#FutureReady

2019 ANNUAL REPORT

DAIRYLAND POWER COOPERATIVE

A Touchstone Energy® Cooperative

2019 AT A GLANCE

24 DAIRYLAND MEMBER COOPERATIVES

17 MUNICIPAL CUSTOMERS

1,171 MW* ALL-TIME PEAK (6/29/18)

1,050 MW* PEAK DEMAND (REPORTED TO MISO 7/15/19)

279,453 TOTAL MEMBERS

POPULATION SERVED: **600,000**

546 EMPLOYEES

6.3 BILLION kWh* POWER SALES

$18.3 MILLION MARGINS

$1.36 BILLION TOTAL ASSETS

$470.6 MILLION TOTAL OPERATING REVENUE

*KILOWATT-HOUR AND MEGAWATT

IN MEMORIAM

THE DAIRYLAND FAMILY MISSES TWO MEMBERS LOST IN EARLY 2020.

Eric Troendle (1977-2020)

Eric joined Dairyland May 19, 2003. He was a Restoration Technician in Transmission Services at the time of his death on Jan. 6, 2020.

Rick Jennings (1971-2020)

Rick joined Dairyland Jan. 3, 2000. He was Foreperson-Instrument in Genoa #3 Maintenance at the time of his death on April 18, 2020.

ABOUT DAIRYLAND POWER COOPERATIVE

Dairyland Power Cooperative provides the wholesale electrical requirements and other services for **24 MEMBER ELECTRIC DISTRIBUTION COOPERATIVES** and **17 MUNICIPAL UTILITIES** in the Upper Midwest. In turn, these cooperatives and municipals deliver the electricity to consumers, meeting the energy needs of more than a half-million people.

Focused on a sustainable future, Dairyland has strategically and purposefully been diversifying its generating resources. Significant additions of **WIND AND SOLAR RENEWABLE ENERGY** will continue to be made, along with plans for a **RENEWABLE-ENABLING COMBINED-CYCLE NATURAL GAS PLANT.** Other resources include coal, natural gas, hydro and biogas.

Electricity is delivered via **NEARLY 3,200 MILES OF TRANSMISSION LINES** and 420 substations located throughout the system's 44,500 square mile service area.

Dairyland Power Cooperative, a Touchstone Energy Cooperative, is **HEADQUARTERED IN LA CROSSE, WIS.** Its service area encompasses 62 counties in four states (Wisconsin, Minnesota, Iowa and Illinois). Please visit **WWW.DAIRYLANDPOWER.COM** and follow Facebook or LinkedIn for more information.

#FUTUREREADY

As preparations for this 2019 Annual Report began, the world around us changed. The COVID-19 pandemic has impacted the **LIVES AND THE LIVELIHOOD** of our members and communities. Diligent planning to be **FUTURE READY** positioned Dairyland to respond quickly to this health crisis.

Being **FUTURE READY** is part of Dairyland's strong history. As recovery from the Great Depression began, forward-thinking cooperative leaders formed Dairyland in 1941 to deliver electricity to rural cooperatives. Since then, Dairyland has stood strong for its members by safely and reliably **DELIVERING ESSENTIAL POWER DURING RECESSIONS, NATURAL DISASTERS AND NOW, COVID-19.**

Dairyland's agile and dedicated workforce is steadfast in its mission to **IMPROVE THE QUALITY OF LIFE** for cooperative members. Our financial strength, stability and readiness to swiftly respond to unexpected challenges are reflected in this annual report. Dairyland will remain **FUTURE READY** and thrive to serve future generations.

TABLE OF CONTENTS

DAIRYLAND POWER COOPERATIVE

A Touchstone Energy® Cooperative

#FUTUREREADY

FLEXIBLE FOR THE FUTURE

At Dairyland Power Cooperative, *Future Ready* is a state of mind focused on making decisions and taking actions that position our cooperative to weather the storms of change. Our goal is not to only survive, but thrive for our members in the future.

As the saying goes, "the future is now," and Dairyland's dedicated workforce adapted swiftly to tackle the unprecedented challenges of COVID-19. We activated our Business Continuity Plan intent on providing the critical service of electricity, while keeping our employees, members and communities safe.

Our ability for quick mobilization and disaster response is deep in our DNA. Through planning, we were prepared to manage the challenges and complexities associated with the pandemic and protect mission critical operations. Dairyland employees—whether working onsite, in the field or remotely—are committed to safety, 24/7 reliability, resiliency and affordability.

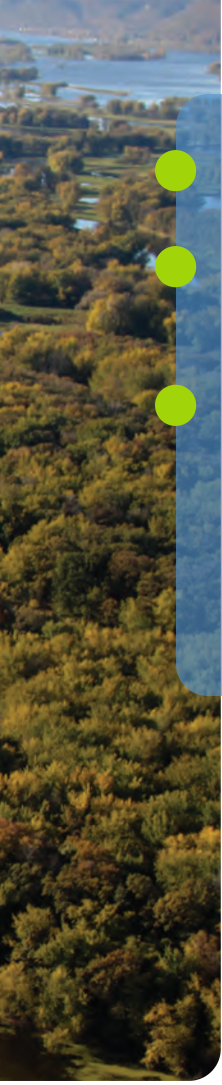
2020 & BEYOND

Dairyland is positioned to be a dynamic cooperative leader well into the future. Our focus is on steady decarbonization and progressive, prudent investment in diversified renewable energy resources. Our guardrails are reliability and affordability.

We have been preparing for these "Four Ds": Decarbonization, Deregulation, Digitalization and Decentralization. The 2020 *Future Ready* priorities focus on enhancing efficiency and positioning Dairyland for future success.

SUSTAINABLE GENERATION PLAN | Dairyland is transforming energy resources by strategically developing power supply plans, determining future energy mix and anticipating members' long-term needs. The goal of Dairyland's Sustainable Generation Plan is to provide a framework for strategic decisions regarding our diversified and competitive energy portfolio. We thoughtfully consider and balance the economic impact on members, technological feasibility, social implications and environmental responsibility.

In January 2020, Dairyland announced the retirement of Genoa Station #3, our vintage 345 MW coal-fired power plant, which will cease operation in mid- to late-2021. This difficult decision aligns with our Sustainable Generation Plan and our focus on energy diversification. Genoa Station #3's more than 50 years of safe operation is a testament to the dedication of highly skilled staff, thoughtful planning and excellent maintenance practices.



VISION
To exceed member expectations as a safe, sustainable, premier power cooperative.

MISSION
We will power our communities and empower cooperative members to improve the quality of their lives.

VALUES
Our members are the reason for our existence. We will provide our members with value in the form of safe, reliable, sustainable and competitively-priced electricity.

We will build strong relationships with our member cooperatives, employees and all stakeholders.

We will live the Cooperative Principles and hold ourselves true to our core values of accountability, integrity, innovation and commitment to community.

Dairyland announced major solar and wind energy investments in 2019. The Nemadji Trail Energy Center combined-cycle natural gas facility will serve as the "power behind the power" supporting our renewable energy investments. This 50-50 jointly-owned facility with Minnesota Power/ALLETE was approved by the Public Service Commission of Wisconsin in January 2020. It is integral in our transition to a lower carbon future.

Operational excellence is essential for 24/7 reliable performance of Dairyland's power plants and transmission system. The men and women who operate and maintain Dairyland's facilities are focused on safety, while holding high standards for reliable operations.

DAIRYLAND SYSTEMS MODERNIZATION I Dairyland continues to enhance efficiency during a multi-year implementation of a comprehensive Enterprise Resource Planning program. These efforts provided the capability to quickly mobilize our workforce to work remotely and securely from home as we invoked our Business Continuity Plan to respond to COVID-19. As we continue, this series of projects will ensure financial, business and technical environments are optimal for long-term success. Vigilant cybersecurity remains a high priority.

STRATEGIC WORKFORCE PLANNING I This cooperative-wide initiative includes analyzing, forecasting and planning workforce supply and demand, assessing gaps and determining talent management activities. The goal is to ensure Dairyland has the right people with the right skills, in the right places to achieve the cooperative mission.

FOCUSED ON THE FUTURE

Dairyland's Board and management work closely together to take advantage of opportunities for growth and to address industry challenges. Together, we balance building financial strength with ensuring competitive rates and sound operations. A new wholesale rate design will provide additional flexibility for member cooperatives beginning in May 2021.

Dairyland reorganized in late 2019, focused on exceeding member expectations and reducing overall cost. The new structure supports Dairyland's Mission to be responsive to members and to efficiently achieve sustainability goals.

Succession planning and employee development have been areas of emphasis during the past five years, resulting in a strong and agile workforce. Dairyland has a strong bench of talent which provides resiliency. This is especially important as we manage the pandemic challenge and position Dairyland for future success. Diligent planning has prepared Dairyland for a smooth transition in leadership as the next President and CEO takes the helm in mid-2020.

Dairyland's commitment to safely and reliably providing critical power throughout this unexpected journey is steadfast. With the strength of our cooperative mission and values, we are *Future Ready* for our members.

ED GULLICKSON
CHAIR,
BOARD OF DIRECTORS

BARBARA NICK
PRESIDENT & CEO

COOPERATIVE LEADERS

EXECUTIVE COMMITTEE

CHAIR
ED GULLICKSON
POLK-BURNETT ELECTRIC COOPERATIVE

VICE CHAIR
JEFF MONSON
RICHLAND ELECTRIC COOPERATIVE

TREASURER
JERRY HUBER
JACKSON ELECTRIC COOPERATIVE

SECRETARY
JENNIFER SCHARMER
MIENERGY COOPERATIVE

MEMBER-AT-LARGE
MICHAEL BAKER
BARRON ELECTRIC COOPERATIVE

MEMBER-AT-LARGE
SANDRA DAVIDSON
SCENIC RIVERS ENERGY COOPERATIVE

MEMBER-AT-LARGE
EDWARD HASS
PIERCE PEPIN COOPERATIVE SERVICES

MEMBER-AT-LARGE
BURT MAGNUSON
FREEBORN-MOWER COOPERATIVE SERVICES

GENERAL COUNSEL
NILES BERMAN
WHEELER, VAN SICKLE & ANDERSON

ASSISTANT SECRETARY
LAURIE ENGEN
DAIRYLAND POWER COOPERATIVE

BOARD OF DIRECTORS

Member control of Dairyland is vested in its Board of Directors, consisting of representatives from each Class A member distribution cooperative. Elected by their local members, directors represent a broad spectrum of interests, including their members, the business interests of their local cooperative and, perhaps the most challenging of all, the affairs of a power supply system providing energy to more than a half-million people.

DAVID ANDERSON
RIVERLAND ENERGY COOPERATIVE

CLARENCE BOETTCHER
EAU CLAIRE ENERGY COOPERATIVE

JAMES HAGER
CLARK ELECTRIC COOPERATIVE

ROBERT HESS
OAKDALE ELECTRIC COOPERATIVE

DANIEL KORN
VERNON ELECTRIC COOPERATIVE

LARRY LAMBORN
ALLAMAKEE-CLAYTON ELECTRIC COOPERATIVE

JOSEPH MATTINGLEY
JO-CARROLL ENERGY

KAREN NEWBURY
PRICE ELECTRIC COOPERATIVE

DAVID ORF
ST. CROIX ELECTRIC COOPERATIVE

JOHN PETSKA
CHIPPEWA VALLEY ELECTRIC COOPERATIVE

BARRY RADLOFF
BAYFIELD ELECTRIC COOPERATIVE

JANE REICH
JUMP RIVER ELECTRIC COOPERATIVE

ROGER TJARKS
HEARTLAND POWER COOPERATIVE

KENNETH WOHLERS
PEOPLE'S ENERGY COOPERATIVE

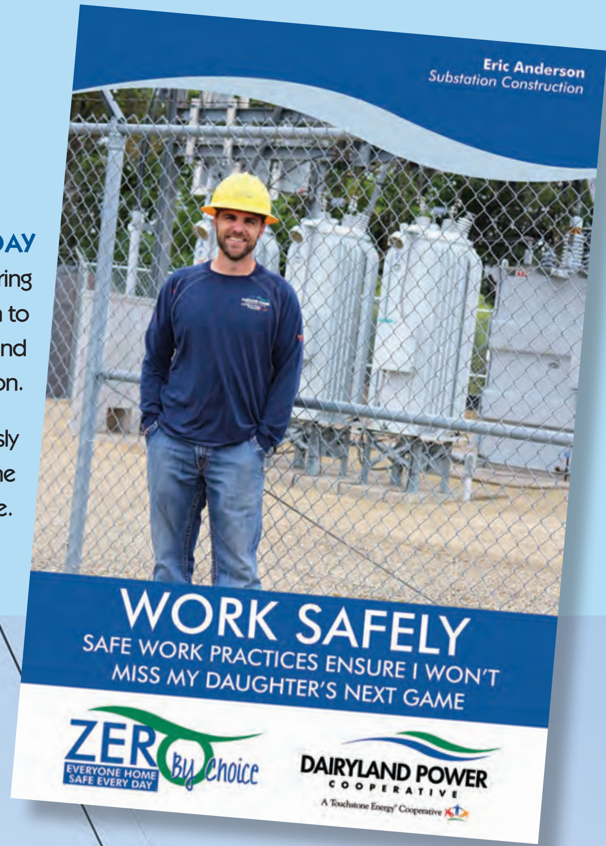
CHUCK ZENNER
TAYLOR ELECTRIC COOPERATIVE

TOM ZWIEFELHOFER
DUNN ENERGY COOPERATIVE

EVERYONE HOME SAFE EVERY DAY

Being **FUTURE READY** starts and ends with an unwavering commitment to safety. Dairyland's dedication to a zero-injury workplace requires vigilance and honest communication.

