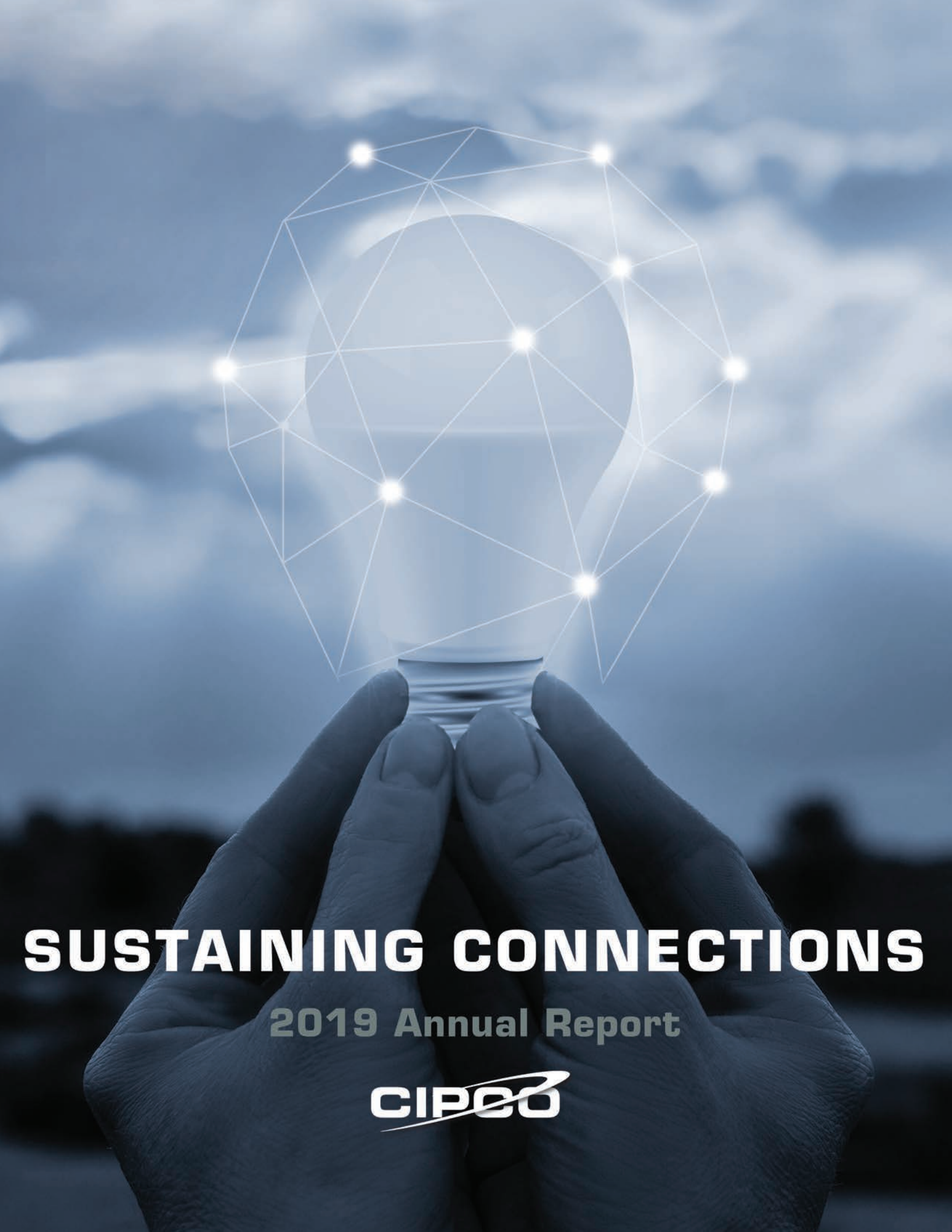


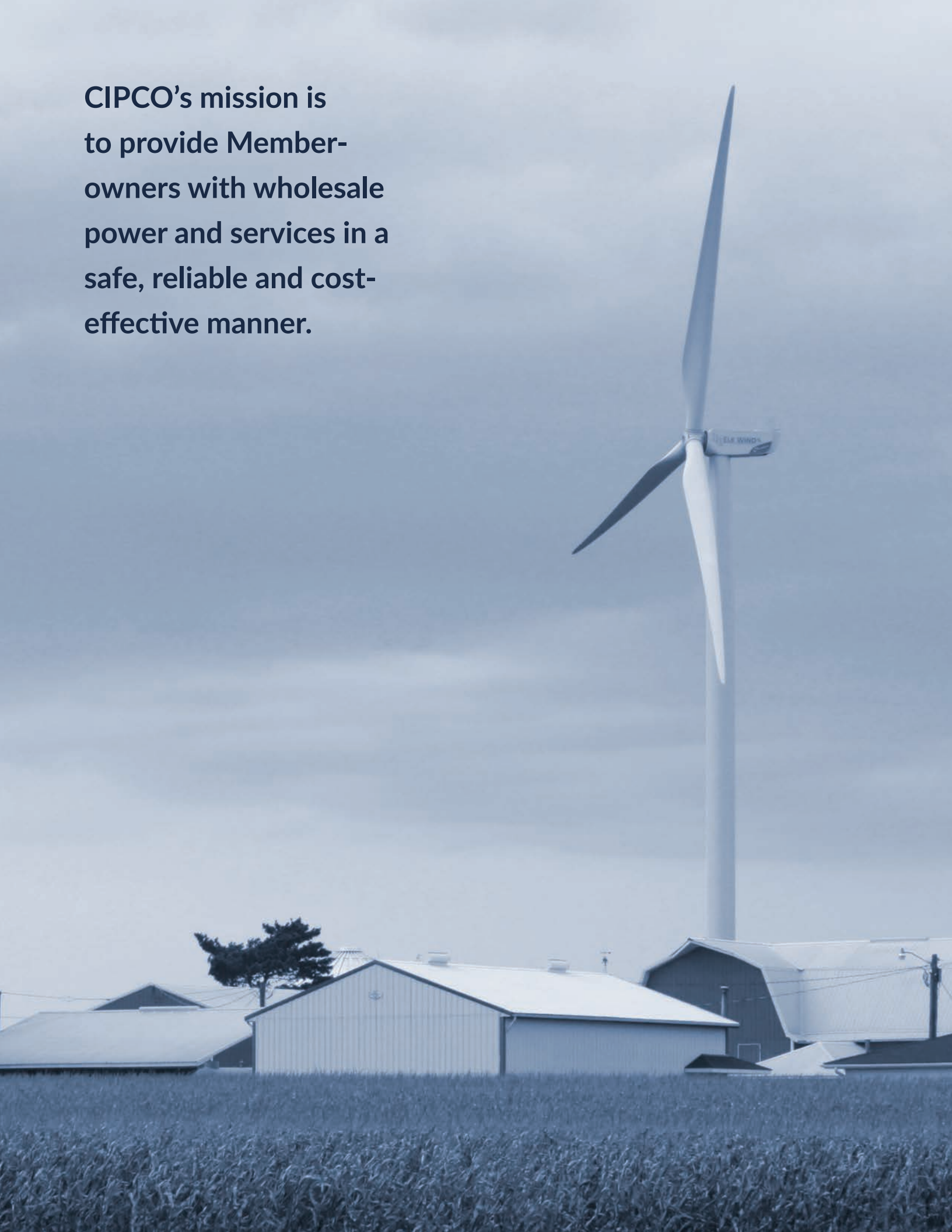
SUSTAINING CONNECTIONS

2019 Annual Report

CIPCO

“Sustaining connections at the intersection of our cooperative network was the catalyst for Central Iowa Power Cooperative in 2019.”

CIPCO's mission is to provide Member-owners with wholesale power and services in a safe, reliable and cost-effective manner.



MESSAGE FROM THE CEO

Sustaining connections at the intersection of our cooperative network was the catalyst for Central Iowa Power Cooperative last year. If 2018 was a groundbreaking year, then 2019 was a year of executing on strategy. The opportunities afforded by change produced action to sustain connections within and across our broad electric cooperative network as well as connections to CIPCO's proud past and future vision. The organization rolled up its sleeves and got to work implementing strategic priorities along with new generation projects designed to partially replace output from one of CIPCO's primary sources of energy, the Duane Arnold Energy Center (DAEC), set to close in October 2020.

Taking stock of the invested value of relationships throughout our 73 years has been an important driver of success. Leveraging the commitment and perspectives of our board members with a combined total of 121 years of service dedicated to CIPCO, understanding the impact of a total of 263 years of connection to our 13 member-owners, and valuing the sum of 1,156 years invested in CIPCO by our employees, brings into focus many of our organizational and personal connections.

We acted quickly to implement plans for new generation projects to replace the gap created in our future resource plan by the closure of DAEC. These new generation projects align with CIPCO's goal of providing a diverse, cost-effective, 24/7 energy portfolio. Progress continued on the project at Wapello Solar, a 100 MW facility on 850 acres in Louisa County, from which we will purchase 100 percent of its output with Clēnera retaining ownership of the renewable energy credits. Wapello Solar is slated to be Iowa's largest solar project. In 2019, a transmission system impact study for the project was completed while the developer obtained zoning approvals along with a generating certificate from the Iowa Utilities Board. We expect the project at Wapello Solar to come online in late 2020.

Work began in earnest early last year at the Summit Lake Generating Station in Creston, an $85 million repowering project to modernize the 70-year-old plant, adding 55 MW of efficient natural gas-fired reciprocating engines while retiring old steam turbines. Significant work took place throughout the year, including finalizing a contract with Wärtsilä North America to supply the prime movers, generating equipment, and most of the auxiliary equipment as well as identifying engineering and design services from Sargent & Lundy. After moving our office in Creston, demolition, and the start of construction, great progress is being made. The new engines are expected to be in place and operational in late 2020.

In addition, the implementation of the Low Voltage Transmission New-To-Replace-Old (NTRO) program in 1986 has been responsible for rebuilding approximately 1,100 miles of original line. In 2019 a comprehensive program to repair and replace substations across the territory was added as an important part of the program. NTRO, along with sound operating and maintenance programs, helps ensure our transmission system attains the high degree of reliability members expect and deserve. CIPCO ended its eighth consecutive year in which outage totals were less than the target of one hour per consumer.

When it comes to safety, we're proud of CIPCO's achievement of two million hours worked over 10 years without a lost-time injury. We celebrated this industry milestone by acknowledging the safety-minded daily work of our entire team of employees including a visit from a representative of the National Safety Council.

Financial strength is integral to our success and has led to strong credit ratings, stable rates that are now among the lowest G&Ts in the Midwest, and access to borrowing capital to complete system upgrades and

enhancements cost effectively. Both Standard & Poor's and Fitch Ratings recently completed their annual review and affirmed CIPCO's "A" Issuer Rating and their Rating Outlook as Stable. The unexpected early closure of DAEC underscores the important actions taken over many years to manage risk and position CIPCO to effectively manage the loss of a vital generation resource. As a result, CIPCO has managed through this period of change by adjusting its future resource strategy while maintaining stable or declining rates as new cost-effective resources are secured. CIPCO's 2019 average system rate was the lowest in more than 10 years.

Returning patronage capital is a fundamental component of the cooperative business model. CIPCO remains dedicated to sound financial practices that allow margins to be returned to its members in the form of patronage. During 2019, CIPCO returned patronage totaling more than $10.5 million to its member-owners.

In addition, we restructured and developed CIPCO's leadership team in order to sustain leadership continuity. We demonstrated our commitment to economic development requests from local communities through our REDLG and RLF loan programs as well as donations to charitable organizations. In today's energy-conscious world, CIPCO and its member systems set a record by issuing energy-efficiency rebates saving 13,233,348 kWh. In comparison, the average house uses nearly 11,000 kWh a year, according to the U.S. Energy Information Administration.

CIPCO's newly written mission frames how and why we connect to each other, "to provide member-owners with wholesale power and services in a safe, reliable, and cost-effective manner." This mission will guide our work as we collaborate on a new wholesale power contract in the coming year, including looking at options for flexibility and resources directed by member cooperatives.

