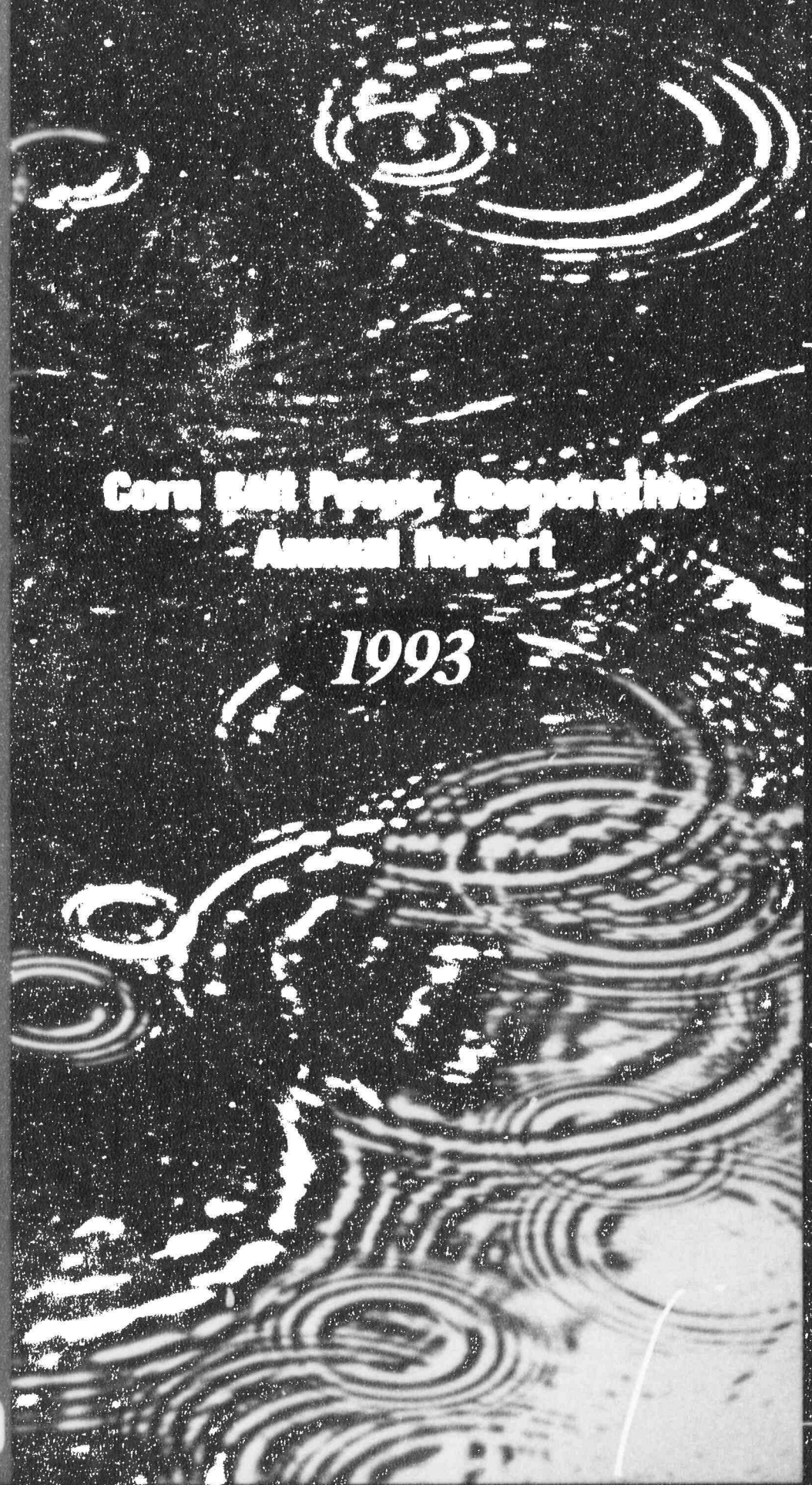


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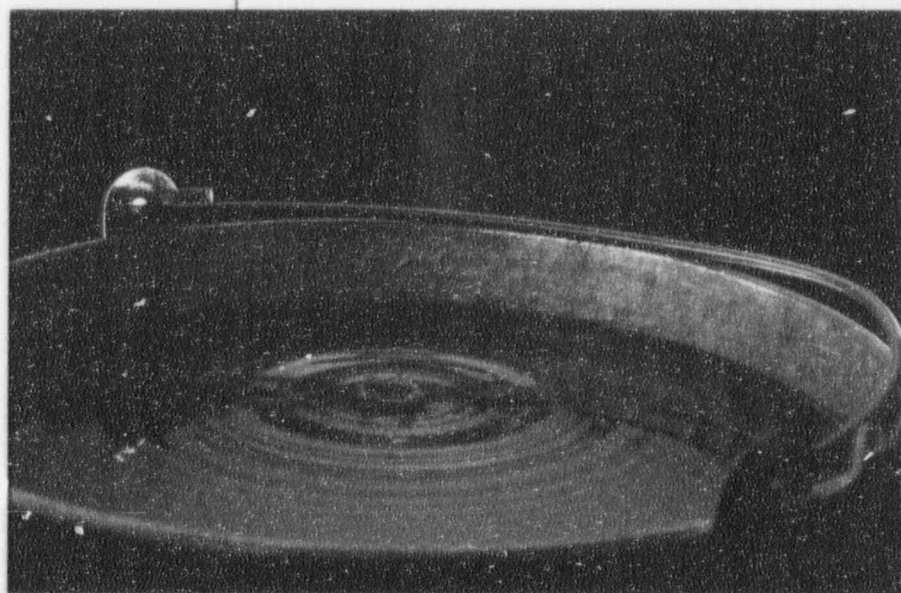
**Corn Belt Peopie Cooperative
Annual Report**

1993

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WATER
was the story in 1993.



The powerful paradox of water. At once, it's a playful puddle, splashing delightfully around a child's bright-colored boot.

Yet again, it can deluge a farmer's tender crops with unrelenting downpours.

Uncontrolled, raging water can cut away at the hardest rock; its floods can devastate a family's home and put a company out of business.

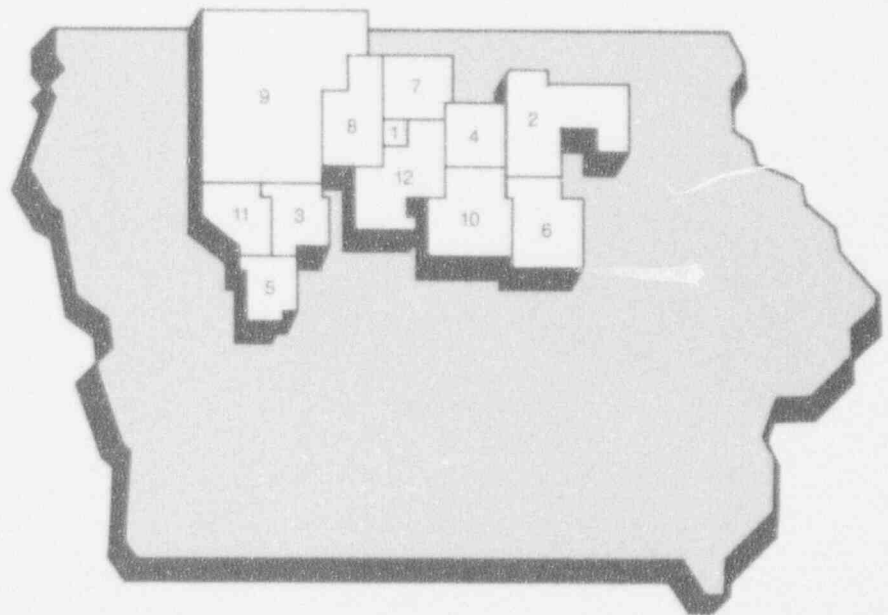
Water is nature's most powerful element. Contained, it can be systematically released to generate electricity. Controlled in a heat pump pipeline, water can transfer heat from the ground and warm a family efficiently and economically through winter's most bitter temperatures.

Corn Belt Power felt the effects of water in 1993 — the wettest year ever recorded in Iowa. Precipitation statewide averaged 48.13 inches, almost 15 inches or 45 percent above normal.

Excessive water both hurt and helped the cooperative. Throughout Corn Belt's system, flooded fields produced less corn to dry, but more basements had sump pumps and dehumidifiers running. Some substations flooded, but because of heavy rains, Missouri River hydroelectric dams refilled after six consecutive years of drought, increasing availability of hydropower.

Both essential to life and powerful enough to take it away, water was indeed the story of 1993. Its paradoxical effects will be remembered for many years to come.

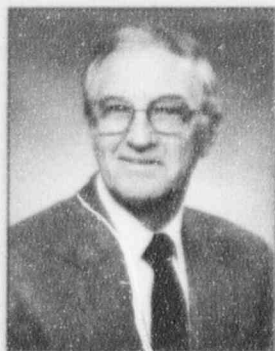
- 1 Boone Valley Electric Cooperative
 - 2 Butler County REC
 - 3 Calhoun County Electric Cooperative Assoc.
 - 4 Franklin REC
 - 5 Glidden REC
 - 6 Grundy County REC
 - 7 Hancock County REC
 - 8 Humboldt County REC
 - 9 Iowa Lakes Electric Cooperative
 - 10 Midland Power Cooperative
 - 11 Sac County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



Corn Belt Power Cooperative, headquartered at 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 across 27 counties in north central Iowa.