A Safety Perception Survey, completed anonymously by all employees, is one tool used to help gauge the health of Dairyland's safety culture.



TRANSMISSION LINES

VOLTAGE IN KILOVOLTS (kV)	MILES AS CONSTRUCTED
345	14.49
161	627.93
69	2,532.84
34.5	0.46
TOTAL	3,175.72

SUBSTATIONS

Plant	6
Transmission	36
Distribution	378

FUTURE READY FOR SAFETY

SAFETY DURING THE STORM I *Everyone Home Safe Every Day* represents Dairyland's commitment to safety in and out of the workplace. The COVID-19 pandemic took everyone by storm. Dairyland's effective Pandemic Preparedness Plan aided our rapid response to the health crisis. Dairyland also conducts Business Continuity Plan drills and participates in national grid security and crisis response exercises. By following industry best standards to maintain a healthy environment for mission critical workers, Dairyland protects its workforce and ensures reliable operations.

POWER DELIVERY TO YOUR DOOR I As a wholesale energy cooperative, Dairyland knows that planning for generation and transmission goes hand-in-hand. Strategic investments in renewable energy resources require a robust electric grid.

Dairyland is a member of CapX2020, a joint initiative of regional utilities to plan long-term for grid reliability. To that end, CapX2020 utilities embarked on the CapX2050 Transmission Vision Study to identify infrastructure improvements that may be needed to achieve carbon reduction goals.

Dairyland is a 9 percent owner in the Cardinal-Hickory Creek transmission line, a MISO (Midcontinent Independent System Operator) Multi-Value Project proposed from Dubuque, Iowa, to Middleton, Wis. The Public Service Commission of Wisconsin approved the Cardinal-Hickory Creek line in fall 2019. The 345 kV line will help accommodate the changing energy environment by bolstering access to renewable resources.

Reliability of the grid is essential. Dairyland invests in the safe rebuilding of approximately 50 miles of its 69 kV transmission infrastructure annually.

INTERNET FOR ALL I Dairyland's member cooperatives serve rural communities in the Upper Midwest. The COVID-19 pandemic highlighted the critical need for more and better rural broadband service to allow adults to work from home and children to learn online with internet access equal to their urban peers.

Dairyland's Fiber Optics project is a key grid modernization initiative supporting broadband expansion in rural communities. Progress is being made to enable broadband service and high capacity connectivity through installation of fiber on 69 kV transmission lines.

SMART GRID SYSTEMS I Dairyland's Mobile Radio Replacement project has reached 100 percent deployment. The new system utilizes 65 towers for direct communication between Dairyland, its member cooperatives and field crews working throughout the 44,500-square-mile service territory.

Safety was top-of-mind for the project team, with regular safety tailgates ensuring proper procedure and open communication.

KEEPING THE LIGHTS ON AND POWER FLOWING

As a cooperative governed by the people it serves, seeking input and sharing information with local communities is foundational to how Dairyland does business. Dairyland Director, External and Member Relations Kenric Scheevel (left) discusses the proposed Nemadji Trail Energy Center with an attendee at the 35th annual Superior Days in Madison, Wis., in February 2020.

The natural gas facility will support solar and wind resources through its ability to ramp up in minutes, filling in critical reliability gaps if the sun doesn't shine and the wind doesn't blow.

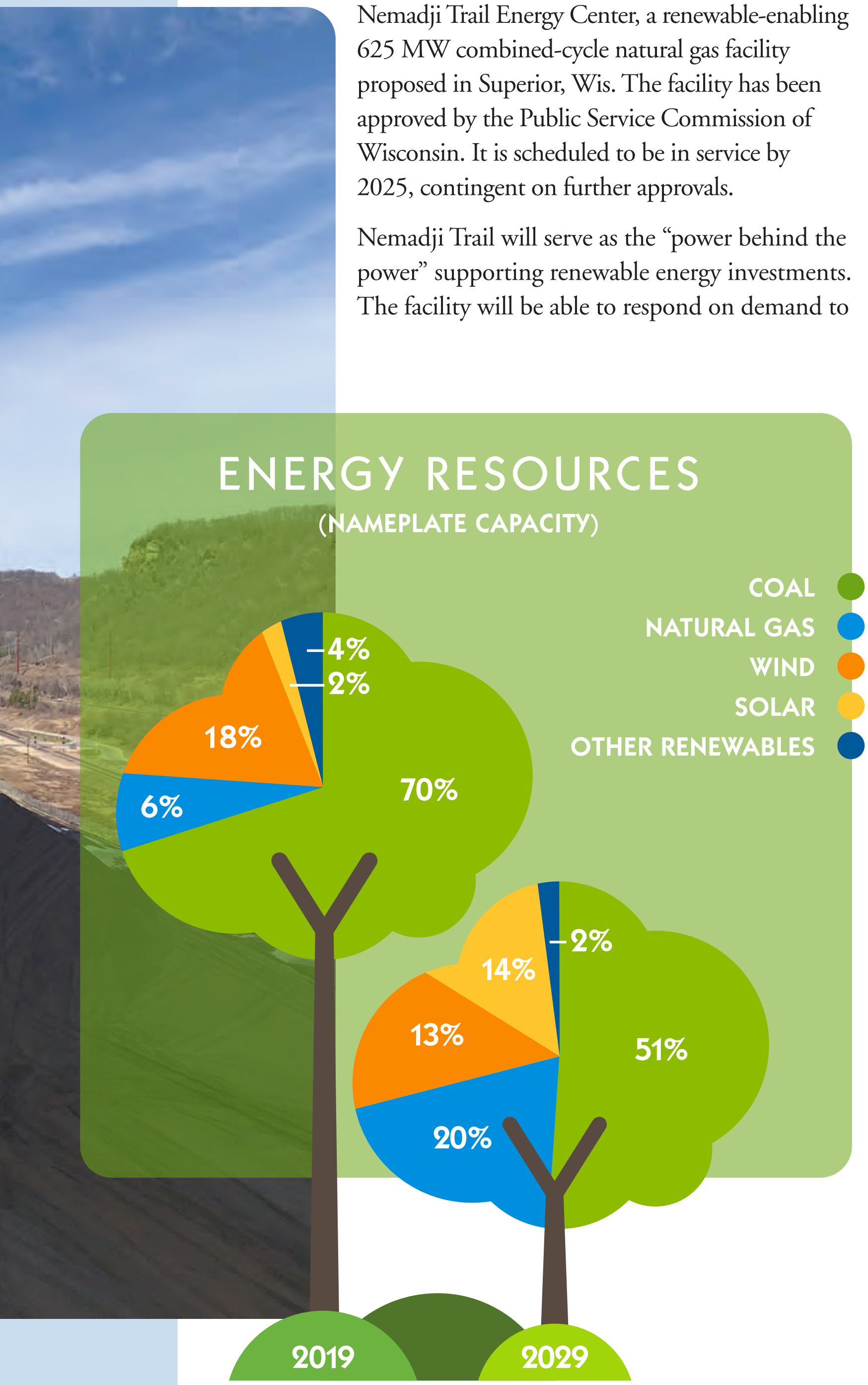
DAIRYLAND'S JOHN P. MADGETT STATION HAS THE ABILITY TO PROVIDE 24/7 ELECTRICITY TO POWER OUR LIVES.

FLOWING STRONG | Dairyland's Flambeau Hydro Station (Ladysmith, Wis.) has quietly generated clean energy since 1951. In 2019, Flambeau had a remarkable operational achievement, setting its highest generation year on record. This feat is a testament to diligent unit maintenance, which is critical to long-term reliable operation.

As part of our commitment to being a good neighbor, Dairyland supports environmental enhancements in and around the 2,000-acre reservoir, which is surrounded by 24 miles of shoreline offering recreational opportunities in every season.

SUPPORTING RENEWABLE INVESTMENTS | Dairyland is joining with Minnesota Power/ALLETE on the Nemadji Trail Energy Center, a renewable-enabling 625 MW combined-cycle natural gas facility proposed in Superior, Wis. The facility has been approved by the Public Service Commission of Wisconsin. It is scheduled to be in service by 2025, contingent on further approvals.

Nemadji Trail will serve as the "power behind the power" supporting renewable energy investments. The facility will be able to respond on demand to intermittent solar and wind resources, ramping up quickly when called to serve. Nemadji Trail will ensure reliable power while supporting Dairyland's growing renewable resources. The plant will also be an economic engine for the northern region.



Seeking and listening to community input is a high priority. In response to concerns about water use, a technology design change to air cooling has been proposed. This method mitigates the use of water for cooling the plant and significantly reduces wastewater discharge.

ON TRACK: NEW SOLAR & WIND | Dairyland is a solar leader in the Upper Midwest, with 18 solar sites operating in all four states it serves. Dairyland has power purchase agreements (PPAs) with ENGIE for 17 of the sites and groSolar for one. Many of Dairyland's member cooperatives multiplied their local renewable energy benefit by piggybacking onto the utility-scale sites with community solar gardens. Dairyland also purchases energy from three other major solar installations.

In January 2020, the 149 MW Badger State Solar facility received approval from the Public Service Commission of Wisconsin. Dairyland has a PPA for the entire output of the facility, which is being developed by Ranger Power and located in southern Wisconsin. Commercial operation is expected in 2022.

Dairyland's nearly 200 MW of wind energy investments (also PPAs) reflect a sustainable, cost-effective approach to diversification. Its latest investment for 52 MW of wind energy from the proposed Tatanka Ridge II facility in Deuel County, S.D., is on track with Avangrid Renewables.

Together, Badger State Solar and Tatanka Ridge Wind will generate enough renewable energy to power over 40,000 homes. In addition, there are 2,100 consumer-owned distributed generation installations in Dairyland's service area. Fun fact: Of these, about 2,000 are solar facilities.

BACKBONE ASSETS | The John P. Madgett coal-fired generating station (Alma, Wis.), produces reliable energy no matter what the weather brings. Likewise, the Genoa Station #3 (set to retire in 2021) has served as a backbone of Dairyland's generation portfolio for over 50 years. Dairyland's Elk Mound (Wis.) natural gas/fuel oil combustion turbines have quick-start capability for times of peak energy demand.

DEVELOPING FUTURE READY LEADERS | The only constant in life is change. Dairyland's President and CEO Barb Nick will retire in July 2020. Succession planning and employee development have been key areas of focus during Nick's tenure as CEO, resulting in a strong and agile workforce. Dairyland has a strong pool of talent, which has proven particularly important during the COVID-19 health crisis.

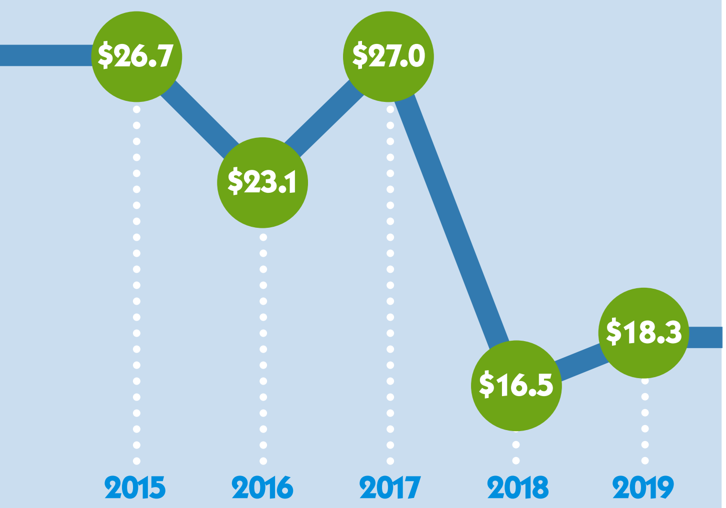
Over 250 employees have graduated from Dairyland's Leadership Development Program. Dairyland is also a liaison to area colleges, technical schools and universities, offering student internships and educational opportunities. Engagement with higher education and community groups helps attract the next generation of employees to careers in energy.

MODERNIZING SYSTEMS | Staying ahead of the digitalization curve by onboarding best Information Technology processes is essential. Dairyland is in the midst of a multi-year, enterprise-wide systems modernization. Key initiatives include the Human Resources Information Systems and Enterprise Resource Planning projects.

