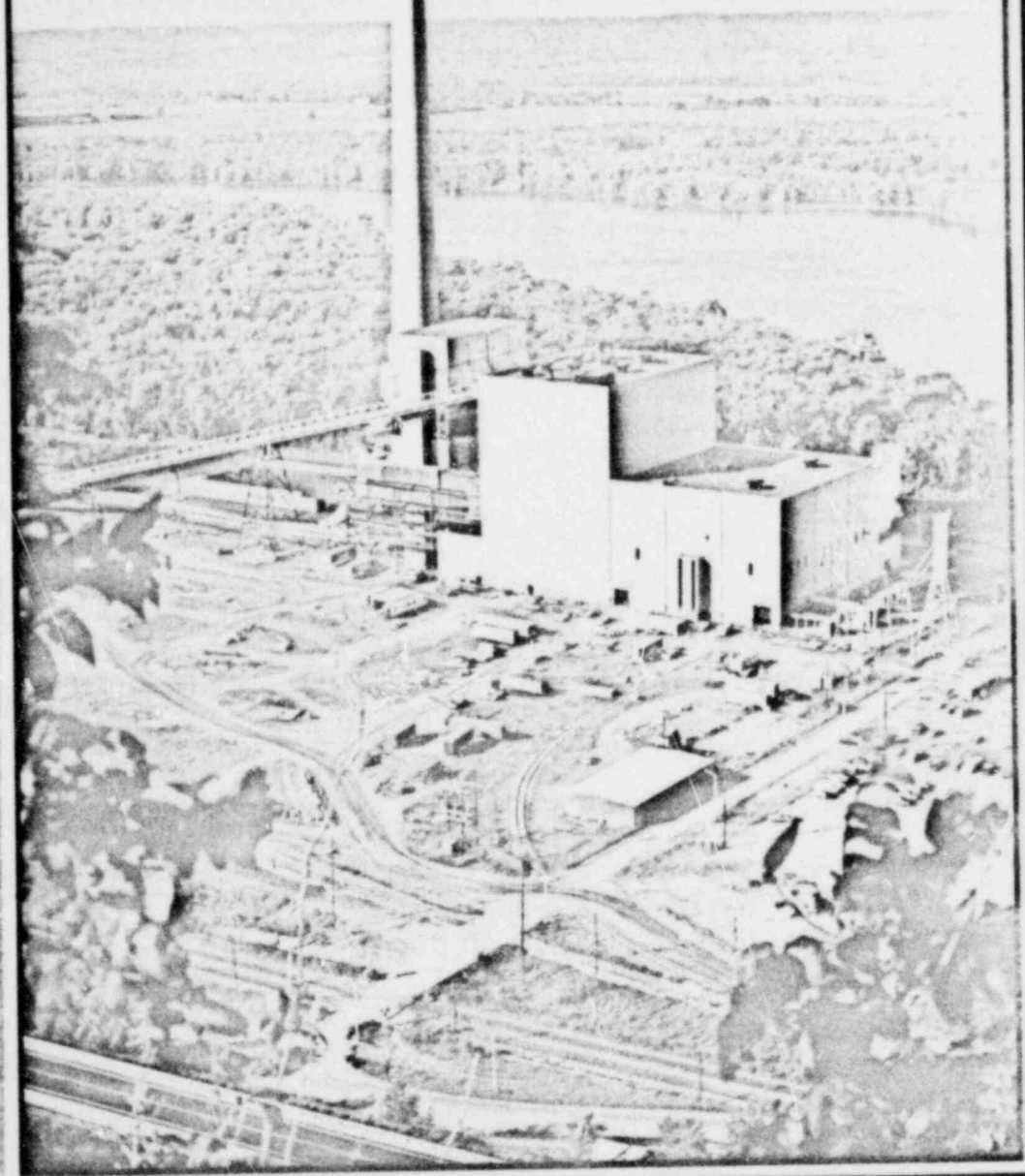
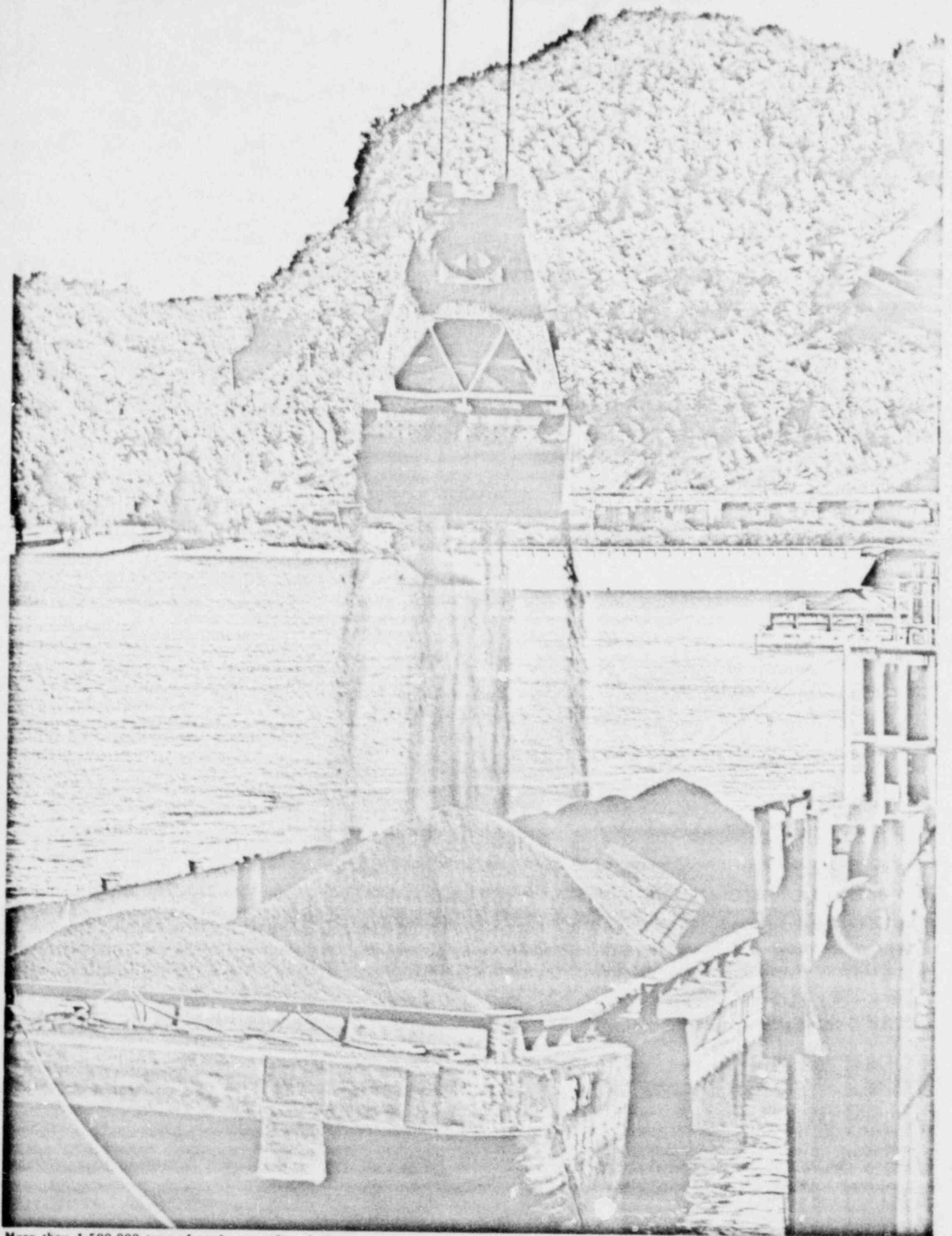


1979 Annual Report

THIS DOCUMENT CONTAINS
POOR QUALITY PAGES



DAIRYLAND POWER COOPERATIVE



More than 1,500,000 tons of coal — purchased at a cost of nearly \$39,000,000 — were barged to the Genoa #3, Alma and E.J. Stoneman power plants during the 1979 navigational season on the upper Mississippi River.

Highlights 1979

Total operating revenues exceeded \$100 million for the first time, while total margins were over \$3.4 million.

Net cost of electricity delivered to member cooperatives increased 12.26 percent to 2.41 cents per kilowatt-hour.

Power sales to member cooperatives increased 5.4 percent over the previous year. Total power sales increased 11.2 percent.

The completion of the John P. Madgett station at Alma gives Dairyland Power a net capacity in service of 1,043,350 kilowatts.

The Siting Study for Project '87 was completed. The preferred site is adjacent to the John P. Madgett Unit One and the alternate is in Barron County.

The Three Mile Island (TMI) incident greatly affected decisions to cancel the Tyrone Energy Park and planned phase-out of the La Crosse Boiling Water Reactor (LACBWR) by 1990.

At mid-year an extensive restructuring of the wholesale power rate was adopted by the board based upon a cost of service study. It will encourage conservation and load management.

The board of directors has approved a load management program which will reduce future new capacity requirements and the cost of electricity.

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The John P. Madgett Station at Alma, Wis. was completed in 1979. The coal-fired plant received temporary accreditation for commercial operation from the Mid-Continent Area Power Pool (MAPP) on November 25, 1979. Construction began August 5, 1975.

President's Message

1979

When rural electrification began in the 1930s the word "rural" was synonymous with "farm." That's not the case any longer . . . you might want to substitute the word "resident" for farm.

Approximately 40 percent of Dairyland Power's consumer members are commercial farmers, 57 percent are rural residential and seasonal and three percent are commercial or light industrial.

Despite the decline in the number of farms, most member cooperatives have experienced significant growth in membership as a result of a shift in population from urban areas to rural areas.

An analysis of recent trends reveals that member cooperatives have been growing faster in terms of new members than growth in total population of the counties in which they are located. This has resulted in the construction of a larger number of single family homes, often electrically heated and with most of the labor saving conveniences. The non-farm residential consumer is presently the second largest and fastest growing in the Dairyland Power system.

Unfortunately, there is a small and loud group among these residents who are not considering the agricultural value of the rural area. Many of these people were not yet born when the rural electrification program began 45 years ago. It's their belief that you flip the switch and the lights will always come on . . . and always have.

Cooperative rural electrification was born as a social program by people recognizing electric service as a privilege. Some of the new residents believe electric service is a right but yet are the very ones who support the numerous road blocks being thrown in the path of reliable electric service.

There seems to be a distrust of almost everything associated with the electric utility industry. Building a new power plant or erecting a new transmission line has turned into endless rounds of government permit procedure and public hearings . . . often spurred on by individuals including many who are not even consumer-members.

There is also a longing among a few people to return to the land and simpler life style. For just a few, that's fine — but for large populations it simply cannot be done.



Edward J. Holdorf

How many of us are willing to reduce our present standard of living or our present overall economy? Any change can be a problem in one way or another, but unrealistic, drastic changes in our lifestyle cannot, and must not, be done.

Dairyland Power has had an expansion program over the years to keep pace with the rising demand for electric energy. It has become extremely difficult to meet these schedules and we are running out of time.

A good example of this is the 161 kV transmission line proposed from Dairyland Power's Genoa, Wis., site to Interstate Power's Lansing, Iowa, site. The line was originally scheduled to be completed in the summer of 1977 . . . hopefully, the line will be started this year. It's a vital line for continued reliability of electric service throughout a large area of southwestern Wisconsin, northeastern Iowa and southeastern Minnesota.

The public sector creating these delays are not only costing us money but valuable time. A most irritating thing is when the brownouts and blackouts come, and they will, these people will blame the electric utilities for not having sufficient power.

Few industries are subject to the impediments which confront electric power producers. Conditions have reached the point where Dairyland Power's ability to generate and transmit electric energy is seriously hampered.

People still want electricity, but they don't want generating plants in their neighborhoods, nor power lines crossing their land. These people should stop and think a minute. Look back 10 years and see what has happened to electrical utilities.

There are times the general good of the public must take precedence over individual rights. If people want electricity, they are going to have to put up with some power lines and generating plants and somebody's land is going to be used.

We are living in one of the most difficult periods in the history of the rural electric program. The sad thing is, it seems to be getting worse instead of better. Many of our consumers have experienced the benefits of electricity from the beginning. They can remember when electricity in the rural areas was unheard of . . . and they don't want to lose those benefits.

Those of us with that type of thinking must start to fight back . . . if we want to continue at the same standard of living, or improve it. Dairyland Power needs that type of active support . . . we've remained apathetic too long.

Edward J. Holdorf,
President

Board of Directors

1979



Morris W. Birkbeck
Jo-Carroll REC



C. Gerald Bishop
Crauford REC



Conrad P. Hanson
Trempealeau REC



Allen E. Hoel
Chippewa Valley REC



Emery W. Koval
Bayfield REC

Officers

The officers of the Dairyland Power Cooperative Board of Directors are (left to right) Morris W. Birkbeck, First Vice-President; Ben W. Busta, Treasurer; Edward J. Holdorf, President; Allen E. Hoel, Secretary; and Levoid M. Larson, Second Vice-President.



Floyd E. Wheeler
General Counsel





Ben W. Busta
Hawkeye Tri-County REC



Leo F. Byrnes
Allamakee-Clayton REC



Donald L. Corty
Polk-Burnett REC



B. Edward Ehom
Richland REC



Gustaf B. Gustafson
Winnebago REC



Edward J. Holdorf
Pierce-Pepin REC



Roy G. Jaslowski
Taylor County REC



Raymond E. Jerdee
Freeborn-Mower REC



Willis P. Jerome
Barron REC



Elmer F. Kaiser
Grant REC



Lloyd M. Lange
Class B Members



Levitt M. Larson
Monona REC



Delmar J. Linse
Buffalo REC



Maurice F. Muller
Cedar Valley REC



Earl F. Pedersen
Jump River REC



Donald D. Pehl
Lafayette REC



Elton R. Redalen
Tri-County REC



John Roberts
Eau Claire REC



Quentin C. Rucker
People's REC



Irvin O. Schnick
Jackson REC



Ervin H. Schultz
Price REC



Rudy L. Wagner
Oakdale REC



William E. Watland
Dunn County REC



Wayne L. Willink
St. Croix REC



Ralph E. Woik
Clark REC

General Manager's Report

1979

The 1970's are history. The end of the decade marked the 100th anniversary of Thomas Edison's development of the first practical incandescent light bulb. It was also Dairyland Power's 38th year of existence.

The year 1979 was one of disappointment, uncertainties and opportunities. The numerous and varied events will be looked upon as a year of decisions.

Our major generation construction project, the 350,000 kilowatt John P. Madgett station, was completed late in 1979. The plant went on-line on November 1 and was officially credited in commercial operation by the Mid-Continent Area Power Pool (MAPP) as of November 25, 1979. The completion of the Madgett station gives Dairyland Power a net capacity in service of 1,043,000 kilowatts. We now have a surplus of generating capacity — and that's a good feeling. It's the first time Dairyland Power has had surplus capacity since 1973. However, our load forecast shows that we will again be deficient in 1982.

Initial start-up activities of the Madgett station were excellent — even better than anticipated. However, on January 12, 1980, there was a boiler accident which kept the plant out of service until May. We are very happy that the plant is now in operation for the summer, which will allow us to fulfill capacity exchange agreements with other utilities.

Our greatest disappointment during the year was the cancellation of the Tyrone Energy Park. The write-off of \$10 million (plus interest) will result in a small power cost increase to consumers. The cancellation of Tyrone will also result in higher power costs in the future, since we will have to develop higher cost alternate generation.

The cancellation came as a result of the Wisconsin Public Service Commission's (WPSC) denial in early 1979 of a permit for the construction of the plant, which was to be a 1,100,000 kilowatt nuclear unit. Dairyland Power's share would have been 13 percent or 143,000 kilowatts. We appealed the decision, but later dropped the appeal.

Our appeal of the WPSC decision came at the time of the incident at the Three Mile Island (TMI) nuclear plant in Pennsylvania, which without a strong federal policy for development of new nuclear plants has made the future of nuclear generation much more uncertain.



