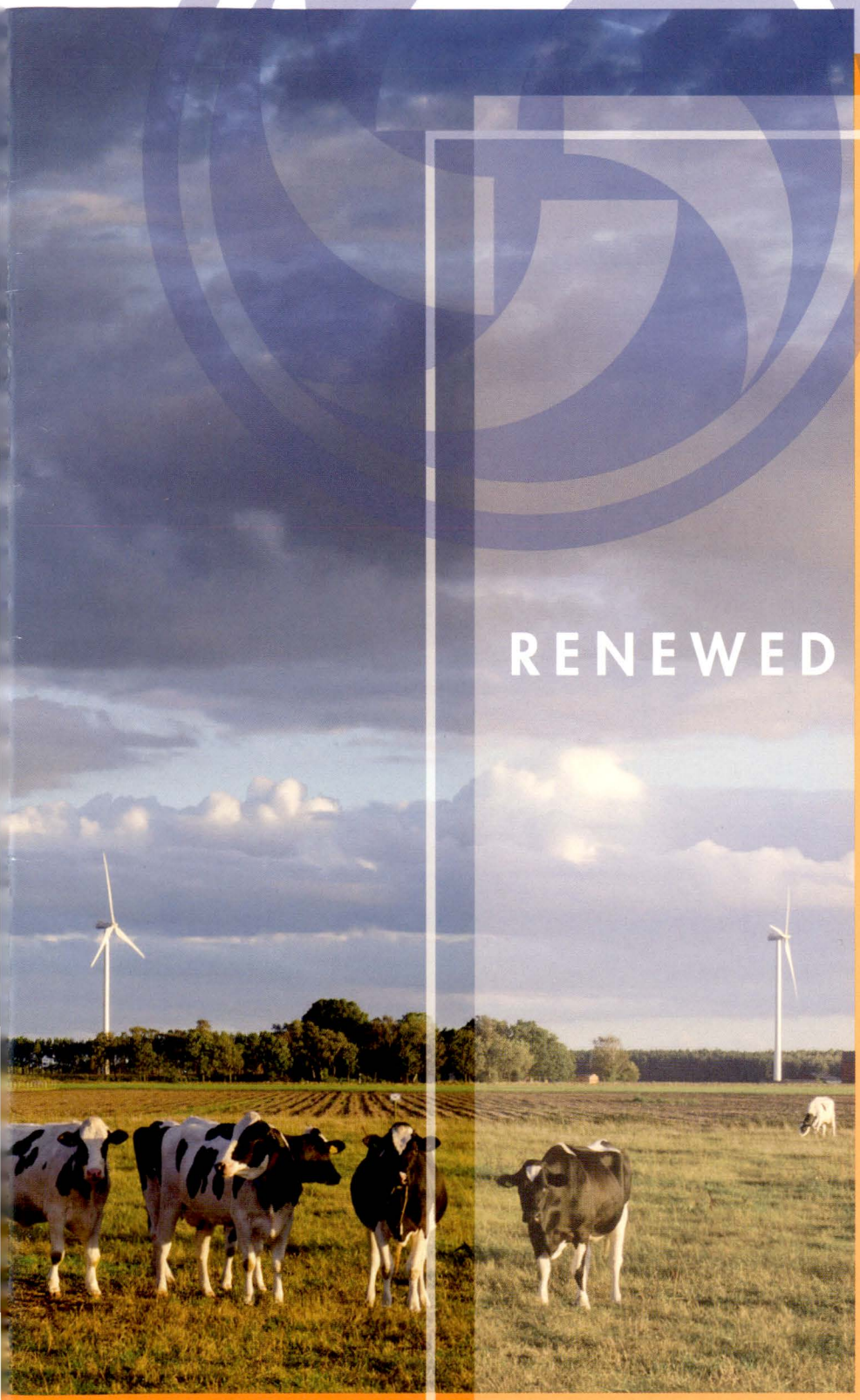


RENEWED COMMITMENT

DAIRYLAND POWER
COOPERATIVE

A Touchstone Energy® Cooperative

2017 AT A GLANCE

24 Dairyland member systems

262,542 TOTAL MEMBERS

600,000 Approximate population served

17 Municipal customers

6 billion kWh* Power sales (generation and purchased)

$441.4 MILLION Total operating revenue

$27 million MARGINS

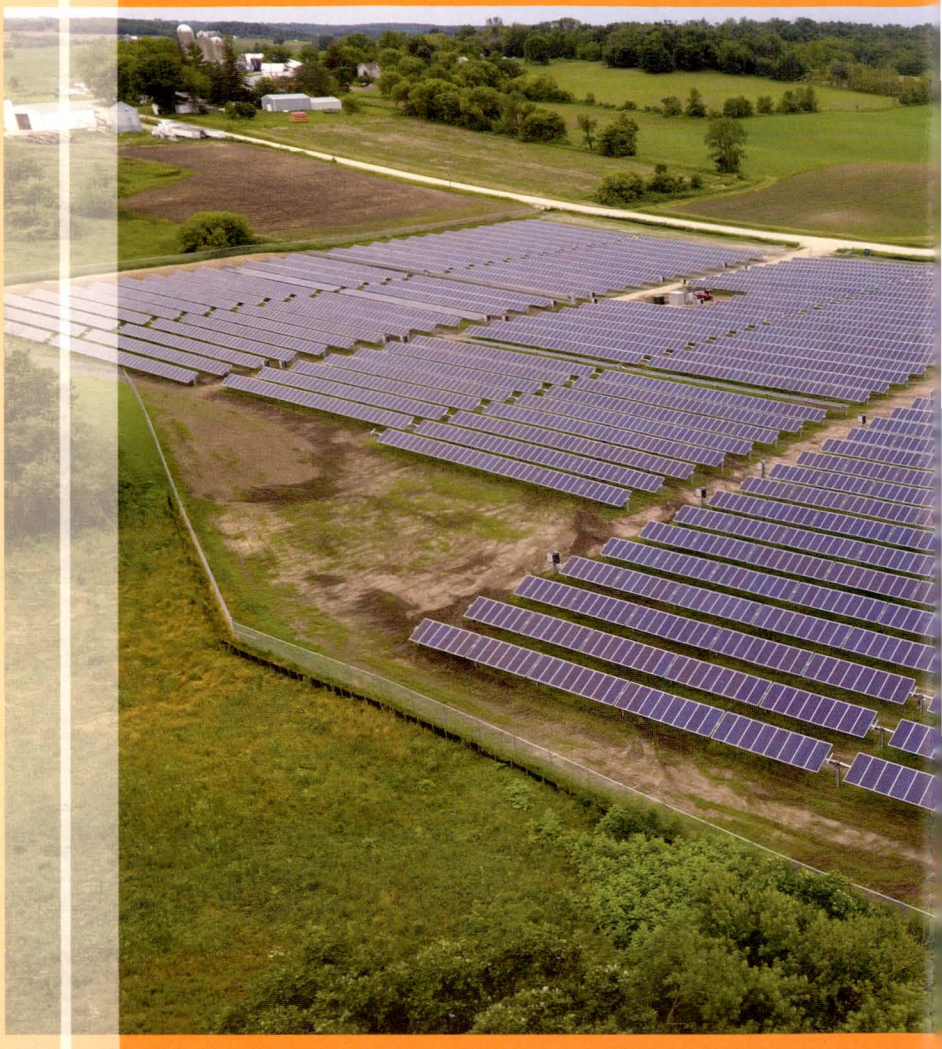
$1.4 BILLION TOTAL ASSESTS

1,061 MW* All-time Peak (7/6/12)

1,000.4 MW* Peak demand (reported to MISO 7/6/17)

548 EMPLOYEES

*kilowatt-hour and megawatt



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WHO WE ARE

Dairyland Power Cooperative provides the wholesale electrical requirements and other services for its 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.

Dairyland works with its members, community leaders, employees and other stakeholders to be an innovative and strategic generation and transmission cooperative.

Electricity is delivered via nearly 3,200 miles of transmission lines and 300 substations located throughout the system's 44,500 square mile service area.

OUR RENEWED COMMITMENT

Decades ago, cooperative leaders unified with the vision to ensure reliable electricity would always be available in their rural communities. In 1941, they made a long-term commitment to each other and created their own power provider, Dairyland Power Cooperative.

Today, Dairyland remains steadfast in its vision to provide safe, sustainable, reliable and competitively-priced electricity to members in Wisconsin, Minnesota, Iowa and Illinois. From densely wooded forests to lush river valleys and thriving corn fields, the landscape throughout the Dairyland system is as diverse as its members. Each cooperative serves unique communities and memberships.

Cooperatives with the foresight to create Dairyland remain committed to the common goal to improve the quality of life in the region. Dairyland and cooperative members renew their commitment to achieve that goal each and every day.

Dairyland is committed to diversifying its generating resources. This is key to sustainability. Significant additions of wind and solar renewable energy were made in 2017, with plans announced for a renewable-enabling combined-cycle natural gas plant. Other resources include coal, natural gas, hydro and biogas.

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 for more information.

DAIRYLAND POWER
COOPERATIVE

A Touchstone Energy® Cooperative

Electricity impacts nearly every part of our lives. We expect the lights to turn on every time we flip the switch. That light is a symbol of Dairyland's constant and consistent commitment to get the job done for our members.

It is fulfilling to be part of an organization where the purpose is service of an essential product—power. The goal of delivering safe and reliable power is unwavering. At the same time, we see the energy industry, technology and the expectations of consumers transform. At Dairyland, "Renewed Commitment" is a promise that as the world and consumers change, we will continue to evolve to meet future needs.

Diversification of our resources | We are committed to be a sustainable cooperative and diversifying our energy resources is one of our key strategic imperatives. Through power purchase agreements, we have added major renewable energy resources from the Barton Wind Project in Iowa and Quilt Block Wind Farm in southwest Wisconsin.

The addition of 15 new solar energy projects in the service areas of Dairyland members in 2017 is an example of aligning business decisions with our strategic priorities. Another three solar projects are planned in 2018. Many of these sites include community solar projects.

In June 2017, we announced a partnership with Minnesota Power/ALLETE to build the Nemadji Trail Energy Center near Superior, Wis. This renewable-enabling natural gas facility will provide stability and reliability to the growing intermittent solar and wind in the market. Dairyland's plan economically and systematically diversifies energy resources and reduces carbon intensity.

Focused on safety and operational excellence | Safety is core to our mission, and we continue to strive for the operational goal of "zero incidents" for employees, members and the public.

