COOPERATION DOWN THE LINE

2020 ANNUAL REPORT

CIPCO
Central Iowa Power Cooperative
A Touchstone Energy® Cooperative

MISSION

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

Cover photo by Jason Wilkey, assistant line foreman, CIPCO


GENERAL
TEREX

MESSAGE FROM THE CEO

If I had to use two words to sum up 2020, it would be "history making."

Last year will long be remembered as the year of the coronavirus – the center of the world around which we learned to orbit. As the year began, we watched its devasting effects unfold by country, and then from coast to coast in the U.S. We wondered when and how it would impact Iowa. Most of all, how would it affect our members, employees, family and friends?

We battled fear and lack of knowledge in those early days of 2020, yet somehow, we responded by working together while remaining safely apart. Putting COVID-19 safety protocols into place for utility operations and arranging for remote work for office staff created disruption and realignment for three-quarters of the year. Yet, CIPCO management and staff coalesced for a common purpose, to meet the needs of Member-owners, and achieve our strategic goals during a pandemic.

Even before the year began, we knew our 2020 strategic plan was ambitious. It included the repowering of the Summit Lake plant, CIPCO's largest construction project in history. Wapello Solar, LLC, was awaiting construction by the developer Clēnera for an early 2021 completion date. We aggressively worked to identify the right, cost-effective generation resources through power purchase agreements or market purchases to fill gaps in our resource plan as the Duane Arnold Energy Center (DAEC) was scheduled to close in October.

There were other tests along the way. In August, one of the worst storms in CIPCO history tore a path of devastation across a significant portion of the territory. The August 2020 derecho found CIPCO doing something it had never done before — calling for mutual aid assistance from neighboring G&Ts. You will read in the derecho story in this report about the overwhelming support we received from Dairyland Power Cooperative, Northwest Iowa Power Cooperative, Northeast Missouri Electric Power Cooperative, and Corn Belt Power Cooperative. We restored power to the most critical transmission lines within a week — an unbelievable feat considering the catastrophic damage.

Another casualty of the derecho was the loss of DAEC, more than two months ahead of its scheduled closing. Cooling towers at DAEC collapsed due to wind speeds topping more than 120 miles per hour in the Cedar Rapids area. NextEra Energy made the decision to not repair the damage, but rather, proceed with facility shut down.

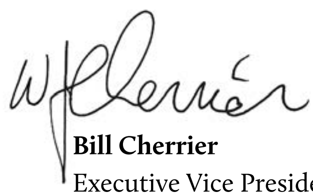
Early in the year we started the search for a consultant to undertake a Cost of Service Study to evaluate cost of service methodology and wholesale rate design. The consulting firm Guernsey was selected. We have worked closely with Member-owners on this important project throughout the year and expect to finish later in 2021.

Despite the unexpected challenges during 2020, such as derecho costs topping $5 million, and lower energy sales, CIPCO's financial results reflect another year of stability and competitive rates. The year represents the fifth consecutive year of declining rates and is the lowest rate in more than 10 years, making CIPCO's rates among the most competitive in the Midwest.

During 2020 capital expenditures were more than $93 million, one of the largest years for capital additions in our history. CIPCO's significant build out is well-timed as borrowing costs remain at historic lows, thus reducing the long-term cost.

CIPCO remains dedicated to sound financial practices that allow margins to be returned to its members in the form of patronage. During the year, CIPCO returned patronage totaling more than $10 million to its Member-owners.

The year reminded us forces exist that will always challenge us in unexpected ways. Cooperation is the glue that holds us together, along with a resilient spirit tested time and again over 74 years. I am proud of the creativity, strength, and determination of the staff at CIPCO in their work with you. The privilege to serve Member-owners and fulfilling our mission is always humbling, perhaps this year more than ever. As we look toward the future through the lens of 2020, I'm confident that our work together in the year to come will be equally as successful.



Bill Cherrier
Executive Vice President & CEO

LEADERSHIP TEAM

Dan Burns
Vice President
Utility Operations

Kendra Graves
Vice President
Portfolio Strategy & Planning

Paul Hofman
Vice President
Information Technology

Memorea Schrader
Vice President
Human Resources

Dawn Sly-Terpstra
Vice President
Member Relations

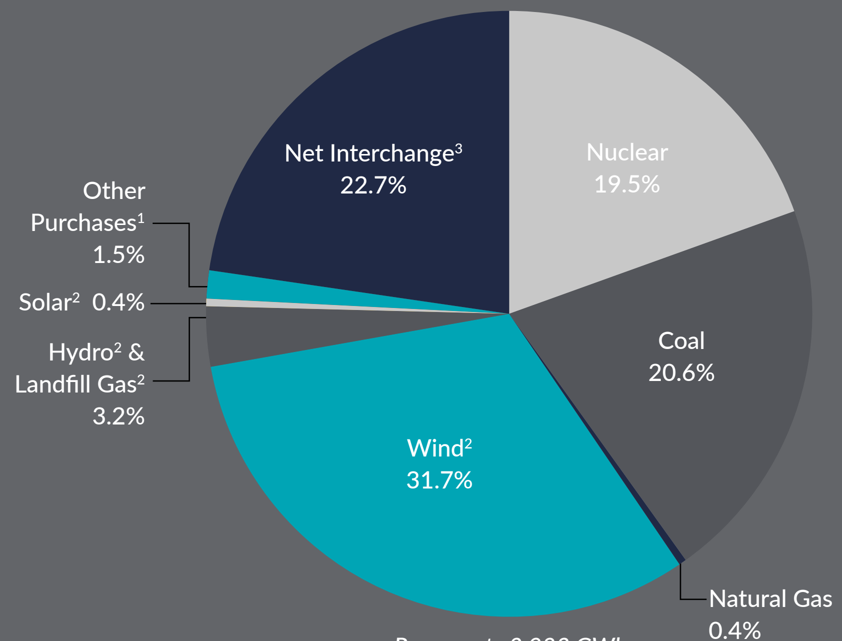
Andrew St. John
Vice President
Chief Financial Officer

CIPCO AT A GLANCE

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, and coal energy resources.

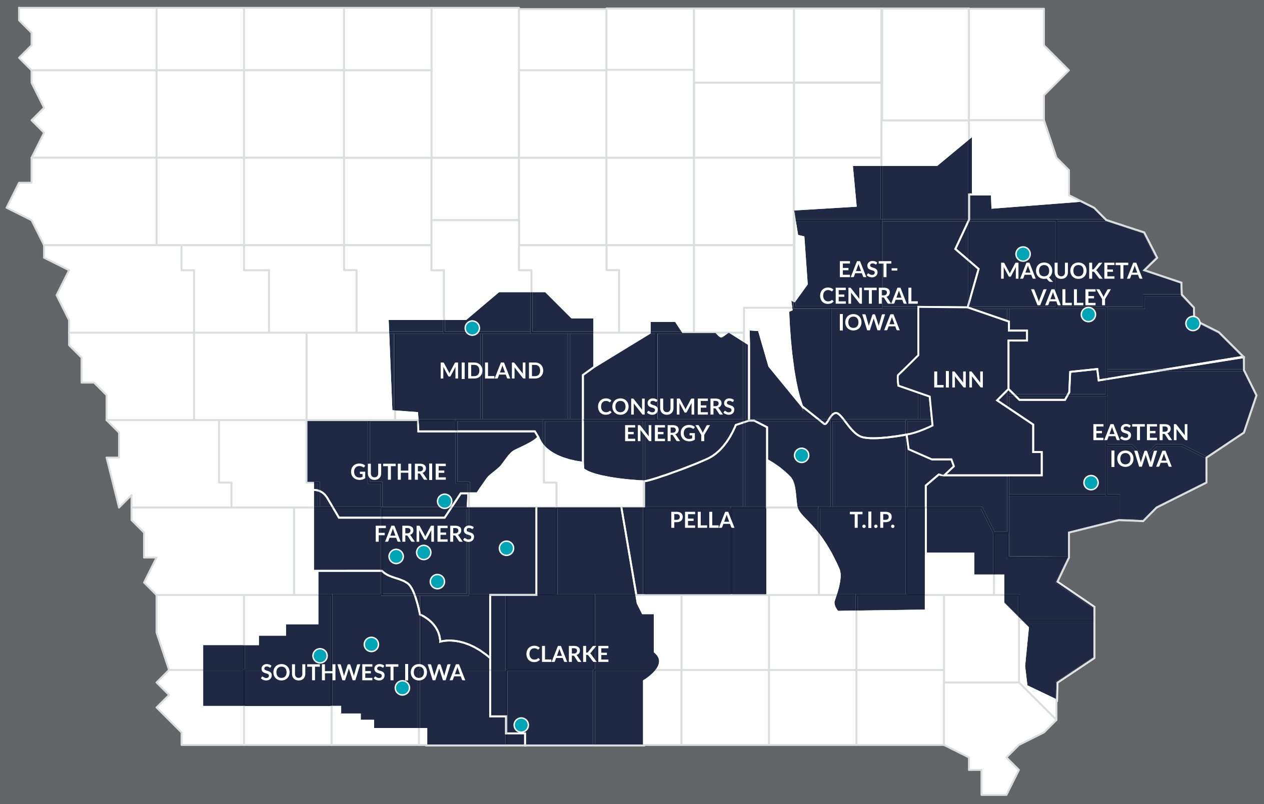
Interchange reflects the difference between the total energy required to serve CIPCO Member-owners and the amount provided by secured resources. The percentage was larger in 2020 due to the closure of Duane Arnold Energy Center in August while new resources were still under construction or being contracted.