Frank Linder

I represent the rural electric cooperatives on a national utility industry committee to oversee and coordinate efforts of the industry to address the impacts resulting from the TMI incident. The knowledge gained from the TMI incident has already been used by the industry to make existing and future nuclear plants even more safe and dependable.

Our committee has formed a permanent Institute of Nuclear Power Operations (INPO) whose function is to establish industrywide benchmarks for excellence in the safe operation of nuclear power reactors. I represent the cooperative segment of the utility industry on the INPO board of directors.

This past year has been a frustrating one for the 46,000 kilowatt La Crosse Boiling Water Reactor (LACBWR). Our staff spent a lot of time justifying the need for and safety of the plant because of the attempts of local intervenor groups to prevent the installation of additional spent fuel storage racks and to shut down the plant. Valuable time was lost that should have been spent on other work. Dairyland Power's application to expand the spent nuclear fuel storage facilities was approved by the Nuclear Regulatory Commission (NRC). We expect new requirements for LACBWR during the coming year as a result of the TMI incident.

In March of this year we announced plans to phase out the operation of LACBWR by 1990. LACBWR is the smallest operating nuclear power plant in the United States. Because

of its small size, the cost of generating electricity at LACBWR is higher than power costs from the larger nuclear plants. Most of the new requirements by the NRC increase the power costs for small plants to a much greater extent than for the larger plants. At the present time the fuel cost of generating electricity at LACBWR is lower than our coal plants. In a few years the nuclear fuel cost will be higher. The higher fuel cost and anticipated capital additions to the plant required by the NRC will make it uneconomical to continue to operate the plant.

We still believe that nuclear power is a safe and reliable source of electric energy. If our country is ever to free itself from its dangerous dependence on uncertain and expensive foreign energy sources, nuclear power must be developed as an integral part of the total energy mix.

The decision to phase out LACBWR by 1990 was predicated upon the planned addition of a major fossil fired unit to the system in 1987, known as Project '87.

Several municipal electric utilities that we serve plan to own a share of Project '87. We would like to welcome the municipal utilities who will be sharing Project '87 with us. This new arrangement between Dairyland Power and the municipal utilities will assure both of us a future power supply at lower costs than each could secure separately.

The coming year will be crucial in the State of Wisconsin regulatory process to obtain permits for the new unit. The WPSC has completed advance plan hearings which began in November 1979. We have become very concerned about the unrealistic attitude of the WPSC in determining the need for new generating capacity. The effect that inflation and conservation will have on the use of electric energy is uncertain, which makes it very difficult to forecast future load growth. However, the cost of some overexpansion, if that should occur, is much better than the real social and economic costs of an energy deficiency. A decision by the WPSC on our future plans is expected later on this year.

We are seeking federal funds to study the possible installation of a hydroelectric plant at the U.S. Corps of Engineers Lock and Dam No. 8 near Genoa, Wis. The 10,000 kilowatt hydro project would cost an estimated \$21.5 million and would supply 52 million kilowatt-hours (kWh) of electricity to the Dairyland Power system in an average year.

We have also announced plans to build a 70,000 square foot service building which will be located a few blocks from our present headquarters building in La Crosse. The new building will relieve crowded conditions at our present headquarters and will include a central warehouse, garage, various shops, laboratories and offices.

Over the past decade, inflation has become a significant factor in the economy and in our business. It was necessary to increase rates for 1980 by 16.9 percent due mainly to the higher investment and interest cost for the John P. Madgett station compared to our other facilities. Inflation and high interest rates have, and will continue to have, a large impact on increasing power costs. We must increase our efforts to become more efficient in the planning, construction and operation of our system.

The restructuring of our wholesale rates for sales to member distribution cooperatives was completed, and the new rates became effective on June 1, 1979. The new rates are more cost justified than the previous rates. The distribution cooperatives are modifying their retail rates to reflect the change in wholesale rates, thereby giving consumers new incentive to utilize conservation and load management practices to reduce their load at the time of the total system peak, which will reduce the need for future new facilities and lower their cost of electricity.

The rates for sale of power to municipal utilities for resale were also restructured to make them more cost related. In the future all contracts with municipal utilities will be directly with Dairyland. In the past, municipal utilities with diesel generating facilities have been served by the distribution cooperatives on a resale basis.

In March of this year the Dairyland Board authorized a new load management program. Dairyland Power and its member cooperatives will work together to install a modern centrally operated control system which will be capable of switching various consumer appliances off during peak load periods.

With such a system we will be able to reduce our system load during peak load periods without inconveniencing the user. The amount of new high-cost generating capacity can be reduced, resulting in less investment, more efficient use of existing generating facilities, and lower power costs.

The control system can be used for switching off electricity

used for dual space heating systems, heat storage systems water heaters, crop driers, irrigation, night lighting, and other loads.

Conservation in the use of energy, including electricity, should be given the highest national priority in energy planning to reduce our country's dependence on oil. We use very little oil for the generation of electricity; however, when we need to purchase electricity from other utilities, it is often purchased from oil-fired units. We have experienced a reduction in the rate of our load growth which we believe is due to the efforts of our consumers to use electricity wisely and reduce their usage wherever possible.

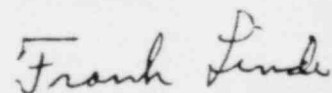
Financially, 1979 was the first time Dairyland Power has topped \$100 million in revenues. Our margins were \$3. million. The increase in both revenues and margins was due to the 1979 three mill per kilowatt-hour rate increase and also to improved operation of our plants.

New transmission line construction continues to receive increased attention from the public and regulatory agencies. We did receive a crucial approval on an application to the U.S. Army Corps of Engineers for permission to cross the Chippewa River near Durand, Wis., for the construction of the 161 kilovolt (kV) Alma-Crystal Cave line.

We do hope to begin construction this year on the 161 kV line proposed from our Genoa site to Interstate Power Lansing, Iowa, site. The line was originally scheduled to be completed in the summer of 1977. It is a vital line for the continued reliability of electric service throughout a large area.

As we close the decade of the 1970's and review the complex events that were never envisioned when the decade began, we begin the 1980's with renewed confidence in our capabilities as a rural electric cooperative.

It was through the efforts of our dedicated employees and management that we successfully met the challenges of the 1970's — environmental roadblocks, burdensome regulation and high inflation. It is with renewed determination and dedication that we enter the new decade.

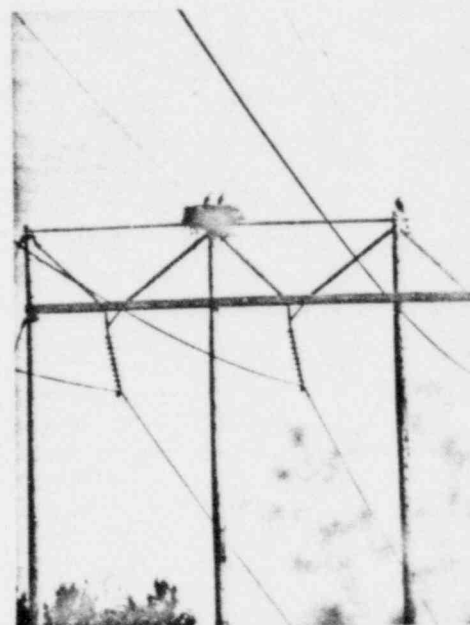


Frank Linder,
General Manager

May 15, 1980



Dairyland Power Construction crews work on the four-mile N-149 line (69 kV Albion Tap off a Northern States Power Co. line) in Wisconsin near Black River Falls. This line was energized June 28, 1979.



A pair of osprey, an endangered species in Wisconsin, have built a home and raised a family on a Dairyland Power transmission line. The location is Dairyland Power's Q-22 line (161 kV Stone Lake to Minong) approximately six miles southwest of Hayward.



Dairyland Power's Environmental Department personnel electrofish near Dairyland Power plants on the Mississippi River. The electrofishing, which notes concentrations of fish, is helpful in carrying out studies of the effects of thermal effluents on the aquatic ecology in areas where water is returned to the river from Dairyland Power steam generating stations. This walleye was measured, weighed and released.

Operations

1979

the year in review

Power Supply

Dairyland Power Cooperative's total system energy requirements climbed 11.1 percent from the 1978 total. The system wide supply of electric energy reached a record level of 4,456,073,000 net kilowatt-hours.

Dairyland Power generating plants produced 78.3 percent of the total energy while purchased power from members of the Mid-Continent Area Power Pool (MAPP) accounted for the remaining 21.7 percent needed to satisfy the electrical needs of nearly 161,000 consumer-members.

The electric energy production from four coal-fired generating plants supplied 72.1 percent of Dairyland Power's system requirements. Genoa #3 generated 46.2 percent of the net kilowatt-hour total; Alma #1-5, 19 percent; the E.J. Stonema station, 3.8 percent and the John P. Madgett station, 3.1 percent.

The John P. Madgett station at Alma went on-line in a test status capacity approximately November 1, 1979, and was officially credited by MAPP as being operational and commercial as of November 25, 1979.

The La Crosse Boiling Water Reactor (LACBWR) accounted for 4.5 percent of the system requirements and the Flambeau hydroelectric plant and Twin Lakes diesel plant supplied the remaining 1.7 percent.

Dairyland Power's original generating facility, Genoa #1, formerly a coal-burning installation now fueled by oil, remained on standby status throughout the year.

Sales

Power sales totaling 4,274,396,249 kilowatt-hours represented an 11.2 percent gain over 1978 electric sales and a 1.1 percent increase over the record kilowatt-hour total established in 1977. This is the highest in Dairyland Power's 38 years of operation.

Electric sales total of 2,741,331,383 kilowatt-hours to Class A members — the 29 distribution cooperatives served by Dairyland Power — were up 5.4 percent.

Energy sales to Class C and D members — Cooperative Power Association in Minnesota, other neighboring electric utilities of MAPP and area municipal systems — increased to 1,533,064,866 kilowatt-hours, a 19.9 percent increase over the previous year.

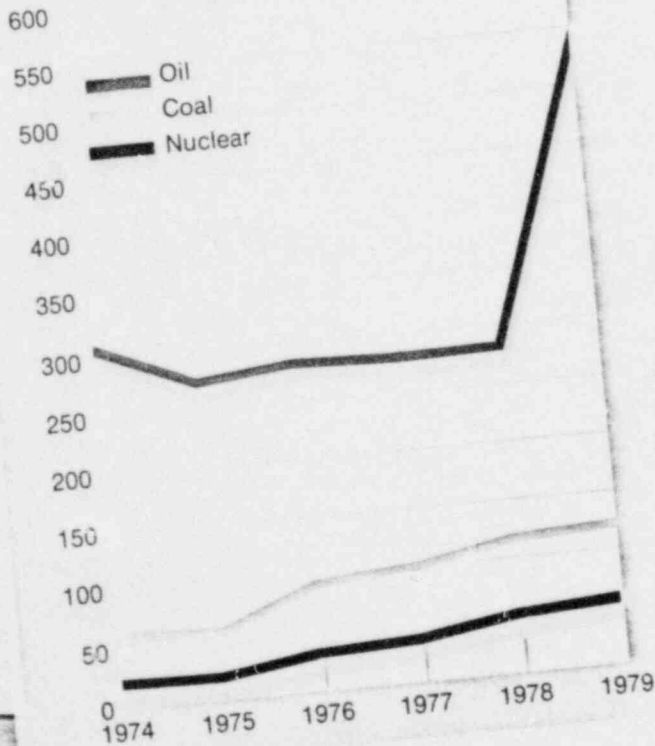
Revenues

Total operating revenues registered a new high of \$100,672,821, an increase of 22.4 percent.

This included \$100,547,645 in sales of electric energy. Income from energy sales to Class A member systems edged up to \$69,598,101, a 24 percent gain, while revenues from Class C

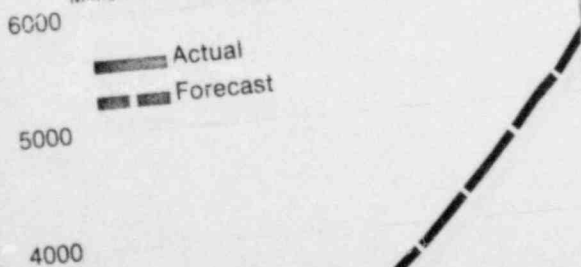
FUEL COST

Cents Per Million BTU



LOAD GROWTH

Annual Energy Requirements - (Net at Generating Plants)
Million Kilowatt Hours



and D members and other power sales climbed to \$30,949 a 20 percent increase over the previous year.

Rent from electric property accounted for the balance revenues.

Expenses

The cost of producing electric power continued its upward spiral throughout 1979. Total operating expenses rose to \$89,297,002, up 12.5 percent over the previous year. Operating expenditures, interest and other deductions rose to \$97,398,769, to register a 17.8 percent increase over 1978 expenses.

At Dairyland Power, the cost of fuel, primarily coal, was the largest annual expense item. The 1979 fuel bill totaled \$43,034,502, accounted for nearly 43 cents of each dollar.

Purchased power accounted for a large share of total operating expense — \$18,360,383. Another significant outlay covers payments for administrative and general expenses including insurance and retirement programs. Disbursements in this area of operations climbed 30.5 percent, to \$4,111,628,92. Depreciation and taxes (fixed costs) were \$11,628,92.

Another sizeable expense — amounting to \$1,900,000 — was the result of the Wisconsin Public Service Commission's rejection of the Tyrone Energy Park project in March 1979. Dairyland Power had a 13 percent share in the billion nuclear facility and committed \$10 million prior to the WPSC action. Dairyland Power's total liability estimated at approximately \$11.5 million, including interest. Total liability will be expensed over a 60-month period beginning in March, 1979.

In other 1979 disbursements, there was a decrease in maintenance costs. The reason being, there were fewer power outages in 1979 as compared to 1978 when generating equipment was down for major overhaul.

Margins

Total margins climbed to \$3,430,699 from \$591,139 in 1978. Total margins include a non-operating margin of \$156,647, derived principally of interest income.

Rates

The Dairyland Power Board of Directors, anticipating the effect of adding the John P. Madgett station as an operating unit during 1979, approved a three mill increase in wholesale power schedules effective January 1, 1979. At mid-year, an extensive restructuring of the wholesale power rate schedule was adopted by the board based upon a cost of service study to reflect the current fixed and variable cost patterns.

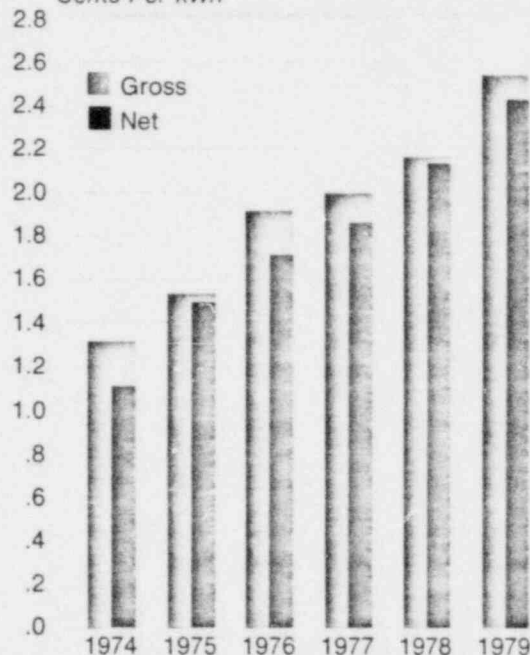
In September of 1979, the board authorized a 1980 rate increase of approximately 16.9 percent or 4.4 mills per kilowatt-hour. The increase was phased in with an 8.9 percent increase as of January 1, 1980, and a 13.6 percent increase on June 1, 1980. The two-step increase is designed to meet a board approved budget of \$4.5 million in margins for the year of 1980. This large increase is due to the higher fixed and operating expenses of the John P. Madgett station for the full year.