I'm proud to say, what follows in this report, reflects our work together in 2019, meeting the mission set by our members, and sustaining connections to each other now and into the future.

Bill Cherrier
Executive Vice President & CEO

(l-r) **Bill Cherrier**, Executive Vice President & CEO; **Dan Burns**, VP Utility Operations; **Dawn Sly-Terpstra**, VP Member Relations; **Paul Hofman**, VP Information Technology; **Memorea Schrader**, VP Human Resources; and **Andrew St. John**, VP & CFO.

CIPCO
AT A GLANCE

Year Founded: 1946

Locations: Cedar Rapids, Creston, Des Moines and Wilton

Ownership: Member-owned, not-for-profit cooperative

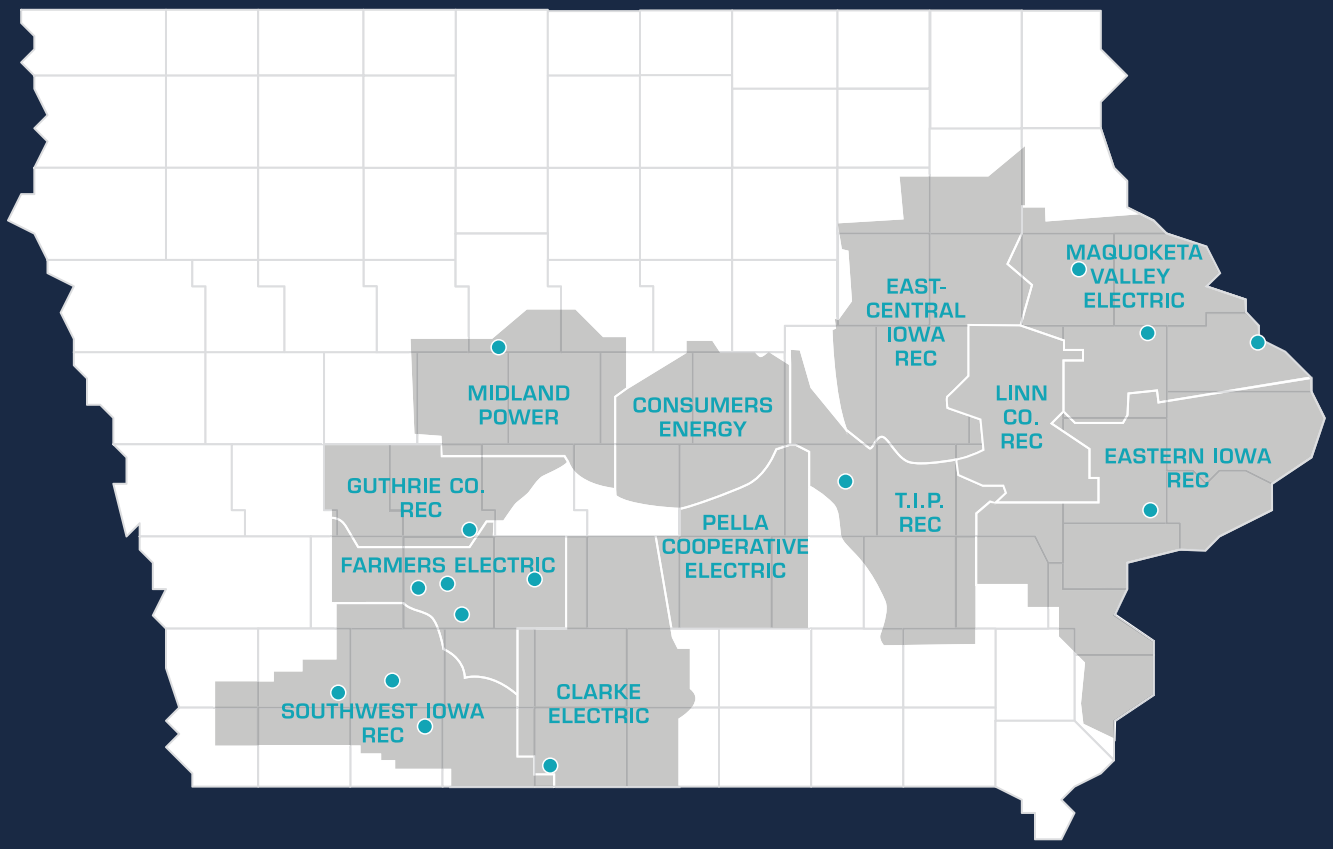
Profits: Earnings above the cost of providing electric service are returned to member systems as patronage dividends

Territory: Stretches 300 miles diagonally across Iowa, adjoining 12 of Iowa's 17 cities with populations greater than 25,000 and serving 58 of Iowa's 99 counties

Approximate population served: 300,000

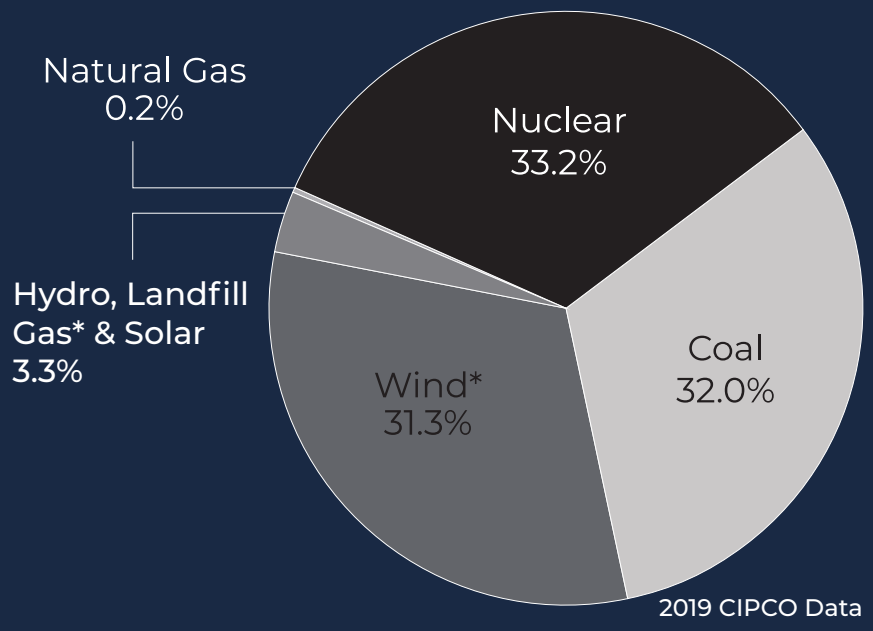
Member system territories

- South Iowa Municipal Electric Cooperative Association (SIMECA) Member



A balanced portfolio of energy sources

CIPCO is committed to providing energy through a diverse mix of nuclear, wind, hydro, solar, landfill gas, natural gas, coal and oil energy resources. Currently 33.7% of our resources are carbon-free.*



Generation facilities

Hydroelectric

Western Area Power Administration

Wind*

Hancock County Wind Energy Center, Garner

Elk Wind Farm, Greeley

Hawkeye Wind Farm, Hawkeye

Rippey Wind Farm, Grand Junction

Pioneer Grove Wind Farm, Mechanicsville

Heartland Divide Wind Energy Center, Audubon & Guthrie counties

Natural Gas & Oil

Summit Lake, Creston

Nuclear

Duane Arnold Energy Center, Palo

Coal

Louisa Generating Station, Muscatine

Walter Scott, Jr., Energy Centers #3 & #4, Council Bluffs

Landfill Gas*

Linn County Solid Waste Agency, Marion

Solar

Clarke Solar Farm, Osceola

ZON VELD (Sun Field), Pella

Marshalltown Gateway Centre Solar Array, Marshalltown

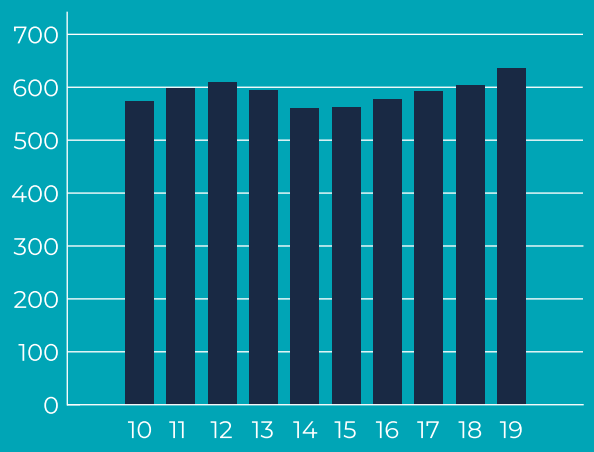
Urbana Solar Acres, Urbana

Eastern Iowa Solar, Wilton

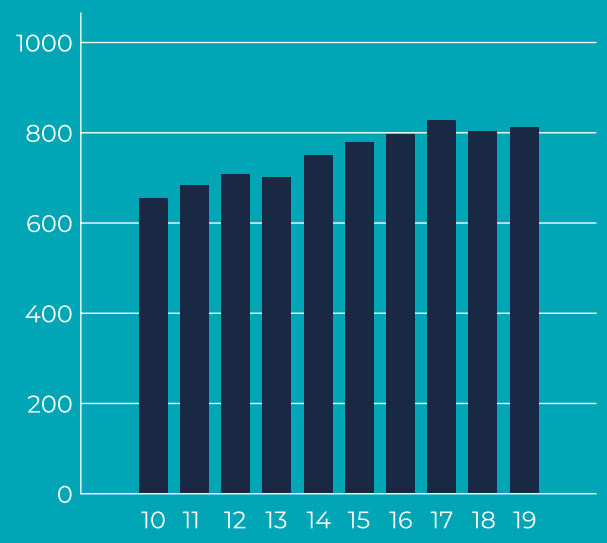
Southwest Solar, Corning

**All or some of the renewable energy credits assocated with this generation may have been sold or may be sold in the future to other parties.*