Represents 2,983 GWh

Member System Territories

SIMECA Members



Generation Facilities

Coal

Louisa Generating Station, Muscatine

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

Hydroelectric[2]

Western Area Power Administration

Landfill Gas[2]

Linn County Solid Waste Agency, Marion

Natural Gas & Oil

Summit Lake, Creston

Nuclear

Duane Arnold Energy Center, Palo

(closed August, 2020)

Solar[2]

Clarke Solar Farm, Osceola

Eastern Iowa Solar, Wilton

Marshalltown Gateway Centre Solar Array, Marshalltown

Southwest Solar, Corning

Urbana Solar Acres, Urbana

Wapello Solar, LLC, Louisa County

ZON VELD (Sun Field), Pella

Wind[2*]

Elk Wind Farm, Greeley

Hancock County Wind Energy Center, Garner

Hawkeye Wind Farm, Hawkeye

Heartland Divide Wind Energy Center, Audubon & Guthrie counties

HZ Iowa Wind, Story County

Pioneer Grove Wind Farm, Mechanicsville

Rippey Wind Farm, Grand Junction

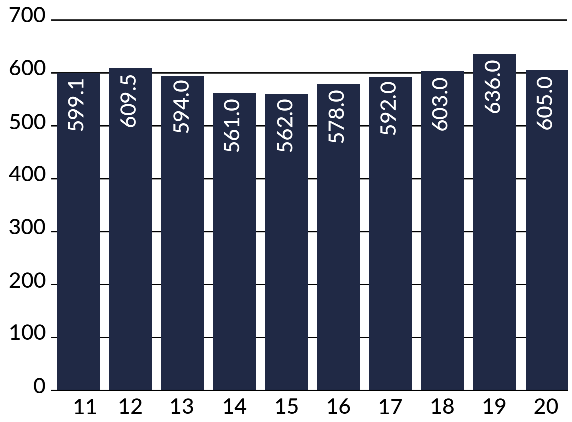
1 CIPCO's purchase power agreement for Wapello Solar LLC locks-in stable, long-term pricing and avoids the risks associated with rising fuel costs. Renewable energy credits (RECs) are not included in this agreement.

2 CIPCO invests in the development of renewable energy projects in several ways. We operate six small-scale solar arrays near communities we serve and retain the renewable energy credits associated with each. We also contract with energy producers for the electricity output from wind, hydro, and methane gas from a landfill (converted into electricity). CIPCO cannot claim these resources as renewable within our supply portfolio as we have either sold to third parties or do not receive the renewable attributes associated with the electricity produced from these renewable power sources. By selling these attributes (RECs), we not only support other organizations in meeting their renewable energy goals, we also generate revenue to help us lower our wholesale power rate to our 12 member-owner distribution cooperatives and 15 municipalities.

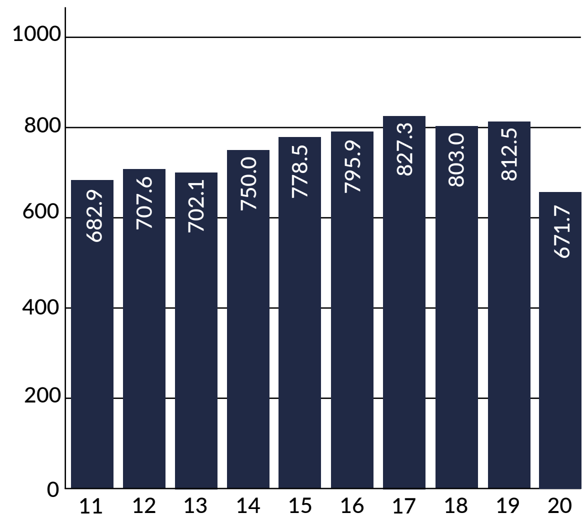
3 A percentage of market purchases exist within the portfolio to meet additional supply needs not covered by existing contracts or CIPCO-produced generation. Weather volatility and unplanned operational events at power plants may also impact market purchases.

**List does not include wind facilities with capacity of less than 2 MW.*

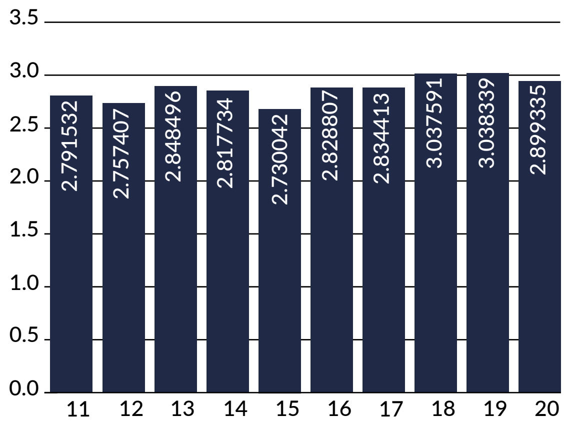
CIPCO AT A GLANCE



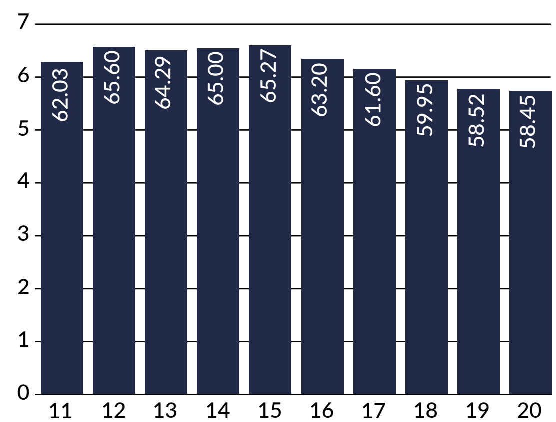
Total System Peak Demand
in megawatts



Utility Plant Investment
$ in millions



Energy Sales
in millions MWhs



Average System Rate
in mills/kWh

Year Founded: 1946

Locations: Cedar Rapids, Creston, Des Moines and Wilton

Ownership: Not-for-profit cooperative owned by 13 member distribution systems

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

BY THE NUMBERS

as of December 31, 2020

$179,018,730 Total Operating Revenue	$16,377,037 Net Margin	97 Employees
$870,566,563 Total Assets	1,925 Approximate Miles of Transmission Lines	$112,000,000 Amount returned as patronage since inception

Wapello Solar

COVID-19 redefined the world in 2020.

Life abruptly changed in January with reports of the coronavirus in China, a potentially deadly virus for which there was no known cure. The world watched as it spread across the globe. Here in Iowa, we wondered when it might arrive and how to prepare.

During the last week of February, Utility Operations (UOps) performed a tabletop exercise simulating the loss of one-third of the operations staff due to a coronavirus pandemic and reviewed plans to maintain continuity of electric service to our members. Staff from all departments participated in the review of the Pandemic Threat Plan, which is a part of CIPCO's Emergency Restoration Plan.

In the meantime, CIPCO IT worked quickly to ensure employees who could work remotely were equipped with the necessary equipment to do so, should this become a necessity. In the months before, CIPCO began using the Microsoft Teams platform, enabling on-demand virtual meetings as well as a collaborative workspace. CIPCO Manager of Environmental and Safety Rex Butler along with UOps staff, finalized new safety protocols for linemen, dispatchers, plant operators, and staff working with contractors.

On March 16, Governor Kim Reynolds issued the first of several emergency health proclamations she would release throughout the year. At that time, CIPCO office staff began remote work, while UOps implemented new daily work protocols. Work was reprioritized across the organization.

During this time, the state and the nation began a slow shutdown that triggered plummeting financial markets, food and supply shortages, unemployment in record numbers, travel and event cancellations with negative impacts to the transportation and hospitality industry. Education from college level to elementary level went online.