**Cost of Coal
Per Ton Delivered**

1970	\$ 7.39
1971	9.51
1972	10.17
1973	11.00
1974	13.93
1975	19.13
1976	19.26
1977	21.91
1978	24.56
1979	24.46

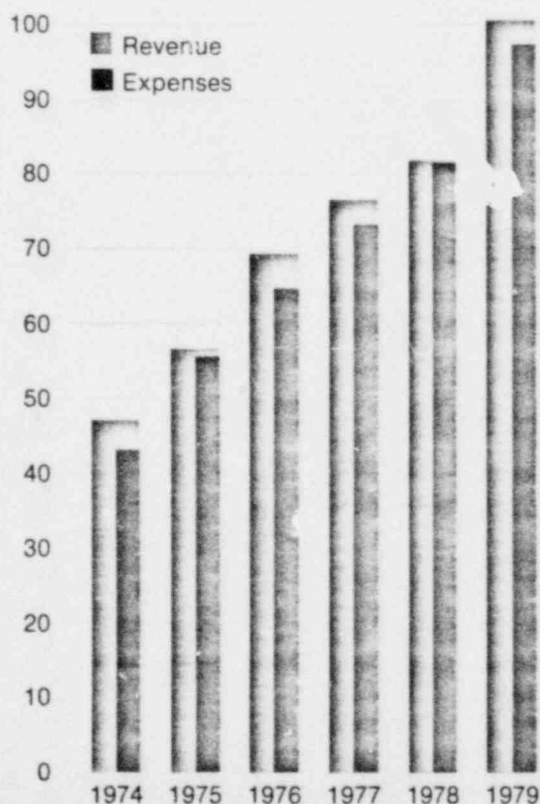
**COST OF ELECTRICITY
TO MEMBER COOPERATIVES**

Cents Per kWh



TOTAL REVENUE AND EXPENSES

Millions of Dollars



AN OVERALL COMPARISON							
Year	Total Revenue Millions	Operating Expenses Millions	Net Operating Margins Millions	Generation & Purchased Power kWh Billions	Power Cost Delivered To Members Cents Per Kilowatt-Hour		
					Gross	Net	% Change - Net
1969	\$21.99	\$19.08	\$2.24	3.07	1.00	0.80	+ 5.98
1974	47.10	43.02	2.54	4.16	1.32	1.11	+ 3.25
1975	56.41	55.52	0.28	3.83	1.54	1.50	+34.83
1976	69.41	64.62	4.47	4.28	1.91	1.71	+13.93
1977	76.63	73.29	1.91	4.61	1.99	1.86	+ 8.92
1978	81.95	81.36	-0.25	4.20	2.17	2.15	+15.48
1979	100.82	97.39	3.27	4.67	2.54	2.41	+12.26

Net Cost of Power

The continuing pressures of inflation caused the average cost of delivered power for the year to rise to \$.024137 (2.41¢) per kilowatt-hour which is an increase of 12.26 percent.

Interest on Long Term Debt

Dairyland Power maintained its schedule of repayments, with interest, on all long and short term obligations during 1979.

Specifically, total 1979 interest payments included \$2,643,119 to the Rural Electrification Administration (REA), \$11,118,174 to the Federal Finance Bank (FFB), and \$827,484 to the National Rural Utilities Cooperative Finance Corporation (CFC).

Additionally, another \$789,450 in interest was paid to CFC covering City of Alma Pollution Control Bonds and \$81,014 on unit trains for coal transportation at the John P. Madgett station.

Historically, through 1979, Dairyland Power has paid REA, \$43,995,482 in interest payments, \$73,464,598 on principal long-term debt for a total of \$117,460,081 throughout its corporate life.

Dairyland Power has adopted a maturity management program for its permanent FFB financing. The objective of reducing total interest expense through the temporary use of short-term maturities was adopted by management in 1979. The total amount of short-term FFB maturities to be converted into long-term obligations in 1981 is \$13,962,000.

Field Construction

Nine new distribution substations, a 34 mile 161 kilovolt (kV) transmission line and 30 miles of 69 kV power lines share the bulk of major field construction projects completed last year throughout the Dairyland Power system.

Two of the newly-energized substations — Glen Haven and Lancaster #2 — are located in the service area of Grant REC. Two others — Madison and Burr Oak — service Hawkeye Tri-County REC.

THE EXPENSE DOLLAR - - - Where it went								
Year	Depreciation	Fuel	Sales, Administration Ins. & Other	Patronage Capital	Materials & Expenses	Purchased Power	Taxes & Interest	Wages & Pensions
1969	13.6%	32.7%	3.4%	13.3%	4.2%	8.6%	10.6%	13.6%
1974	9.8	41.1	2.3	8.7	6.9	10.6	7.6	13.0
1975	8.8	42.0	2.8	1.5	9.0	16.1	7.3	12.5
1976	7.6	45.2	2.0	6.9	5.8	15.9	5.6	11.0
1977	8.4	45.1	1.8	4.3	4.9	19.5	4.9	11.1
1978	8.1	40.4	2.2	.7	7.0	24.7	5.8	11.1
1979	7.6	42.7	4.6	3.4	4.6	18.4	9.9	8.8

Other new distribution substations are identified as Lyndon Station (Oakdale REC), Albion (Jackson REC), Oak Grove (Pierce-Pepin REC), Wilson (Tri-County REC) and Douglas (Cedar Valley REC).

The 161 kV transmission line, which was energized December 4, links the new John P. Madgett station with a high-capacity transmission substation, Tremval, owned by Northern States Power Co. near Blair, Wis.

Completion of the line was delayed more than a year due to difficulties in obtaining right-of-way and new statutes relating to agricultural land use. Right-of-way and engineering work began early in 1975 and construction of the line commenced two years later, February 1, 1977.

The newly energized 69 kV lines — 10 in all — range in lengths of a quarter-mile to 6.8 miles. These short power — or tap — lines were built to connect new substations with nearby transmission lines.

Erection of a second outlet 161 kV transmission line from the John P. Madgett station to Crystal Cave, near Spring Valley Wis., and construction work on a number of other tap lines and distribution substations were in progress at the year's end.

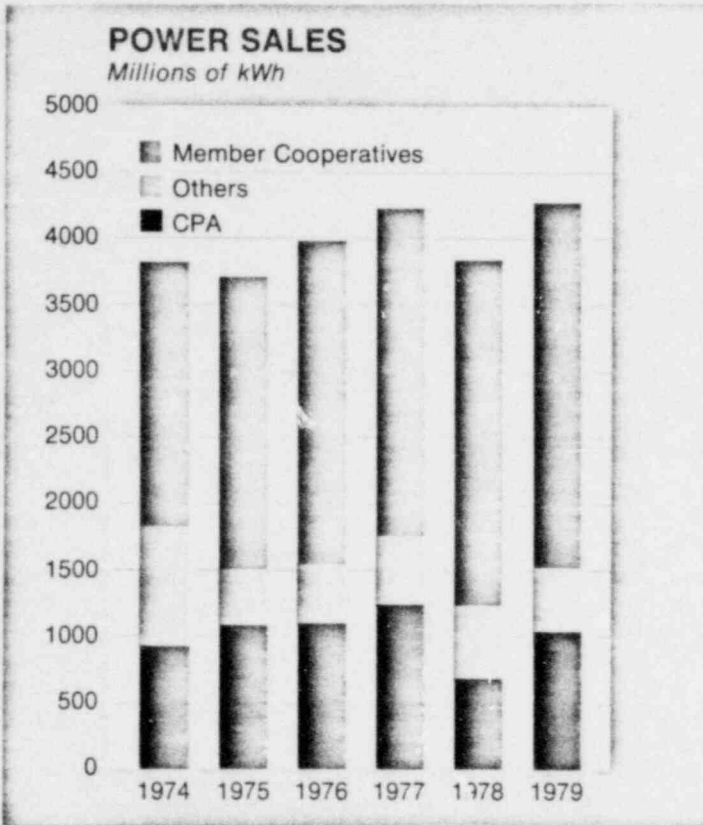
Personnel Growth

Dairyland Power Cooperative had a net gain of 32 employees in 1979 bringing the total employment at year's end to 660.

The greatest share of the new permanent employees were assigned to Alma as part of the staffing requirement at the John P. Madgett station which went into commercial operation in late November.

A statistical look at personnel transactions in 1979 shows 60 new hires (including 12 temporary employees) and 60 terminations, including five retirements and one death.

A one-year labor agreement with Local 953, IBEW, effective February 1, 1979, through January 31, 1980, was negotiated between the parties. However, after a long series of negotiations the wage amount granted was determined by a three member board of arbitration.



Environmental Requirements

Heavy emphasis was placed, during 1979, on various environmental requirements for compliance on the John P. Madgett station pre-startup permits. Final operating criteria were set to assure protection of air and water quality and complete compliance with all permit requirements.

Other important environmental projects included monitoring of existing facilities, observation of legislative and regulatory activities which would change present environmental regulations, and participation in planning for future projects to assure compliance with environmental rules.

Transmission lines are receiving increased attention from the public and regulatory agencies, and environmental activities involving routing and permits for transmission facilities have expanded accordingly.

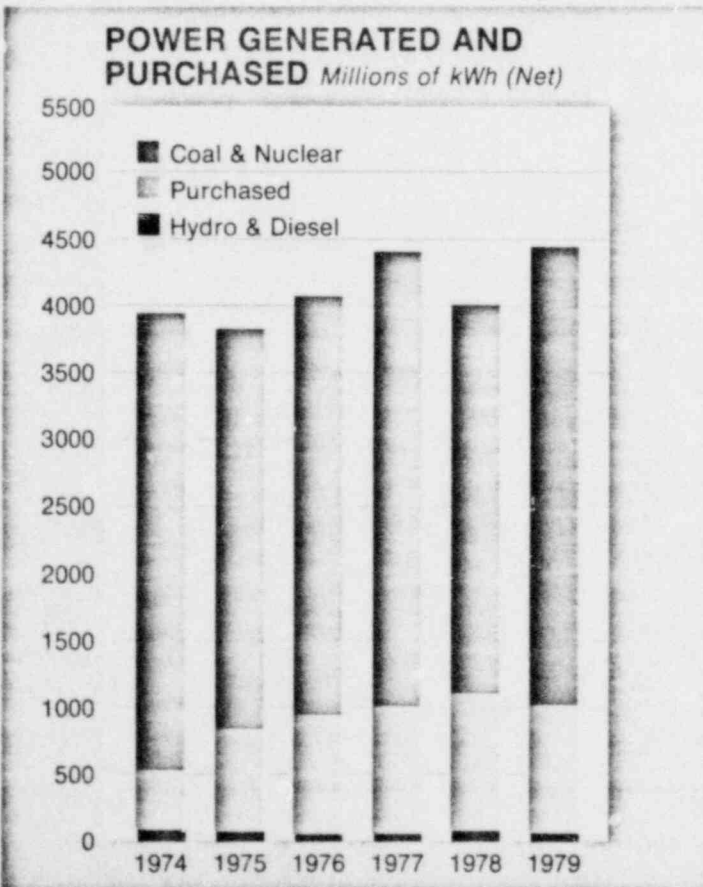
This activity involves close coordination with other Dairyland Power transmission specialists to assure that construction of these projects can take place in a timely fashion.

During 1979, Dairyland Power received a crucial approval on an application to the U.S. Army Corps of Engineers for permission to cross the Chippewa River near Durand, Wis., for the construction of the 161 kV Alma-Crystal Cave line.

This favorable regulatory action permitted Dairyland Power to resume acquisition of right-of-way easements and to continue construction on the transmission line.

During the year, final planning was concluded for the permit application for development of a remote site for disposal of waste coal ash material from the John P. Madgett station site.

Other environmental activities included work to maintain the licensed status of the ash disposal facilities at Genoa, Cassville and Alma, Wis.



Planning For The Future

One of Dairyland Power's most important concerns for the future is developing new generating capacity to meet the growing load requirements of member rural electric cooperatives and the municipal utilities served by Dairyland Power at lowest possible costs.

Some of the municipals served by Dairyland Power will share in the ownership of Dairyland Power's next generating project . . . Project '87. The name is given because 1987 is the target date for the project, and is the earliest Dairyland Power could have the unit in operation. The next year is a crucial one in the State of Wisconsin regulatory process to obtain permits for the new unit to meet this desired schedule.

Dairyland Power has also announced intent to phase out the 46,000 kilowatt La Crosse Boiling Water Reactor (LACBWR) at Genoa, Wis., by 1990. Continued regulatory activities with their cost implications make it increasingly difficult for the small nuclear plant to show favorable economic return, given the anticipated additional capital requirements.

The additional generating capacity that is planned to be on line in the Dairyland Power system by 1987 will make it less attractive to operate a small highly technical plant, such as LACBWR, with its high overhead costs.

Generation

1979 GENERATION		Gross kWh	Net kWh
Steam -	Alma	910,004,000	847,553,500
	JPM	157,070,000	139,136,000
	Genoa #1	81,200	(419,600)
	Genoa #3	2,165,086,000	2,061,004,000
	Stoneman	185,289,000	169,893,000
Diesel -	Twin Lakes	2,868,400	2,685,200
Hydro -	Flambeau	70,017,000	69,707,900
Nuclear -	LACBWR	216,823,000	200,932,000
Total Generation		3,707,238,600	3,490,492,000
Purchased Power		965,581,000	965,581,000
Total Requirements		4,672,819,600	4,456,073,000

DISTRIBUTION (kWh)

Class A Members	2,741,331,383
Class C & D Members	1,333,064,866
Total Sales	4,274,396,249
Intra-System Uses	13,804,600
Transformer & Line Losses	167,872,151
Total Distribution	4,456,073,000

GENERATING STATIONS			Total Plant Net Capacity in kW (Winter)
Type	Station	Number of Units	
Steam -	Alma	5	206,950
	JPM	1	350,000
	Genoa #1	4	12,600
	Genoa #3	1	350,300
	Stoneman	2	52,800
Hydro -	Flambeau	3	16,000
Diesel -	Twin Lakes	4	8,700
Nuclear -	LACBWR	1	46,000
Total Capacity in Service			1,043,350

TRANSMISSION LINES

Voltage-kV	Miles as Constructed	Miles as Operating
161	507.09	507.09
115/161	2.20	2.20
69	2,186.21	2,157.61
34.5	790.83	419.43
Total Miles	3,486.33	3,086.33

SUBSTATIONS

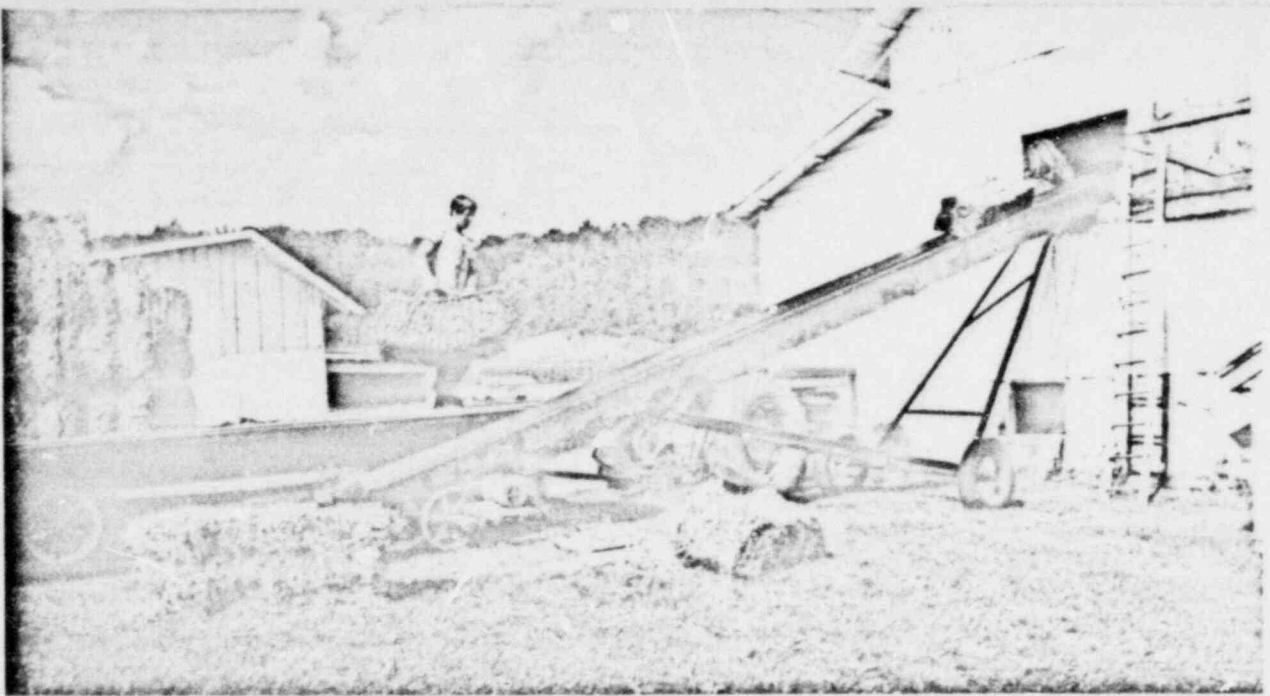
Type	Number	Total Capacity- kVA
Plant	5	1,108,500
Transmission	19	803,000
Distribution	235	642,315
Total	259	2,553,815