Rock-solid cybersecurity and efficient practices help ensure Dairyland is meeting its commitment to cooperative members for future success.

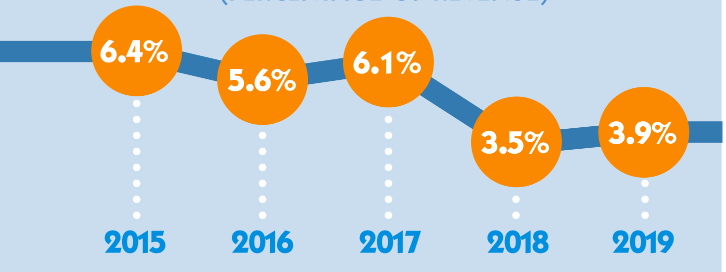
NET MARGINS

(IN MILLIONS)



NET MARGINS

(PERCENTAGE OF REVENUE)



GREEN POWER FOR EVERYONE | For over 20 years, *Evergreen* has welcomed member cooperative consumers to participate in the regional green power program. Private ownership of renewable energy generation can be limited due to cost or siting issues. *Evergreen* participants meet sustainability goals while supporting renewable energy resources.

The voluntary program has expanded to include *Evergreen for Business* for electric cooperative member businesses and government entities within Dairyland's service territory. The renewable energy and affiliated renewable energy credits (RECs) are beyond government requirements.

SMART AND SUSTAINABLE | Dairyland's energy efficiency experts are focused on innovations in beneficial electrification. Collaborations with national organizations yield benefits to Dairyland's membership, while providing insights into developing innovative technologies for the future.

Dairyland supports the growth and siting of electric vehicle (EV) charging stations in member cooperative service territories. Together with members, Dairyland also tests pilot projects such as grid-interactive technologies with EVs and appliances.

Dairyland's Load Management program adapts to current conditions to maximize a sustainable energy supply. The program offers benefits to members who have electric use controlled periodically during times of peak demand, high energy prices or to help relieve system imbalance during an outage.

SUSTAINABILITY REPORT | Dairyland's first annual Sustainability Report showcases Dairyland's focus on Environmental, Social and Governance (ESG) criteria, which guide Dairyland's operational, economic, employee and community work.

Every action Dairyland takes, from its leading support of pollinator habitat to the holistic *Live Well* program, is approached through the lens of sustainability. View Dairyland's first annual Sustainability Report at www.DairylandPower.com to learn about the cooperative's diverse initiatives.

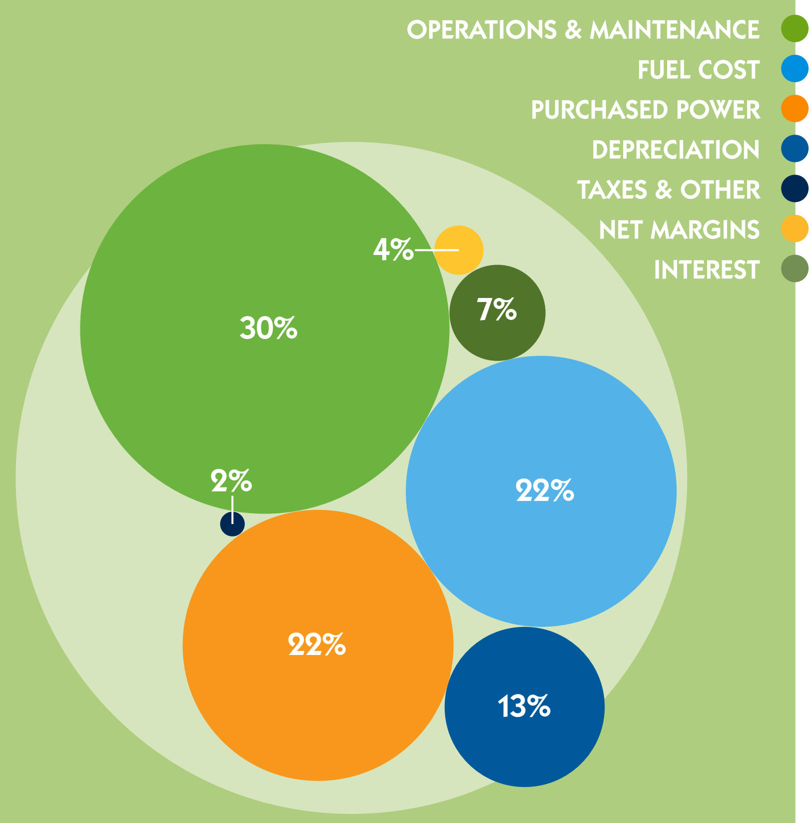
BEES & BUTTERFLIES | Dairyland supports nearly 300 acres of pollinator habitat around solar farms and substations throughout its service territory.

300

PREPARING FOR THE STORM

Annual Business Continuity Plan drills are vital to Dairyland's ability to be resilient during adversity, such as the COVID-19 public health crisis.

2019 EXPENSE DOLLAR



STRONG & FLEXIBLE FOR THE FUTURE I Competitive rates are critical to the future economic well-being of the region. To be responsive to industry and market changes, a task force reviewed Dairyland's wholesale rate structure focused on accurately recovering cost and providing members flexibility. A new *Future Ready* structure was approved that aligns with the Wholesale Power Contract. It adds flexibility for future growth for Dairyland's members, effective May 2021.

Dairyland's Board and management work to balance building financial strength with competitive rates and sound operations. Dairyland has credit ratings of "A3" with a stable outlook from Moody's and "A+" also with a stable outlook from Standard and Poor's.

RATE DECREASE IN 2020 I The Board approved Dairyland's 2020 budget that resulted in an average estimated rate year decrease of 1.8 percent on May 1, 2020. The 2020 budget supports the initiatives outlined in Dairyland's strategic business plan.

FUTURE READY FOR FINANCIAL STRENGTH

Dairyland's net margins in 2019 were 8.3 percent above budgeted margins at $18.3 million. Net power sales were at a 6.3 billion kilowatt-hours (kWh) compared to 6.8 billion kWh in 2018. Class A member loads decreased slightly to 5.3 billion kWh in 2019 from 5.5 billion kWh in 2018. Total operating revenues for 2019 were at $470.6 million, compared to $472.8 million in 2018.

Fuel to operate generating facilities is Dairyland's largest annual expense, with barge and rail transportation of coal constituting a significant portion of that cost. Dairyland's plants used 2.2 million tons of coal in 2019, including its 30 percent share of the Weston 4 power plant.

GROWTH & DIVERSIFICATION FOR STRENGTH I Dairyland's members continue to seek growth opportunities to enhance efficiency, accelerate diversification and solidify financial strength. Three member cooperatives have acquired load from Alliant Energy in Minnesota, with an additional 90-100 MW of load for the Dairyland system in 2025.

A major component of the Sustainable Generation Plan has been evaluating how long to operate existing assets. In January 2020, the decision was made to retire the 50-year-old 345 MW coal-fired Genoa Station #3 when the contracted fuel supply is depleted. The estimated retirement is June-December 2021.

In addition to impacts on employees and communities, many factors were considered. These include age of the facility, system capacity requirements, regulatory requirements, projected maintenance needs and costs, fuel supply, overall cost of power production and regional market prices for energy.

Dairyland contracted with Energy*Solutions*, a national radioactive waste services contractor for the La Crosse Boiling Water Reactor (LACBWR) decommissioning. Its subsidiary, LaCrosseSolutions, LLC, temporarily holds the license and assumes responsibility for the decommissioning of the LACBWR site. The project is near 100 percent completion and the license is expected to return to Dairyland in 2020.

FUTURE READY FOR MEMBERS AND COMMUNITIES

ECONOMIC DEVELOPMENT FOR STRENGTH | Dairyland is evaluating options to mitigate the economic hardships many are facing due to the business and job loss caused by COVID-19. Competitive rates and micro-loans to support community businesses are examples. Dairyland launched a new website in 2019 to provide resources and support for economic development in the service area.

Dairyland has supported about 250 projects with its Economic Development revolving loan funds, totaling $20.5 million since the 1990s. These loans have provided financing that has assisted new and existing businesses purchase buildings, machinery and equipment. By helping to create and retain jobs, these projects improve the quality of life for consumers in the Dairyland system.

Enhancing the economic and social well-being of communities in the region is fundamental to Dairyland's cooperative mission. Dairyland has helped its 24 member-cooperatives access 84 loans and grants totaling more than $26 million to assist them with economic development.

Utilizing the USDA Rural Economic Development Loan and Grant program, Dairyland and its member cooperatives have provided zero percent interest rate financing for industrial parks and infrastructure upgrades and extensions including sewer, water and streets. Other projects have supported health care facilities, assisted living facilities, schools and fire stations.

STAYING CONNECTED | Dairyland is a regional member of *Touchstone Energy Cooperatives*. This national network of cooperatives has been working together for more than 20 years to develop programs and tools to engage cooperative members and strengthen rural communities.

Dairyland's "A Day with Your G&T" program has provided member cooperative directors and employees opportunities to learn about their generation and transmission cooperative, connect with Dairylanders and tour a power plant.

As employees and members work remotely, "The Power of Human Connections" slogan demonstrates the strength of working together. It is both relevant and evident as technology is used to engage and stay connected through virtual meetings for governance and education.

Touchstone Energy® Cooperatives
The power of human connections®

POLICIES FOR THE FUTURE | Together with its members, statewide organizations and the National Rural Electric Cooperative Association, Dairyland evaluates state and federal legislative proposals to determine their impact on the environment, system reliability and affordability.

Dairyland works with policymakers in both parties to find solutions to issues that could impact the future of Dairyland's members and communities. Legislative and regulatory decisions regarding Environmental Protection Agency rules, renewable energy, infrastructure construction, transportation and the storage of nuclear fuel all can significantly affect Dairyland's operations, reliability and the cost consumers will pay for electricity.

COMMITMENT TO COMMUNITY | Dairyland "adopted" a neighborhood school in 2019 to provide needed support for the school and families. Employees "dunked an exec" to raise additional funds during the annual United Way campaign. In total, over $122,000 was raised by Dairyland and its employees. Dairyland supports many other community service organizations to improve the quality of life: American Red Cross, Salvation Army, YMCA, Rotary, Children's Museum, area fire departments and others.

Dairyland employees are focused on improving communities and the quality of life in Dairyland's four-state region. Using their unique talents, employees volunteer and provide community support.

CAPITAL CREDITS RETIRED TO MEMBERS

(IN MILLIONS OF DOLLARS)

2015	$3.7
2016	$3.9
2017	$4.1
2018	$4.4
2019	$4.4 MILLION

MEMBER SALES

(BILLIONS OF KWH)

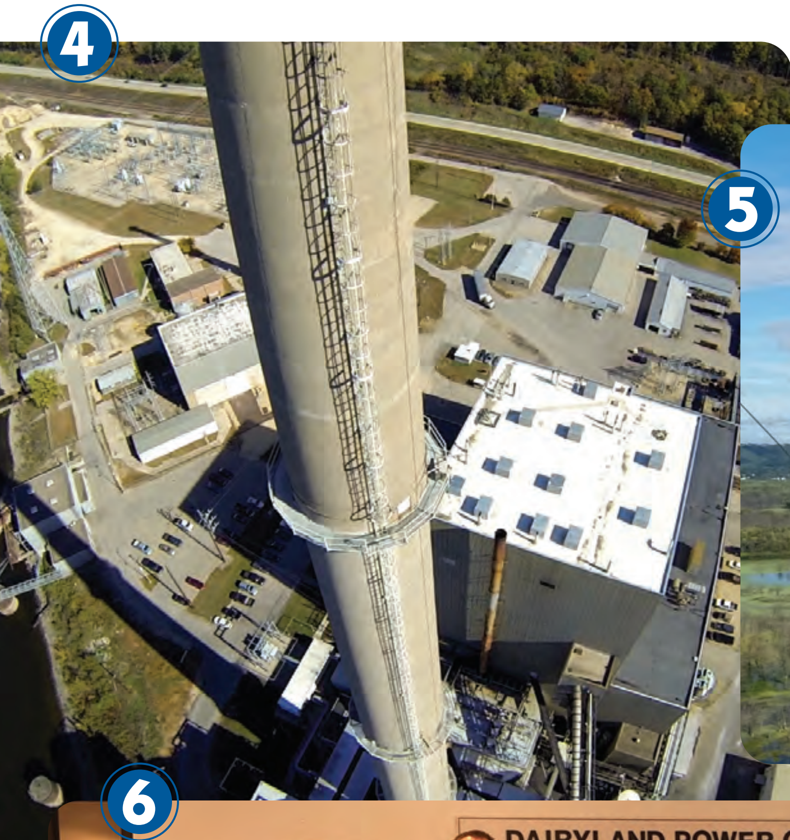
2015	4.74 kWh
2016	4.79 kWh
2017	4.86 kWh
2018	5.47 kWh
2019	5.34 kWh

1


We are so grateful for your kindness!
Thank
"I LOVE YOU!"
Thank
"Thank you for the food!"
thank you Dairy land power
Thank you Dairy land
You realy Put the giveing in thanksgiveing
THANK YOU
Hintgen
Erin

2

3



1. La Crosse Hintgen Elementary students expressed appreciation with hand-drawn cards for Dairyland **ADOPTING** their school and employees providing food and personal donations.

