

TACKLING TOMORROW'S CHALLENGES TODAY

2015 ANNUAL REPORT



Mission

To provide reliable, low-cost wholesale electricity, as well as superior services and advocacy that offer exceptional value to our member utilities and the customers they serve.

WISCONSIN

Algoma
Black River Falls
Boscobel
Brodhead
Cedarburg
Columbus
Cuba City
Eagle River
Evansville
Florence
Hartford
Hustisford
Jefferson
Juneau
Kaukauna
Lake Mills
Lodi
Menasha
Mount Horeb
Muscodia
New Glarus
New Holstein

New London
New Richmond
Oconomowoc
Oconto Falls
Plymouth
Prairie du Sac
Reedsburg
Richland Center
River Falls
Slinger
Stoughton
Sturgeon Bay
Sun Prairie
Two Rivers
Waterloo
Waunakee
Waupun
Westby
Whitehall

MICHIGAN

Alger Delta CEA
Baraga
Crystal Falls
Gladstone
L'Anse
Negaunee
Norway

IOWA

Independence
Maquoketa
Preston



LEADERSHIP REPORT

Every once in a while we hear a quote that is as wise as it is simple. We ran across such a saying the other day from William Osler, one of the founding professors of the Johns Hopkins University Hospital: "The best preparation for tomorrow is to do today's work superbly well." It's as true today as it was 100 years ago when he said it.

Looking back on our actions and accomplishments in 2015, we see the truth of Osler's words. Throughout the year, WPPI Energy members performed their work with one eye on the present and one eye on the future.

At WPPI Energy's 35th Anniversary Celebration and Annual Meeting, the Board of Directors asked our 51 members to modify their all-requirements power supply agreements with WPPI Energy resulting in contracts with terms expiring at the end of 2055, and to do so by March 31, 2016. The response was prompt and enthusiastic: at the end of 2015, with three months left in the seven-month timeline, 43 members had already taken action. As of the end of March 2016, 49 members representing approximately 98% of WPPI Energy's total load had in place power supply agreements extending through 2055.

We made significant progress on power supply construction projects at our two largest baseload plants — Boswell Energy Center Unit 4 in Cohasset, Minn., and the Elm Road Generating Station in Oak Creek, Wis. In October, together with our project partners, we commemorated the completion of the new WPPI Energy-owned portion of CapX2020 Hampton-Rochester-La Crosse 345-kilovolt transmission project.

Our member contracts, plant improvements and transmission investments will help us continue to provide reliable, affordable power to WPPI Energy members and their customers for many years to come. They also contribute to our organization's excellent financial health.

We were also pleased to continue advancing our best-in-class services in order to ensure WPPI Energy members are ready for changes in technology and customer expectations. Two members — New Richmond and River Falls — piloted our efforts to build community solar gardens, and we also made progress in our customer information strategy to support members as they transition to new advanced metering infrastructure.

At the root of these accomplishments and all the efforts outlined in our 2015 WPPI Energy Annual Report, is the joint action model which holds that we are stronger when we act together.

WPPI Energy was formed 35 years ago by members seeking shared strength and local control over their communities' energy future. While some things have changed substantially in our industry, others remain the same. WPPI Energy's member-owned, member-driven model continues to provide the solid foundation for all that we do now and all that we will continue to do in the future.

As we work together on sound, long-term strategic initiatives, we fulfill our mission and prepare for the industry changes and opportunities ahead.

Together, WPPI Energy members are tackling tomorrow's challenges today.



JEFF FELDT
WPPI Energy Chair
General Manager,
Kaukauna Utilities



MIKE PETERS
President & CEO,
WPPI Energy

THE JOINT ACTION ADVANTAGE

In 1980, a group of 23 locally owned, not-for-profit utilities formed WPPI Energy. They sought shared strength and more local control to help them best meet power supply needs in their communities. Today, the 51 members of WPPI Energy have that and more with a diverse, flexible generation portfolio, best-in-class support services and programs for customers, and an effective voice for advocacy.

MEMBERS MODIFY ALL-REQUIREMENTS CONTRACTS

WPPI Energy members recognize the benefit of working together with like-minded communities for the good of their customers.