Comparative Sales to Member Cooperatives

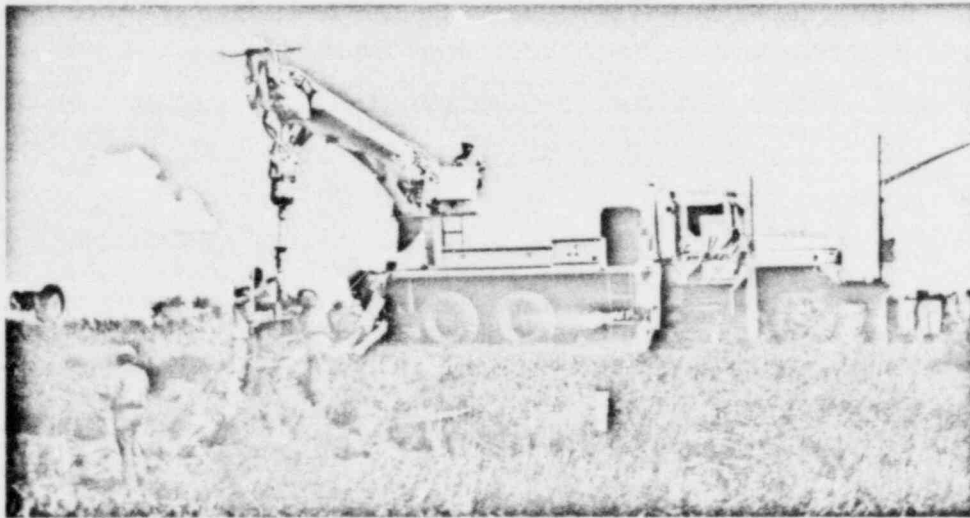
FOR THE YEARS ENDED DECEMBER 31, 1979 AND 1978

Member Cooperatives	Number of Members		kWh Billed		Revenue	
	1979	1978	1979	1978	1979	1978
WISCONSIN						
Barron*	10,591	10,453	171,072,409	156,730,422	\$ 4,233,879	\$ 3,378,058
Bayfield	5,260	5,117	44,984,988	43,395,994	1,160,996	956,555
Buffalo	3,254	3,207	62,084,371	59,521,458	1,604,873	1,301,791
Chippewa Valley	4,706	4,614	67,448,987	63,717,937	1,744,950	1,397,025
Clark	6,530	6,384	109,336,901	104,522,747	2,862,197	2,305,829
Crawford	2,631	2,552	37,464,961	36,379,286	986,979	802,817
Dunn	5,470	5,404	91,617,990	87,110,091	2,383,441	1,916,062
Eau Claire	6,676	6,379	97,131,745	92,361,311	2,487,407	2,004,968
Grant*	4,874	4,807	119,127,018	113,254,873	3,102,151	2,514,679
Jackson*	4,260	4,387	55,063,765	51,439,020	1,426,711	1,132,329
Jump River	5,076	4,904	50,893,813	48,492,332	1,317,652	1,062,416
Lafayette*	2,192	2,169	51,844,680	49,977,367	1,344,736	1,102,590
Oakdale*	8,036	7,821	122,060,736	115,769,273	3,070,585	2,521,757
Pierce-Pepin*	4,446	4,376	106,174,124	113,717,281	2,657,785	2,455,994
Polk-Burnett	11,573	11,139	106,362,408	100,577,729	2,692,903	2,170,138
Price	5,523	5,327	39,998,334	38,073,557	1,027,677	832,755
Richland	2,812	2,770	39,918,443	39,362,787	1,029,968	857,144
St. Croix	4,084	3,938	80,918,896	75,921,555	2,090,463	1,661,226
Taylor	2,623	2,533	41,056,762	39,187,539	1,062,670	857,531
Trempealeau*	5,930	5,850	122,293,766	111,545,821	3,125,533	2,427,623
Vernon*	7,177	7,083	128,082,975	123,881,129	3,289,719	2,705,642
Total Wisconsin	113,724	111,214	1,744,938,072	1,614,939,509	\$44,703,275	\$36,364,929
MINNESOTA						
Freeborn-Mower*	5,420	5,417	130,671,044	119,077,498	3,259,067	2,548,097
People's	10,100	9,914	169,007,920	164,356,755	4,085,139	3,401,813
Tri-County*	10,264	10,141	227,945,793	216,675,901	5,702,936	4,629,974
Total Minnesota	25,784	25,472	527,624,757	500,110,154	\$13,047,142	\$10,579,884
IOWA						
Allamakee-Clayton	7,333	7,201	115,712,736	99,653,833	2,998,020	2,394,447
Cedar Valley*	2,964	2,946	85,039,398	74,526,975	2,103,509	1,606,638
Hawkeye	5,588	5,541	116,182,223	107,457,068	2,968,108	2,315,302
Winnebago*	2,136	2,155	98,937,487	92,343,004	2,408,941	2,033,773
Total Iowa	18,021	17,843	415,871,844	383,980,880	\$10,478,578	\$ 8,350,160
ILLINOIS						
Jo-Carroll	3,441	3,386	52,896,710	50,810,284	\$ 1,369,106	\$ 1,105,208
Totals Including Municipals	160,970	157,915	2,741,331,383	2,599,840,827	\$69,598,101	\$56,400,181
Totals Excluding Municipals	160,944	157,889	2,495,511,489	2,364,561,687	\$63,588,906	\$51,213,550

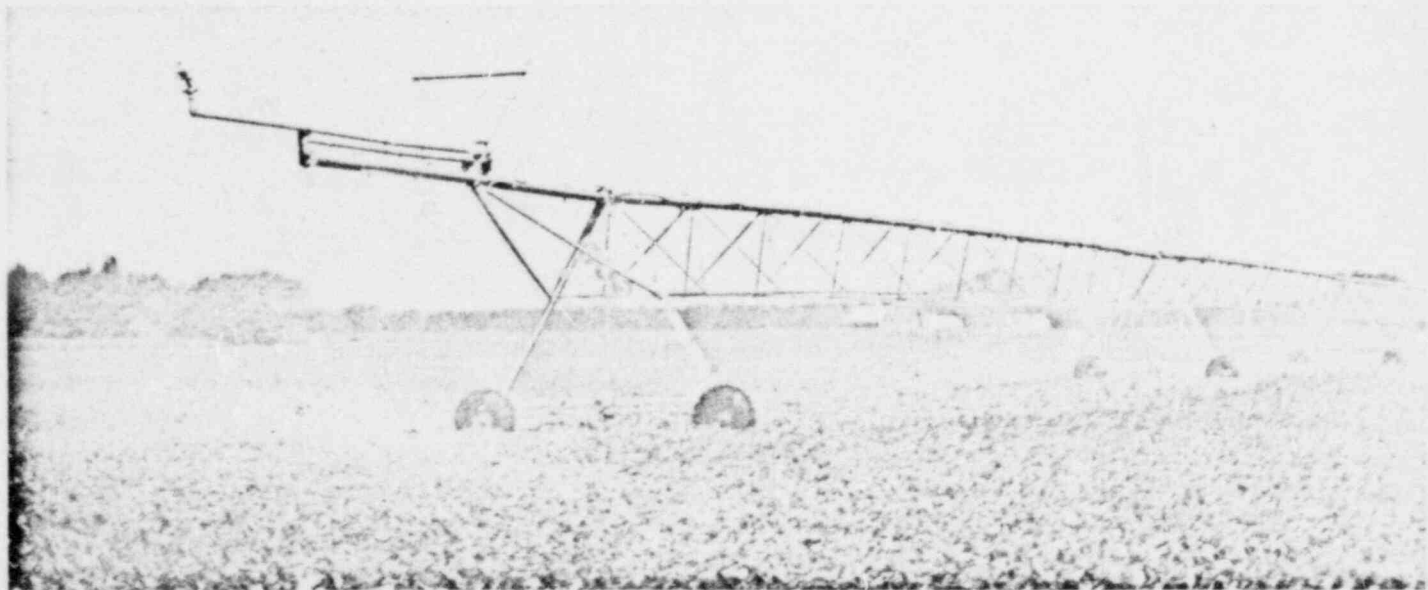
*Includes Sales to Municipals Served Through Member Systems.



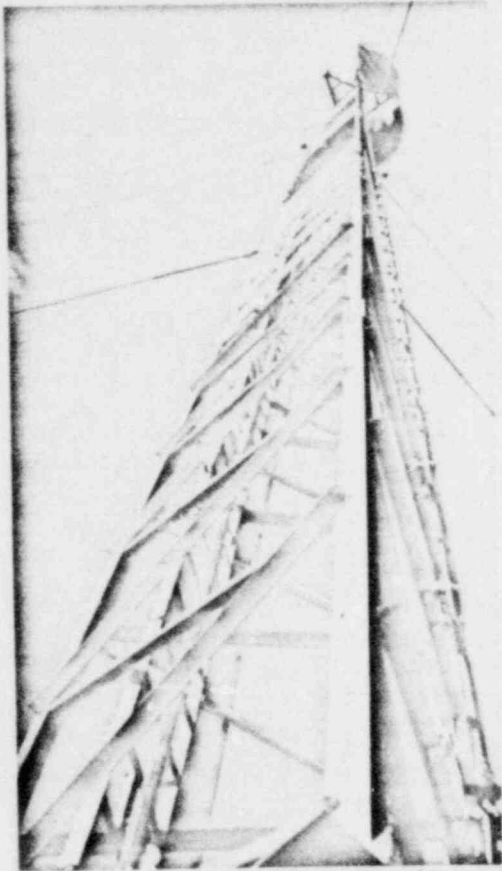
A typical summer farm scene in the Dairyland Power service area.



Dairyland Power's new digger-derrick with a re-manufactured six-by-six vehicle. This vehicle can do a job which previously took up to three trucks to accomplish.



18 Irrigation systems have increased crop production for many farmers in the Dairyland Power System. These large installations have had an effect on the increased electrical demand in the Dairyland Power System and have required Dairyland Power's Engineering Department to use precise planning of new transmission lines.



Dairyland Power completed Phase One of its new microwave communications system in 1979. This is one of five microwave towers Dairyland Power installed. Northern States Power Co. also installed several new towers in the joint project. This tower is 205 feet high and is located at Weston, Wis., west of Menomonie. Phase Two of the program, in the southern half of the Dairyland Power system, is expected to be completed in 1980.

Financial Statements

1979



Overall coordination of the Dairyland Power System is accomplished at the Operations Control Center located in the general office building at La Crosse. It is here that decisions are made which correlate the operation of generating sources, the transfer of bulk power to and from neighboring systems and transmission network switching in order to achieve optimum economy, stability and security.

Assets

	1979	1978
ELECTRIC PLANT (Notes 1, 2, 3, 4 and 6):		
Plant and equipment, at original cost	\$403,331,080	\$209,470,904
Accumulated depreciation	(96,196,317)	(88,009,424)
	<u>\$307,134,763</u>	<u>\$121,461,480</u>
Construction work in progress -		
Tyrone Energy Park	—	7,486,879
John P. Madgett Station	1,809,806	144,215,218
Other	13,775,012	17,138,030
Nuclear fuel, at amortized cost	14,685,235	10,290,670
	<u>\$337,404,816</u>	<u>\$300,592,277</u>
INVESTMENTS, at cost:		
Capital term certificates of National Rural Utilities		
Cooperative Finance Corporation (Note 5)	\$ 10,334,726	\$ 8,792,372
Pollution Control Bond proceeds on deposit with trustee	1,237,324	2,941,655
Other investments	1,020,912	1,854,090
	<u>\$ 12,592,962</u>	<u>\$ 13,588,117</u>
CURRENT ASSETS:		
Cash	\$ 124,765	\$ 389,761
Accounts receivable —		
Energy sales	10,977,671	12,087,698
Other	1,375,910	1,446,874
Inventories, at average cost —		
Fossil fuels	44,358,885	40,294,051
Materials and supplies	4,046,801	2,534,703
Prepaid expenses	468,419	1,209,246
	<u>\$ 61,352,451</u>	<u>\$ 57,962,333</u>
DEFERRED CHARGES:		
Abandoned facilities, being amortized (Note 4)	\$ 9,553,391	\$ —
Other	1,589,355	646,364
	<u>\$ 11,142,746</u>	<u>\$ 646,364</u>
	<u>\$422,492,975</u>	<u>\$372,789,091</u>

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

Capitalization and Liabilities

CAPITALIZATION:

Long-term obligations, less current maturities included below (Notes 3 and 6) -

Long-term debt

Subscriptions to capital term certificates of National Rural Utilities Cooperative Finance Corporation, due in varying annual amounts to 1964 (Note 5)

Capitalized lease obligations principally at implicit interest rates of 7%, due in varying amounts to 1995

Total long-term obligations

Member and patron equities -

Membership fees

Patronage capital (Notes 8 and 10)

Total member and patron equities

Total capitalization

CONTINGENT LIABILITIES AND COMMITMENTS (Notes 2, 3 and 10)

CURRENT LIABILITIES:

Current maturities of long-term obligations

Notes payable (Note 7)

Accounts payable —

General

Construction

Accrued liabilities —

Payroll and vacation pay

Taxes

Interest

Nuclear fuel reprocessing costs (Note 1)

Other

Total current liabilities

	1979	1978
	\$295,296,544	\$250,704,197
	3,318,350	2,663,378
	7,659,084	7,974,798
	<u>\$306,273,978</u>	<u>\$261,342,373</u>
	\$ 9,202	\$ 8,839
	58,289,658	56,704,530
	<u>\$ 58,298,860</u>	<u>\$ 56,713,369</u>
	<u>\$364,572,838</u>	<u>\$318,055,742</u>
	\$ 7,238,391	\$ 6,720,584
	28,100,000	22,000,000
	4,891,430	6,497,105
	10,144,937	11,149,477
	1,443,770	1,260,880
	1,704,920	1,118,904
	827,399	1,435,473
	2,622,994	2,285,974
	946,296	2,264,952
	<u>\$ 57,920,137</u>	<u>\$ 54,733,349</u>
	<u>\$422,492,975</u>	<u>\$372,789,091</u>

