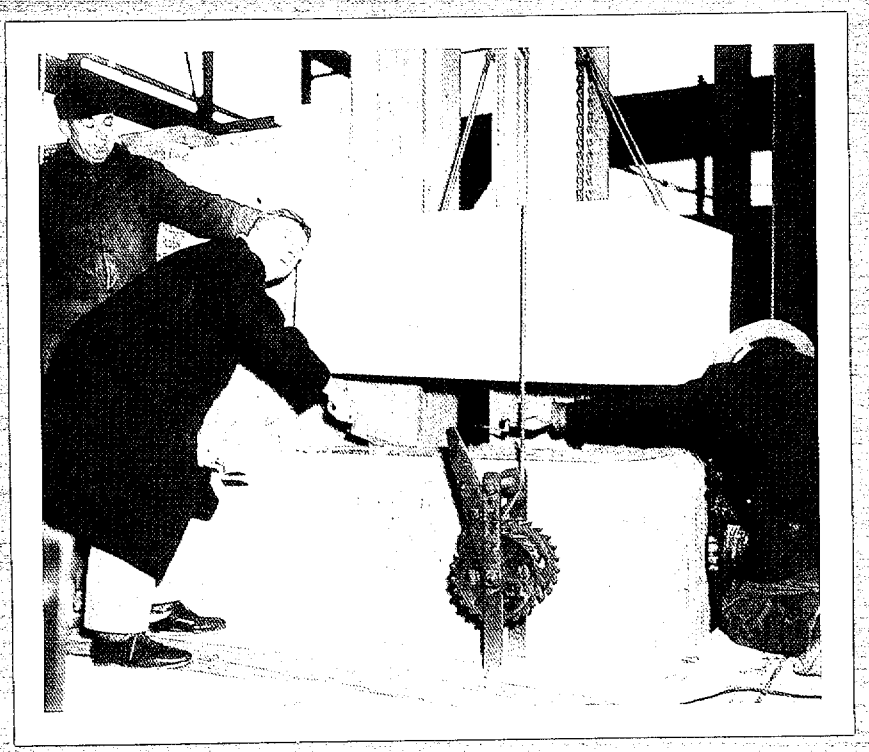
Facing the Future



Reflections of Sixty Years

2000 Annual Report

Dairyland Power Cooperative

A Touchstone Energy® Cooperative

M004

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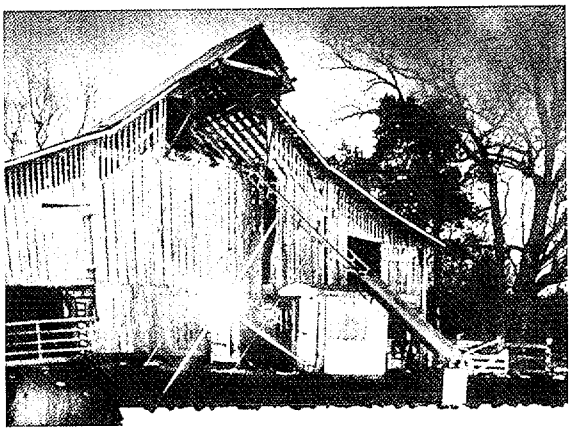
On the Cover

Floyd Wheeler, Dairyland general counsel, helps set the cornerstone at the Alma Station in 1946. Wheeler was present at the birth of many distribution cooperatives in the region and was instrumental in the creation of Wisconsin Power, Tri-State and Dairyland. With his partner, Norris Maloney, Wheeler was the vigorous legal arm of rural electrification in Wisconsin since its inception.

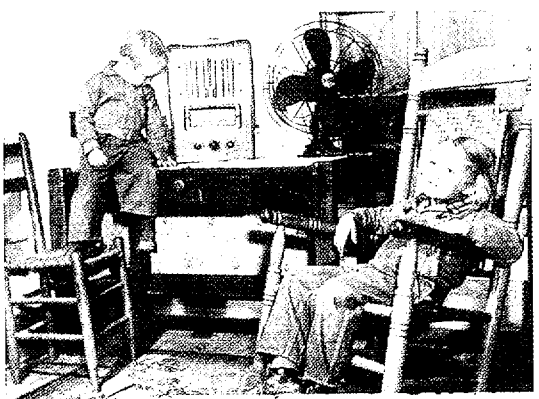
FOR DECADES, THE ABSENCE OF ELECTRICITY WAS THE SINGLE MOST IMPORTANT DISTINCTION BETWEEN URBAN AND RURAL LIFE IN THE UNITED STATES.



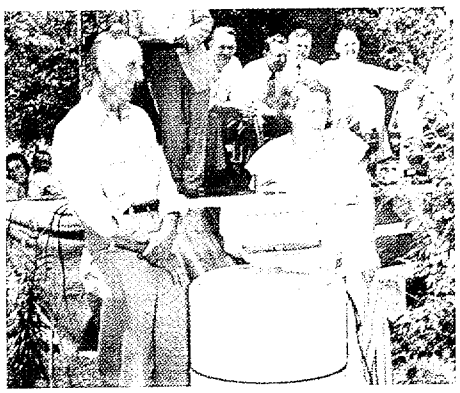
IN 1935, THE RURAL ELECTRIFICATION ADMINISTRATION WAS CREATED, LEADING TO THE FORMATION OF ELECTRIC COOPERATIVES THROUGHOUT THE COUNTRY. THE SIGNIFICANCE OF THIS EVENT FOR RURAL AMERICA REMAINS MONUMENTAL TODAY.

WORKING TOGETHER, 10 NORTHERN WISCONSIN CO-OPS CREATED THE WISCONSIN POWER COOPERATIVE TO MEET THEIR ELECTRIC POWER NEEDS. IN 1938, THE CHIPPEWA DIESEL STATION BECAME THE FIRST COOPERATIVE GENERATING PLANT IN THE NATION TO PRODUCE POWER FOR RURAL AMERICA.

A FEW MONTHS LATER, FIVE SOUTHERN WISCONSIN ELECTRIC COOPERATIVES COMBINED THEIR RESOURCES TO MEET THEIR ELECTRICAL NEEDS AND THOSE OF CONSUMERS IN RURAL IOWA AND MINNESOTA. TOGETHER, THEY FORMED TRI-STATE POWER COOPERATIVE, AND COMPLETED A COAL-FIRED STEAM PLANT AT GENOA, WIS., IN 1941.



A TRANSMISSION LINE AND THE COMMITMENT TO GENERATE AND TRANSMIT AFFORDABLE POWER TO THEIR MEMBERS LINKED THESE TWO PIONEERING COOPERATIVES. THEIR STRENGTHS WERE COMBINED ON DEC. 16, 1941, CREATING A NEW COOPERATIVE SERVING THOUSANDS OF PEOPLE THROUGHOUT THE REGION—DAIRYLAND POWER COOPERATIVE.



THESE PIONEERS BUILT DAIRYLAND'S FOUNDATION AND SET THE STAGE FOR A 60-YEAR MISSION... "TO PROVIDE COMPETITIVELY PRICED ENERGY AND SERVICES TO OUR CUSTOMERS AND MAXIMUM VALUE TO OUR OWNERS, CONSISTENT WITH THE WISE USE OF RESOURCES."

Who We Are

Dairyland Power Cooperative, La Crosse, Wisconsin, provides the wholesale electrical requirements and other services for 25 electric distribution cooperatives and 18 municipal utilities, including those served by GEN~SYS Energy. These cooperatives and municipals, in turn, supply the energy needs of more than half a million people.

Dairyland was formed in December 1941. Today, electricity from our generation and transmission cooperative's four generating stations — 978 megawatt capacity — produce electricity which is transmitted via 3,132 miles of transmission lines to 325 substations located throughout our system's 44,500 square mile service area.

Dairyland's service area encompasses 62 counties in five states (Wisconsin, Minnesota, Iowa, Illinois and Michigan). Dairyland has provided low-cost, reliable electrical energy and related services to its customers in the upper Midwest for six decades.

Leadership through the Decades

E.J. Stoneman
First Board President
1941-1950

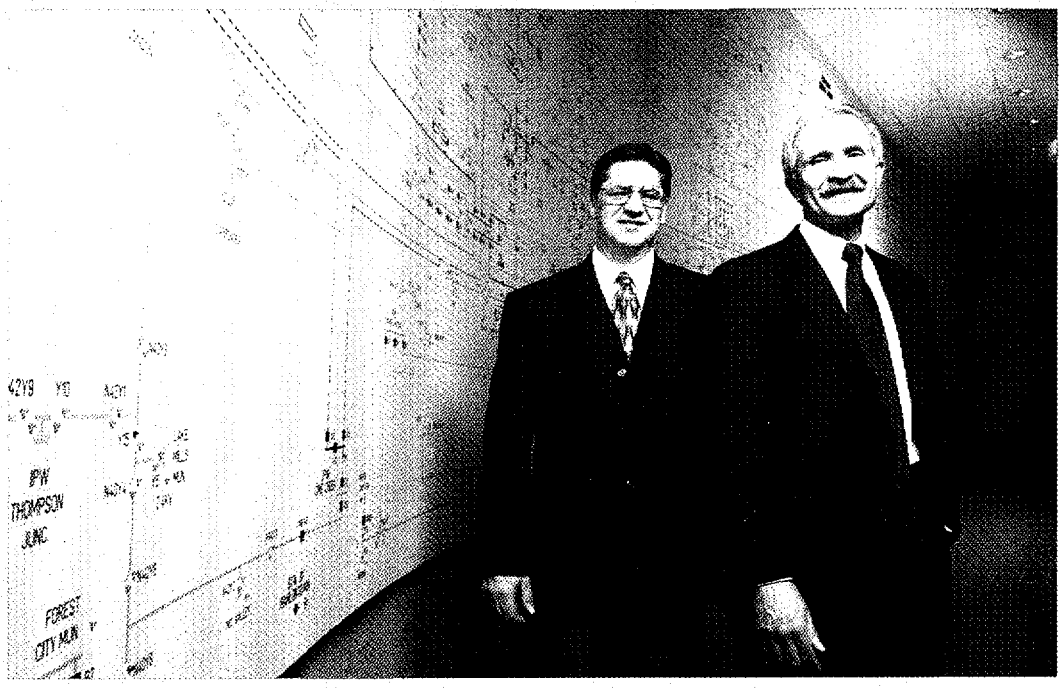
John N. Gundershaug
General Manager
1942-1945

John P. Madgett
General Manager
1947-1978

Frank P. Linder
General Manager
1978-1985

James W. Taylor
General Manager
1985-1990

William L. Berg
President and CEO
1990-Present



Dennis J. Engel, Chairman, and William L. Berg, President and CEO

IN 1935, PRESIDENT FRANKLIN ROOSEVELT ESTABLISHED THE RURAL ELECTRIFICATION ADMINISTRATION (REA) TO HELP BRING ELECTRICITY TO RURAL AMERICA. ELECTRIC COOPERATIVES WERE CREATED AND ARRANGEMENTS WERE MADE TO PURCHASE POWER FROM GENERATING PLANTS AND TO BUILD POWER LINES IN RURAL AREAS. AT LONG LAST, FARMERS COULD HAVE CONVENIENT SOURCES OF ELECTRICITY FOR SMALL ELECTRIC DEVICES THE SAME AS THEIR CITY COUSINS.