2020 became the year of online connection and content delivery. Cooperatives found new, safe ways to hold distanced or virtual annual meetings throughout the year. Key annual industry events were moved online, from NRECA and Touchstone Energy programs to statewide meetings, trade shows, and regional and local cooperative events.

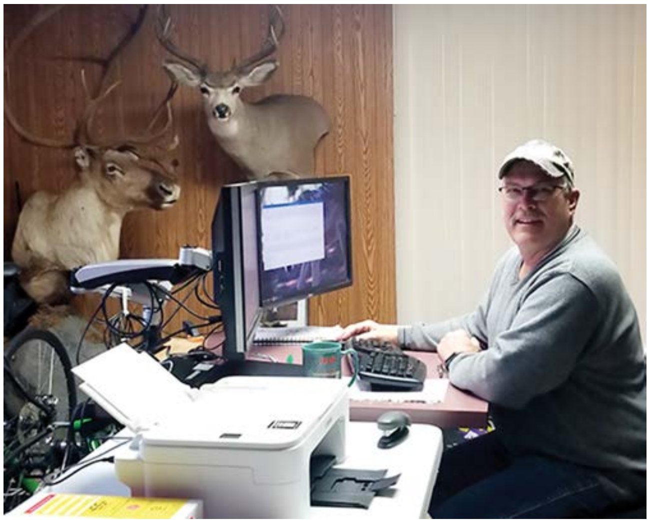
In March, CIPCO made the decision to cancel the in-person annual meeting and hold the meeting in the boardroom with only board, CEO, and corporate counsel present. For the rest of the year, CIPCO board meetings followed social distancing guidelines and were limited to board members only, while staff and guests attended virtually. CIPCO employee events also went online. In addition, CIPCO updated its public website during this time along with the extranet for Member-owners. MemberNet was launched by the end of the year.

Changes to planned programs and travel because of the pandemic contributed to a $1.8 million drop in expenditures in the CIPCO budget.

The end of the year brought great news of near-term vaccinations, resurrecting the hope of another transition – from new normal to business as usual.

This is the 2020 milestone we won't soon forget.

Brad Johnson, area supervisor, Creston



Dan Miller, area supervisor (retired), Wilton

Member Relations virtual Teams meeting

Lee Madison, journeyman lineman, Creston, works independently.


NO
PASSING
ZONE
VIC'S
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WÄRTSILÄ

The $85 million repowering project at the Summit Lake generating plant neared completion in 2020.

The project includes demolition of the 68-year-old steam plant, installation of efficient natural gas-fired reciprocating engines, construction of a new operations and dispatch center, and substation upgrades, all by late 2021. When complete, the repowered facility's generating capability will have increased to 110 MW of power.

There was a flurry of activity at the beginning of the year when pouring concrete for the engine hall took place under specially designed tents to stabilize the cold winter temperatures. Construction on the foundation continued through early winter. As with any project, bumps occurred along the way, including Asian long-horned beetles hitchhiking from overseas with the new engines. Because of this discovery by U.S. Customs and Border Protection after arriving at the Port of Houston, the Wärtsilä engines departed the U.S. for a return trip to Belgium for repackaging. While CIPCO waited for the engines, work progressed on the engine hall and administration building.

The cargo ship carrying the new engines arrived back at Port Houston on April 3. Because the engines were too big to ship intact, they were disassembled and shipped in smaller sections for reassembly in Creston under a specially designed, climate-controlled tent. The smaller pieces headed to Creston on trucks and the engine blocks arrived by rail. After a six-week delay, the shipment of auxiliary equipment arrived on site in mid-April in 30 cargo trucks.

The arrival of the auxiliary equipment was swiftly followed by the arrival of the engines in Creston. The slow and steady process required a trailer with more than 220 wheels and 40 independent steering components to move the engine blocks from the rail site to the assembly area four miles away. Over the next few weeks in May, the engines were assembled and moved into the new engine hall, the newly constructed administration building was enclosed, and auxiliary engine connections commenced.

As progress continued, the old made way for the new. At the end of August, after nearly 70 years of operation, the Summit Lake steam generators were permanently shut down and demolition began. Additional work continued with the completion of the administration building in late September. By late fall, work at Summit Lake shifted primarily to pre-commissioning efforts with construction crews moving out and Wärtsilä inspection and mechanical crews moving in. Commercial operation is expected early in 2021.

SUMMIT LAKE NORTH SUBSTATION

The substation redesign and rebuild began in 2019, with construction taking place in 2020. The new Summit Lake substation was CIPCO's first breaker and a half substation and was designed to meet the high reliability needs of the new plant. It has nine lines and 14 breakers and is over twice the size of the previous Summit Lake North substation. Final construction wrapped up in late spring with substation commissioning occurring in June.

NEW SCADA SYSTEM

While work continued at the generation plant in December, CIPCO completed another important portion of the project when the new Supervisory Control and Data Acquisition (SCADA) system was brought online. The Information Technology and Utility Operations teams worked to transfer dispatch operations from the old steam plant to the new administration and dispatch building. The state-of-the-art SCADA system will allow dispatchers to remotely observe and operate all Creston and Wilton equipment. Dozens of CIPCO staff worked over the last year to build the new platform and make sure all security requirements were met with the highest level of reliability.

STRONGER THAN ANY STORM

August 10 began like many summer Mondays: warm with a bit of gloom on the horizon and rain predicted for later in the day. By late afternoon, a large swath across the Iowa landscape lay twisted, tangled, and flattened by winds reported in excess of 120 miles per hour.

A derecho, a rare, long-lasting straight-line wind event described as an inland hurricane, spawned thunderstorms, tornadoes, and power outages affecting more than a million Iowans, including more than 60,000 rural electric members within CIPCO's service territory.

According to the National Oceanic and Atmospheric Administration, the derecho that traveled 770 miles from South Dakota through Ohio in just 14 hours was the costliest thunderstorm in U.S. history, with recovery costs topping $7.5 billion. Millions of acres of corn and soybean crops were flattened, as were numerous homes, businesses, and vehicles, especially in Linn County.

With only generator power supplying the Cedar Rapids office and inconsistent to non-existent cell service, an operation unprecedented in CIPCO history was pulled together and executed within a week.

Emergency response planning began with the first reports of outages. The assessment process involved as many eyes on the ground as possible. Creating and communicating the restoration plan was also a huge undertaking – every Utility Operations (UOps) staff member was involved, even a few retired staff. Sourcing material 10 times the amount on hand was no small accomplishment. Quickly recruiting more boots on the ground and buckets in the air was mission critical. For the first time in CIPCO history, calls were made to G&T colleagues for mutual aid.

Fifty-two lineworkers from Dairyland Power Cooperative, Northwest Iowa Power Cooperative, Northeast Missouri Electric Power Cooperative, and Corn Belt Power Cooperative worked for a week restoring power to Member-owners, along with another 19 linemen from Primoris Aevenia, Inc., and 21 CIPCO linemen and staff. With them came 18 bucket trucks, digger derrick trucks, pickups, dump trucks, pole trailers, backhoes and skid steers. By the following Monday and after replacing 575 downed poles, and the equivalent of about 30 miles of line spread across the north, central, and eastern

Photo by Jason Wilkey

areas of the system, power was restored through CIPCO's most critical transmission lines.

In the end, CIPCO's total expenses for the storm added up to over $5 million. Another loss to the CIPCO system was the early shutdown of the Duane Arnold Energy Center. With cooling towers damaged beyond repair, NextEra Energy made the decision not to resume operations. With its closure imminent in 75 days, this loss was another unexpected casualty of the storm.

"I wish I could say more than 'thank you.' On behalf of CIPCO, we will always be grateful for the time, skill, and sacrifice of line crews and the cooperatives that sent mutual aid," said Bill Cherrier, Executive Vice President and CEO. "Working together through sudden and powerful adversity demonstrated working for mutual benefit. I want to also say a special thank you to CIPCO staff – the UOps team, with field operations managed by Joe Feld, Terry Fett, and Dan Burns, the IT staff, and so many support staff who made sure out-of-town crews were taken care of.

"There's plenty of rebuilding to do in the future. But in the first phase of recovery from Derecho 2020, we see the cooperative difference. Cooperation Among Cooperatives, Principle number 6, reflects a culture and belief stronger than any storm," he said.

Restoration work near Sheldahl.


Journeyman Lineman Steve Peterson, Line Foreman Drew Hardisty, Journeyman Lineman Lee Madison and Apprentice Lineman Hunter McIntosh survey derecho damage. Photo by Jason Wilkey.

Near Woodward

Austin Ronan and Zach Keppy, apprentice linemen, take a break; Relay Control Technician Layne Fischer is pictured in the driver's seat.

AN ENERGY FIRST CLOSES

Duane Arnold Energy Center's (DAEC) legacy will remain an important part of CIPCO's history long after serving nearly half a century as a cornerstone of CIPCO's generation portfolio.