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

Statements of Revenues and Expenses and Patronage Capital

FOR THE YEARS ENDED DECEMBER 31, 1979 AND 1978

	1979	1978
OPERATING REVENUES:		
Sales of electric energy	\$100,547,645	\$ 82,213,48
Other	125,176	19,75
Total operating revenues	<u>\$100,672,821</u>	<u>\$ 82,233,24</u>
OPERATING EXPENSES:		
Power generation —		
Fuel	\$ 43,034,502	\$ 33,040,16
Operation	5,865,730	5,412,06
Maintenance	3,776,033	5,769,02
Purchased and interchanged power	18,360,383	20,252,80
Transmission —		
Operation	543,595	538,30
Maintenance	1,261,986	1,217,98
Administrative and general —		
Operation	4,702,838	3,602,64
Maintenance	123,007	93,76
Depreciation and amortization (Note 1)	7,691,450	6,642,37
Taxes	3,937,478	2,801,94
Total operating expenses	<u>\$ 89,297,002</u>	<u>\$ 79,371,08</u>
Operating margin, before interest and other deductions	<u>\$ 11,375,819</u>	<u>\$ 2,862,15</u>
INTEREST AND OTHER DEDUCTIONS:		
Interest on-		
Long-term obligations	\$ 15,352,985	\$ 9,952,49
Short-term obligations	2,388,349	972,80
Allowance for borrowed funds used during construction (Note 1)	(11,681,830)	(7,825,72)
Amortization of abandoned facilities (Note 4)	1,905,750	—
Other	136,513	18,35
Total interest and other deductions	<u>\$ 8,101,767</u>	<u>\$ 3,117,91</u>
Operating margin (deficit)	<u>\$ 3,274,052</u>	<u>\$ (255,76)</u>
NONOPERATING MARGIN:		
Allowance for funds, other than borrowed funds, used during construction (Note 1)	—	1,121,07
Other	156,647	(274,16)
Net margin	<u>\$ 3,430,699</u>	<u>\$ 591,139</u>
PATRONAGE CAPITAL BEGINNING OF YEAR	56,704,530	57,550,90
RETIREMENT OF CAPITAL CREDITS (Note 8)	(1,845,571)	(1,437,51)
PATRONAGE CAPITAL END OF YEAR, including margins assignable of \$3,430,699 in 1979 and \$591,139 in 1978	<u>\$ 58,289,658</u>	<u>\$ 56,704,530</u>

Statements of Sources of Funds Used for Construction

	1979	1978
FUNDS GENERATED INTERNALLY:		
Net margins	\$ 3,430,699	\$ 591,139
Noncash items —		
Depreciation and amortization:		
Charged to operations	7,691,450	6,642,379
Charged to clearing and other accounts	1,186,620	1,029,592
Amortization of abandoned facilities and other deferred charges (Note 4)	1,997,156	—
Nuclear fuel amortization	1,144,817	689,513
Allowance for funds other than borrowed funds used during construction	—	(1,121,072)
Funds generated by operations	<u>\$ 15,450,742</u>	<u>\$ 7,831,551</u>
Retirement of capital credits	(1,845,571)	(1,437,516)
Funds generated internally	<u>\$ 13,605,171</u>	<u>\$ 6,394,035</u>
FUNDS OBTAINED FROM OUTSIDE SOURCES:		
Long-term borrowing from FFB and REA (Note 6)	\$ 50,793,034	\$ 55,464,174
Pollution Control Bond financing, less amounts on deposit with trustee	1,494,331	10,658,345
Sale of non-utility property	875,600	—
Short-term borrowing	6,100,000	12,900,000
Repayment of long-term obligations to REA	(5,472,880)	(5,456,279)
Reduction of other long-term debt	(315,714)	(291,909)
Net funds obtained from outside sources	<u>\$ 53,474,371</u>	<u>\$ 73,274,331</u>
OTHER SOURCES (USES) OF FUNDS:		
Purchase of capital term certificates, net of change in subscription	\$ (857,382)	\$ (1,065,339)
Decrease in other investments	(42,422)	112,346
Abandoned facilities and other deferred charges, net	(12,493,175)	(276,587)
Changes in other working capital items -		
Cash	264,996	(37,172)
Accounts receivable	1,180,991	(3,355,274)
Inventories	(5,576,932)	(15,760,684)
Prepaid expense	740,827	280,811
Accounts payable	(2,610,215)	3,159,104
Accrued liabilities	(820,804)	2,118,992
Total other sources (uses) of funds	<u>\$ (20,244,116)</u>	<u>\$ (14,823,803)</u>
FUNDS USED FOR CONSTRUCTION	<u>\$ 46,835,426</u>	<u>\$ 64,844,563</u>
Add- Allowance for funds other than borrowed funds used during construction	—	1,121,072
ELECTRIC PLANT ADDITIONS, net	<u>\$ 46,835,426</u>	<u>\$ 65,965,635</u>

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

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

Organization:

Dairyland Power Cooperative (the Cooperative) is an electric generation and transmission cooperative association organized under the laws of Wisconsin. The Cooperative provides wholesale electric service to member distribution cooperatives engaged in the retail sale of electricity to member consumers located in Wisconsin and parts of Minnesota, Iowa, Illinois and Michigan.

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 Electrification Administration (REA), the Cooperative's principal regulatory agency.

Depreciation:

Depreciation is provided based on the straight-line method at rates which are designed to amortize the original cost of properties over their estimated useful lives. The provision for depreciation averaged 3.3% of depreciable plant balances for 1979 and 1978.

Amortization of Nuclear Fuel:

The cost of nuclear fuel is charged to fuel expense based on heat produced for the generation of electricity. The salvage value of fuel assemblies and cost of disposal of spent fuel are being recorded over the lives of individual assemblies based upon management's estimate of such amounts.

Income Taxes:

The Cooperative is exempt from Federal and state income taxes. Accordingly, no provision for such taxes has been made in the accompanying financial statements.

Allowance for Funds Used During Construction:

Allowance for funds used during construction represents the cost of borrowed funds and a return on other capital used for construction purposes and is capitalized as a component of electric plant. The amount of such allowance is determined by applying a rate to the balance of nuclear fuel and certain electric plant additions under construction. The rates used varied from 6.4% to 15.5% in 1979 and 5% to 7.5% in 1978, depending on the source of funds.

Property Additions:

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

2. NUCLEAR REACTOR -

The Cooperative has operated a nuclear generating facility under a provisional operating license which expired in 1975. The reactor is presently being operated under an informal extension of the provisional operating license. The Cooperative has applied to the Nuclear Regulatory Commission (NRC) for a permanent operating license. Because of the Three Mile Island (TMI) accident, NRC is directing its resources towards TMI issues; therefore, its consideration of construction permits and operating licenses, including the Cooperative's application for a permanent operating license, has been delayed. The Cooperative is unable to predict when a permanent operating license may be granted.

Recent events indicate that the manner of decommissioning a nuclear generating plant and the manner of disposition of spent nuclear fuel may not be determined for many years. Additionally, not all NRC requirements resulting from reviews of the TMI accident have been defined. While the provision for depreciation includes a factor to provide for estimated decommissioning costs, the eventual cost of retiring a nuclear generating unit is uncertain at the present time. The Cooperative continues to review its decommissioning cost estimates and it expects that any increases in such costs will be provided for in future rates.

3. CONSTRUCTION AND COMMITMENTS -

The Cooperative's 1980 estimated construction program is \$29 million. Financing of construction is expected to be provided by borrowings from the Federal Financial Bank (FFB) and short-term lines of credit with the National Rural Utilities Cooperative Finance Corporation (NRUCFC).

tal contributed or deposited more than twenty years prior to the current year. Accordingly, the 1958 capital credits were retired in 1978 and the 1959 capital credits were retired in 1979. Implementation of this policy is subject to annual review and approval by the Board of Directors and the REA, and no cash retirements to be made which would impair the financial condition of the Cooperative or violate any terms of its agreements.

9. PENSION PLAN -

Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association Retirement and Security Program. Pension cost was approximately \$944,000 in 1979 and \$825,000 in 1978. The Cooperative's policy is to fund pension costs accrued.

10. CONTINGENCIES -

The Wisconsin Department of Revenue has examined the Cooperative's method of determining gross revenue license fees for the years 1973 through 1976, and has assessed deficiencies and interest of approximately \$1.1 million for these years. The Cooperative estimates that additional license fees of approximately \$600,000 could be assessed for 1977 if the Department of Revenue's method of computing the license fee is applied to that year. These amounts have not been reflected in the accompanying financial statements. License fees for 1978 and 1979 have been accrued on a new basis of assessment approved by the Wisconsin Department of Revenue. The Cooperative, on the advice of legal counsel, is vigorously contesting the findings of the Department of Revenue and believes that any liability will be substantially reduced or eliminated; however, the outcome of this matter cannot presently be predicted.

In January, 1980, an accident at the Cooperative's John P. Madgett Station caused significant damage to the boiler. Temporary repairs are being made and it is expected that the plant will be returned to operations by May 1, 1980. Further permanent repairs are to be made at a later date. In the opinion of management and legal counsel, the cost of these repairs will be substantially covered by builders' risk insurance on the station or by warranties of the manufacturer and contractors.

The Cooperative has been named in several lawsuits and claims, primarily related to the construction and operation of the John P. Madgett station. 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 adverse effect on the financial statements of the Cooperative.

Auditors' Report

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

We have examined the balance sheets of DAIRYLAND POWER COOPERATIVE (a Wisconsin cooperative) as of December 31, 1979 and 1978, and the related statements of revenues and expenses and patronage capital and sources of funds used for construction for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our auditors' report dated March 23, 1979, our opinion on the 1978 financial statements was qualified as being subject to the effect on the financial statements of such adjustments, if any, as might have been required had the outcome of the denial of a certificate of need for construction of the Tyrone Energy Park and the subsequent decision by the Cooperative and the other participants to discontinue the project been known. As explained in Note 4 to the financial statements, the project was discontinued in 1979. The Cooperative's principal regulatory agency has approved classifying the accumulated costs of approximately \$11.5 million as deferred charges which will be recoverable in the future through increased rates. Accordingly, our present opinion on the 1978 financial statements, as presented herein, is different from that expressed in our previous report.

As discussed in Note 10 to the financial statements, the Wisconsin Department of Revenue is challenging the Cooperative's method of determining its gross revenue license fee for the years 1973 through 1977. The Cooperative is contesting the Department of Revenue's assessment for additional license fees, however, the additional amount to be paid, if any, is not determinable at this time.

In our opinion, subject to the effect of the outcome of the gross revenue license fee matter described in the preceding paragraph, the financial statements referred to above present fairly the financial position of Dairyland Power Cooperative as of December 31, 1979 and 1978, and the results of its operations and sources of funds used for construction for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Minneapolis, Minnesota March 14, 1980.

4. ABANDONED FACILITIES -

The Cooperative was one of four joint owners in a project to build an 1,100 megawatt nuclear generating facility in western Wisconsin to have been known as the Tyrone Energy Park. At December 31, 1978, the Cooperative had invested approximately \$7.5 million in the project.

On March 6, 1979, the Wisconsin Public Service Commission issued an order denying the application for a certificate of need for the project. On July 24, 1979, the co-owners reached an agreement to terminate and abandon the project. At the time of abandonment, the Cooperative had incurred or was committed for costs of approximately \$11.5 million for its share of the project, including allowance for funds used during construction.

The Cooperative has received approval from REA to re-classify its investment in the Tyrone Energy Park as a deferred charge and to begin amortization of these costs over a 60 month period commencing March 1, 1979. Such amortization is to be recovered through additional rates. Amortization for 1979 was approximately \$1.9 million.

5. INVESTMENT IN NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION -

The Cooperative has purchased or subscribed to purchase approximately \$10.3 million of unsecured subordinated capital term certificates to be issued by the National Rural Utilities Cooperative Finance Corporation. The certificates will bear interest at the rate of 3% per year and will mature in 2020, 2025, and 2030. Of the above amount, \$3.8 million will be purchased during the period 1980 to 1984 in annual installments approximating .7% of operating revenues, as defined.

6. LONG-TERM OBLIGATIONS -

The Cooperative's long-term debt outstanding as of December 31, consists of the following:

	1979	1978
REA Obligations (2%)	\$106,048,051	\$120,919,931
REA Obligations (5%)	19,267,495	3,872,670
FFB Obligations (7.6% - 11.3%)	146,359,000	113,000,000
NRUCFC Obligations -		
Prime plus ½%	8,025,000	5,325,000
8%	8,425,000	—
City of Alma, Wisconsin Pollution Control Bonds (4.3% - 6½%)	13,600,000	13,600,000
	<u>\$301,724,546</u>	<u>\$256,717,601</u>
Less		
Current maturities	6,428,002	6,013,404
Total Long-Term Debt	<u>\$295,296,544</u>	<u>\$250,704,197</u>

Long-term obligations to the REA are payable in equal quarterly principal and interest installments to 2013.

Principal repayments on the long-term obligation to the FFB begin in 1981 and extend through 2012.

Interest on the NRUCFC obligation at prime plus ½% is due quarterly and repayment of principal is due in quarterly installments from 1982 through 1984. Principal repayments and interest on the 8% NRUCFC obligation are payable quarterly through 1999.

The pollution control bonds are payable in increasing annual amounts in the years 1980 through 2008.

Substantially all of the Cooperative's assets are pledged as collateral for these obligations.

Maturities of the Cooperative's long-term debt, subscriptions for capital term certificates and capitalized lease obligations, during each of the next five years are as follows:

Year	Amount
1980	\$ 7,238,391
1981	21,787,952
1982	12,306,205
1983	8,466,348
1984	9,938,829
1985-2013	253,774,644

The amounts due in 1981 include \$13,962,000 of two year FFB obligations which the Cooperative intends to refinance under the long-term commitment with FFB.

7. LINES OF CREDIT -

To provide interim financing, the Cooperative has arranged lines of credit aggregating \$32,850,000, principally through NRUCFC. Substantially all borrowings are at an interest rate of prime plus ½%. Information relating to borrowings under lines of credit during the years is as follows:

	1979	1978
	(millions)	
Average borrowing outstanding	\$18.3	\$ 9.7
Maximum amount outstanding	\$28.4	\$25.4
Weighted average interest rate at year-end	15.5%	11.7%
Weighted average interest rate for the year	12.8%	9.9%

There are no compensating balance requirements or fees relating to the lines of credit.

