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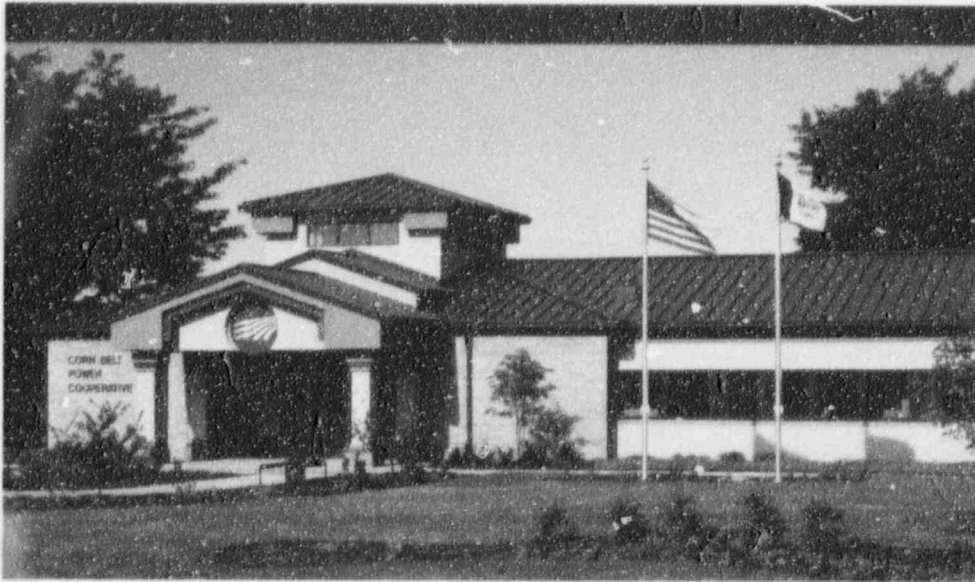
# BUILDING A FRAMEWORK FOR THE FUTURE



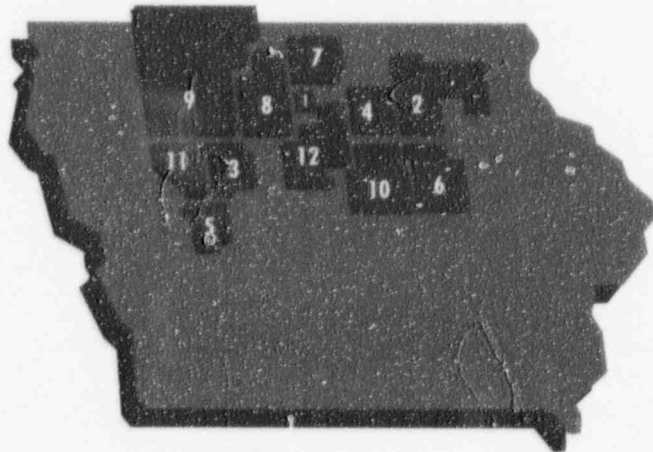
**Corn Belt Power  
Cooperative**

**1996 Annual Report**

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PDR ADOCK 05000331  
I PDR



*Corn Belt Power Cooperative, headquartered in Humboldt, Iowa, is a generation and transmission electric cooperative owned by its member systems. Corn Belt provides electric power to 12 member distribution electric cooperatives and one municipal electric cooperative, (NIMECA). Corn Belt serves farm members, rural residences, small towns, and commercial and industrial members in 27 North Central Iowa counties.*



- 1 Boone Valley Electric Cooperative
- 2 Butler County REC
- 3 Calhoun County Electric Cooperative Association
- 4 Franklin REC
- 5 Glidden REC
- 6 Grundy County REC
- 7 Hancock County REC
- 8 Humboldt County REC
- 9 Iowa Lakes Electric Cooperative
- 10 Midland Power Cooperative
- 11 Sac County REC
- 12 Wright County REC

North Iowa Municipal Electric Cooperative Association (NIMECA) includes municipal electric utilities of:

- |               |              |
|---------------|--------------|
| Alta          | Milford      |
| Bancroft      | New Hampton  |
| Coon Rapids   | Spencer      |
| Graettinger   | Sumner       |
| Grundy Center | Webster City |
| Laurens       | West Bend    |



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# BUILDING A FRAMEWORK FOR THE FUTURE



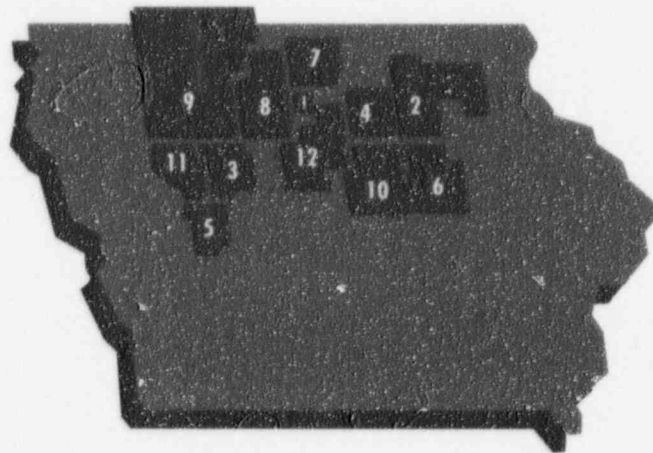
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- |                                     |   |              |
|-------------------------------------|---|--------------|
| 1 Boone Valley Electric Cooperative | North Iowa Municipal Electric Cooperative |              |
| 2 Butler County REC                 | Association (NIMECA) includes municipal   |              |
| 3 Calhoun County Electric           | electric utilities of:                    |              |
| Cooperative Association             |   |              |
| 4 Franklin REC                      | Alta                                      | Milford      |
| 5 Glidden REC                       | Bancroft                                  | New Hampton  |
| 6 Grundy County REC                 | Coon Rapids                               | Spencer      |
| 7 Hancock County REC                | Graettinger                               | Sumner       |
| 8 Humboldt County REC               | Grundy Center                             | Webster City |
| 9 Iowa Lakes Electric Cooperative   | Laurens                                   | West Bend    |
| 10 Midland Power Cooperative        |   |              |
| 11 Sac County REC                   |   |              |
| 12 Wright County REC                |   |              |





**T**hrough its many activities during 1996, Corn Belt Power Cooperative worked to develop a "Framework for the Future," by building new transmission lines and substations to strengthen reliability, continuing to promote economic development through housing programs and other joint ventures with member cooperatives, and studying potential sharing alliances with neighboring utilities to allow Corn Belt to better serve its members into the 21st century.

Strengthening this framework for the future is new technology at Wisdom Station that will continue to keep the plant productive and viable as we pass the year 2000. Newly-framed lines and substations will enable existing industries to expand on co-op lines. Legislative, marketing and public relations activities carefully frame relationships with legislators, members and the general public to ensure a positive business climate in tomorrow's competitive marketplace.

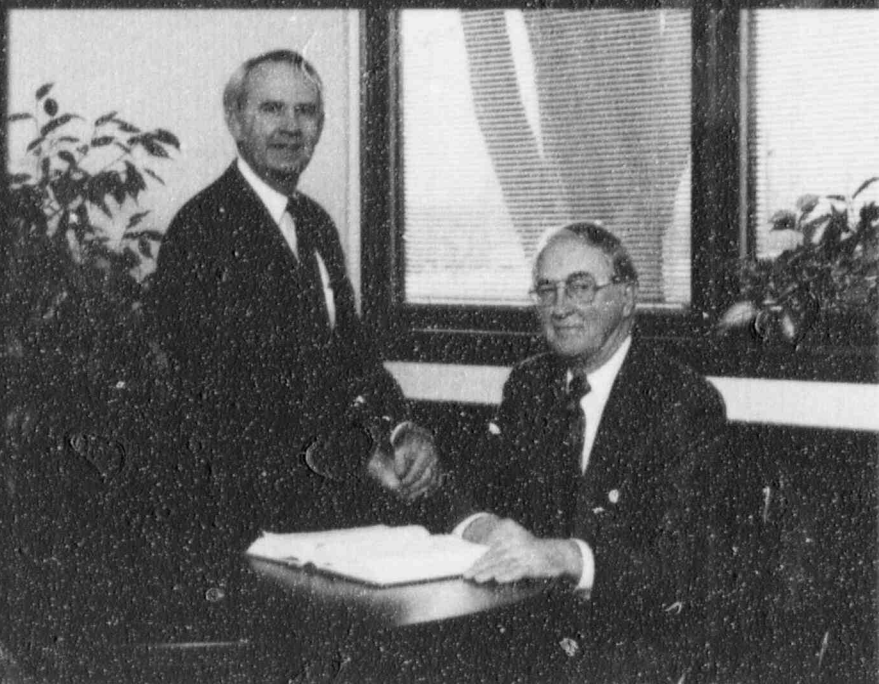
As Corn Belt Power Cooperative prepares to celebrate its 50th year of operation and as it positions itself for the next millennium, it not only rests on the solid foundation of its past, but, more importantly, builds on its "Framework for the Future."