While operations were scheduled to cease in October 2020, primarily due to changes in market forces that made nuclear plants less cost-competitive, the devastating impacts of the derecho storm caused enough catastrophic damage to warrant an early shutdown of the 622 MW plant.

CIPCO is proud of the plant's record of exemplary reliability and operating performance. DAEC has been an institution for eastern Iowa, a primary driver of regional industry and business from the beginning. Over the years, the plant has provided an average of nearly 600 well-paying jobs for the community, while contributing hundreds of millions of dollars to the local economy over the last five decades.

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, generation resource that reliably provided roughly one-fifth of CIPCO's portfolio's capacity and one-third of the energy.

"CIPCO's power supply portfolio will look much different going forward," according to CIPCO CEO Bill Cherrier. "However, we're well prepared to tackle the future with a diverse generation pool, carefully crafted to provide safe, reliable and cost-effective power to our members."

Construction on the Heartland Divide Wind Energy Center was already in progress when the DAEC closure announcement was made in 2018. But even after majority owner NextEra Energy made the announcement, CIPCO continued making strategic decisions by adjusting the future resource strategy. Some of that strategy is reflected in 2020's major projects, like the Summit Lake repowering, Wapello Solar, LLC, and signing a power purchase agreement for Independence Wind, scheduled to come online in 2021.

DAEC site before construction

DAEC site after construction, circa 1974

From left: Joe Armbrecht, CIPCO president; W.E. Adams, CIPCO manager; Duane Arnold, Iowa Electric president; George Toyne, Corn Belt asst. GM; and George Gaskill, Corn Belt vice president.

Nearly two years after CIPCO announced it would purchase 100 percent of the power from Wapello Solar, LLC, owned and developed by Clēnera, LLC, the project finished 2020 on schedule to produce low-cost energy to CIPCO Member-owners in early 2021.

Located on approximately 800 acres in Louisa County, Wapello Solar incorporates bifacial panel technology with efficient solar inverters and a single axis tracking system to maximize energy generation. CIPCO is purchasing the demand and energy from the 100 MW_{AC} facility through an exclusive 25-year power purchase agreement. CIPCO does not own or purchase renewable energy credits from Wapello Solar.

The general contractor for the project, Renewable Energy Systems (RES), constructed Wapello Solar in six months, despite beginning construction during the COVID-19 pandemic. Work to clear the site and build the seven miles of interior roadway began in May. In July, the installation of solar panels and racking system began.

CIPCO's construction on the substation that serves Wapello Solar began in July 2020 and finished on time, receiving test energy at the end of the year. The facility was mechanically complete by the end of December, with testing and commissioning of the system occurring in 2021.

From left: CIPCO Board Members Gene Manternach, Paul Heineman, Gary Kester and Dan Westphal.

Wapello Solar nears completion, spread across nearly 800 acres. Photo courtesy of RES.

In September, RPM Access LLC (RPMA), an independent Iowa wind developer, announced signing a 20-year power purchase agreement with CIPCO for power and renewable energy credits generated by the 54 MW Independence Wind Farm located near the town of Ryan in Delaware County.

Full commercial operation is anticipated before the end of 2021. When complete, the Independence Wind project will utilize a total of 19 turbines on 292-foot high towers. This will be the second Delaware County wind project developed by RPMA from which CIPCO purchases power – the other is Elk Wind Energy, developed in 2011.

“Adding the Independence wind project to our energy portfolio comes at an important time. With economics being a key driver, this resource will deliver cost-effective electricity to our Member-owners,” stated Bill Cherrier, CEO and Executive Vice President of CIPCO. “The addition of this wind farm further enhances our commitment to local energy production and environmental stewardship. We are proud to work with a local developer like RPMA on another wind project that supports rural Iowa.”

RPMA Elk Wind

TRANSMISSION

Despite the attention given to high profile projects, other projects are crucial to the transmission side of the cooperative. Every year, CIPCO completes several line and substation projects that enhance reliability for electricity delivery across the system.

The Clear Creek and Swan Lake substation projects were completed in the early part of 2020, before the pandemic or the derecho could cause delays. Design work on the Newport substation, the interconnection point for the new Wapello Solar, LLC, began in February. The project was commissioned in early November and synched with Wapello Solar at the end of the year. While the derecho recovery slowed transmission line work down in the second half of the year, CIPCO finalized work on more than 32 miles of line, including the Maquoketa-Wyoming line, the Gowrie Muni, Line 66 and more.

Another major CIPCO project, the Linn County Loop, continued moving forward throughout the year. Since the initial public information meeting in early 2018, the extensive project has diligently moved through the process of easement acquisition without the use of eminent domain. In late 2020, CIPCO completed the final steps to secure the new franchise agreement and project construction will move forward to completion in 2022.

Wyoming Substation

Effective engagement by CIPCO's board of directors and staff with both state and federal elected officials and policy organizations is critical to moving forward with issues important to rural electric cooperatives.

Former Rep. David Young, third from right, visits Southwest Solar.

While 2020 looked much different in terms of typical activities, CIPCO pushed ahead to find new ways of engagement. The usual Washington, D.C. visits were replaced with virtual meetings and staff discussions. In 2020, CIPCO member T.I.P. REC hosted Senator Grassley, Senator Ernst visited the Wapello Solar, LLC construction site to learn about the project, and the Iowa Conservative Energy Forum visited the Southwest Solar field during its statewide Clean Energy Tour. Even though events took place under unique pandemic protocols of masks and social distancing, they provided much-needed opportunities for constituents to discuss legislation and policy positions impacting the industry with state and federal delegates.

Above and middle right: Senator Joni Ernst (third from right) visits the Wapello Solar site.

COMMUNITY

Supporting the economic prosperity of Iowa's rural communities by attracting companies to local areas we serve is a key initiative for CIPCO and its Member-owners. We help power their growth through flexible, low-cost financing assistance.

Since the inception of the economic development program, CIPCO has helped fund over $150.4 million in rural Iowa investments, creating or retaining 1,247 jobs for Iowans. During 2020, CIPCO secured 10 Rural Economic Development Loans or Grants (REDL&G), bringing in a record $8.7 million in investment. 2020 economic development projects included:

CIPCO Loan Programs

- Manchester Enterprises to support the Stanley Black & Decker expansion.

REDL&G

- Brava Roof Tile, Washington
- Clarinda Family Dental
- DICA Marketing Company expansion, Stuart
- Genesis Equities creation of AirCom Business, Marion
- Indianola Pediatric Dentistry
- Kunau Implement, DeWitt
- McCullough Creative business expansion, Dubuque
- Pella Regional Health Center–Prairie City Medical Clinic
- Percival Scientific business expansion, Perry

Check presentation to Kunau Implement, DeWitt

Check presentation to Percival Scientific, Perry

Groundbreaking for Prairie City Medical Clinic

2020 put into perspective the need for Cooperative Principle #7, Concern for Community.

No other year in recent history has demonstrated the need for compassion and commitment to those in the communities we serve.

CIPCO donated over $70,000 to support local community and nonprofit organizations and programs. Due to the pandemic, CIPCO focused resources to serve those in need, including food banks in Creston, Cedar Rapids, Des Moines and Wilton, and COVID-19 health services support. CIPCO joined with CoBank to make a gift of $7,500 to the St. Luke's Foundation Rural Healthcare Grant Program.

CIPCO also made significant contributions to new fire stations in Solon and Center Point/Washington Township.

CIPCO marketing programs pivoted in 2020 with 63.3% of rebate dollars supporting efficient electric technology.

This result delivered member energy savings and load-growth compared to pure efficiency measures (up from the previous high of 50%).

Cooperative Member Services rebated 382 Air-Source Heat Pumps (ASHPs), the most ever in a year. CIPCO programs drove electrification in existing homes resulting in 79 water heater conversions from gas and 76 heat pump conversions from non-electric heat. 150 new homes were built that included electric heating in part due to CIPCO's rebates.

On the transportation side, 24 new residential level II car chargers and one commercial unit were installed through the program in 2020. Electrification opportunities in 2021 will increase with new commercial rebates for electric forklifts and new residential rebates to encourage home builders to pre-wire homes for EV chargers. With stronger incentives for new water heaters and the growing number of ASHPs designed to run efficiently in Iowa's cold winters, the beneficial electrification trends from 2020 will continue.

BOARD OF DIRECTORS

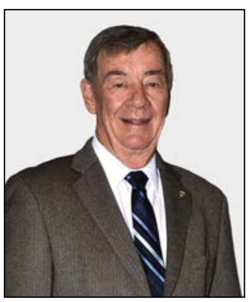
The CIPCO Board of Directors is elected by local member boards. Board members guide organizational decision making.