This is especially true when it comes to owning electric generation resources, which we typically finance by issuing 30-year tax-exempt revenue bonds. Our member utilities' long-term all-requirements power supply agreements are the financial backbone that allows us to do so.

In 2015, with members' current agreements expiring in approximately 22 years, the WPPI Energy Board of Directors asked all members to take action resulting in contracts with terms expiring in approximately 40 years, and to do so by the end of March, 2016. Unity of purpose and foresight are hallmarks of joint action, which WPPI Energy members demonstrated through their prompt and decisive response to this request. Forty-three members had already taken action by year end. As of March 31, 2016, 49 of the 51 members representing approximately 98% of WPPI Energy's total load had in place power supply agreements extending through 2055.

"To do all the things we want to, we need to collaborate with other members through WPPI Energy," said Randy Posthuma, general manager of Waupun Utilities.

Brian Yerges, Plymouth's city administrator and utilities manager, agreed: "We were happy to extend our



Brian Yerges/Mike Reynolds

all-requirements power contract because we are stronger when we work together. Because of this strength, we can do things as a group that none of us could do on our own."

Brian specifically noted the value of Plymouth's WPPI Energy Services Representative, who comes to his utility's office twice a week to work with customers on a variety of customer issues, including energy efficiency upgrades, solar power and filing for efficiency incentives.

"This high-touch, one-on-one service goes beyond what we could offer if we operated as a stand-alone utility."

A third member leader, Mike Reynolds, director of public works for Boscobel, said, "We're a small fish — about 1,700 customers — and we're swimming in the deep water with much bigger fish. Being a member of WPPI Energy keeps us from getting eaten by those bigger fish."

The contracts ensure that WPPI Energy can continue planning well for the long term, and provide members with the certainty that together, we are ready for tomorrow.

Celebrating 35 Years of Joint Action



More than 180 member officials, utility leaders and staff gathered in Sheboygan, Wis. for WPPI Energy's 35th anniversary celebration.

Honoring the Public Power Tradition

Not-for-profit, locally owned utilities bring significant value to their communities and customers, and joint action through WPPI Energy helps preserve and enhance this value for the long term. Several WPPI Energy members celebrated milestone anniversaries in 2015, including:



POWER SUPPLY

Reliable, affordable power is fundamental to our mission, and was the purpose for WPPI Energy's formation more than 35 years ago. Today, our diverse energy portfolio includes 13% natural gas, 14% renewable energy, 21% nuclear and 52% coal.

Our mix of resources — which include owned generation, power purchased under contract and power obtained from organized markets — provides flexibility so that we can take advantage of well-timed new resource opportunities, respond to changes in the market and accommodate new regulatory requirements. Throughout the year, we focused our efforts on ensuring we have the best possible mix of resources in place and optimizing our operations to best meet the needs of members and their customers now and for the long term. Our baseload generation resources are the workhorses of WPPI Energy's portfolio, providing reliable power to cost-effectively meet member customer needs. We made excellent progress in 2015 on construction projects at our two owned baseload generation facilities.

Fuel-Blending Project

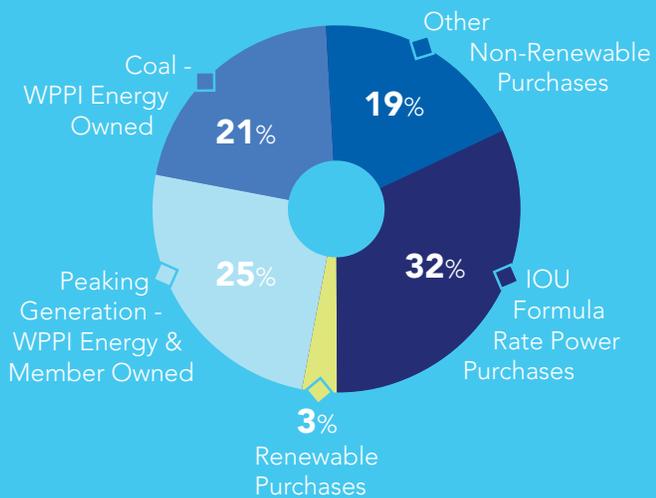
A fuel-blending project at Elm Road Generating Station is beginning to yield significant savings for WPPI Energy members. The project blends eastern coal with more affordable western coal to operate the Elm Road units more cost effectively. In 2015, we significantly increased the amount of western coal that could be used in the facility. The resulting savings for WPPI Energy members was approximately \$3.1 million in 2015.