BUILDING ON OUR HERITAGE

In this 60th annual report to our members, we are reflecting upon the strength and determination of the people behind the power that comes to you from Dairyland — from those that were so significant in its creation to our current membership. It is important that we learn from the past successes of these pioneers, who faced significant adversity as they brought power to rural America, and from the current progress we continue to make.

While the nature of many of today's challenges may not be the same as that faced by Dairyland's early leaders, we adapt, just as they did, to an ever-changing industry and work to keep our cooperative strong for our members.

A crucial part of Dairyland's future is involved with determining how and when our members will use power. Their present and future electrical needs are key in planning for future generation and transmission requirements.

We are currently expanding our generation capabilities with the addition of two 40-megawatt combustion turbines scheduled to go into operation in June 2001 at Elk Mound, Wis. These units will provide us with capacity for our near-term demands during peak periods of energy use.

Consumers have helped control costs and the need for new generation by participating in our load management program. Since the program began in the 1980s, it has grown to allow Dairyland the ability to control approximately 100 MW of energy load via a radio-controlled load management system. This is equal to the generation of a small power plant.

While these programs are extremely important to our system, we must also meet our members' energy needs with new generation and transmission resources. Like our cooperative founders, we are planning for the future with determination and courage. Like them, we must also be willing to invest in the future.

Last year, like so many others in our 60-year history, proved to be successful and productive for Dairyland, thanks to the hard work and dedication of our employees and the support of our members. We also had a little help from Mother Nature as she gave us moderate temperatures in the summer and minimal storms in our region. The year saw strong financial margins, which we were able to share with our members and employees.

GEN~SYS Energy contributed significantly to those results, effectively maximizing the value of Dairyland's generating assets in the wholesale power markets. As an affiliated organization, GEN~SYS manages Dairyland's generating resources in the market place as a group of assets, considering cost, diversity and risk.

A constant flow of power has become much more than the luxury it was 60 years ago — it has become essential to our members' livelihoods. Dairyland continues to be aggressive in not only maintaining, but also increasing the reliability of our transmission system. We likewise work with other utilities to ensure reliability throughout the region.

Unity will remain a key component to our future success, as it has proven throughout the past six decades. Cooperation has enabled Dairyland to become a premier generation and transmission cooperative and, just as our cooperative founders faced challenges, we will face all situations head-on to build on our history of success.

What will the future bring? That is limited only by our imagination. What we do know is that together, we have what it takes to succeed — a vision, the people and the resources to carry us successfully into a brilliant future.

William L. Berg
President and CEO

Dennis J. Engel
Chairman

DAIRYLAND POWER COOPERATIVE WAS CREATED JUST DAYS AFTER THE BOMBING AT PEARL HARBOR IN 1941. THE DEMAND FOR ELECTRICITY IN RURAL AMERICA GREW DRAMATICALLY AFTER WORLD WAR II ENDED IN 1945 AND DAIRYLAND COMMITTED ITSELF TO MEET ITS MEMBERS' GENERATION NEEDS. DURING THE DECADE, THE BALDWIN DIESEL STATION AND TWO COAL-FIRED ALMA STATION UNITS WERE BROUGHT ONLINE.

FACING THE FUTURE

The determination, diligence and foresight of our cooperative pioneers reminds us that today's success is a reflection on the decisions made in the past — just as each decision we make today will influence the future direction of our cooperative.

Our member cooperatives count on us to deliver power, provide services and support the growth and quality of life of our local communities — today, tomorrow and for future generations. That means we must continue to improve our understanding of our members' needs and provide them with the highest possible value as we deliver a reliable supply of wholesale power. The electric industry has changed dramatically in six decades. In fact, it has changed considerably in the past year. The business challenges are many and the financial implications are huge.

During the past year, Dairyland responded by establishing the Strategic Planning Division to ensure that we are prepared to meet the challenges of an energy marketplace that is becoming more competitive and struggling to evolve.

Traditional electric utilities, energy service companies, new independent generating companies, federal and state governments, regulatory agencies, environmental groups, and consumers are all trying to figure out how they will fit in this new marketplace. Throughout all of this uncertainty, we have maintained our focus on providing reliable wholesale power to our members at competitive rates, while mitigating our risk in the marketplace, however it turns out. This continues to be Dairyland's strategic plan for the future.

GENERATION FOR GENERATIONS

The addition of a new power plant employing two new General Electric combustion turbine-driven generators is a key example of addressing increasing demand on Dairyland's power system. Rated at about 40 megawatts (MW) each, these combustion turbines are the first generating units added to the Dairyland system since the John P. Madgett Station (376 MW) came online in 1979. These units will be used during peak periods — those times when consumers place the greatest demand on Dairyland's generation and transmission system.

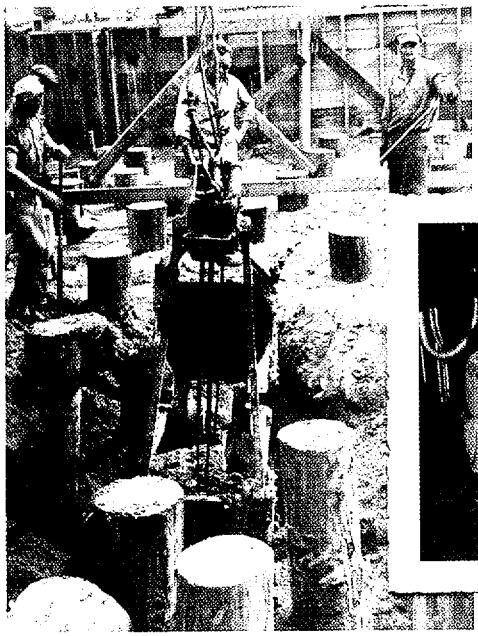
The dual fuel combustion turbines (fuel oil and natural gas), located at our existing Elk Mound (Wis.) transmission substation site, will give us adequate capacity to meet near-term peak demands and will diversify both our plant types (base load and peaking) and our fuel mix. They will go into commercial operation in June 2001.

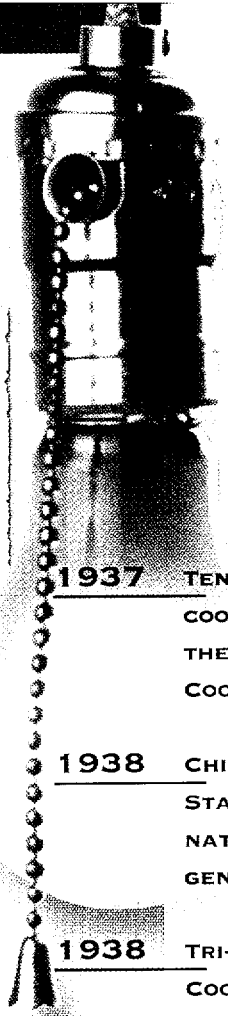
While Dairyland continues to operate all of our power plant resources in an efficient, safe and low cost manner, power generation is increasingly subject to market pressures. Increasing fuel and transportation costs, expensive environmental regulations, and the challenge of siting, permitting and financing new generation and transmission all impact the bottom line for our members.

Early in 2001, Dairyland reached agreement on an option to participate in three clean coal generating stations (up to 50 MW in each) in the next decade. This further expands our abilities to address future energy needs.

The volatility of the energy market has elevated the importance of plant availability and performance. Employee-led teams — called Site Steering Committees — have been formed at each of our generating facilities to continue improving how we operate, maintain and repair our power plants. These employee efforts help to ensure that we control our cost of power generation, increase the number of days our units are available to meet energy demand and continue our impressive performance.

We recognize the importance of diversification and flexibility as we move further into the new century. During the last year, Dairyland has worked closely with our members to develop a Distributed Generation Policy, which will allow member co-ops to own a limited amount of localized generation. In addition, we continue to work together to investigate ways to implement new technologies, including fuel cells and additional renewable energy, into our power supply plan.