Executive Report



Eugene Drager
President of the Board



George W. Toyne
Executive Vice President and
General Manager

“Water, water, everywhere,
Nor any drop to drink.”
— Samuel Taylor Coleridge

These words from long ago were particularly fitting for this past year.

Throughout 1993 — the year of continual downpours, flooded corn fields, and wet basements — Corn Belt Power Cooperative steadfastly maintained its reliable service, supplying electricity to its members despite the unrelenting rain.

“Every cloud has its silver lining.”
— Don Marquis

In spite of the weather (or perhaps to some extent because of it), Corn Belt Power had a good year in terms of both finances and sales. We set an all-time record for energy sales to our member cooperatives, rates were down slightly, we were able to pay a quarter of a million dollars in patronage, and we allocated additional patronage to the members at year end.

As 1993 came to a close, we looked back on the optimism the Corn Belt Power board and management had when making decisions to better the cooperative.

These decisions included strengthening the marketing programs and continuing strong efforts toward economic development. Much of the increase in kilowatt-hour usage can be attributed to success in industrial development efforts. Iowa Area Development Group had another good year in 1993, facilitating 72 projects, 30 of which were for new and existing industries in our area. Representation at economic development trade shows is an important part of the success of IADG's efforts. Distribution cooperatives strengthen their positions by sending representatives to work at the trade shows.

We cannot solely rely on corn drying as a means to increase our load. Industrial development will pick up where corn drying quits. Also, if jobs become available through industrial development, we will get more people to locate on REC lines.

We're interested not just in industrial loads, but the people who follow those loads.

Increase in kilowatt-hour sales can also be attributed to success in Corn Belt's marketing program. The Power Olympics program encourages employees to promote electricity use to members. Points awarded in the Power Olympics program for sales of heating and cooling systems and electric water heaters resulted in an almost 50 percent increase in points from the year before. Over 2,300 kW of new electric heat and over 500 tons of new heat pumps were sold during 1993. Points were also awarded to co-ops for marketing displays and participation in the customer service training.

“It cannot rain but it pours.”
— Jonathan Swift

Some of the increase in sales can be attributed to the use of sump pumps and dehumidifiers, made necessary because of saturated soil, air and basements. Additionally, fans were running on crop dryers much of the time.

Corn Belt Power invests in the Iowa Marketing Group to promote a positive REC image and quality customer service. “Momentum is Building,” the contractors' conference held in Des Moines, was a good example of how the Iowa Marketing Group promotes this message.

Corn Belt is also closely involved with the Iowa Environmental Group. With so many laws changing, we need to clearly understand the system and what we must do to be in tune with the laws.

With new laws and regulations, we are reminded of the importance of continual involvement with our elected officials. We have been taking part in Legislative Day in Des Moines and have been active in the fall get-togethers with our representatives. It takes time and hard work to communicate our viewpoint to lawmakers, but we must diligently continue to do so.

"When the well's dry, we know the worth of water."

— Benjamin Franklin

Six years of drought conditions ended for Western Area Power Administration (WAPA), which supplies Corn Belt with hydropower. WAPA's six Missouri main stem reservoirs refilled due to increased runoff upstream and reduced releases to flooded downstream areas. Asbestos was removed from Corn Belt's Humboldt Station, and a continuous emissions monitoring system was approved for Wisdom Station. A refueling outage was completed at the Duane Arnold Energy Center. A plant precipitator conversion was completed at the Council Bluffs 3 coal-fired plant.

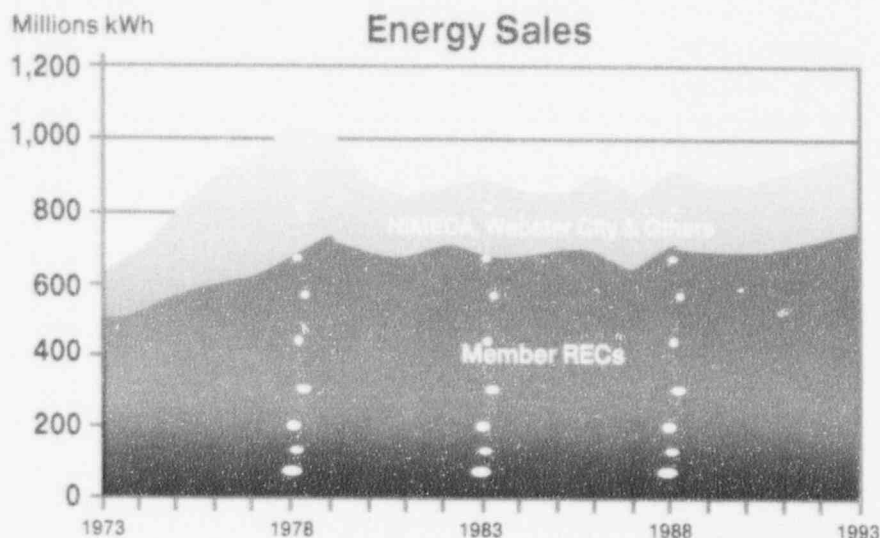
Several substation construction projects were underway during 1993. Rain hampered scheduling of construction work at times, but did not disrupt electric service to Corn Belt Power members. Corn Belt was host to the Midwest Transmission Conference at Okoboji in May.

Internally, our cooperative's Employee Study Committee developed a new wellness program for our employees. The program encourages healthy lifestyles and fitness and also reduces the insurance premiums we pay.

Corn Belt's Building and Grounds Committee completed a detailed review of our headquarters buildings. We are in the process of installing new roofs on the office building and warehouse.

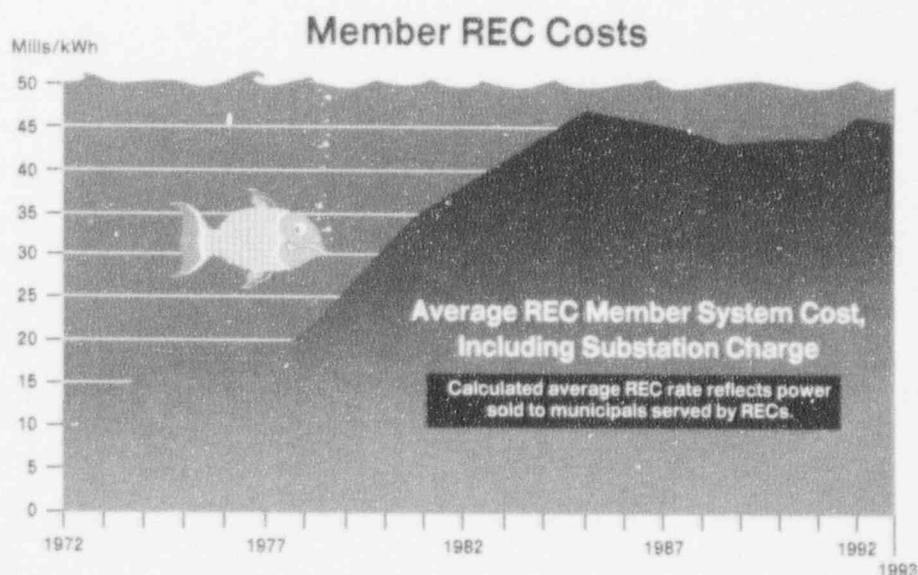
Nineteen-ninety-three also saw a change in board representation from Grundy County REC. After 12 years of service to the Corn Belt board, Paul Robertson retired and was replaced by Donald McLean. Donald Feldman took Robertson's place as secretary and Donald O'Tool became the new assistant secretary/treasurer.

In reviewing our year, we must also credit the Mid-Continent Area Power Pool, Western Area Power Administration, the North Iowa Municipal Electric



Cooperative Association and its members, and all the other interconnected Iowa utilities, especially Midwest Power and Iowa Electric Light and Power Company. We all work together to provide a reliable energy supply and an adequate transmission system in our area. We have worked closely together for several years, to the benefit of all.

We would like to thank the board, its committees, our member systems, and our employees for their commitment to making Corn Belt Power a stable organization of high quality. Together we look positively at new opportunities ahead.



Looking Back

General Manager George Toyne will retire in 1994 after 32 years helping to keep Corn Belt Power Cooperative a step ahead. We asked him to reflect on changes at Corn Belt during his time with the cooperative.

“**T**he Good Old Days” — I have been privileged to have spent many of them with Corn Belt. Since I started in 1962, many people have come and gone. Many projects were started — some completed, some dropped, and some are ongoing.

Things we think of as always being part of Corn Belt were not here in 1962 — including Western Area Power Administration (WAPA) power, computers and cranes.

Other things we consider new were already with us back then — strong marketing programs, insulating for electric heat, and economic development to name a few.

To help with remembering, I have re-read annual reports back to 1962. Some items of interest follow:

1962—We were burning Iowa coal at Humboldt and Wisdom stations. Eight diesel plants were kept in running order. An extensive power use program promoted water heaters, air conditioning and electric heat.

1963—Corn Belt President Robert Cejka’s message focused on promoting industrial development. Corn Belt received its first hydropower and planned for its first 161-kilovolt transmission line.

1965—We marked the first allocation of patronage dividends. North Iowa Municipal Electric Cooperative Association (NIMECA) was formed. We started an updating program for older transmission lines.

1966—A storm on March 22 forced postponement of our annual meeting for the first time ever. The severe weather conditions resulted in over 100 broken poles. To maintain service, a crane was used to hold up a 161-kilovolt structure near Spencer.

1967—The first industries located at the Industrial Park near Spencer. Corn Belt also installed a radio system

integrated with the RECs that year.

1968—We started a common identification program featuring yellow vehicles with REC logo for the Corn Belt area. The program eventually spread statewide and nationwide. Corn Belt agreed to participate in Iowa’s first nuclear plant, Duane Arnold Energy Center, with Iowa Electric and Central Iowa Power Cooperative (CIPCO).