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*Don M. Amundson*  
Executive Vice President and  
General Manager

*Eugene Drager*  
President

Decisions made by the Corn Belt Power Cooperative Board of Directors strengthened the cooperative in 1996 by developing a framework for operating in tomorrow's competitive environment.

Emphasis on increasing kilowatt-hour sales was rewarded with record-high sales to RECs during 1996. The 1996 sales reflect very positively on the hard work of the employees of Corn Belt, distribu-

tion co-ops and municipals to build existing load and attract commercial and industrial loads to our system. A new system peak was also reached in October, surpassing the previous peak set in October of 1992, a year with a bin-busting corn crop.

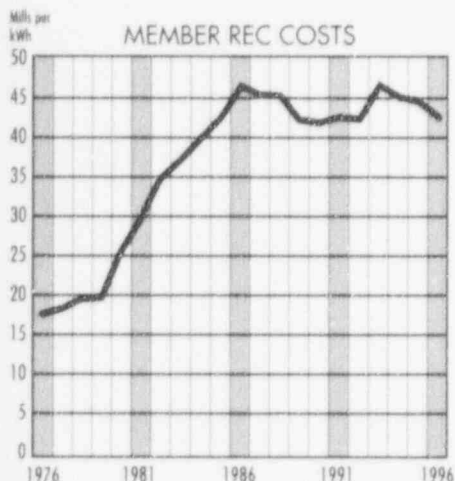
In 1996, new industrial and municipal loads came on line and some key existing loads announced major expansions. Corn Belt must

continue to participate in economic development efforts. We must increase sales by attracting new loads and helping existing loads expand.

Several construction projects completed during the year will reinforce Corn Belt's excellent reliability record by offering additional transmission paths for service. New construction of substations and transmission lines will also serve large new loads on our member distribution cooperatives' lines. Excellent system maintenance has always allowed Corn Belt to provide reliable service to its members and the practice of keeping lines and substations well-maintained will continue well into the 21st century. Part of establishing tomorrow's framework for our communities is the continued support of housing initiatives developed by our member cooperatives. We need adequate housing to keep people in the community and to make room for new residents.

Corn Belt participated in several studies in 1996 to help guide its development for the future. A power requirements study projected Corn Belt's growth in the future. An integrated resource plan (IRP) was begun in 1996 to analyze Corn Belt's needs for meeting future load growth. This IRP will be submitted to the Western Area Power Administration as part of our commitment for future hydropower.

Yet another project focused not on the technical side of operations but, just as importantly, on the image Corn Belt member cooperatives have in the eyes of the people they serve. Results from this image survey drove home the undisputed fact that REC members are highly satisfied with their cooperatives' service, with over 90 percent of respondents agreeing that their expectations were met or exceeded by their co-op.



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

Service satisfaction alone will not be enough to keep members on co-op lines in the competitive future, however, and the Corn Belt board knows that competitive rates are and will continue to be necessary to succeed. At the end of 1996, the board approved a marketing rebate on the December power bills. Directors also approved a 1997 rate decrease of approximately 2.3 percent.

In 1996, the Corn Belt board reviewed the status of the cooperative's generation sources to establish a framework for tomorrow's power supply decisions. A new combustion control system installed at Wisdom Station will keep the plant a well-maintained, viable generation source. The plant is not as low-cost to operate as other sources, but is a reliable power supply when needed, and it is important to keep the plant in top condition.

The Duane Arnold Energy Center (DAEC) nuclear plant continues to present a challenge for the future. However, in 1996, DAEC had an excellent operating year. If this type of operation continues into the future, it will go a long way toward easing our concerns regarding the costs of this facility.

The Corn Belt board made decisions during 1996 that inactivated some maintenance operations at Humboldt Station. Heating of the plant was terminated, security functions were reduced and some Corn Belt employees were reassigned to Wisdom Station.

Neal 4 and Council Bluffs 3 had excellent operating records during 1996 and Corn Belt continued to depend on these cost-efficient sources of power.

In December, the board voted to purchase the remaining shares of the Allied Power Cooperative farmland reserved for a future generating site in Western Iowa.

The Corn Belt board began the process in 1996 of analyzing potential sharing alliances with other neighboring utilities with a decision anticipated in early 1997. An alliance would allow us to take advantage of diversity since we peak at a different time of year than most. With an increasing peak load due to new industry, it would be beneficial to have an extension on the time before we need to have a new power source. An alliance may not result in substantial dollars saved, but could put us in a better market position by offering a larger power pool and the opportunity to keep rates competitive. When we look at our recent record peak and record sales totals and consider the amount of power we have available, we have to consider alliances to keep our operating condition strong.

The main objective of the Corn Belt Power Cooperative Board of Directors is to provide reliability at a competitive price. We must continue to work together to serve our members in a well-managed manner so they are able to grow and remain competitive.

The future of Corn Belt depends on the ability of our distribution cooperatives and municipals to remain competitive. The Board of Directors, management and staff are dedicated to making sure the future of our members is bright as we deal with change in our industry. ■

### Cooperative Highlights

Total Energy Sales:  
1996: 1,075,114,403 kWh  
1995: 987,186,268 kWh

REC Peak Demand (no losses):  
1996: 188,074 kW  
1995: 151,412 kW

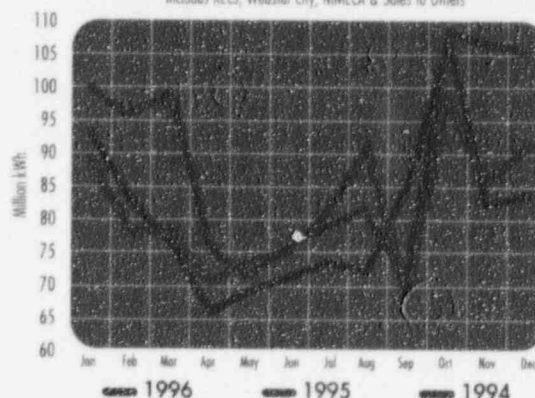
System Peak  
(REC, Webster City, 6% losses):  
1996: 219,790 kW  
1995: 180,414 kW

Miles of Transmission Lines: 1,584  
Distribution Substations: 120  
Employees: 86



### CORN BELT SYSTEM KILOWATT-HOUR SALES

Includes RECs, Webster City, NIMECA & Sales to Others



A review of 1996 includes activities and events at Corn Belt Power Cooperative that developed a framework for future success in the competitive marketplace of tomorrow.

### Transmission and Reliability

Corn Belt's solid system maintenance program paid off in 1996. Generation and transmission systems operated by Corn Belt stood up to the worst that winter could inflict in late January and early February, including high winds, heavy snowfall and bitterly cold temperatures, testifying to the rewards of keeping power plants, transmission lines and substations well-maintained.

The cooperative's strong transmission system experienced another year of delivering a reliable

power supply to its member cooperatives, with year-end statistics showing Corn Belt was on line to its members 99.99% of the time during 1996.

The deteriorating condition of the leased Emmetsburg Service Center prompted the board to begin looking at the possibility of constructing a new

facility on Iowa Lakes Electric Cooperative lines south of town. The new building would provide better warehousing for transmission equipment and would allow room for maintenance work and future expansion.



Wisdom Station, Spencer, operated several times during 1996 for operator training.

### Sales and System Peak

Corn Belt Power sold a record number of kilowatt-hours of electricity in 1996, due most notably to the addition of new commercial, industrial and municipal loads. A large corn crop and colder than normal temperatures also helped push up sales. The 1996 REC energy sales were 8.5 percent higher than the previous record set in 1995. Like the RECs, Webster City and other NIMECA members also saw sales increases in 1996 of 1.2 percent and 3 percent, respectively.

A new system peak was reached in October, totaling 220 megawatts, surpassing the previous peak of 215 megawatts set in October of 1992.