Dairyland's power plants and transmission system had high availability and reliable operations. Our aspiration is that operational performance will be 100 percent compliant and in the top tier for the industry. This demonstrates our commitment to operational excellence, safety and a culture of compliance and stewardship.

Our employees are our most valuable resource. The Human Resources team has implemented training and development programs focused on attracting, developing and retaining talented leaders, experienced professionals and skilled craft workers.

System growth enhances financial strength | Ensuring rates and services are competitive is critical to the economic well-being of the region.

Dairyland partners with members to support economic development opportunities that support regional growth by adding businesses and jobs.

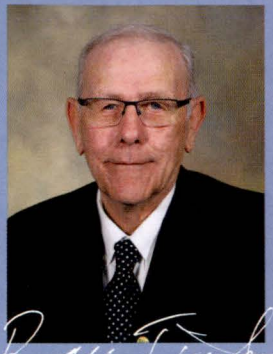
The Dairyland team and members also pursue growth through business development and efficient electrification. Commitments of time, energy and cooperation to integrate Jo-Carroll Energy's new load acquisition resulted in nearly 10 percent growth of the Dairyland system in April 2018. This growth will benefit our members well into the future.

Maintaining financial strength and competitive access to capital are critical to delivering our strategic plans. Standard and Poor's elevated Dairyland's rating to A+ with a stable outlook in early 2018. Our leaders balance building Dairyland's financial strength with maintaining competitive rates and sound operations.

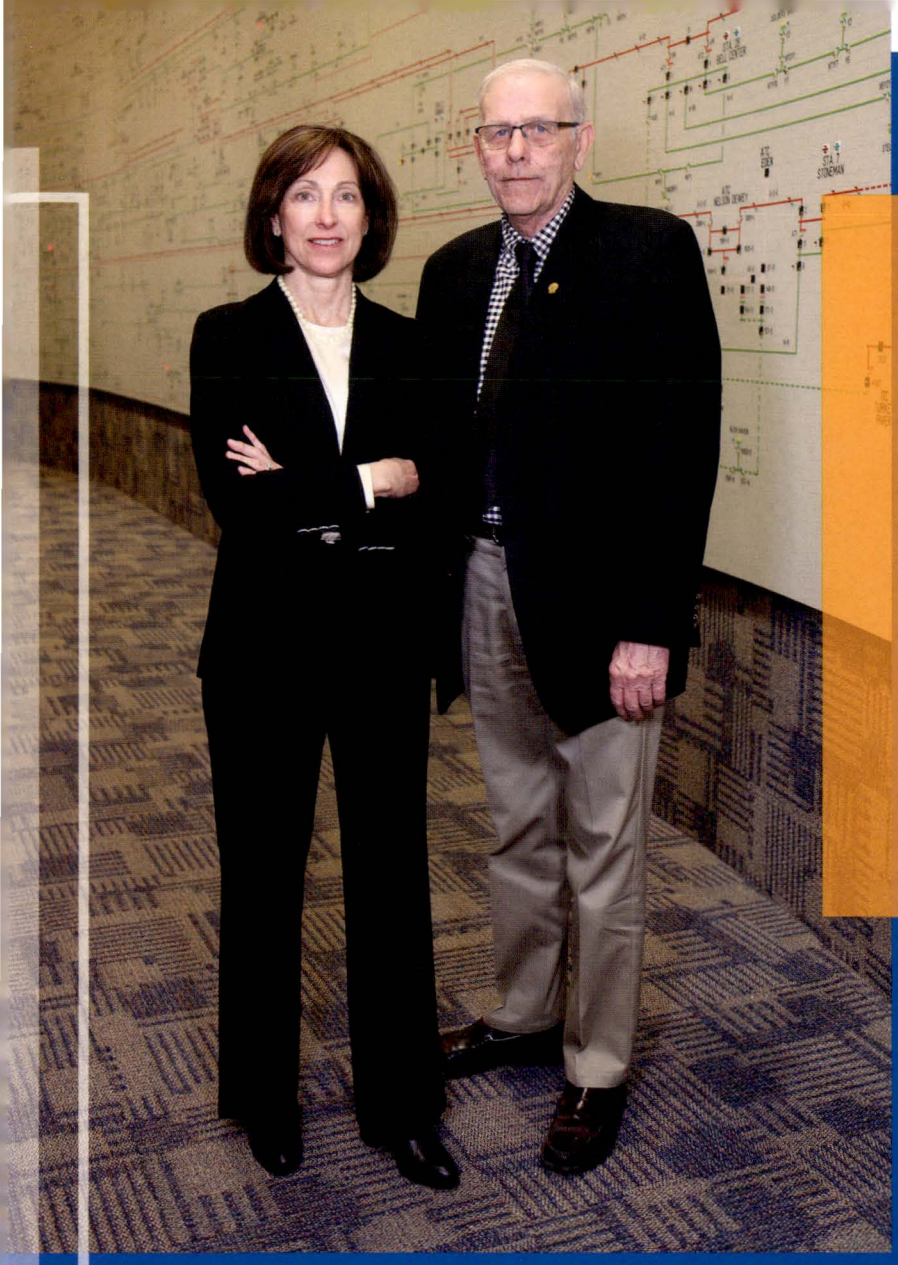
Stronger together | With the formation of Dairyland in 1941, a Wholesale Power Contract (WPC) solidified the long-term commitment Dairyland's member cooperatives made to each other. Today, that bond enables members to control their destiny to have safe, reliable and cost-effective power for their communities.

In a proactive initiative, board members and cooperative managers created a task force to ensure the relevance of the current Wholesale Power Contract.

Barbara A. Nick
President and CEO



Roger Tjarks
Chairman, Board of Directors



OUR VISION, MISSION & VALUES

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.

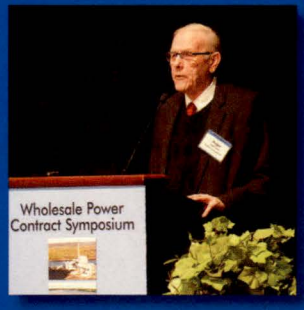
We will build strong relationships with our member cooperatives, employees and all stakeholders.

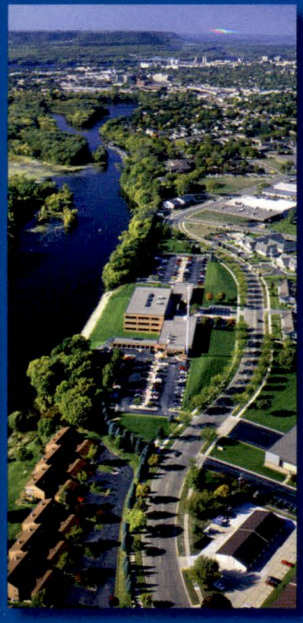
We will live the Cooperative Principles and hold ourselves true to our core values of accountability, integrity, innovation and commitment to community.

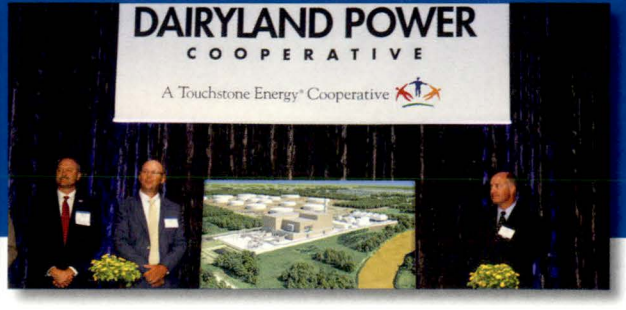
Following a year of thoughtful and strategic discussions focused on meeting evolving member needs, the task force recommended a five-year extension, with two-year automatic extensions unless notice is provided.

We sincerely appreciate the vision of our members as they reinforce their pledge to each other and Dairyland by extending their commitment with the WPC. We all recognize we are STRONGER TOGETHER and will deliver safe, reliable, sustainable and competitively-priced electricity to members for decades to come.

Thank you for your renewed commitment to our Cooperative Principles and for placing your trust in Dairyland.







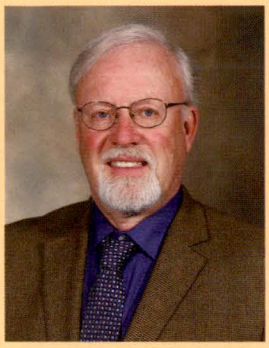
EXECUTIVE COMMITTEE

Roger Tjarks, Chairman
Heartland Power Cooperative

Greg Sacia, Vice Chairman
Riverland Energy Cooperative

Eugene Miller, Treasurer
People's Cooperative Services

Jennifer Scharmer, Secretary
MiEnergy Cooperative

MEMBERS-AT-LARGE

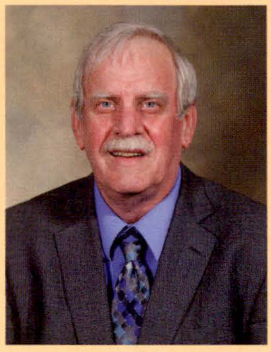
Charles Bena
Clark Electric Cooperative

Jerry Huber
Jackson Electric Cooperative

Larry Lamborn
Allamakee-Clayton
Electric Cooperative

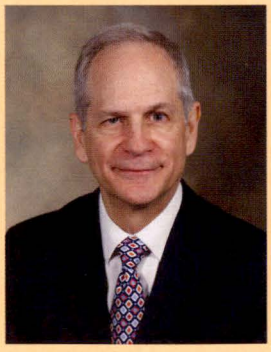
Barry Radloff
Bayfield Electric Cooperative