1970—National Rural Utilities Cooperative Finance Corporation (CFC) was started. Corn Belt joined planning for Mid-Continent Area Power Pool (MAPP).

1972—The cooperative marked its 25th anniversary.

1973—An energy squeeze resulted from fuel shortages. Corn Belt signed letters of intent to participate in Council Bluffs 3 and Neal 4 coal-fired plants. Corn Belt also retired the Pocahontas diesel plant.

1974—Duane Arnold Energy Center came on line.

1975—Corn Belt started joint dispatch with Iowa Public Service Company (now Midwest Power). Rail improvements were made near Humboldt Station.

1977—An addition was built onto the Humboldt office and dispatch operations were brought in to the building from Humboldt Station.

1978—The Allied Power project was started to build a new power plant.

1979—Corn Belt started a research project with Iowa State University and Land O’ Lakes to study wind and solar power. Council Bluffs 3 and Neal 4 came on line.

1980—Corn Belt witnessed the first ever decline in sales to RECs. Interest rates were at an all-time high.

1981—Corn Belt’s last diesel plant was retired.

1982—Hampton Service Center was built.

1983—A Christmas blizzard caused havoc in the Corn Belt transmission system.

1984—Corn Belt formed joint marketing committee with CIPCO.

1985—A joint operation with CIPCO was tried. Iowa Area Development Group was formed.

1986—A tornado hit Neal 4 and Wisdom Station, causing extensive damage.

1989—Corn Belt entered into long-term agreements with NIMECA.

1991—A Halloween ice storm downed transmission lines in many parts of Corn Belt's territory, leaving some members without power for days.

These are just a few of the highlights. Some of the things I remember:

- When a computer was a slide rule
- When Christmas parties and annual meetings were held in the warehouse
- When the family farm was much smaller
- Transmission planning with all other utilities in Iowa
- Years and years of load growth
- Years of no load growth
- New environmental regulations
- Drought and floods
- Duane Cummings, Hancock County REC manager, who was there when I started and is still there
- Letter from Dave Hamil, REA administrator, on our 25th anniversary, saying, "Corn Belt has always been a step ahead."

And, in particular, I remember the many, many people along the way who have helped so much in making all these years good ones. Thank you all, and remember to keep Corn Belt a step ahead. I will miss you.



When George Toyne retires from Corn Belt Power Cooperative in 1994, he will have served the cooperative for 32 years, 18 of those as general manager.

Generation

Heavy rainfall was a welcomed sight for Western Area Power Administration (WAPA), which had experienced drought conditions in the Missouri River basin for six of the past seven years, resulting in substantially below normal runoff and reduced hydro-power. Corn Belt Power buys a portion of its power from WAPA. Availability and cost of this power were affected by the drought. WAPA reported that the six Missouri River main stem reservoirs were completely refilled by the end of 1993.

In 1993, at Corn Belt Power's Humboldt Station, asbestos was removed from pipes, vessels and duct work during a project from June through November. A total of 291 tons of asbestos that filled 28 semitrucks was removed from the plant. Corn Belt is investigating several future options for the generating plant, all of which necessitate asbestos removal. Water levels of the Des Moines River, adjacent to Humboldt Station property, equaled the highest level ever recorded.

Installation of a continuous emissions monitoring system (CEM) was approved for Wisdom Station, Spencer. The equipment will record release of sulfur dioxide, nitrous oxides, and carbon dioxide from the plant. Installation of CEM is required to meet the Clean Air Act Amendments of the 1990s. The CEM equipment will generate reports beginning January 1, 1995.

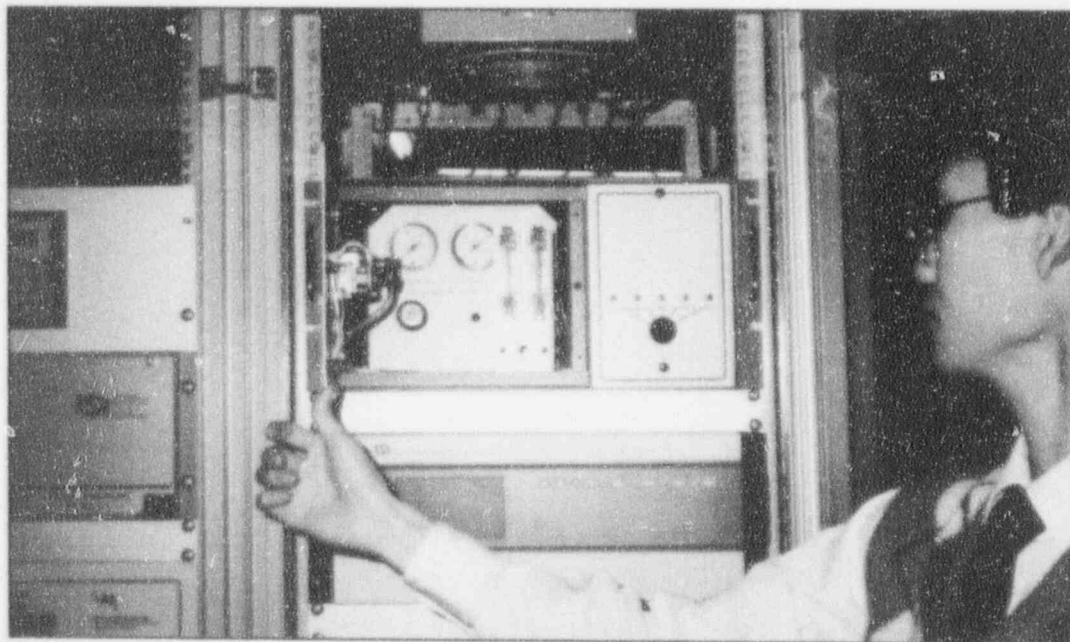
Corn Belt Power's jointly-owned generating plants all operated successfully during the year. Duane Arnold Energy Center, Palo, marked its 20th year of operation, generating 3.4 million megawatt-hours, which was the plant's third best production year. A refueling outage was completed at DAEC in the fall and construction of additional spent fuel storage was begun at the end of the year. Council Bluffs 3 had an 18-week outage in the fall for a plant precipitator conversion and the plant also had its control system replaced. Neal 4, Sioux City, had a normal operating year.

Gavins Point Dam, right, is one of several hydroelectric dams operated by Western Area Power Administration (WAPA) in the Missouri River basin. Reservoirs, which had been depleted by drought for six years, refilled due to increased runoff upstream and reduced releases to flooded downstream areas.

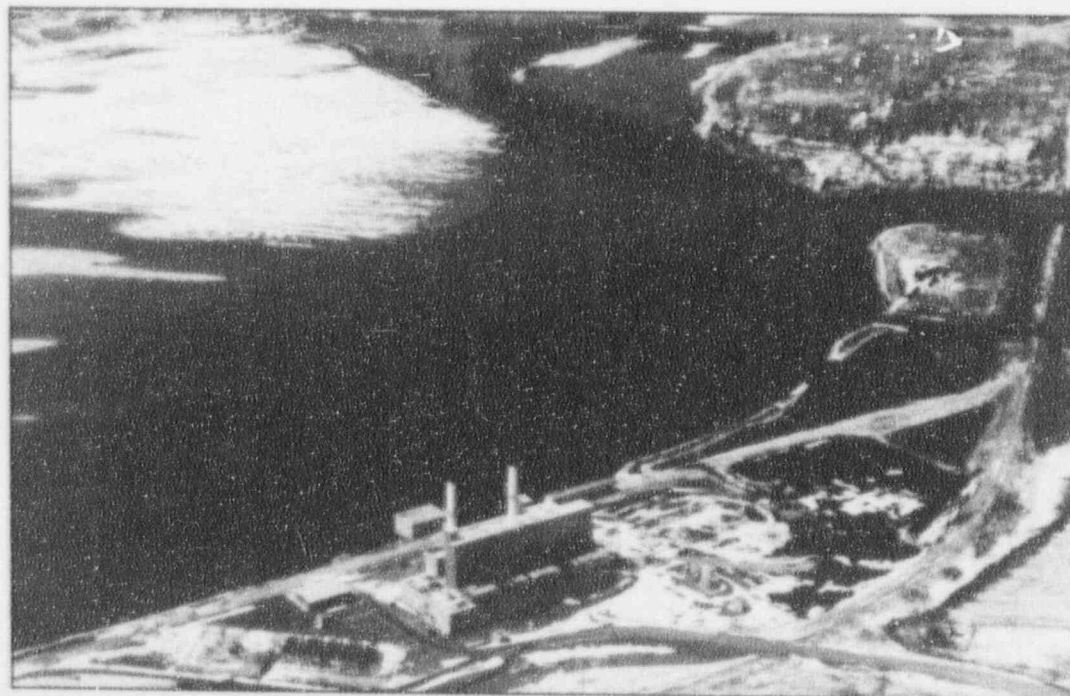




Left, an employee of Enviro Safe Air inspects a pipe during the asbestos removal project at Humboldt Station.



At left, Philip Wong, engineer with Control Solutions, Springfield, Missouri, displays the continuous emissions monitoring equipment being assembled in Missouri for Corn Belt Power's Wisdom Station, Spencer.



Left, the Des Moines River spilled out of its banks and onto neighboring farm ground opposite Corn Belt's Humboldt Station. River levels equaled the highest flooding mark ever recorded. Snow was still on the ground in early April.