Elm Road is recognized as one of the most modern and efficient coal-fired plants in the nation. WPPI Energy has an 8.33% ownership in the facility, which includes two 615-megawatt (MW) generating units.

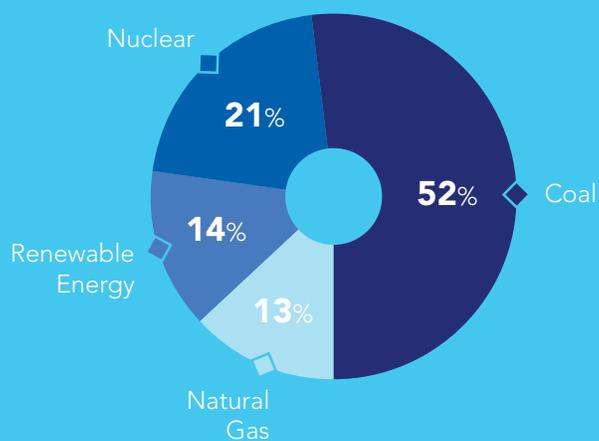


Boswell Energy Center Unit 4

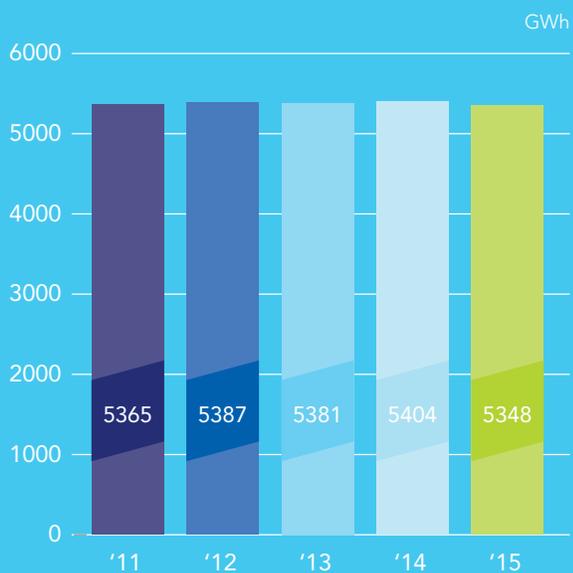
2015 CAPACITY RESOURCES



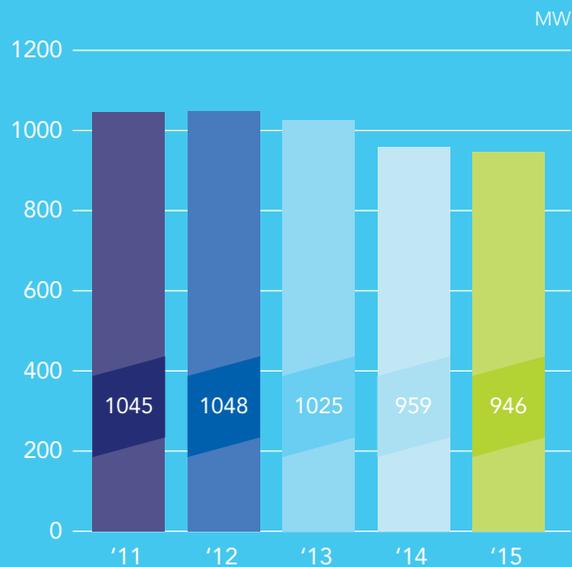
2015 FUEL MIX



ENERGY REQUIREMENTS



PEAK DEMAND





Elm Road Generating Station

Environmental Retrofit

We wrapped up all but the finishing details of an environmental retrofit project at Boswell Energy Center Unit 4 in 2015. The installation of a dry scrubber, baghouse and activated carbon injection system will dramatically reduce emissions of mercury, sulfur dioxide and particulates. The retrofit officially entered service on Dec. 31, 2015. With only minor site finishing work remaining to be completed in 2016, we expect the project will be completed on time and significantly under budget.

