,208,661	7,709,566
	12,077,516	10,778,421
LONG-TERM DEBT (Note 4):		
Rural Electrification Administration	56,454,883	57,572,876
Federal Financing Bank	49,951,077	45,677,390
National Rural Utilities Cooperative Finance Corporation (Note 9)	623,965	1,525,326
Capital lease obligations (Note 2)	20,048,838	21,246,483
Pollution control revenue bonds	3,550,000	3,630,000
	130,628,763	129,652,075
Less - Current maturities of long-term debt	4,281,250	4,548,489
	126,347,513	125,103,586
OTHER LONG-TERM LIABILITIES:		
Deferred compensation	278,965	259,390
	278,965	259,390
CURRENT LIABILITIES:		
Current maturities of long-term debt	4,281,250	4,548,489
Notes payable (Note 5)	50,000	—
Accounts payable	2,878,994	2,053,154
Accrued property and other taxes	2,488,632	2,279,131
Liability for spent nuclear fuel disposal costs (Note 10)	—	2,364,292
Other	377,420	318,059
	10,076,296	11,563,125
	$148,780,290	$147,704,522

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, 1985 and 1984

	1985	1984
OPERATING REVENUES:		
Sales of electric energy	**$36,978,847**	$34,877,924
Other	**2,550,674**	2,174,855
	39,529,521	37,052,779
OPERATING EXPENSES:		
Operation —		
Steam and other power generation	**13,961,359**	12,183,154
Purchased power (Note 12)	**1,874,675**	2,022,877
Transmission	**1,140,974**	1,080,595
Sales	**45,770**	46,401
Administrative and general	**2,075,122**	1,948,893
Maintenance —		
Steam and other power generation	**2,335,607**	2,352,526
Transmission	**557,092**	431,872
General plant	**33,480**	34,800
Depreciation and decommissioning costs (Note 2)	**5,140,163**	4,901,067
Amortization of plant development costs (Note 9)	**287,785**	290,736
Property and other taxes	**2,527,696**	2,448,618
	29,979,723	27,741,539
Net Revenues From Operations	**9,549,798**	9,311,240
INTEREST AND OTHER DEDUCTIONS:		
Interest on long-term debt	**8,762,339**	8,524,369
Other interest	**136,336**	34
Interest during construction (Note 2)	**(443,290)**	(303,294)
Amortization of loan expense	**24,465**	29,417
Total Interest and Other Deductions	**8,479,850**	8,250,526
NET OPERATING MARGIN	**1,069,948**	1,060,714
NON-OPERATING MARGIN:		
Interest income	**242,558**	353,807
Other, net	**155,889**	97,359
Non-operating Margin	**398,447**	451,166
NET MARGIN	**$1,468,395**	$ 1,511,880

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, 1985 and 1984

FUNDS WERE PROVIDED FROM:	1985	1984
Operations —		
Net margin	$ 1,468,395	$ 1,511,880
Charges to operations not affecting working capital —		
Depreciation and decommissioning costs —		
Charged to expense	5,140,163	4,901,067
Charged to clearing and other accounts	312,379	289,657
Amortization of nuclear fuel	987,214	1,202,999
Amortization of plant development costs	287,785	290,736
Amortization of nuclear fuel disposal costs	80,088	—
Amortization of deferred refueling costs	694,669	—
Other	121,750	29,417
	9,092,443	8,225,756
Proceeds from long-term debt	5,529,000	3,176,000
Other	149,172	140,539
Changes in working capital —		
Cash and working capital advances	879,789	2,354,267
Accounts receivable	(645,833)	209,802
Inventories	(615,926)	(195,315)
Prepayments	91,925	(75,591)
Current maturities of long-term debt	(267,239)	207,546
Accrued interest payable	—	(1,326,201)
Notes payable	50,000	—
Accounts payable	825,840	11,155
Accrued property and other taxes	209,501	73,706
Liability for spent nuclear fuel disposal costs	(2,364,292)	2,364,292
Other	59,361	4,573
	(1,776,874)	3,628,234
	$12,993,741	$15,170,529
FUNDS WERE USED FOR:		
Additions to electric plant, net	$ 5,666,566	$ 4,439,863
Additions to nuclear fuel	684,612	3,300,878
Retirements and current maturities of long-term debt	4,285,073	4,549,245
Current maturity of liability for spent nuclear fuel disposal costs	—	2,364,292
Deferred refueling costs	2,012,240	—
Investments purchased, net	96,519	250,230
Deferred patronage dividends paid	200,000	160,183
Other	48,731	105,838
	$12,993,741	$15,170,529

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, 1985 and 1984 (Note 3)

DEFERRED PATRONAGE DIVIDENDS:	1985	1984
Balance Assigned Beginning of Period	$ 3,067,255	$ 2,710,183
Net Margin	1,468,395	1,511,880
Application of reserve for contingent losses	—	48,175
Lease revenue deferred patronage dividends	30,700	17,255
	4,566,350	4,287,493
Patronage dividends paid	(200,000)	(160,183)
Appropriation of margin —		
Reserve for contingent losses	(399,095)	(909,055)
Statutory surplus	(100,000)	(151,000)
Balance Assigned End of Period	$ 3,867,255	$ 3,067,255