PAUL HEINEMAN
President
Ogden

DAN WESTPHAL
Vice President
Bridgewater

ALLEN ALBERS
Secretary / Treasurer
Keystone

GENE MANTERNACH
Asst. Secretary / Treasurer
Cascade



DUANE ARMSTEAD
Greenfield

MARCEL FETT
Audubon

ARDEN GREINER
Colo

KIRK HILAND
North Liberty

GARY KESTER
Burlington

RANDY ROUSE
Allerton

CRAIG STALLMAN
Williamsburg

DUANE VER PLOEG
Pella

DALE WALKUP
Redding

SYSTEM CEOS / MANAGERS

DAVID OPIE

General Manager
Clarke Electric
Cooperative

JIM KIDD

General Manager
Consumers Energy

TERESA FLOYD

CEO
East-Central
Iowa REC

KIRK TREDE

CEO
Eastern Iowa
Light & Power

CHARLES DUNN

CEO & EVP
Farmers Electric
Cooperative, Inc.

COZY NELSEN

CEO
Guthrie County REC

TERRY SULLIVAN

CEO /
General Manager
Linn County REC

JEREMY RICHERT

CEO & EVP
Maquoketa Valley
Electric Cooperative

BILL MCKIM

CEO
Midland Power
Cooperative

JON MILES

CEO
Pella Cooperative
Electric Assn.

TIM LARSEN

Treasurer
SIMECA

PHIL KINSER

CEO/General
Manager
Southwest Iowa REC

DEAN HULS

General Manager
T.I.P. REC

FINANCIAL STRENGTH

Financial results reflect another year of stable performance and competitive member rates, despite challenges presented by the pandemic, derecho storm, and early closure of DAEC.

Energy sales totaled 2.9 million MWhs hours in 2020, a decrease of 4.6%, primarily due to lower commercial & industrial load.

Electric revenue was $169 million, a decrease of $8 million compared to 2019, due to lower wholesale rates to members, and lower energy sales. While Electric revenue was below budget, and purchase power expense ended the year above budget, CIPCO achieved offsetting savings on operations and maintenance expenses as well as business support departmental expenses. CIPCO realized a net margin of $16 million in 2020 after recording a $4 million impairment loss for unusable nuclear fuel and inventory upon the early closure of DAEC.

CIPCO stayed true to its long-term investment strategy despite a turbulent year for the markets. CIPCO took advantage of an opportunity to rebalance its decommissioning and other investments to capture long-term value. CIPCO's investments experienced significant gains during 2020 and contributed to CIPCO's net margin.

2020 was a year of executing on our long-term strategy of re-investing in the system to maintain and improve reliability. As of December 31, 2020, total assets were $871 million. During 2020 capital expenditures were more than $93 million, one of the largest years for capital additions in the history of CIPCO. The project to add flexible and efficient natural gas-fired capacity at Summit Lake moved forward, and important transmission projects were completed. CIPCO's

2020 FINANCIAL RATIOS

Debt Service Coverage
2.05

Margins for Interest
3.02

Equity to Asset Ratio
26.94%

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

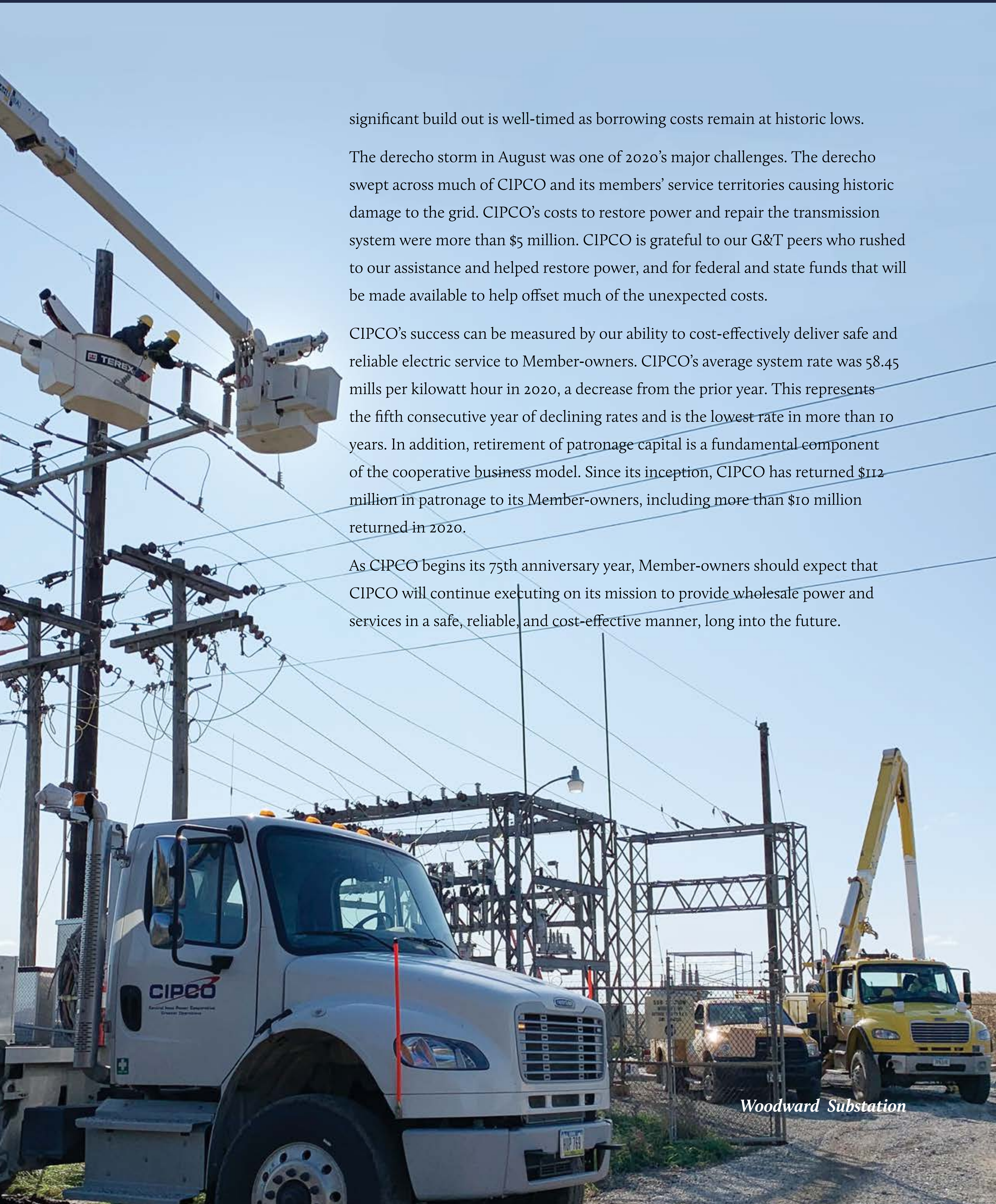
Fitch Ratings
'A' Issuer Default Rating, Stable Outlook

significant build out is well-timed as borrowing costs remain at historic lows.

The derecho storm in August was one of 2020's major challenges. The derecho swept across much of CIPCO and its members' service territories causing historic damage to the grid. CIPCO's costs to restore power and repair the transmission system were more than $5 million. CIPCO is grateful to our G&T peers who rushed to our assistance and helped restore power, and for federal and state funds that will be made available to help offset much of the unexpected costs.

CIPCO's success can be measured by our ability to cost-effectively deliver safe and reliable electric service to Member-owners. CIPCO's average system rate was 58.45 mills per kilowatt hour in 2020, a decrease from the prior year. This represents the fifth consecutive year of declining rates and is the lowest rate in more than 10 years. In addition, retirement of patronage capital is a fundamental component of the cooperative business model. Since its inception, CIPCO has returned $112 million in patronage to its Member-owners, including more than $10 million returned in 2020.

As CIPCO begins its 75th anniversary year, Member-owners should expect that CIPCO will continue executing on its mission to provide wholesale power and services in a safe, reliable, and cost-effective manner, long into the future.



Woodward Substation

7 COOPERATIVE PRINCIPLES

01 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.

02 DEMOCRATIC MEMBER CONTROL

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

03 MEMBERS' ECONOMIC PARTICIPATION

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

04 AUTONOMY & INDEPENDENCE

CIPCO is an autonomous organization controlled by its member systems.

05 EDUCATION, TRAINING & INFORMATION

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

06 COOPERATION AMONG COOPERATIVES

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

07 CONCERN FOR COMMUNITY

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

Central Iowa Power Cooperative
A Touchstone Energy® Cooperative

2020
FINANCIALS

Deloitte.