WPPI Energy owns a 20% share of the 585-MW Boswell Unit 4, which was our first owned generation resource. With the environmental upgrade, Boswell is expected to continue serving as a cost-effective power supply resource for the long term.

Transmission Ownership

Transmission costs of delivering power to WPPI Energy's member utilities account for more than 13% of our wholesale power costs, and owning transmission assets helps us to offset these costs year after year. Our equity investment in American Transmission Co. now exceeds \$105 million. We own 6.7% of the transmission-only utility. We also have a direct ownership stake in two major transmission projects.

CapX2020's new 345-kilovolt (kV) Hampton-Rochester-La Crosse line improves system reliability and enables renewable energy expansion. On September 15, 2015, the Wisconsin portion of this line, which includes WPPI



CapX2020 Hampton-Rochester-LaCrosse transmission line construction

Energy's ownership share, was put into service. WPPI Energy owns approximately 10% of the Wisconsin portion of the Hampton-Rochester-La Crosse line.

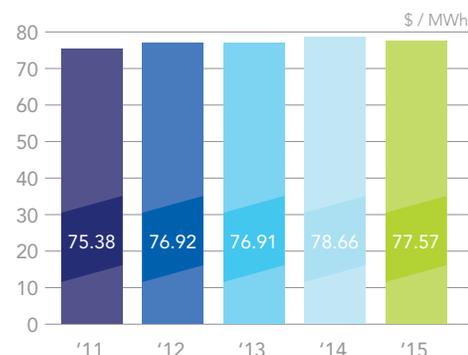
WPPI Energy has also agreed to own 1.5% of the Badger Coulee 345-kV transmission line between La Crosse and Madison, which will address electric system reliability issues locally and in the Midwest, as well as provide economic savings and support renewable energy policy.

Lower Costs for Members

In 2015, WPPI Energy's wholesale power costs to members were lower than costs in 2014 and approximately 3.7% under budget for the year. Significant drivers for these savings included lower fuel costs, lower energy market costs, and the successful effort of WPPI Energy and others to lower and ultimately end the costs for system-support resource payments that were imposed on utilities in the region to keep open the Presque Isle Power Plant in Michigan.

Read more about our state resource planning advocacy on page 16.

AVERAGE POWER COSTS TO MEMBERS



REGULATORY UNCERTAINTY POSES INDUSTRY CHALLENGE

In 2015, the U.S. Environmental Protection Agency issued the Clean Power Plan (CPP) rule, which requires reductions in carbon dioxide (CO₂) emissions from existing power plants that are expected to lower total electric sector emissions by 32% below 2005 levels by 2030. The rule requires states begin making reductions in 2022, with an ultimate compliance date of 2030.



U.S. Supreme Court Building

Read more about our Clean Power Plan advocacy efforts on page 15.

Recently, the U.S. Supreme Court issued an unprecedented order staying implementation of the CPP until pending court challenges to the rule are completed. It is unclear whether the rule will ultimately be upheld, and if so, what the implications will be for the compliance timeline.

WPPI Energy members and their customers are positioned well despite this new uncertainty. Since 2005, we have reduced our CO₂ emissions by more than 20%, and more than 35% of the energy supplied to our members is now provided from carbon-free resources. We have substantial flexibility in our power supply portfolio through the early 2020's, which will give us time to consider the impacts of the rule, should it be upheld, as we procure our next resources.

As the WPPI Energy membership navigates the changes ahead, our diverse and reliable portfolio will continue to serve us well.

Owned Generation Resources and Purchased Power

Owned Generation	Fuel	Capacity (MW)
Boswell Unit 4	Coal	117
Elm Road Generating Station	Coal	106
South Fond du Lac Units 1 & 4	Gas	154
Island Street Peaking Plant	Gas	52
Worthington Wind Turbines	Wind	1.8
Unit Contingent Purchased Power Agreements	Fuel	Capacity (MW)
Point Beach Nuclear Plant	Nuclear	117
Kendall County Unit 3	Gas	85
Butler Ridge	Wind	54
Top of Iowa II	Wind	50
Barton I	Wind	30
Forward Wind Energy Center	Wind	27.5
Outagamie Clean Energy Project	Landfill	4.8
Richland Center Renewable Energy	Biogas	1.8
Kimberly Hydro	Hydroelectric	2.1
John Street Hydro	Hydroelectric	0.5
Jefferson Solar	Solar	1
Community Solar Gardens	Solar	0.5

BEST-IN-CLASS SERVICES

Changing technologies and evolving customer expectations make it more important than ever for utilities to maintain best-in-class services for customers. Because they exist for the benefit of the customers and the communities they serve, our locally-owned, not-for-profit member utilities are well-suited to the challenge.