8. RETIREMENT OF CAPITAL CREDITS -

The Cooperative's Board of Directors has adopted the policy of retiring capital credits allocated to patron members on a "first-in, first-out" basis so that at all times the Cooperative will not retain as patronage capital any capi-

Statistical Comparative Summary

Unaudited

REVENUE

	1979	1978	1969
Class A Member Power Sales	\$ 69,598,101	\$ 56,400,181	\$ 14,343,101
Class C & E Members and Other Power Sales	31,074,720	25,813,304	6,801,867
Nonoperating Revenue	156,648	(254,414)	669,807
Total Revenue	\$100,829,469	\$ 81,959,071	\$ 21,814,775
NET GENERATING CAPABILITY - kW	963,350	694,100	655,000
KILOWATT-HOUR OUTPUT NET (000 Omitted)			
Steam Generation	3,217,167	2,718,200	2,403,498
Nuclear Generation	200,932	174,223	68,000
Hydro Generation	69,708	77,220	67,481
Diesel Generation	2,685	3,951	10,233
Purchased Power	965,581	1,037,028	382,984
Total	4,456,073	4,010,622	2,932,196
KILOWATT-HOUR SALES (000 Omitted)			
To Class A Members	2,741,331	2,599,841	1,433,484
To Class C & E Members	1,533,065	1,242,906	1,356,996
Total	4,274,396	3,842,747	2,790,480
AVERAGE kWh COST TO MEMBER SYSTEMS			
Gross (Before Margins)	\$.025388	\$.021694	\$.010006
Net (After Margins)	\$.024137	\$.021466	\$.007972
MEMBER CONSUMERS AT END OF YEAR	160,944	157,889	115,172
EMPLOYEES (Average During Year)	649	621	496
UTILITY PLANT AT COST			
Electric Plant in Service	\$418,016,315	\$219,761,574	\$141,574,422
Construction in Progress	15,584,818	168,840,127	9,640,072
Total Electric Plant	\$433,601,133	\$388,601,701	\$151,214,494
Accrued Depreciation	(96,196,317)	(88,009,424)	(36,394,979)
Depreciated Cost of Plant	\$337,404,816	\$300,592,277	\$114,819,515
INVESTMENT AT COST			
Per Consumer	\$ 2,096	\$ 1,904	\$ 1,313
Per Member System	\$ 11,634,649	\$ 10,365,251	\$ 5,600,537
TOTAL ASSETS	\$422,492,975	\$372,789,091	\$142,727,883
TRANSMISSION LINE			
Miles of 34.5 kV	390.33	420.19	762.98
Miles of 69 kV	2,180.21	2,127.20	1,714.22
Miles of 161 kV	509.29	475.68	334.36
Total Miles	3,086.33	3,023.07	2,811.56
DISTRIBUTION SUBSTATIONS	235	224	160
MEMBER SYSTEM SUBSTATIONS DEMAND MAX. kW	554,054	527,779	291,155
MEMBER SYSTEM ANNUAL LOAD FACTOR - %	56.5	56.2	56.2
kWh MO. CONSUMER USE - WITH MUNICIPAL	1,434	1,401	1,048
kWh MO. CONSUMER USE - EXCL. MUNICIPAL	1,301	1,274	942
COAL BURNED (Tons)	1,618,448	1,403,655	1,141,242
COAL COST PER TON DELIVERED	\$ 24.46	\$ 24.56	\$ 6.49

Consolidated Balance Sheets

... 1979

ASSETS AND OTHER D

Distribution Cooperatives Class "A" Members	Total Utility Plant	Accum. Provision for Deprec. & Amort.	Net Utility Plant	Invest. in Assoc. Org.-Pat. Capital	Other Prop. & Invest.	Current & Accrued Assets & Def. Debits	T. As & D.
Wisconsin							
Barron	\$ 11,428,341	3,671,211	7,757,130	3,319,835	497,238	1,849,265	13,42
Bayfield	8,656,718	2,603,524	6,053,194	273,213	349,458	850,544	7,52
Buffalo	3,947,708	1,342,809	2,604,899	1,516,849	173,449	747,940	5,04
Chippewa Valley	4,113,491	1,504,482	2,609,009	1,500,552	287,962	635,070	5,03
Clark	6,822,673	2,388,507	4,434,166	2,752,398	517,758	1,321,691	9,02
Crawford	2,056,984	764,212	1,292,772	926,791	153,023	374,450	2,74
Dunn	5,037,174	1,988,378	3,048,796	2,127,548	533,662	612,788	6,32
Eau Claire	6,798,742	2,009,998	4,788,744	1,886,046	380,181	953,777	8,00
Grant	6,090,937	2,109,325	3,981,612	2,625,449	276,663	667,029	7,55
Jackson	5,168,386	1,467,702	3,700,684	1,192,678	299,219	609,763	5,80
Jump River	5,930,945	1,873,399	4,057,546	1,156,130	344,400	1,021,577	6,57
Lafayette	4,097,157	776,439	3,320,718	1,428,152	201,442	404,166	5,35
Oakdale	9,617,806	3,145,093	6,472,713	2,621,094	1,172,868	1,101,949	11,36
Pierce-Pepin	5,423,235	1,896,411	3,526,824	2,415,835	417,005	1,270,023	7,62
Polk-Burnett	11,539,631	3,325,176	8,214,455	2,203,610	644,512	1,393,992	12,45
Price	6,697,166	2,319,946	4,377,220	199,809	232,669	593,991	5,40
Richland	3,504,111	1,113,085	2,391,026	1,026,377	195,390	370,403	3,98
St. Croix	5,383,913	1,498,534	3,885,379	1,828,118	360,637	750,689	6,82
Taylor	3,283,143	944,191	2,338,952	987,087	288,747	751,395	4,36
Trempealeau	7,563,813	2,074,417	5,489,396	2,462,153	331,229	1,377,694	9,66
Vernon	8,914,742	3,030,436	5,884,306	3,140,612	416,202	1,760,637	11,20
	<u>\$132,076,816</u>	<u>41,847,275</u>	<u>90,229,541</u>	<u>37,590,336</u>	<u>8,073,714</u>	<u>19,418,833</u>	<u>155,31</u>
Illinois							
Jo-Carroll	\$ 4,593,097	1,406,302	3,186,795	1,078,955	222,427	599,774	5,08
Minnesota							
Freeborn-Mower	\$ 10,234,087	2,764,711	7,469,376	3,101,061	603,761	1,073,180	12,24
People's	14,903,845	4,347,984	10,555,861	3,485,899	650,363	1,912,813	16,60
Tri-County	13,226,079	4,065,936	9,160,143	5,207,920	753,969	1,638,375	16,76
	<u>\$ 38,364,011</u>	<u>11,178,631</u>	<u>27,185,380</u>	<u>11,794,880</u>	<u>2,008,093</u>	<u>4,624,368</u>	<u>45,6</u>
Iowa							
Allamakee-Clayton	\$ 9,876,105	3,671,284	6,204,821	2,773,834	551,206	1,441,871	10,97
Cedar Valley	4,557,950	1,647,991	2,909,959	1,697,304	232,723	1,128,973	5,96
Hawkeye Tri-County	6,447,838	2,492,038	3,955,800	2,636,973	108,981	2,044,780	8,74
Winnebago	2,534,090	1,267,900	1,266,190	1,632,036	391,885	556,488	3,84
	<u>\$ 23,415,983</u>	<u>9,079,213</u>	<u>14,336,770</u>	<u>8,740,147</u>	<u>1,284,795</u>	<u>5,172,112</u>	<u>29,53</u>
Total Distribution	\$198,449,907	63,511,421	134,938,486	59,204,318	11,589,029	29,815,087	235,54
Dairyland Power	\$446,187,554 ¹	108,782,738	337,404,816	—	12,592,961	72,495,197	422,49
Total Dist. & Dairyland	\$644,637,461	172,294,159	472,343,302	59,204,318	24,181,990	102,310,284	658,03
DPC Patronage Capital	--	—	—	(58,289,657)	—	—	(58,28
Consolidated*	<u>\$644,637,461</u>	<u>172,294,159</u>	<u>472,343,302</u>	<u>914,661</u>	<u>24,181,990</u>	<u>102,310,284</u>	<u>599,75</u>

*Unaudited

(1) Includes \$12,586,422 LACBWR Original Cost Adjustment, \$14,685,235 of net Nuclear Fuel, \$15,584,818 of Construction Work In Progress, and Includes \$9,124,465 capitalized lease for barges.

LIABILITIES AND OTHER CREDITS

Memberships	Pat. Cap. & Operating Margins	Non-Oper. Margins	Other Margins & Equities	Total Margins & Equities	Long Term Debt	Current & Accrued Liabilities	Def. Credits & Misc. Oper. Res.	Total Liabilities & Other Credits
47,800	5,656,399	205,565	86,462	5,996,226	6,577,729	713,382	136,131	13,423,468
24,604	800,253	17,508	6,407	848,772	5,520,663	940,535	216,439	7,526,409
9,166	2,758,616	—	9,338	2,777,120	1,998,057	262,851	5,109	5,043,137
10,960	2,818,080	—	44,998	2,874,038	1,734,121	294,037	130,397	5,032,593
42,611	6,723,721	—	68,514	6,834,846	1,419,952	704,004	67,211	9,026,013
11,820	1,619,865	33,903	18,407	1,683,995	917,463	145,528	50	2,747,036
31,678	5,300,083	44,254	52,573	5,428,588	313,843	334,327	246,036	6,322,794
68,600	3,539,579	62,686	38,636	3,709,501	3,870,868	359,896	68,483	8,008,748
26,515	4,836,538	—	14,346	4,877,399	2,243,940	414,454	14,960	7,550,753
20,119	3,450,706	—	2,850	3,473,675	1,980,286	271,888	76,495	5,802,344
23,535	1,851,844	46,811	—	1,922,190	4,034,417	526,204	96,842	6,579,653
15,138	3,192,505	18,476	—	3,226,119	1,871,851	212,354	44,154	5,354,478
58,305	4,628,905	61,207	38,606	4,787,023	5,819,312	662,516	99,773	11,368,624
15,770	4,102,767	162,817	9,764	4,291,118	2,682,359	490,012	166,198	7,629,687
63,245	4,574,845	71,131	37,637	4,746,858	6,696,355	905,631	106,725	12,456,569
27,553	951,799	14,448	7,579	1,001,379	3,984,813	265,738	151,759	5,403,689
18,837	2,254,912	—	84	2,273,833	1,374,572	276,121	58,670	3,983,196
19,085	3,621,360	28,269	24,846	3,693,560	2,721,337	396,134	13,792	6,824,823
8,382	2,173,569	33,316	34,435	2,249,702	1,937,647	160,213	18,619	4,366,181
10,752	5,144,968	141,140	68,700	5,365,560	3,685,666	598,341	10,905	9,660,472
38,709	5,925,896	53,831	3,441	6,021,877	4,553,529	612,643	13,708	11,201,757
593,184	75,927,210	995,362	567,623	78,083,379	65,938,780	9,547,809	1,742,456	155,312,424
28,165	2,749,917	30,670	70,639	2,879,391	1,532,847	660,252	15,461	5,087,951
9,680	5,514,298	106,446	78,916	5,709,340	6,254,923	167,082	116,033	12,247,378
44,488	7,010,958	70,716	312,980	7,439,142	8,313,300	811,824	40,670	16,604,936
17,458	12,652,726	529,751	8,036	13,207,971	2,747,228	801,224	3,984	16,760,407
71,626	25,177,982	706,913	399,932	26,356,453	17,315,451	1,780,130	160,587	45,612,721
38,245	7,417,617	177,432	—	7,633,294	2,699,626	594,285	44,527	10,971,732
14,395	3,217,551	15,568	473,021	3,720,535	1,981,356	224,578	42,490	5,968,959
27,075	7,585,454	157,790	300,184	8,070,503	11,182	521,809	143,040	8,746,534
11,385	3,291,774	—	229,758	3,532,917	289,329	23,642	711	3,846,599
91,100	21,512,396	350,790	1,002,963	22,957,249	4,981,493	1,364,314	230,768	29,533,824
784,075	125,367,505	2,083,735	2,041,157	130,276,472	89,768,571	13,352,505	2,149,372	235,546,920
9,202	58,289,657	—	—	58,298,859	313,512,371	49,878,112	803,632	422,492,974
793,277	183,657,162	2,083,735	2,041,157	188,575,331	403,280,942	63,230,617	2,953,004	658,039,894
—	(58,289,657)	—	—	(58,289,657)	—	—	—	(58,289,657)
793,277	125,367,505	2,083,735	2,041,157	130,285,674	403,280,942	63,230,617	2,953,004	599,750,237

DAIRYLAND POWER COOPERATIVE —
MEMBER DISTRIBUTION COOPERATIVES

Consolidated Statement of Revenues and Expenses . . . 1979

Distribution Cooperatives Class "A" Members	Operating Rev. & Pat. Capital	Operating Deduction Total	Cost of Purchased Power	Distribution Expense		Consumer Accounts Expense
				Operations	Maintenance	
Wisconsin						
Barron	\$ 6,105,846	5,643,061	4,286,546	97,672	260,433	180,649
Bayfield	2,126,728	1,984,502	1,160,996	65,009	152,669	121,770
Buffalo	2,533,936	2,269,213	1,607,277	101,835	11,393	46,030
Chippewa Valley	2,433,077	2,275,725	1,744,950	64,512	86,635	47,761
Clark	3,936,644	3,712,514	2,863,769	108,316	129,730	79,472
Crawford	1,437,312	1,365,723	986,979	45,548	88,060	55,805
Dunn	3,411,262	3,020,396	2,383,441	53,229	112,719	38,848
Eau Claire	3,495,494	3,203,005	2,487,407	46,447	118,901	100,235
Grant	4,162,241	3,965,961	3,111,560	123,855	154,705	99,395
Jackson	2,280,770	2,094,701	1,422,681	61,272	128,703	91,418
Jump River	2,435,346	2,186,890	1,307,547	117,063	151,818	86,934
Lafayette	2,037,994	1,903,878	1,351,963	70,364	114,679	30,948
Oakdale	4,880,229	4,508,580	3,073,436	200,254	184,436	180,404
Pierce-Pepin	3,772,342	3,522,255	2,725,510	57,807	165,090	44,377
Polk-Burnett	4,335,994	3,945,165	2,692,902	86,624	258,888	134,031
Price	1,890,644	1,759,491	1,028,656	38,436	204,922	69,301
Richland	1,573,952	1,450,213	1,031,275	55,538	55,402	40,246
St. Croix	3,002,216	2,789,668	2,090,463	73,637	142,956	63,071
Taylor	1,626,648	1,445,783	1,062,670	34,003	62,866	24,992
Trempealeau	4,659,375	4,203,031	3,152,018	182,113	142,928	168,286
Vernon	4,984,393	4,456,634	3,292,849	136,296	222,886	155,105
	\$ 67,122,443	61,706,389	44,864,915	1,819,830	3,056,819	1,859,078
Illinois						
Jo-Carroll	\$ 2,144,835	1,811,598	1,375,405	24,867	80,457	59,909
Minnesota						
Freeborn-Mower	\$ 5,098,843	4,436,354	3,237,039	222,048	231,160	113,932
People's	6,329,525	5,785,961	4,100,792	190,736	382,697	200,507
Tri-County	8,111,605	7,270,379	5,721,890	291,893	294,961	153,829
	\$ 19,539,973	17,492,694	13,059,721	704,677	908,818	468,268
Iowa						
Allamakee-Clayton	\$ 4,686,235	4,313,511	2,998,020	297,767	190,593	167,075
Cedar Valley	2,943,221	2,622,827	2,023,470	33,181	118,041	51,551
Hawkeye	4,048,685	3,967,065	2,968,108	216,526	212,644	54,983
Winnebago	2,927,041	2,918,606	2,508,474	92,826	60,965	29,957
	\$ 14,605,182	13,822,009	10,498,072	640,300	582,243	303,566
Total Distribution	\$103,412,433	94,832,690	69,798,113	3,189,674	4,628,337	2,690,821
Dairyland Power	\$100,672,821	89,297,003	18,509,826	49,443,828	5,161,026	—
Total Dist. & Dairyland	\$204,085,254	184,129,693	88,307,939	52,633,502	9,789,363	2,690,821
DPC Sales & Capital Credits to Dist. Coops	\$(69,598,101)	(69,598,101)	(69,598,101)	—	—	—
Consolidated*	\$134,487,153	114,531,592	18,709,838	52,633,502	9,789,363	2,690,821