1996 sales and the system peak were also boosted by 12 months of operation of the Enron/Northern Natural Gas pumping station on Midland Power Cooperative lines. Also, the town of Fredericksburg, a four-megawatt load served by Butler County REC, came on line in December and used 2.5 million kilowatt-hours of electricity in that month alone. The Murphy Family Farms feed mill on Humboldt County REC lines increased its power use during the year to more than 450,000 kilowatt-hours per month.

Increased sales contributed to increased margins for Corn Belt in 1996, resulting in the board of directors approving a marketing rebate of \$800,000 on the member cooperatives' December power bills.





## New Construction

1996 may very well be remembered as the year of new construction of Corn Belt Power lines and substations, added to strengthen reliability of service to member cooperatives both today and in the years ahead. Corn Belt crews completed the following construction projects:

- nine miles of 69 kV line built from Marathon to Laurens; this was phase two of a three-phase project to increase the reliability of power supplied to several small towns in the area; it is a joint effort with IES Utilities to strengthen both Corn Belt and IES transmission systems;
- one mile of 69 kV line plus a substation at Meadowbrook, located northwest of Sumner; this project was completed at the request of Butler County REC to increase reliability and accommodate load growth in the area;
- two and one half miles of 69 kV line built from Corn Belt's Roland Substation to IES Utilities' Fernald Switching Station to improve reliability and strengthen Corn Belt's system in the area;
- one-half mile of 69 kV line and two 69 kV substations built in the Estherville Industrial Park to increase the reliability and accommodate load growth in Iowa Lakes Electric Cooperative's service area;
- two miles of 69 kV line and a 69 kV substation built at Hobarton, west of Algona, to accommodate load growth in Humboldt County REC's service area and to improve reliability in Corn Belt's system in the future.

## Rate Decrease

Due to growth and anticipated margins in 1997, the Corn Belt board approved a rate decrease for 1997 of approximately 2.3 percent. Sales to REC members in 1997 are predicted to be greater than 6 percent above 1996 levels. Once again, the bulk of the increase will be the result of new large loads on member co-op lines.

*Five different construction projects required new lines during 1996, another example of how the cooperative is building a "Framework for the Future."*



## Generation

A new combustion control system was installed at Wisdom Station, Corn Belt's wholly-owned coal-fired generating plant in Spencer, which will result in improved plant efficiency, increased plant availability and lower generating costs. Installed during a six-week outage in September and October, the new system includes chart recorders, transmitters, control positioners and

micro-processor-based digital loop controllers. The new controls are more versatile, accurate and responsive compared to the original pneumatic controls and will decrease the instrument air consumption at the plant.



*The new combustion control system at Wisdom Station will result in improved plant efficiency, increased plant availability and lower generating costs.*

Duane Arnold Energy Center, Palo, the nuclear plant jointly-owned by Corn Belt Power and two other utilities, experienced the fourth-longest continuous run for nuclear power plants worldwide by operating continuously for

more than a year and generating billions of kilowatt-hours of electricity for Iowans. In 1996 alone, the plant generated 3,938,544 megawatt-hours of electricity. Employees accumulated four million working hours without a lost-time accident and the plant received its highest-ever ratings from the Nuclear Regulatory Commission. The plant initiated its regularly-scheduled refueling outage in October. During the outage, which was accomplished in a record time of only 36 days, plant employees made maintenance and operations inspections and repairs and replaced about a third of the plant's uranium fuel bundles. The spent fuel bundles were moved into the fuel pool in the plant.

Neal 4 and Council Bluffs 3 continued to be among the least expensive and most efficient coal-fired plants in the country. Low generation costs were the result of low fuel costs, high plant

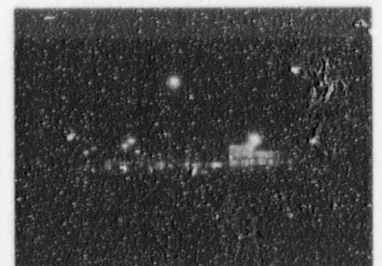
availabilities, high capacity factors and low plant maintenance and operating costs.

The Corn Belt Power board made several decisions in 1996 regarding the future of Humboldt Station. The board voted in May to:

- discontinue all maintenance activities at the plant except what is essential to provide security;
- discontinue heating the plant;
- discontinue any plant improvements including a new heating system;
- install a perimeter fence and electronic security system;
- actively pursue proposals from parties who may be interested in salvaging the plant;
- remove all PCB transformers from the plant site.

In another matter related to the future of generating facilities, the Corn Belt board authorized the purchase of the undivided interest of Central Iowa Energy Cooperative (CIECO) and Northwest Iowa Power Cooperative (NIPCO) in Allied Power Cooperative. The board approved purchase of the remaining shares of the Western Iowa farmland held for a future generating site because it is one of the best locations for building a new plant in the future.

*Duane Arnold Energy Center, the nuclear power plant jointly-owned by Corn Belt Power and two other utilities, experienced the fourth longest continuous run for nuclear power plants worldwide.*



## Economic Development

Board action during the year continued to emphasize the importance of economic development both for today's bottom line and for tomorrow's competitive strength. In 1996, the Corn Belt board approved a wholesale power agreement between Corn Belt and Butler County REC for service to Fredericksburg Municipal Utilities. In other action during the year, directors approved several economic development initiatives that will increase load on REC lines, thereby furthering rate stabilization and bringing new jobs to rural areas.

Corn Belt and member system partnerships assisted in the:

- development of an industrial site in Fredericksburg;
- construction of a speculative industrial building and development of an industrial park in Hampton;
- expansion of facilities at Farmland Industries near Vincent;
- expansion of Maurer Manufacturing near Spencer; and
- expansion of Hy-Capacity Engineering and Manufacturing near Humboldt.

Three Corn Belt systems were awarded Rural Development grants to create revolving loan funds for community and economic development projects in the region:

- Franklin REC received a \$400,000 grant to fund a telecommunications distance learning project for a small rural school district and the construction of a water system to serve existing business and industry and a new expansion to the Hampton Industrial Park;
- Calhoun County Electric Cooperative Association was awarded a \$225,000 grant to fund Iowa Communications Network access and distance learning at three small schools in the REC's area; and
- Humboldt County REC was approved for a \$200,000 grant to help build a speculative industrial building in the Humboldt Industrial Park.

As a service to member co-ops' commercial and industrial loads, Corn Belt, through the Iowa Area Development Group, began offering Questline, an information service that provides technical expertise to member cooperatives and to businesses and industries on their lines.

Several large commercial and industrial loads announced major expansion plans during the year. Corn Belt began preparing for Farmland Industries' plan to increase its power use four-fold at its anhydrous ammonia plant near Vincent that is served by Wright County REC. A new Corn Belt substation and four miles of new line are under construction with plans to energize the new substation by June of 1997. The Enron/Northern Natural Gas pumping station, located on Midland



*Corn Belt Power's strong transmission system experienced yet another year of delivering a reliable power supply to its member cooperatives, with year-end statistics showing Corn Belt was on line to its members 99.99% of the time during 1996.*



*Corn Belt Power Cooperative crews built four substations during 1996 to increase reliability and accommodate load growth in member systems' service territories.*

Power Cooperative lines, also plans to expand its operations and increase its load approximately 30 percent.

### System Studies

Corn Belt Power Cooperative continues to develop the framework for serving the future power needs of homes, farms and businesses in north central Iowa. A power requirements study was completed in 1996 and an integrated resource plan is underway to assure a continued reliable power supply to Corn Belt member cooperatives well into the future.

The power requirements study was required as a step in the application process for a new loan from the Rural Utilities Service. Corn Belt applied for the loan to help cover the anticipated cost of system additions and improvements to transmission facilities, taking yet another step in establishing the framework for tomorrow's system needs. Based on the study's analysis, Corn Belt's total system energy requirements and peak demand are projected to grow at average annual compound rates of 1.7 and 0.7 percent, respectively, from 1994 through 2009. These projections of slow, steady growth are driven by agricultural activities including grain, livestock and poultry operations.

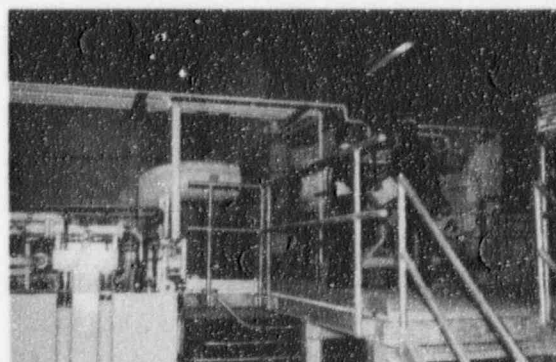
For many of Corn Belt's members, large industries have begun to make a growing impact on system loads.