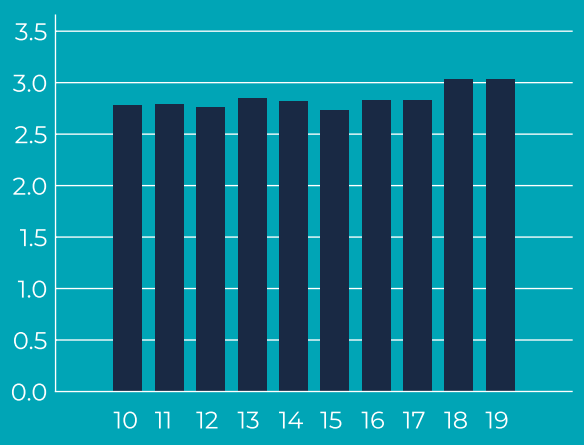
CIPCO
BY THE NUMBERS



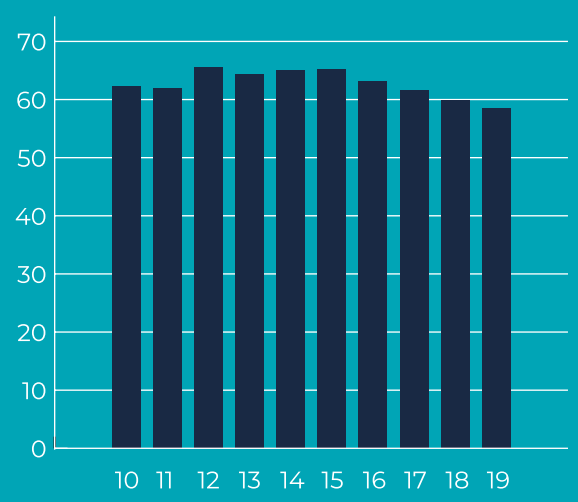
Total System Peak Demand
in megawatts



Utility Plant Investment
$ in millions



Energy Sales
in million MWhs



Average System Rate
in Mills/kWh

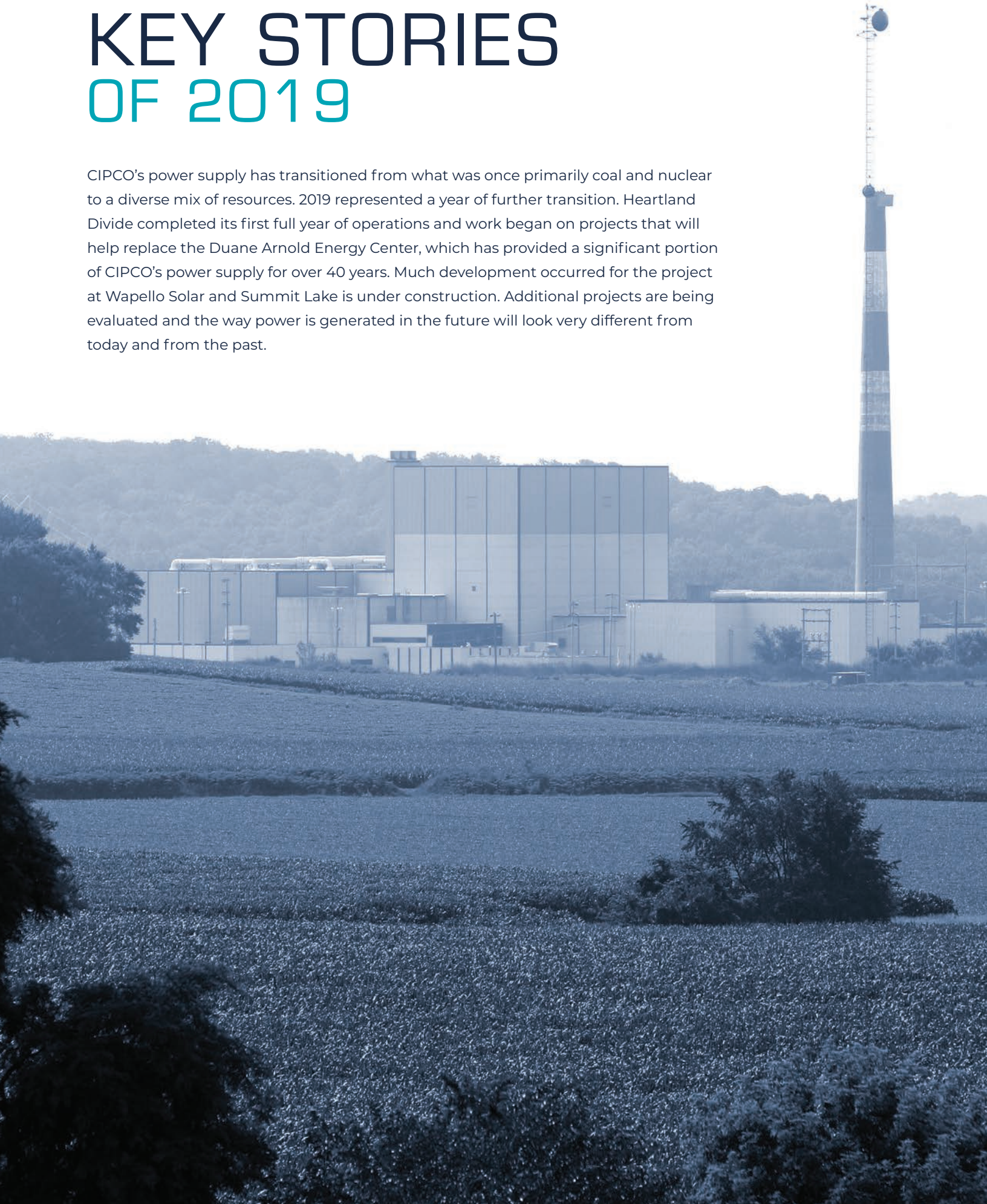
STATISTICS

as of December 31, 2019

3,038,339 Energy Sales (MWh)	**$188,283,543** Total Operating Revenue
$23,485,881 Net Margin	**$800,491,864** Total Assets
58.52 Average System Rate (mills/kWh)	**13** Member Distribution Systems
636 2019 Peak Demand (megawatts)	**1,925** Approximate Miles of Transmission Line
105 Employees	**$100,000,000+** Amount returned as patronage since inception

KEY STORIES OF 2019

CIPCO's power supply has transitioned from what was once primarily coal and nuclear to a diverse mix of resources. 2019 represented a year of further transition. Heartland Divide completed its first full year of operations and work began on projects that will help replace the Duane Arnold Energy Center, which has provided a significant portion of CIPCO's power supply for over 40 years. Much development occurred for the project at Wapello Solar and Summit Lake is under construction. Additional projects are being evaluated and the way power is generated in the future will look very different from today and from the past.



AN ERA ABOUT TO END: DUANE ARNOLD ENERGY CENTER PREPARES FOR CLOSURE

The Duane Arnold Energy Center has been a cornerstone of CIPCO's generation portfolio, providing safe and reliable energy since it began generating in 1974. CIPCO is proud to have been part of bringing nuclear energy to the state of Iowa as a 20 percent owner of the nuclear plant, which has been a valuable baseload and economic engine for Iowa. Low-cost natural gas supply and declining costs of wind and solar generation have driven efficiencies in the wholesale power markets that create economic challenges for nuclear power generators. However, we are proud of the plant's record of exemplary reliability and operating performance. It is hard to imagine not having the nuclear plant as a primary generation resource, but that time is drawing near as it is now in its final year of operation.

The unexpected early closure of DAEC underscores the important actions taken over many years to manage risk and position CIPCO to withstand the loss of a vital, carbon-free generation resource that reliably provided roughly one-fifth of our portfolio's capacity and one-third of our energy. Indeed, construction of the new Heartland Divide resource was already in motion when the closure announcement was made. But even after NextEra's announcement, CIPCO continued making strategic decisions by adjusting our future resource strategy. CIPCO's new 20-year forecast projects that our financial strength will enable us to manage the impacts of DAEC's early closure, brings new cost-effective generation online, and delivers competitive wholesale rates to member-owners not only through our transition, but long into the future. Recent investments in Summit Lake and the addition of Wapello Solar in our portfolio highlight important resource additions moving forward.

NEW CONNECTIONS: HEARTLAND DIVIDE COMPLETES YEAR ONE

Heartland Divide completed its first full year of operation in 2019. The 103.5 MW facility delivers energy and capacity under a 20-year contract with NextEra Energy Resources. Energy production from Heartland Divide was 13.7 percent of CIPCO's energy supply in 2019, and the facility's annual capacity factor was 47.6 percent, a strong performance during what most would call a weak year for many wind assets in the region.

FUTURE-CONNECTED: WAPELLO SOLAR PROJECT PREPARED FOR DEVELOPMENT

In 2019, CIPCO announced Iowa's largest solar project to date, the 100 MW Wapello Solar facility. Developed by Clēnera, LLC, and located in Louisa County, the project is slated for completion in 2020. CIPCO will purchase all energy and capacity, while Clēnera will retain ownership of the renewable energy credits. Previously completed substation upgrades paved the way for interconnecting the Wapello Solar project at the Newport substation. Throughout 2019, progress on the project continued forward with the completion of the transmission system impact study. Clēnera worked with Louisa County to acquire zoning approvals, which came in the fall. In addition, the generating certificate was granted by the Iowa Utilities Board. The official groundbreaking for Wapello Solar will take place in April 2020.

SUMMIT LAKE PROJECTS: LEVERAGING THE PAST TO MEET CHANGING ENERGY NEEDS

The $85 million investment project to repower the 70-year-old Creston generating plant with natural gas-fired reciprocating engines and modernize the local transmission and administrative facilities made substantial progress in 2019. The 55 MW project will add greater diversity to CIPCO's energy and capacity portfolio while complementing new wind and solar expansion with dispatchable, quick-start natural gas resources.

Significant project work took place throughout the year. In early 2019, CIPCO finalized a contract with Wärtsilä North America to supply the prime movers, generating equipment, and most of the auxiliary equipment. Construction permitting was complete by July while primary engineering and design support from Sargent & Lundy took place throughout the summer and fall. A construction contract for civil and below-grade work was finalized with Casey Industrial in early September. By the end of 2019, some of the old facilities were demolished and the majority of underground utilities were rerouted to make way for the new plant's foundations.

Elsewhere on site, Creston transmission crews rerouted area lines in preparation for the Summit Lake North substation deconstruction and rebuild. As part of this project, CIPCO will replace its 15-year-old SCADA system that will bring new features allowing more system data to be available to dispatchers and staff. In late 2019, a CIPCO team traveled to Europe for factory acceptance testing of the new gas-fired Wärtsilä engines. Engine testing took place at the factory in Italy and both generator and controls testing took place in Finland. The new engines and facilities are expected to be in place and operational in late 2020.

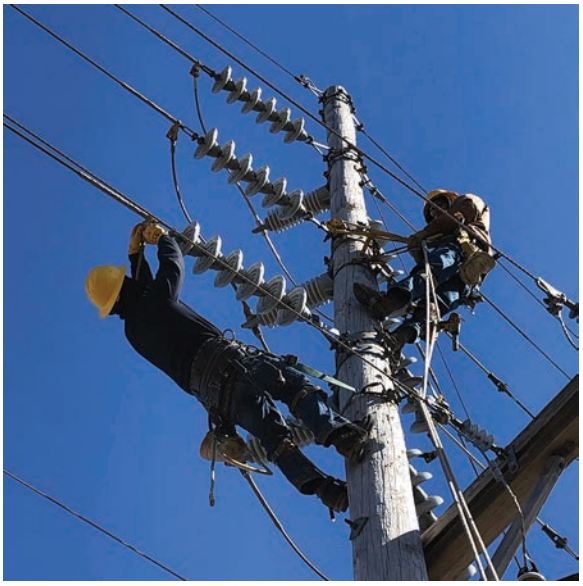
NEW-TO-REPLACE-OLD PROGRAM: CONNECTED TO RELIABILITY

The 34.5 kV transmission New-To-Replace-Old (NTRO) program began in 1986 to rebuild CIPCO's aging transmission lines as they reached end-of-life. A similar program for the 69 kV transmission lines began in 1995. To date, approximately 844 miles of 34.5 kV and 69 kV lines have been rebuilt.

In 2009, a NTRO program began for CIPCO's 115 kV and 161 kV lines. To date, approximately 216 miles of high voltage line has been rebuilt. In total, CIPCO has rebuilt 1,100 miles of its original first-generation lines under these rebuild programs.

In addition to the line rebuild programs, CIPCO worked on several major substation projects in 2019, including construction of the new Swan Lake and Clear Creek substations (near North Liberty). Conversion upgrades were completed at the Guthrie Junction substation in 2019. Design work on the new Johnson substation (near Hills) began in 2019. The first of a multi-year meter replacement program was also implemented in 2019.

CIPCO's comprehensive NTRO programs, along with sound operating and maintenance programs, helps ensure our power supply system attains the high degree of reliability members expect and deserve. CIPCO's system-wide 2019 outage rate was 0.44 hours per consumer. This is the eighth consecutive year in which outage totals were less than the target of one hour per consumer.




DANGER
Altec
THERM plus II

SAFETY MILESTONES AND SECURITY PRACTICES MARK A MEMORABLE YEAR

Safety and security are critical to the successful delivery of services to our member systems and their consumer-members. In 2019, CIPCO employees celebrated a rare industry milestone of working more than two million hours without a lost-time accident over the course of ten years. Vago Galounis, a representative of the National Safety Council, celebrated the achievement with staff at each CIPCO location in June. Living a culture of safety each day across the system allows CIPCO to provide safe, reliable and cost-effective power to all members. CIPCO's dedication to ongoing and consistent training positively impacts this bottom line. From CPR to pole-top rescue, or specialized training for working on energized conductors, CIPCO's commitment rings true because of the dedication of all our employees.