2. Dairyland retirees revealed the contents of a **1950 TIME CAPSULE** discovered in the cornerstone of the E.J. Stoneman Station (Cassville, Wis.). The plant was named for Dairyland's first Board President in 1951. It contained memorable community and construction documents, blueprints of the facility, photos, newspapers and coins.

3. Dairyland's safety motto is **ZERO BY CHOICE – EVERYONE HOME SAFE EVERY DAY.** Hot Stick training is one of many programs to ensure employees have the knowledge, skills and tools needed to perform their jobs safely.

4. A bird's-eye view of Genoa Station #3, which has provided power for 50 years in the region. This stack hosts a nesting box for Peregrine falcons as seen on Dairyland's live-stream **BIRD CAM.**

5. **BIRD DIVERTERS** make lines more visible, reducing hazards in popular bird-crossing zones. Dairyland has supported installation of 6,500 bird diverters over the past five years, including 800 over the Mississippi River near Genoa.

6. Employees **GO RED** promoting heart health. Dairyland supports **LiveWell** initiatives for employees throughout the year.

EXECUTIVE TEAM

BARBARA NICK

PRESIDENT & CEO

AMANDA HOEFLING

CHIEF MEMBER RELATIONS & HUMAN RESOURCES OFFICER

PHIL MOILIEN

CHIEF FINANCIAL OFFICER/ EXECUTIVE VICE PRESIDENT

BEN PORATH

CHIEF OPERATING OFFICER

JOHN CARR

VICE PRESIDENT, POWER SUPPLY

LAURIE ENGEN

SENIOR EXECUTIVE ASSISTANT, ASSISTANT SECRETARY TO THE BOARD, BOARD GOVERNANCE LIAISON

NATE MELBY

CHIEF INFORMATION OFFICER

ROB PALMBERG

VICE PRESIDENT, EXTERNAL & MEMBER RELATIONS

BRIAN RUDE

VICE PRESIDENT, GOVERNMENT & COMMUNITY RELATIONS

APRIL WEHLING

ASSISTANT VICE PRESIDENT, STRATEGY

JOHN YOUNG

ASSISTANT VICE PRESIDENT, MARKET & BUSINESS ANALYSIS AND RATE DESIGN

INDEPENDENT AUDITORS' REPORT | MARCH 27, 2020

BOARD OF DIRECTORS

DAIRYLAND POWER COOPERATIVE

LA CROSSE, WISCONSIN

We have audited the accompanying consolidated financial statements of Dairyland Power Cooperative and subsidiary (the "Cooperative"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of revenues, expenses, and comprehensive income, member and patron equities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS | Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY | Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cooperative's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION | In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MINNEAPOLIS, MINNESOTA | DELOITTE & TOUCHE LLP

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2019 & 2018 (ALL DOLLAR AMOUNTS IN THOUSANDS)

ASSETS

	2019	2018
ELECTRIC PLANT:		
Plant and equipment—at original cost	$ 1,810,057	$ 1,798,806
Less accumulated depreciation	(729,224)	(693,337)
Net plant and equipment	1,080,833	1,105,469
Construction work in progress	85,461	76,547
Total electric plant	1,166,294	1,182,016
OTHER ASSETS:		
Nuclear decommissioning funds (Note 4)	1,984	1,941
Other property and investments (Note 8)	11,927	11,258
Investments in capital term certificates of National Rural Utilities Cooperative Finance Corporation (NRUCFC) (Note 8)	9,176	9,176
Regulatory assets (Note 1)	8,288	14,916
Investment for deferred compensation	1,873	1,679
Deferred charges (Note 1)	18,434	16,513
Total other assets	51,682	55,483
CURRENT ASSETS:		
Cash and cash equivalents	28,465	25,599
Accounts receivable:		
Energy sales	40,810	39,811
Other	4,215	1,352
Inventories:		
Fossil fuels	36,119	44,674
Materials and supplies	21,711	22,828
Prepaid expenses and other	13,906	18,499
Total current assets	145,226	152,763
TOTAL	$ 1,363,202	$ 1,390,262

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2019 & 2018 (ALL DOLLAR AMOUNTS IN THOUSANDS)

CAPITALIZATION & LIABILITIES

	2019	2018
CAPITALIZATION:		
Member and patron equities:		
Membership fees	$ 1	$ 1
Patronage capital (Note 9)	322,443	308,540
Accumulated other comprehensive income (Note 1)	1,928	2,487
Total member and patron equities	324,372	311,028
Long-term obligations (Note 6)	800,519	811,988
Total capitalization	1,124,891	1,123,016
OTHER LIABILITIES:		
Decommissioning and asset retirement obligations (Note 13)	4,954	4,911
Postretirement health insurance obligation (Note 11)	4,849	4,260
Accrued benefits	396	415
Deferred compensation	1,873	1,679
Obligations under capital leases (Note 7)	5,058	5,423
Other deferred credits (Note 1)	53,649	58,146
Total other liabilities	70,779	74,834
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
CURRENT LIABILITIES:		
Current maturities of long-term obligations and obligations under capital leases	43,960	50,809
Line of credit (Note 5)	68,000	79,000
Nuclear decommissioning obligations (Note 13)	405	4,319
Advances from member cooperatives and other prepayments	13,826	11,671
Accounts payable	23,031	27,380
Accrued expenses:		
Payroll, vacation and benefits	6,956	6,677
Interest	22	177
Property and other taxes	3,797	3,390
Other	7,535	8,989
Total current liabilities	167,532	192,412
TOTAL	$ 1,363,202	$ 1,390,262

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF
REVENUES, EXPENSES & COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 & 2018 (ALL DOLLAR AMOUNTS IN THOUSANDS)

UTILITY OPERATIONS:	**2019**	**2018**
Operating revenues:		
Sales of electric energy	$ 444,760	$ 447,906
Other	25,884	24,928
Total operating revenues	470,644	472,834
Operating expenses:		
Fuel	106,389	132,360
Purchased and interchanged power	103,650	85,791
Other operating expenses	107,800	107,385
Depreciation and amortization	60,008	59,019
Maintenance	35,174	32,434
Property and other taxes	9,449	9,242
Total operating expenses	422,470	426,231
Operating margin before interest and other	48,174	46,603
Interest and other:		
Interest expense	34,210	39,395
Allowance for funds used in construction—equity	(936)	(1,156)
Other—net	(143)	167
Total interest and other	33,131	38,406
OPERATING MARGIN	15,043	8,197
NONOPERATING MARGIN (NOTE 1)	3,286	8,326
NET MARGIN AND EARNINGS	18,329	16,523
OTHER COMPREHENSIVE INCOME (LOSS)		
Postretirement health insurance obligation adjustments	(559)	90
COMPREHENSIVE INCOME	$ 17,770	$ 16,613

CONSOLIDATED STATEMENTS OF
MEMBER & PATRON EQUITIES

FOR THE YEARS ENDED DECEMBER 31, 2019 & 2018 (ALL DOLLAR AMOUNTS IN THOUSANDS)

	Membership Fees	Patronage Capital	Accumulated Other Comprehensive Income	Total Member and Patron Equities
BALANCE—DECEMBER 31, 2017	$ 1	$ 296,389	$ 2,397	$ 298,787
Net margin and earnings	-	16,523	-	16,523
Postretirement health insurance obligation adjustments	-	-	90	90
Retirement of capital credits (Note 9)	-	(4,372)	-	(4,372)
BALANCE—DECEMBER 31, 2018	1	308,540	2,487	311,028
Net margin and earnings	-	18,329	-	18,329
Postretirement health insurance obligation adjustments	-	-	(559)	(559)
Retirement of capital credits (Note 9)	-	(4,426)	-	(4,426)
BALANCE—DECEMBER 31, 2019	$ 1	$ 322,443	$ 1,928	$ 324,372

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF
CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 & 2018 (ALL DOLLAR AMOUNTS IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES:	2019	2018
Net margin and earnings	$ 18,329	$ 16,523
Adjustments to reconcile net margin and earnings to net cash provided by operating activities:		
Loss on disposal of assets	2,836	3,690
Depreciation and amortization:		
Charged to operating expenses	59,813	60,486
Charged through other operating elements such as fuel expense	3,336	1,764
Allowance for funds used in construction—equity	(936)	(1,156)
Unrealized gains on nuclear decommissioning trust investments	(15)	(104)
Changes in operating elements:		
Accounts receivable	(3,861)	2,307
Inventories	7,919	8,270
Prepaid expenses and other assets	4,593	(3,204)
Accounts payable	4,423	2,144
Accrued expenses and other liabilities	(9,203)	(10,981)
Deferred charges and other	1,462	3,889
Total adjustments	70,367	67,105
Net cash provided by operating activities	88,696	83,628
CASH FLOWS FROM INVESTING ACTIVITIES:		
Electric plant additions	(50,434)	(51,838)
Purchase of investments	(10,928)	(42,943)
Proceeds from sale of investments and economic development loans	10,139	43,493
Net cash used in investing activities	(51,223)	(51,288)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under line of credit	72,000	78,000
Repayments under line of credit	(83,000)	(153,000)
Borrowings under long-term obligations	-	10,394
Repayments of long-term obligations	(21,336)	32,296
Retirement of capital credits	(4,426)	(4,372)
Borrowings of advances from member cooperatives	390,776	265,921
Repayments of advances from member cooperatives	(388,621)	(266,711)
Net cash used in financing activities	(34,607)	(37,472)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,866	(5,132)
CASH AND CASH EQUIVALENTS—BEGINNING OF YEAR	25,599	30,731
CASH AND CASH EQUIVALENTS—END OF YEAR	$ 28,465	$ 25,599

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 & 2018 (ALL DOLLAR AMOUNTS IN THOUSANDS)

1 NATURE OF BUSINESS & ORGANIZATION

BUSINESS | Dairyland Power Cooperative and subsidiary ("Dairyland" or the "Cooperative") is an electric generation and transmission cooperative organized under the laws of the states of Wisconsin and Minnesota. The Cooperative, whose principal offices are located in Wisconsin, provides wholesale electric service to Class A members engaged in the retail sale of electricity to member consumers located in Wisconsin, Minnesota, Iowa and Illinois, and provides electric and other services to Class C, D and E members.

PRINCIPLES OF CONSOLIDATION | The consolidated financial statements include the accounts of Dairyland and Dairyland's wholly owned subsidiary, Genoa FuelTech, Inc. All intercompany balances and transactions have been eliminated in consolidation.

ACCOUNTING SYSTEM AND REPORTING | The accounting records of the Cooperative are maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission as adopted by the Rural Utilities Service (RUS), the Cooperative's principal regulatory agency.

ELECTRIC PLANT | The cost of renewals and betterments of units of property (as distinguished from minor items of property) includes contract work, direct labor and materials, allocable overhead, and allowance for funds used during construction, and is charged to electric plant accounts. Included in accumulated depreciation are nonlegal or noncontractual costs of removal components. As a result, the cost of units of property retired, sold or otherwise disposed of, plus removal costs, less salvage, is charged to accumulated depreciation and no profit or loss is recognized in connection with ordinary retirements of property units. A provision for these nonlegal or noncontractual costs of removal components is recognized based on depreciation rates determined by a third-party depreciation study completed in November 2016 and approved by RUS in 2017 for rates effective in 2017. The Cooperative is unable to obtain the information to separate the cumulative removal costs as of December 31, 2019 and 2018. Maintenance and repair costs and replacement and renewal of minor items of property are charged to operations.

DEPRECIATION | Depreciation, which is based on the straight-line method at rates that are designed to amortize the original cost of properties over their estimated useful lives, includes a provision for the cost of removing and decommissioning the properties. The provision for depreciation averaged 3.5% of depreciable plant balances for 2019 and 2018.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION | Allowance for funds used during construction (AFUDC) represents the cost of external and internal funds used for construction purposes, and is capitalized as a component of electric plant by applying a rate (5.321% in 2019 and 4.505% in 2018) to certain construction work in progress. The amount of such allowance was $2,524 in 2019 and $2,386 in 2018. The borrowed funds component of AFUDC for 2019 and 2018, was $1,587 and $1,229, respectively (representing 3.345% and 2.326% in 2019 and 2018, respectively). The equity component of AFUDC for 2019 and 2018 was $936 and $1,156, respectively, (representing 1.976% and 2.179% in 2019 and 2018, respectively). The borrowed funds components were included as a reduction of interest expense in the consolidated statements of revenues, expenses and comprehensive income.