An image study conducted by Corn Belt for its member cooperatives looked at satisfaction levels of the people served by the RECs. Ninety-six

percent of the members surveyed from participating co-ops said their expectations were met or exceeded when they received service from their REC within the past two years. Dr. Dennis Hein, director of NRECA Market Research, the firm that conducted the image survey in April, commented, "This is as strong a satisfaction and service number at the G&T level that I have seen. They are saying 'I like your service. I think it's outstanding.' "

An integrated resource plan was begun near the end of 1996 with preliminary results anticipated in March of 1997. Required by the Western Area Power Administration, the IRP will determine the best method of supplying energy and capacity needs for customers. Included will be consideration of traditional resource options, demand side management programs, renewables and means for dealing with environmental externalities.

An end use survey was developed late in the year, with results expected in early 1997. The study will supply information about use of water heaters and heating and cooling systems and will identify future sales opportunities.



*Corn Belt Power sold a record number of kilowatt-hours of electricity in 1996, due most notably to the addition and expansion of commercial and industrial loads. The cooperative is preparing for expansion of two large loads, Farmland Industries, Vincent, a member of Wright County REC, and the Enron/Northern Natural Gas pumping station, pictured above, located on Midland Power Cooperative lines.*

## Marketing

Marketing programs at Corn Belt continued to promote electric heating and cooling and electric water heating to boost sales. During 1996, the Power Olympics programs helped in the sale of 948 water heaters, 2,830 kW of new resistance heat and 489 tons of new heat pumps by Corn Belt member systems. Power Olympics is a Corn Belt Power Cooperative systemwide program that encourages goal setting and increased REC employee involvement in marketing and customer service. Glidden REC came out on top in Power Olympics 1996 and was awarded both the top points honor for accumulating 14,606 points and the top percent over 1995 recognition, for achieving 148 percent of its 1995 total. Close behind Glidden were Butler County REC with 14,355 points, Sac County REC with 13,812 points and Iowa Lakes Electric Cooperative with 13,337 points. Combined, all 11 participating co-ops accumulated 119,372 points, an eight percent increase over 1995 totals.

Establishing the framework for energy efficient housing for today and tomorrow, Corn Belt initiated the Model Heat Pump Home program in 1996. With a goal of promoting electric heating and cooling technology using testimonials and first-hand experience, the program allows one model heat pump home to be built in each distribution co-op territory during a three-year time period. The home must be all-electric, have a ground source heat pump and receive a high energy efficiency rating. An open house and availability for home tours are included in the program. Three homes were completed and a fourth was started during the year.

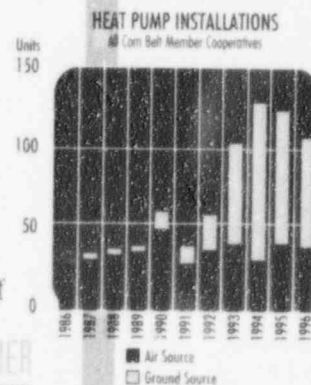
The board approved phase two of the Sales Staff Assistance Program in 1996, extending the first phase of the program to include key accounts activity and development of new services. The purpose of the program is to assist systems in allocating additional

employee staff time to electric sales and economic development. Corn Belt reimburses participating member systems on a staff-hour basis for eligible activities completed by member system employees.

Corn Belt sponsored the 1996 "Momentum is Building" conference along with other members of the Iowa Marketing Group, bringing information about the latest energy efficient technology to contractors from across the state.

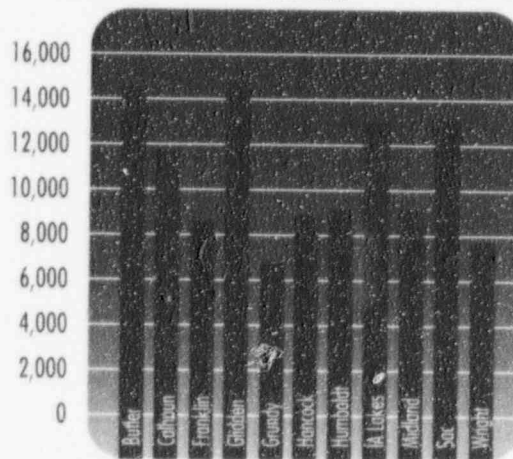


Establishing the framework for energy efficiency for today and tomorrow, Corn Belt developed the Model Heat Pump Home program in 1996. The program allows one model heat pump home to be built in each distribution co-op territory over a three-year time period.



## 1996 POWER OLYMPICS

Total Points





[www.cbpower.com](http://www.cbpower.com)

## Corporate Relations

Corn Belt's Government Relations Committee participated in several legislative activities with both state and federal legislators. Committee members represented the co-op at REC Day on the Hill at the State Capitol, at NRECA's Legislative Rally in Washington in May and at individual Legislative Nights at locations throughout North Central Iowa after the elections in November.

A newly-developed home page on the World Wide Web now communicates information about Corn Belt to audiences around the world. The site, which can be accessed at the address [www.cbpower.com](http://www.cbpower.com), is packed with information about Corn Belt Power, its members, its economic development programs and energy efficiency. The Corn Belt Power Cooperative home page is an active channel for providing information to REC member systems and municipal utilities, legislators, potential new businesses and the general public.

## Human Resources

Several long-time employees retired from their positions at Corn Belt in 1996. From Wisdom Station, retirees were: Philip Rath, chief engineer; Ralph Larsen, shift operator; Richard Wittrock, shift operator; and Ronald Potter, machinist/welder. From the Hampton Service Center, William Gleisner, electrical maintenance foreman, retired. Each of these employees worked in excess of 30 years for Corn Belt, with Gleisner recording the longest employee tenure ever with 46 years of service. Robert Cadwallader was hired as plant manager at Wisdom Station.

During the year, the board approved new wearing apparel for employees subject to exposure to electric arcs. Flame resistant coveralls were assigned to employees affected by the Occupational Safety and Health Administration regulation.

Effective Jan. 1, 1996, all assets and accumulated plan benefits of Corn Belt Power's defined benefit pension plan were transferred to the National Rural Electric Cooperative Association Retirement and Security Program.

## Sharing Alliances

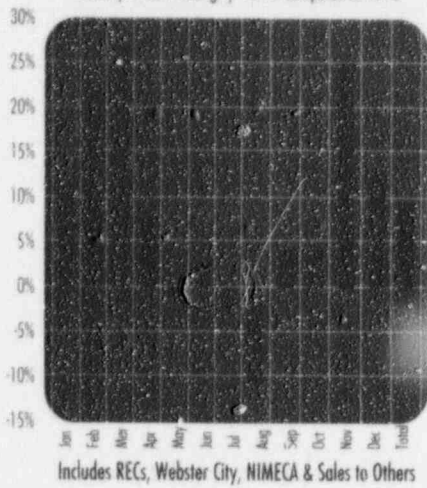
During 1996, the Corn Belt board began a process of reviewing options for future sharing opportunities, including the option of developing a sharing alliance with other utilities. The board began analyzing benefits to the co-op, including financial savings, increased resources and strategic positioning. A consultant was hired to assist Corn Belt with its strategic planning regarding future sharing alliances.



1996 was an important year for new construction of Corn Belt lines and substations, built to strengthen reliability of service to member cooperatives both today and in the years ahead.