With the increasing sophistication of potential cybersecurity threats in the electric utility industry, CIPCO enhanced its security measures in 2019. As a result of exposing cyber vulnerabilities and bringing them to the attention of cooperative stakeholders, new protective safeguards were put into place. At CIPCO, regularly scheduled randomized phishing tests, training on the methods of hackers, and providing regular security updates as part of CIPCO's quarterly safety meetings, were new practices implemented by the organization.

COMMUNITY-CONNECTED: SUPPORTING MEMBERS WHERE IT COUNTS

In 2019, CIPCO actively supported nonprofit organizations and programs throughout members' service territories. The important work being done locally in communities is a driver aligning members and CIPCO with the cooperative business principle, Concern for Community. CIPCO and its members combined donations through CoBank's Sharing Success Program to make an even greater impact. Together in 2019, we leveraged these funds to support the St. Luke's Foundation Rural Healthcare Grant Program, to expand the Deep River Fire Station, and to help expand the Stanton Child Resource Center, and to provide assistance for recovery efforts caused by historic flooding in southwest Iowa.

CIPCO's annual golf charity event in July 2019 raised $10,000 to support Wildwood Hills Ranch of Iowa. This organization exists to "transform lives and strengthen communities by providing healing, hope and God's unconditional love to children and youth at risk."

CONNECTED TO GROWTH: STIMULATING LOCAL BUSINESS DEVELOPMENT

Developing and sustaining rural Iowa communities is important to CIPCO and its members. CIPCO strives to attract and grow business to power local economies in rural Iowa. In 2019, CIPCO supported the $1.2 million expansion of Grip-Tite Manufacturing in Winterset, along with the submission of three new Rural Economic Development Loan projects and two new Rural Economic Development Grant projects to USDA totaling $6.97 million. This critical financing tool will support $14.5 million in capital investments in rural communities.

ENERGY EFFICIENCY PROGRAMS CONNECT WITH CONSUMER-MEMBERS

Energy-efficiency programs are an important way CIPCO and member cooperatives connect with those consumer-members interested in managing electricity use. The Savings with Staying Power program focuses on supporting beneficial electrification opportunities and providing valuable information on electric heat pump, geothermal and water heater technologies. CIPCO's 2019 marketing rebate program helped save consumer-members $1,998,000, which was 12 percent above program projections for the year.

POLICY-CONNECTED: CIPCO MEMBERS LEVERAGE LEGISLATIVE OUTREACH

CIPCO's board of directors and staff actively engaged with both state and federal elected officials to ensure issues related to the rural electric cooperative industry remained in the forefront over the past year. This included frequent interaction with both state and federal officials, as well as trips to Washington, D.C., for in-person meetings in the spring and fall. In 2019, CIPCO hosted Senator Joni Ernst and Representative Cindy Axne for tours of the Southwest Iowa Solar Farm in Corning, one of CIPCO's six existing solar fields. These unique meetings provided an intimate opportunity to discuss legislation impacting the industry while offering an overview of the CIPCO system.

BOARD OF DIRECTORS

Paul Heineman
President
Ogden

Duane Armstead
Greenfield

Craig Stallman
Williamsburg

Gene Manternach
Asst. Secretary / Treasurer
Cascade

Randy Rouse
Allerton

Marcel Fett
Audubon

SYSTEM CEOS/MANAGERS

Bill McKim
CEO
Midland Power

Tim Larsen
Treasurer
SIMECA

Dean Huls
General Manager
T.I.P. REC

Jeremy Richert
CEO & EVP
Maquoketa Valley Electric Cooperative

David Opie
General Manager
Clarke Electric Cooperative

Cozy Nelsen
CEO
Guthrie County REC

LEADERSHIP CHANGES

In 2019, three new directors joined the CIPCO board: Arden Greiner, representing Consumers Energy; Kirk Hiland, representing Linn County REC; and Craig Stallman representing T.I.P. REC. All three individuals brought years of experience and a wealth of knowledge from their service on their local rural electric cooperative boards.

The CIPCO Board of Directors is elected by local member boards. Board members guide the organizational decision making.

Duane Ver Ploeg	Dan Westphal	Dale Walkup	Arden Greiner	Allen Albers	Kirk Hiland	Gary Kester
Pella	Vice President Bridgewater	Redding	Colo	Secretary / Treasurer Keystone	North Liberty	Burlington

Jon Miles
CEO
Pella Cooperative Electric Assn.

Charles Dunn
CEO & EVP
Farmers Electric Cooperative, Inc.

Phil Kinser
CEO/General Manager
Southwest Iowa REC

Jim Kidd
General Manager
Consumers Energy

Steve Marlow
CEO
East-Central Iowa REC

Terry Sullivan
CEO /
General Manager
Linn County REC

Kirk Trede
CEO
Eastern Iowa Light & Power

FINANCIAL STRENGTH

2019 Financial Ratios

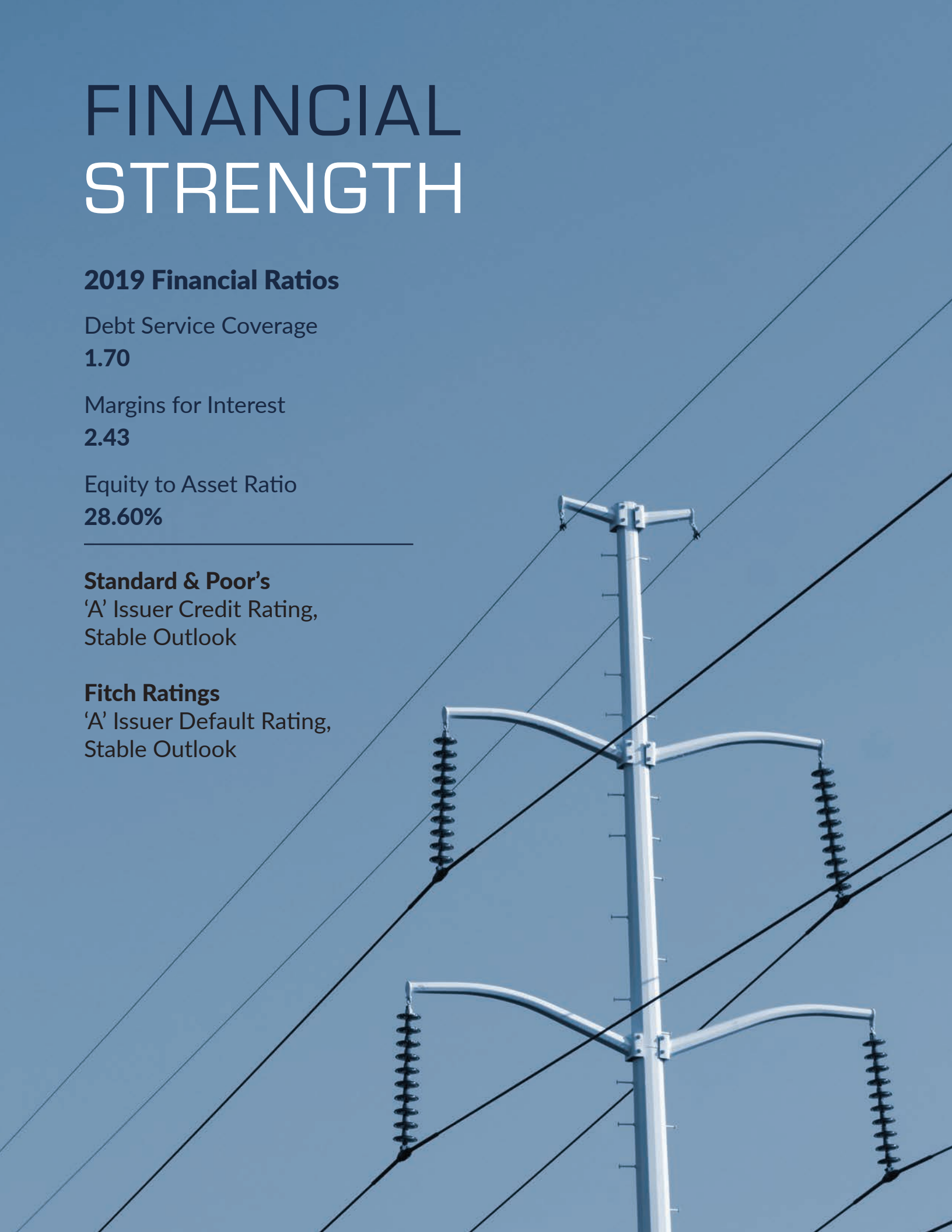
Debt Service Coverage
1.70

Margins for Interest
2.43

Equity to Asset Ratio
28.60%

Standard & Poor's
'A' Issuer Credit Rating,
Stable Outlook

Fitch Ratings
'A' Issuer Default Rating,
Stable Outlook



CIPCO's ability to provide member-owners with wholesale power and services in a safe, reliable, and cost-effective manner is a direct result of our commitment to financial strength and stewardship. Our results reflect another year of sustained financial performance and competitive wholesale rates.

CIPCO's average system rate was 58.52 mills per kilowatt hour, a decrease of 1.43 mills, or 2.4% from the 2018 average system rate, the lowest in more than 10 years. Our industry has experienced significant changes in technology, regulation, volatile markets, and growth of wind and solar sources of generation. While operating in the rapidly changing energy industry, CIPCO continues to evolve and capture value.

2019 was a year of executing on our long-term strategy and investing in our system. More than $45 million was re-invested in transmission infrastructure projects across Iowa, and progress payments for the Summit Lake repowering project. The significant capital projects are well-timed to take advantage of the low interest rate climate, which will allow us to cost-effectively finance the projects for the benefit of all member-owners.

More than $10.5 million in patronage was returned to member-owners in 2019. Since its inception, CIPCO has returned over $100 million in patronage to member-owners. This unique aspect of the cooperative business model is a reflection CIPCO's financial strength, and a tangible example of the benefits of the cooperative principles we believe in.

Strong cash flows also allowed us to pre-pay more than $38 million in long-term debt, penalty free, from our restricted cash deposits with the Rural Utilities Service. This will save millions in future interest.

CIPCO's commitment to serving our members with sound finances is recognized by our A rating, stable outlook by S&P and Fitch Ratings. The benefit of a strong credit rating is realized through increased access to capital, lower interest rates, and favorable terms in power purchase agreements and other contracts. CIPCO continues its trend of stable financial performance that outperforms rating category peer medians as a result of our sound financial policies and targets. Our recent credit rating affirmations provide third-party endorsement of CIPCO's plan to manage through change caused by the unexpected early closure of DAEC and our forward-looking resource strategy.

7 COOPERATIVE PRINCIPLES

1 VOLUNTARY & OPEN MEMBERSHIP

CIPCO is a voluntary organization open to everyone who is willing to accept the responsibilities of membership, without social, racial, political or religious discrimination.

2 DEMOCRATIC MEMBER CONTROL

CIPCO is democratically controlled by its member systems, who actively participate in setting policies and making decisions.

3 MEMBERS' ECONOMIC PARTICIPATION

CIPCO's member systems contribute equitably to, and democratically control, CIPCO's capital.

4 AUTONOMY & INDEPENDENCE

CIPCO is an autonomous organization controlled by its member systems.

5 EDUCATION, TRAINING & INFORMATION

CIPCO actively provides education and training opportunities for its member systems so they can effectively contribute to the organization's development.

6 COOPERATION AMONG COOPERATIVES

Working together through local, national, regional and international structures, CIPCO can effectively serve its member systems and strengthen the cooperative movement.

7 CONCERN FOR COMMUNITY

While focusing on member system needs, CIPCO works for the sustainable development of its communities through policies accepted by its members.

2019 FINANCIAL SUMMARY

CIPCO
Central Iowa Power Cooperative
A Touchstone Energy® Cooperative

Independent Auditors' Report

Deloitte.

Deloitte & Touche LLP
699 Walnut Street
Suite 1800
Des Moines, Iowa 50309
USA

Tel: +1 515 288 1200
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members of
Central Iowa Power Cooperative and subsidiaries
Des Moines, Iowa

We have audited the accompanying consolidated financial statements of Central Iowa Power Cooperative and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of revenue and expenses, comprehensive income, equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed their method of accounting for investments in equity securities (excluding equity method investments) in the year ended December 31, 2019, due to the adoption of ASU 2016-01 "Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities." Our opinion is not modified with respect to this matter.