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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, 2020 and 2019, and the related consolidated statements of revenue and expenses, 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 Company'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 entity'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, 2020 and 2019, 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.

Deloitte & Touche LLP

March 29, 2021

CIPCO and Subsidiaries-December 31, 2020 and 2019

Consolidated Balance Sheets

Assets		**2020**	**2019**
Electric utility plant, at cost:			
In service	$	671,689,483	812,461,837
Less accumulated depreciation		292,996,275	453,116,925
		378,693,208	359,344,912
Construction work in progress		90,259,176	46,089,436
Nuclear fuel, at cost less accumulated amortization of $53,725,741 in 2020 and $47,155,606 in 2019		—	6,570,135
Electric utility plant, net		468,952,384	412,004,483
Railroad and nonutility property, at cost less accumulated depreciation and amortization of $3,003,928 in 2020 and $2,634,698 in 2019		5,664,475	6,059,205
Investments and notes receivable:			
Investments in associated organizations and notes receivable, net		30,759,175	26,533,717
Decommissioning funds		158,203,906	141,749,661
Other investments		89,882,267	82,186,292
Total investments and notes receivable		278,845,348	250,469,670
Current assets:			
Cash and cash equivalents		7,636,887	13,371,352
Restricted cash		96,260	6,092,302
Accounts receivable, members		14,836,806	15,025,262
Government grants and receivables		12,686,234	3,167,795
Other receivables		9,136,559	6,791,378
Fossil fuel, materials, and supplies		11,890,614	11,137,745
Prepaid expenses and interest receivable		854,082	592,290
Regulatory asset and deferred charges		6,185,292	2,441,200
Total current assets		63,322,734	58,619,324
Regulatory assets		53,781,622	73,339,182
Total assets	$	870,566,563	800,491,864

Capitalization and Liabilities			
Capitalization:			
Members' equity:			
Membership fees and contributed capital credits	$	40,682,444	40,682,444
Deferred patronage capital		90,078,516	86,328,516
Other equities		103,428,981	101,551,944
Total members' equity		234,189,941	228,562,904
Noncontrolling interest in CBEC Railway, Inc.		362,661	375,329
Total equity		234,552,602	228,938,233
Long-term debt, less current maturities		416,896,280	350,779,569
Total capitalization		651,448,882	579,717,802
Other liabilities:			
DAEC decommissioning liability		147,776,220	160,009,939
Other asset retirement obligations		10,358,805	10,417,087
Deferred income taxes		191,317	429,252
Total other liabilities		158,326,342	170,856,278
Commitments and contingencies			
Current liabilities:			
Current maturities of long-term debt		17,622,347	17,614,636
Accounts payable		16,202,030	19,460,181
Accrued property taxes and other expenses		9,863,071	7,672,642
Current portion of DAEC decommissioning liability		17,103,891	5,170,325
Total current liabilities		60,791,339	49,917,784
Total capitalization and liabilities	$	870,566,563	800,491,864

See notes to consolidated financial statements.

CIPCO and Subsidiaries-Years Ended December 31, 2020 and 2019

Consolidated Statements Of Revenue And Expenses

	2020	2019
Operating revenue:		
Electric revenue	$ 169,463,390	177,798,696
Wheeling	6,121,248	6,566,601
Miscellaneous	2,581,170	2,588,966
Railroad	852,922	1,329,280
Total operating revenue	179,018,730	188,283,543
Operating expenses:		
Purchased power	56,737,210	41,658,274
Operations:		
Production plant - fuel	14,567,004	26,225,060
Production plant - other	20,361,253	29,590,328
Transmission plant	15,249,164	15,561,882
Maintenance:		
Production plant	6,587,196	6,550,056
Transmission plant	3,399,207	3,197,248
Business support services	10,936,735	11,794,201
Depreciation and amortization	25,084,232	24,977,152
Property and other taxes and insurance	1,512,125	1,500,018
Other	342,599	616,602
Total operating expenses	154,776,725	161,670,821
Net operating margin	24,242,005	26,612,722
Other revenue (expense):		
Net realized investment income	8,762,136	5,666,559
Net unrealized (loss) gain on investments	(843,378)	9,496,140
Patronage capital allocations	1,329,363	1,094,602
Miscellaneous expense, net	(938,850)	(742,139)
Total other revenue, net	8,309,271	15,515,162
Net margin before interest, income taxes and impairment	32,551,276	42,127,884
Interest charges:		
Interest on long-term debt	13,090,630	15,214,861
Allowance for borrowed funds used during construction	(1,105,512)	(194,640)
Net interest charges	11,985,118	15,020,221
Net margin before income taxes and impairment	20,566,158	27,107,663
Income tax expense (benefit):		
Current income tax expense (benefit)	307,593	(250,678)
Deferred income tax (benefit) expense	(237,935)	51,041
Total income tax expense (benefit)	69,658	(199,637)
DAEC impairment	4,102,131	3,805,387
Net margin	16,394,369	23,501,913
Noncontrolling interest in CBEC Railway, Inc.	17,332	16,032
Net margin attributable to the Company	$ 16,377,037	23,485,881

See notes to consolidated financial statements.

CIPCO and Subsidiaries-Years Ended December 31, 2020 and 2019

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, 2019	$ 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
Net margin	—	—	—	16,377,037	17,332	16,394,369
Patronage capital paid	—	(10,750,000)	—	—	—	(10,750,000)
Patronage capital allocated	—	14,500,000	—	(14,500,000)	—	—
Distribution of earnings	—	—	—	—	(30,000)	(30,000)
Balance December 31, 2020	$ 40,682,444	90,078,516	—	103,428,981	362,661	234,552,602

See notes to consolidated financial statements.

CIPCO and Subsidiaries-Years Ended December 31, 2020 and 2019

Consolidated Statements Of Cash Flows

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	$ 16,394,369	23,501,913
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	25,574,013	25,432,799
Amortization of deferred charges	1,410,320	1,795,830
Amortization of nuclear fuel	5,222,281	9,054,788
Settlements of asset retirement obligations	(7,681,887)	(676,226)
Patronage capital allocations not received in cash	(484,527)	(442,795)
Realized net gain on disposal of investments	(7,197,269)	(2,283,303)
Loss on disposal of electric utility plant and nonutility property	1,177,414	967,425
DAEC impairment	4,102,131	3,805,387
Net unrealized loss (gain) on investments	843,378	(9,496,141)
Net gain from equity method investees	(58,907)	(60,375)
Other, net	294,793	437,917
Changes in certain assets and liabilities:		
Receivables	(8,417,894)	(4,541,791)
Fossil fuel, materials, and supplies	(3,507,146)	(1,421,404)
Prepaid expenses and interest receivable	(267,879)	620,924
Accounts payable, accrued liabilities, and other liabilities	3,333,624	2,237,469
Deferred income taxes	(237,935)	51,041
Net cash provided by operating activities	30,498,879	48,983,458
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to electric utility plant	(93,091,778)	(45,916,375)
Proceeds from the sale of electric utility plant and nonutility property	171,962	48,603
Purchases of investments	(187,443,067)	(129,586,219)
Sales of investments	187,554,327	131,667,754
Interest and dividend income reinvested	(685,645)	(1,170,883)
Distributions received from equity method investees	60,000	60,000
Distributions received from decommissioning funds	407,204	—
Receipt of prior years' patronage capital allocation	61,642	81,492
Additions to notes receivable	(6,394,378)	(1,602,000)
Payments from notes receivable	1,785,925	1,897,520
Net cash used in investing activities	(97,573,808)	(44,520,108)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(23,575,578)	(57,347,874)
Proceeds from long-term borrowings	40,800,000	1,452,000
Principal payments on line of credit	(130,000,000)	(130,000,000)
Proceeds from line of credit borrowings	178,900,000	156,500,000
Distribution of earnings	(30,000)	(30,000)
Patronage capital paid	(10,750,000)	(10,578,600)
Net cash provided by (used in) financing activities	55,344,422	(40,004,474)
Net decrease in cash, cash equivalents and restricted cash	(11,730,507)	(35,541,124)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	19,463,654	55,004,778
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	$ 7,733,147	19,463,654
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	$ 13,059,621	15,281,165
Cash payments for taxes	$ 70,509	522,344
Purchases of electric utility plant in accounts payable	$ 6,138,057	10,413,387

See notes to consolidated financial statements.

1. ORGANIZATION

Central Iowa Power Cooperative (the “Cooperative” or “CIPCO”) is a member-owned not-for-profit electric generation and transmission cooperative. Its mission is to provide member-owners with wholesale power and services in a safe, reliable, and cost-effective manner. 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* 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 2020 and 2019 were approximately 2.5% and 3.3%, respectively.

(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.

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.

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 primarily 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.