1937 Ten Wisconsin electric cooperatives create the Wisconsin Power Cooperative.

1938 Chippewa Diesel Station becomes the nation's first co-op generating plant.

1938 Tri-State Power Cooperative is formed by five Wisconsin electric co-ops.

1941 During World War II, Tri-State's 6,000 kW coal-fired Genoa, Wis. station is completed.

1941 Wisconsin Power and Tri-State Power form Dairyland Power Cooperative.

1945 Dairyland develops a long range, $10.3 million construction program.

1946 Baldwin Diesel Plant begins generating power, followed by Alma #1 and #2.

1948 Plans to construct a hydroelectric station on the Flambeau River are made.

1951 A 70-mile, 161-kilovolt (kV) transmission line is constructed, tying Genoa to Alma.

1956 Alma is linked to People's Cooperative in Rochester, Minn. via a 161kV line.

1960 The Upper Mississippi Valley Power Pool is formed, connecting far away suppliers.

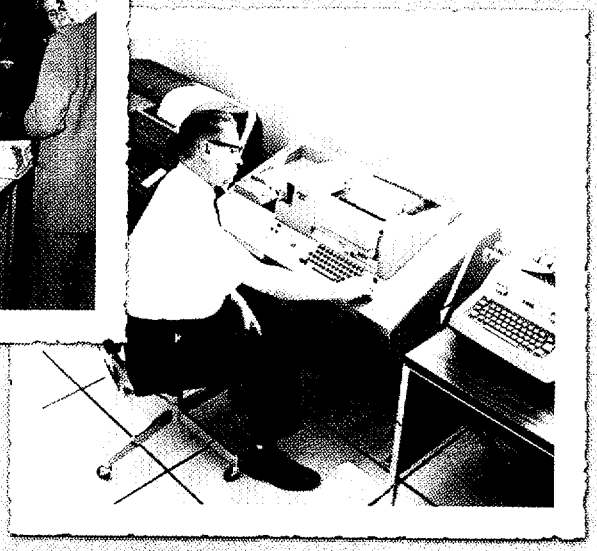
1960 Alma #5 goes online at 80,000 kilowatts (kW). Alma #4 and #5 utilize steam reheat systems.

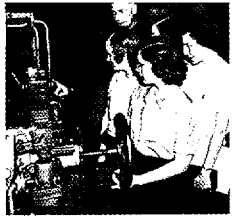
1963 The nation is shocked by the Assassination of President John F. Kennedy.

1966 Dairyland urges the formation of MAPP (Mid-Continental Area Power Pool).

1969 Dairyland's state-of-the-art, 350,000 kW Genoa Station #3 goes online.

1969 Apollo 11 lands on the moon, teenagers party at Woodstock and inflation soars.





Sociology students from La Crosse Teachers' College take in the new technology on Business-Education Day on October 10, 1951. Education is one of the "Cooperative Principles" upon which Dairyland is founded. Today, we continue to educate through our Customer Symposiums, Community Appreciation Days, summer student programs, job shadowing, tours and more.

Enhancing Reliability and Responsiveness

Dairyland's historic commitment to reliability and meeting the transmission requirements of its member cooperatives remains steadfast as we continue to focus on improving our transmission system. In 2000, we upgraded over 25 miles of transmission line and built nearly 4 miles of new line to improve service and reliability to our members.

These line construction projects included design upgrade and increased operating voltage/conductor size, resulting in reduced energy loss and increased cost savings. These line projects were completed in the service areas of four member cooperatives (Allamakee-Clayton, Dunn, Eau Claire and St. Croix). Dairyland crews worked diligently to complete several other projects, including more than 10 miles of line retirements.

Dairyland teamed up with its neighboring utilities in the 1950s to ensure a continuous and reliable supply of electricity in the area. That cooperative effort continues as Dairyland and Xcel Energy (formerly Northern States Power), work together to get regulatory approval for the Chisago transmission line project in Minnesota and northwestern Wisconsin. The transmission system is at risk in this area and the joint project is required to maintain system reliability. The cities of St. Croix Falls, Wis., and Taylors Falls, Minn., signed a tentative agreement supporting construction of a lower voltage facility (161 kilovolt) as a substitute to the 230 kV transmission line originally proposed in the Chisago Project. Permitting in the Minnesota counties along the transmission route is proceeding. The Public Service Commission of Wisconsin had previously given its approval to the line, but will need to revise its order to reflect the lower voltage. The earliest date that construction could begin is 2003.

Using the Latest Technology

Telecommunications and information technology are areas of rapid change, therefore utilizing these technologies to better serve our members requires a high degree of expertise.

As voice and data transmission requirements change and communications capacity is more heavily utilized, Dairyland is implementing enhanced technology to provide more reliable communications. These capabilities are especially critical during major system disturbances resulting from severe storms or widespread outages.

We further improved our operations in these areas during 2000 with the expansion of a new generation of communications systems. An extensive microwave loop upgrade to facilitate improved communications among crews and better coverage for Dairyland's load management system is nearing completion. Implementation of real time metering in many of our substations also provides us with valuable information for operating our power network.

The implementation of evolving information technology is a key factor as we move forward. We have launched new initiatives to make greater use of the Internet to communicate with customers and members. Our top priorities are developing e-business initiatives (including Internet), data warehousing, document and workflow management and wireless communication to help position Dairyland for the future.

The implementation of new technologies is helping our employees streamline operations, reduce costs and respond faster and more precisely to our members' needs.

Helping our Communities Grow

Part of Dairyland's mission has been and continues to be to "work with our members to improve the quality of life of their customers and the economic and social well-being of the region." One way we work to accomplish this goal is through our Economic Development Loan Program.

During the past decade, the Dairyland board approved 164 economic development loans totaling almost $13 million. These loans focus on opportunities that stimulate employment and/or help build critical infrastructure or services as communities seek to grow.

Dairyland has also been very successful in accessing funding for economic development through the USDA Rural Economic Development Loan and Grant Program. In 2000, Dairyland worked with

FRANK LINDER REVIEWS PLANS FOR DAIRYLAND'S NEW 85,000 SQUARE FOOT SERVICE CENTER. THE MODERN AND EFFICIENT NEW BUILDING INCLUDES A CENTRAL WAREHOUSE, ENVIRONMENTAL LABS, ELECTRICAL MAINTENANCE SHOP AND MODERN GARAGE FACILITIES. COMPLETED IN 1981, THE SERVICE CENTER WAS LATER NAMED TO HONOR LINDER WHO HAD JOINED DAIRYLAND AS CHIEF ELECTRICAL ENGINEER IN 1947 AND WAS GENERAL MANAGER FROM 1978 TO 1985.

our members to secure about $1.5 million in loans and grants through this program. These funds help the Dairyland Power system enhance the rural economy and compete for large commercial and industrial customers. Member cooperative projects in 2000 included: the Iowa Dairy R&D Lab and Decorah Business Park, Hawkeye Tri-County Electric Cooperative; Golden Oval, Heartland Power Cooperative; Land O' Lakes, Jackson Electric Cooperative; and the Forest Plaza Assisted Living Facility, Forest City (Iowa) Municipal.

These programs have been extremely beneficial in helping communities create long-term quality jobs and enhance the quality of life in rural areas. They also help Dairyland's members increase energy sales and secure long-term contracts with large power users, stabilizing rates for everyone.

MARKETING OUR POWER

GEN~SYS Energy has grown into a strong independent energy services marketing organization for Dairyland's generation resources. During 2000, GEN~SYS was very successful in its efforts to maximize the value of Dairyland's generating assets as our interface to the wholesale power markets, contributing significantly to our margins.

GEN~SYS Energy is a member of the Mid-Continent Area Power Pool (MAPP) and is authorized by the Federal Energy Regulatory Commission (FERC) to transact business at market-based rates. In addition to Dairyland, Corn Belt Power Cooperative (Humboldt, Iowa) is a non-power marketing member of GEN~SYS.

COMMITMENT TO OUR RESOURCES

Consistent with our dedication to be good stewards of the environment, Dairyland is committed to a leadership role in protecting and enhancing the natural environment of the region. This commitment reflects our view that good environmental practices represent efficient and sound operations and contribute to the overall social and economic health of the region.

Our coal-fired generating stations at Alma and Genoa, Wis., continue to operate more cleanly than state and federal environmental standards require. Foremost in our efforts is our success in reducing sulfur dioxide emissions by over 80 percent since the early 1970s. We are also focusing on responsible ways to manage other by-products of coal combustion, such as recycling coal ash for roadbeds.

We are pursuing options to expand our portfolio of renewable energy resources such as wind and biomass generation. Dairyland currently has a one-third interest in a wind generation project and uses the power to supply the Evergreen program in which customers can choose "green power" from our member cooperatives. The project, at the crest of a hill south of Chandler in southwestern Minn., features three wind turbines that generate up to two megawatts of electricity — enough to meet the power needs of approximately 670 homes.

The 21-megawatt Flambeau Station hydroelectric facility in Ladysmith, Wis., is scheduled for relicensing in 2001. Our hydroelectric units are inherently environmentally friendly. We continue to hold ourselves to high standards for managing all of our plants.

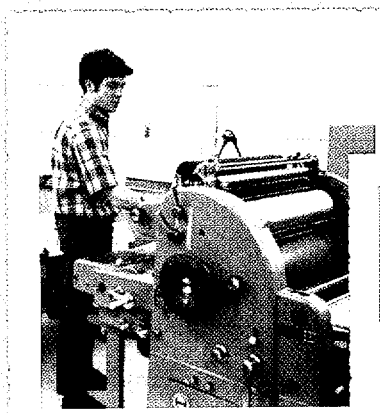
Since 1994, Dairyland Power Cooperative has been actively involved in the return of the Peregrine falcon to the Upper Mississippi River Valley. In cooperation with the Raptor Research Project (a nonprofit group dedicated to the recovery of birds of prey), nest boxes were placed at both the Alma and Genoa generating stations. A total of 26 healthy chicks have been produced at these sites through 2000.

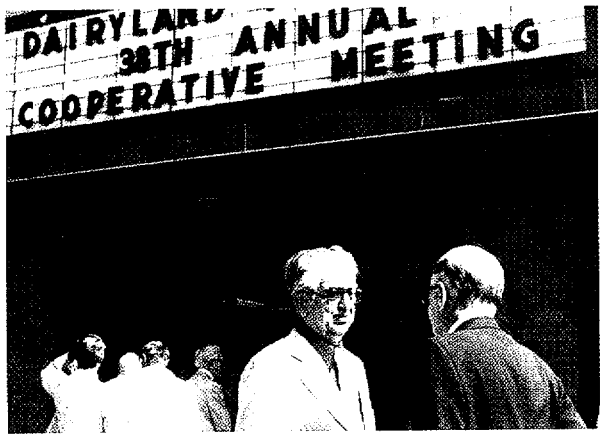
In early spring 2001, a remote TV camera was installed and focused on the Peregrine nest box located 450 feet up the stack at the 210 MW Alma Station to provide visual access to these nesting raptors for our members and others via our website.