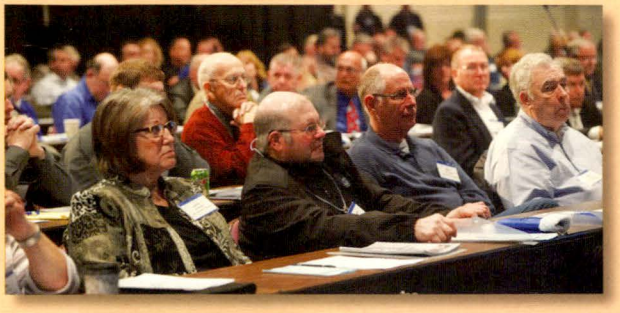


Laurie Engen, Assistant Secretary
Dairyland Power Cooperative

Niles Berman, General Counsel
Wheeler, Van Sickle & Anderson




BOARD OF DIRECTORS

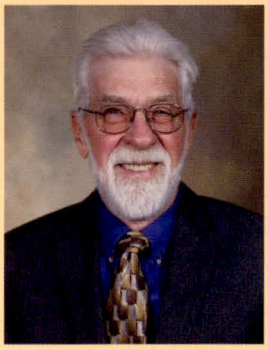



Michael Baker
Barron Electric Cooperative

Clarence Boettcher
Eau Claire Energy Cooperative

Sandra Davidson
Scenic Rivers Energy Cooperative

Ed Gullickson
Polk-Burnett Electric Cooperative




Francis Gwinn
Price Electric Cooperative

Edward Hass
Pierce Pepin
Cooperative Services

Robert Hess
Oakdale Electric Cooperative

Daniel Korn
Vernon Electric Cooperative



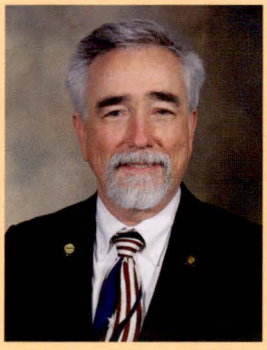

Burt Magnuson
Freeborn-Mower
Cooperative Services

Joseph Mattingley
Jo-Carroll Energy

Jeff Monson
Richland Electric Cooperative

David Orf
St. Croix Electric Cooperative






John Petska
Chippewa Valley
Electric Cooperative

Jane Reich
Jump River Electric Cooperative

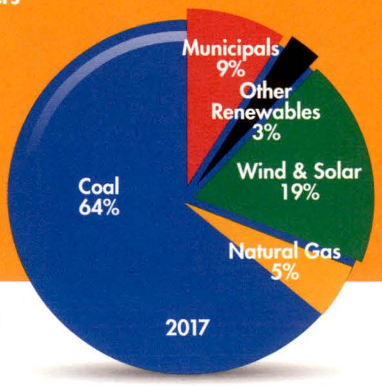
Dean Tesch
Taylor Electric Cooperative

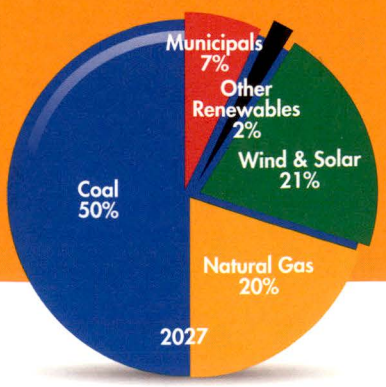
Tom Zwiefelhofer
Dunn Energy Cooperative

The northern portion of the Dairyland system is home to five Wisconsin member cooperatives: Bayfield, Price, Jump River, Chippewa Valley and Barron. This region is south of Lake Superior and includes dense national forests, inland lakes and vast farmland.

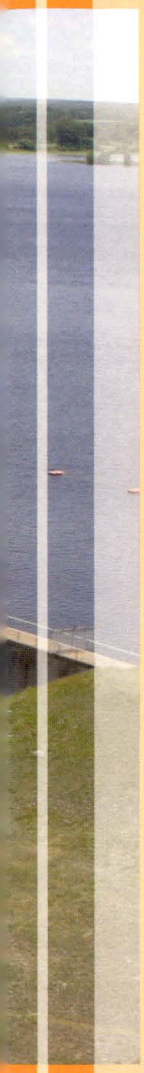
It also hosts Dairyland's 22 MW Hydro Station near Ladysmith. The water-powered facility has generated clean energy since 1951. Dairyland partners with conservation groups on many stewardship initiatives that greatly improve recreational resources in the Flambeau Reservoir area.

Three of Dairyland's solar energy facilities are also located in this region, including two of the largest solar energy arrays in Wisconsin.





CAPACITY SOURCE PROJECTION



Big wind joins Dairyland portfolio | 2017 was a windy year in the Dairyland system. In the spring, Dairyland began purchasing 80 MW of renewable energy from the Barton Wind Farm (Kensett, Iowa), in partnership with Avangrid Renewables.

In the fall, Dairyland celebrated the 98 MW Quilt Block Wind Farm's dedication. Dairyland purchases all the wind energy produced from the new facility, which is owned by EDP Renewables and located near Darlington, Wis. The wind farm has a "crop" of 49 wind turbines. This project created 10 new family-supporting jobs in the community.

Approximately 40,000 homes can be powered by the wind energy produced by Barton and Quilt Block. Dairyland also purchases the output from several smaller wind farms.

Up with the sun | Dairyland reaffirmed its reputation as a solar energy leader with the spring 2018 announcement of three more utility-scale solar generation sites. Together, the 18 solar sites will be able to produce 25 MW of renewable energy, enough to power 4,000 homes.

The solar facilities are located in the service areas of Dairyland's member electric cooperatives. Dairyland has power purchase agreements with SoCore Energy for 17 of the sites, and CMS Energy for one.

Many of Dairyland's member cooperatives multiplied their local renewable energy benefit by piggybacking onto Dairyland's projects with community solar gardens. Although these 18 sites represent Dairyland's largest and most recent solar investments, Dairyland also purchases energy from two other major solar installations. In addition, there are over 1,200 consumer-owned distributed generation solar installations in Dairyland's service area.

Pollinator gardens sustain vulnerable populations | The solar projects have created a domino effect of good results for members and the environment, beyond the energy produced. All sites include pollinator gardens that sustain bee and butterfly populations. Dairyland also plans to create pollinator gardens at substation locations.

The power behind the power | Resource Diversification is a strategic imperative at Dairyland. As generation resources evolve, system reliability continues to be a focus. In June 2017, Dairyland and Minnesota Power/ALLETE announced plans for the Nemadji Trail Energy Center, a renewable-enabling 525-550 MW combined-cycle natural gas facility. The site is in Superior, Wis., adjacent to the service territories of both co-owners. The flexible facility will be responsive to intermittent solar and wind generation, assisting the transition to a more sustainable power supply.

Boosting *Evergreen* benefits | *Evergreen* is a long-standing, voluntary program offered by Dairyland's member cooperatives to consumers who wish to support renewable energy. Costs for *Evergreen* have been significantly reduced and the program is being modified to maximize beneficial opportunities for members. As a cooperative, cost savings are passed directly on to the member-consumer.

Stewardship is a core commitment | Dairyland's Sustainability Initiative focuses on business and operational opportunities to reduce environmental and social impacts, while encouraging efficiency and cost savings. Environmental stewardship is key to sustainability. Every year, Dairyland renews its commitment to stewardship by broadening already successful activities—such as the beneficial reuse of power plant byproducts for road construction—and embracing new ideas. Employees support pollinator gardens, lead e-recycling drives, nurture bird and fish habitats and find new ways to reduce environmental waste at work.

SUSTAINABILITY

There when you need us | Dairyland joined its member cooperatives in sending crews and equipment to Florida to assist in power recovery efforts following Hurricane Irma. Cooperative Principle #6: *Cooperation Among Cooperatives* was on full display as cooperatives workers safely brought the lights—and air conditioning—back on for Florida residents and businesses.

Infrastructure essential for power delivery | Maintaining a robust transmission system is vital for the reliable delivery of energy. Dairyland's Transmission Construction crews work to safely rebuild, construct and upgrade approximately 50 miles of 69 kV transmission lines each year. Each mile takes approximately two weeks to complete with roughly 17 poles per mile.

The safe, skilled work of Dairyland's power delivery professionals yields steady progress. During the past five years, more than 225 miles of poles and conductor have been replaced, representing approximately 7 percent of Dairyland's total transmission system.

Sustainable growth for reliable service | Dairyland's transmission investments demonstrate our commitment to growth as well as to reliability. Through collaborations with neighboring utility organizations, infrastructure in the region is strengthened to absorb changing generation sources.

Regional transmission projects, such as the CapX2020 line running from the Twin Cities to Rochester to La Crosse, the Badger Coulee line from La Crosse to Madison, and the Cardinal-Hickory Creek line, proposed from Dubuque to Madison, are opportunities that both improve reliability and add value for members.

Dairyland, a 9 percent owner in Cardinal-Hickory Creek transmission line, continues to demonstrate its commitment to renewable energy resources. The ability to reliably transport that energy is of great importance.

Modernizing for the future | Moving forward as a safe, sustainable, premier power cooperative means embracing business and operational change.

For long- and short-term planning, Dairyland pursues initiatives that are socially, economically, environmentally and technically sustainable. Underlying systems in our Information Technology, Human Resources, Safety and Accounting areas are currently being modernized to enhance efficiency, usability and cybersecurity. Efficient and transparent platforms, such as the new Safety Management System, advance Dairyland's Strategic Imperatives.

Smart programs for a smart grid | Using energy wisely is not a new idea, but every year brings new and better ways to do it. Dairyland's Load Management program offers benefits to consumers who agree to electric use control during times of peak demand, high energy prices or to help balance system disturbances, such as an outage.

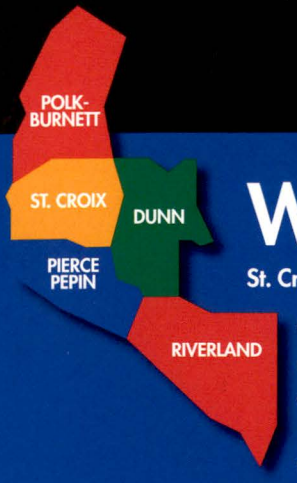
Dairyland works with its member cooperatives on beneficial electrification initiatives to test grid-interactive technologies with electric vehicles, appliances and other devices. By collaborating with energy storage experts across the nation, Dairyland can bring the latest pilot programs to its members in the Upper Midwest.

TRANSMISSION LINES

Voltage in kilovolts (kV)	Miles as constructed
345	14.49
161	627.93
69	2,538.41
34.5	0.46
Total	3,181.29

SUBSTATIONS

Plant	7
Transmission	36
Distribution	250
Total	293



Western Wisconsin is home to five Dairyland member cooperatives: Polk-Burnett, St. Croix, Dunn, Pierce Pepin and Riverland. The Mississippi River runs along the western border, creating a beautiful natural boundary between Wisconsin and Minnesota.

Wisconsin's oldest state park, Interstate, is located along the picturesque St. Croix National Scenic Riverway, where visitors follow ancient formations on the Ice Age National Scenic Trail.

This region also showcases diversity in energy resources. Dairyland's baseload power facility, the 387 MW coal-fired John P. Madgett Station, is located in Alma while the 80 MW natural gas peaking plant is near Elk Mound. Four of Dairyland's solar energy facilities are also in the area, generating local renewable energy for members.