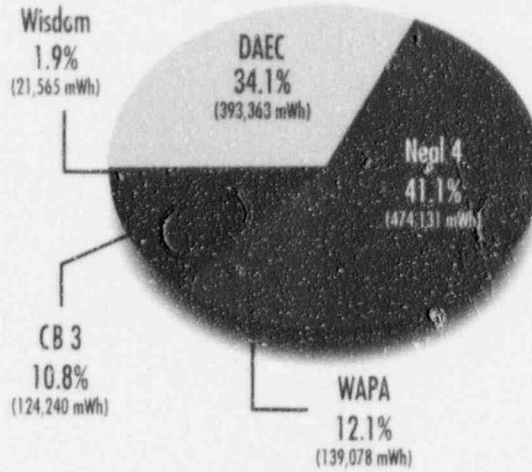
### TOTAL CORN BELT kWh SALES

Monthly Percent Change / 1996 compared to 1995



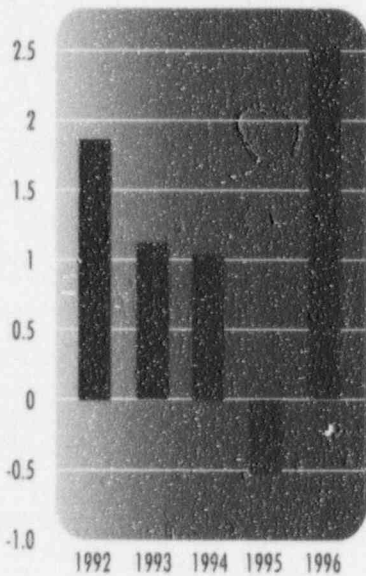
### 1996 GENERATION SUMMARY

represents input from major resources and 100% ownership shares

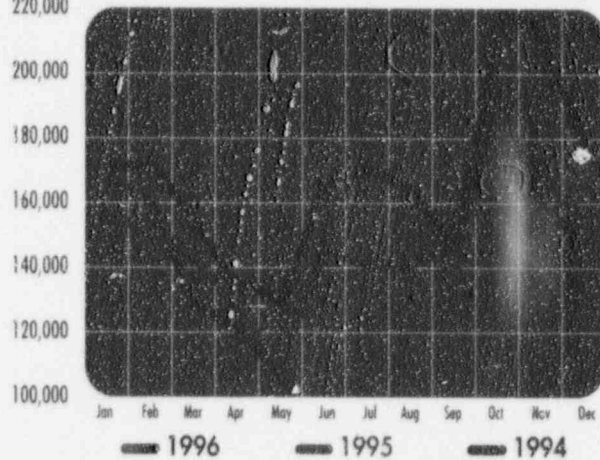


### NET MARGIN

Millions of Dollars



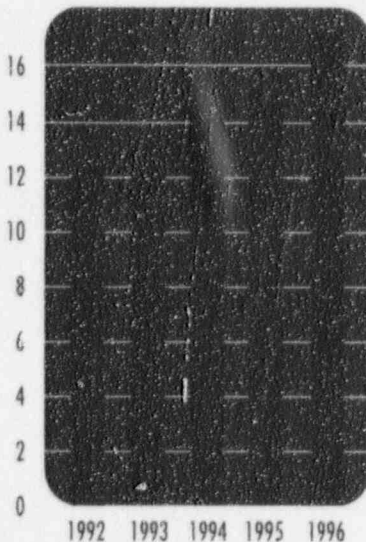
### 60-Minute System Peak



Corn Belt System Peak = RECs + Webster City x 1.06 at time of CBPC/WC 60-minute System Peak

### EQUITY/TOTAL ASSETS

Percentage



### 1996 kWh Billed by Corn Belt Power

	1996 kWh Billed by Corn Belt Power	Miles of Line	# Consumers Served	# of Employees
Boone V.	6,607,002	56.8	116	1
Butler	111,075,462	1,770	4,605	33
Calhoun	30,244,970	769	1,262	11
Franklin	40,324,970	815.6	1,518	13
Glidden	39,164,530	750	1,281	14
Grundy	49,046,793	915	1,808	16
Hancock	47,130,500	921	1,532	12
Humboldt	45,628,093	934	1,533	15
Iowa Lakes	232,080,487	4,604	8,930	63
Midland	107,475,926	2,792	6,440	35
Sac	21,589,933	483	793	11
Wright	101,891,683	1,082.4	2,010	18

**BALANCE SHEETS**

December 31, 1996 and 1995

**ASSETS**

	<u>1996</u>	<u>1995</u>
<b>ELECTRIC PLANT (Notes 2 and 6):</b>		
In service .....	\$ 206,509,008	\$203,330,265
Less-accumulated depreciation .....	<u>116,349,862</u>	<u>109,217,282</u>
	90,159,146	94,112,983
Construction work in progress .....	906,588	1,941,721
Nuclear fuel, net of amortization (Note 2) .....	<u>4,803,751</u>	<u>5,052,991</u>
	<u>95,869,485</u>	<u>101,107,695</u>
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Nonutility property .....	343,766	380,070
Investment in the National Rural Utilities Cooperative Finance Corporation (Note 2) .....	2,515,343	2,515,525
Land held for future use (Note 8) .....	2,963,060	1,585,350
Decommissioning fund (Note 2) .....	11,457,176	9,716,390
Other investments and receivables (Notes 2 and 10) .....	<u>6,263,203</u>	<u>6,558,196</u>
	<u>23,542,548</u>	<u>20,755,531</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 2) .....	6,400,701	7,477,797
Short-term investments (Note 2) .....	0	1,519,253
Member accounts receivable .....	3,688,298	3,859,867
Other receivables .....	368,465	195,680
Inventories —		
Fuel, primarily coal, at last-in, first-out cost ....	1,253,028	1,108,683
Materials and supplies, at average cost .....	2,654,819	2,513,751
Prepayments .....	<u>1,027,077</u>	<u>1,032,366</u>
	<u>15,392,388</u>	<u>17,707,397</u>
<b>DEFERRED CHARGES:</b>		
Deferred Department of Energy decommissioning costs (Note 12) .....	1,516,849	1,651,816
Deferred spent nuclear fuel disposal costs (Note 9) .....	240,264	400,440
Deferred refueling costs (Note 2) .....	1,372,185	1,217,289
Unamortized refinancing cost (Note 4) .....	80,616	257,127
Other .....	209,755	1,378,565
	<u>3,419,669</u>	<u>4,905,237</u>
	<u>\$138,224,090</u>	<u>\$144,475,860</u>

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



# BALANCE SHEETS

December 31, 1996 and 1995

## MEMBERSHIP CAPITAL AND LIABILITIES

	1996	1995
<b>MEMBERSHIP CAPITAL:</b>		
Memberships, at \$100 per membership .....	\$ 1,400	\$ 1,400
Deferred patronage dividends, per accompanying statements (payment restricted as indicated in Note 3) .....	7,857,518	7,347,255
Other equities, per accompanying statements .....	14,629,256	13,052,120
Unrealized gain in market value of investments (Note 2) .....	642,900	445,627
	<u>23,131,074</u>	<u>20,846,402</u>
<b>LONG-TERM DEBT (Note 4):</b>		
Rural Utilities Service .....	36,995,046	39,073,088
Federal Financing Bank .....	65,135,398	67,655,363
Capital lease obligations (Note 2) .....	3,554,333	4,383,957
Pollution control revenue bonds .....	2,320,000	2,470,000
	<u>108,004,777</u>	<u>113,582,408</u>
Less — Current maturities of long-term debt .....	5,297,862	5,092,058
	<u>102,706,915</u>	<u>108,490,350</u>
<b>OTHER LONG-TERM LIABILITIES:</b>		
Deferred Department of Energy decommissioning costs (Note 12) .....	1,296,054	1,436,710
Deferred compensation .....	105,269	148,763
Other .....	191,100	1,331,143
	<u>1,592,423</u>	<u>2,916,616</u>
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt .....	5,297,862	5,092,058
Accounts payable .....	2,742,895	3,022,528
Accrued property and other taxes .....	2,212,279	2,274,244
Accrued interest and other .....	540,642	1,833,662
	<u>10,793,678</u>	<u>12,222,492</u>
	<u>\$ 138,224,090</u>	<u>\$144,475,860</u>

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

# STATEMENTS OF REVENUES AND EXPENSES

For the Years Ended December 31, 1996 and 1995

	1996	1995
<b>OPERATING REVENUES:</b>		
Sales of electric energy .....	\$ 42,445,125	\$ 41,020,635
Other .....	3,077,584	2,930,329
	45,522,709	43,950,964
<b>OPERATING EXPENSES:</b>		
Operation —		
Steam and other power generation .....	14,852,868	15,228,763
Purchased power, net .....	2,260,981	1,117,882
Transmission .....	1,578,411	1,617,468
Sales .....	722,743	723,149
Administrative and general .....	3,496,488	3,386,082
Maintenance —		
Steam and other power generation .....	3,595,540	3,565,812
Transmission .....	624,176	502,119
General plant .....	19,786	36,773
Depreciation and decommissioning (Note 2) .....	6,968,131	6,607,977
Property and other taxes .....	2,281,030	2,412,392
	36,400,154	35,298,417
Net Operating Revenues .....	9,122,555	8,652,547
<b>INTEREST AND OTHER DEDUCTIONS:</b>		
Interest on long-term debt .....	7,189,255	7,475,567
Other interest (Note 2) .....	809,818	614,302
Interest during construction (Note 2) .....	(134,452)	(131,616)
Provision for impairment of land (Note 8) .....	103,820	2,271,159
Other deductions .....	3,536	1,115
Amortization of reacquired debt (Note 4) .....	176,511	312,491
Amortization of loan expense .....	20,752	21,535
	8,169,240	10,564,553
NET OPERATING MARGIN (DEFICIT) .....	953,315	(1,912,006)
<b>NON-OPERATING MARGIN:</b>		
Interest and dividend income .....	960,629	1,165,070
Other, net .....	604,592	232,568
	1,565,221	1,397,638
NET MARGIN (DEFICIT) .....	\$ 2,518,536	\$ (514,368)