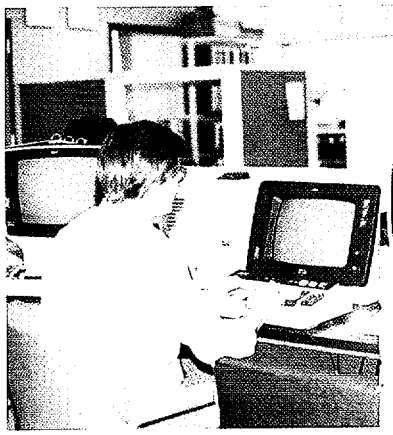
As community members, we have both a corporate and individual stake in preserving the natural environment that has been the hallmark of our region.

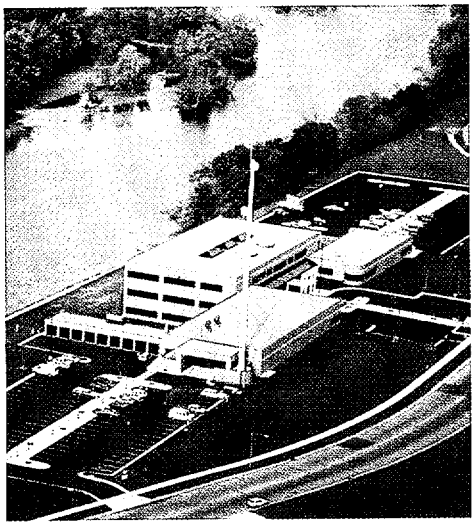
SPENT FUEL STORAGE SOLUTIONS

Genoa FuelTech, a subsidiary of Dairyland, is working with a group of seven other utilities to develop a temporary spent nuclear fuel storage facility in Utah. Our goal is to locate a temporary waste site where the spent fuel from several facilities can be consolidated until a permanent site opens.









1971 Plans are drawn for a $12 million environmental modification program.

1973 Dairyland purchases the La Crosse Area Boiling Water Reactor (LACBWR) for $1.

1973 Coal prices increase 80 cents per ton, causing the first power cost hike since the '40s.

1974 After the turmoil of the Watergate scandal, President Richard Nixon resigns.

1979 Alma #6 goes online at 350,000 kW and is named in honor of John P. Madgett.

1981 Plans to build a coal-fired facility are canceled due to slow electrical growth.

1986 The Twin Lakes diesel-fired plant is closed. The next year, LACBWR ceases operations.

1989 As the Berlin Wall falls, Dairyland moves into its new state-of-the-art headquarters.

1992 Johnny Carson gives his last bow as long-running host of The Tonight Show.

1994 Dairyland creates nesting sites for the threatened Peregrine Falcon.

1996 GEN~SYS Energy is created, partnering Dairyland and Cooperative Power.

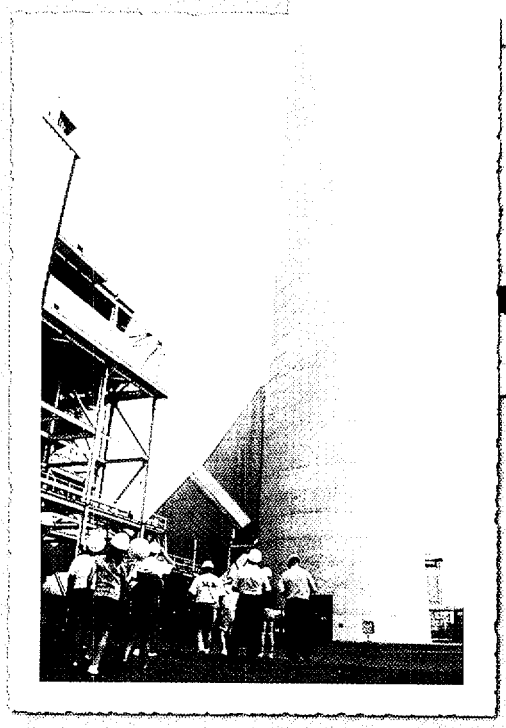
1996 Dairyland enters the Internet age with the launch of a web site — www.dairynet.com.

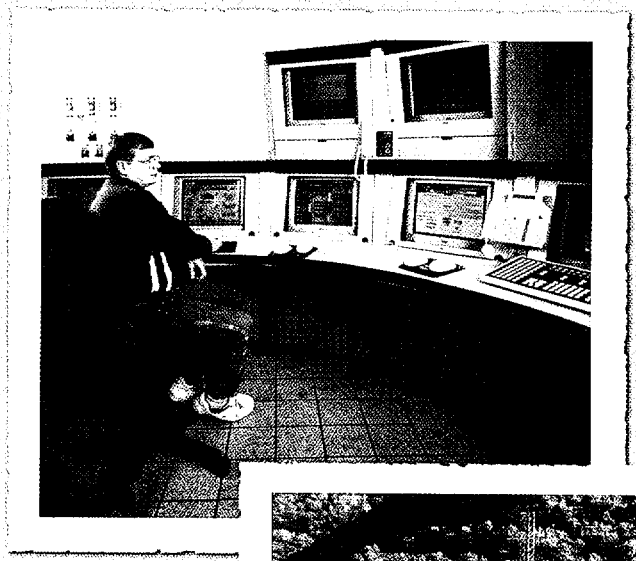
1998 Dairyland's members create EnPower to meet their growing marketing needs.

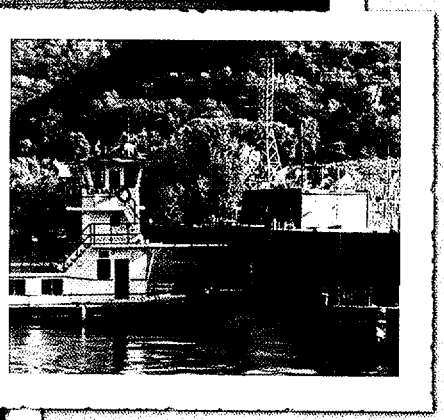
1998 Dairyland launches the EnPower Evergreen wind generation program.

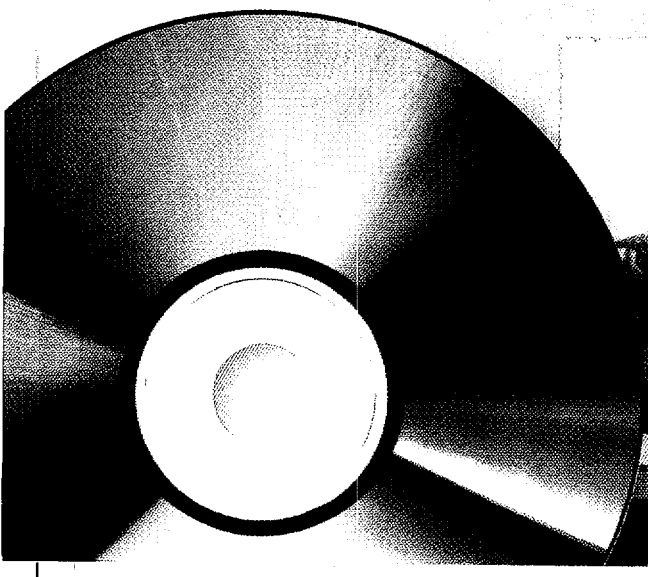
2000 The Private Fuel Storage project achieves regulatory milestones.

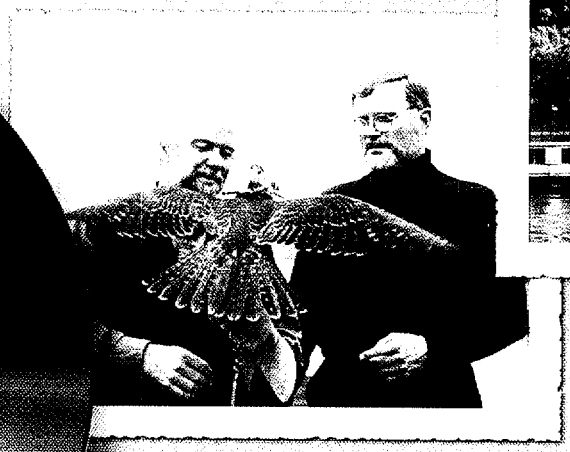
2000 Construction begins on the Elk Mound Combustion Turbine power plant.











DAIRYLAND IS A REGIONAL PARTNER  **IN TOUCHSTONE ENERGY® AND WAS INSTRUMENTAL IN LAUNCHING THIS BRAND IDENTITY FOR ELECTRIC COOPERATIVES IN 1998. ADDING THE LOGO TO OUR VEHICLES AND TRAINING OUR EMPLOYEES ABOUT THE VALUES OF TOUCHSTONE ENERGY ARE JUST SOME OF THE WAYS WE HAVE INCORPORATED THE BRAND INTO OUR IDENTITY.**

The Private Fuel Storage (PFS) facility is planned for a location on the Skull Valley Band of Goshutes' reservation, 50 miles southwest of Salt Lake City. PFS has secured a lease agreement for a site with the intent of developing the storage facility for spent nuclear fuel from several plants, including our 50-megawatt La Crosse Boiling Water Reactor (LACBWR), which Dairyland operated from 1967 to 1987. If successful, this initiative will significantly reduce our financial risk and cost of storing spent nuclear fuel, which totaled about $4 million in 2000 alone, and will allow Dairyland to proceed with final decommissioning of LACBWR.

The PFS project still awaits several approvals, but has achieved a favorable safety evaluation report from the Nuclear Regulatory Commission and a positive draft Environmental Impact Statement (EIS) from the federal government. In December 2000, the project reached another milestone with a positive finding from the Surface Transportation Board, which granted permission (upon receipt of the Final EIS) to construct a railroad spur to the site.

Dairyland has the potential responsibility of maintaining spent fuel at LACBWR for another 20-25 years and has been reviewing cost-effective, environmentally-safe options for fuel storage. We continue to encourage the federal government to establish a permanent spent fuel storage site (which was promised for 1998).