Corporate Relations

The second year of the Power Olympics program resulted in sales of electric water heaters and electric heating and cooling systems increasing dramatically. Power Olympics is a Corn Belt system-wide program that encourages goal setting and increased REC employee involvement in marketing and customer service. In 1993, Corn Belt's overall point total was 50 percent higher than the 1992 total. All participating cooperatives were successful in surpassing their 1992 base point total or earning totals above the 1992 Corn Belt average. The lead card program, new to Power Olympics in 1993, brought in almost 500 leads, over 100 of which resulted in installation of electric heating and cooling systems. The 1993 Grand Award was earned by Sac County REC for top percentage increase. Sac County REC and Butler County REC earned Top Points Awards.

A research project with participation of all distribution cooperatives began in 1993 with the installation of electronic demand meters on targeted heating and cooling loads. Approximately 150 meters

were installed to measure kilowatt-hour use and demand characteristics of various types of heat pumps and electric resistance heating systems. The project was developed to analyze costs and revenue in relation to marketing program incentives.

Training projects included sessions connected to the Power Olympics program that emphasized effective communication skills. Corn Belt also hosted a new employee/director orientation for member cooperatives and municipals, covering Corn Belt background, current organization and future plans.

Corn Belt's board approved a new program making matching funds available for member systems to support area and regional promotional development efforts that would expand residential, commercial or industrial electric load.

Corn Belt Power again co-hosted the Mid-Iowa Community Development Conference in March with Iowa State University Cooperative Extension. The conference is designed for small town leaders to share ideas about successful community development programs.

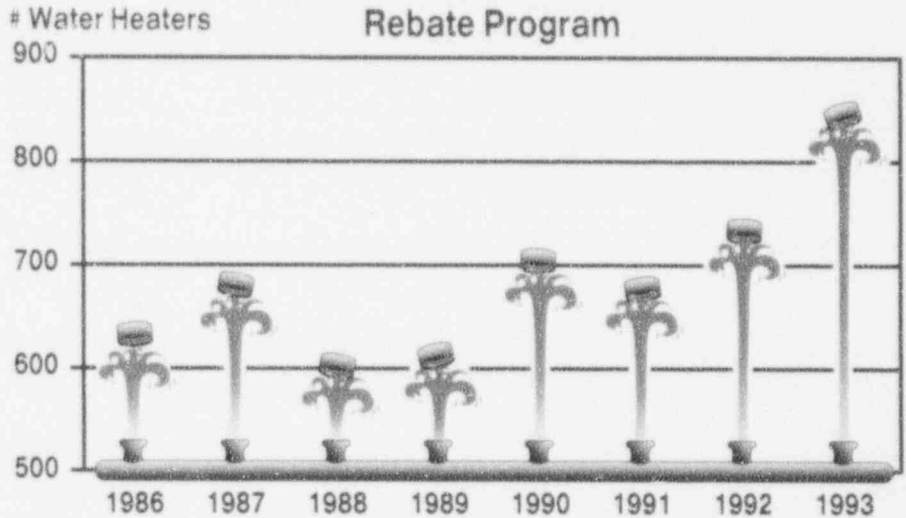
Corn Belt Power Cooperative participated in several trade shows with other cooperatives, including the Farm Progress Show, Iowa State Fair, World Pork Expo and Clay County Fair. At right, Jack Schoon, superintendent of marketing and member services for Iowa Lakes Electric Cooperative, Estberville, explains the advantages of a ground source heat pump to a visitor at the Clay County Fair, Spencer.



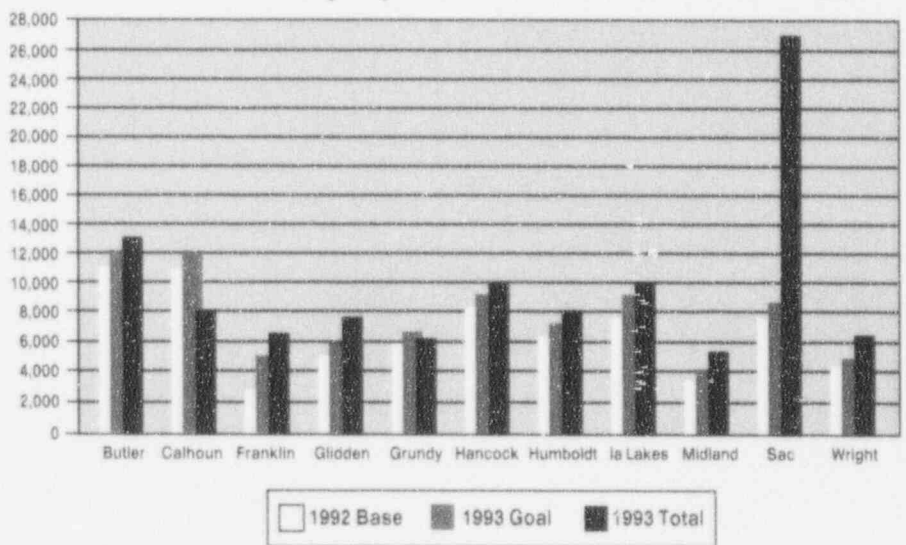
In 1993, Corn Belt began stocking electric water heaters with lifetime tank warranties. The Marketing Advisory Committee also recommended that Corn Belt stock electric water heaters featuring a plastic lining and 10-year warranty.

Corn Belt Power participated in projects with the Public Information Committee of the Iowa Association of Electric Cooperatives, including developing displays for the Farm Progress Show and Iowa State Fair, donating time to the Camp Courageous project, and taping three television spots featuring industries served by RECs. Corn Belt also co-sponsored a booth at the Clay County Fair, Spencer, with Iowa Lakes Electric Cooperative and Northwest Iowa Power Cooperative. Projects with the Iowa Marketing Group included the first "Momentum is Building" contractors' conference, sales training, and a display at the World Pork Expo.

Water Heater Installation Rebate Program



1993 Power Olympics Member-Points for Year



In 1993, *Watts Watt*, the company newsletter, was redesigned. Also, the Corporate Relations Department was reorganized, creating the following positions: manager, corporate relations; marketing director; marketing coordinator; and general services assistant.

Transmission and Substations

Construction of the Melrose Substation and Tap west of Grundy Center was completed in the fall of 1993, adding reliability and additional capacity for Grundy County REC. Initial work on installing a capacitor bank at the Estherville Substation was begun in 1993 as was construction of the Beaver Creek Substation near Aplington. Corn Belt Power crews also worked on converting the 34.5-kilovolt Linn Grove/Marathon/Laurens line formerly owned by Iowa Electric Light and Power Company to a 69-kilovolt line to back up service to the city of Laurens.

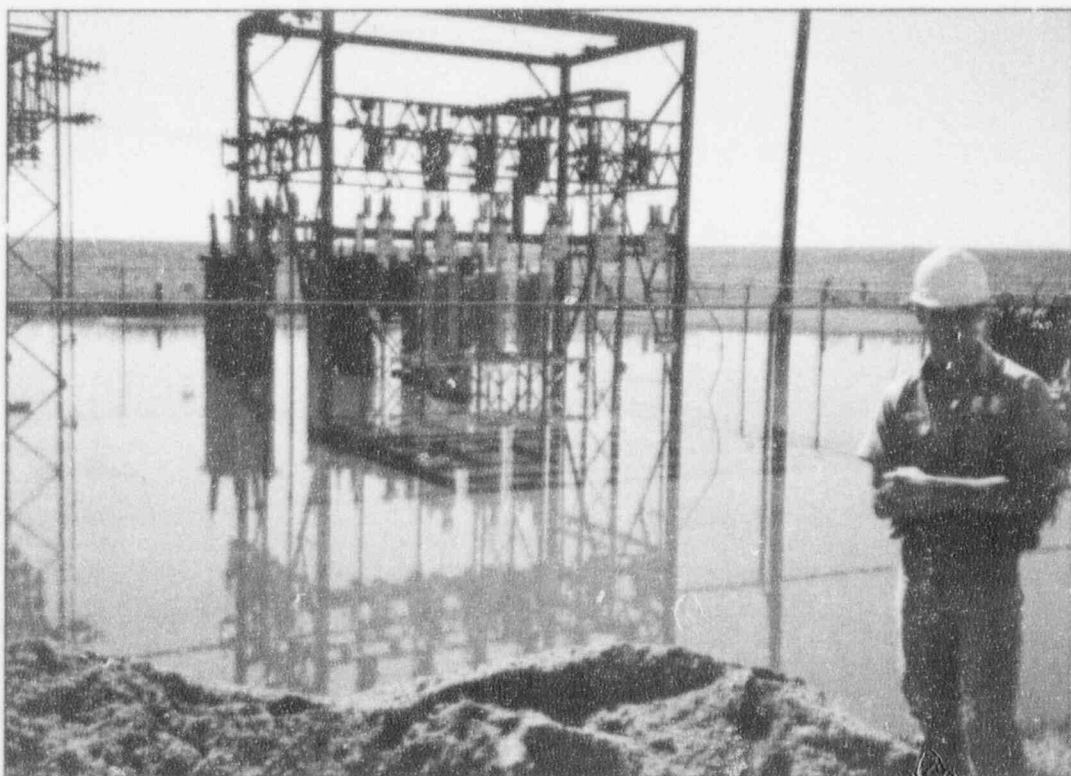
Although the rainy weather hampered work on some of the construction

projects, it did not disrupt electric service to Corn Belt Power members. Some of the distribution substations were flooded at times by excessive rainfall.

General maintenance projects included painting the communications tower at Humboldt headquarters and recycling utility pole crossarms into survey stakes. The cooperative also purchased a new digger derrick and rock truck during the year.