The central region of the Dairyland system is home to five member electric distribution cooperatives: Taylor, Clark, Jackson, Eau Claire and Oakdale.

Cranberry farming, manufacturing, dairy farming and tourism are industries that contribute greatly to the state economy in this area of Wisconsin. Did you know that although Warrens, Wis., has only 350 residents, it draws 100,000 visitors each September for the world's largest cranberry festival?

Three of Dairyland's solar energy facilities are located in this region. Pollinator habitats are cultivated at each of Dairyland's solar sites to support bees and butterflies. Native seed grasses and flowering plants are used to create the gardens.

Safety: Dairyland's most important commitment | President and CEO Barbara Nick leads Dairyland with the belief that there is no success in business without safety. Time, schedule, costs…all those business factors take second place to operational safety. It takes constant vigilance, open communication and mutual accountability of every Dairyland team member to ensure safety remains in first place.

Everyone Home Safe Every Day emphasizes Dairyland's commitment to safe practices in and out of the workplace. We are pleased that safety metrics show continual improvement, but also know the work on safety is never done. Continuous Improvement Teams at Dairyland focus on specific "in-house" goals toward our aim of zero disabling incidents.

In addition to on-the-job safety training and meetings, general safety education is emphasized at Dairyland. Classes and seminars are planned with an eye toward maintaining a safe environment at work, home and in the community. Employees become CPR/AED certified, learn defensive driving skills and build skills for effective communications through the *Speak Up! Listen Up!* program.

Employees: Dairyland's most important asset | Attracting and retaining talented employees is one part of planning for a successful future for Dairyland and its member cooperatives. Leadership and succession planning are pivotal for continued positive growth for any organization. Developing leaders within Dairyland's talent pool today will launch tomorrow's trailblazers, with a focus on exceeding member expectations.

Leaders listen. Based on employee feedback, Dairyland's annual Performance Development Discussions now include a new assessment process that encourages positive and productive conversations. "DPC Essential Series" courses are offered to employees on core cooperative topics, including financial, project and change management. All courses are tied to Dairyland's Vision, Mission and Values.

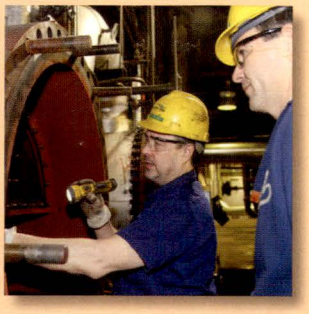
Over 150 union and nonunion employees have graduated from Dairyland's Leadership Development Program. The nine-month educational program strengthens individual skills and promotes positive collaborations to develop leaders within the cooperative.

Powering your life | Dairyland's generation resources include coal-fired units in Genoa and Alma, Wis., a 30 percent share in Wisconsin Public Service's Weston 4 power plant in Wausau, the Elk Mound natural gas units, the Flambeau Hydro Station in Ladysmith and a significant number of renewable energy investments.

The Genoa and Alma power plants achieve the Electric Power Research Institute's "world class" status for minimal forced outage rates related to boiler tube failures. Periodic projects to overhaul and inspect facility equipment help establish continuing safe and efficient plant operations.

Environmental controls in Genoa and Alma are best-in-class and have greatly reduced emissions. Dairyland's progressive recycling program works to ensure that power plant byproducts are beneficially reused, frequently as a component of concrete for roadways.

ZERO By Choice
EVERYONE HOME SAFE EVERY DAY



Helping communities grow | 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 83 loans and grants totaling more than $25 million to assist them with business and community economic development efforts. 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 businesses, health care facilities, assisted living facilities, schools and fire stations.

Dairyland has also supported about 250 projects with its Economic Development revolving loan funds, totaling about $20 million since the 1990s. These loans have provided financing that has assisted new and existing businesses to 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.

Dairyland is a member of local and regional economic development and tourism organizations, including the Community and Economic Development Associates, Momentum West, The 7 Rivers Alliance, Southeast Minnesota Together and Driftless Wisconsin. Dairyland, together with its member-cooperatives, sponsor a variety of community development, renewable energy and energy efficiency-related events including the Midwest Renewable Energy Fair, Iowa Farm Progress Days and Wisconsin Farm Technology Days.

Committed to "Cooperative Purpose" | Dairyland is a regional member of Touchstone Energy Cooperatives, a network of 750 cooperatives that has been working together for 20 years to develop programs and tools to engage and educate cooperative members in an ever-changing industry.

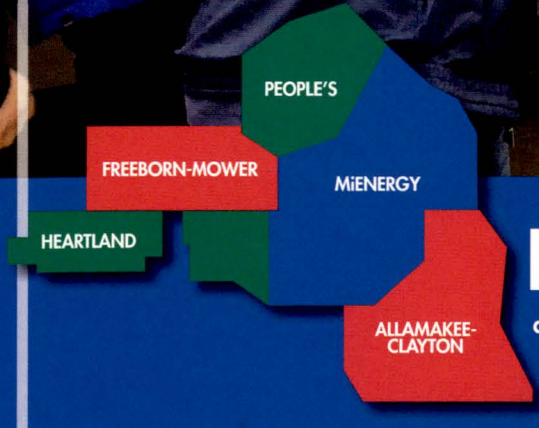
Dairyland places a high value on "the power of human connections" by building relationships with members. In 2017, "A Day with Your G&T" program was developed to provide member cooperative employees and directors an opportunity to learn more about their generation and transmission cooperative.

An example of Dairyland's commitment to education is its *Solar for Schools* renewable energy and education initiative. Solar generation installations were built at three high schools and one college campus near its generation facilities to provide hands-on education about photovoltaic energy production and support vocational programs for future employment opportunities.

Many schools and nonprofit organizations benefit from enthusiastic volunteerism and economic assistance from Dairyland and its employees. In 2017, more than $122,000 was raised during the United Way's "Pacesetter" campaign. Other organizations include: Children's Museum, American Red Cross, American Cancer Society, Freedom Fest, Rotary Lights, Salvation Army and the YMCA.

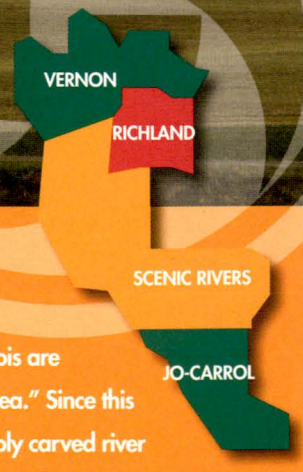
Working with policymakers | Dairyland works with policymakers in both parties to communicate about industry issues that could impact our members and communities. Legislative and regulatory decisions regarding Environmental Protection Agency rules, renewable energy, infrastructure construction, transportation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

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.



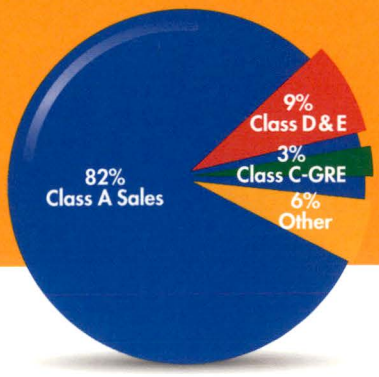
Five of Dairyland's member cooperatives serve communities and rural areas west of the Mississippi River: Freeborn-Mower and People's in Minnesota; Allamakee-Clayton and Heartland in Iowa; and MiEnergy serving members in both states.

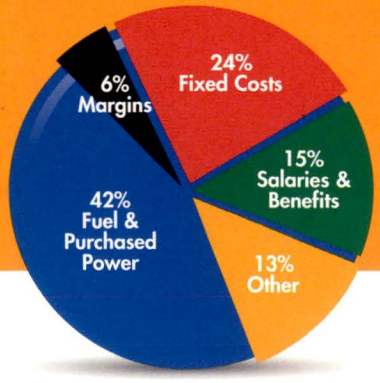
Agriculture has been a mainstay in this region historically known for dairy farms, pork production, corn and other crops. Today, wind energy is another sustainable crop and the region includes several wind "farms" that serve Dairyland's members. Two solar energy facilities are also located in this portion of Dairyland's service area, with plans for two more in 2018.



The service areas of Vernon, Richland and Scenic Rivers Energy in southwest Wisconsin, and Jo-Carroll in northwest Illinois are in part of what's known as the "Driftless Area." Since this region was never glaciated, it includes deeply carved river valleys, rocky bluffs, cave systems and scenic hills. Organic and traditional agriculture, Mississippi River transportation, tourism and small businesses fuel the regional economy.

The new 98 MW Quilt Block Wind Farm is located near Darlington, Wis. Also, the Genoa Site is located south of La Crosse along the Mississippi River. Five solar facilities are producing energy in this area, with plans for one more in 2018.





2017 REVENUE & EXPENSE DOLLAR

Committed to system growth | Opportunities to enhance efficiency and provide competitive costs and service can be created through growth. In addition to supporting economic development and beneficial efficient electrification, Dairyland and its members seek growth opportunities that benefit the entire system.

The Dairyland system grew by about 10 percent in early 2018 with the addition of new Jo-Carroll Energy members. Jo-Carroll acquired additional service territory in 2007 and had agreements in place for the additional energy to be provided by another power supplier until 2023. Jo-Carroll worked closely with Dairyland to develop a win-win agreement and bring those members on to the Dairyland system five years earlier, effective April 1, 2018.

Competitive and financially strong | Maintaining competitive rates is important to the economic well-being of the region and long-term viability of the cooperative system. Dairyland worked with its members to incorporate the new system growth, while limiting wholesale rate increases for member cooperatives to an average of 2 percent on May 1, 2018. Dairyland continues to focus on managing controllable costs and risks, and efficient project management. Prudent investments in regional transmission projects also add value while improving reliability.

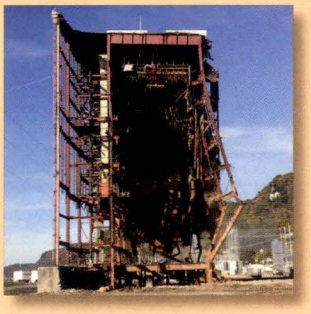
To ensure long-term financial strength, the Dairyland Board has a Strategic Financial Plan to maintain "A" ratings from Moody's and Standard & Poor's credit rating agencies. In February 2018, Standard & Poor's elevated Dairyland's rating to an A+ with a stable outlook in its annual credit opinion.