2000 Financial Highlights

Dairyland's operations, combined with success by GEN~SYS in the wholesale power market, allowed us to not only reach, but surpass our 2000 margin target.

Total margins (the difference between revenues and expenses) increased to $3.5 million in 2000 compared to $2.6 million in 1999. Dairyland's margins continued to be positively influenced by the income ($1.1 million) from our investment program. Dairyland's margins are returned to our members in the form of patronage capital dividends.

Dairyland's total operating revenues increased to $181.3 million in 2000, compared to $173.8 million in 1999. Total electric sales were 5.25 billion kilowatt-hours (kWh), an increase from 1999 sales of 5 billion kWh.

Dairyland's largest expense is the cost of fuel for our generating stations with over 2.4 million tons of coal delivered to Dairyland's plants in 2000. The total cost of coal delivered was $54 million. On a unit of energy basis (cost per million Btu), costs were stable from 1999.

Controlling costs has always been a priority for Dairyland and our members, but it takes on added importance in today's volatile energy market. Dairyland continues to focus on three important financial objectives: keeping rates reasonable, protecting our member co-ops' investment in Dairyland and providing the financial strength to deal with the significant economic uncertainties that lie in the future.

Growing with our Members

Electricity is not the luxury it once was. Today it is an absolute necessity of life, ensuring our economic future, our comfort, safety and health.

When Dairyland was created six decades ago, electric cooperatives and the communities they served were isolated from many services available in other areas. Today, the landscape is rapidly being reshaped with technology, growth and the mobility of society.

Dairyland was one of the founding members of *Touchstone Energy®*, the national branding program that has raised awareness of the strengths of electric cooperatives. The *Touchstone Energy* brand, and the tagline, *The Power of Human Connections*, were created to educate consumers on the superior, customer-oriented performance of local cooperatives. *Touchstone Energy* has grown to include more than 580 cooperatives nationwide since April 1998.

By working together through *Touchstone Energy*, we are helping customers recognize the historic strengths and competitive attractiveness of electric cooperatives in today's energy market.

MEMBER CONTROL OF DAIRYLAND IS VESTED 

IN OUR BOARD OF DIRECTORS, CONSISTING OF REPRESENTATIVES FROM EACH CLASS A MEMBER DISTRIBUTION COOPERATIVE, PLUS ONE CLASS B DIRECTOR. ELECTED BY THEIR LOCAL MEMBERS, DIRECTORS REPRESENT A BROAD SPECTRUM OF INTERESTS, INCLUDING THEIR MEMBERS, THE CORPORATE INTERESTS OF THEIR LOCAL COOPERATIVES AND, PERHAPS THE MOST CHALLENGING OF ALL, THE AFFAIRS OF A POWER SUPPLY SYSTEM PROVIDING ENERGY TO MORE THAN A HALF MILLION PEOPLE.

BOARD OF DIRECTORS

EXECUTIVE COMMITTEE

DENNIS ENGEL
Chairman
Taylor Electric
Cooperative

GEORGE WEBB
Vice Chairman
Chippewa Valley
Electric Cooperative

ROGER SOLOMONSON
Treasurer
Heartland Power
Cooperative

ART RIEMER
Secretary
Bayfield Electric
Cooperative

RON FOLEY
Member At Large
Pierce-Pepin
Cooperative Services

ROLAND KELLEY
Member At Large
Oakdale Electric
Cooperative

DALE MANGSKAU
Member At Large
Freeborn-Mower
Cooperative Services

JUDY MURPHY
Member At Large
Richland Electric
Cooperative

LAURIE ENGEN
Assistant Secretary
Dairyland Power Cooperative

NILES BERMAN
Legal Counsel

GLENN ANDERSON

Dunn Electric Cooperative

ROBERT ANDERSON

Tri-County Electric Cooperative

CLARENCE BOETTCHER

Eau Claire Energy Cooperative

MARLYN BOTTOLFSON

Polk-Burnett

JOHN DONNER

Jump River Electric Cooperative

DEAN FISHER

Hawkeye Tri-County Electric Cooperative

HENRY JANEZICH

Clark Electric Cooperative

FRANK JASURDA

Price Electric Cooperative

ROBERT KELBEL

Vernon Electric Cooperative

FRANCIS KLATT

St. Croix Electric Cooperative

GERALD KOELLER

Scenic Rivers Energy Cooperative

EUGENE MILLER

People's Cooperative Services

SELMER NELSON

Barron Electric Cooperative

LEONARD RICKE

Jo-Carroll Electric Cooperative

KEN SONSALLA

Riverland Energy Cooperative

RAY TOLLEY

Class B Members

BERNARD WELSH

Allamakee-Clayton Electric Cooperative

GARY WOODS

Jackson Electric Cooperative

TEAMWORK IS ESSENTIAL TO ENSURE  RELIABLE AND EFFICIENT OPERATIONS.

BEGINNING WITH ITS MANAGEMENT TEAM, DAIRYLAND STAFF HAVE BUILT ON A TRADITION OF "WORKING TOGETHER" OVER THE PAST SIX DECADES TO ACHIEVE OUR MISSION — TO PROVIDE COMPETITIVELY PRICED ENERGY AND SERVICES TO OUR CUSTOMERS AND MAXIMUM VALUE TO OUR OWNERS, CONSISTENT WITH THE WISE USE OF RESOURCES.

EXECUTIVE TEAM

CHARLES V. SANS CRAINTE

Vice President, Generation
President & CEO, GEN~SYS Energy

DALE L. POHLMAN

Vice President, Strategic Planning

BRIAN J. BOETTCHER

Director, Information Technology

WILLIAM L. BERG

President and CEO

ROBERT C. MUELLER

Vice President, Finance & Administration

BRUCE H. STAPLES

Vice President, Transmission

MARY L. LUND

Director, Human Resources

BRIAN D. RUDE

Director, External Relations

NUNS VISIT THE GENOA PLANT DURING  THE 1952 BUSINESS EDUCATION DAY.

CONSOLIDATED BALANCE SHEETS - ASSETS

	As of December 31 (In Thousands) 2000	1999
ELECTRIC PLANT:		
Plant and equipment, at original cost	$ 684,143	$ 661,321
Less- Accumulated depreciation	(337,467)	(326,889)
	346,676	334,432
Construction work in progress	52,654	28,067
Total electric plant	399,330	362,499
OTHER ASSETS:		
Nuclear decommissioning trusts	76,779	72,795
Marketable securities	-	3,192
Economic development loans and other investments	11,800	14,526
Investments in capital term certificates of National Rural Utilities Cooperative Finance Corporation	9,176	9,176
Deferred charges	2,578	3,177
Total other assets	100,333	102,866
CURRENT ASSETS:		
Cash and cash equivalents	730	192
Accounts receivable-		
Energy sales	17,673	21,357
Other	1,310	2,143
Inventories, at average cost-		
Fossil fuels	27,931	33,006
Materials and supplies	13,407	10,309
Prepaid expenses	1,405	963
Total current assets	62,456	67,970
	$ 562,119	$ 533,335

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED BALANCE SHEETS.

Our Vision

...is to be the provider of choice for energy and services to our customers.

Our Mission

...is, as a cooperative organization, to provide competitively priced energy and services to our customers and maximum value to our owners, consistent with the wise use of resources.

We will work with our members to improve the quality of life of their customers and the economic and social well-being of the region.

Our Values

Our members are the reason for our existence. We will strive to provide services that exceed their expectations, emphasizing honesty, quality and other sound business principles.

Our employees and the people we serve are vital to our success. To promote excellence, we will support and encourage employee development for the purpose of matching qualified people to the right jobs while being sensitive to the importance of job satisfaction. We will encourage open, honest and timely two-way communication. Working as a team, we will respect each other and balance empowerment with accountability.

As we conduct our business, we will be responsible members of our community, good stewards of the environment and follow sound safety practices, while continually improving our processes and services.

1879 Thomas Alva Edison invents the electric light bulb.

1888 Nikola Tesla designs AC (alternating current) electric power.

1919 Eureka increases production to 2,000 vacuums a day.

1929 Cost of electric refrigerator $292, down from $600 in 1920.

1947 The first top-loading automatic clothes washer is introduced.

1950 Zenith introduces the "Lazy Bones" TV remote control.

1967 Amana introduces the Radarange, the first home microwave oven.

1977 Tandy Corp. was first to sell personal computers.

1996 The Internet connects more than 25 million computers.

Generating Stations

Type	Station	Total Net Capacity in MW (Winter)	Net MWh (000's)	% of Total
Coal:	Alma	209	732	13.41
	JPM	376	2,185	40.03
	Genoa #3	372*	2,031	37.21
Total Coal		957	4,948	90.65
Hydro:	Flambeau	21	50	0.92
Total Generation		978	4,998	91.57
Purchased Power			460	8.43
Total Requirements			5,458	100.00

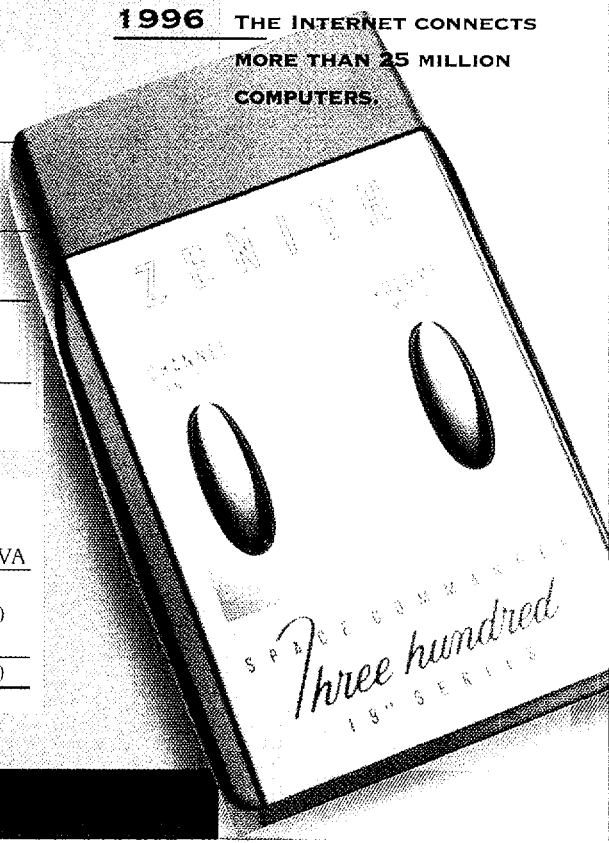
* Temporary winter derate to 348 MW

Transmission Lines

Miles as Voltage-KV	Miles as Constructed
161	604.89
69	2,497.36
34.5	29.51
	3,131.76

Substations

Type	Number	Total Capacity KVA
Plant	3	954,000
Transmission	29	1,367,000
Distribution	293	990,000
Total	325	3,311,000



IN 1953, THE LATEST TECHNOLOGY IS  IMPLEMENTED AT THE STONEMAN STATION.