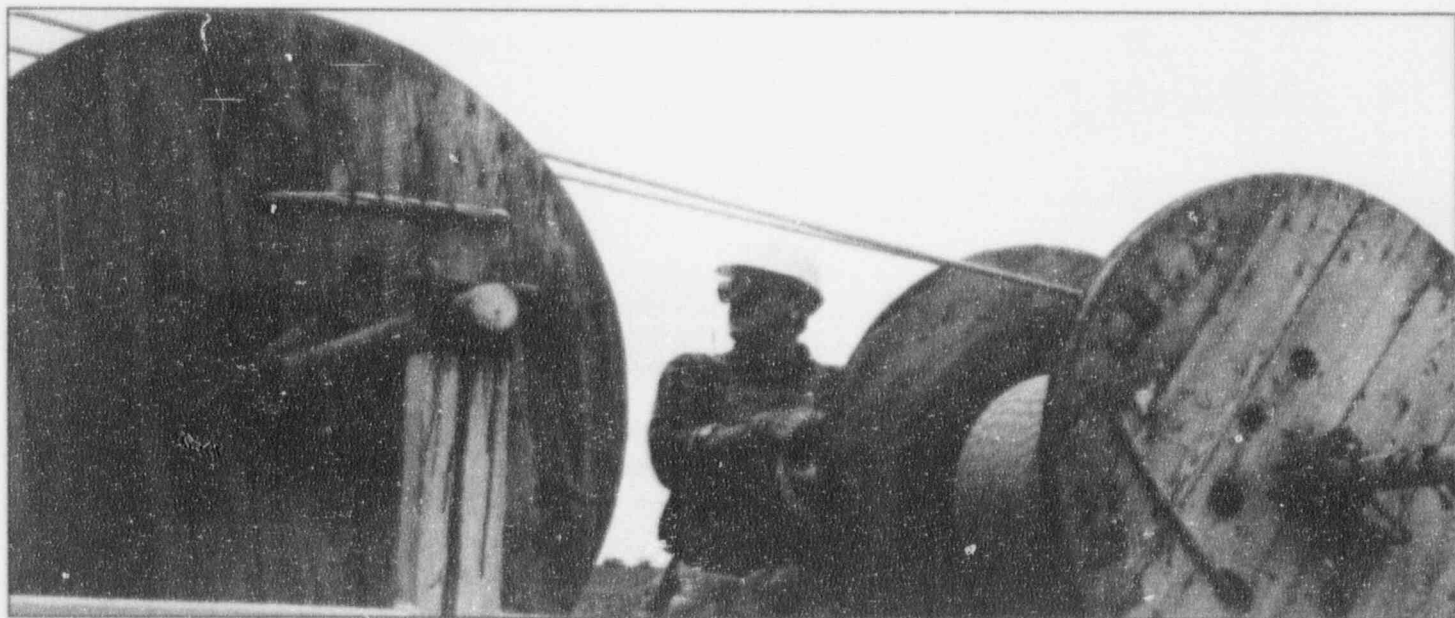
Corn Belt Power served as host for the Midwest Transmission Conference at Okoboji in May. Approximately 70 representatives from generation and transmission cooperatives across the Midwest attended the conference.

Some distribution substations in Corn Belt Power's service area were flooded by excessive rainfall during the year. Doug Vlasman, lineman for Iowa Lakes Electric Cooperative, checks on Ayrshire Substation near Emmetsburg. Photo by Dana Smith, Iowa Lakes Electric Cooperative.





Above, Gary Brinkley, journeyman electrician at Corn Belt Power's Hampton Service Center, changes insulators at the Boone Valley Substation. Left, Jack Bennett, general maintenance foreman, recycles part of a pole crossarm into a survey stake. Below, Kent Paepfer, apprentice lineman, helps string the conductor that will tie in the Melrose Tap to the new Melrose Substation.



Director Retires



**Paul
Robertson**






**Donald
McLean**

Paul Robertson, Reinbeck, Corn Belt Power board representative from Grundy County REC, retired from the board in September after 12 years of service.



Donald McLean, Conrad, was elected to fill Grundy Center REC's position on the board.

Corn Belt Personnel Update

New Employees

-  **Mary Harding**, marketing coordinator—July 1
-  **Patrick Connor**, general plant worker, Wisdom Station—Aug. 19
-  **Eric Tomlinson**, general plant worker, Wisdom Station—Aug. 27









Retired

-  **Alise Sorensen**, chief engineer, Humboldt Station—Aug. 1
-  **Jim Fairchild**, control operator, Wisdom Station—Aug. 16

Service Awards

Each year, Corn Belt Power Cooperative honors its long-term employees by presenting them with special awards.

In 1993, these employees were recognized:

-  **George Jensen**, computer maintenance technician—35 years
-  **Richard Wittrock**, shift operator, Wisdom Station—35 years
-  **Robert Burgett**, system supervisor—30 years
-  **Ronald Potter**, machinist/welder—25 years
-  **Dale Arends**, senior vice president and assistant general manager—20 years
-  **Robert Gress**, journeyman lineman, Emmetsburg Service Center—20 years
-  **Robert Nielsen**, line foreman, Humboldt—20 years
-  **John Ralph**, control operator, Wisdom Station—20 years





At left, a new sign is installed on the front of Corn Belt Power headquarters building that will match the new dark green pitched roof. Construction of the roof began in late 1993.



Renovation of Corn Belt Power Cooperative headquarters building and warehouse began in late 1993 after board approval earlier in the year. A new roof for the warehouse building was installed in November. Construction of a new dark green pitched roof for the headquarters building also began.

A new canopy will be added to the headquarters building at the front entrance, which will feature a windowed cupola. A new canopy will also be extended out from the lounge area.

The Corn Belt Power Cooperative Board of Directors also approved window replacement. The facility will be updated to comply with the Americans with Disabilities Act (ADA), adding wider doors in the rest rooms, recessing and lowering water fountains, and widening the distance between the front entrance doors.

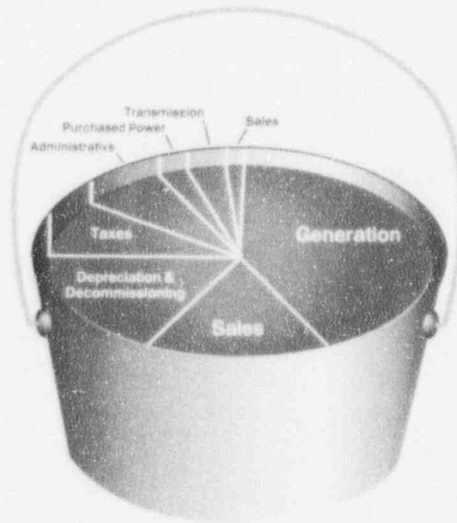
The building's exterior underwent tuckpointing in October, with workers repairing crumbled and cracked mortar and replacing damaged and mismatched brick. A new sign that will match the new roof color was also added to the front of the building.

Left, an employee of Karr Tuckpointing, Vinton, repairs crumbled mortar outside Corn Belt Power's headquarters building.

Heavy rains resulted in roads being flooded several times throughout the year. This van shows how deep the rushing water was that covered Highway 4 south of Emmetsburg for more than half a mile. Photo by Dana Smith, Iowa Lakes Electric Cooperative.



Expenses



| | 1993 | | 1992 | |
|--------------------------------------|----------------------|---------------|----------------------|---------------|
| | Amount | Percent | Amount | Percent |
| Generation | \$ 18,453,608 | 42.43 | \$ 17,008,345 | 40.40 |
| Interest and Loan Expense | 8,960,737 | 20.61 | 9,076,431 | 21.56 |
| Depreciation & Decommissioning | 6,064,995 | 13.95 | 6,189,796 | 14.70 |
| Taxes | 2,548,761 | 5.86 | 2,620,063 | 6.22 |
| Administrative and General | 3,606,981 | 8.29 | 3,516,187 | 8.35 |
| Purchased Power, Net | 1,354,008 | 3.11 | 1,540,493 | 3.66 |
| Transmission | 2,061,153 | 4.74 | 1,815,543 | 4.31 |
| Sales | 439,405 | 1.01 | 335,237 | .80 |
| TOTAL | \$ 43,489,648 | 100.00 | \$ 42,102,095 | 100.00 |

System Data

| Member/Utility | 1993 kWh Billed by Corn Belt | 1993 Revenue to Corn Belt |
|------------------------------------|---------------------------------|------------------------------|
| Boone Valley Electric Co-op..... | 6,013,857 | \$ 274,397 |
| Butler County REC..... | 101,153,689 | 4,798,372 |
| Calhoun County Electric Co-op..... | 30,186,139 | 1,429,688 |
| Franklin REC..... | 38,046,157 | 1,861,105 |
| Glidden REC..... | 37,813,043 | 1,775,955 |
| Grundy County REC..... | 47,515,239 | 2,239,549 |
| Hancock County REC..... | 43,235,154 | 2,060,546 |
| Humboldt County REC..... | 41,982,861 | 1,948,660 |
| Iowa Lakes Electric Co-op..... | 213,405,177 | 9,552,964 |
| Midland Power Cooperative..... | 70,955,061 | 3,315,544 |
| Sac County REC..... | 21,479,802 | 1,008,445 |
| Wright County REC..... | 80,560,087 | 2,905,736 |
| NIMECA..... | 76,379,752 | 2,544,924 |
| Webster City..... | 119,040,363 | 5,703,887 |
| Iowa Electric Light and Power..... | 25,739,000 | 651,136 |
| Midwest Power Systems..... | — | 379,200 |
| TOTAL..... | 953,505,381 | \$42,450,108 |