Local and regional transmission projects, purchased power and transmission costs all have significant impacts on the bottom line. However, fuel to operate its generating facilities continues to be Dairyland's largest annual expense, with barge and rail transportation of coal constituting a significant portion of that cost. Dairyland's plants used about 2.38 million tons of coal in 2017, including its 30 percent share of the Weston 4 power plant.

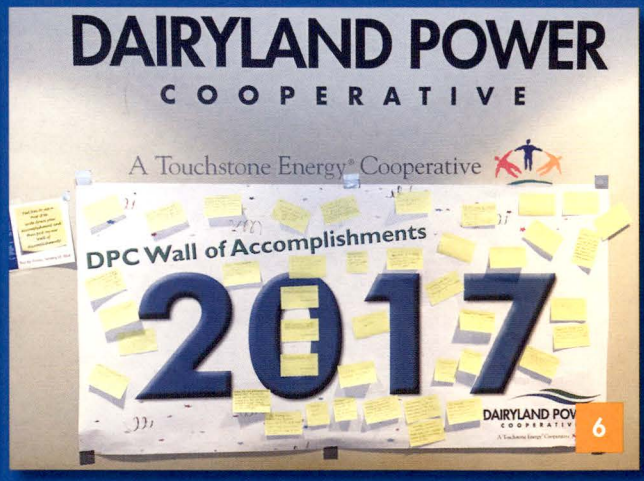
Net margins in 2017 were $27 million, compared to 2016 margins of $23.1 million. Dairyland's net generation and purchased power totals were up slightly at 6 billion kilowatt-hours (kWh), compared to 5.7 billion kWh in 2016. Class A member loads had a slight increase to 4.9 billion kWh from 4.8 billion kWh. Total operating revenues for 2017 increased to $441.4 million, compared to $414.8 million in 2016.

Committed to sustainable decommissioning | Projects are underway to complete decommissioning of the La Crosse Boiling Water Reactor (LACBWR), Alma Station *(pictured)* and the Seven Mile Creek landfill gas-to-energy. Public safety and compliance with all regulatory requirements is essential, while minimizing the cost impact on Dairyland's members and reducing future liabilities.

Dairyland has contracted with Energy*Solutions*, a national radioactive waste services contractor, for the final decommissioning of LACBWR. Under the agreement, LaCrosse*Solutions* LLC temporarily holds the license and assumes responsibility for the decommissioning of the LACBWR site. When completed, the license will return to Dairyland.



Dairyland employees are committed to our members and the communities we call home. Through daily work and personal contributions, they enhance the quality of life in the region.



1. Dairyland supported the Ladysmith (Wis.) Lions Club and Rusk County Wildlife Restoration Association in a project to complete an outdoor amphitheater in Ladysmith's Memorial Park.

2. Dairyland and EDP Renewables celebrated the completion of the 98 MW Quilt Block Wind Farm on Nov. 10. Dairyland has a power purchase agreement for the entire output of the wind farm, which produces enough renewable energy to power over 25,000 homes.

3. The Quilt Block Wind Farm was named Wisconsin's "Renewable Energy Project of the Year" by RENEW Wisconsin. The 15 Dairyland system solar projects brought online in 2017 were also showcased at the RENEW Energy Summit.

4. Employee Cheryl Olson and her Pet Therapy dog, Bella, are a great example of making a difference. They visit residents at local nursing homes and hospital patients.

5. As the 2017 Oktoberfest Festmaster and Frau, Vice President Brian Rude and his wife, Karen, represent La Crosse at numerous community and fundraising events throughout the region.

6. To acknowledge 2017 accomplishments, posters were placed at work sites for employees to share successes, large and small, that contributed to achieving Dairyland's Strategic Imperatives throughout the year.

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7. Supporting other cooperatives in a time of need, volunteers from Dairyland and our member cooperatives spent a week working long days to bring the lights back on in Florida following Hurricane Irma.

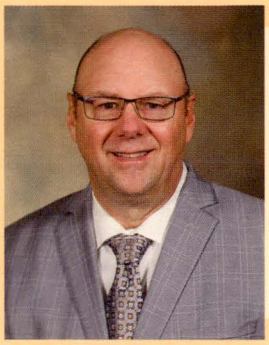
8. "Who's Smarter Than a 5th Grader?" President and CEO Barb Nick shared her skills, along with local students, to raise contributions for RSVP (Retired Senior Volunteer Program).

9. Supporting local communities is a core value. Dairyland donated $5,000 to the La Crosse Children's Museum revitalization campaign, which was matched in full by CoBank's Sharing Success program, for a $10,000 total donation.

10. Dairyland has supported Rotary Lights for the past 23 years with employees, retirees and family members volunteering to help. In addition to spreading holiday cheer, food donations are collected to feed the hungry in the community.

11. Alma Site Manager Brian Treadway presented a donation from Dairyland to support the Alma Volunteer Fire Department in their effort to replace their response van.

Barbara Nick, President and CEO
With the guidance of Dairyland's Board of Directors, responsible for directing Dairyland's overall strategic direction and leadership, building relationships with other key leaders, as well as maintaining strong relationships with members and employees.



John Carr, Vice President, Generation
Responsible for achieving operational excellence in power production including operations of Dairyland's traditional and renewable generation facilities and environmental affairs.

Laurie Engen, Senior Executive Assistant
Provides professional support and guidance to the President and CEO and serves as assistant secretary to the Board of Directors.

Nate Melby, Chief Information Officer
Responsible for cybersecurity and leading the implementation of information technology initiatives and systems that align and advance Dairyland's business/operations strategies.

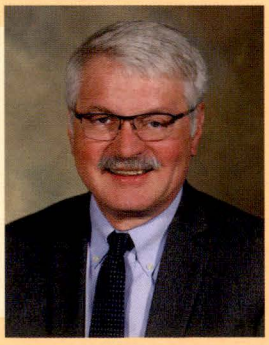
Deb Mirasola, Director, Communications and Marketing
Responsible for developing and leading strategic communications and marketing programs aligned with business initiatives to engage and educate employees, members and the public.

Phil Moilien, Vice President & CFO/CAO
Responsible for accounting, finance, enterprise risk management, corporate budget, supply chain and financial activities of subsidiaries. Also for employee recruitment, retention and development, compensation/benefits, labor relations and business ethics.

Rob Palmberg, Vice President, Strategic Planning
Responsible for leading strategic and business planning, power supply diversification, business development, fuel procurement, energy marketing and trading. Also, safety and security, including training.

Ben Porath, Vice President, Power Delivery
Responsible for reliable system operations, transmission lines, substations, telecommunications and real estate/right-of-way. Also, business continuity, compliance and information technology.

Brian Rude, Vice President, External and Member Relations
Responsible for state and federal government relations, energy efficiency, conservation programs, communications and marketing, publication services and administrative services.



Mary Lund
Executive Vice President, Human Resources
Retired March 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Dairyland Power Cooperative | 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, 2017 and 2016, 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, 2017 and 2016, 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.

March 28, 2018 • Minneapolis, Minnesota • Deloitte & Touche LLP

CONSOLIDATED BALANCE SHEETS - ASSETS
As of December 31, 2017 & 2016 (All dollar amounts in thousands)

	2017	2016
Electric Plant:		
Plant and equipment—at original cost	$ 1,760,050	$ 1,691,311
Less accumulated depreciation	(644,353)	(612,445)
Net plant and equipment	1,115,697	1,078,866
Construction work in progress	66,775	109,556
Total electric plant	1,182,472	1,188,422
Other Assets:		
Nuclear decommissioning funds (Note 4)	23,114	74,343
Investments under debt agreements—marketable securities (Note 4)	2,631	3,783
Other property and investments	11,627	11,721
Investments in capital term certificates of National Rural Utilities Cooperative Finance Corporation	9,176	9,176
Regulatory assets (Note 1)	24,939	29,995
Investment for deferred compensation	1,890	1,603
Deferred charges (Note 1)	17,546	16,909
Total other assets	90,923	147,530
Current Assets:		
Cash and cash equivalents	30,731	27,278
Accounts receivable:		
Energy sales—net of allowance for doubtful accounts of $10 for 2017 and 2016	40,793	37,362
Other	2,678	1,942
Inventories:		
Fossil fuels	55,075	59,863
Materials and supplies	21,324	19,769
Prepaid expenses and other	15,295	21,078
Total current assets	165,896	167,292
Total	$ 1,439,291	$ 1,503,244

See notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - CAPITALIZATION & LIABILITIES
As of December 31, 2017 & 2016 (All dollar amounts in thousands)

	2017	2016
Capitalization:		
Member and patron equities:		
Membership fees	$ 1	$ 1
Patronage capital	296,389	273,501
Accumulated other comprehensive income (Note 1)	2,397	2,289
Total member and patron equities	298,787	275,791
Long-term obligations (Note 6)	767,343	772,961
Total capitalization	1,066,130	1,048,752
Other Liabilities:		
Decommissioning and asset retirement obligations (Note 14)	28,614	81,380
Postretirement health insurance obligation (Note 11)	4,492	4,669
Accrued benefits	645	853
Deferred compensation	1,890	1,603
Obligations under capital leases	5,875	5,615
Other deferred credits (Note 1)	63,494	69,263
Total other liabilities	105,010	163,383
Commitments and Contingencies (Note 10)		
Current Liabilities:		
Current maturities of long-term obligations and obligations under capital leases	49,533	52,899
Line of credit (Note 5)	154,000	108,000
Advances from member cooperatives	12,461	13,274
Accounts payable	23,425	38,835
Accrued expenses:		
Payroll, vacation, and benefits	6,307	6,980
Interest	9,195	9,500
Property and other taxes	3,924	3,919
Special refund to members (Note 15)	-	47,636
Other	9,306	10,066
Total current liabilities	268,151	291,109
Total	$ 1,439,291	$ 1,503,244

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES & COMPREHENSIVE INCOME

For the years ended December 31, 2017 & 2016 (All dollar amounts in thousands)

	2017	2016
Utility Operations:		
Operating revenues:		
Sales of electric energy	$ 414,194	$ 392,123
Other	27,192	22,709
Total operating revenues	441,386	414,832
Operating expenses:		
Fuel	120,471	107,746
Purchased and interchanged power	66,664	61,651
Other operating expenses	94,438	92,693
Depreciation and amortization	55,000	48,989
Maintenance	37,839	40,198
Property and other taxes	8,842	8,230
Total operating expenses	383,254	359,507
Operating margin before interest and other	58,132	55,325
Interest and other:		
Interest expense	40,679	39,817
Allowance for funds used in construction—equity	(1,024)	(1,591)
Other—net	203	1,639
Total interest and other	39,858	39,865
Operating margin	18,274	15,460
Nonoperating margin (Note 1)	8,724	7,686
Net Margin and Earnings	26,998	23,146
Other Comprehensive Income (Loss):		
Postretirement health insurance obligation adjustments	108	(126)
Comprehensive Income	$ 27,106	$ 23,020