CONSOLIDATED BALANCE SHEETS - CAPITALIZATION AND LIABILITIES

	As of December 31 (In Thousands) 2000	1999
CAPITALIZATION:		
Member and patron equities-		
Membership fees	$ 12	$ 12
Patronage capital	93,558	90,536
Total member and patron equities	93,570	90,548
Long-term obligations	328,205	302,862
Total capitalization	421,775	393,410
ESTIMATED DECOMMISSIONING LIABILITIES	76,779	74,995
COMMITMENTS AND CONTINGENCIES (NOTES 7 AND 8)		
CURRENT LIABILITIES:		
Current maturities of long-term obligations	18,256	14,754
Short-term borrowings	15,700	30,000
Advances from member cooperatives	990	3,007
Accounts payable	13,905	7,322
Accrued expenses-		
Payroll and vacation pay	6,024	5,352
Interest	4,533	1,149
Taxes	1,830	1,921
Other	2,327	1,425
Total current liabilities	63,565	64,930
	$ 562,119	$ 533,335

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED BALANCE SHEETS.

MISS WISCONSIN RURAL ELECTRIFICATION  CONTESTANTS POSE FOR THE CAMERA IN '67.

CONSOLIDATED STATEMENTS OF REVENUES & EXPENSES

	For the Years Ended December 31 (In Thousands)	
	2000	1999
OPERATING REVENUES:		
Sales of electric energy	$ 173,559	$ 163,417
Other	7,769	10,377
Total operating revenues	181,328	173,794
OPERATING EXPENSES:		
Fuel	63,956	60,583
Purchased and interchanged power	13,355	10,650
Other operating expenses	43,228	38,776
Depreciation and amortization	21,094	24,922
Maintenance	17,731	16,022
Taxes, other than income	5,994	6,018
Total operating expenses	165,358	156,971
Operating margin before interest and other	15,970	16,823
INTEREST AND OTHER:		
Interest expense	17,830	18,189
Other net	346	451
Total interest and other	18,176	18,640
Operating deficit	(2,206)	(1,817)
NONOPERATING MARGIN	5,745	4,428
Net margin	$ 3,539	$ 2,611

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

VIA TECHNOLOGY, DISPATCH COMMUNICATES  WITH PLANT OPERATORS AND FIELD CREWS.

CONSOLIDATED STATEMENTS OF MEMBERS & PATRON EQUITIES
(In Thousands)

	Membership Fees	Patronage Capital	Accumulated Other Comprehensive Income	Total
BALANCE, December 31, 1998	$ 12	$ 91,497	$ 489	$ 91,998
Comprehensive income:				
Net margin	-	2,611	-	2,611
Unrealized loss on marketable securities	-	-	(489)	(489
Comprehensive income				2,122
Retirement of capital credits	-	(3,572)	-	(3,572)
BALANCE, December 31, 1999	12	90,536	-	90,548
Net margin	-	3,539	-	3,539
Retirement of capital credits	-	(517)	-	(517)
BALANCE, December 31, 2000	$ 12	$ 93,558	$ -	$ 93,570

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

DIRECTORS LEARN ABOUT OPERATIONS FIRST-  HAND BY VISITING DAIRYLAND SUBSTATIONS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31 (In Thousands)	
	2000	1999
OPERATING ACTIVITIES:		
Net margin	$ 3,539	$ 2,611
Adjustments to reconcile net margin to net cash provided by operating activities-		
Depreciation and amortization	21,094	24,922
Other	-	1,438
Equity in earnings of affiliate	(4,320)	(771)
Changes in operating elements:		
Accounts receivable	4,517	5,480
Inventories	1,977	(8,481)
Prepaid expenses	(442)	(125)
Accounts payable	6,583	4,169
Accrued expenses	4,867	1,540
Net cash provided by operating activities	37,815	30,783
INVESTING ACTIVITIES:		
Electric plant additions, net	(52,552)	(44,136)
Purchase of investments	(3,282)	(2,421)
Sale of investments	11,986	30,970
Advances to nuclear decommissioning trusts	(5,900)	(5,920)
Deferred charges, net	460	(563)
Net cash used in investing activities	(49,288)	(22,070)
FINANCING ACTIVITIES:		
Repayments of short-term borrowings, net	(14,300)	(4,200)
Borrowings under long-term obligations	45,474	13,952
Repayments of long-term obligations	(16,629)	(14,760)
Retirement of capital credits	(517)	(3,572)
Repayments of advances from member cooperatives	(2,017)	(372)
Net cash provided by (used in) financing activities	12,011	(8,952)
Net increase (decrease) in cash and cash equivalents	538	(239)
CASH AND CASH EQUIVALENTS:		
Beginning of year	192	431
End of year	$ 730	$ 192
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest, net of amounts capitalized	$ 14,446	$ 18,189

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Notes to Consolidated Financial Statements (In Thousands)

Nature of business and summary of significant accounting policies

Organization and business

Dairyland Power Cooperative (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, Illinois and Michigan, and provides electric and other services to Class C, D, E and F members.

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.

The Cooperative is a member of Gen~Sys Energy (Gen~Sys), a power supply and marketing cooperative. Its primary purpose is to schedule and dispatch generation resources and to provide other power-related support services to its members, which include Corn Belt Power Cooperative. The Cooperative accounts for its membership interest in Gen~Sys under the equity method of accounting with the Cooperative's share of Gen~Sys operating results included in nonoperating margins in the accompanying consolidated statements of revenues and expenses.

Principles of consolidation

The consolidated financial statements include the accounts of the Cooperative and its wholly owned subsidiaries, Curtis Telecommunications, Inc. and Genoa FuelTech, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Plant additions

The cost of renewals and betterments of units of property (as distinguished from minor items of property) is charged to electric plant accounts. The cost of units of property retired, sold or otherwise disposed of, plus removal costs, less salvage, is charged to accumulated depreciation. No profit or loss is recognized in connection with ordinary retirements of property units. Maintenance and repair costs and replacement and renewal of minor items of property are charged to operations.

Depreciation

Depreciation is provided based on the straight-line method at rates which are designed to amortize the original cost of properties over their estimated useful lives and includes a provision for the cost of removing and decommissioning the properties. The provision for depreciation averaged 3.2 percent and 3.9 percent of depreciable plant balances in 2000 and 1999.

Allowance for funds used during construction

Allowance for funds used during construction 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 (7.8 percent in 2000 and 7.7 percent in 1999) to certain electric plant additions under construction. The amount of such allowance was $2,231 in 2000 and $1,519 in 1999.

Nuclear decommissioning trusts

The cooperative has established two decommissioning trusts to accumulate the estimated amounts necessary to decommission a nuclear power plant which the Cooperative formerly operated. The assets of one of these trust funds ($70,900 at December 31, 2000 and $72,800 at December 31, 1999) are available solely to satisfy the future costs of decommissioning, while the assets of the second trust fund, which was created during fiscal 2000 ($5,900 at December 31, 2000), are designated to be used for such decommissioning efforts, but such designation is subject to change by the Cooperative's board of directors.

Investments

In accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," investments in marketable debt and equity securities classified as held to maturity are reported at amortized cost; marketable debt and equity securities classified as trading are reported at fair value, with unrealized gains and losses included in nonoperating margin; and marketable debt and equity securities classified as available for sale are reported at fair value, with unrealized gains and losses excluded from margins and reported as accumulated other comprehensive income as a separate component of member and patron equities.

Regulatory assets

The Cooperative's accounting policies and the accompanying consolidated financial statements conform to accounting principles generally accepted in the United States applicable to electric cooperatives in accordance with the provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." In the event that a portion of the Cooperative's operations is no longer subject to the provisions of SFAS No. 71 as a result of the effects of competition or other reasons, the Cooperative could be required to determine any impairment to assets and write down the assets to fair value.

Cash and cash equivalents

Cash equivalents include all highly liquid investments with original maturities of three months or less. Cash and cash equivalents consist primarily of commercial paper, stated at cost, which approximates market. The Cooperative classifies certain cash and cash equivalents as investments when they relate to trust funds held for long-term purposes (see Note 2).

Nonoperating margin

Nonoperating margin includes the following for the years ended December 31:

	2000	1999
Investment income	$1,103	$3,159
Investment income—decommissioning trust	4,160	7,042
Additional provision for decommissioning	(4,160)	(7,042)
Equity in income of unconsolidated affiliate	4,320	771
Other	322	498
	$5,745	$4,428

Impairments

The Cooperative follows the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires that the

recoverability of long-lived assets be periodically reviewed if there are indications that such assets might be impaired. SFAS No. 121 has not had a material effect on the Cooperative's financial position or results of operations.

REVENUE RECOGNITION

Revenues from sales of electric energy are recognized when energy is delivered.