RECOVERABILITY OF LONG-LIVED ASSETS | The Cooperative accounts for the impairment or disposal of long-lived assets, such as property and equipment, whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimated undiscounted cash flows expected to result from the use of the asset, plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value based on quoted market prices or other valuation techniques. To date, management has determined that no impairment of these assets exists.

INVESTMENTS | Investments in marketable debt securities classified as available for sale are reported at fair value, with the interest, dividend income and realized gains reported in nonoperating margin. The Cooperative continually monitors the difference between cost and estimated fair value of its investments. If any of the Cooperative's investments experience a decline in value that the Cooperative believes is other than temporary, the Cooperative will realize the loss as a reduction in investment income. In 2019 and 2018, the Cooperative realized $0 and $28, respectively, of losses on these investments as a result of other-than-temporary impairment (OTTI).

REGULATORY ASSETS AND LIABILITIES | The Cooperative's accounting policies and the consolidated financial statements conform to accounting principles generally accepted in the United States of America applicable to electric cooperatives.

The noncurrent portion of regulatory assets as of December 31, 2019 and 2018, include the following:

	2019	2018
Power purchase contract termination fee	$ -	$ 4,556
Alma 4 & 5 unrecovered plant balances	8,288	10,360
Total regulatory assets	$ 8,288	$ 14,916

Power purchase contract termination fee - During 2015, the Cooperative established a regulatory asset for a contract termination fee related to a power purchase agreement. This is being amortized to purchased power expense over the five-year remaining term of the original contract beginning November 2015. In 2019, the Board of Directors approved early defeasement of this regulatory asset; the asset was removed from the balance sheet and charged to amortization expense.

Alma 4 & 5 unrecovered plant balances - During 2014, the Cooperative established a regulatory asset related to unrecovered plant balances upon closure of the Alma 4&5 generating stations. This is being amortized through rates over 10 years beginning in 2015.

The expected following year's portion of these regulatory assets is included in prepaid expenses and other at December 31, 2019 and 2018, respectively.

DEFERRED CHARGES | Deferred charges represent future revenue to the Cooperative associated with costs that will be recovered from customers through the rate-making process. As of December 31, 2019 and 2018, the Cooperative's deferred charges are being reflected in rates charged to customers, except the deferred nuclear litigation as noted below. If all or a separable portion of the Cooperative's operations become no longer subject to the provisions of regulatory accounting, a write-off of deferred charges would be required, unless some form of transition recovery (refund) continues through rates established and collected for the Cooperative's remaining regulated operations. In addition, the Cooperative would be required to determine any impairment to the carrying costs of deregulated plant and inventory assets.

The noncurrent portion of deferred charges as of December 31, 2019 and 2018, include the following:

	2019	2018
Pension prepayment	$ 5,380	$ 8,070
Deferred nuclear litigation	3,958	1,167
Other	9,096	7,276
Total deferred charges	$ 18,434	$ 16,513

Pension prepayment - The voluntary prepayment to the Cooperative's multiemployer defined-benefit pension plan to reduce future funding amounts is being amortized to benefits expense over 10 years beginning in 2013 as prescribed by RUS.

Deferred nuclear litigation - Litigation expenses from the third nuclear contract damages claim against the United States government are being deferred pending the outcome of that litigation. See further discussion in Note 14.

Other - Costs relating to the Nemadji Trail Energy Center natural gas project are being accumulated in deferred charges. These charges will be amortized when the plant is in service (currently estimated for 2025).

CASH AND CASH EQUIVALENTS I Cash equivalents include all highly liquid investments with original maturities of three months or less. Cash equivalents consist primarily of commercial paper, stated at cost, which approximates market.

FOSSIL FUELS AND MATERIALS AND SUPPLIES I Coal inventories, as well as materials and supplies inventories, are stated at the lower of average cost or net realizable value.

NITROGEN OXIDE EMISSION ALLOWANCES I Beginning in 2009, the U.S. Environmental Protection Agency (EPA) began requiring affected electric generating units to hold sufficient allowances to cover emissions of nitrogen oxides. Under these requirements, the Cooperative is required to surrender one emission allowance per ton of nitrogen oxides emitted, on an annual basis and seasonal basis (May through September "Ozone Season"). Actual emissions during 2019 and 2018 did not require the Cooperative to purchase additional allowances beyond what was allocated under the program. As of December 31, 2019 and 2018, allowances are recorded in inventory at the lower of average cost or net realizable value. The transfer to the EPA for reporting year 2018 allowances (annual and seasonal) occurred on March 1, 2019. The remaining allowances in inventory as of December 31, 2019, will be surrendered to EPA, as applicable, under the terms of the consent decree between Dairyland and the United States and the Sierra Club.

DEFERRED CREDITS I Deferred credits represent both future revenue to the Cooperative associated with customer prepayments and noncurrent obligations and reserves related to operations. As of December 31, 2019, the Cooperative's deferred credits are being considered when determining rates charged to customers.

The noncurrent portion of deferred credits as of December 31, 2019 and 2018, include the following:

	2019	2018
Unearned revenue—contract prepayment	$ 51,558	$ 57,286
Other	2,091	860
Total deferred credits	$ 53,649	$ 58,146

Unearned Revenue - Contract Prepayment - During 2015, the Cooperative and Great River Energy (GRE) reached settlement terms amending a power agreement which shared costs and benefits of the Cooperative owned 345-megawatt coal fired generating unit located in Genoa, Wisconsin ("Genoa Station #3"). The settlement terms allowed GRE to end its purchase of power and energy under the agreement as of June 1, 2015, upon prepayment by GRE of $83,543 for certain obligations under the agreement. GRE is no longer entitled to any output from the unit. GRE will remain responsible for its share of eventual decommissioning costs and of any liability for disposal of coal combustion byproducts. The transaction received required approval from RUS during 2015.

The prepayment is being recognized into operating revenues on a straight-line basis through 2029, the approximate time frame over which the prepayment amounts would have been billed. The amounts recognized as revenue were $5,729 during both 2019 and 2018.

SALES OF ELECTRIC ENERGY I Revenues from sales of electric energy are recognized when energy is delivered. The class A wholesale rates approved by the Board of Directors have a power cost adjustment that allows for increases or decreases in class A member power billings based upon actual power costs compared to plan. For 2019 and 2018, the power cost adjustment to the class A members resulted in credits to sales billed of $239 and $0, respectively. These amounts are recorded in sales of electric energy in operating revenues on the consolidated statements of revenues, expenses and comprehensive income.

OTHER OPERATING REVENUE I Other operating revenue primarily includes revenue received from transmission service and is recorded as services are provided.

ACCOUNTING FOR ENERGY CONTRACTS I Contracts that did not meet the accounting definition of a derivative are accounted for as executory contracts. The Cooperative's energy contracts that qualify as derivatives continue to be accounted for at fair value, unless those contracts meet the requirements of and have been designated as "normal purchase normal sale." The Cooperative does not have any energy contracts that are required to be accounted for at fair value as of December 31, 2019 and 2018.

NONOPERATING MARGIN I The nonoperating margin for the years ended December 31, 2019 and 2018, includes the following:

	2019	2018
Investment income	$ 2,722	$ 7,112
Investment income on nuclear decommissioning funds:		
Net earnings	112	447
Realized gains	77	56
Realized losses and losses due to OTTI	(33)	(478)
Provision—recorded as estimated decommissioning liabilities	(156)	(25)
Other	564	1,214
Nonoperating margin	$ 3,286	$ 8,326

USE OF ESTIMATES I The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates in the consolidated financial statements relate to postretirement benefit obligations, asset retirement obligation liabilities, fixed-asset depreciable lives, and litigation and contingencies. Actual results could differ from those estimates.

ACCUMULATED OTHER COMPREHENSIVE INCOME I Accumulated other comprehensive income is comprised solely of a postretirement health insurance obligation. See additional information in Note 11. The components for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Balance—beginning of year	$ 2,487	$ 2,397
Recognition in expense:		
Amortization of prior service cost	65	(102)
Amortization of unrecognized actuarial gain	(154)	(140)
Actuarial assumption changes	(470)	332
Net other comprehensive gain (loss)	(559)	90
Balance—end of year	$ 1,928	$ 2,487

CONCENTRATION OF RISK I Approximately 42% of the labor force for the Cooperative is under a collective bargaining agreement that expires January 31, 2023.

SUBSEQUENT EVENTS I The Cooperative considered events for the recognition or disclosure in the consolidated financial statements that occurred subsequent to December 31, 2019, through March 27, 2020, the date the consolidated financial statements were available to be issued (see Note 17 for description of subsequent events).

2 ACCOUNTING STANDARDS

RECENTLY ADOPTED | In May 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance on the recognition of revenue from contracts with customers, which will supersede nearly all existing revenue recognition guidance under generally accepted accounting principles (GAAP). Under the new standard, entities will recognize revenue to depict the transfer of goods and services to customers in amounts that reflect the payment to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows from an entity's contracts with customers. In August 2015, the FASB issued accounting guidance deferring the effective date by one year. The Cooperative adopted this standard effective January 1, 2019, as required, and used the modified retrospective method of adoption, with no material impact on the consolidated financial statements or internal controls. A comprehensive review of contracts and their associated terms and conditions was completed. Based on this analysis, it was determined that a cumulative effect adjustment to retained earnings at January 1, 2019 was not required. See Note 16, Revenue from Contracts with Customers, for additional disclosures.

On January 1, 2019, the Cooperative adopted Accounting Standards Update (ASU) 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, as issued by the FASB. Under ASU 2017-07, companies are required to disaggregate the current service cost component from the other components of net periodic benefit cost and present it with other current compensation costs for related employees in the income statement and present the other components elsewhere in the income statement and outside of income from operations. In addition, only the service cost component of net periodic benefit cost is eligible for capitalization. The new guidance was adopted on a retrospective basis by the Cooperative in 2019, but because it did not have a material impact on the consolidated financial statements, the prior year amounts were not restated.

NOT YET EFFECTIVE | In February 2016, the FASB issued new accounting guidance for leases. The new guidance increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements in the financial statements. In January 2018, the FASB issued additional accounting guidance on leases, amending the guidance issued in 2016, to simplify the transition to the new guidance for land easements. The new guidance will be effective for the Cooperative in 2021. Early adoption of the accounting guidance is permitted and must be applied using one of the two prescribed methods. Management is currently evaluating the impact of adoption of this new guidance on the consolidated financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-15, Intangibles-Goodwill and Other-Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract. The new standard requires entities that are customers in cloud computing arrangements to defer implementation costs if they would be capitalized by the entity in software licensing arrangements under the internal-use software guidance. ASU 2018-15 is effective for the Cooperative in 2021 and early adoption is permitted. The amendments allow either a retrospective or prospective approach to all implementation costs incurred after adoption. The Cooperative is evaluating the expected impact of this standard on its consolidated financial statements.

In August 2018, the FASB issued new accounting guidance changing the disclosure requirements for fair value measurement. It applies to all entities that are required to make disclosures about fair value measurements, however, certain disclosures are not required for nonpublic entities. This guidance is effective for the Cooperative in 2020. The Cooperative is currently evaluating the impact this guidance will have on the consolidated financial statements.

In August 2018, the FASB issued new accounting for defined benefit plans. The purpose of the amendment is to modify the disclosure requirements for defined benefit pension and other postretirement plans. This guidance is effective for the Cooperative in 2021. The Cooperative is currently evaluating the impact this guidance will have on the consolidated financial statements.

3 INCOME TAXES

The Internal Revenue Service has determined that Dairyland is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. Accordingly, the Cooperative's utility operations are generally exempt from federal and state income taxes and no provision for such taxes is recorded in the consolidated financial statements.

4 AVAILABLE-FOR-SALE INVESTMENTS

Investments in the nuclear decommissioning trust (NDT) are classified as available-for-sale, recorded at fair value, and recorded within Prepaid expenses and other and Nuclear decommissioning funds as of December 31, 2019, and Nuclear decommissioning funds as of December 31, 2018. Investments under debt agreements are classified as available-for-sale and recorded at fair value. Investment balances as of December 31, 2019 and 2018, include the following:

	2019 Fair Value NDT	2018 Fair Value NDT
Cash and cash equivalents	$ 2,017	$ 1,999
U.S. government securities	183	1,673
Corporate bonds	189	2,588
	$ 2,389	$ 6,260

The contractual maturities of marketable debt securities, which include U.S. government securities and corporate bonds, as of December 31, 2019, are as follows:

	Fair Value	Cost
Due after 1 year through 5 years	$ 145	$ 141
Due after 5 years through 10 years	127	125
Due after 10 years	5	5
	$ 277	$ 271

Information regarding the sale of available-for-sale marketable securities, included in the nuclear decommissioning trusts, for the years ended December 31, 2019 and 2018, is as follows:

	2019	2018
Proceeds from sale of securities	$ 9,791	$ 41,322
Realized gains (losses)	44	(394)

For the purposes of determining realized gains and losses, the cost of securities sold is based upon specific identification.