*Unaudited

(1) Represents Capital Credit Distribution Prior to Year End Audit Adjustments

Admin. General Expense	Depr. & Amort. Expense	Tax Expense	Utility Operating Margin	Non- Operating Margin	Interest on Long Term Debt	Other Deductions	Gen. & Trans. Capital Credits	Net Margin & Pat. Capital
329,395	280,789	207,577	462,785	104,367	267,625	2,040	217,317	514,804
214,091	191,078	75,628	142,226	25,938	127,406	4,578	59,592	95,772
182,575	95,700	88,550	264,723	45,300	76,250	9	82,375	316,139
175,250	74,410	82,207	157,352	19,266	71,864	1,342	89,565	192,977
218,595	165,642	146,970	224,130	65,900	40,208	1,074	146,911	395,659
96,942	39,278	51,792	71,589	21,999	29,988	4,244	50,660	110,016
199,243	126,093	106,823	390,866	46,091	6,075	438	122,338	552,782
190,137	149,452	109,591	292,489	69,148	154,860	733	127,674	333,718
191,764	145,980	137,529	196,280	45,968	98,977	991	159,228	301,508
188,185	116,737	85,705	186,069	36,537	67,236	312	73,230	228,288
290,345	131,694	93,177	248,456	31,969	126,483	39,666	67,632	181,908
157,011	100,144	78,337	134,116	18,476	97,457	14,839	69,022	109,318
442,322	242,280	181,679	371,649	70,233	144,016	66,907	157,607	388,566
260,336	133,110	126,106	250,087	36,520	104,528	319	136,419	318,179
341,953	270,763	158,804	390,829	80,196	215,864	552	138,222	392,831
184,455	164,612	62,343	131,153	16,262	107,135	—	52,749	93,029
141,541	71,796	54,415	123,739	22,170	46,046	60	52,866	152,669
176,608	141,012	101,921	212,548	36,783	110,415	8,298	107,300	237,918
124,684	71,126	56,645	180,865	38,295	84,965	—	54,545	188,740
225,236	167,922	156,028	456,344	43,793	151,637	5,356	160,428	503,572
268,372	210,936	169,924	527,759	66,110	150,863	3,298	168,855	608,563
599,040	3,093,554	2,331,751	5,416,054	941,321	2,279,898	155,056	2,294,535	6,216,956
129,650	116,568	24,551	333,237	19,164	49,954	10,596	70,274	362,125
318,949	259,010	54,216	662,489	64,531	268,406	6,005	167,282	619,891
401,791	371,264	134,997	543,564	84,203	307,276	1,728	209,682	528,445
442,654	240,810	112,038	841,226	91,978	119,178	1,242	292,721	1,105,505
163,394	871,084	301,251	2,047,279	240,712	694,860	8,975	669,685	2,253,841
320,559	246,299	93,198	372,724	68,626	91,195	1,559	153,883	502,479
250,063	95,667	39,232	320,394	22,941	65,434	10,476	107,969	375,394
270,655	181,543	62,606	81,620	76,980	5	1,511	152,347	309,431
128,883	66,518	25,073	8,435	69,446	5,431	379	123,646	195,717
970,160	590,027	220,109	783,173	237,993	162,065	13,925	537,845	1,383,021
862,244	4,671,233	2,877,662	8,579,743	1,439,190	3,186,777	188,552	3,572,339	10,215,943
471,480	7,691,450	3,937,478	11,375,818	156,648	4,713,704	3,388,063	—	3,430,699
333,724	12,362,683	6,815,140	19,955,561	1,595,838	7,900,481	3,576,615	3,572,339	13,646,642
—	—	—	—	—	—	—	(3,572,339) ¹	(3,572,339)
333,724	12,362,683	6,815,140	19,955,561	1,595,838	7,900,481	3,576,615	—	10,074,303

Dairyland Power Cooperative

WISCONSIN

- Barron Electric Cooperative
Barron
- Bayfield Electric Cooperative, Inc.
Iron River
- Buffalo Electric Cooperative
Aima
- Chippewa Valley Electric Cooperative
Cornell
- Clark Electric Cooperative
Greenwood
- Crawford Electric Cooperative
Gays Mills
- Dunn County Electric Cooperative
Menomonie
- Eau Claire Electric Cooperative
Fall Creek
- Grant Electric Cooperative
Lancaster
- Jackson Electric Cooperative
Black River Falls
- Jump River Electric Cooperative, Inc.
Ladysmith
- Lafayette Electric Cooperative
Darlington
- Oakdale Electric Cooperative
Oakdale
- Pierce-Pepin Electric Cooperative
Ellsworth
- Polk-Burnett Electric Cooperative
Centuria
- Price Electric Cooperative, Inc.
Phillips
- Richland Electric Cooperative
Richland Center
- St. Croix County Electric Cooperative
Baldwin
- Taylor County Electric Cooperative
Medford
- Trempealeau Electric Cooperative
Arcadia
- Vernon Electric Cooperative
Westby

IOWA

- Allamakee-Clayton Electric Cooperative,
Postville
- Cedar Valley Electric Cooperative
St. Ansgar
- Hawkeye Tri-County Electric Cooperative
Cresco
- Winnebago Rural Electric Cooperative
Association
Thompson

MINNESOTA

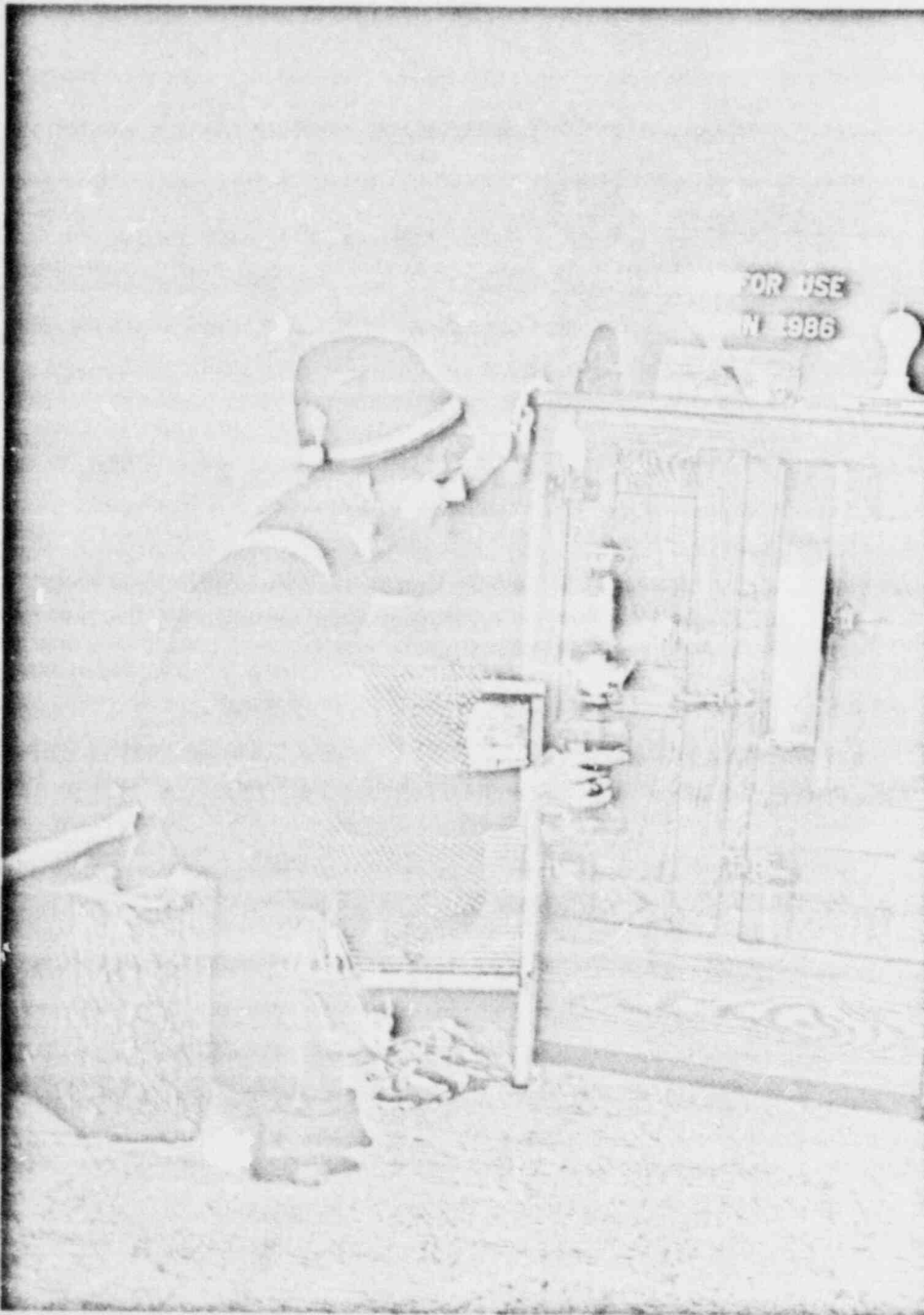
- Freebom-Mower Electric Cooperative
Albert Lea
- People's Cooperative Power Association
Rochester
- Tri-County Electric Cooperative
Rushford

ILLINOIS

- Ju-Carroll Electric Cooperative, Inc.
Elizabeth

AFFILIATED MEMBER COOPERATIVES

- Adams-Marquette Electric Cooperative
Friendship, Wisconsin
- Central Wisconsin Electrical Cooperative
Iola, Wisconsin
- Columbus Rural Electric Cooperative, Inc.
Columbus, Wisconsin
- Oconto Electric Cooperative
Oconto Falls, Wisconsin
- Rock County Electric Cooperative Association
Janesville, Wisconsin
- Waukhara Electric Cooperative
Wautoma, Wisconsin



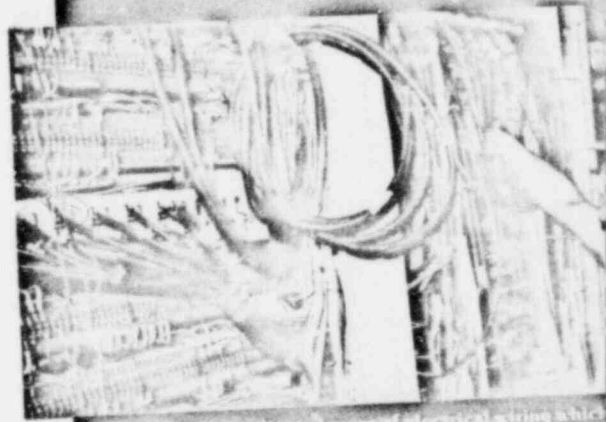
Remember the "good old days?" Take a few seconds to think of all the conveniences in your home that use electricity . . . now take a few more seconds to think of the adjustments you would have to make without the conveniences of electricity. The electric power industry is currently a beleaguered industry and utilities are having a difficult time meeting the electrical demands of consumers.



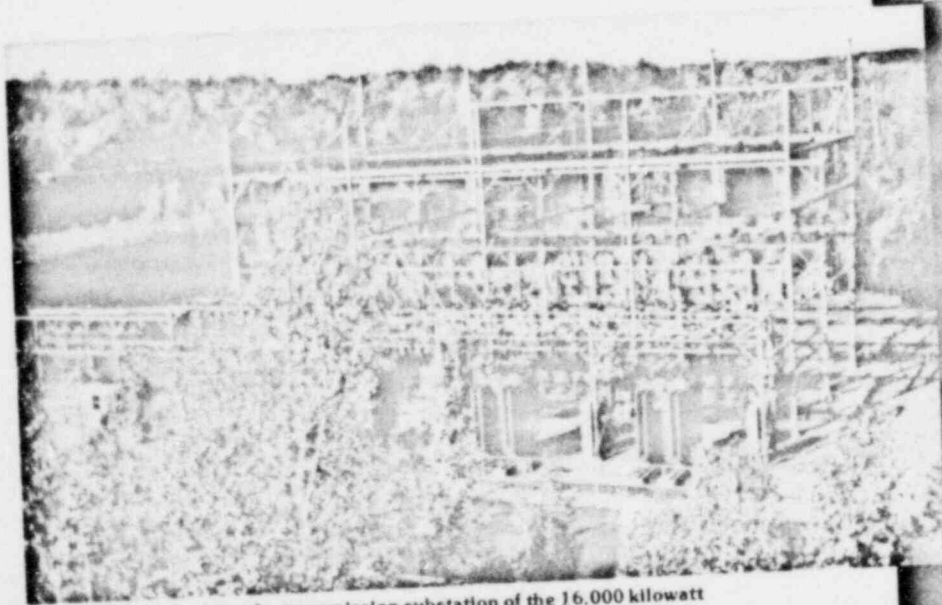
Dairyland Power unit train cars bear the identification letters DAPX and number from 1 through 242. They are black with blue ends and white lettering and are easily identified along the main line of the Burlington Northern Railroad between Gillette, Wyo., and Alma, Wis. Each car carries approximately 105 tons of coal. Two 105-car unit train shipments are scheduled to arrive weekly at Dairyland Power's John P. Madgett Station.



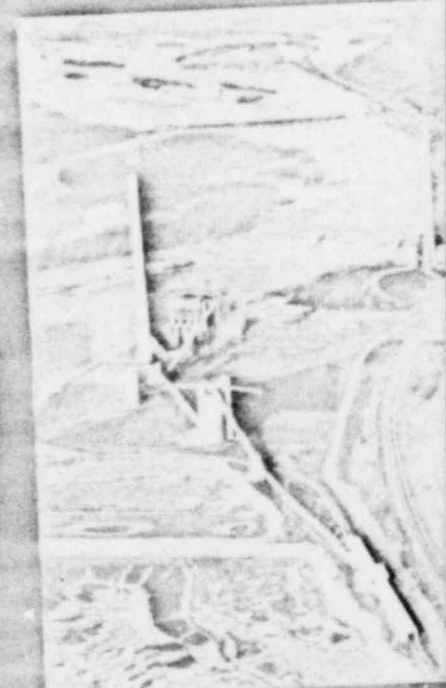
The diameter of this 201,000-volt conductor is such that it is approximately 6,000 feet of this conductor as thick as a pencil.



The complicated maze of electrical wiring which controls instruments and other electrical devices at John P. Madgett Station.



A fall scene overlooking the transmission substation of the 16,000 kilowatt Flambeau Hydroelectric plant in Ladysmith, Wis.

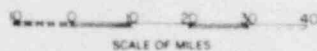


Dairyland Power's Alma site. In the foreground is John P. Madgett Station which houses Alma. Also pictured is the 210,000 kilowatt Alma station with five units. Lock and Dam #4 and Alma are in the background.

DAIRYLAND POWER COOPERATIVE GENERAL OFFICES:
LA CROSSE, WISCONSIN 54601



Legend



- ⊗ Generating Station
- ⊠ Transmission Substation
- ▲ Distribution Substation
- 161 KV Transmission Line
- - - 69 KV Transmission Line
- 34.5 KV Transmission Line
- - - Foreign Transmission Line
- - - Interconnection with Other Power System

ARTHUR ANDERSEN & Co.
MINNEAPOLIS, MINNESOTA

To the Members and the Board of Directors

Dairyland Power Cooperative:

We have examined the balance sheets of DAIRYLAND POWER COOPERATIVE (a Wisconsin cooperative) as of December 31, 1979 and 1978, and the related statements of revenues and expenses and patronage capital and sources of funds used for construction for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our auditors' report dated March 23, 1979, our opinion on the 1978 financial statements was qualified as being subject to the effect on the financial statements of such adjustments, if any, as might have been required had the outcome of the denial of a certificate of need for construction of the Tyrone Energy Park and the subsequent decision by the Cooperative and the other participants to discontinue the project been known. As explained in Note 4 to the financial statements, the project was discontinued in 1979. The Cooperative's principal regulatory agency has approved classifying the accumulated costs of approximately \$11.5 million as deferred charges which will be recoverable in the future through increased rates. Accordingly, our present opinion on the 1978 financial statements, as presented herein, is different from that expressed in our previous report.

As discussed in Note 10 to the financial statements, the Wisconsin Department of Revenue is challenging the Cooperative's method of determining its gross revenue license fee for the years 1973 through 1977. The Cooperative is contesting the Department of Revenue's assessment for additional license fees, however, the additional amount to be paid, if any, is not determinable at this time.

In our opinion, subject to the effect of the outcome of the gross revenue license fee matter described in the preceding paragraph, the financial statements referred to above present fairly the financial position of Dairyland Power Cooperative as of December 31, 1979 and 1978, and the results of its operations and sources of funds used for construction for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Minneapolis, Minnesota,

March 14, 1980.