CONSOLIDATED STATEMENTS OF MEMBER & PATRON EQUITIES

For the years ended December 31, 2017 & 2016 (All dollar amounts in thousands)

	Membership Fees	Accumulated Other Comprehensive Income	Patronage Capital	Total Member and Patron Equities
Balance—December 31, 2015	$ 1	$ 2,415	$ 254,265	$ 256,681
Net margin and earnings	-	-	23,146	23,146
Postretirement health insurance obligation adjustments	-	(126)	-	(126)
Retirement of capital credits	-	-	(3,910)	(3,910)
Balance—December 31, 2016	1	2,289	273,501	275,791
Net margin and earnings	-	-	26,998	26,998
Postretirement health insurance obligation adjustments	-	108	-	108
Retirement of capital credits	-	-	(4,110)	(4,110)
Balance—December 31, 2017	$ 1	$ 2,397	$ 296,389	$ 298,787

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 & 2016 (All dollar amounts in thousands)

	2017	2016
Cash Flows from Operating Activities:		
Net margin and earnings	$ 26,998	$ 23,146
Adjustments to reconcile net margin and earnings to net cash provided by operating activities:		
Depreciation and amortization:		
Charged to operating expenses	55,000	48,989
Charged through other operating elements such as fuel expense	1,798	1,754
Allowance for funds used in construction—equity	(1,024)	(1,591)
Unrealized gains on nuclear decommissioning trust investments	(1,046)	-
Changes in operating elements:		
Accounts receivable	(4,167)	(1,538)
Inventories	2,728	(10,812)
Prepaid expenses and other assets	5,783	(4,853)
Accounts payable	(20,117)	12,727
Accrued expenses and other liabilities	(55,518)	42,668
Deferred charges and other	1,377	38,743
Total adjustments	(15,186)	126,087
Net cash provided by operating activities	11,812	149,233
Cash Flows from Investing Activities:		
Electric plant additions	(37,490)	(56,283)
Advances to nuclear decommissioning funds	-	(8)
Purchase of investments	(190,454)	(547,107)
Proceeds from sale of investments and economic development loans	190,247	546,278
Net cash used in investing activities	(37,697)	(57,120)
Cash Flows from Financing Activities:		
Borrowings under line of credit	182,000	79,000
Repayments under line of credit	(136,000)	(167,000)
Borrowings under long-term obligations	21,665	99,090
Repayments of long-term obligations	(33,404)	(100,917)
Retirement of capital credits	(4,110)	(3,910)
Borrowings of advances from member cooperatives	255,562	219,173
Repayments of advances from member cooperatives	(256,375)	(216,657)
Net cash provided by (used in) financing activities	29,338	(91,221)
Net Increase in Cash and Cash Equivalents	3,453	892
Cash and Cash Equivalents—Beginning of year	27,278	26,386
Cash and Cash Equivalents—End of year	$ 30,731	$ 27,278
Supplemental Cash Flow Information:		
Cash paid for interest	$ 42,274	$ 32,575
Electric plant additions funded through accounts payable and accrued expenses	$ 9,470	$ 4,764
Electric plant additions under capital leases	$ 3,015	$ 4,062

See notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the years ended December 31, 2017 & 2016 (All dollar amounts in thousands)

ONE | 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, 2017 and 2016. 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 3.3% of depreciable plant balances for 2017 and 3.1% for 2016.

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 (3.715% in 2017 and 4.120% in 2016) to certain electric plant additions under construction. The amount of such allowance was $1,847 in 2017 and $3,055 in 2016. The borrowed funds component of AFUDC for 2017 and 2016, was $823 and $1,464, respectively (representing 1.656% and 1.990% in 2017 and 2016, respectively). The equity component of AFUDC for 2017 and 2016 was $1,024 and $1,591, respectively, (representing 2.059% and 2.130% in 2017 and 2016, 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 and equity 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 on decommissioning funds. In 2017 and 2016, the Cooperative realized $167 and $1,189, 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. During 2017, the Cooperative established a regulatory asset for the unrecovered plant balance and termination of gas purchase agreement related to the discontinuation of landfill operations at the Seven Mile Creek site. The amount is being amortized through rates over 36 months beginning in July 2017. 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. 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, 2017 and 2016, respectively.

The noncurrent portion of regulatory assets as of December 31, 2017 and 2016, include the following:

	2017	2016
Power purchase contract termination fee	$ 10,023	$ 15,491
Alma 4 & 5 unrecovered plant balances	12,432	14,504
Seven Mile unrecovered plant balance and termination fee	2,484	-
Total regulatory assets	$ 24,939	$ 29,995

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, 2017 and 2016, 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, 2017 and 2016, include the following:

	2017	2016
Pension prepayment	$ 10,759	$ 13,449
Deferred nuclear litigation	105	-
Other	6,682	3,460
Total deferred charges	$ 17,546	$ 16,909

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. Litigation expenses from the third nuclear contract damages claim against the United States government, are being deferred pending the outcome of that litigation.

Cash and Cash Equivalents | 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 | 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 | Beginning in 2009, the U.S. Environmental Protection Agency (EPA) requires power plants to hold sufficient allowances to cover emissions of nitrogen oxide. Under these requirements, the Cooperative is required to surrender one emission allowance per ton of nitrogen oxide emitted. Actual emissions during 2017 and 2016 did not require the Cooperative to purchase additional allowances beyond what was allocated under the program. As of December 31, 2017 and 2016, allowances are recorded in inventory at lower of average cost or net realizable value.. The obligations to EPA to meet 2017 and 2016 emissions are $0. The transfer to EPA for the 2016 annual allowances occurred in June 2017. The transfer to EPA for the 2017 annual allowances is expected to occur in May or June 2018. The remaining allowances in inventory as of December 31, 2017, will be surrendered to EPA, as applicable, under the terms of the consent decree.

Deferred Credits | 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, 2017, the Cooperative's deferred credits are being considered when determining rates charged to customers.

The noncurrent portion of deferred credits as of December 31, 2017 and 2016, include the following:

	2017	2016
Unearned revenue—contract prepayment	$ 63,015	$ 68,744
Other	479	519
Total deferred credits	$ 63,494	$ 69,263

Unearned Revenue—Contract Prepayment—Revenue from the settlement payment received from Great River Energy (GRE) as discussed in Note 13, is being recognized into revenue through 2029.

Sales of Electric Energy | Revenues from sales of electric energy are recognized when energy is delivered. The class A wholesale rates approved by the Cooperative's board of directors (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 2017 and 2016, the power cost adjustment to the class A members resulted in credits to sales billed of $(1,188) and $(5,450), 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 | Other operating revenue primarily includes revenue received from transmission service and is recorded as services are provided.

Accounting for Energy Contracts | Contracts that did not meet the accounting definition of a derivative are accounted for at historical cost. 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, 2017 and 2016.

Nonoperating Margin | The nonoperating margin for the years ended December 31, 2017 and 2016, includes the following:

	2017	2016
Investment income	$ 7,841	$ 6,722
Investment income on nuclear decommissioning funds:		
Net earnings	2,225	3,153
Realized gains	671	5,703
Realized losses and losses due to OTTI	(1,798)	(9,070)
Provision—recorded as estimated decommissioning liabilities	(1,098)	214
Other	883	964
Nonoperating margin	$ 8,724	$ 7,686

Use of Estimates | 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 inventory reserve, 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 | 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, 2017 and 2016, are as follows:

	2017	2016
Balance—beginning of year	$ 2,289	$ 2,415
Recognition in expense:		
Amortization of prior service cost	(102)	(102)
Amortization of unrecognized actuarial gain	(126)	(131)
Actuarial assumption changes	336	107
Net other comprehensive gain (loss)	108	(126)
Balance—end of year	$ 2,397	$ 2,289

Concentration of Risk | Approximately 45% of the labor force for the Cooperative is under a collective bargaining agreement that expires January 31, 2019.

Subsequent Events | The Cooperative considered events for recognition or disclosure in the consolidated financial statements that occurred subsequent to December 31, 2017, through March 28, 2018, the date the consolidated financial statements were available to be issued. All material subsequent events have been disclosed in these consolidated financial statements.

TWO | RECENTLY ISSUED ACCOUNTING STANDARDS UPDATES

Issued | In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-1, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year for all entities and permits early adoption on a limited basis. ASU 2014-09 is effective for the Cooperative in 2019. Management is in the process of evaluating the guidance and has not yet determined if the adoption of this guidance will have a material impact on the Cooperative's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance will require organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The Cooperative is still in the process of evaluating the impact this guidance will have on the consolidated financial statements. This guidance is effective for the Cooperative in 2020.

In March 2017, the FASB issued new accounting guidance to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost in financial statements. The new guidance requires components of net periodic pension cost and net periodic postretirement benefit costs that are currently aggregated and reported as part of compensation be disaggregated and reported separately. Only the service cost component may be reported as part of compensation, be included in income from operations and be eligible for capitalization. The other cost components must be reported separately in the income statement. The new guidance will be effective for the Cooperative in 2019. Management believes the adoption of this new guidance will not have a material impact on the consolidated financial statements and disclosures.

THREE | 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.

FOUR | AVAILABLE-FOR-SALE INVESTMENTS

Investments in the nuclear decommissioning trust (NDT) and under debt agreements are classified as available-for-sale, recorded at fair value, and include the following as of December 31, 2017 and 2016:

2017	Fair Value		
	NDT	Debt Agreements	Total
Cash and cash equivalents	$ 2,450	$ 2,631	$ 5,081
U.S. government securities	5,922	-	5,922
Corporate bonds	14,541	-	14,541
Foreign obligations	201	-	201
	$ 23,114	$ 2,631	$ 25,745

2016	Fair Value		
	NDT	Debt Agreements	Total
Cash and cash equivalents	$ 3,427	$ 3,783	$ 7,210
U.S. government securities	19,016	-	19,016
Corporate bonds	49,759	-	49,759
Foreign obligations	2,141	-	2,141
	$ 74,343	$ 3,783	$ 78,126

Investments under debt agreements represent amounts arising from the sale of assets that are encumbered by mortgages and restricted by the RUS for use on future generation and transmission construction projects.