OTHER EQUITIES:
(Appropriated Margins)

	Statutory Surplus	Reserve for Contingent Losses	Total
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
Appropriation of margin	100,000	399,095	499,095
Balance December 31, 1985	$1,149,484	$7,059,177	$8,208,661

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

Notes to Financial Statements

December 31, 1985 and 1984

(1) ORGANIZATION:

Corn Belt Power Cooperative (the Cooperative) is a Rural Electrification Administration (REA) financed generation and transmission cooperative created and owned by 14 distribution cooperatives and one municipal cooperative association.

The Cooperative's Board of Directors is comprised of one representative from each member cooperative and is responsible for establishing rates charged to the member cooperatives.

(2) SIGNIFICANT ACCOUNTING POLICIES:

The Cooperative maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the REA. The more significant accounting policies are described below.

A. Electric Plant —

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.

B. Depreciation and Decommissioning Costs —

Depreciation is provided using a straight-line method and REA prescribed lives. These provisions, excluding nuclear facilities, were equivalent to an annual rate of 3.14% and 3.21% of the average depreciable plant for 1985 and 1984, 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. Through 1984, the Cooperative utilized a straight-line depreciation rate of 3.57%. Beginning in 1985, the Cooperative is applying a rate to each year's DAEC property additions such that the additions will be depreciated on a straight-line basis over the remaining term of the initial Nuclear Regulatory Commission license for DAEC (2010). The composite depreciation rate for DAEC for 1985 was 3.92%.

During 1985, a site-specific estimate of the decommissioning costs of DAEC was prepared. This report estimates the Cooperative's share of the decommissioning costs of DAEC will be approximately $15,400,000 (in 1985 dollars). Beginning in 1985, the Cooperative is providing for nuclear decommissioning costs based upon a straight-line constant dollar method designed to accumulate a decommissioning reserve sufficient to cover the Cooperative's share of DAEC decommissioning costs by the year 2010. The decommissioning provision for 1985 was $377,444.

C. 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 $987,214 and $1,202,999 for 1985 and 1984, respectively.

D. Deferred Refueling Costs —

Beginning in 1985, the Cooperative is deferring extraordinary operation and maintenance expenses incurred during refueling outages of DAEC. These costs are being amortized to expense based on the expected generation of the next fuel cycle which corresponds with the period the Cooperative is recovering these costs in its rates. Such amortization was $694,669 for 1985.

E. Interest During Construction —

Interest during construction represents the cost of funds used for construction and nuclear fuel refinement. The average rate was 8.9% in 1985 and 6.7% in 1984 and is based on the Cooperative's levels and costs of financing during the year.

F. 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.

G. Income Taxes —

The Cooperative has qualified for an exemption from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code.

(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 equity. No additions can be made to statutory surplus whenever it exceeds 50% of total equity. The Board of Directors appropriated $100,000 of the 1985 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 $399,095 of the 1985 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 $1,000,000 of the 1985 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, 1985. The Cooperative received permission and retired $200,000 of the 1976 patronage dividends during 1985 and plans to request permission to retire $200,000 of the 1976 deferred patronage dividends during 1986.

(4) 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 the long-term debt of the Cooperative. Long-term debt is comprised of:

	1985	1984
Mortgage notes due in quarterly installments —		
REA 2%, due 1986-2008	$ 28,839,157	$ 30,522,569
REA 5%, due 1986-2020	27,615,726	27,050,307
FFB 7.7% - 13.525%, due 1986-2020	49,951,077	45,677,390
CFC 8.5 - 9.5%, due 1986-1987 (Note 9)	623,965	1,525,326
	107,029,925	104,775,592
Capital lease obligations —		
Webster City Revenue Bonds 4.7-7.5%, due 1986-1997	7,054,955	7,461,178
Webster City Funds 5%, due 1986-1987	472,142	708,213
Webster City Funds 12%, due 1985	—	1,623
NIPCO 6.3% - 8.3%, due 1986-2007	12,521,741	13,075,470
	20,048,838	21,246,484
Pollution control revenue bonds —		
4¼ - 6⅛%, due serially 1986-1997 and term due 2007	3,550,000	3,630,000
	$130,628,763	$129,652,076

In connection with the mortgage notes, the Cooperative at December 31, 1985, has available $22,840,000 of loan funds from FFB, $9,609,000 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
1986	$4,281,250
1987	3,760,575
1988	3,569,853
1989	3,730,707
1990	3,889,509

(5) NOTES PAYABLE:

At December 31, 1985 and 1984, the Cooperative had a line of credit with CFC as follows:

	1985	1984
Total line of credit	$12,000,000	$12,000,000
Related borrowings	50,000	—
Available line of credit	$11,950,000	$12,000,000
Interest rate at December 31	9.125%	10.75%

The interest rate is limited to the prime interest rate less 0.375%.