Securities in the portfolio are reviewed to determine whether they have been other than temporarily impaired. The Cooperative has recorded impairment write-downs of its investments of $0 and $28 in 2019 and 2018, respectively, as the Cooperative cannot represent that it has the intent and ability to hold securities until they recover in value, since that decision is outside of its sole control.

In accordance with restrictions enacted by the Nuclear Regulatory Commission, the Cooperative does not control the day to day management of nuclear decommissioning trust fund investments. The nuclear decommissioning trust of the Cooperative is managed by independent investment managers with discretion to buy, sell and invest to achieve the broad investment objectives set forth by the Cooperative.

The Cooperative's policy is to provide additional funding of the nuclear decommissioning trust, as necessary, through rates and with future earnings, to ensure that the trust will be sufficient to cover final decommissioning expenses. Earnings on the nuclear decommissioning funds and the equivalent provision for nuclear decommissioning costs are recorded as nonoperating margins on the consolidated statements of revenues, expenses, and comprehensive income, since the plant is no longer in service.

Investment income included in nonoperating margin on the consolidated statements of revenues, expenses and comprehensive income is net of investment fees of approximately $12 and $35 for the years ended December 31, 2019 and 2018, respectively.

5 LINES OF CREDIT

To provide interim financing capabilities, the Cooperative has arranged committed lines of credit with availability aggregating approximately $350,000. The Cooperative has a syndicated credit facility with CoBank originally executed on November 30, 2015, and amended on November 20, 2019. This facility has a five-year term and provides funds both for short-term working capital requirements and for capital projects until permanent financing can be obtained. Some capital projects will last longer than one year, but the intent is to pay down the line of credit as permanent funding is received. Compensating balance requirements and fees relating to the lines of credit were not significant in 2019 and 2018. Information regarding line of credit balances and activity for the years ended December 31, 2019 and 2018, is as follows:

	2019	2018
Interest rate at year-end	2.80%	3.40%
Total borrowings outstanding at year-end	$ 68,000	$ 79,000
Average borrowings outstanding during year	$ 58,900	$ 117,000

The Cooperative also allows member cooperatives to prepay their power bills and pays interest on these prepayments based on current short-term borrowing rates. Advances from member cooperatives totaled $13,820 and $11,652 at December 31, 2019 and 2018, respectively. Interest expense on member cooperative advances was $301 and $238 for the years ended December 31, 2019 and 2018, respectively. These amounts have been included in interest expense on the consolidated statements of revenues, expenses, and comprehensive income.

6 LONG-TERM OBLIGATIONS

Long-term obligations as of December 31, 2019 and 2018, consist of the following:

	2019	2018
Federal Financing Bank obligations—1.93% to 4.46%	$ 527,723	$ 452,116
Federal Financing Bank obligations—4.52% to 6.80%	220,672	304,988
Total Federal Financing Bank	748,395	757,104
RUS obligations—4.125% and grant funds	3,532	3,987
CoBank notes—2.6%, 2.9%, 4.3%, 6.2%, and 7.4%	12,283	18,191
Private bonds placement obligations—3.42%	77,500	80,833
Long-term debt	841,710	860,115
Less current maturities	(41,191)	(48,127)
Total long-term obligations	$ 800,519	$ 811,988

Quarterly principal and interest payments on the long-term obligations to the Federal Financing Bank (FFB) extend through 2048. Long-term obligations to FFB are net of deposits in the RUS debt prepayment program of $809 and $162,186 as of December 31, 2019 and 2018, respectively. These deposits earn 5% interest and are available solely for future principal and interest payments.

Long-term obligations to the RUS are payable in equal monthly principal and interest installments through 2024. Payments on the CoBank 2.6% and 4.3% notes are due quarterly and semi-annual through 2023. The private bond placement is an amortizing 30-year term loan at an interest rate of 3.42%. Quarterly principal and interest payments on this obligation extend through 2043.

The Cooperative executed, filed and recorded an indenture of mortgage, security agreement and financing statement, dated as of September 13, 2011 and as supplemented (the "Indenture"), between the Cooperative, as grantor and U.S. Bank National Association, as trustee. The perfected lien of the Indenture on substantially all of the Cooperative's assets secured equally and ratably all of the Cooperative's long-term debt with the exception of unsecured notes to CoBank (balances of $8,742 and $11,432 at December 31, 2019 and 2018, respectively). The Cooperative is required to maintain and has maintained certain financial ratios related to earnings in accordance with the covenants of its loan agreements as of December 31, 2019.

Scheduled maturities of the Cooperative's long-term obligations as of December 31, 2019, were as follows:

Years Ending December 31	
2020	$ 41,191
2021	40,302
2022	40,580
2023	39,920
2024	40,204
Thereafter	639,513
Total	$ 841,710

7 LEASES

OPERATING LEASES | The Cooperative has entered into lease agreements under which it is the lessee on an operating lease for six rail cars and fleet vehicles. These transactions are covered in the master lease agreement and have lease terms ranging from four to 15 years. At the end of the leases, the Cooperative can either purchase the equipment at fair market value, continue to lease the assets or return the equipment to the lessor. Rent expense was $785 and $681 in 2019 and 2018, respectively. The schedule of future minimum lease payments as of December 31, 2019, is as follows:

Years Ending December 31	
2020	$ 550
2021	454
2022	240
2023	80
Total	$ 1,324

CAPITAL LEASES | The Cooperative has entered into several capital lease agreements for large vehicles and heavy equipment. The transactions are covered in the master lease agreement with lease terms not exceeding seven years. At the end of the lease, the Cooperative can purchase the equipment for a bargain purchase price. The original cost of the assets under capital leases as of December 31, 2019 is $12,686. The assets are amortized over the lesser of their related lease terms or their estimated productive lives. The schedule of future minimum lease payments as of December 31, 2019, is as follows:

Years Ending December 31	
2020	$ 3,043
2021	2,290
2022	1,516
2023	852
2024	349
Thereafter	401
Total minimum lease payments	8,451
Amounts representing interest	(624)
Present value of minimum lease payments	7,827
Current maturities	(2,769)
Long-term capital lease obligations	$ 5,058

8 FINANCIAL INSTRUMENTS

The fair value of the Cooperative's financial instruments other than marketable securities and short-term borrowings, based on the rates for similar securities and present value models using current rates available as of December 31, 2019 and 2018, is estimated to be as follows:

	2019		2018	
	Recorded Value	Fair Value	Recorded Value	Fair Value
Assets:				
Other property and investments	$ 11,927	$ 11,927	$ 11,258	$ 11,258
Investments in capital term certificates of NRUCFC	9,176	9,176	9,176	9,176
Liabilities—long-term obligations	841,710	946,153	860,115	1,101,565

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE I Accounting principles generally accepted in the United States of America establish a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and provides for required disclosures about fair value measurements. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

A description of the inputs used in the valuation of assets and liabilities are as follows:

Level 1 inputs utilize observable market data in active markets for identical assets or liabilities. Level 2 inputs consist of observable market data, other than that included in Level 1, that are either directly or indirectly observable. Level 3 inputs consist of unobservable market data, which are typically based on an entity's own assumptions of what a market participant would use in pricing an asset or liability as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. The Cooperative's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table summarizes the Cooperative's assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018, aggregated by the level in the fair value hierarchy within which those measurements fall:

	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets and Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
2019	Fair Value	(Level 1)	(Level 2)	(Level 3)
Assets—investments:				
Nuclear decommissioning funds	$ 2,389	$ 2,389	$ -	$ -
Other property and investments	11,927	1,070	-	10,857
Investments in capital term certificates of NRUCFC	9,176	-	-	9,176
Investment for deferred compensation	2,048	-	2,048	-
	$ 25,540	$ 3,459	$ 2,048	$ 20,033

	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets and Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
2018	Fair Value	(Level 1)	(Level 2)	(Level 3)
Assets—investments:				
Nuclear decommissioning funds	$ 6,260	$ 6,260	$ -	$ -
Other property and investments	11,258	1,070	-	10,188
Investments in capital term certificates of NRUCFC	9,176	-	-	9,176
Investment for deferred compensation	1,829	-	1,829	-
	$ 28,523	$ 7,330	$ 1,829	$ 19,364

In 2019 there were no transfers between Levels 1, 2, and 3. The changes in Level 3 recurring fair value measurements using significant unobservable inputs for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Other property and investments:		
Balance—beginning of year	$ 10,188	$ 10,514
New investment and loans made	550	1,450
Loan repayments received and current maturities	(25)	(103)
Patronage capital allocations	159	177
Refunds of deposits	(15)	(1,850)
Balance—end of year	$ 10,857	$ 10,188

The valuation of these assets involved management's judgment after consideration of market factors and the absence of market transparency, market liquidity and observable inputs.

9 RETIREMENT OF CAPITAL CREDITS

The Cooperative's Board of Directors has adopted a policy of retiring capital credits allocated to members on a first-in, first-out basis. As part of an equity development strategy adopted in 2003, patronage capital retired will be limited to no greater than 2% of the total assigned patronage capital balance as of December 31 of the prior year. This policy is subject to annual review and approval by the Board of Directors and the RUS, and no cash retirements are to be made which would impair the financial condition of the Cooperative or violate any terms of its agreements. Since 2003, the amount of nonoperating margins assigned to members each year is at the discretion of the Board of Directors. Any unassigned nonoperating margins will become unallocated reserves and part of permanent equity. Patronage capital amounts for the years ended December 31, 2019 and 2018, are as follows:

	Assigned	Unassigned	Total
Balance—December 31, 2017	$ 218,624	$ 77,765	$ 296,389
Retirement of capital credits	(4,372)	-	(4,372)
Current year margins	7,041	9,482	16,523
Balance—December 31, 2018	221,293	87,247	308,540
Retirement of capital credits	(4,426)	-	(4,426)
Current year margins	14,107	4,222	18,329
Balance—December 31, 2019	$ 230,974	$ 91,469	$ 322,443

10 COMMITMENTS & CONTINGENCIES

The Cooperative is a party to a number of generation, transmission and distribution agreements, under which costs and/or revenues are recognized currently based upon the Cooperative's interpretations of the provisions of the related agreements. Differences between the estimates used in the consolidated financial statements and the final settlements are recorded in the year of settlement.

The Cooperative has entered into various coal purchase contracts with one- to five-year terms. The estimated commitments under these contracts as of December 31, 2019, is as follows:

Years Ending December 31	
2020	$ 89,763
2021	14,980
2022	12,483
2023	10,189
2024	-
Total	$ 127,415

The Cooperative has been named as a defendant in various lawsuits and claims arising in the normal course of business. Although the outcome of these matters cannot be determined at the present time, management and legal counsel believe these actions can be successfully defended or resolved without a material effect on the consolidated financial position, results of operations or cash flows of the Cooperative.

11 EMPLOYEE BENEFITS

MULTIEMPLOYER DEFINED-BENEFIT PENSION PLAN | Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan ("RS Plan"). This is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. Pension benefits are funded in accordance with the provisions of the RS Plan and are based on salaries, as defined, of each participant. The Employee Retirement Income Security Act of 1974, as amended by the Multiemployer Pension Plan Amendment Act of 1980, imposes certain liabilities on employers who are contributors to multiemployer plans in the event of a plan termination or an employer's withdrawal. These plans have not been terminated, nor has the Cooperative undertaken any plans to withdraw from participation. Since the RS Plan is a multiemployer plan for accounting purposes, all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers. The Cooperative may be contingently liable for its share of the RS Plans' unfunded vested liabilities.

The Cooperative's contributions to the RS Plan in 2019 and 2018 represented less than 5% of the total contributions made to the plan by all participating employers. In 2013, the Cooperative made a voluntary prepayment of $26,899 to this plan to reduce future contribution amounts. Expense for the RS Plan was $12,277 in 2019 and $12,133 in 2018. The 2019 expense includes contributions to the plan of $9,587 and $2,690 of prepayment amortization. The 2018 expense includes contributions to the plan of $9,443 and $2,690 of prepayment amortization.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on both January 1, 2019 and 2018, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

POSTRETIREMENT HEALTH INSURANCE OBLIGATION | Certain employees of the Cooperative retiring at or after age 55 are eligible to participate in a postretirement health care plan through age 65. Eligible dependents of the retired Cooperative employees are also eligible to participate in this plan through age 65. Retirees pay 100% of the premium amount for this coverage. The premium is based upon the combined medical claims experiences of all active employees and retirees. If premiums were determined based upon the medical claims experience of retirees only, the resulting premium for retirees would be higher. The difference between the premium paid by retirees and the potential actual premium amount is the basis for the postretirement benefit obligation. The Cooperative uses a December 31 measurement date for its plan. The postretirement health care plan is unfunded.