The contractual maturities of marketable debt securities, which include U.S. government securities, foreign obligations and corporate bonds, as of December 31, 2017, are as follows:

	Fair Value	Cost
Due within 1 year	$ 434	$ 890
Due after 1 year through 5 years	9,276	9,287
Due after 5 years through 10 years	6,554	6,533
Due after 10 years	4,400	4,519
	$ 20,664	$ 21,229

Information regarding the sale of available-for-sale marketable securities, including nuclear decommissioning trusts, for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Proceeds from sale of securities	$ 188,543	$ 543,732
Realized losses	(960)	(2,178)

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 $167 and $1,189 in 2017 and 2016, 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, 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 $101 and $298 for the years ended December 31, 2017 and 2016, respectively.

FIVE | LINES OF CREDIT

To provide interim financing capabilities, the Cooperative has arranged committed lines of credit with availability aggregating approximately $350,000. On November 30, 2015, a syndicated credit facility was executed with CoBank acting as lead arranger. 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 2017 and 2016. Information regarding line of credit balances and activity for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Interest rate at year-end	2.56%	1.76%
Total committed availability at year-end	$ 350,000	$ 350,000
Total borrowings outstanding at year-end	$ 154,000	$ 108,000
Average borrowings outstanding during year	$ 151,231	$ 178,308

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 $12,461 and $13,274 at December 31, 2017 and 2016, respectively. Interest expense on member cooperative advances was $194 and $111 at December 31, 2017 and 2016, respectively. These amounts have been included in interest expense in the consolidated statements of revenues, expenses, and comprehensive income.

SIX | LONG-TERM OBLIGATIONS

Long-term obligations as of December 31, 2017 and 2016, consist of the following:

	2017	2016
Federal Financing Bank obligations—1.93% to 4.46%	$ 393,223	$ 380,833
Federal Financing Bank obligations—4.52% to 6.80%	307,675	315,128
Total Federal Financing Bank	700,898	695,961
RUS obligations—4.125% and grant funds	4,423	4,839
CoBank notes—2.6%, 2.9%, 4.3%, 6.2%, and 7.4%	25,123	35,801
Private bonds placement obligations—3.42%	84,166	87,500
Long-term debt	814,610	824,101
Less current maturities	(47,267)	(51,140)
Total long-term obligations	$ 767,343	$ 772,961

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 $195,657 and $214,581 as of December 31, 2017 and 2016, 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%, 2.9%, 4.3%, 6.2%, and 7.4% notes are due monthly or quarterly 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 (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 $14,794 and $21,989 at December 31, 2017 and 2016, 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, 2017.

Scheduled maturities of the Cooperative's long-term obligations as of December 31, 2017, were as follows:

Years Ending December 31	
2018	$ 47,267
2019	46,737
2020	46,922
2021	46,280
2022	45,469
Thereafter	581,935
Total	$ 814,610

SEVEN | LEASES

Operating Leases | The Cooperative has entered into lease agreements under which it is the lessee on an operating lease for a Caterpillar coal dozer, 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 $500 and $590 in 2017 and 2016, respectively. The schedule of future minimum lease payments as of December 31, 2017, is as follows:

Years Ending December 31	
2018	$ 444
2019	345
2020	180
2021	49
2022	39
Thereafter	33
Total	$ 1,090

Capital Leases | The Cooperative has entered into several capital lease agreements for work equipment and computer equipment. The transactions are covered in the master lease agreement with lease terms of four, five or nine years. At the end of the lease, the Cooperative can purchase the equipment for a bargain purchase price. The gross amount of the leases was $3,305 and $4,137 as of December 31, 2017 and 2016, respectively. The accumulated amortization of the capital leases was $1,376 and $2,360 as of December 31, 2017 and 2016, respectively. The principal and interest payments were $2,461 and $1,991 in 2017 and 2016, respectively. The schedule of future minimum lease payments as of December 31, 2017, is as follows:

Years Ending December 31	
2018	$ 2,519
2019	2,178
2020	1,837
2021	1,259
2022	676
Thereafter	231
Total minimum lease payments	8,700
Amounts representing interest	(559)
Present value of minimum lease payments	8,141
Current maturities	(2,266)
Long-term capital lease obligations	$ 5,875

EIGHT | 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, 2017 and 2016, is estimated to be as follows:

	2017		2016	
	Recorded Value	Fair Value	Recorded Value	Fair Value
Assets:				
Other property and investments	$ 11,627	$ 11,627	$ 11,721	$ 11,721
Investments in capital term certificates of NRUCFC	9,176	9,176	9,176	9,176
Liabilities—long-term obligations	814,610	1,110,071	824,101	1,149,059

Assets and Liabilities Measured at Fair Value | 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, 2017 and 2016, aggregated by the level in the fair value hierarchy within which those measurements fall:

		Fair Value Measurements Using		
2017	**Fair Value**	Quoted Prices in Active Markets for Identical Assets and Liabilities **(Level 1)**	Significant Other Observable Inputs **(Level 2)**	Significant Unobservable Inputs **(Level 3)**
Assets—investments:				
Nuclear decommissioning funds	$ 23,114	$ 23,114	$ -	$ -
Investments under debt agreements —marketable securities	2,631	-	2,631	-
Other property and investments	11,627	1,113	-	10,514
Investments in capital term certificates of National Rural Utilities Finance Corporation	9,176	-	-	9,176
Investment for deferred compensation	1,955	-	1,955	-
	$ 48,503	$ 24,227	$ 4,586	$ 19,690

		Fair Value Measurements Using		
2016	**Fair Value**	Quoted Prices in Active Markets for Identical Assets and Liabilities **(Level 1)**	Significant Other Observable Inputs **(Level 2)**	Significant Unobservable Inputs **(Level 3)**
Assets—investments:				
Nuclear decommissioning funds	$ 74,343	$ 74,343	$ -	$ -
Investments under debt agreements —marketable securities	3,783	-	3,783	-
Other property and investments	11,721	1,373	-	10,348
Investments in capital term certificates of National Rural Utilities Finance Corporation	9,176	-	-	9,176
Investment for deferred compensation	1,679	-	1,679	-
	$ 100,702	$ 75,716	$ 5,462	$ 19,524

There were no significant transfers between Levels 1, 2 and 3 in 2017. The changes in Level 3 recurring fair value measurements using significant unobservable inputs for the years ended December 31, 2017 and 2016, are as follows:

	2017	**2016**
Other property and investments:		
Balance—beginning of year	$ 10,348	$ 9,740
New investment and loans made	1,400	2,850
Loan repayments received and current maturities	43	(259)
Patronage capital allocations	223	267
Refunds of deposits	(1,500)	(2,250)
Balance—end of year	$ 10,514	$ 10,348

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.

NINE | 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, 2017 and 2016, are as follows:

	Assigned	**Unassigned**	**Total**
Balance—December 31, 2015	$ 195,525	$ 58,740	$ 254,265
Retirement of capital credits	(3,910)	-	(3,910)
Current year margins	13,869	9,277	23,146
Balance—December 31, 2016	205,484	68,017	273,501
Retirement of capital credits	(4,110)	-	(4,110)
Current year margins	17,250	9,748	26,998
Balance—December 31, 2017	$ 218,624	$ 77,765	$ 296,389

TEN | 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 three-year terms. The estimated commitments under these contracts as of December 31, 2017, were $84,420 in 2018, $63,217 in 2019, and $61,198 in 2020.

A consent decree (CD) between the Cooperative, the EPA, and the Sierra Club entered by the U.S. District Court in 2012 was modified in 2014. The CD requires the Cooperative to spend $5,000 on environmental mitigation projects within five years of EPA's April 2013 approval of the projects and includes participation in major solar projects. The Cooperative reflected the obligation of this requirement in deferred credits. During 2016, the remaining $2,210 obligation for environmental mitigation projects was reduced by $1,441 spent on approved solar and other projects. During 2017, the remaining $769 obligation for environmental mitigation projects was reduced by $755 spent on approved solar and other projects. The estimated $14 cost for 2018 solar and other projects participation is included in accrued expenses.

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.

ELEVEN | 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 2017 and 2016 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 this pension plan was $11,619 in 2017 and $11,071 in 2016. The 2017 expense includes contributions to the plan of $8,929 and $2,690 of prepayment amortization. The 2016 expense includes contributions to the plan of $8,381 and $2,690 of prepayment amortization. There have been no significant changes that affect the comparability of 2017 and 2016 contributions.

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, 2017 and 2016, 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, 2017 and 2016, are as follows:

	2017	2016
Amount recognized in the consolidated balance sheets:		
Total accrued qualified and nonqualified benefit obligation	$ 4,769	$ 4,956
Less current portion included in accrued expenses—other	(277)	(287)
Long-term portion	$ 4,492	$ 4,669
Change in benefit obligation:		
APBO—beginning of year	$ 4,956	$ 4,744
Service cost	262	248
Interest cost	175	174
Actuarial loss	(336)	(107)
Participant contributions	-	381
Benefits paid	(288)	(484)
APBO—end of year	$ 4,769	$ 4,956
Funded status of plan—December 31	$ (4,769)	$ (4,956)
Accrued postretirement health insurance obligations recorded at year-end	$ 4,769	$ 4,956
Change in plan assets:		
Employer contribution	(288)	(484)
Benefits paid	288	484
Change in accumulated other comprehensive income:		
Net income at prior measurement date	$ 2,289	$ 2,415
Actuarial assumption changes	336	107
Recognition in expense:		
Amortization of prior service cost	(102)	(102)
Amortization of unrecognized actuarial gain	(126)	$ (131)
Accumulated other comprehensive income	$ 2,397	$ 2,289
Components of net periodic postretirement benefit cost:		
Service cost—benefits attributed to service during the year	$ 262	$ 248
Interest cost on accrued postretirement health insurance obligation	175	174
Amortization of prior service cost	(102)	(102)
Amortization of unrecognized actuarial gain	(126)	(131)
Net periodic postretirement benefit expense	$ 209	$ 189

Employer cash contributions expected to be made to the plan during the fiscal year ending December 31, 2018, is $277. The amount of accumulated other comprehensive income expected to be recognized during the fiscal year ending December 31, 2018, is an actuarial gain of $139 and amortization of prior service cost of $102.

For measurement purposes, a 3.32% and 3.64% discount rate was assumed for 2017 and 2016, respectively, to determine net periodic benefit cost. The 2017 and 2016 annual health care cost increase assumed is 6.80% and 6.90%, respectively, decreasing gradually to 4.95% for 2040 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 $514. 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 $439.