(m) Fossil Fuel, Materials, and Supplies
Fossil fuel, 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 CIPCO to sell and deliver to the member, and obligates the member to purchase and receive from CIPCO, 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 both measurements of the electric power provided to members. Therefore, the provision of electric power to members is one performance obligation. Prior to members' requirements 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) 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.

(q) 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, 2021, and is required to be adopted using a modified retrospective approach. Early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

3. DAEC EARLY CLOSURE

In 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. As a 20% minority owner, CIPCO was not involved in the decision to close the plant. 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 is being recovered in future wholesale rates through 2028. Establishment of the regulatory asset has been approved by the CIPCO Board of Directors and the RUS.

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. Therefore, CIPCO recognized a $3.8 million impairment charge for obsolete and unusable inventory items, net of estimated salvage value.

On August 10, 2020 DAEC was shut down after a derecho storm that struck DAEC and the surrounding area. Upon review, NEER determined that DAEC would remain shut down and begin the decommissioning process. NEER had previously planned to permanently cease power operations of DAEC on October 30, 2020. Due to the shut down, CIPCO recognized a $4.1 million impairment charge for the unamortized balance of nuclear fuel and unusable materials and supplies inventory.

4. ELECTRIC UTILITY PLANT IN SERVICE

The major classes of electric utility plant in service at December 31, 2020 and 2019 and depreciation and amortization for 2020 and 2019 are as follows:

	Cost		Depreciation & Amortization		Composite Depreciation Rates
	2020	2019	2020	2019	%
Production plant	$ 274,729,096	449,594,411	13,143,730	14,570,026	3.10 - 10.00%
Transmission plant	375,033,933	337,862,517	9,486,773	8,977,919	2.75
Distribution plant	454,256	454,256	—	—	0.00
General plant	20,597,732	20,015,434	1,528,222	1,501,181	3.03 - 33.33
Intangible plant	874,466	4,535,219	15,176	15,176	4.00 - 10.00
Electric utility plant in service	$ 671,689,483	812,461,837	24,173,901	25,064,302	

Upon the permanent cessation of power operations in 2020, all DAEC electric utility plant, at cost, except land, was retired. This resulted in a $181.3 million reduction in electric utility plant in service and a $181.3 million reduction to accumulated depreciation.

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, 2020:

Facility	Percentage Ownership	Capacity MW	Electric Utility Plant in Service-Net
DAEC - Land	20.0%	124	$ 343,258
Walter Scott Energy Center Unit No. 3	11.5	83	28,480,388
Walter Scott Energy Center Unit No. 4	9.5	78	74,944,661
Louisa Generating Station	4.6	34	11,149,984

6. POWER PURCHASE AGREEMENTS

The Cooperative has entered into long-term supply contracts and is purchasing energy and capacity from various wind, solar, hydro, and landfill gas generation resources totaling 385.5 MW with expiration dates between 2025 and 2050. Total purchases are based upon the energy generation output of the resources. Contract prices vary and may escalate over the term. 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. Payments are recognized as purchased power in the consolidated statements of revenue and expenses. The Cooperative's purchases under these agreements were $35,784,408 and $38,115,676 for 2020 and 2019, respectively.

The Cooperative has entered into additional long-term supply contracts to purchase energy and capacity from wind and solar generation resources totaling 153.6 MW that remain in development and have not been constructed.

CMAV has contracted for the long-term lease of six photovoltaic solar generation facilities interconnected across CIPCO's service territory totaling 6.4 MW_{AC} 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. All intercompany transactions have been eliminated in the consolidated financial statements.

7. INVESTMENTS AND NOTES RECEIVABLE

As of December 31, 2020 and 2019, investments and notes receivable consisted of the following:

		2020	2019
Investments in associated organizations and notes receivable:			
Capital term certificates	$	4,486,482	5,229,782
Investments in associated organizations		8,817,669	8,394,785
Notes receivable		17,455,024	12,909,150
		30,759,175	26,533,717
Decommissioning funds:			
Investments - decommissioning trust		84,632,768	74,883,106
Investments - internal decommissioning fund		73,571,138	66,866,555
		158,203,906	141,749,661
Other investments:			
Invested reserves		85,039,944	75,386,609
Equity in privately held corporations and funds		4,188,295	6,144,562
Equity method investments		654,028	655,121
		89,882,267	82,186,292
Total investments and notes receivable	$	278,845,348	250,469,670

Capital term certificates are issued by National Rural Utilities Cooperative Finance Corporation ("CFC") and currently bear interest at 3% to 5% maturing between 2025 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 $17,455,024 and $12,909,150 at December 31, 2020 and 2019, respectively. The notes receivable have interest rates between 0% and 4.91% and have contractual maturity dates through December 2030. 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 loss of $0 and $13,619 were recognized during the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the Company had established an allowance for doubtful accounts of $252,120 and $189,540, 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, government securities, corporate fixed income, 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. Officers of the Cooperative are authorized to act in accordance with the decommissioning trust agreement and request distributions from the decommissioning trust to reimburse the Cooperative for decommissioning expenditures. The authority granted to officers of the Cooperative to request distributions is capped at $10 million per calendar year. If distribution requests will exceed $10 million in any calendar year, specific authorization by the CIPCO board of directors, as Trust Protector, is required. There are currently no restrictions regarding the internal decommissioning fund.

7. INVESTMENTS AND NOTES RECEIVABLE *(CONTINUED)*

Invested reserves consist primarily of U.S. domestic equities, international equities, REITs, mutual funds, government securities, corporate fixed income, 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.

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, 2020	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Market Value**
Cash equivalents	$ 3,531,378	—	—	3,531,378
Equities	121,482,455	37,711,285	(872,741)	158,320,999
Fixed income	40,359,853	1,476,913	(80,573)	41,756,193
Totals	$ 165,373,686	39,188,198	(953,314)	203,608,570

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

8. FAIR VALUE MEASUREMENTS

ASC Topic 820, *Fair Value Measurements* 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.

Government Securities and Corporate Fixed Income—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.

8. FAIR VALUE MEASUREMENTS *(CONTINUED)*

The following tables present assets that are measured at fair value on a recurring basis as of December 31, 2020 and 2019:

	Fair Value Measurements as of December 31, 2020			
	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 3,531,378	3,531,378	—	—
Equities - stocks	53,535,703	53,535,703	—	—
Mutual funds:				
Equities	29,884,238	29,884,238	—	—
Fixed income	8,734,156	8,734,156	—	—
Exchange traded funds:				
Equities	74,901,058	74,901,058	—	—
Fixed income	5,088,804	5,088,804	—	—
Corporate fixed income	15,453,496	—	15,453,496	—
Government securities	12,479,737	—	12,479,737	—
Subtotal	203,608,570	175,675,337	27,933,233	—
Private equity and hedge funds measured at net asset value	39,635,280			
Total	$ 243,243,850			

	Fair Value Measurements as of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 3,970,656	3,970,656	—	—
Equities - stocks	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			

8. 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, 2020 and 2019:

Alternative Investment Strategy	2020	2019	Redemption Frequency	Redemption Notice Requirements
Private equity & hedge funds	$ 5,429,361	8,111,663	Allowed quarterly	Varies from 30-95 days
Private equity & hedge funds	3,393,324	3,175,448	Allowed at least annually	90 calendar days plus 5 business days
Private equity & hedge funds	30,812,595	27,397,441	No contractual liquidity	No contractual liquidity
Total private equity & hedge funds measured at net asset value	$ 39,635,280	38,684,552		

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, 2020, investments that do not permit redemptions have fund term dates extending through 2027.

9. GOVERNMENT GRANTS AND RECEIVABLES

On August 10, 2020, a derecho, a rare, long-lasting straight-line wind event caused extensive damage to the Cooperative's electric utility plant. U.S. Federal Emergency Management Agency ("FEMA") disaster declaration FEMA-4557-DR announced the availability of federal funding on a cost-sharing basis under program CFDA 97.036 FEMA Disaster Grants – Public Assistance. As an eligible private non-profit providing critical electric power and generation services, the Cooperative is eligible to receive public assistance to reimburse a portion of the extraordinary costs incurred in the performance of emergency protective measures and permanent work required to restore damaged and destroyed electric utility plant to its pre-disaster design and function. Government grants and receivables includes $4,400,360 and $0 for eligible costs that have not yet been reimbursed as of December 31, 2020 and 2019, respectively.

Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy ("DOE") is responsible for development of a repository for the disposal of spent nuclear fuel and high-level radioactive waste. The DOE has not met its statutory obligation. In 2009, a spent fuel settlement agreement was reached which permits NEER to make annual filings on behalf of the DAEC joint owners to recover certain incurred spent fuel storage costs, which are payable by the U.S. Government on an annual basis. Government grants and receivables includes $8,285,874 and $3,167,795 for eligible costs that have not yet been reimbursed as of December 31, 2020 and 2019, respectively.