Load Summary

| Sources of Energy | 1993—kWh | 1992—kWh |
|---|----------------------|--------------------|
| Duane Arnold Energy Center..... | 323,500,899 | 343,214,406 |
| Council Bluffs #3..... | 104,987,000 | 138,570,000 |
| Neal #4..... | 490,722,000 | 445,290,000 |
| Humboldt Station..... | (601,396) | (584,115) |
| Wisdom Station..... | 33,249,000 | 18,809,200 |
| Webster City..... | 397,870 | 259,310 |
| NIMECA/Other..... | 18,665,326 | 38,739,350 |
| Western Area Power Administration..... | 138,584,000 | 139,078,000 |
| Basin Electric Power Cooperative..... | — | 71,560,000 |
| Midwest Power Systems..... | (93,366,000) | (202,862,000) |
| TOTAL SOURCES..... | 1,016,138,699 | 992,074,151 |
| Sales of Energy | | |
| RECs..... | 732,346,266 | 712,487,899 |
| Webster City..... | 119,040,363 | 116,474,666 |
| NIMECA..... | 76,379,752 | 92,635,640 |
| Other Sales..... | 25,739,000 | — |
| TOTAL SALES..... | 953,505,381 | 921,598,205 |
| System Uses..... | 62,633,318 | 70,475,946 |
| TOTAL SALES AND SYSTEM USES..... | 1,016,138,699 | 992,074,151 |

Balance Sheets

December 31, 1993 and 1992

ASSETS

| | 1993 | 1992 |
|---|-----------------------|-----------------------|
| ELECTRIC PLANT (Notes 2 and 6): | | |
| In service | \$ 196,474,599 | \$ 193,997,854 |
| Less accumulated depreciation | 97,372,960 | 91,259,084 |
| | <u>99,101,639</u> | <u>102,738,770</u> |
| Construction work in progress | 3,203,145 | 1,890,596 |
| Nuclear fuel, net of amortization (Note 2) | 7,056,292 | 6,499,917 |
| | <u>109,361,076</u> | <u>111,129,283</u> |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Nonutility property | 422,131 | 422,131 |
| Investment in the National Rural Utilities Cooperative Finance Corporation (Note 2) | 2,515,890 | 2,516,418 |
| Land held for future generating site (Note 8) | 3,856,509 | 3,856,509 |
| Decommissioning fund (Note 2) | 6,742,738 | 5,669,878 |
| Other investments and receivables (Notes 2 and 10) | 7,393,905 | 8,282,058 |
| | <u>20,931,173</u> | <u>20,746,994</u> |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 7,058,223 | 7,948,509 |
| Short-term investments | 2,563,927 | 1,203,207 |
| Member accounts receivable | 3,797,128 | 3,823,826 |
| Other receivables | 242,324 | 359,768 |
| Inventories - | | |
| Fuel, primarily coal, at last-in first-out cost | 1,438,639 | 1,831,013 |
| Materials and supplies, at average cost | 2,004,746 | 1,951,564 |
| Prepayments | 414,381 | 621,175 |
| | <u>17,519,368</u> | <u>17,739,062</u> |
| DEFERRED CHARGES: | | |
| Deferred Department of Energy decommissioning costs (Note 12) | 1,789,147 | 1,845,000 |
| Deferred spent nuclear fuel disposal costs (Note 9) | 720,792 | 880,968 |
| Deferred refueling costs (Note 2) | 1,780,226 | 964,144 |
| Unamortized refinancing cost (Note 4) | 691,777 | 487,960 |
| Other (Note 7) | 1,527,505 | 1,618,142 |
| | <u>6,509,447</u> | <u>5,796,214</u> |
| | <u>\$ 154,321,064</u> | <u>\$ 155,411,553</u> |

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

Balance Sheets

December 31, 1993 and 1992

MEMBERSHIP CAPITAL AND LIABILITIES

| | 1993 | 1992 |
|---|----------------------|----------------------|
| MEMBERSHIP CAPITAL: | | |
| Memberships, at \$100 per membership | \$ 1,400 | \$ 1,400 |
| Deferred patronage dividends, per accompanying statements (payment restricted as indicated in Note 3) | 6,717,255 | 6,367,255 |
| Other equities, per accompanying statements | 13,799,243 | 13,191,158 |
| | <u>20,517,898</u> | <u>19,559,813</u> |
| LONG-TERM DEBT (Note 4): | | |
| Rural Electrification Administration | 43,014,564 | 45,146,498 |
| Federal Financing Bank | 71,330,792 | 72,575,198 |
| Capital lease obligations (Note 2) | 5,918,708 | 6,628,511 |
| Pollution control revenue bonds | 2,735,000 | 2,855,000 |
| | <u>122,999,064</u> | <u>127,205,207</u> |
| Less - Current maturities of long-term debt | 4,740,918 | 4,619,832 |
| | <u>118,258,146</u> | <u>122,585,375</u> |
| OTHER LONG-TERM LIABILITIES: | | |
| Deferred Department of Energy decommissioning costs (Note 12) | 1,615,132 | 1,845,000 |
| Deferred compensation | 237,540 | 297,853 |
| | <u>1,852,672</u> | <u>2,142,853</u> |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | 4,740,918 | 4,619,832 |
| Accounts payable | 3,071,270 | 2,360,091 |
| Accrued property and other taxes | 2,412,044 | 2,455,268 |
| Accrued interest and other | 2,116,716 | 394,894 |
| | <u>12,340,948</u> | <u>9,830,085</u> |
| DEFERRED CREDITS: | | |
| Other (Note 7) | 1,351,400 | 1,293,427 |
| | <u>\$154,321,064</u> | <u>\$155,411,553</u> |

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

Statements of Revenues and Expenses

For the Years Ended December 31, 1993 and 1992

| | 1993 | 1992 |
|--|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Sales of electric energy | \$ 40,435,769 | \$ 40,005,277 |
| Other | 2,794,358 | 2,451,271 |
| | <u>43,230,127</u> | <u>42,456,548</u> |
| OPERATING EXPENSES: | | |
| Operation - | | |
| Steam and other power generation | 14,483,702 | 13,087,895 |
| Purchased power, net | 1,354,008 | 1,540,493 |
| Transmission | 1,520,528 | 1,292,479 |
| Sales | 439,405 | 335,237 |
| Administrative and general | 3,575,792 | 3,491,794 |
| Maintenance - | | |
| Steam and other power generation | 3,969,906 | 3,920,450 |
| Transmission | 540,625 | 523,064 |
| General plant | 31,189 | 24,393 |
| Depreciation and decommissioning (Note 2) | 6,064,995 | 6,189,796 |
| Property and other taxes | 2,548,761 | 2,620,063 |
| | <u>34,528,911</u> | <u>33,025,664</u> |
| Net Operating Revenues | <u>8,701,216</u> | <u>9,430,884</u> |
| INTEREST AND OTHER DEDUCTIONS: | | |
| Interest on long-term debt | 8,316,920 | 8,650,514 |
| Other interest (Note 2) | 496,273 | 516,971 |
| Interest during construction (Note 2) | (264,889) | (373,918) |
| Other deductions | 89,627 | 99,391 |
| Amortization of reacquired debt (Note 4) | 300,680 | 162,279 |
| Amortization of loan expense | 22,126 | 21,194 |
| | <u>8,960,737</u> | <u>9,076,431</u> |
| NET OPERATING MARGIN (DEFICIT) | <u>(259,521)</u> | <u>354,453</u> |
| NON-OPERATING MARGIN: | | |
| Interest income | 1,115,385 | 1,087,813 |
| Other, net | 335,241 | 409,984 |
| | <u>1,450,626</u> | <u>1,497,797</u> |
| NET MARGIN | <u>\$ 1,191,105</u> | <u>\$ 1,852,250</u> |

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

Statements of Cash Flows

For the Years Ended December 31, 1993 and 1992 (Note 2)

| | 1993 | 1992 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net margin | \$ 1,191,105 | \$ 1,852,250 |
| Adjustments to reconcile net margin to cash provided by operations: | | |
| Depreciation and amortization | 5,815,567 | 5,948,960 |
| Amortization of nuclear fuel | 1,578,531 | 1,618,108 |
| Amortization of deferred refueling costs | 1,314,897 | 1,378,502 |
| Amortization of nuclear fuel disposal costs | 160,176 | 160,176 |
| Amortization of refinancing cost | 300,680 | 162,279 |
| Amortization of Department of Energy decommissioning costs | 125,485 | — |
| Changes in current assets and liabilities: | | |
| Accounts receivable | 144,142 | 119,913 |
| Inventories | 339,192 | (33,681) |
| Prepayments | 206,794 | 23,540 |
| Accounts payable | 711,179 | 340,946 |
| Accrued property and other taxes | (43,224) | (51,105) |
| Accrued interest and other liabilities | 1,522,072 | (10,385) |
| Decrease in deferred compensation | (60,313) | (45,936) |
| Payment to Department of Energy for decommissioning | (99,750) | — |
| Other | 148,610 | (158,596) |
| Net cash provided by operating activities | <u>13,355,143</u> | <u>11,304,971</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of long-term debt | (4,206,143) | (4,550,094) |
| Deferred patronage dividends paid | (250,000) | (250,000) |
| Cost of refinancing | (504,497) | (650,239) |
| Net cash used in financing activities | <u>(4,960,640)</u> | <u>(5,450,333)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to electric plant, net | (3,724,534) | (3,398,837) |
| Additions to nuclear fuel | (2,134,906) | (296,534) |
| Additions to deferred refueling costs | (2,130,979) | (2,029,216) |
| Additions to nonutility property | — | (1,506) |
| Additions to decommissioning fund | (1,072,860) | (1,063,719) |
| Additions to other investments | (221,510) | (92,105) |
| Net cash used in investing activities | <u>(9,284,789)</u> | <u>(6,881,917)</u> |
| Net decrease in cash and cash equivalents | (890,286) | (1,027,279) |
| CASH AND CASH EQUIVALENTS AT: | | |
| Beginning of year | 7,948,509 | 8,975,788 |
| End of year | <u>\$ 7,058,223</u> | <u>\$ 7,948,509</u> |