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.

(6) CONSTRUCTION COMMITMENTS:

Total construction expenditures for 1986, including expenditures for the jointly owned units, are estimated to be $8,675,000.

(7) JOINT PLANT OWNERSHIP:

Under joint-ownership agreements with other Iowa utilities, the Cooperative had undivided interests at December 31, 1985, in three electric generating units as shown below:

	Neal Unit #4	Council Bluffs Unit #3	Duane Arnold Energy Center
Electric plant in service	$43,209,994	$12,603,769	$42,588,337
Construction work in progress	152,734	107,746	2,219,840
TOTAL	$43,362,728	$12,711,515	$44,808,177
Accumulated depreciation	$ 9,044,558	$ 2,793,325	$11,416,325
Unit accredited capacity - MW	600	700	550
Cooperative's share-percent	11.63%	3.8%	10.0%
Cost per KW	$ 621	$ 478	$ 815

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.

(8) PENSION PLAN:

The Cooperative has 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, 1985 and 1984, were $132,789 and $134,363, respectively. Accumulated plan benefit information, as estimated by actuaries employed by the insurance company, and plan net assets are:

	December 31,	
	1984*	1983
Actuarial present value of vested benefits	$1,724,333	$1,531,835
Actuarial present value of nonvested benefits	21,043	22,309
	$1,745,376	$1,554,144
Net assets available for benefits	$3,046,847	$2,573,973

*Valuation information as of December 31, 1984, 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 1984 and 1983.

(9) 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.

The participants in Allied have received an equitable interest in the assets, primarily land, of Allied and assumed the debt of Allied in proportion to their respective ownership interests.

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 were amortized over a five-year period ending in 1985, which corresponds to the period during which they were recovered in the Cooperative's rates.

(10) 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 had previously accrued and has paid in 1985 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. 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 is being amortized over a thirteen-year period ending in 1998 which corresponds with the period the Cooperative is recovering these costs in its rates. In 1985, $80,088 was amortized to expense.

(11) 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 in November 1983, the railroad has been ordered to refund a portion of the transportation rates collected from the Council Bluffs Unit #3 participants. The railroad is contesting the amount of coal transported to which the decision applies. A trial was held in early December 1985 and the matter is pending a decision of the District Court.

In July 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 coal transportation rates in this case.

Management believes the final settlement of the above litigation will not have a significant impact on the Cooperative's financial position.

(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 combined include substantially all costs of the cooperatives and are being shared by the cooperatives based on member KWH sales. Studies evaluating the feasibility of merging the cooperatives are underway.

ARTHUR ANDERSEN & CO.

OMAHA, NEBRASKA

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, 1985 and 1984, 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, 1985 and 1984, 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.

Omaha, Nebraska,
February 21, 1986.

ARTHUR ANDERSEN & CO.

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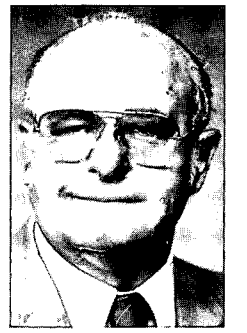
Eugene Drager
Humboldt

Vice President
Dennis Larson
Pocahontas

Secretary
Harold Taylor
Butler

Treasurer
Clarence Lange
Hardin



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Darwin Will
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Lawrence Wittry
Glidden

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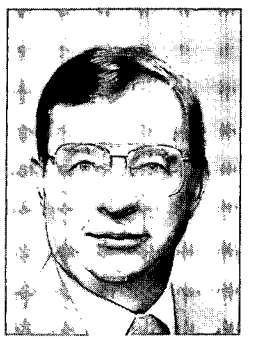

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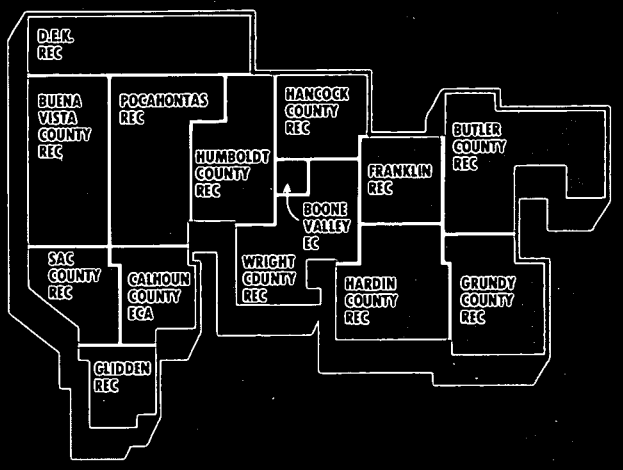

Corn Belt Power Cooperative
1985 Member Distribution Cooperatives

Corn Belt Power Cooperative
1300 Thirteenth Street North Humboldt, Iowa 50548