Estimated future benefit payments from the plan as of December 31, 2017, are as follows:

Years Ending December 31	
2018	$ 277
2019	337
2020	325
2021	302
2022	282
2023-2027	1,582

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 $1,242 and $1,098 for 2017 and 2016, 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 $1,955 and $1,678 as of December 31, 2017 and 2016, 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 $9,248 and $9,077 for 2017 and 2016, respectively. The liability for these plans of $45 and $848 as of December 31, 2017 and 2016, respectively, are recorded in accrued expenses.

TWELVE | RELATED-PARTY TRANSACTIONS

The Cooperative provides electric and other services to its Class A members. The Cooperative received revenue of $363,603 and $351,491 in 2017 and 2016, respectively, for these services. The Cooperative has accounts receivable from its Class A members of $37,892 and $34,420 as of December 31, 2017 and 2016, respectively.

The Cooperative has advances from Class A members of $12,444 and $13,274 as of December 31, 2017 and 2016, 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 $194 and $111 as of December 31, 2017 and 2016, respectively.

The Cooperative has interest-bearing loan receivables from Class A members of $132 and $246 as of December 31, 2017 and 2016, respectively. These loan receivables, which are recorded as part of other assets, are related to the economic development program, wherein Class A members can borrow funds from the Cooperative, which the members, in turn, loan to economic development projects in their service territories. These loans are typically repaid to the Cooperative over 10 years. The Cooperative recorded interest income related to the economic development program of $6 and $16 as of December 31, 2017 and 2016, respectively.

THIRTEEN | LONG-TERM POWER AGREEMENTS

During 2015, the Cooperative and GRE reached settlement terms amending a power agreement which shared costs and benefits of the Cooperative owned 345-megawatt coal fired generating unit ("Genoa Station #3") located in Genoa, Wisconsin. 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 by GRE was recorded in deferred credits and 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 2017 and 2016. Energy charges to GRE under the original agreement were $17,411 during 2015. Advances from GRE for required deposits under the original agreement were refunded as part of the settlement terms.

FOURTEEN | 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 $23,114 and $74,343 as of December 31, 2017 and 2016, respectively, are outside the Cooperative's administrative control and are available solely to satisfy the future costs of decommissioning.

Nuclear decommissioning and other asset retirement obligations as of December 31, 2017 and 2016, are as follows:

	Nuclear	Other	Total
Balance—December 31, 2015	$ 88,114	$ 9,116	$ 97,230
Accretion in ARO	-	33	33
(Decrease) in estimated obligation	(2,444)	-	(2,444)
Incurred costs on projects	(11,327)	(2,112)	(13,439)
Balance—December 31, 2016	$ 74,343	$ 7,037	$ 81,380
Accretion in ARO	-	19	19
Increase in estimated obligation	1,265	-	1,265
Incurred costs on projects	(52,494)	(1,556)	(54,050)
Balance—December 31, 2017	$ 23,114	$ 5,500	$ 28,614

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.

FIFTEEN | 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.

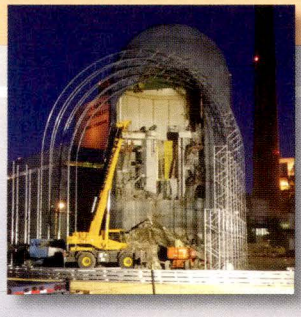
The Cooperative filed an initial breach of contract damages claim against the United States government in the United States Court of Federal Claims to recover its costs generally incurred after 1998 through 2006 related to spent fuel remaining at LACBWR. In January 2013, the Cooperative received a damages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

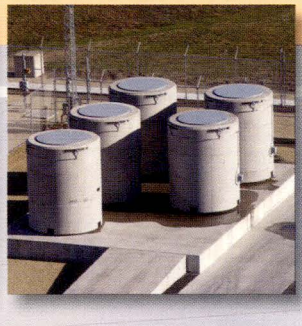
The Cooperative filed a second contract damages claim in December 2012 to recover its costs generally incurred from 2007 through 2012. The Cooperative and the government agreed to settle the second claim in October 2016. Settlement proceeds of $73,500 were received from the government in November 2016, and at the direction of the Board of Directors, were recorded as a regulatory liability due the 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 yet. The remaining net amount of $47,636 was refunded to Class A members in February 2017.

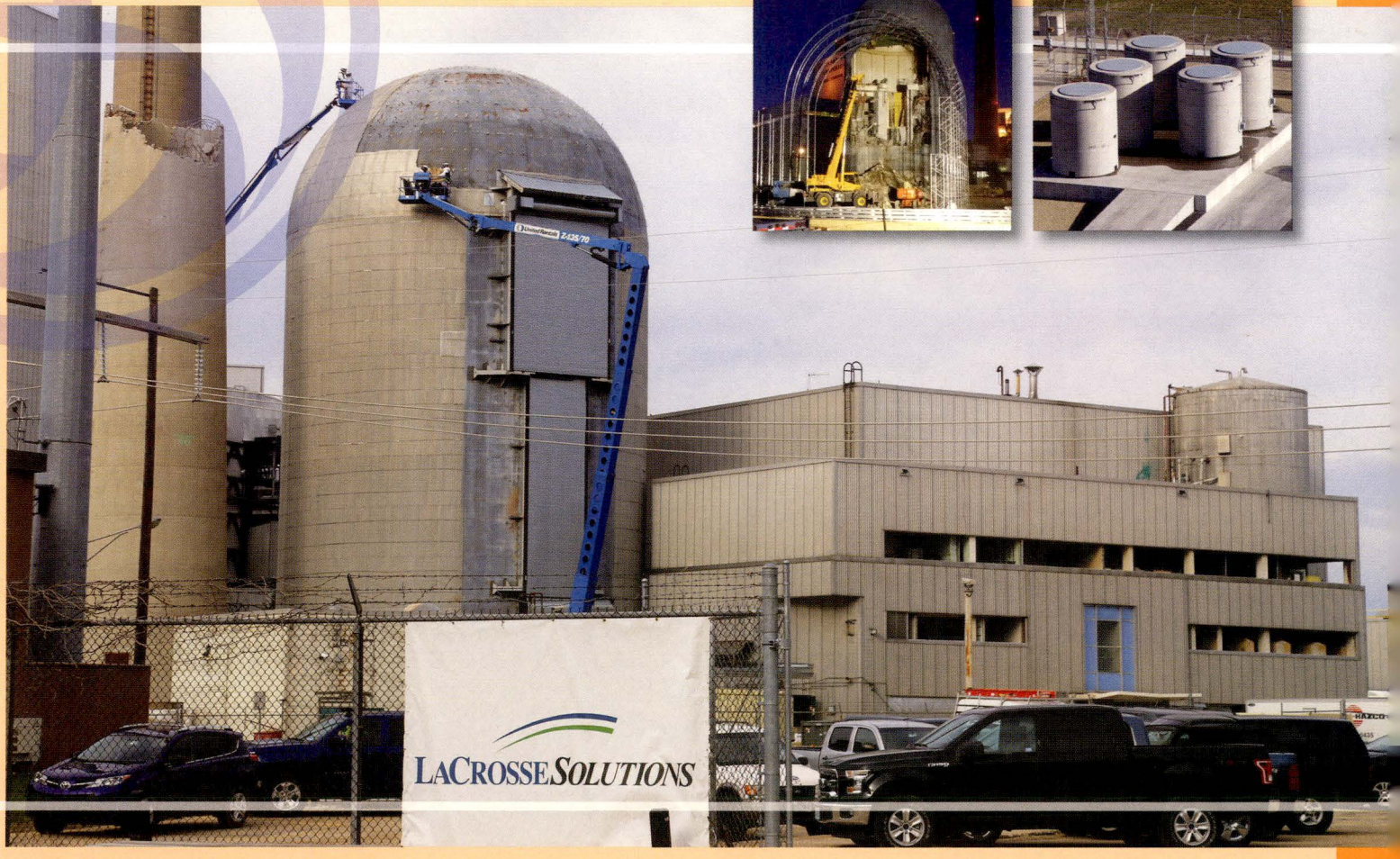
Subsequent damages claims will be filed to recover the continuing costs arising from the presence of the spent fuel.

ISFSI | 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 | The Solutions decommissioning plan anticipates completion of decommissioning LACBWR, not including the ISFSI, by the end of 2019. 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.







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
(Merger of Hawkeye REC and Tri-County Electric Cooperative on Jan. 1, 2017.)

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.
Adams Wind/Adams, Minn.
Alma Generating Site/Alma, Wis.
Barton Wind/Kensett, Iowa*
Elk Mound Generating Station/Elk Mound, Wis.
Flambeau Hydro Station/Ladysmith, Wis.
Genoa Generating Site/Genoa, Wis.
Gundersen Wind/Lewiston, Minn.
Prairie Star Wind/Austin, Minn.
Quilt Block Wind/Darlington, Wis.**
Sartell Hydro Station/Sartell, Minn.***
Weston 4 Generating Station/Wausau, Wis.
Winnebago Wind/Thompson, Iowa

DAIRYLAND 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

FACILITIES NOT SHOWN

Central Disposal Landfill/Lake Mills, Iowa****
Timberline Trail Landfill/Weyerhaeuser, Wis.****

*Avangrid Renewables Facility
**EDP Renewables Facility
***Eagle Creek Renewable Energy, LLC Facility
****Waste Management, Inc., Facilities

FACILITIES | GENERATING RESOURCES

GENERATING STATIONS

Type	Station	Year-end Capacity in Megawatts (MW)
Coal (Steam)	John P. Madgett	387
	Genoa #3	305
	Weston #4*	165
Combustion Turbine (Gas/Oil)	Elk Mound 1-2	80
Hydro	Flambeau	22
Total Dairyland Capacity		**959**

UNDER CONTRACT

Diesels	Municipals	124
Digesters (Biogas)	Multiple Sites	3
Landfill Gas	Timberline Trails	5
	Central Disposal	5
Solar	Multiple Sites	21.5
Hydro	Sartell Hydro	10
Wind	Adams Wind	17
	Barton Wind	80
	Gundersen Wind	5
	Prairie Star Wind**	5
	Quilt Block Wind	98
	Winnebago Wind Farm	20
	Small Wind (< 5 MW)	2.5
Total Under Contract		**396**
Total Capacity in Service		**1,355**

* Dairyland Share of Weston #4 ** 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

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