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

Statements of Deferred Patronage Dividends and Other Equities

For the Years Ended December 31, 1993 and 1992

| | <u>1993</u> | <u>1992</u> | |
|---|------------------------------|--|----------------------|
| DEFERRED PATRONAGE DIVIDENDS: | | | |
| Balance assigned beginning of year | \$ 6,367,255 | \$ 5,867,255 | |
| Net margin | 1,191,105 | 1,852,250 | |
| Lease revenue deferred patronage dividends | 16,980 | 21,075 | |
| | <u>7,575,340</u> | <u>7,740,580</u> | |
| Patronage dividends paid | (250,000) | (250,000) | |
| Appropriation of margin - | | | |
| Reserve for contingent losses | (358,085) | (873,325) | |
| Statutory surplus | (250,000) | (250,000) | |
| Balance assigned end of year | <u>\$6,717,255</u> | <u>\$ 6,367,255</u> | |
| OTHER EQUITIES: | | | |
| (Appropriated Margins) | | | |
| | <u>Statutory Surplus</u> | <u>Reserve for Contingent Losses</u> | <u>Total</u> |
| Balance December 31, 1991 | \$ 2,349,484 | \$ 9,718,349 | \$ 12,067,833 |
| Appropriation of margin | 250,000 | 873,325 | 1,123,325 |
| Balance December 31, 1992 | 2,599,484 | 10,591,674 | 13,191,158 |
| Appropriation of margin | 250,000 | 358,085 | 608,085 |
| Balance December 31, 1993 | <u>\$ 2,849,484</u> | <u>\$ 10,949,759</u> | <u>\$ 13,799,243</u> |

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

Notes to Financial Statements

December 31, 1993 and 1992

NOTE (1) ORGANIZATION:

Corn Belt Power Cooperative (the Cooperative) is a Rural Electrification Administration (REA) financed generation and transmission cooperative created and owned by twelve 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 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 REA. The significant accounting policies are described below.

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 REA prescribed lives. These provisions, excluding nuclear facilities, were equivalent to a composite depreciation rate on gross plant of 2.74% and 2.97% for 1993 and 1992, 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 3.15% and 3.08% for 1993 and 1992, respectively.

A site-specific estimate of the decommissioning costs of DAEC was updated in 1992. This report estimated the Cooperative's share of the decommissioning costs of DAEC to be approximately \$31,811,500 (in 1992 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 Revenues and Expenses. Such costs were \$576,192 and \$568,333 for 1993 and 1992, respectively.

The total decommissioning funds accumulated at December 31, 1993, were \$6,742,738, of which \$3,284,426 has been placed in a fund legally restricted for use in decommissioning DAEC. The remaining \$3,458,312, while not legally restricted, has been designated by the Cooperative for use in decommissioning DAEC. The interest component shown as other interest was \$496,273 and \$511,660 for 1993 and 1992, 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 \$1,578,531 and \$1,618,108 for 1993 and 1992, 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 \$1,314,897 and \$1,378,502 for 1993 and 1992, respectively.

Notes to Financial Statements

December 31, 1993 and 1992

E. Interest During Construction

Interest during construction represents the cost of funds used for construction and nuclear fuel refinement. The average rate was 6.1% and 6.9% for 1993 and 1992, 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 purposes of reporting cash flows, the Cooperative considers temporary cash investments purchased with a maturity of three months or less to be cash equivalents. Cash paid for interest, net of interest capitalized, was \$6,574,071 and \$8,277,145 for 1993 and 1992, respectively.

I. Cash and Investments

The Cooperative has cash and investments in the following:

| | 1993 | 1992 |
|---|---------------------|----------------------|
| Obligations of the U.S. government and its agencies | \$ 5,489,892 | \$ 4,489,811 |
| Corporate bonds | 1,747,099 | 1,468,765 |
| Common and preferred stock | 1,755,250 | 1,467,689 |
| National Rural Utilities Cooperative Finance Corporation commercial paper | 6,529,737 | 7,375,931 |
| Cash and CD's deposited with federally insured financial institutions | 1,154,295 | 1,261,115 |
| Funds held in trust invested primarily with Iowa Public Agency Investment Trust | 5,548,878 | 5,680,385 |
| Economic development investments | 1,390,147 | 1,134,109 |
| Other investments | 143,495 | 225,847 |
| | <u>\$23,758,793</u> | <u>\$ 23,103,652</u> |

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

| | | |
|-----------------------------------|----------------------|----------------------|
| Decommissioning fund | \$ 6,742,738 | \$ 5,669,878 |
| Other investments and receivables | 7,393,905 | 8,282,058 |
| Cash and cash equivalents | 7,058,223 | 7,948,509 |
| Short-term investments | 2,563,927 | 1,203,207 |
| | <u>\$ 23,758,793</u> | <u>\$ 23,103,652</u> |

The above amounts include \$6,954,259 and \$6,740,211, at December 31, 1993 and 1992, respectively, which must be used to fund construction of electric plant.

The carrying amounts of cash and cash equivalents and short-term investments of \$9,622,150 and \$9,151,716 at December 31, 1993 and 1992, respectively, approximate the fair value because of the short maturity of these investments. The fair value of decommissioning fund investments and 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:

| | 1993 | 1992 |
|-------------------------------------|--------------|--------------|
| Decommissioning fund carrying value | \$ 6,742,738 | \$ 5,669,878 |
| Decommissioning fund fair value | \$ 7,011,185 | \$ 5,952,835 |
| Other investments carrying value | \$ 5,649,936 | \$ 6,747,136 |
| Other investments fair value | \$ 5,695,104 | \$ 6,864,335 |

Notes to Financial Statements

December 31, 1993 and 1992

For other investments and receivables of \$1,743,969 and \$1,534,922 at December 31, 1993 and 1992, 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 included \$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 \$2,515,890 and \$2,516,418, at December 31, 1993 and 1992, respectively, with the National Rural Utilities Cooperative Financial 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 \$320,883 which matures between 2007 and 2025.

The Cooperative intends to adopt SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" effective January 1, 1994. Under the statement, the Cooperative's investments in certain debt and marketable equity securities will be reported at fair value with unrealized gains and losses reported as a net amount in a separate component of shareholders' equity until realized. The majority of the Cooperative's debt investments are intended to be held to maturity. As such, the adoption of SFAS No. 115 will not change the Cooperative's accounting for these debt investments. For the remaining investments, the adoption of SFAS No. 115 will not have a material effect on the Cooperative's financial position or results of operation.

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 which exceeds 50% of total equity. The Board of Directors appropriated \$250,000 of the 1993 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 \$358,085 of the 1993 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 \$600,000 of the 1993 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 CFC unless the remaining equity meets certain tests. The Cooperative does not meet these tests at December 31, 1993. However, the Cooperative received permission and retired \$250,000 of the 1981 patronage dividends during 1993.

NOTE (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), 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:

| | 1993 | 1992 |
|---|----------------------|----------------------|
| Mortgage notes due in quarterly installments: | | |
| REA 2%, due 1994-2008 | \$ 15,761,837 | \$ 17,115,904 |
| REA 5%, due 1994-2019 | 27,252,727 | 28,030,594 |
| FFB 5.5%-11.8%, due 1994-2019 | 71,330,792 | 72,575,198 |
| | <u>114,345,356</u> | <u>117,721,696</u> |
| Capital lease obligations: | | |
| Webster City Revenue Bonds | | |
| 4.7%-7.5%, due 1994-2002 | 5,918,708 | 6,628,511 |
| Pollution control revenue bonds: | | |
| 4.25%-6.125%, due serially | | |
| 1994-1997 and term due 2007 | 2,735,000 | 2,855,000 |
| | <u>\$122,999,064</u> | <u>\$127,205,207</u> |

Notes to Financial Statements

December 31, 1993 and 1992

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

| Year | Maturity |
|------------|--------------|
| 1994 | \$ 4,740,918 |
| 1995 | 4,825,809 |
| 1996 | 5,063,395 |
| 1997 | 5,269,143 |
| 1998 | 5,052,675 |

In connection with the mortgage notes, the Cooperative had available at December 31, 1993, \$3,882,000 from CFC to meet future borrowing needs. In 1993, the Cooperative received approval for \$16,939,000 of available FFB loan funds to be used for qualifying construction projects. The Cooperative has \$2,099,193 of unreimbursed capital additions which it anticipates will be funded by the most recent FFB loan in 1994. The Cooperative had available at December 31, 1993, 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 long term debt was \$130,472,368 and \$129,730,335, at December 31, 1993 and 1992, respectively.

The Cooperative paid the FFB \$504,497 and \$650,239 in 1993 and 1992, respectively, to reduce the interest rate on a number of its FFB debt issues. The fees have been deferred and are being amortized over three years which corresponds with the period the Cooperative is recovering the fees in rates. The present value savings as a result of the interest rate reduction, less the fees, was \$1,138,033 for the 1993 transactions and \$1,484,669 for the 1992 transactions.