A S S E T S

	<u>1979</u>	<u>1978</u>
ELECTRIC PLANT (Notes 1, 2, 3, 4 and 6):		
Plant and equipment, at original cost	\$403,331,080	\$209,470,904
Accumulated depreciation	(96,196,317)	(88,009,424)
	<u>\$307,134,763</u>	<u>\$121,461,480</u>
Construction work in progress-		
Tyrone Energy Park	-	7,486,879
John P. Madgett Station	1,809,806	144,215,218
Other	13,775,012	17,138,030
Nuclear fuel, at amortized cost	14,685,235	10,290,670
Total electric plant	<u>\$337,404,816</u>	<u>\$300,592,277</u>
INVESTMENTS, at cost:		
Capital term certificates of National Rural Utilities Cooperative Finance Corporation (Note 5)	\$ 10,334,726	\$ 8,792,372
Pollution Control Bond proceeds on deposit with trustee	1,237,324	2,941,655
Other investments	1,020,912	1,854,090
Total investments	<u>\$ 12,592,962</u>	<u>\$ 13,588,117</u>
CURRENT ASSETS:		
Cash	\$ 124,765	\$ 389,761
Accounts receivable-		
Energy sales	10,977,671	12,087,698
Other	1,375,910	1,446,874
Inventories, at average cost-		
Fossil fuels	44,358,885	40,294,051
Materials and supplies	4,046,801	2,534,703
Prepaid expenses	468,419	1,209,246
Total current assets	<u>\$ 61,352,451</u>	<u>\$ 57,962,333</u>
DEFERRED CHARGES:		
Abandoned facilities, being amortized (Note 4)	\$ 9,553,391	\$ -
Other	1,589,355	646,364
	<u>\$ 11,142,746</u>	<u>\$ 646,364</u>
	<u>\$422,492,975</u>	<u>\$372,789,091</u>
	=====	=====

The accompanying notes to financial statements a

PER 31, 1979 AND 1978

CAPITALIZATION AND LIABILITIES

	<u>1979</u>	<u>1978</u>
CAPITALIZATION:		
Long-term obligations, less current maturities included below (Notes 3 and 6)-		
Long-term debt	\$295,296,544	\$250,704,197
Subscriptions to capital term certificates of National Rural Utilities Cooperative Finance Corporation, due in varying annual amounts to 1984 (Note 5)	3,318,350	2,663,378
Capitalized lease obligations principally at implicit interest rates of 7%, due in varying amounts to 1995	7,659,084	7,974,798
Total long-term obligations	<u>\$306,273,978</u>	<u>\$261,342,373</u>
Member and patron equities-		
Membership fees	\$ 9,202	\$ 8,839
Patronage capital (Notes 8 and 10)	58,289,658	56,704,530
Total member and patron equities	<u>\$ 58,298,860</u>	<u>\$ 56,713,369</u>
Total capitalization	<u>\$364,572,838</u>	<u>\$318,055,742</u>
CONTINGENT LIABILITIES AND COMMITMENTS (Notes 2, 3 and 10)		
CURRENT LIABILITIES:		
Current maturities of long-term obligations	\$ 7,238,391	\$ 6,720,584
Notes payable (Note 7)	28,100,000	22,000,000
Accounts payable-		
General	4,891,430	6,497,105
Construction	10,144,937	11,149,477
Accrued liabilities-		
Payroll and vacation pay	1,443,770	1,260,880
Taxes	1,704,920	1,118,904
Interest	827,399	1,435,473
Nuclear fuel reprocessing costs (Note 1)	2,622,994	2,285,974
Other	946,296	2,264,952
Total current liabilities	<u>\$ 57,920,137</u>	<u>\$ 54,733,349</u>
	<u>\$422,492,975</u>	<u>\$372,789,091</u>
	=====	=====

e an integral part of these balance sheets

DAIRYLAND POWER COOPERATIVE

STATEMENTS OF REVENUES AND EXPENSES AND PATRONAGE CAPITAL

FOR THE YEARS ENDED DECEMBER 31, 1979 AND 1978

	1979	1978
<u>REVENUES AND EXPENSES</u>		
OPERATING REVENUES:		
Sales of electric energy	\$100,547,645	\$82,213,485
Other	125,176	19,755
Total operating revenues	\$100,672,821	\$82,233,240
OPERATING EXPENSES:		
Power generation-		
Fuel	\$ 43,034,502	\$33,040,161
Operation	5,865,730	5,412,069
Maintenance	3,776,033	5,769,027
Purchased and interchanged power	18,360,383	20,252,806
Transmission-		
Operation	543,595	538,300
Maintenance	1,261,986	1,217,988
Administrative and general-		
Operation	4,702,838	3,602,641
Maintenance	123,007	93,768
Depreciation and amortization (Note 1)	7,691,450	6,642,379
Taxes	3,937,478	2,801,947
Total operating expenses	\$ 89,297,002	\$79,371,086
Operating margin, before interest and other deductions	\$ 11,375,819	\$ 2,862,154
INTEREST AND OTHER DEDUCTIONS:		
Interest on-		
Long-term obligations	\$ 15,352,985	\$ 9,952,491
Short-term obligations	2,388,349	972,804
Allowance for borrowed funds used during construction (Note 1)	(11,681,830)	(7,825,728)
Amortization of abandoned facilities (Note 4)	1,905,750	-
Other	136,513	18,352
Total interest and other deductions	\$ 8,101,767	\$ 3,117,919
Operating margin (deficit)	\$ 3,274,052	\$ (255,765)
NONOPERATING MARGIN:		
Allowance for funds, other than borrowed funds, used during construction (Note 1)	-	1,121,072
Other	156,647	(274,168)
Net margin	\$ 3,430,699	\$ 591,139
<u>PATRONAGE CAPITAL</u>		
PATRONAGE CAPITAL BEGINNING OF YEAR	56,704,530	57,550,907
RETIREMENT OF CAPITAL CREDITS (Note 8)	(1,845,571)	(1,437,516)
PATRONAGE CAPITAL END OF YEAR, including margins assignable of \$3,430,699 in 1979 and \$591,139 in 1978	\$ 58,289,658	\$56,704,530

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

DAIRYLAND POWER COOPERATIVE

STATEMENTS OF SOURCES OF FUNDS USED FOR CONSTRUCTION

FOR THE YEARS ENDED DECEMBER 31, 1979 AND 1978

	<u>1979</u>	<u>1978</u>
FUNDS GENERATED INTERNALLY:		
Net margins	\$ 3,430,699	\$ 591,139
Noncash items-		
Depreciation and amortization:		
Charged to operations	7,691,450	6,642,379
Charged to clearing and other accounts	1,186,620	1,029,592
Amortization of abandoned facilities and other deferred charges (Note 4)	1,997,156	-
Nuclear fuel amortization	1,144,817	689,513
Allowance for funds other than borrowed funds used during construction	-	(1,121,072)
Funds generated by operations	\$ 15,450,742	\$ 7,831,551
Retirement of capital credits	(1,845,571)	(1,437,516)
Funds generated internally	<u>\$ 13,605,171</u>	<u>\$ 6,394,035</u>
FUNDS OBTAINED FROM OUTSIDE SOURCES:		
Long-term borrowing from FFB and REA (Note 6)	\$ 50,793,034	\$ 55,464,174
Pollution Control Bond financing, less amounts on deposit with trustee	1,494,331	10,658,345
Sale of non utility property	875,600	-
Short-term borrowing	6,100,000	12,900,000
Repayment of long-term obligations to REA	(5,472,800)	(5,456,279)
Reduction of other long-term debt	(315,714)	(291,909)
Net funds obtained from outside sources	<u>\$ 53,474,371</u>	<u>\$ 73,274,331</u>
OTHER SOURCES (USES) OF FUNDS:		
Purchase of capital term certificates, net of change in subscription	\$ (887,382)	\$ (1,065,339)
Decrease in other investments	(42,422)	112,346
Abandoned facilities and other deferred charges, net	(12,493,175)	(276,587)
Changes in other working capital items-		
Cash	264,996	(37,172)
Accounts receivable	1,180,991	(3,355,274)
Inventories	(5,576,932)	(15,760,684)
Prepaid expense	740,827	280,811
Accounts payable	(2,610,215)	3,159,104
Accrued liabilities	(820,804)	2,118,992
Total other sources (uses) of funds	<u>\$(20,244,116)</u>	<u>\$(14,823,803)</u>
FUNDS USED FOR CONSTRUCTION	<u>\$ 46,835,426</u>	<u>\$ 64,844,563</u>
Add- Allowance for funds other than borrowed funds used during construction	-	1,121,072
ELECTRIC PLANT ADDITIONS, net	<u><u>\$ 46,835,426</u></u>	<u><u>\$ 65,965,635</u></u>

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

(1) Summary of Significant Accounting Policies-

Organization:

Dairyland Power Cooperative (the Cooperative) is an electric generation and transmission cooperative association organized under the laws of Wisconsin. The Cooperative provides wholesale electric service to member distribution cooperatives engaged in the retail sale of electricity to member consumers located in Wisconsin and parts of Minnesota, Iowa, Illinois and Michigan.

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 Electrification Administration (REA), the Cooperative's principal regulatory agency.

Depreciation:

Depreciation is provided based on the straight-line method at rates which are designed to amortize the original cost of properties over their estimated useful lives. The provision for depreciation averaged 3.3% of depreciable plant balances for 1979 and 1978.

Amortization of Nuclear Fuel:

The cost of nuclear fuel is charged to fuel expense based on heat produced for the generation of electricity. The salvage value of fuel assemblies and cost of disposal of spent fuel are being recorded over the lives of individual assemblies based upon management's estimate of such amounts.

Income Taxes:

The Cooperative is exempt from Federal and state income taxes. Accordingly, no provision for such taxes has been made in the accompanying financial statements.

Allowance for Funds Used During Construction:

Allowance for funds used during construction represents the cost of borrowed funds and a return on other capital used for construction purposes and is capitalized as a component of electric plant. The amount of such allowance is determined by applying a rate to the balance of nuclear fuel and certain electric plant additions under construction. The rates used varied from 6.4% to 15.5% in 1979 and from 5% to 7.5% in 1978, depending on the source of funds.

(1) Summary of Significant Accounting Policies (continued):

Property Additions:

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

(2) Nuclear Reactor-

The Cooperative has operated a nuclear generating facility under a provisional operating license which expired in 1975. The reactor is presently being operated under an informal extension of the provisional operating license. The Cooperative has applied to the Nuclear Regulatory Commission (NRC) for a permanent operating license. Because of the three Mile Island (TMI) accident, NRC is directing its resources towards TMI issues; therefore, its consideration of construction permits and operating licenses, including the Cooperative's application for an operating license, has been delayed. The Cooperative is unable to predict when a permanent operating license may be granted.

Recent events indicate that the manner of decommissioning a nuclear generating plant and the manner of disposition of spent nuclear fuel may not be determined for many years. Additionally, not all NRC requirements resulting from reviews of the TMI accident have been defined. While the provision for depreciation includes a factor to provide for estimated decommissioning costs, the eventual cost of retiring a nuclear generating unit is uncertain at the present time. The Cooperative continues to review its decommissioning cost estimates and it expects that any increases in such costs will be provided for in future rates.

(3) Construction and Commitments-

The Cooperative's 1980 estimated construction program is \$29 million. Financing of construction is expected to be provided by borrowings from the Federal Financial Bank (FFB) and short-term lines of credit with the National Rural Utilities Cooperative Finance Corporation (NRUCFC).

(4) Abandoned Facilities-

The Cooperative was one of four joint owners in a project to build an 1,100 megawatt nuclear generating facility in western Wisconsin to have been known as the Tyrone Energy Park. At December 31, 1978, the Cooperative had invested approximately \$7.5 million in the project.

On March 6, 1979, the Wisconsin Public Service Commission issued an order denying the application for a certificate of need for the project. On July 24, 1979, the co-owners reached an agreement to terminate and abandon the project. At the time of abandonment, the Cooperative had incurred or was committed for costs of approximately \$11.5 million for its share of the project, including allowance for funds used during construction.

The Cooperative has received approval from REA to reclassify its investment in the Tyrone Energy Park as a deferred charge and to begin amortization of these costs over a 60 month period commencing March 1, 1979. Such amortization is to be recovered through additional rates. Amortization for 1979 was approximately \$1.9 million.

(5) Investment in National Rural Utilities
Cooperative Finance Corporation-

The Cooperative has purchased or subscribed to purchase approximately \$10.3 million of unsecured subordinated capital term certificates to be issued by the National Rural Utilities Cooperative Finance Corporation. The certificates will bear interest at the rate of 3% per year and will mature in 2020, 2025, and 2030. Of the above amount, \$3.8 million will be purchased during the period 1980 to 1984 in annual installments approximating .7% of operating revenues, as defined.

(6) Long-Term Obligations-

The Cooperative's long-term debt outstanding as of December 31, consists of the following:

	1979	1978
REA Obligations (2%)	\$106,048,051	\$120,919,931
REA Obligations (5%)	19,267,495	3,872,670
FFB Obligations (7.6% - 11.3%)	146,359,000	113,000,000
NRUCFC Obligations-		
Prime plus 1/2%	8,025,000	5,325,000
8%	8,425,000	-
City of Alma, Wisconsin Pollution Control Bonds (4.3% - 6-1/8%)	13,600,000	13,600,000
	\$301,724,546	\$256,717,601
Less Current Maturities	6,428,002	6,013,404
Total Long-Term Debt	\$295,296,544	\$250,704,197

Long-term obligations to the REA are payable in equal quarterly principal and interest installments to 2013.

Principal repayments on the long-term obligation to the FFB begin in 1981 and extend through 2012.

Interest on the NRUCFC obligation of prime plus 1/2% is due quarterly and repayment of principal is due in quarterly installments from 1982 through 1984. Principal repayments and interest on the 8% NRUCFC obligation are payable quarterly through 1999.

The pollution control bonds are payable in increasing annual amounts in the years 1980 through 2008.

Substantially all of the Cooperative's assets are pledged as collateral for these obligations.

Maturities of the Cooperative's long-term debt, subscriptions for capital term certificates and capitalized lease obligations during each of next five years are as follows:

Year	Amount
1980	\$ 7,238,391
1981	21,787,952
1982	12,306,205
1983	8,466,348
1984	9,938,829
1985-2013	253,774,644

The amounts due in 1981 include \$13,962,000 of two year FFB obligations which the Cooperative intends to refinance under the long-term commitment with FFB.

(7) Lines of Credit-

To provide interim financing, the Cooperative has arranged lines of credit aggregating \$32,850,000, principally through NRUCFC. Substantially all borrowings are at an interest rate of prime plus 1/2%. Information relating to borrowings under lines of credit during the years is as follows:

	<u>1979</u>	<u>1978</u>
	(millions)	
Average borrowing outstanding	\$18.3	\$ 9.7
Maximum amount outstanding	\$28.4	\$25.4
Weighted average interest rate at year-end	15.5%	11.7%
Weighted average interest rate for the year	12.8%	9.9%

There are no compensating balance requirements or fees relating to the lines of credit.

(8) Retirement of Capital Credits-

The Cooperative's Board of Directors has adopted the policy of retiring capital credits allocated to patron members on a "first-in, first-out" basis so that at all times the Cooperative will not retain as patronage capital any capital contributed or deposited more than twenty years prior to the current year. Accordingly, the 1958 capital credits were retired in 1978 and the 1959 capital credits were retired in 1979. Implementation of this policy is subject to annual review and approval by the Board of Directors and the REA, and no cash retirements are to be made which would impair the financial condition of the Cooperative or violate any terms of its agreements.

(9) Pension Plan-

Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association Retirement and Security Program. Pension cost was approximately \$944,000 in 1979 and \$825,000 in 1978. The Cooperative's policy is to fund pension costs accrued.

(10) Contingencies-

The Wisconsin Department of Revenue has examined the Cooperative's method of determining gross revenue license fee for the years 1973 through 1976, and has assessed deficiencies and interest of approximately \$1.1 million for these years. The Cooperative estimates that additional license fees of approximately \$600,000 could be assessed for 1977 if the Department of Revenue's method of computing the license fee is applied to that year. These amounts have not been reflected in the accompanying financial statements. License fees for 1978 and 1979 have been accrued on a new basis of assessment approved by the Wisconsin Department of Revenue. The Cooperative, on the advice of legal counsel, is vigorously contesting the findings of the Department of Revenue and believes that any liability will be substantially reduced or eliminated; however, the outcome of this matter cannot presently be predicted.

In January, 1980, an accident at the Cooperative's John P. Madgett Station caused significant damage to the boiler. Temporary repairs are being made and it is expected that the plant will be returned to operations by May 1, 1980. Further permanent repairs are to be made at a later date. In the opinion of management and legal counsel, the cost of these repairs will be substantially covered by builders' risk insurance on the station or by warranties of the manufacturer and contractors.

The Cooperative has been named in several lawsuits and claims, primarily related to the construction and operation of the John P. Madgett station. 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 adverse effect on the financial statements of the Cooperative.