The accumulated postretirement benefit obligation (APBO) and the amounts recognized in the consolidated financial statements as of and for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Amount recognized in the consolidated balance sheets:		
Total accrued qualified and nonqualified benefit obligation	$ 5,166	$ 4,597
Less current portion included in accrued expenses—other	(317)	(337)
Long-term portion	$ 4,849	$ 4,260
Change in benefit obligation:		
APBO—beginning of year	$ 4,597	$ 4,769
Service cost	260	283
Interest cost	176	154
Actuarial gain (loss)	470	(332)
Benefits paid	(337)	(277)
APBO—end of year	$ 5,166	$ 4,597
Funded status of plan—December 31	$ (5,166)	$ (4,597)
Accrued postretirement health insurance obligations recorded at year-end	$ 5,166	$ 4,597
Change in plan assets:		
Employer contribution	$ (337)	$ (277)
Benefits paid	337	277
	$ -	$ -
Change in accumulated other comprehensive income:		
Net income at prior measurement date	$ 2,487	$ 2,397
Actuarial assumption changes	(470)	332
Recognition in expense:		
Amortization of prior service cost	65	(102)
Amortization of unrecognized actuarial gain	(154)	(140)
Accumulated other comprehensive income	$ 1,928	$ 2,487
Components of net periodic postretirement benefit cost:		
Service cost—benefits attributed to service during the year	$ 260	$ 283
Interest cost on accrued postretirement health insurance obligation	176	154
Amortization of prior service cost	65	(102)
Amortization of unrecognized actuarial gain	(154)	(140)
Net periodic postretirement benefit expense	$ 347	$ 195

Employer cash contributions expected to be made to the plan during the fiscal year ending December 31, 2020, is $317. The amount of accumulated other comprehensive income expected to be recognized during the fiscal year ending December 31, 2020, is an actuarial gain of $109 and amortization of prior service cost of $91.

For measurement purposes, a 2.90% and 3.97% discount rate was assumed for 2019 and 2018, respectively, to determine net periodic benefit cost. The 2019 and 2018 annual health care cost increase assumed is 6.60% and 6.70%, respectively, decreasing gradually to 4.50% for 2030 and thereafter. A one percentage point increase in the assumed health care cost trend rates would increase the total of service and interest cost components by $73 and the end-of-year APBO by $577. A one percentage point decrease in the assumed health care cost trend rates would decrease the total of service and interest cost components by $60 and the end-of-year APBO by $492.

Estimated future benefit payments from the plan as of December 31, 2019, are as follows:

Years Ending December 31	
2020	$ 317
2021	302
2022	281
2023	289
2024	277
2025-2029	1,784

DEFINED-CONTRIBUTION PLAN | Dairyland has a qualified tax-deferred savings plan for eligible employees. Eligible participants may make pretax contributions, as defined, with the Cooperative matching up to 2.5% of the participants' annual compensation. Contributions to this plan by the Cooperative were $1,298 and $1,198 for 2019 and 2018, respectively.

OTHER PLANS | The Cooperative offers key employees deferred compensation plans available through NRECA. The plans permit qualifying employees to defer a portion of their salary until future years. The accumulated deferred compensation balance is not available to employees until termination, retirement or death.

All amounts of compensation deferred under the plans and all income attributable to those amounts (until paid or made available to the employee or other beneficiary) are solely the property and rights of the Cooperative (not restricted to the payment of benefits under the plan), subject only to the claim of general creditors. Participants' rights under the plans are equal to those of general creditors of the Cooperative in an amount equal to the fair market value of the deferred account for each participant. The related assets and liabilities, totaling $2,048 and $1,829 as of December 31, 2019 and 2018, respectively, are reported at contract value, which approximates fair value.

The Cooperative also provides employees with medical insurance coverage, vision and dental insurance coverage, short-term and long-term disability, and life insurance, which are funded by employer and employee contributions. The Cooperative's costs related to these benefits were $10,277 and $10,001 for 2019 and 2018, respectively. The liability for these plans of $41 and $46 as of December 31, 2019 and 2018, respectively, are recorded in accrued expenses on the consolidated balance sheets.

12 RELATED-PARTY TRANSACTIONS

The Cooperative provides electric and other services to its class A members. The Cooperative received revenue of $401,877 and $388,140 in 2019 and 2018, respectively, for these services. The Cooperative has accounts receivable from its Class A members of $37,362 and $35,968 as of December 31, 2019 and 2018, respectively.

The Cooperative has advances from class A members of $13,820 and $11,652 as of December 31, 2019 and 2018, respectively, related to the prepayment program. Class A members have the option of paying their electric bill in advance, and in turn, the Cooperative pays the members' interest income. The Cooperative's interest expense related to the prepayment program was $301 and $238 for the years ended December 31, 2019 and 2018, respectively.

13 ASSET RETIREMENT OBLIGATIONS

An asset retirement obligation (ARO) is the result of legal or contractual obligations associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, or development and/or the normal operation of a long-lived asset. The Cooperative determines these obligations based on an estimated asset retirement cost adjusted for inflation and projected to the estimated settlement dates and discounted using a credit-adjusted risk free interest rate. Upon initial recognition of a liability for ARO, the Cooperative capitalizes the asset retirement cost by increasing the carrying amount of the related long lived asset by the same amount as the liability. The Cooperative allocates that asset retirement cost to expense using the straight-line method over the remaining useful life of the related long-lived asset. The accretion of the obligation is recognized over time up to the settlement date. Any future change in estimate will be recognized as an increase or a decrease in the carrying amount of the liability for an ARO and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset.

The Cooperative determined that it has AROs related to future removal and disposal of asbestos at its power plants. There are no assets legally restricted for purpose of settling the ARO related to future removal and disposal of asbestos.

The Cooperative has established a decommissioning trust to accumulate the estimated amounts necessary to decommission a nuclear power plant that the Cooperative formerly operated and the related Independent Spent Fuel Storage Installation (ISFSI). The assets of this trust in the amount of $2,389 and $6,260 as of December 31, 2019 and 2018, respectively, are outside the Cooperative's administrative control and are available solely to satisfy the future costs of decommissioning. Of the obligations and assets related to the decommissioning trust, $405 are classified as current as of December 31, 2019 given the decommissioning is expected to be completed in 2020. The remaining $1,984 is related to the annual ISFSI costs that will remain after completion of the decommissioning.

Nuclear decommissioning and other asset retirement obligations as of December 31, 2019 and 2018, are as follows:

	Nuclear	Other	Total
Balance—December 31, 2017	$ 23,114	$ 5,500	$ 28,614
Increase in estimated obligation	44	-	44
Incurred costs on projects	(16,898)	(2,530)	(19,428)
Balance—December 31, 2018	$ 6,260	$ 2,970	$ 9,230
Increase in estimated obligation	156	-	156
Incurred costs on projects	(4,027)	-	(4,027)
Balance—December 31, 2019	$ 2,389	$ 2,970	$ 5,359

The Cooperative did not record a conditional ARO related to the dismantlement of the dam and drainage reservoir for the hydro generation plant at Flambeau, the restoration of land to preexisting condition at Genoa Station #3 site related to the land rights permit, and the removal of transmission lines in various corridors, because the Cooperative does not have sufficient information to estimate the fair value of the ARO.

14 NUCLEAR REACTOR

LICENSE | The La Crosse Boiling Water Nuclear Reactor (LACBWR) was voluntarily removed from service by the Cooperative effective April 30, 1987. The intent was to terminate operation of the reactor, and a possession-only license was obtained from the Nuclear Regulatory Commission (NRC) in August 1987. LACBWR will remain in safe storage status (SAFSTOR) until the final stage of decommissioning of LACBWR, involving dismantlement and decontamination, can be completed. In May 2016, the NRC approved transfer of the license to La CrosseSolutions LLC (Solutions), a subsidiary of EnergySolutions LLC. Solutions will temporarily hold the license and assumes responsibility for the decommissioning of the site. The license will revert back to the Cooperative following completion of decommissioning activities. While Solutions undertakes decommissioning, the Cooperative retains a license for its continued ownership of the spent fuel.

NUCLEAR WASTE POLICY ACT OF 1982 (NWPA) | Under the NWPA, the United States government is responsible for the storage and disposal of spent nuclear fuel removed from nuclear reactors. By statute and under contract, the United States government was to have begun accepting spent fuel in January 1998, but has not yet licensed and established a repository.

The Cooperative filed an initial breach of contract damages claim against the United States government in the United States Court of Federal Claims to recover its costs generally incurred after 1998 through 2006 related to spent fuel remaining at LACBWR. In January 2013, the Cooperative received a damages award payment of $37,659 from the government for this claim.

The Cooperative filed a second contract damages claim in December 2012 to recover its costs generally incurred from 2007 through 2012. The Cooperative and the government agreed to settle the second claim in October 2016. Settlement proceeds of $73,500 were received from the government in November 2016, and at the direction of the Board of Directors, were recorded as a regulatory liability due to Class A members. The nuclear related regulatory asset of $16,700 and deferred charges for nuclear related litigation and plant costs of $9,164 were recovered from the regulatory liability as these amounts had not been collected in rates previously. The remaining net amount of $47,636 was refunded to Class A members in February 2017.

In late 2018, the Cooperative filed a third contract damages claim to recover its costs generally incurred from 2013 through 2018. The claim is proceeding through the legal process.

Subsequent damages claims will be filed to recover the continuing costs arising from the presence of the spent fuel.

ISFSI I The Cooperative completed the temporary dry storage facility project located on the LACBWR site and completed the move of the LACBWR spent nuclear fuel to this ISFSI facility in September 2012. The spent nuclear fuel will remain at the ISFSI until it is able to be transferred to the government. Annual ISFSI costs are recorded on an as incurred basis and incorporated into the annual budget and rate making process.

DECOMMISSIONING I The Solutions decommissioning plan anticipates completion of decommissioning LACBWR, not including the ISFSI, by the end of 2020. The estimated costs of decommissioning the nuclear generating facility are based on the Solutions cost study and decommissioning plan filed with the NRC as part of the license transfer. Costs incurred for decommissioning projects are charged against the decommissioning liability. As costs are incurred, Solutions submits requests for withdrawals to the Cooperative for release of funds from the nuclear decommissioning trust.

15 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

The statement of cash flows includes the following supplemental information as of December 31, 2019 and 2018:

	2019	2018
Cash paid for interest	$ 35,360	$ 50,020
Electric plant additions funded through accounts payable and accrued expenses	$ 2,509	$ 11,282
Electric plant additions under capital leases	$ 2,654	$ 2,782
Non-cash payment of long-term debt	$ 163,428	$ 93,076

16 REVENUE FROM CONTRACTS WITH CUSTOMERS

Sales of electric energy consists of sales to members pursuant to long-term wholesale electric contracts. Dairyland recognizes revenue based on the amount of energy delivered to each customer at agreed upon rates. The measurement of energy sales to customers is generally based on meter data, which is collected through the last day of the month. At the end of each month, amounts of energy delivered to customers is recognized.

We are an active participant in the MISO Energy Markets, where we bid our generation into the Day Ahead and Real Time markets and procure electricity for our wholesale customers and sell energy at prices determined by the MISO Energy Markets. Purchase and sale transactions are recorded using settlement information provided by MISO. Purchase transactions are accounted for on a net hourly position. Net purchases in a single hour are recorded as purchased and interchanged power. Sales of excess energy transacted through MISO are recorded on a gross basis in other sales. For sales to the MISO Energy Markets, we have no performance obligation until the energy is sold.

The Cooperative's members consist of Class A, C, D and E members. Class A members purchase wholesale electric service and rates are set annually with approval by the Board of Directors. Contract term is determined by the Wholesale Power Contract that is in effect until December 31, 2060. The contract automatically extends an additional (2) years in each odd-numbered year beginning January 1, 2021, unless either the Cooperative or member give notice no later than the preceding September 1 of its election not to extend further. Class C member revenue represents contractual sales to GRE, being recognized through 2029. Class D member revenues are based on various contracts with wholesale municipal members. Class E member revenues primarily reflect sales to MISO.

The following table disaggregates revenue by major source for the year-ended December 31, 2019:

	2019
Class A	$ 401,877
Class C	8,261
Class D	12,653
Class E, Including MISO	21,969
Other Sales	25,884
Total	$ 470,644

17 SUBSEQUENT EVENTS

In January of 2020, Dairyland's Board of Directors approved a resolution to cease operations at, and retire, its Genoa Station #3 generating unit effective with the consumption of its contracted coal for the unit (expected by December 31, 2021). Dairyland will accelerate depreciation on Genoa Station #3 starting January 1, 2020 through December 31, 2021, resulting in a remaining book value of zero. The accelerated depreciation related to the unrecovered utility plant and closure costs will be setup as a regulatory asset. A regulatory asset was approved by the Board of Directors and RUS for up to $85,000. Amortization will begin on January 1, 2022, and occur over eight years. The GRE prepayment that is being recognized into operating revenue (see Note 1) will also be also be accelerated beginning January 1, 2020, and ending December 31, 2021. The accelerated recognized revenue will serve as an offset to the regulatory asset.

A second regulatory asset in the amount $10,000 was approved by the Board of Directors and RUS and relates to retirements and retention programs due to the closure of Genoa Station #3. Amortization of this regulatory asset will begin in January 2022 and occur over eight years.