NOTE (5) CONSTRUCTION COMMITMENTS:

Total construction expenditures for 1994, including expenditures for the jointly-owned units, are estimated to be \$9,721,580 of which \$1,735,580 is for the purchase of nuclear fuel at DAEC.

NOTE (6) JOINT PLANT OWNERSHIP:

Under joint-ownership agreements with other Iowa utilities, the Cooperative had undivided interests at December 31, 1993 in three electric generating units as shown below:

| | Neal Unit #4 | Council Bluffs Unit #3 | Duane Arnold Energy Center |
|-------------------------------------|-----------------|------------------------------|-------------------------------------|
| Total electric plant | \$ 44,455,478 | \$ 13,995,685 | \$ 65,460,666 |
| Accumulated depreciation | \$ 19,864,821 | \$ 6,091,115 | \$ 22,906,938 |
| Unit accredited capacity - MW | 624 | 675 | 530 |
| Cooperative's share percent | 11.30% | 3.8% | 10.0% |
| Capital cost per KW | \$ 630 | \$ 546 | \$ 1,259 |

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.

Notes to Financial Statements

December 31, 1993 and 1992

NOTE (7) PENSION PLAN:

The Cooperative has a deposit administration defined benefit plan which covers substantially all employees. The plan is funded jointly by contributions from the Cooperative and all participants. Assets are held on deposit by an insurance company in its general account.

Benefits paid to retired employees are equal to 2-1/4% of the average monthly earnings multiplied by the years of service since January 1, 1973.

The Cooperative has recorded pension expense equal to its funding contribution in its Statements of Revenues and Expenses consistent with the rate treatment allowed this cost.

Net periodic pension cost for the years ended 1993 and 1992 includes the following components:

| | 1993 | 1992 |
|--|-------------------|-------------|
| Service cost benefits earned during the period | \$ 242,966 | \$ 312,437 |
| Interest cost on projected benefit obligation | 365,944 | 358,167 |
| Reduction in pension cost from actual return on assets | (422,027) | (436,225) |
| Net amortization and deferral | 54,934 | 79,052 |
| Net periodic pension cost - employees | (72,545) | (94,029) |
| Net periodic pension cost - employer | 169,272 | 219,402 |
| Change in expenses due to rate regulation | 14,572 | (219,042) |
| Total pension cost | <u>\$ 183,844</u> | <u>\$ —</u> |

| | 1993 | 1992 |
|---|-------|-------|
| Assumptions used were: | | |
| Discount rate | 6.50% | 6.50% |
| Rate of increase in compensation levels | 5.50% | 5.50% |
| Expected long term rate of return on assets | 8.00% | 8.00% |

The following table presents the plan's funding status and amounts recognized in the Cooperative's balance sheets as of December 31, 1993 and 1992:

| | 1993 | 1992 |
|---|-----------------------|-----------------------|
| Actuarial present value of benefit obligations: | | |
| Vested benefit obligation | \$ 4,467,949 | \$ 3,631,411 |
| Nonvested benefit obligation | 234,981 | 281,785 |
| Accumulated benefit obligation | 4,702,930 | 3,913,196 |
| Provision for future pay increases | 2,163,242 | 1,975,404 |
| Projected benefit obligation | 6,866,172 | 5,888,600 |
| Plan assets at fair value | 4,968,320 | 4,640,142 |
| Projected benefit obligation greater than plan assets | (1,897,852) | (1,248,458) |
| Unrecognized net (gain) loss | 525,831 | (68,112) |
| Unrecognized prior service cost | 20,226 | 22,628 |
| Unrecognized net transition obligation | 395 | 515 |
| Accrued pension cost recognized in the balance sheets | <u>\$ (1,351,400)</u> | <u>\$ (1,293,427)</u> |

The Cooperative also provides a 401(k) plan which is available to all employees with the Cooperative matching 25% of the employees' contribution up to 4% of the employees' wages.

In addition, the Cooperative provides certain health and life insurance benefits to active employees. Retired employees may continue medical insurance coverage at their own cost.

Notes to Financial Statements

December 31, 1993 and 1992

NOTE (8) LAND HELD FOR FUTURE GENERATING SITE:

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

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 mil 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 thirteen year period ending in 1998 which corresponds with the period the Cooperative is recovering these costs in its rates. In both 1993 and 1992, \$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 \$4,953,201 from a trust established by NIMECA for ultimate payment to the Cooperative. These funds can only be used to fund REA 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 reimbursement of the 1993 and 1992 operating expenses were \$554,683 and \$499,217 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 programs 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 \$1,296,000 annually through 2007, of which the Cooperative's 10% share is \$129,600. The Cooperative's total assessment, of \$1,914,682, which will be recovered in rates, has been recorded as a liability, net of payments, in the balance sheets with a corresponding deferred charge being amortized over a 15 year period.

Notes to Financial Statements

December 31, 1993 and 1992

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 \$9.4 billion of public liability coverage. The coverage consists of \$200,000,000 of insurance and \$9.2 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 \$79,000,000 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 \$7,900,000 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 \$1,200,000 and \$140,000 related to coverages for excess property damage and replacement power, respectively, if the insurer's losses relating to an accident exceeds 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.

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, 1993 and 1992, 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, 1993 and 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Kansas City, Missouri
February 18, 1994

ARTHUR ANDERSEN & CO.

Looking Forward



Dale Arends

Senior Vice President and
Assistant General Manager

Looking forward this year brings some mixed feelings. George Toyne, who has been general manager of Corn Belt Power Cooperative for 18 years and an employee for 32 years, will be retiring. We will all be reluctant to see him retire, but are also happy that he will now get to spend some well-deserved years with his family.

Corn Belt, however, will continue after George's retirement as we face many difficult and exciting challenges. Perhaps one of the most perplexing issues we'll be dealing with will center on future growth. During 1993, Corn Belt witnessed the highest kilowatt-hour sales to REC member systems in its history. Since 1987, we have been seeing fairly steady increases in sales during a time when, supposedly, the number of farm members is declining. We will be spending a great deal of time and effort analyzing what is happening in our system and how it will impact our future.

Corn Belt's efforts in marketing and economic development are obviously reaping some benefits, and now we must deal with how to handle our success. Within the utility business there are diversities among utilities. If we can take advantage of these differences, we can

support good growth along with stable rates. This could mean looking for new ways to share services and facilities with utilities that complement our needs.

Corn Belt is fortunate to have an exceptionally strong transmission system. In the next few years, we will be addressing two important transmission issues: retail wheeling and open access. Retail wheeling will concern the delivery of power from other utilities over our lines to our member customers. This will be a hotly debated subject and the outcome will have a big impact on our future.

We might also be faced with outside use of our transmission system, which would require us to determine rules and fees for this service. We have been trying to address this issue through Mid-Continent Area Power Pool (MAPP) for several years and have yet to reach a conclusion. This situation is being forced upon us by rules established by the Federal Energy Regulatory Commission.

Our future at Corn Belt Power Cooperative is filled with exciting challenges. We can all be thankful that Corn Belt is well-positioned to deal with each and every issue.

Cooperative Highlights

| | 1993 | 1992 |
|----------------------------------|----------------|----------------|
| Total Energy Sales (kWh) | 953,505,381 | 921,598,205 |
| Peak Demand—RECs (kW) | 170,426 | 186,129 |
| Total Assets | \$ 154,321,064 | \$ 155,411,553 |
| Total Long-Term Debt | \$ 122,999,064 | \$ 127,205,207 |
| Total Operating Revenues | \$ 43,230,127 | \$ 42,456,548 |
| Total Operating Expenses | \$ 34,528,911 | \$ 33,025,664 |
| Net Operating Revenues | \$ 8,701,216 | \$ 9,430,884 |
| Net Margin | \$ 1,191,105 | \$ 1,852,250 |
| Miles of Transmission Line | 1,583 | 1,581 |
| Distribution Substations | 113 | 112 |
| Number of Employees | 89 | 87 |



Corn Belt Power Cooperative Board of Directors and Management

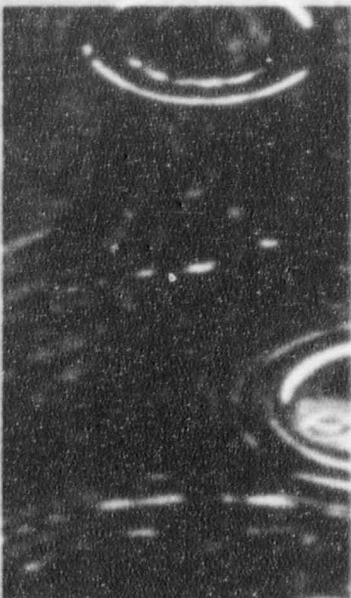
Front row, from left: **Dale Arends**, senior vice president and assistant general manager; **Russell Krog**, Wright County REC; second row: **Ronald Deiber**, vice president, NIMECA; **Donald McLean**, Grundy County REC; **Roger Rust**, Franklin REC; **L. Kirby Range**, Iowa Lakes Electric Cooperative; **George Toyne**, executive vice president and general manager; third row: **Eugene Drager**, president, Humboldt County REC; **Norman Kolbe**, Sac County REC; **Lawrence Wittry**, Glidden REC; **Carrol Boehnke**, treasurer, Hancock County REC; **Donald O'Tool**, assistant secretary/treasurer, Calhoun County ECA; **Keith Gelder**, Midland Power Cooperative, and **Donald Feldman**, secretary, Butler County REC.



— photo by Knouf Photography

**Regardless of the weather conditions,
Corn Belt Power looks to the future
with optimism and purpose.**

1994



Corn Belt Power Cooperative

1300 13th Street North

Humboldt, Iowa 50548

515/332-2571