WPPI Energy provides a comprehensive array of support services and customer-facing programs to help. Joint action allows our membership to develop and deliver superior services that would be difficult for any single utility to offer alone. Together, WPPI Energy members have the technology and resources for efficient, up-to-date utility operations. This includes providing customers with tools to help manage their energy use, and accommodating growing customer interest in solar energy.

Since 2002, WPPI Energy members helped their customers reduce energy demand by more than 85 megawatts.

Helping Customers Improve the Bottom Line

WPPI Energy members provide and promote programs and incentives to help their customers save energy, improve their bottom line, and preserve the environment. Since 2002, members and their customers have reduced electric demand by more than 85 megawatts — that's more than half the capacity we get from one of our largest power supply resources, Boswell Energy Center Unit 4.

DELIVERING THE PUBLIC POWER ADVANTAGE

Employees at Stoughton Trailers have a brighter and safer work environment after making a series of workplace upgrades at the company's manufacturing facilities in the WPPI Energy member communities of Stoughton, Brodhead and Evansville.

With help from its public power utility providers, WPPI Energy and others, Stoughton Trailers recently finished a total of more than 20 energy efficiency updates across all its manufacturing facilities. The energy efficiency projects included lighting upgrades and air-compressor and ventilation-system improvements, such as installing variable-frequency drives for the company's dust collectors.

"The variable-frequency drives we installed on our dust collectors help protect our employees' health, improve our indoor air quality and keep our shop cleaner," said Sam Woodford, lead safety engineer at Stoughton Trailers.



Stoughton Trailers' energy efficient upgrades provide a brighter, safer workspace. Courtesy Stoughton Trailers

"Because the VFDs ramp up slowly, there's also less noise on the shop floor," he continued. "These upgrades have made this a better, safer place to work, and the financial incentives were really helpful. We're really grateful for everyone's help."

The project costs were partially covered by a combination of incentives and other energy efficiency funding totaling more than \$315,000. Stoughton

Trailers received \$280,000 in energy efficiency incentives from Wisconsin's Focus on Energy program, which is funded through local utilities. Stoughton Trailers was eligible for the incentives because all three of the company's public power utility providers — Stoughton Utilities, Brodhead Water & Light and Evansville Water & Light — contribute funds to the program.

The WPPI Energy membership provided an additional \$35,800 through its RFP for Energy Efficiency program, which allows large customers served by member utilities to submit competitive bids for the project funding needed to make electric energy savings a worthwhile business investment. WPPI Energy's Cory Neeley, energy services representative for all three communities, worked closely with the Stoughton Trailers team, the local utilities and Focus on Energy's large customer representative to identify opportunities for improvements.

Neeley estimates that over the lifetime of the upgrade projects, Stoughton Trailers will save more than 22.8 million kilowatt-hours of electricity and 3.5 million therms of natural gas, for total energy savings of more than \$4 million. Lowered costs will improve the



Variable frequency drives on Stoughton Trailers' dust collectors improve indoor air quality, keep the shop cleaner, and reduce noise.
Courtesy Stoughton Trailers

company's performance in the highly competitive conventional and intermodal transportation equipment manufacturing business.

"Industrial businesses like Stoughton Trailers are among the biggest users of energy in our communities, and they're also often some of the largest local employers," said Robert Kardasz, director of Stoughton Utilities. "Helping them save makes them more competitive, supports the local economy and reduces demand on our system."

Moving to AMI Technology

For utilities, advanced metering infrastructure, or AMI, can help make operations more efficient. For customers, advanced meters can provide detailed usage information to help them make money-saving decisions.