Deloitte & Touche LLP

March 20, 2020

CIPCO and Subsidiaries — December 31, 2019 and 2018

Consolidated Balance Sheets

Assets		2019	2018
Electric utility plant, at cost:			
In service	$	812,461,837	803,039,798
Less accumulated depreciation		453,116,925	433,738,866
		359,344,912	369,300,932
Construction work in progress		46,089,436	8,219,719
Nuclear fuel, at cost less accumulated amortization of $47,155,606 in 2019 and $38,100,818 in 2018		6,570,135	15,642,765
Electric utility plant, net		412,004,483	393,163,416
Railroad and nonutility property, at cost less accumulated depreciation and amortization of $2,634,698 in 2019 and $2,266,201 in 2018		6,059,205	6,427,702
Investments and notes receivable:			
Investments in associated organizations and notes receivable-net		26,533,717	26,523,903
Decommissioning funds		141,749,661	119,514,423
Other investments		82,186,292	70,817,299
Total investments and notes receivable		250,469,670	216,855,625
Current assets:			
Cash and cash equivalents		13,371,352	11,980,303
Restricted cash		6,092,302	43,024,475
Accounts receivable, members		15,025,262	14,953,462
Notes and other receivables		9,959,173	5,920,595
Fossil fuel, materials, and supplies		11,137,745	13,521,728
Prepaid expenses and interest receivable		592,290	1,232,388
Regulatory asset and deferred charges		2,441,200	1,798,300
Total current assets		58,619,324	92,431,251
Regulatory assets and deferred charges		73,339,182	94,909,658
Total assets	$	800,491,864	803,787,652

Capitalization and Liabilities			
Capitalization:			
Members' equity:			
Membership fees and contributed capital credits	$	40,682,444	40,682,444
Deferred patronage capital		86,328,516	85,328,516
Other equities		101,551,944	88,476,669
Accumulated other comprehensive income		—	4,661,855
Total members' equity		228,562,904	219,149,484
Noncontrolling interest in CBEC Railway, Inc.		375,329	389,297
Total equity		228,938,233	219,538,781
Long-term debt, less current maturities		350,779,569	377,210,734
Total capitalization		579,717,802	596,749,515
Other liabilities:			
DAEC decommissioning liability		160,009,939	159,009,152
Other asset retirement obligations		10,417,087	7,191,280
Deferred income taxes		429,252	378,211
Total other liabilities		170,856,278	166,578,643
Commitments and contingencies		—	—
Current liabilities:			
Current maturities of long-term debt		17,614,636	20,579,345
Accounts payable		19,460,181	10,041,832
Accrued property taxes and other expenses		12,842,967	9,838,317
Total current liabilities		49,917,784	40,459,494
Total capitalization and liabilities	$	800,491,864	803,787,652

See notes to consolidated financial statements.

CIPCO and Subsidiaries — Years Ended December 31, 2019 and 2018

Consolidated Statements Of Revenue And Expenses

	2019	2018
Operating revenue:		
Electric revenue	$ 177,798,696	182,089,771
Wheeling	6,566,601	6,283,170
Miscellaneous	2,588,966	2,331,632
Railroad	1,329,280	1,079,449
Total operating revenue	188,283,543	191,784,022
Operating expenses:		
Purchased power	41,658,274	40,479,645
Operations:		
Production plant - fuel	26,225,060	27,284,492
Production plant - other	29,590,328	29,720,709
Transmission plant	15,561,882	15,741,833
Maintenance:		
Production plant	6,550,056	9,298,638
Transmission plant	3,197,248	3,341,735
Business support services	11,794,201	11,627,875
Depreciation and amortization	24,977,152	27,938,356
Property and other taxes and insurance	1,500,018	1,501,187
Other	616,602	635,963
Total operating expenses	161,670,821	167,570,433
Net operating margin	26,612,722	24,213,589
Other revenue (expense):		
Net realized investment income	5,666,559	7,248,226
Net unrealized gain on investments	9,496,140	558,919
Other than temporary impairment of investments	—	(1,037,301)
Patronage capital allocations	1,094,602	1,324,657
Miscellaneous (expense) revenue	(742,139)	376,106
Total other revenue, net	15,515,162	8,470,607
Net margin before interest charges and income taxes	42,127,884	32,684,196
Interest charges:		
Interest on long-term debt	15,214,861	15,957,985
Allowance for borrowed funds used during construction	(194,640)	(226,234)
Net interest charges	15,020,221	15,731,751
Net margin before income taxes and impairment	27,107,663	16,952,445
Income tax (benefit) expense:		
Current income tax (benefit) expense	(250,678)	404,279
Deferred income tax expense (benefit)	51,041	(68,339)
Total income tax (benefit) expense	(199,637)	335,940
DAEC impairment	3,805,387	15,118,132
Net margin	23,501,913	1,498,373
Noncontrolling interest in CBEC Railway, Inc.	16,032	18,346
Net margin attributable to the Company	$ 23,485,881	1,480,027

See notes to consolidated financial statements.

CIPCO and Subsidiaries — Years Ended December 31, 2019 and 2018

Consolidated Statements Of Comprehensive Income

	2019	2018
Net margin	$ 23,501,913	1,498,373
Other comprehensive loss:		
Available-for-sale securities:		
Unrealized holding net loss arising during the period (net of tax of $0 for 2019 and $0 for 2018)	—	(5,045,422)
Realized net gain reclassified to investment income (net of tax of $0 for 2019 and $0 for 2018)	—	(1,494,075)
Total other comprehensive loss	—	(6,539,497)
Comprehensive income (loss)	23,501,913	(5,041,124)
Less comprehensive income attributable to noncontrolling interest in CBEC Railway, Inc.	16,032	18,346
Comprehensive income attributable to the Company	$ 23,485,881	(5,059,470)

Consolidated Statements Of Equity

	Membership Fees & Contributed Capital Credits	Deferred Patronage Capital	Accumulated Other Comprehensive Income	Other Equities	Noncontrolling Interest In CBEC Railway, Inc.	Total Equity
Balance January 1, 2018	$ 39,137,857	82,003,829	11,201,352	102,873,505	388,951	235,605,494
Net margin	—	—	—	1,480,027	18,346	1,498,373
Other comprehensive loss	—	—	(6,539,497)	—	—	(6,539,497)
Patronage capital paid	—	(11,007,589)	—	—	—	(11,007,589)
Patronage capital allocated	1,544,587	14,332,276	—	(15,876,863)	—	—
Distribution of earnings	—	—	—	—	(18,000)	(18,000)
Balance December 31, 2018	40,682,444	85,328,516	4,661,855	88,476,669	389,297	219,538,781
Adoption of ASU 2016-01	—	—	(4,661,855)	1,167,994	—	(3,493,861)
Net margin	—	—	—	23,485,881	16,032	23,501,913
Patronage capital paid	—	(10,578,600)	—	—	—	(10,578,600)
Patronage capital allocated	—	11,578,600	—	(11,578,600)	—	—
Distribution of earnings	—	—	—	—	(30,000)	(30,000)
Balance December 31, 2019	$40,682,444	86,328,516	—	101,551,944	375,329	228,938,233

See notes to consolidated financial statements.

CIPCO and Subsidiaries — Years Ended December 31, 2019 and 2018

Consolidated Statements Of Cash Flows

	2019	2018
CASH FROM OPERATING ACTIVITIES:		
Net margin	$ 23,501,913	1,498,373
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	25,432,799	28,328,846
Amortization of deferred charges	1,795,830	2,223,937
Amortization of nuclear fuel	9,054,788	7,568,642
Patronage capital allocations not received in cash	(442,795)	(280,665)
Other than temporary impairment of investments	—	1,037,301
Realized net gain on disposal of investments	(2,283,303)	(3,374,795)
Loss (gain) on disposal of electric utility plant and nonutility property	967,425	(177,667)
DAEC impairment	3,805,387	15,118,132
Net unrealized gain on investments	(9,496,141)	(558,919)
Net gain from equity method investees	(60,375)	(60,517)
Distributions received from equity method investees	—	670,000
Refueling outage and other costs deferred	—	(3,691,300)
Deferred income tax expense (benefit)	51,041	(68,339)
Other	73,812	125,669
Changes in certain assets and liabilities:		
Receivables	(4,541,791)	1,104,498
Fossil fuel, materials, and supplies	(1,421,404)	4,202,304
Prepaid expenses and interest receivable	620,924	(118,206)
Accounts payable, accrued liabilities, and other liabilities	1,925,348	750,028
Net cash provided by operating activities	48,983,458	54,297,322
CASH FROM INVESTING ACTIVITIES:		
Additions to electric utility plant	(45,916,375)	(33,139,132)
Proceeds from the sale of electric utility plant and nonutility property	48,603	425,684
Purchases of investments – decommissioning and other investments	(131,188,219)	(60,994,098)
Sales of investments – decommissioning and other investments	131,667,754	56,216,329
Interest and dividend income reinvested	(1,170,883)	(1,072,182)
Distributions received from equity method investees	60,000	—
Purchases of nuclear fuel	—	(5,820,591)
Receipt of prior years' patronage capital allocation	81,492	—
Sales of investments in associated organizations	1,897,520	1,497,048
Increase in notes receivable	—	(400,000)
Net cash used in investing activities	(44,520,108)	(43,286,942)
CASH FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(57,347,874)	(24,229,101)
Proceeds from long-term borrowings	1,452,000	3,138,100
Principal payments on line of credit	(130,000,000)	(95,000,000)
Proceeds from line of credit borrowings	156,500,000	128,100,000
Distribution of earnings	(30,000)	(18,000)
Patronage capital paid	(10,578,600)	(11,007,589)
Net cash (used in) provided by financing activities	(40,004,474)	983,410
Net (decrease) increase in cash, cash equivalents and restricted cash	(35,541,124)	11,993,790
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	55,004,778	43,010,988
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	$ 19,463,654	55,004,778
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	$ 15,281,165	18,285,693
Cash payments (refunds) for taxes	$ 522,344	(50,006)
Purchases of electric utility plant in accounts payable	$ 10,413,387	2,335,734

See notes to consolidated financial statements.

Notes To Consolidated Financial Statements

1. ORGANIZATION

Central Iowa Power Cooperative (the "Cooperative") is a member-owned not-for-profit electric generation and transmission cooperative. It serves member electric service needs of twelve electric distribution cooperatives and one municipal electric cooperative association. The members of the Cooperative serve rural and suburban areas located in 58 of Iowa's 99 counties in an area stretching 300 miles diagonally from northeast to central and southwest Iowa.

The Cooperative has two for-profit subsidiaries, CMA Ventures, Inc. ("CMAV") and CBEC Railway, Inc. ("CBEC") (collectively, the "Company"). CMAV is an Iowa investment company wholly-owned by the Cooperative. Its mission is to make strategic growth capital investments in the Midwest, with a preference for Iowa-based companies. CBEC is a rail spur providing dual rail access for coal deliveries to the Walter Scott Energy Center site in Council Bluffs, Iowa. The Cooperative's ownership interest in CBEC is 94%.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation
The consolidated financial statements include the accounts of the Cooperative and its subsidiaries in which it holds a controlling financial interest as of the financial statement date. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

(b) Use of Estimates
The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Regulatory Matters
The accounting records of the Cooperative are maintained in accordance with the uniform system of accounts prescribed by the Rural Utilities Service ("RUS"), the Cooperative's principal regulatory agency. The Cooperative is not subject to external rate regulation. Rates charged to members for electric service are established annually by the Cooperative's Board of Directors.

The Cooperative's utility operations are subject to the provisions of ASC Topic 980, *Regulated Operations* ("ASC Topic 980"), which provides that regulated entities record certain costs and credits allowed for in the rate making process in different periods than for nonregulated entities. For regulated entities, certain costs are deferred as regulatory assets or revenues deferred as regulatory liabilities and are recognized in the consolidated statements of revenue and expenses at the time they are reflected in rates.