INCOME TAXES

The Cooperative is generally exempt from federal and state income taxes and, accordingly, no provision for such taxes is recorded in the accompanying consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENT

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," requires that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value with changes in fair value recognized currently in earnings unless specific hedge accounting criteria are met. SFAS No. 133, as amended, is effective January 1, 2001 for the Cooperative. Initial adoption of the SFAS No. 133 will have no effect on the Cooperative's financial statements, since as of January 1, 2001, the Cooperative had no derivative instruments.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the December 31, 1999 financial statements have been reclassified to conform with the December 31, 2000 presentation. These reclassifications have no effect on net margin or member and patron equities as previously reported.

AVAILABLE FOR SALE INVESTMENTS

Investments classified as available for sale, including the nuclear decommissioning trusts, at December 31 include the following:

	2000		1999	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 1,478	$ 1,478	$ 5,044	$ 5,044
U.S. government securities	15,507	15,226	15,046	15,408
Corporate bonds	21,416	21,038	17,962	18,323
Common stocks	32,478	29,832	37,935	27,832
Mutual funds	5,900	5,900	-	-
	$ 76,779	$ 73,474	$ 75,987	$ 66,607

Since the Cooperative intends to adjust rates in the future to reflect changes in the market value of investments held in its nuclear decommissioning trusts, unrealized gains of $3,305 and $9,380 on these investments at December 31, 2000 and 1999 are included in estimated decommissioning liabilities. At December 31, 1999, the fair value of other marketable securities approximated cost.

The contractual maturities of marketable debt securities, which include U.S. government securities and corporate bonds, were as follows at December 31, 2000:

	Fair Value	Cost
Due after one year through five years	$ 24,799	$ 24,410
Due after five years through ten years	10,664	10,369
Due after ten years	1,460	1,485
	$ 36,923	$ 36,264

Information regarding the sale of marketable securities, including nuclear decommissioning trusts, for the years ended December 31 is as follows:

	2000	1999
Proceeds from sale of securities	$ 11,986	$ 30,970
Realized gains	2,225	239
Realized losses	303	147

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

LINES OF CREDIT

To provide interim financing, the Cooperative has arranged lines of credit aggregating approximately $63,000, principally through the National Rural Utilities Cooperative Finance Corporation (NRUCFC) at a rate no greater than prime plus 1 percent (8.55 percent at December 31, 2000). Borrowings outstanding were $15,700 and $30,000 at December 31, 2000 and 1999. Average borrowings outstanding were $13,100 and $20,600 for the years ended December 31, 2000 and 1999. Compensating balance requirements and fees relating to the lines of credit were not significant in 2000 or 1999.

The Cooperative also allows member cooperatives to prepay their power bills and pays interest on these prepayments based on current short-term borrowing rates. Interest expense on member cooperative advances ($307 in 2000 and $454 in 1999) has been included in interest expense on the accompanying consolidated statements of revenues and expenses.

LONG-TERM OBLIGATIONS

Long-term obligations at December 31 consist of the following:

	2000	1999
Federal Financing Bank obligations, 5.0% to 9.9%	$221,996	$186,420
RUS obligations, 2%	16,716	20,467
RUS obligations, 5%	22,591	23,684
CoBank notes, 5.8% and 7.4%	60,684	62,459
City of La Crosse, Wisconsin, Pollution Control Bonds, variable rate, 4.2% at December 31, 2000	23,605	23,605
Other, 4% due in installments through 2006	869	981
	346,461	317,616
Less- Current maturities	(18,256)	(14,754)
Total long-term obligations	$328,205	$302,862

Quarterly principal and interest payments on the long-term obligations to the Federal Financing Bank extend through 2028. Long-term obligations to the RUS are payable in equal quarterly principal and interest installments through 2013. Payments on CoBank notes are due monthly or quarterly through 2019.

Approximately $7,545 of the City of LaCrosse, Wisconsin, Pollution Control Bonds are due in September 2014 and $16,060 are due in February 2015, unless previously called. Bank letters of credit aggregating $23,600, which expire in July 2002, have been issued on behalf of the Cooperative to the trustee to provide funds for payment of principal of any such bonds redeemed or repurchased prior to that date.

Substantially all of the Cooperative's assets are pledged as collateral for these obligations. The Cooperative is required to maintain and has maintained certain financial ratios related to earnings and liquidity in accordance with the covenants of its loan agreements.

Scheduled maturities of the Cooperative's long-term obligations at December 31, 2000 were as follows:

Years ending December 31	Amount
2001	$ 18,256
2002	15,980
2003	16,227
2004	16,350
2005	17,023
Thereafter	262,625
	$ 346,461

Fair Value of Other Financial Instruments

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

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Economic development loans and other investments	$ 11,800	$ 10,526	$ 14,526	$ 13,540
Investments in capital term certificates of NRUCFC	9,176	5,758	9,176	5,355
Liabilities:				
Long-term obligations	346,461	224,661	317,616	318,892

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 so that at no time will the Cooperative retain as patronage capital any capital contributed or deposited more than 20 years prior to the current year. Accordingly, 1980 and 1979 capital credits of $517 and $3,572 were retired in 2000 and 1999. Implementation of 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. Patronage capital at December 31, 2000 and 1999 includes margins assignable of $3,539 and $2,611.

Commitments and Contingencies

The Cooperative's estimated 2001 construction program expenditures are $48,000. Financing of construction is expected to be provided by borrowings and internally generated funds.

In connection with the termination of a coal supply agreement, the Cooperative has established an escrow account to fund any future contingencies relating to the terminated agreement. The escrow account is included in other investments on the accompanying consolidated balance sheets.

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 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 financial position or results of operations of the Cooperative.

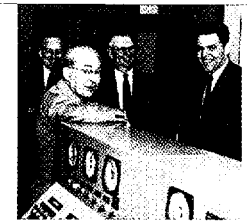
Pension Plan

Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association Retirement and Security Program. Contributions are determined in accordance with the provisions of the program and are based on salaries, as defined, of each participant. Pension costs for this pension plan were $2,693 in 2000 and $2,360 in 1999. As of January 1, 2000, the date of the last available actuarial valuation, net assets of the plan exceeded the actuarial present value of accumulated plan benefits.

Nuclear Reactor

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 in August 1987. The facility is in safe storage status and is expected to remain so until at least the year 2019, at which time decommissioning is expected to commence, although the manner of decommissioning has not been determined.

The estimated costs of decommissioning the nuclear generating facility are based on a decommissioning cost study. Cooperative management believes that the current balance in the nuclear decommissioning trust funds, together with future expected investment income on such funds, will be sufficient to meet all future decommissioning costs. Earnings on the decommissioning trust funds and the equivalent provision for nuclear decommissioning costs are recorded as nonoperating margins since the plant is no longer in service.

THIS 1960 VISIT WITH SENATOR  PROXMIRE IS AN EXAMPLE OF

DAIRYLAND'S EMPHASIS ON OPEN COMMUNICATION WITH LEGISLATORS ON ISSUES EFFECTING OUR MEMBERS.

REPORT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and integrity of the financial statements and representations in the annual report. Management uses the best judgment and resources to ensure that such statements present fairly the financial positions, results of operations and cash flow of Dairyland Power Cooperative.

Dairyland maintains a system of internal controls which is designed to provide reasonable assurance that transactions are recorded in accordance with management's authorization, that financial statements are prepared in conformity with generally accepted accounting principles applied on a consistent basis and that assets are safeguarded.

The board of directors, through its Audit Committee, has responsibility for determining that management fulfills its responsibilities for preparation of financial statements and financial control of operations. The Audit Committee meets regularly with management, Dairyland's internal auditor and the Cooperative's independent public accountants to discuss internal control, financial reporting and auditing matters.

La Crosse, Wisconsin
February 28, 2001

DAIRYLAND POWER COOPERATIVE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Members and Board of Directors of Dairyland Power Cooperative:

We have audited the accompanying consolidated balance sheets of Dairyland Power Cooperative (a Wisconsin cooperative) and Subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of revenues and expenses, member and patron equities, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Cooperative's management. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dairyland Power Cooperative and Subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 28, 2001, on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Minneapolis, Minnesota,
February 28, 2001

ARTHUR ANDERSEN LLP

Member Distribution Operatives

Class A Members

Wisconsin

1. Barron Electric Cooperative/Barron
2. Bayfield Electric Cooperative, Inc./Iron River
3. Chippewa Valley Electric Cooperative/Cornell
4. Clark Electric Cooperative/Greenwood
5. Dunn Electric Cooperative/Menomonie
6. Eau Claire Energy Cooperative/Fall Creek
7. Jackson Electric Cooperative/Black River Falls
8. Jump River Electric Cooperative, Inc./Ladysmith
9. Oakdale Electric Cooperative/Oakdale
10. Pierce-Pepin Cooperative Services/Ellsworth
11. Polk-Burnett/Centuria
12. Price Electric Cooperative, Inc./Phillips
13. Richland Electric Cooperative/Richland Center
14. Riverland Energy Cooperative/Arcadia
15. St. Croix Electric Cooperative/Baldwin
16. Scenic Rivers Energy Cooperative/Lancaster
17. Taylor Electric Cooperative/Medford
18. Vernon Electric Cooperative/Westby

Iowa

19. Allamakee-Clayton Electric Cooperative, Inc./Postville
20. Hawkeye Tri-County Electric Cooperative/Cresco
21. Heartland Power Cooperative/Thompson & St. Ansgar

Minnesota

22. Freeborn-Mower Cooperative Services/Albert Lea
23. People's Cooperative Services/Rochester
24. Tri-County Electric Cooperative/Rushford

Illinois

25. Jo-Carroll Electric Cooperative, Inc./Elizabeth

Class B Members

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

Member Distribution Operatives

Class C Members

Cooperative Power/Elk River, Minn.
Minnkota Power Cooperative, Inc./Grand Forks, N.D.
United Power Association/Elk River, Minn.

Dairyland Facilities

Headquarters/La Crosse, Wis.
Alma Generating Site/Alma, Wis.
Flambeau Hydro Station/Ladysmith, Wis.
Genoa Generating Site/Genoa, Wis.