10. DAEC DECOMMISSIONING LIABILITY AND OTHER ASSET RETIREMENT OBLIGATIONS

DAEC Decommissioning Liability—NEER is responsible for planning and managing decommissioning, the cost of which is shared on a pro-rata basis by the joint owners. The Cooperative has recognized an ARO for its 20% ownership share of the estimated cost to decommission DAEC. NEER submitted a site-specific cost estimate and plan for decontamination and decommissioning to the U.S. Nuclear Regulatory Commission ("NRC"). All spent nuclear fuel housed onsite is expected to be in long-term dry storage within three years of plant shutdown and until the U.S. Department of Energy is able to take possession. NEER expects completion of decommissioning by approximately 2080.

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 $158,203,906 and $141,749,661 at December 31, 2020 and 2019, 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 a 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 $353,470 and $401,750, which is recorded in Other AROs, as of December 31, 2020 and 2019, respectively. Post-closure decommissioning activities will be complete in 2027.

The following table reconciles the beginning and ending balances of the DAEC decommissioning liability and other AROs for the years ended December 31, 2020 and 2019:

	2020		2019	
	DAEC Decommissioning Liability	Other AROs	DAEC Decommissioning Liability	Other AROs
Balance-January 1	$ 165,180,264	11,219,469	159,009,152	7,680,170
Additions	—	—	—	—
Settlements	(7,040,518)	(641,369)	(426,241)	(249,985)
Change in estimated costs	—	291,615	—	3,425,179
Accretion	6,740,365	431,577	6,597,353	364,105
Balance-December 31	$ 164,880,111	11,301,292	165,180,264	11,219,469
Expected to settle in the next twelve months	17,103,891	942,487	5,170,325	802,381

The amount expected to settle in the next twelve months for the Other AROs is reflected in Accrued property taxes and other expenses on the consolidated balance sheets as of December 31, 2020 and 2019.

11. REGULATORY ASSETS AND DEFERRED CHARGES

At December 31, 2020 and 2019, regulatory assets and deferred charges consists of the following:

	2020	2019
Regulatory asset and deferred charges		
Deferred refueling costs	$ —	1,410,320
DAEC uncovered plant	6,185,292	1,030,880
	6,185,292	2,441,200
Regulatory assets		
DAEC decommissioning	10,484,578	23,856,844
DAEC uncovered plant	43,297,044	49,482,338
	$ 53,781,622	73,339,182

Deferred Refueling Costs—Deferred charges consist 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. The regulatory asset represents the present value of the underfunded decommissioning liability that will be resolved by the long-term appreciation of investments designated as decommissioning funds or through future wholesale rates.

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 is being recovered through future wholesale rates. The regulatory asset commenced amortization in November 2020. It will be amortized on a straight-line basis over an 8-year period through December 2028.

12. 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.

At December 31, 2020 and 2019, members' equity—other consists of the following:

	2020	2019
Unallocated margin	$ 16,377,037	23,485,881
Reserve for contingent losses	58,196,592	49,598,684
Statutory surplus	28,855,352	28,467,379
	$ 103,428,981	101,551,944

Reserve for contingent losses is an appropriation of net margin by the Board of Directors. The Board of Directors appropriated $8,597,908 and $0 to reserve for contingent losses during the years ended December 31, 2020 and 2019, respectively. 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 $387,973 and $1,480,027 to statutory surplus during the years ended December 31, 2020 and 2019, respectively.

13. LONG-TERM DEBT AND LINES OF CREDIT

At December 31, 2020 and 2019, long-term debt consists of the following:

	2020	2019
FFB obligations, 1.017% to 4.932% due in quarterly principal and interest installments through 2045	$ 209,729,195	189,787,994
CFC obligations, 4.85% to 5.00% due in quarterly principal and interest installments through June 2023	2,138,982	3,146,547
CFC variable rate credit facility borrowings, 2.25% interest installments due quarterly, principal due October 23, 2023	45,000,000	17,000,000
CoBank obligations, 3.86% to 5.02% due in quarterly principal and interest installments through March 2042	70,054,232	75,294,540
CoBank variable rate obligations, 2.24% to 4.66% due in monthly principal and interest installments through March 2032	5,345,046	5,841,580
CoBank variable rate credit facility borrowings, 1.3375% to 2.15% interest installments due monthly, principal due November 30, 2024	85,000,000	64,100,000
USDA and other economic development loans, 0% to 4.91% due in monthly principal and interest installments through November 2031	13,576,172	10,148,544
USDA economic development grants due upon termination of the rural economic development loan fund	3,675,000	3,075,000
Total long-term debt	434,518,627	368,394,205
Less current maturities	17,622,347	17,614,636
Total long-term debt, less current maturities	$ 416,896,280	350,779,569

Scheduled maturities of long-term debt as of December 31, 2020, are as follows:

Years ending December 31	Scheduled Maturities
2021	$ 17,622,347
2022	19,344,391
2023	63,702,420
2024	103,204,403
2025	18,115,266
Thereafter	212,529,800
Totals	$ 434,518,627

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 $85,000,000 and $64,100,000 outstanding at December 31, 2020 and 2019, respectively. The Cooperative also had available a $40,000,000 revolving line of credit agreement with CFC with no borrowings outstanding at December 31, 2020 and 2019.

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, 2020 and 2019.

14. INCOME TAXES

The Company's income tax expense (benefit) consists of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Current:		
Federal	$ 183,908	(157,193)
State	123,685	(93,485)
	307,593	(250,678)
Deferred:		
Federal	(161,025)	34,720
State	(76,910)	16,321
	(237,935)	51,041
Total income tax expense (benefit)	$ 69,658	(199,637)

Income taxes for 2020 and 2019 differ from the expense (benefit) computed using the 21% statutory rate as follows:

	2020	2019
Expected tax at the statutory rate	$ 5,392,500	7,347,500
State tax, net of federal effect	(207,716)	156,166
Tax-exempt income of cooperative	(5,820,509)	(7,015,362)
Unrelated business income tax	(8,915)	(5,170)
Other	714,298	(682,771)
	$ 69,658	(199,637)

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, 2020 and 2019, are as follows:

	2020	2019
Deferred tax assets:		
Securities impairments	$ 968,567	612,080
Deferred compensation	19,821	39,641
Privately held corporations and funds	262,073	135,128
Other	30,502	79,323
Total deferred tax assets	1, 280,963	866,172
Deferred tax liabilities:		
Basis difference on fixed assets	638,408	703,368
Privately held corporations and funds	124,321	—
Unrealized gains on available-for-sale securities	709,551	592,056
Total deferred tax liabilities	1,472,280	1,295,424
Net deferred tax liability	$ 191,317	429,252

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 2017 and forward. Generally, tax years 2016 and forward are subject to audit by state tax authorities depending on the tax code in each jurisdiction.

15. 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, 2020 and 2019:

		Funded Status December 31,		Company Contributions	
Plan	**EIN/Plan Number**	**2020**	**2019**	**2020**	**2019**
Hawkeye Pension Plan	42-1438152 / 001	At least 80%	At least 80%	$ 2,301,000	2,271,000

Certain of the Company’s contributions to the Plan are for Cooperative employees represented by a union and covered under a collective bargaining agreement that expires on March 31, 2022. 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, 2020 and 2019, the Company’s contributions exceeded 5% of the total contributions to the Plan by all participating employers.

16. 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. In the event of an accident at DAEC, the owners could be assessed up to $12.8 million ($2.6 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.

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 $9,468,625 as of December 31, 2020.

17. SUBSEQUENT EVENTS

On February 1, 2021 the Cooperative liquidated and withdrew $3.8 million from Decommissioning Funds for DAEC decommissioning expenditures completed prior to December 31, 2020. Proceeds from the investment liquidation replenished working capital which was used to initially fund the expenditures.

In February 2021, portions of the central and southern United States, including the Cooperative's service territory, experienced a prolonged period of extreme cold temperatures. The Cooperative was able to provide for the electric power and energy requirements of members without any significant interruptions to service. However, the event resulted in significant volatility and increases in commodity prices caused by higher demand for electricity and disruptions in commodity supply. The Cooperative's purchased power costs were significantly higher than historical experience which is expected to result in greater short-term borrowing to fund such purchases. The Cooperative has adequate liquidity to meet the anticipated increase in short-term borrowings. While increased costs are expected to be fully recoverable, the amount and timing of recovery through rates charged to members for electric service will be determined by the Cooperative's Board of Directors.

The Company has evaluated subsequent events through March 29, 2021, which is the date the consolidated financial statements were available to be issued.

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