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

# STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1996 and 1995 (Note 2)

	<u>1996</u>	<u>1995</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net margin (deficit) .....	\$ 2,518,536	\$ (514,368)
Adjustments to reconcile net margin (deficit) to cash provided by operations:		
Depreciation and amortization .....	6,165,553	6,113,678
Amortization of nuclear fuel .....	2,273,375	2,167,471
Amortization of deferred refueling costs .....	1,416,108	1,362,141
Amortization of spent nuclear fuel disposal costs .....	160,176	160,176
Amortization of refinancing cost .....	176,511	312,491
Amortization of Department of Energy decommissioning costs .....	115,391	112,020
Provision for impairment of land held for future use .....	103,820	2,271,159
Changes in current assets and liabilities:		
Accounts receivable .....	(1,216)	(346,720)
Inventories .....	(285,413)	(513,694)
Prepayments .....	5,289	(218,676)
Accounts payable .....	(279,633)	416,218
Accrued property and other taxes .....	(61,965)	(80,273)
Accrued interest and other liabilities .....	(1,295,965)	(71,692)
Payment to Department of Energy for decommissioning .....	(236,531)	(114,513)
Other .....	(14,727)	(93,732)
Net cash provided by operating activities .....	<u>10,759,309</u>	<u>10,961,686</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of long-term debt .....	(5,577,631)	(4,689,404)
Deferred patronage dividends paid .....	(489,737)	(470,000)
Cash provided from CTS fund (Note 10) .....	86,128	2,040,661
Net cash used in financing activities .....	<u>(5,981,240)</u>	<u>(3,118,743)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to electric plant, net .....	(1,313,731)	(1,905,955)
Additions to nuclear fuel .....	(2,024,135)	(384,481)
Change in deferred refueling costs .....	(1,571,004)	(2,267,648)
Sale of non-utility plant .....	36,304	42,061
Purchase of land held for future use .....	(1,481,530)	0
Additions to decommissioning fund .....	(1,543,513)	(1,411,719)
Change in other investments .....	2,042,444	(1,368,342)
Net cash used in investing activities .....	<u>(5,855,165)</u>	<u>(7,296,084)</u>
Net increase (decrease) in cash and cash equivalents .....	(1,077,096)	546,859
<b>CASH AND CASH EQUIVALENTS AT:</b>		
Beginning of year .....	7,477,797	6,930,938
End of year .....	<u>\$ 6,400,701</u>	<u>\$ 7,477,797</u>

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

# STATEMENTS OF DEFERRED PATRONAGE DIVIDENDS AND OTHER EQUITIES

For the Years Ended December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>	
<b>DEFERRED PATRONAGE DIVIDENDS:</b>			
Balance assigned beginning of year .....	\$ 7,347,255	\$ 7,067,255	
Net margin (deficit) .....	2,518,536	(514,368)	
Revenue deferred patronage dividends .....	58,600	32,400	
	<u>9,924,391</u>	<u>6,585,287</u>	
Patronage dividends paid .....	(489,737)	(470,000)	
Appropriation of margin —			
Reserve for contingent losses .....	(1,327,136)	1,481,968	
Statutory surplus .....	(250,000)	(250,000)	
Balance assigned end of year .....	<u>\$ 7,857,518</u>	<u>\$ 7,347,255</u>	
<b>OTHER EQUITIES:</b>			
(Appropriated Margins)			
	<b>Statutory Surplus</b>	<b>Reserve for Contingent Losses</b>	<b>Total</b>
Balance December 31, 1994 .....	\$ 3,099,484	\$ 11,184,604	\$ 14,284,088
Appropriation of margin .....	250,000	(1,481,968)	(1,231,968)
Balance December 31, 1995 .....	3,349,484	9,702,636	13,052,120
Appropriation of margin .....	250,000	1,327,136	1,577,136
Balance December 31, 1996 .....	<u>\$ 3,599,484</u>	<u>\$ 11,029,772</u>	<u>\$ 14,629,256</u>

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

# NOTES TO FINANCIAL STATEMENTS

December 31, 1996 and 1995

## NOTE (1) ORGANIZATION:

Corn Belt Power Cooperative (the Cooperative) is a Rural Utilities Service (RUS) financed generation and transmission cooperative created and owned by 12 distribution cooperatives and one municipal cooperative association. Electricity supplied by the Cooperative serves farms, small towns and commercial and industrial businesses across 27 counties in north central Iowa.

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

## NOTE (2) SIGNIFICANT ACCOUNTING POLICIES:

The Cooperative maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the RUS. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies are:

### A. Electric Plant —

Electric plant is stated at original cost which includes payroll and related benefits, sales and use taxes, property taxes and interest during the period of construction.

Costs in connection with repairs of properties and replacement of items less than a unit of property are charged to maintenance expense. Additions to and replacements of units of property are charged to electric plant accounts.

### B. Depreciation and Decommissioning —

Depreciation is provided using straight-line methods and RUS-prescribed lives. These provisions, excluding nuclear facilities, were equivalent to a composite depreciation rate on gross plant of 2.72% and 2.76% for 1996 and 1995, respectively.

Under a joint-ownership agreement, the Cooperative has a 10% undivided interest in the Duane Arnold Energy Center (DAEC), a nuclear-fueled generating station, which was placed in service in 1974. The Cooperative is depreciating its interest in the DAEC and each year's property additions subsequent to 1984 on a straight-line basis over the remaining term of the initial Nuclear Regulatory Commission license for DAEC (2014). The composite depreciation rate on gross plant for DAEC was 3.34% and 3.30% for 1996 and 1995, respectively.

A Nuclear Regulatory Commission estimate of the decommissioning costs of DAEC was updated in 1996. This report estimated the Cooperative's share of the decommissioning costs of DAEC to be approximately \$39,950,000 (in 1996 dollars). The Cooperative is providing for overall nuclear decommissioning costs using a funding method which assumes a 5% rate of inflation and 3% real rate of return. The method is designed to accumulate a decommissioning reserve sufficient to cover the Cooperative's share of decommissioning costs by the year 2014.

Decommissioning costs are included in depreciation and decommissioning expense, in the Statements of Revenue and Expenses. Such costs were \$1,051,066 and \$785,851, for 1996 and 1995, respectively.

# NOTES TO FINANCIAL STATEMENTS

December 31, 1996 and 1995

The total decommissioning funds accumulated at December 31, 1996, were \$11,457,176, of which \$6,849,490 has been placed in a fund legally restricted for use in decommissioning DAEC. The remaining \$4,607,686, while not legally restricted, has been designated by the Cooperative for use in decommissioning DAEC. The interest component shown as other interest was \$809,818 and \$614,302 for 1996 and 1995, respectively.

## C. Nuclear Fuel —

The cost of nuclear fuel is amortized to steam and other power generation expenses based on the quantity of heat produced for the generation of electric energy. Such amortization was \$2,273,375 and \$2,167,471 for 1996 and 1995, respectively.

## D. Deferred Refueling Costs —

The Cooperative defers 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 \$1,416,108 and \$1,362,141 for 1996 and 1995, respectively.

## E. Interest During Construction —

Interest during construction represents the cost of funds used for construction and nuclear fuel refinement. The average rate was 5.7% and 6.7% for 1996 and 1995, respectively, and is based on the Cooperative's levels and costs of financing.

## F. Capital Lease —

The Cooperative has a long-term lease agreement with the City of Webster City (Webster City) under which Webster City has agreed to provide certain generation and transmission facilities to the Cooperative. In return, the Cooperative will pay a minimum charge which approximates the debt service on these facilities. The Cooperative has capitalized this lease and reflected it in electric plant and has reflected the related obligation as a capital lease obligation.

## G. Income Taxes —

The Cooperative is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code.

## H. Statements of Cash Flows —

For the purpose of reporting cash flows, the Cooperative considers temporary cash investments purchased with a maturity of three months or less to be cash equivalents. Cash paid for interest, net of interest capitalized, was \$8,413,429 and \$7,425,011 for 1996 and 1995, respectively.