(d) Electric Utility Plant
The cost of renewals and betterments of units of property includes construction-related material, contract services, direct labor, applicable supervisory and overhead costs, and allowance for funds used during construction, and is charged to electric utility plant accounts. Expenditures for maintenance and repairs, including purchases or renewals of minor items of property (as distinguished from units of property), are charged to expense. Depreciation is based on estimated useful lives at straight-line composite rates. At the time properties are disposed of, the original cost of depreciable units replaced or retired, plus cost of removal less salvage of such property, is charged to accumulated depreciation and no profit or loss is recognized in connection with ordinary retirements of electric utility property units.

(e) Recoverability of Long-Lived Assets
Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value, to the extent that the Cooperative's Board of Directors has not taken action to establish a regulatory asset that will be recovered in future rates.

(f) Allowance for Borrowed Funds Used During Construction
Allowance for borrowed funds used during construction (AFUDC) represents the cost, during the period of construction, of borrowed funds used for construction purposes. The composite rates used to calculate the AFUDC for 2019 and 2018 were approximately 3.3% and 4.0%, respectively.

Notes To Consolidated Financial Statements

(g) Nuclear Fuel
The cost of nuclear fuel, including AFUDC, is amortized to fuel expense based on the number of units of thermal energy produced in relationship to the total thermal units expected to be produced over the life of the fuel. Fully amortized spent nuclear fuel is retired two years after it is removed from the reactor.

(h) Railroad and Nonutility Property
Railroad and nonutility property primarily consists of the net assets of CBEC, and is carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 34 to 44 years.

(i) Investments
The Company determines the appropriate classification of investments in debt securities at the acquisition date and re-evaluates the classification at each balance sheet date. All investments in marketable debt securities are currently classified as available-for-sale at the balance sheet date. Available-for-sale debt securities are held in the Cooperative's decommissioning funds and therefore, interest and dividend income are recognized as a change in net regulatory assets on the consolidated balance sheets.

Beginning January 1, 2019, all equity securities are reported at fair value, with changes in fair value recognized in net unrealized gains or losses in the consolidated statements of revenues and expenses, unless subject to the effects of regulation. Realized gains and losses are reported as net realized investment income in the consolidated statements of revenues and expenses, unless subject to the effects of regulation. All changes in fair value of equity securities, as well as realized gains and losses, held in the decommissioning funds are recorded in net regulatory assets on the consolidated balance sheets since the Cooperative expects to recover any costs in excess of available decommissioning funds through future rates. Prior to January 1, 2019, equity securities held outside of the decommissioning funds were classified as available-for-sale with changes in fair value recognized in other comprehensive income.

Certain investments in privately held corporations and private equity funds that do not have readily determinable fair values, are measured at cost less impairment, if any.

The Company utilizes the equity method of accounting with respect to investments when it possesses the ability to exercise significant influence, but not control, over the investee. In applying the equity method, the Company records the investment at cost and subsequently increases or decreases the carrying value of the investment by the Company's proportionate share of the net earnings, losses, and dividends or equity distributions of the investee. The Company accounts for cash distributions received under the cumulative-earnings approach. Distributions are presumed to be returns on investment and classified as operating cash inflows to the extent cumulative distributions received do not exceed the Company's proportional share of cumulative equity earnings. Any excess is considered return of investment and classified as cash inflows from investing activities on the consolidated statements of cash flows.

(j) Fair Value of Financial Instruments
As defined by GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. Nonperformance or credit risk is considered in determining fair value. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. Fair value estimates are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(k) Cash and Cash Equivalents
Cash and cash equivalents consist primarily of bank deposits and money market funds. The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

(l) Restricted Cash
Restricted cash represents funds restricted for future principal and interest payments of long-term debt issued by the RUS or guaranteed by Federal Financing Bank ("FFB") in accordance with the Rural Electrification Act of 1936. Restricted cash is separately presented on its own financial statement line item within the consolidated balance sheets.

Notes To Consolidated Financial Statements

(m) Fossil Fuel, Materials, and Supplies
Fossil fuel (primarily coal), and materials and supplies are stated at the lower of average cost or net realizable value.

(n) DAEC Decommissioning Liability and Asset Retirement Obligations
The Cooperative recognizes asset retirement obligations ("AROs") when it has a legal obligation to perform decommissioning or removal activities upon retirement of an asset. The Cooperative's AROs relate to the decommissioning of the Duane Arnold Energy Center ("DAEC") and obligations associated with its other generating facilities. The fair value of an ARO liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The Cooperative determines these obligations based upon detailed engineering calculations of the amount and timing of the future decommissioning cash spending for a third party to perform the required work. Cost estimates are escalated for inflation and then discounted at a credit-adjusted, risk-free rate. Subsequent to the initial recognition, the ARO liability is adjusted for revisions to the original estimate of undiscounted cash flows and for accretion of the ARO liability due to the passage of time. Changes in estimates could occur for several reasons, including changes in laws and regulations, plan revisions, inflation and changes in the amount and timing of the expected decommissioning activities.

(o) Revenue Recognition
Electric revenue – Revenues are derived primarily from sales to members pursuant to substantially identical long-term wholesale power contracts. Each contract obligates the Cooperative to sell and deliver to the member, and obligates the member to purchase and receive from the Cooperative, all electric power and energy it requires for the operation of its system. Rates are established annually by the Board of Directors at levels consistent with the provision of reliable cost-based supply of power and energy to members over the long term. Rates consist of three billing components: energy, monthly demand, and seasonal demand. All three billing components have the same pattern of transfer to members and are measurements of the electric power provided to members.

Therefore, the provision of electric power to members is one performance obligation. Prior to members' requirement for electric power, the Cooperative does not have a contractual right to consideration as it is not obligated to provide electric power until the member requires each incremental unit of electric power. The Cooperative transfers control of the electric power to members over time and members simultaneously receive and consume the benefits of the electric power. Progress toward completion of the Cooperative's performance obligation is measured using the output method. Meter readings are taken at the end of each month for billing purposes, energy and demand are determined after the meter readings, revenue is recognized, and members are invoiced based on the meter readings.

Wheeling – Wheeling revenue consists of charges to other energy companies for transmitting electricity over the Cooperative's transmission lines. Revenue is recognized when service is provided.

Miscellaneous – Miscellaneous revenue consists of the sale of renewable energy credits, rent of facilities, and other miscellaneous revenues of the Cooperative. Renewable energy credits are sold to non-members at prevailing market prices. The performance obligation is complete, and revenue is recognized, when control is transferred.

Railroad – CBEC earns a fixed fee per ton of coal delivered to Walter Scott Energy Center over its rail spur in accordance with a long-term agreement with the majority owner and operator of Walter Scott Energy Center. CBEC is obligated to provide rail access for coal deliveries. The performance obligation is complete, and revenue is recognized, when coal is delivered.

(p) Accounting for Energy Contracts
The Cooperative has entered into long-term contracts to purchase energy and capacity from various wind, solar, and landfill gas generation sources. These contracts are settled by physical delivery, among other criteria, and are designated as normal purchase contracts as they qualify for the exception afforded by GAAP. Settled amounts are recognized as purchased power in the consolidated statements of revenue and expenses.

(q) Income Taxes
The Cooperative has received a tax determination letter from the IRS indicating it is exempt from federal and state income taxes under applicable tax laws. As such, the Cooperative is taxed only on any net unrelated business income under Section 511 of the Internal Revenue Code.

CMAV and CBEC are subject to income tax. Deferred income tax assets and liabilities are based on differences between the financial statements and tax

bases of assets and liabilities using the estimated tax rates in effect for the year in which the differences are expected to reverse. Changes in deferred income tax assets and liabilities are included as a component of income tax expense. Valuation allowances are established for deferred income tax assets where management determines that realization is not likely.

(r) Recently Adopted Accounting Pronouncements
In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, which created ASC Topic 606, *Revenue from Contracts with Customers* and supersedes ASC Topic 605, *Revenue Recognition*. The guidance replaced industry-specific guidance and established a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Following the issuance of ASU 2014-09, the FASB issued several ASUs that clarified the implementation guidance for ASU 2014-09 but did not change the core principle of the guidance. The Company adopted this guidance for all applicable contracts as of January 1, 2019 using the full retrospective approach. There was no material impact to our recognition of revenue, and there has been no cumulative effect adjustment recognized.

In January 2016, the FASB issued ASU 2016-01 , *Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance in GAAP on the classification and measurement of financial instruments. Although this ASU retains many current requirements, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. As permitted, the Company partially adopted the disclosure changes of the ASU effective January 1, 2018. The Company adopted the remaining guidance of the ASU effective January 1, 2019. The cumulative-effect of adoption was a decrease to total equity of $3,493,861.

Subsequent to adoption of this ASU, changes in the fair value of equity investments are recognized as net unrealized gain on investments in the consolidated statements of revenue and expenses. Changes in the fair value of equity investments held in our decommissioning funds, which are subject to the effects of regulation, continue to be recorded as net regulatory assets as the Cooperative expects to recover any costs in excess of available decommissioning funds through future rates.

In August 2018, the FASB issued ASU No. 2018-13, which amends ASC Topic 820, *Fair Value Measurements*. The amendment eliminated and modified disclosure requirements for nonpublic entities. This guidance is the result of the broader disclosure project called FASB Concepts Statement, *Conceptual Framework for Financial Reporting — Chapter 8: Notes to Financial Statements* which is intended to improve the effectiveness of ASC Topic 820 disclosure requirements. As permitted, the Company early adopted this ASU effective January 1, 2019 which had no effect on the Company's consolidated statements of financial position or results of operations.

(s) Accounting Pronouncements Not Yet Adopted
In February 2016, the FASB issued ASU No. 2016-02, *Leases,* which creates ASC Topic 842, *Leases* and supersedes Topic 840, Leases. This guidance increases transparency and comparability among entities by recording lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous guidance. This ASU is effective for fiscal years beginning after December 15, 2020, and is required to be adopted using a modified retrospective approach. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

Notes To Consolidated Financial Statements

3. DAEC EARLY CLOSURE

On July 27, 2018 NextEra Energy Resources ("NEER"), the majority owner and operator of DAEC announced its plans to cease commercial operations of DAEC in 2020 despite being licensed to operate until 2034. This announcement was made after reaching agreement to shorten the term of its power purchase agreement with the facility's primary customer, Alliant Energy, in exchange for a buyout payment. Furthermore, on January 18, 2019, NEER certified to the U.S. Nuclear Regulatory Commission ("NRC") of its plans to permanently cease power operations at DAEC in 2020. As a 20% minority owner, CIPCO was not involved in the decision to close the plant.

During 2018 as a result of NEERs plans, CIPCO revised its estimated useful life of DAEC from 2034 to 2020. To address the financial impacts of early closure and maintain rate stability to members, CIPCO established the $50.5 million DAEC unrecovered plant regulatory asset which will be recovered in future wholesale rates through 2028. Establishment of the regulatory asset was approved by the CIPCO Board of Directors and the RUS. A $15.1 million DAEC impairment charge was recognized in 2018 which represented the carrying amount of DAEC that exceeds its estimated future cash flows.

In 2019, NEER performed a detailed review of DAEC materials and supplies inventory and determined that certain items were obsolete or would not be used in operations before closure. Therfore, CIPCO recognized a $3.8 million impairment charge for obsolete and unusable inventory items, net of estimated salvage value.