#FUTUREREADY STRATEGIC IMPERATIVES

- COOPERATIVE PURPOSE
- EMPLOYEE DEVELOPMENT
- RESOURCE DIVERSIFICATION
- FINANCIAL STRENGTH
- COMPETITIVE SERVICE & GROWTH
- SAFETY CULTURE
- OPERATIONAL EXCELLENCE

MEMBERS | DAIRYLAND POWER COOPERATIVE

CLASS A MEMBERS

WISCONSIN

Barron Electric Cooperative/Barron
Bayfield Electric Cooperative/Iron River
Chippewa Valley Electric Cooperative/Cornell
Clark Electric Cooperative/Greenwood
Dunn Energy Cooperative/Menomonie
Eau Claire Energy Cooperative/Fall Creek
Jackson Electric Cooperative/Black River Falls
Jump River Electric Cooperative/Ladysmith
Oakdale Electric Cooperative/Oakdale
Pierce Pepin Cooperative Services/Ellsworth
Polk-Burnett Electric Cooperative/Centuria
Price Electric Cooperative/Phillips
Richland Electric Cooperative/Richland Center
Riverland Energy Cooperative/Arcadia
St. Croix Electric Cooperative/Hammond
Scenic Rivers Energy Cooperative/Lancaster
Taylor Electric Cooperative/Medford
Vernon Electric Cooperative/Westby

IOWA/MINNESOTA

MiEnergy Cooperative/Cresco & Rushford

IOWA

Allamakee-Clayton Electric Cooperative/Postville
Heartland Power Cooperative/Thompson & St. Ansgar

MINNESOTA

Freeborn-Mower Cooperative Services/Albert Lea
People's Energy Cooperative/Oronoco

ILLINOIS

Jo-Carroll Energy/Elizabeth

SPECIAL SERVICES MEMBERS

Adams-Columbia Electric Cooperative/Friendship, Wis.
Central Wisconsin Electric Cooperative/Iola, Wis.
Oconto Electric Cooperative/Oconto Falls, Wis.
Rock Energy Cooperative/Janesville, Wis.

CLASS C MEMBERS

Great River Energy/Maple Grove, Minn.
Minnkota Power Cooperative/Grand Forks, N.D.

CLASS D MEMBERS

City of Arcadia, Wis.
Village of Argyle, Wis.
Village of Cashton, Wis.
City of Cumberland, Wis.
City of Elroy, Wis.
City of Fennimore, Wis.
City of Forest City, Iowa
Village of La Farge, Wis.
City of Lake Mills, Iowa
City of Lanesboro, Minn.
McGregor Municipal Utilities, Iowa
Village of Merrillan, Wis.
City of New Lisbon, Wis.
Osage Municipal Utilities, Iowa
City of St. Charles, Minn.
City of Strawberry Point, Iowa
Village of Viola, Wis.

CLASS E MEMBERS

Alliant Energy/Madison, Wis.
Northwestern Wisconsin Electric Co./Frederic, Wis.
NSP-Minnesota/St. Paul, Minn.
NSP-Wisconsin/Eau Claire, Wis.
Southern Minnesota Municipal Power Agency/Rochester, Minn.

FACILITIES ON MAP

Headquarters/La Crosse, Wis.
Alma Generating Site/Alma, Wis.
Elk Mound Generating Station/Elk Mound, Wis.
Flambeau Hydro Station/Ladysmith, Wis.
Genoa Generating Site/Genoa, Wis.
Sartell Hydro Station/Sartell, Minn. (Eagle Creek Renewable Energy, LLC)
Weston 4 Generating Station/Wausau, Wis.

WIND FACILITIES

Adams Wind/Adams, Minn.
Barton Wind/Kensett, Iowa (Avangrid Renewables)
Gundersen Wind/Lewiston, Minn.
Prairie Star Wind/Austin, Minn.
Quilt Block Wind/Darlington, Wis. (EDP Renewables)
Winnebago Wind/Thompson, Iowa (Avangrid)

SOLAR FACILITIES

Wisconsin: Arcadia, Centuria, Conrath, Hallie, Hillsboro, Liberty Pole, Medford, Menomonie, Mt. Hope, Necedah, New Auburn, Phillips, Roberts, Viola & Westby
Minnesota: Albert Lea & Oronoco
Illinois: Thomson
Iowa: Decorah & Strawberry Point

PLANNED ENERGY RESOURCES

Nemadji Trail Energy Center/Superior, Wis.
Badger State Solar/Jefferson, Wis. (Ranger Power)
Tatanka Ridge Wind/Deuel County, S.D. (Avangrid Renewables)

FACILITIES NOT SHOWN

Waste Management, Inc., Facilities:
Central Disposal Landfill/Lake Mills, Iowa
Timberline Trail Landfill/Weyerhaeuser, Wis.

GENERATING RESOURCES | YEAR-END CAPACITY IN MEGAWATTS (MW)

GENERATING STATIONS

COAL (STEAM)	JOHN P. MADGETT	387
	GENOA #3	345
	WESTON #4*	165
COMBUSTION TURBINE (GAS/OIL)	ELK MOUND 1-2	74
HYDRO	FLAMBEAU	17.6
TOTAL DAIRYLAND CAPACITY		**988.6**

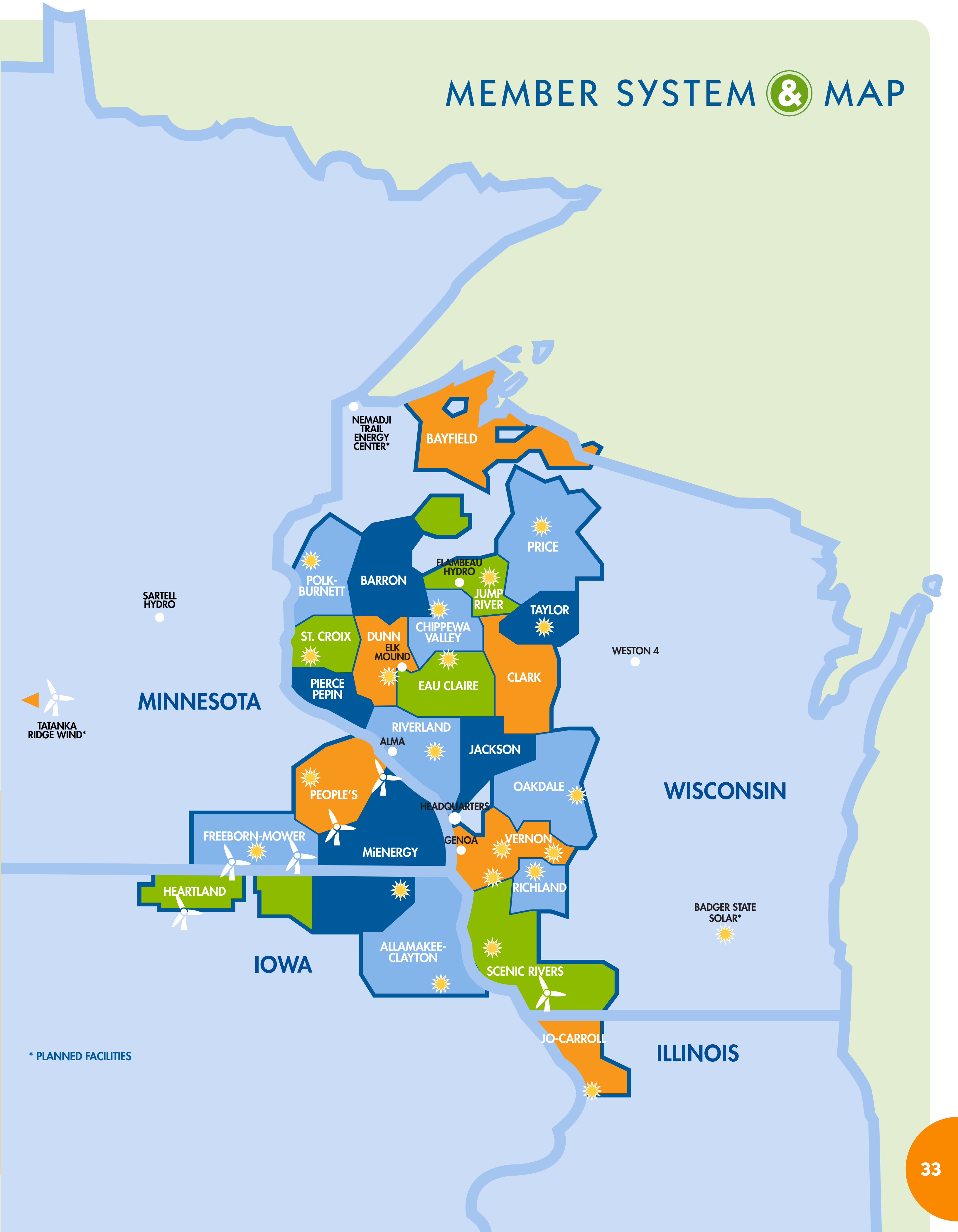
* Dairyland Share of Weston #4

UNDER CONTRACT

DIGESTERS	MULTIPLE SITES	3.14
LANDFILL GAS	TIMBERLINE TRAIL	5.6
	CENTRAL DISPOSAL	4.8
SOLAR	MULTIPLE SITES	26.7
HYDRO	SARTELL HYDRO	10
WIND	ADAMS	17.4
	BARTON WIND	80
	GUNDERSEN LUTHERAN	5
	MCNEILUS DODGE	5.7
	PRAIRIE STAR WIND**	5
	QUILT BLOCK WIND	98
	WINNEBAGO WIND FARM	20
	SMALL WIND (< 5 MW)	2
TOTAL UNDER CONTRACT		**283.34**
TOTAL CAPACITY IN SERVICE		**1,272**

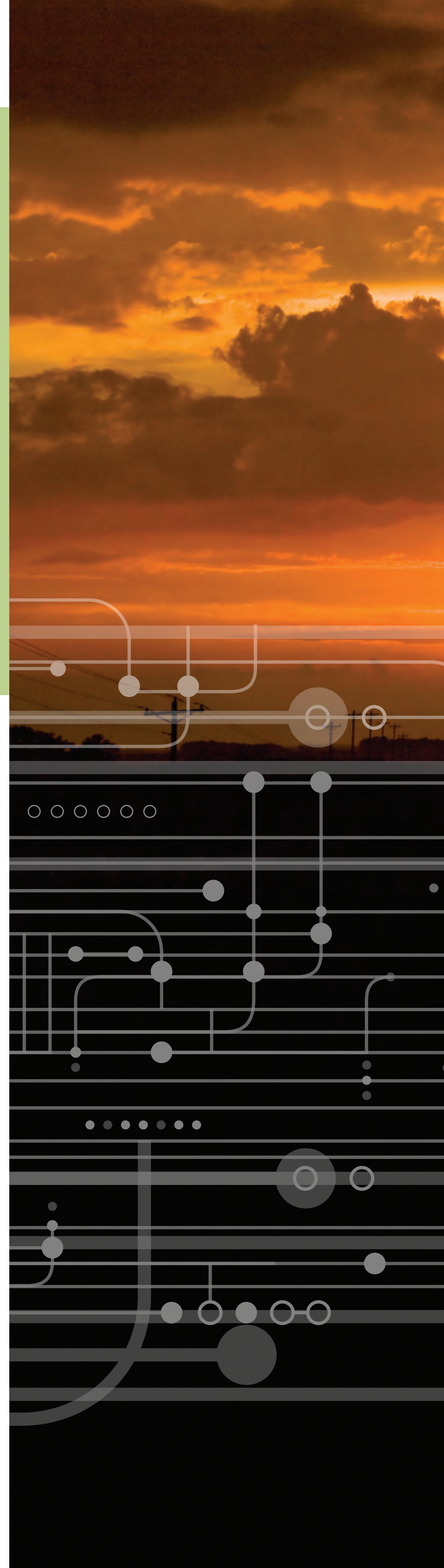
** 5% Share of 100 MW Wind Farm

MEMBER SYSTEM & MAP



OUR COOPERATIVE PRINCIPLES

1. VOLUNTARY AND OPEN MEMBERSHIP
2. DEMOCRATIC MEMBER CONTROL
3. MEMBERS' ECONOMIC PARTICIPATION
4. AUTONOMY AND INDEPENDENCE
5. EDUCATION, TRAINING AND INFORMATION
6. COOPERATION AMONG COOPERATIVES
7. CONCERN FOR COMMUNITY



DAIRYLAND POWER
COOPERATIVE

3200 EAST AVENUE SOUTH • P.O. BOX 817 • LA CROSSE, WI 54602-0817

WWW.DAIRYLANDPOWER.COM

AS PART OF OUR SUSTAINABILITY EFFORTS TO PRESERVE THE ENVIRONMENT, THIS REPORT WAS PRINTED ON RECYCLED PAPER BY DAIRYLAND'S PUBLICATION SERVICES DEPARTMENT.