# NOTES TO FINANCIAL STATEMENTS

December 31, 1996 and 1995

## I. Cash and Investments —

The Cooperative has cash and investments in the following:

	<u>1996</u>	<u>1995</u>
Obligations of the U.S. government and its agencies	\$ 7,295,513	\$ 7,658,264
Corporate bonds	646,660	1,166,245
Common and preferred stock	3,528,021	2,952,749
National Rural Utilities Cooperative Finance Corporation commercial paper	6,104,831	6,797,554
Cash and CDs deposited with federally insured financial institutions	302,350	721,094
Funds held in trust invested primarily with Iowa Public Agency Investment Trust	3,485,644	3,393,656
Economic development investments	2,674,865	2,444,333
Other investments	83,196	137,741
	<u>\$24,121,080</u>	<u>\$ 25,271,636</u>

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

Decommissioning fund	\$ 11,457,176	\$ 9,716,390
Other investments and receivables	6,263,203	6,558,196
Cash and cash equivalents	6,400,701	7,477,797
Short-term investments	0	1,519,253
	<u>\$24,121,080</u>	<u>\$ 25,271,636</u>

The above amounts include \$2,873,829 and \$4,283,659 at December 31, 1996 and 1995, respectively, which must be used to fund construction of electric plant.

The carrying amounts of cash and cash equivalents and short-term investments of \$6,400,701 and \$8,997,050 at December 31, 1996 and 1995, respectively, approximate the fair value because of the short maturity of these investments. The Cooperative's decommissioning fund investments, which include marketable debt and equity securities, are reported at fair value with unrealized gains and losses reported as a net amount in a separate component of membership capital until realized.

The fair value of the Cooperative's other investments and receivables are based on quoted market prices for those or similar investments, where available. The fair value and carrying costs of these investments are as follows:

	<u>1996</u>	<u>1995</u>
Other investments carrying value	\$ 2,977,793	\$ 3,437,669
Other investments fair value	\$ 2,977,862	\$ 3,449,576

# NOTES TO FINANCIAL STATEMENTS

December 31, 1996 and 1995

For other investments and receivables of \$3,285,410 and \$3,120,527 at December 31, 1996 and 1995, respectively, for which there were no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. These investments include \$1,000,000 invested in the preferred stock of the Iowa Capital Corporation (ICC).

The ICC is a for-profit corporation established for the purpose of advancing economic development in the state of Iowa. After payment of operating costs and certain reserves, the net proceeds of ICC will be paid to the preferred stockholders, including the Cooperative, until the preferred stock investment plus a 15% cumulative return has been returned. After which, any remaining proceeds will be split 2/3 to the preferred stockholders and 1/3 to the common stockholders (the state of Iowa).

The Cooperative has an investment of \$2,515,343 and \$2,515,525, at December 31, 1996 and 1995, respectively, with the National Rural Utilities Cooperative Finance Corporation (CFC). This investment is required in order to allow the Cooperative to borrow funds from CFC. The investment earns interest of 5% on \$2,195,507 which matures between 2070 and 2080 and 3% on \$319,289 which matures between 2007 and 2025.

## NOTE (3) DEFERRED PATRONAGE DIVIDENDS AND OTHER EQUITIES:

In accordance with the Iowa Code, the Board of Directors is required to allocate a portion of the current year's net margin to statutory surplus until the statutory surplus equals 30% of total equity. No additions can be made to statutory surplus whenever it exceeds 50% of total equity. The Board of Directors appropriated \$250,000 of both the 1996 and 1995 net margins 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 \$1,327,136 of the 1996 net margin to reserve for contingent losses. In 1995, the Cooperative used \$1,481,968 of the reserve for contingent losses for the impairment of the land held for future use (see Note 8). 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 1996 net margin and \$750,000 of the 1995 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 RUS and the CFC unless the remaining equity meets certain tests. The Cooperative does not meet these tests at December 31, 1996. However, the Cooperative received permission and retired \$297,255 of the 1984 and \$192,482 of the 1985 patronage dividends during 1996. During 1995, \$250,000 of the 1982 and \$220,000 of the 1984 patronage dividends were retired.



# NOTES TO FINANCIAL STATEMENTS

December 31, 1996 and 1995

## NOTE (4) LONG-TERM DEBT:

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

	<u>1996</u>	<u>1995</u>
Mortgage notes due in quarterly installments:		
RUS 2%, due 1997-2008	\$ 12,225,255	\$ 13,384,941
RUS 5%, due 1997-2019	24,769,791	25,688,148
FFB 5.5%-11.8%, due 1997-2019	<u>65,135,398</u>	<u>67,655,362</u>
	<u>102,130,444</u>	<u>106,728,451</u>
Capital lease obligations —		
Webster City revenue bonds		
5.6%-7.5%, due 1997-2002	<u>3,554,333</u>	<u>4,383,957</u>
Pollution control revenue bonds —		
5.8%-6.125%, due 1997-2007	<u>2,320,000</u>	<u>2,470,000</u>
	<u>\$108,004,777</u>	<u>\$113,582,408</u>

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

<u>Year</u>	<u>Maturity</u>
1997 .....	\$ 5,297,862
1998 .....	5,080,561
1999 .....	5,366,319
2000 .....	5,550,459
2001 .....	5,882,890

In connection with the mortgage notes, the Cooperative had available at December 31, 1996, \$3,882,000 from CFC to meet future borrowing needs. The Cooperative had available at December 31, 1996, an unused \$12,000,000 line of credit with CFC of which \$1,000,000 is available only in the event of a nuclear incident.

Based on the borrowing rates currently available to the Cooperative for debt with similar terms and maturities, the fair value of the long-term debt was \$114,690,129 and \$119,244,019, at December 31, 1996 and 1995, respectively.

## NOTE (5) CONSTRUCTION COMMITMENTS:

Total construction expenditures for 1997, including expenditures for the jointly-owned units, are estimated to be \$10,932,490, of which \$2,361,370 is for the purchase of nuclear fuel at DAEC.



# NOTES TO FINANCIAL STATEMENTS

December 31, 1996 and 1995

## NOTE (6) JOINT PLANT OWNERSHIP:

Under joint-ownership agreements with other Iowa utilities, the Cooperative had undivided interests at December 31, 1996 in three electric generating units as shown below:

	Neal #4	Council Bluffs #3	DAEC
Total electric plant .....	\$ 44,758,127	\$ 14,187,779	\$ 66,940,601
Accumulated depreciation .....	\$ 23,706,436	\$ 6,817,536	\$ 28,256,475
Unit accredited capacity (mW) ....	624	675	530
Cooperative's share (%) .....	11.3%	3.8%	10.0%

Each participant provided its own financing for its share of the unit. The Cooperative's share of direct expenses of the jointly-owned units is included in the operating and maintenance expenses on the Statements of Revenues and Expenses.

During 1991, the Cooperative, one of its members, North Iowa Municipal Electric Cooperative Association (NIMECA), and the City of Grundy Center (the City), a NIMECA member, entered into a long-term lease agreement for the use by the City of two megawatts of the Cooperative's capacity in the Neal #4 generation facilities. The Cooperative will continue to act as the Neal #4 partner on behalf of the City. The above plant statistics have been reduced to reflect the agreement.

## NOTE (7) BENEFIT PLANS:

Effective January 1, 1996, all assets and accumulated plan benefits of the Cooperative's deposit administration defined benefit plan, covering substantially all employees, were transferred to the National Rural Electric Cooperative Association (NRECA) Retirement & Security Program (the Program). The Program is a defined benefit pension plan qualified under Section 401 and tax exempt under Section 501 (a) of the Internal Revenue Code. Upon transfer to the Program, the Cooperative's accumulated plan benefits exceeded plan assets by \$402,695. A moratorium in effect from January 1, 1996 was lifted during 1996 and the past service cost was paid to the Program in 1997. Additionally, in 1996 the Cooperative recorded a total current period service cost to the Program of \$469,262. In this multi-employer plan, which is available to all NRECA member cooperatives, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The pension expense recorded by the Cooperative in 1995 was equal to its funding contribution of \$368,712. The Cooperative also provides a 401 (k) plan, available to all employees with the Cooperative matching 25% of the employees' contributions up to 4% of the employees' wages.