Municipal Customers

Class D Members & Others

a. City of Arcadia, Wis.
b. Village of Argyle, Wis.
c. Village of Cashton, Wis.
d. City of Cumberland, Wis.
e. City of Elroy, Wis.
f. City of Fennimore, Wis.
g. City of Forest City, Iowa
h. City of Independence, Iowa
i. City of La Farge, Wis.
j. City of Lake Mills, Iowa*
k. City of Lanesboro, Minn.
l. City of McGregor, Iowa*
m. Village of Merrillan, Wis.
n. City of New Lisbon, Wis.
o. Village of Pardeeville, Wis.*
p. City of Rushford, Minn.*
q. City of St. Charles, Minn.*
r. Village of Viola, Wis.

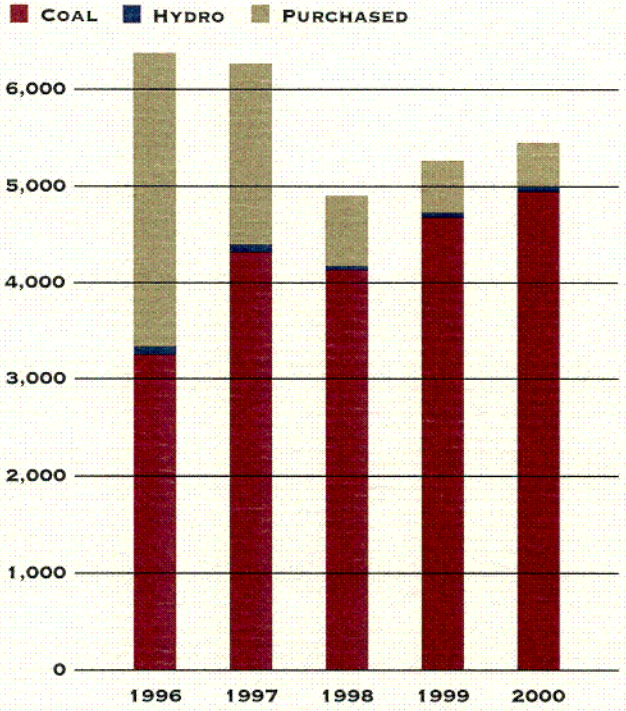
* GEN~SYS Energy customers

2000 at a Glance

Dairyland member systems	25
Total member/consumer meters	234,000
Municipal customers	18
Approximate population served	575,000
Peak demand (reported to MAPP)	757 MW (Dec. 28, 2000)
Power sales	5.25 MWh
Total operating revenue	$181.3 million
Net margins	$3.5 million
Dairyland assets	$562 million
Owned generation capacity (coal)	957 MW
Owned generation capacity (hydro)	21 MW
Municipals under contract (diesel) (MAPP accredited)	67.2 MW
Miles of transmission line	3,132
Substations	325
Employees	557

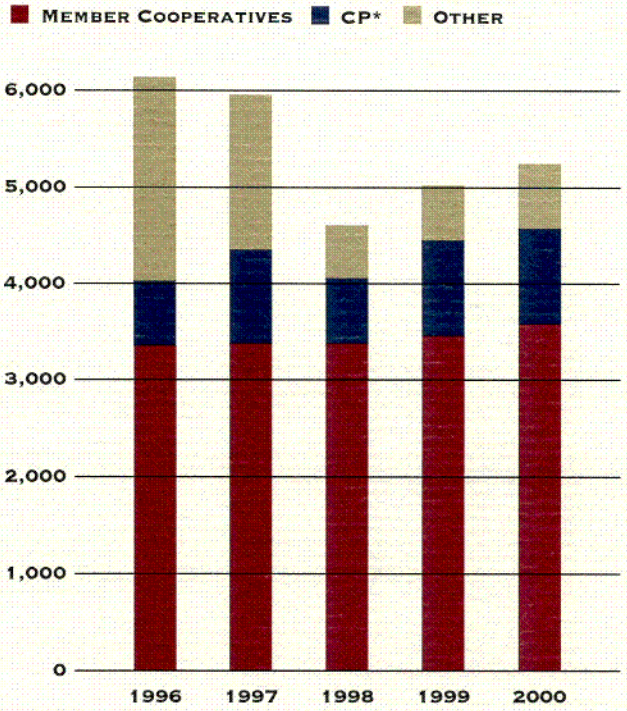
Power Generated & Purchased

(Thousands of MWh)

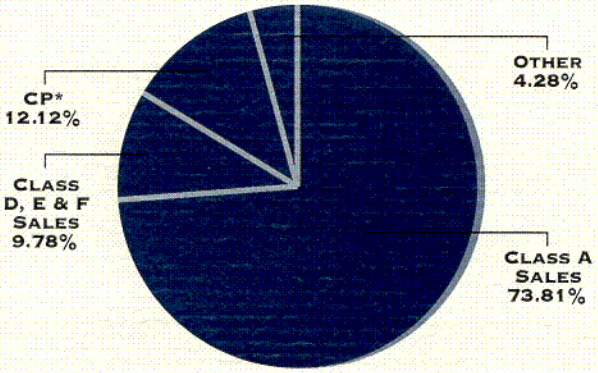


Power Sales

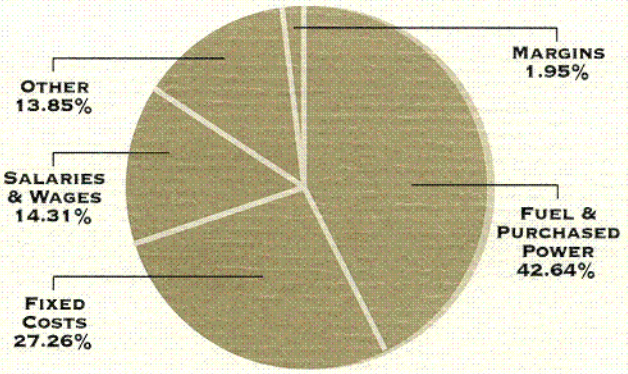
(Thousands of MWh)



2000 Revenue Dollar



2000 Expense Dollar



*Cooperative Power is a member of Great River Energy, Elk River, Minn.

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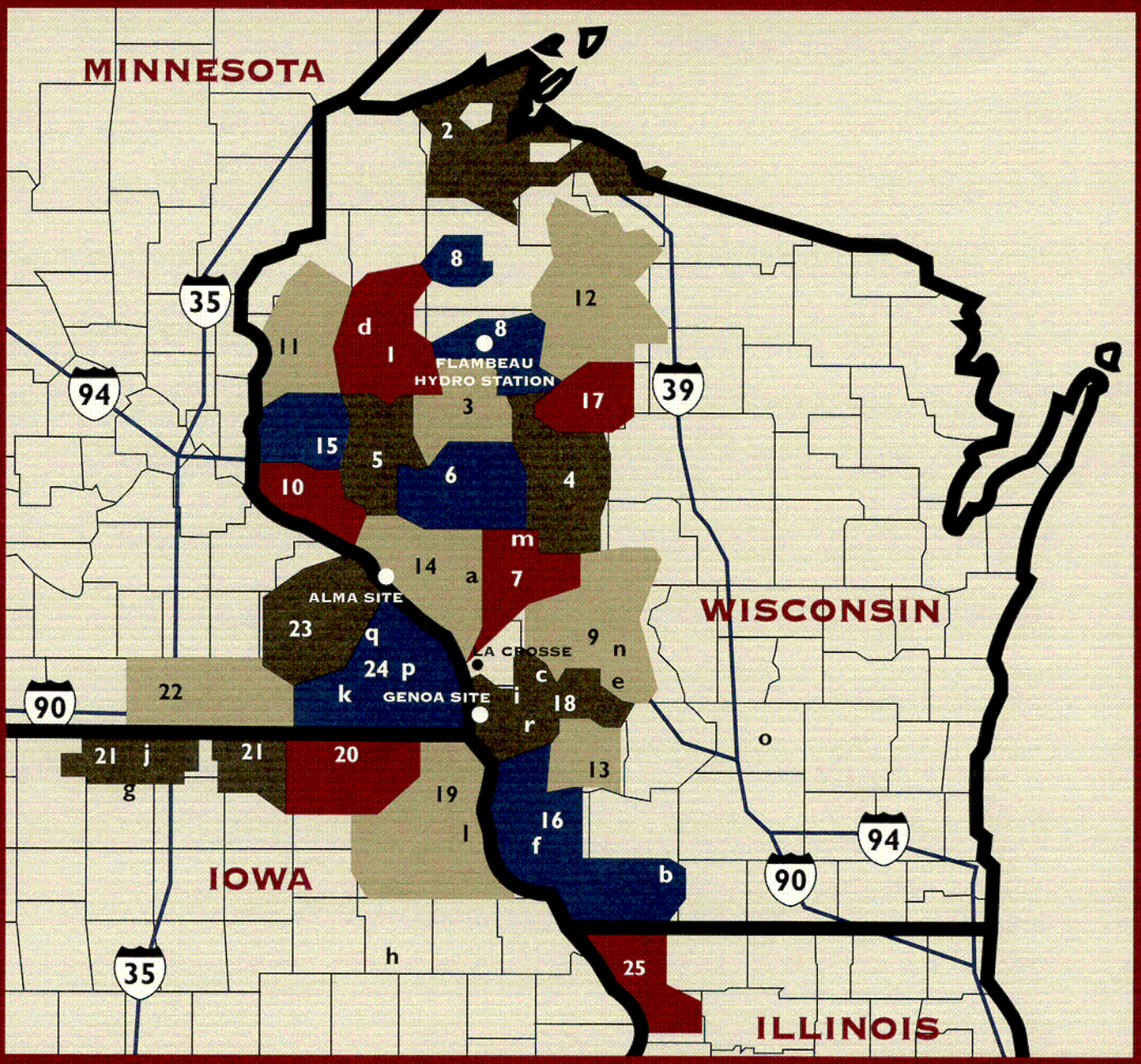
Dairyland Power Cooperative System Map



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DAIRYLAND POWER COOPERATIVE

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AS AN EFFORT TO PRESERVE THE ENVIRONMENT, THIS REPORT IS PRINTED ON RECYCLED PAPER.