4. ELECTRIC UTILITY PLANT IN SERVICE

The major classes of electric utility plant in service at December 31, 2019 and 2018 and depreciation and amortization for 2019 and 2018 are as follows:

	Cost		Depreciation & Amortization		Composite Depreciation Rates
	2019	2018	2019	2018	%
Production plant	$ 449,594,411	448,400,235	14,570,026	17,208,370	3.10 - 10.00%
Transmission plant	337,862,517	328,804,932	8,977,919	8,439,720	2.75
Distribution plant	454,256	454,256	—	1,294	0.00
General plant	20,015,434	20,845,061	1,501,181	1,433,770	3.03 - 33.33
Intangible plant	4,535,219	4,535,314	15,176	340,256	4.00 - 10.00
Electric utility plant in service	$ 812,461,837	803,039,798	25,064,302	27,423,410	

5. JOINTLY OWNED ELECTRIC UTILITY PLANT

Under joint facility ownership agreements, the Cooperative has undivided interests in jointly owned electric generating facilities with other utilities. The Cooperative accounts for its proportionate share of each facility, and each joint owner has provided financing for its share of each facility. Operating costs of each facility are assigned to joint owners based on their percentage of ownership or energy production, depending on the nature of the cost. The Cooperative's share of expenses associated with these jointly owned units is included in operations and maintenance expenses in the consolidated statements of revenue and expenses.

The following table provides the net balance recorded in the Electric Utility Plant in Service by facility at December 31, 2019:

Facility	Percentage Ownership	Capacity MW	Electric Utility Plant in Service-Net
DAEC	20.0%	124	$ 3,220,959
Walter Scott Energy Center Unit No. 3	11.5	83	29,298,807
Walter Scott Energy Center Unit No. 4	9.5	78	78,265,786
Louisa Generating Station	4.6	34	11,660,425

Notes To Consolidated Financial Statements

6. INVESTMENTS AND NOTES RECEIVABLE

As of December 31, 2019 and 2018, investments and notes receivable consisted of the following:

	2019	2018
Investments in associated organizations and notes receivable:		
Capital term certificates	$ 5,229,782	5,229,782
Investments in associated organizations	8,394,785	8,033,482
Notes receivable	12,909,150	13,260,639
	26,533,717	26,523,903
Decommissioning funds:		
Investments - decommissioning trust	74,883,106	62,335,498
Investments - internal decommissioning fund	66,866,555	57,178,925
	141,749,661	119,514,423
Other investments:		
Invested reserves	75,386,609	62,468,485
Equity in privately held corporations and funds	6,144,562	6,083,584
Equity method investments	655,121	2,265,230
	82,186,292	70,817,299
Total investments and notes receivable	$ 250,469,670	216,855,625

Capital term certificates are issued by National Rural Utilities Cooperative Finance Corporation ("CFC") and currently bear interest at 3% to 5% maturing between 2020 and 2080. These investments are carried at original cost.

Investments in associated organizations consist primarily of memberships in other cooperatives. These investments are stated at cost, adjusted for patronage capital allocations. The patronage capital allocations are noninterest-bearing and mature based upon the granting cooperatives' policies.

Notes receivable consist primarily of economic development notes receivable of $12,909,150 and $13,260,639 at December 31, 2019 and 2018, respectively. The notes receivable have interest rates between 0% and 4.91% and have contractual maturity dates through September 2029. Management monitors the collectability of the notes receivable on an individual basis. Receivables are considered impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms. Impairment losses of $13,619 and $124,679 were recognized during the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Company had established an allowance for doubtful accounts of $189,540 and $147,190, respectively, based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of note recipients to repay the amounts in accordance with the terms of the note agreements.

Decommissioning funds consist of a legally restricted external trust fund and an internally reserved fund. The Cooperative has established both funds for the decommissioning of the DAEC. Both funds consist primarily of U.S. domestic equities, international equities, REITs, mutual funds, private equity funds, and exchange traded funds, which are carried at fair value or NAV with realized and unrealized gains and losses included in the DAEC decommissioning regulatory asset.

Invested reserves consist primarily of U.S. domestic equities, international equities, REITs, mutual funds, government securities, and private equity funds, which are carried at fair value or NAV with net unrealized gains and certain unrealized losses reported in members' equity until realized.

Notes To Consolidated Financial Statements

6. INVESTMENTS AND NOTES RECEIVABLE *(CONTINUED)*

Equity in privately held corporations and funds includes common and preferred stock of privately held corporations. These investments are carried at cost and assessed for impairment annually.

Equity method investments include holdings in privately held corporations in which the Company possesses the ability to exercise significant influence, but not control, over the investee. These investments are recorded at adjusted cost which includes the Company's proportionate share of the net earnings, losses, and distributions of the investee. These investments are assessed for impairment annually. If factors indicate that a decrease in value of an equity method investment has occurred that is other than temporary, an impairment is recognized even if the decrease in value is in excess of what would otherwise be recognized by application of the equity method.

As of December 31, 2019 and 2018, investments that have readily determinable fair values within decommissioning funds and other investments consisted of the following:

December 31, 2019	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Cash equivalents	$ 3,970,656	—	—	3,970,656
Equities	114,122,487	27,255,811	(3,076,350)	138,301,948
Fixed income	35,298,753	880,562	(201)	36,179,114
Totals	$ 153,391,896	28,136,373	(3,076,551)	178,451,718

December 31, 2018	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Cash equivalents	$ 4,896,140	—	—	4,896,140
Equities	127,398,449	15,211,240	(6,393,361)	136,216,328
Fixed income	17,349,637	177	(829,709)	16,520,105
Totals	$149,644,226	15,211,417	(7,223,070)	157,632,573

Notes To Consolidated Financial Statements

7. FAIR VALUE MEASUREMENTS

ASC Topic 820, *Fair Value Measurement* ("ASC Topic 820") establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3—Unobservable inputs reflect the Company's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. The Company develops these inputs based on the best information available, including the Company's own data.

Description of the valuation methodologies used for instruments measured at fair value on a recurring basis are set forth below:

Cash and Cash Equivalents—The carrying amounts approximate fair value because of the short-term nature of these instruments.

Mutual Funds, Equities, and Exchange Traded Funds—The fair value of available-for-sale securities is based on quoted market prices from an active exchange or from an active dealer market. All of these investments are classified in Level 1.

Corporate Fixed Income and Government Securities—Bonds are often traded in less active markets with fair values based on quoted prices for similar assets and in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. As such, these investments are classified in Level 2.

Private Equity and Hedge Funds—The fair value of the Company's investments in limited partnership private equity and hedge funds represents the value of its NAV as reported by the fund managers. Valuations utilize financial information supplied by the general partner of each limited partnership and are net of management fees and incentive allocations pursuant to the limited partnership's applicable agreements. Due to the inherent uncertainty of valuation, the value of the Company's investments in limited partnership private equity and hedge funds may differ significantly from the values that would have been used had an active market for the investments held by the Company been available.

Notes To Consolidated Financial Statements

7. FAIR VALUE MEASUREMENTS *(CONTINUED)*

The following tables present assets that are measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	Fair Value Measurements as of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 3,970,656	3,970,656	—	—
Equities - common stock	73,106,155	73,106,155	—	—
Mutual funds:				
Equities	37,713,622	37,713,622	—	—
Fixed income	15,855,857	15,855,857	—	—
Exchange traded funds:				
Equities	27,482,171	27,482,171	—	—
Fixed income	4,212,628	4,212,628	—	—
Corporate fixed income	5,712,030	—	5,712,030	—
Government securities	10,398,599	—	10,398,599	—
Subtotal	178,451,718	162,341,089	16,110,629	—
Private equity and hedge funds measured at net asset value	38,684,552			
Total	$ 217,136,270			

	Fair Value Measurements as of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 4,896,140	4,896,140	—	—
Equities - common stock	86,358,657	86,358,657	—	—
Mutual funds:				
Equities	29,079,713	29,079,713	—	—
Fixed income	16,408,200	16,408,200	—	—
Exchange traded funds - equities	20,777,958	20,777,958	—	—
Government securities	111,905	—	111,905	—
Subtotal	157,632,573	157,520,668	111,905	—
Private equity and hedge funds measured at net asset value	24,350,335			
Total	$ 181,982,908			

Notes To Consolidated Financial Statements

7. FAIR VALUE MEASUREMENTS *(CONTINUED)*

Liquidity Restrictions—Certain alternative investments are less liquid than the Company's other investments and are generally accessed via limited partnerships, limited liability corporations, and private equity and hedge funds. There is generally no readily determinable fair value for alternative investments, though certain funds may invest in securities for which there is a public market. These investments are subject to varying degrees of liquidity restrictions. The following table summarizes these investments by investment strategy as of December 31, 2019 and 2018:

Alternative Investment Strategy	2019	2018	Redemption Frequency	Redemption Notice Requirements
Private equity & hedge funds	$ 8,111,663	7,655,834	Allowed quarterly	Varies from 30-95 days
Private equity & hedge funds	3,175,448	3,116,643	Allowed at least annually	90 calendar days plus 5 business days
Private equity & hedge funds	27,397,441	13,577,858	No contractual liquidity	No contractual liquidity
Total private equity & hedge funds measured at net asset value	$ 38,684,552	24,350,335		

Investments in private equity and hedge funds are assumed to have no contractual liquidity if agreements do not permit redemptions through the term of the fund or when redemptions may be accepted periodically at the sole discretion of fund advisors. As of December 31, 2019, investments that do not permit redemptions have fund term dates extending through 2027.

8. DAEC DECOMMISSIONING LIABILITY AND OTHER ASSET RETIREMENT OBLIGATIONS

DAEC Decommissioning Liability—The Cooperative has recognized an ARO for its 20% ownership share of the estimated cost to decommission DAEC. Estimated costs are based upon the site-specific study costs for license termination, spent fuel and greenfield activities. The Cooperative's funding method is designed to accumulate decommissioning funds sufficient to cover the Cooperative's share of decommissioning costs. The total fair value of investments reserved as decommissioning funds totaled $141,749,661 and $119,514,423 at December 31, 2019 and 2018, respectively. The Cooperative assesses the method of funding annually and will make additional contributions to the decommissioning funds as necessary to ensure the investments are sufficient to fund the decommissioning.

Other Jointly Owned Generation Facilities—The Cooperative has recognized other ARO liabilities for its ownership share of jointly owned generation facilities. These obligations pertain to coal-combustion residuals ("CCR") from the operation of coal-fueled generating facilities, including requirements for the operation and closure of surface impoundment and ash landfill facilities. In January 2018, the majority owner and operator of the facilities completed groundwater testing for CCR surface impoundments. Based on this information, the majority owner and operator discontinued sending CCR to surface impoundments effective April 2018 and initiated analysis of additional actions to be taken. As a result of that analysis in 2019, the majority owner and operator concluded that it will remove all CCR material located below the water table and cap the material in such facilities which is a more extensive closure activity than previously assumed, and resulted in change in estimated costs.

Fair Station Generating Facility—Fair Station generating facility was shutdown in November 2013. The ARO relating to post-closure activities and monitoring of the ash ponds located on the site was $401,750 and $431,721, which is recorded in Other AROs, as of December 31, 2019 and 2018, respectively.

8. DAEC DECOMMISSIONING LIABILITY AND OTHER ASSET RETIREMENT OBLIGATIONS *(CONTINUED)*

The following table reconciles the beginning and ending balances of the DAEC decommissioning liability and other AROs for the years ended December 31, 2019 and 2018:

	2019		2018	
	DAEC Decommissioning Liability	Other AROs	DAEC Decommissioning Liability	Other AROs
Balance-January 1	$ 159,009,152	7,680,170	134,295,449	7,952,748
Additions	—	—	—	—
Settlements	(426,241)	(249,985)	—	(538,554)
Change in estimated costs	—	3,425,179	17,969,177	265,976
Accretion	6,597,353	364,105	6,744,526	—
Balance-December 31	$ 165,180,264	11,219,469	159,009,152	7,680,170

The balance of DAEC decommissioning liability and Other AROs in the table above include $5,972,705 and $488,890 at December 31, 2019 and 2018, respectively, of asset retirement obligations expected to settle in the next twelve months. The amount expected to settle in the next twelve months is reflected in Accrued property taxes and other expenses on the consolidated balance sheets as of December 31, 2019 and 2018.