## NOTE (8) LAND HELD FOR FUTURE USE:

Allied Power Cooperative of Iowa (Allied) was organized to build a generation plant and related transmission facilities to provide for future power needs. Until 1996, the Cooperative was a 50% participant in Allied. During 1995, the Cooperative concluded the carrying value of the investment did not approximate market value and recorded a non-cash charge of \$2,271,159. The charge was recorded as an impairment of land held for future use in the Statements of Revenues and Expenses and this portion of the Cooperative's 1995 margin was applied against the reserve for contingent losses. During 1996, the Cooperative purchased the remaining 50% of the Allied land for \$1,481,530. The book value of the previously-owned 50% of Allied was in excess of the purchased 50% interest. As a result, the Cooperative recorded an impairment of land held for future use of \$103,820 in the Statements of Revenues and Expenses for the year ended December 31, 1996.

# NOTES TO FINANCIAL STATEMENTS

December 31, 1996 and 1995

## NOTE (9) LIABILITY FOR SPENT NUCLEAR FUEL DISPOSAL COSTS:

The Nuclear Waste Disposal Act of 1982 gave approval to the federal government to construct a repository for the nation's civilian spent nuclear fuel. The Act stated that funding for this repository would be provided by assessing nuclear generating unit owners a one-time fee for spent nuclear fuel being stored on-site at each nuclear facility in April 1983, and by assessing all future energy generated by nuclear facilities at a rate of 1.0 mill per kilowatt hour. The Cooperative is paying the post-1983 fees on a current basis and such fees are being charged to steam and other power generation expenses. The Cooperative has previously paid the one-time fee and is amortizing it to expense over a 13-year period ending in 1998 which corresponds with the period the Cooperative is recovering these costs in its rates. In both 1996 and 1995, \$160,176 was amortized to steam and other power generation expenses.

## NOTE (10) NIMECA COMBINED TRANSMISSION SYSTEM:

In 1989, the Cooperative and one of its members, NIMECA, entered into a joint transmission agreement which allows several members of NIMECA an individual undivided ownership interest in and access to the Cooperative's transmission system. The Cooperative has a receivable of \$2,872,524 from a trust established by NIMECA for ultimate payment to the Cooperative. These funds can only be used to fund RUS approved transmission projects. The Cooperative will continue to operate and maintain the system. NIMECA members will reimburse the Cooperative for the proportionate share of operating expenses of the system and will contribute proportionately for all future capital additions of the system. The reimbursements of the 1996 and 1995 operating expenses were \$543,401 and \$540,334, respectively, and were recorded as operating revenues. Additionally, the Cooperative and NIMECA entered into a capacity sharing agreement which provides for the sharing of generating resources through at least 2009.

## NOTE (11) CLEAN AIR ACT:

The Clean Air Act (Act), as amended, made significant changes in the nation's clean air laws. The Act's specific amendments to acid deposition control (acid rain) make significant reductions in the amounts of sulfur dioxide and nitrous oxide emissions allowed on an annual basis nationwide. The Cooperative's coal-fired generating stations are in compliance with the standards established by Phase I of the Act and management has begun implementing the program necessary to meet the compliance requirements of Phase II which will be effective in the year 2000.

## NOTE (12) NATIONAL ENERGY POLICY ACT:

The Federal National Energy Policy Act of 1992 requires owners of nuclear power plants to pay a special assessment into a "Uranium Enrichment Decontamination and Decommissioning Fund." The assessment is based upon prior nuclear fuel purchases and for the DAEC averages approximately \$1,417,503 annually through 2007, of which the Cooperative's 10% share is \$141,750. The Cooperative's total assessment of \$1,978,529, which will be recovered in rates, has been recorded as a liability, net of payments, in the balance sheets. This liability, totaling \$1,417,503 on December 31, 1996, has been recorded with a corresponding deferred charge amortized over a 15-year period, beginning in 1992.

# NOTES TO FINANCIAL STATEMENTS

December 31, 1996 and 1995

## NOTE (13) NUCLEAR INSURANCE PROGRAM:

The Cooperative, under the provisions of the Price-Anderson Amendments Act of 1988 (the 1988 Act), has the benefit of \$8.9 billion of public liability coverage. The coverage consists of \$200,000,000 of insurance and \$8.7 billion of potential retroactive assessments from the owners of each commercial nuclear power plant. Under the 1988 Act for losses relating to nuclear accidents in excess of \$200,000,000, each nuclear reactor may be assessed a maximum of \$79,300,000 per nuclear incident, payable in annual installments of not more than \$10,000,000. The Cooperative's assessment on its 10% ownership in DAEC may be up to \$7,930,000 per nuclear incident with a maximum of \$1,000,000 per year. These limits are subject to adjustments for inflation in future years.

Pursuant to provisions in various nuclear insurance policies, the Cooperative could be assessed retroactive premiums in connection with future accidents at a nuclear facility owned by a utility participating in the particular insurance plan. In addition, the Cooperative could be assessed annually \$940,000 related to coverages for excess property damage if the insurer's losses relating to an accident exceed its reserves. While assessment may also be made for losses in certain prior years, the Cooperative is not aware of any losses in such years that it believes are likely to result in an assessment.

In the unlikely event of a catastrophic loss at DAEC, the amount of insurance available may not be adequate to cover property damage, decontamination and premature decommissioning. Uninsured losses, to the extent not recovered through rates, would be borne by the Cooperative and could have a material adverse effect on the Cooperative's financial position and results of operations.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

### TO THE BOARD OF DIRECTORS OF CORN BELT POWER COOPERATIVE:

We have audited the accompanying balance sheets of Corn Belt Power Cooperative (a cooperative association incorporated in Iowa) as of December 31, 1996 and 1995, and the related statements of revenues and expenses, cash flows and deferred patronage dividends and other equities for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

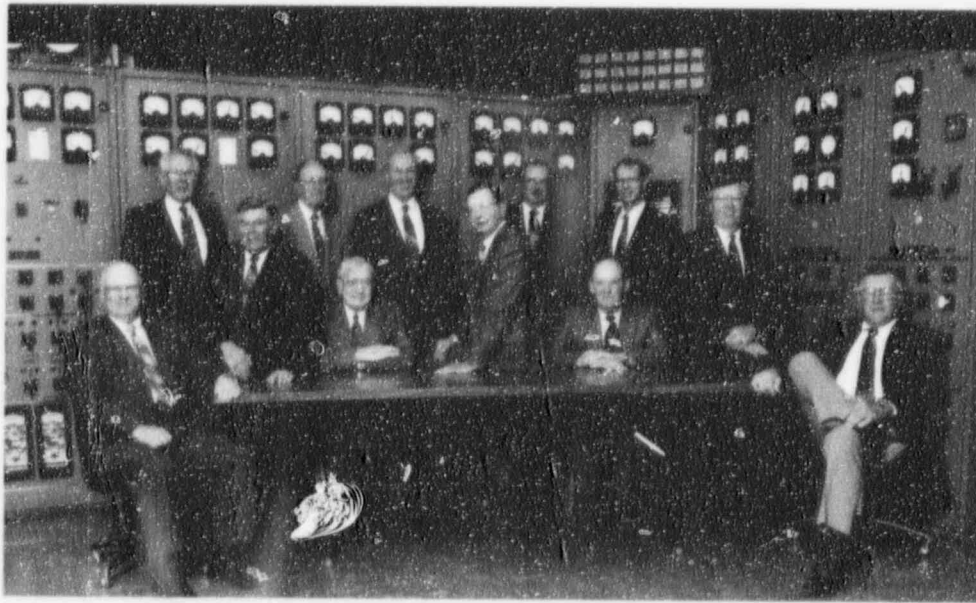
We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corn Belt Power Cooperative as of December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

**ARTHUR ANDERSEN LLP**

Kansas City, Missouri  
February 28, 1997

## 1996 Board of Directors



*(from left to right)*

**Norman Kolbe**  
*Sac County REC*

**Russell Krog**  
*Wright County REC*

**Lawrence Wittry**  
*Glidden REC*

**Eugene Drager**  
**President**  
*Humboldt County REC*

**Roger Rust**  
*Franklin REC*

**Ronald Deiber**  
**Vice President**  
*NIMECA*

**Carrol Boehnke**  
**Treasurer**  
*Hancock County REC*

**Donald McLean**  
*Grundy County REC*

**Donald O'Tool**  
**Assistant Secretary/Treasurer**  
*Calhoun County Electric Cooperative Association*

**Keith Gelder**  
*Midland Power Cooperative*

**Donald Feldman**  
**Secretary**  
*Butler County REC*

**L. Kirby Range**  
*Iowa Lakes Electric Cooperative*



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**Corn Belt Power Cooperative**

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516/332-2571 • www.cbpower.com

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