9. REGULATORY ASSETS AND DEFERRED CHARGES

At December 31, 2019 and 2018, regulatory assets and deferred charges consists of the following:

	2019	2018
Regulatory asset and deferred charges		
Deferred refueling costs	$ 1,410,320	1,798,300
DAEC uncovered plant	1,030,880	—
	2,441,200	1,798,300
Regulatory assets and deferred charges		
DAEC decommissioning	23,856,844	42,988,590
DAEC uncovered plant	49,482,338	50,513,218
Deferred refueling costs	—	1,407,850
	$ 73,339,182	94,909,658

Deferred Refueling Costs—Deferred charges consist principally of costs associated with refueling outages at DAEC. These costs are amortized to expense based on the estimated generation of the next fuel cycle, which corresponds to the period the Cooperative recovers such costs in its rates.

DAEC Decommissioning—The Cooperative has recorded a regulatory asset related to the DAEC decommissioning liability. This regulatory asset is the difference between the decommissioning liability and the fair value of investments designated as decommissioning funds.

DAEC Unrecovered Plant—To address the financial impacts of DAEC early closure and maintain rate stability to members, the Cooperative established a regulatory asset which will be recovered through future wholesale rates beyond the date DAEC ceases generation operations. The regulatory asset will be amortized on a straight-line basis over an 8-year period commencing in November 2020 through December 2028.

Notes To Consolidated Financial Statements

10. PATRONAGE CAPITAL AND MEMBERS' EQUITY—OTHER

The Cooperative operates on a not-for-profit basis and, accordingly, seeks to generate revenues to recover cost of service, meet its financial obligations and to establish reasonable equity reserves. Net margin is treated as advances of capital from members and is allocated annually by the Cooperative's Board of Directors. A portion of net margin may be declared as a current patronage dividend payable. Amounts allocated to deferred patronage capital are scheduled to be distributed fifteen or forty years from the date of allocation. Patronage capital is allocated to members based upon their respective energy and demand purchases from the Cooperative. Deferred patronage capital dividends are eligible to be distributed to members in the future, as determined by the Board of Directors, and subject to certain restrictions in the Cooperative's Indenture and the Iowa Code.

Membership fees and contributed capital credits represents permanent member equity in the Cooperative. Certain members have elected to receive, as a current patronage dividend, their forty-year deferred patronage capital allocations on a discounted basis. The difference between the deferred patronage capital allocated to the forty-year deferral period and the cash distributed to the member on a discounted basis as a result of the member election is considered contributed capital. The increase in contributed capital credits as a result of such election by members was $0 and $1,544,587 during the years ended December 31, 2019 and 2018, respectively.

At December 31, 2019 and 2018, members' equity—other consists of the following:

	2019	2018
Unallocated margin	$ 23,485,881	1,480,027
Reserve for contingent losses	49,598,684	60,009,290
Statutory surplus	28,467,379	26,987,352
	$ 101,551,944	88,476,669

Reserve for contingent losses is an appropriation of net margin by the Board of Directors. The Board of Directors appropriated $0 to reserve for contingent losses during the years ended December 31, 2019 and 2018. There is no statutory restriction of this equity.

In accordance with Iowa Code, the Board of Directors is required to allocate a portion of the current year's net margin to statutory surplus unless such is equal to or greater than thirty percent of total membership capital. The Board of Directors appropriated $1,480,027 and $0 to statutory surplus during the years ended December 31, 2019 and 2018, respectively.

Notes To Consolidated Financial Statements

11. LONG-TERM DEBT AND LINES OF CREDIT

At December 31, 2019 and 2018, long-term debt consists of the following:

	2019	2018
FFB obligations, 1.945% to 4.932% due in quarterly principal and interest installments through 2045	$ 189,787,994	232,920,485
RUS obligations, 5.50% to 5.875% due in monthly principal and interest installments through June 2031	—	5,777,877
CFC obligations, 3.25% to 5.00% due in quarterly principal and interest installments through June 2023	3,146,547	4,598,802
CFC variable rate credit facility borrowings, 2.85% interest installments due quarterly, principal due October 23, 2023	17,000,000	—
CoBank obligations, 3.86% to 5.02% due in quarterly principal and interest installments through March 2042	75,294,540	80,534,847
CoBank variable rate obligations, 3.88% to 4.66% due in monthly principal and interest installments through March 2032	5,841,580	6,316,071
CoBank variable rate credit facility borrowings, 2.90% to 3.79% interest installments due monthly, principal due November 30, 2024	64,100,000	54,600,000
USDA and other economic development loans, 0% to 4.91% due in monthly principal and interest installments through November 2031	10,148,544	9,966,997
USDA economic development grants due upon termination of the rural economic development loan fund	3,075,000	3,075,000
Total long-term debt	368,394,205	397,790,079
Less current maturities	17,614,636	20,579,345
Total long-term debt, less current maturities	$ 350,779,569	377,210,734

Scheduled maturities of long-term debt as of December 31, 2019, are as follows:

Years ending December 31	Scheduled Maturities
2020	$ 17,614,636
2021	17,759,642
2022	17,728,913
2023	34,086,942
2024	80,688,924
Thereafter	200,515,148
Totals	$ 368,394,205

To provide for interim financing capabilities, the Cooperative has arranged revolving lines of credit. The Cooperative had available a $105,000,000 line of credit agreement with CoBank with $64,100,000 and $54,600,000 outstanding at December 31, 2019 and 2018, respectively. The Cooperative also had available a $40,000,000 revolving line of credit agreement with CFC with no borrowings outstanding at December 31, 2019 and 2018.

An Indenture of Mortgage, Security Agreement and Financing Statement, dated as of December 21, 2010 ("Indenture") between the Cooperative, as Grantor, to U.S. Bank National Association, as Trustee, as supplemented, provides the RUS, FFB, CFC, and CoBank as secured note holders a pro-rated interest in substantially all owned assets of the Cooperative.

The existing Indenture and certain other debt agreements contain provisions which, among other restrictions, require the Cooperative to maintain certain financial ratios. The Cooperative was in compliance with these financial ratios at December 31, 2019 and 2018.

Notes To Consolidated Financial Statements

12. INCOME TAXES

The Company's income tax (benefit) expense consists of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Current:		
Federal	$ (157,193)	262,716
State	(93,485)	141,563
	(250,678)	404,279
Deferred:		
Federal	34,720	(42,876)
State	16,321	(25,463)
	51,041	(68,339)
Total income tax (benefit) expense	$ (199,637)	335,940

Income taxes for 2019 and 2018 differ from the (benefit) expense computed using the 21% statutory rate as follows:

	2019	2018
Expected tax at the statutory rate	$ 7,347,500	568,600
State tax, net of federal effect	156,166	291,169
Tax-exempt income of cooperative	(7,015,362)	38,900
Unrelated business income tax	(5,170)	3,126
Other	(682,771)	(565,855)
	$ (199,637)	335,940

Deferred tax assets and liabilities related to temporary differences between the financial statement bases and income tax bases of assets and liabilities at December 31, 2019 and 2018, are as follows:

	2019	2018
Deferred tax assets:		
Securities impairments	$ 612,080	895,324
Deferred compensation	39,641	59,462
Investment in partnerships	135,128	—
Other	79,323	37,312
Total deferred tax assets	866,172	992,098
Deferred tax liabilities:		
Basis difference on fixed assets	703,368	763,597
Investment in partnerships	—	249,054
Unrealized gains on available-for-sale securities	592,056	357,658
Total deferred tax liabilities	1,295,424	1,370,309
Net deferred tax liability	$ 429,252	378,211

The Company determined there is no material liability for unrecognized tax benefits under the provisions of ASC Topic 740, *Income Taxes*. The federal statute of limitations remains open for the years 2016 and forward. Generally, tax years 2015 and forward are subject to audit by state tax authorities depending on the tax code in each jurisdiction.

Notes To Consolidated Financial Statements

13. MULTI-EMPLOYER PENSION PLAN

The Cooperative participates in a multi-employer pension plan, Hawkeye Pension Plan, Employer Identification Number: 42-1438152 and Plan No. 001 (the "Plan") which covers substantially all employees. The Plan is intended to be qualified under Section 401 of the Internal Revenue Code. Its associated trust is intended to be tax-exempt under Section 501(a) of the Internal Revenue Code.

The risks of participating in multi-employer plans are different from single-employer plans in the following aspects: (a) assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the multi-employer plan, the unfunded obligations of the multi-employer plan may be borne by the remaining participating employers; and (c) special rules apply to an employer that withdraws from the multi-employer plan, requiring the withdrawing employer to pay to the multi-employer plan an amount based on the underfunded status of the multi-employer plan.

No zone status determination is required for the Plan under the Pension Protection Act of 2006, and therefore no zone status determination has been made. The following table demonstrates the Plan's funded status and the Company's contributions to the Plan as of and for the years ended December 31, 2019 and 2018:

		Funded Status December 31,		Company Contributions	
Plan	EIN/Plan Number	2019	2018	2019	2018
Hawkeye Pension Plan	42-1438152 / 001	At least 80%	At least 80%	$ 2,271,000	1,577,000

Certain of the Company's contributions to the Plan are for Cooperative employees represented by a union and covered under a collective bargaining agreement in effect at December 31, 2019. These contributions are made in accordance with the terms of the collective bargaining agreement, which requires contributions for these participants to be made in accordance with the Plan provisions. For the years ended December 31, 2019 and 2018, the Company's contributions exceeded 5% of the total contributions to the Plan by all participating employers.

Notes To Consolidated Financial Statements

14. COMMITMENTS AND CONTINGENCIES

Nuclear Insurance Program—Liability for accidents at nuclear power plants is governed by the Price-Anderson Act (the "Act"), which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with the Act, DAEC maintains $450 million of private liability insurance, which is the maximum obtainable, and participates in a secondary financial protection system, which provides up to $13.5 billion of liability insurance coverage per incident at any nuclear reactor in the United States. Under the secondary financial protection system, DAEC is subject to retrospective assessments of up to $137.6 million ($27.5 million for the Cooperative), plus any applicable taxes, per incident at any nuclear reactor in the United States, payable at a rate not to exceed $20.5 million ($4.1 million for the Cooperative) per incident per year.

DAEC participates in a nuclear insurance mutual company that provides $2.75 billion of limited insurance coverage per occurrence for property damage, decontamination, and premature decommissioning risks at its site and a sublimit of $500 million for non-nuclear perils. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. The Cooperative also participates in an insurance program that provides limited coverage for replacement power costs if DAEC is out of service for an extended period of time because of an accident. In the event of an accident at DAEC, the owners could be assessed up to $13.3 million ($2.7 million for the Cooperative), plus any applicable taxes, in retrospective premiums in a policy year.

In the unlikely event of a catastrophic loss at DAEC, the amount of insurance available may not be adequate to cover property damage, decontamination, and premature decommissioning. Uninsured losses, to the extent not recovered through rates, would be borne by the DAEC owners and could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

Power Purchase Agreements—The Cooperative has entered into long-term supply contracts to purchase energy and capacity from various wind, solar, and landfill gas generation resources totaling 373.5 MW with expiration dates between 2025 and 2045. Total purchases are based upon the energy generation output of the resources. Contract prices vary and may escalate over the term.

Solar Generation Lease Agreements—CMAV has contracted for the long-term lease of six photovoltaic solar generation facilities interconnected across CIPCO's service territory totaling 6.4 MW of generation capacity. Annual operating lease payments total $749,000 and extend to 2030. All output of the solar facilities is sold to the Cooperative through intercompany power purchase agreements.

Capital Commitments and Commercial Guarantees—The Company has unfunded capital commitment agreements to certain private equity and hedge funds that may require additional investment. In addition, the Company has provided commercial guarantees to creditors of certain private equity investees. Unfunded capital commitments and commercial guarantees total $13,071,400 as of December 31, 2019.

15. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 20, 2020, which is the date the consolidated financial statements were available to be issued.

Central Iowa Power Cooperative

A Touchstone Energy® Cooperative

Des Moines Office: 515-362-7643
2600 Grand Ave., Suite 300, Des Moines, IA 50312

Cedar Rapids Office: 319-366-8011
1400 Highway 13 SE, Cedar Rapids, IA 52403

www.cipco.net