As with all new technology, the introduction of AMI brings new complexities. The WPPI Energy membership is navigating these changes together, with a shared meter data management system and related support services that can meet all members' needs for the long term.

By the end of 2015, 18 members had installed or planned to install advanced meters for their customers.

Twelve have fully implemented AMI across their local utility systems. Another six have installed this technology for their largest customers. Together, WPPI Energy members are now serving 400 of their 600 largest customers with AMI.

To deliver on the promise of AMI for customers, the next step is for member utilities to provide customers online access to their own usage data along with information about opportunities to save. Our membership is currently piloting a customer portal for this purpose with members' large customers, and two utilities — in Sturgeon Bay and Waupun — will soon test its use community wide.

DELIVERING THE BENEFIT OF AMI

Matt Luders was throwing money down the toilet. Bob Starr was inadvertently sending water to the lake. Neither knew they had a problem until they were contacted by Sturgeon Bay Utilities.

SBU is one of 12 WPPI Energy members that have installed advanced metering equipment for all local homes and businesses. Like most WPPI Energy members, SBU provides both water and electric for its customers, and both are areas where investments in AMI can pay dividends in the form of savings for customers. This includes flagging possible water leaks.

Bob Starr had no idea his water might be leaking until he received a call from SBU telling him that the data from his meter pointed to a problem. "They said, 'Your water use is off the chart; we think you've got a leak.' I normally use about 4 gallons of water per hour on a 24-hour basis, but between 110 and 115 gallons of water was running through my system every hour for several days."

"They said, 'Your water use is off the chart; we think you've got a leak.'"

Starr soon located the broken spigot and repaired it. "Without the equipment Sturgeon Bay Utilities installed, it could have been weeks until they or I knew there was a problem. It's really reassuring they have a system that can spot a problem. It gives me peace of mind."

Luders, another SBU customer, was notified by the utility of abnormal water usage. Normally he would use about 2.5 gallons per hour over a 24-hour basis, but his usage had doubled a few months earlier, adding about \$40 per month to his water bill.



Jim Stawicki/Randy Posthuma

When Luders called the number on the notice he received, he spoke with General Manager Jim Stawicki. Based on Luders' meter data, Stawicki suggested the problem was a leaky toilet. "I'm not a 'do it yourself' kind of homeowner, but with Jim's guidance I was able to find a YouTube video and I took care of the problem."

"I was a little amazed that the general manager fielded my call," Luders recalled. "He really helped me do my part for the environment and the community. I want to consume water wisely and appropriately, and I can't say enough good things about Jim's role in helping me do that."

Stawicki said it all ties back to the philosophy of joint action. "Customers benefit when we work together. If we had tried to install the advanced metering infrastructure and meter data management system on our own, it probably would have been impossible. Certainly it would have been very expensive. But in a joint action agency, we all stand on the shoulders of other members, and WPPI Energy provides the technological expertise and programmatic know-how."

"Customers benefit when we work together."

Members' investments in AMI — along with WPPI Energy's investment in the services and systems to support them — have also helped increase the accuracy of their meter reads and the timeliness of the energy usage information they provide to customers. In addition, the technology also saves members many unnecessary truck trips to read meters and connect or disconnect service. Now, because data is transmitted electronically to the utility in short intervals, neither inclement weather nor aggressive dogs will prevent members with AMI from gathering current usage information from the meters.

"With AMI, we can tell customers if power is out at their home," Stawicki commented. "That's a big deal when such a large percentage of our residential customers are seasonal. They may live in Chicago or Milwaukee, but they maintain a second home in Sturgeon Bay. In late December, after we got 13 inches of heavy, wet snow, a seasonal customer called to see if he had power at his home. We pinged the meter and

confirmed his home had electricity. That saves us a truck roll, or the customer a trip."

Waupun Utilities' Randy Posthuma also is a believer. "Our AMI, along with the customer information strategy and support from WPPI Energy, gives us and our customers better quality information about water and electric usage, and that's the critical first step to using those resources wisely," Posthuma said.

"Giving customers better quality information about their usage is the critical first step toward using resources wisely."

"Power costs a lot more to produce — or buy — on a hot August afternoon than it does in the middle of the night in May. We want to be sure to educate customers and offer incentives to make them wise consumers of electricity. We spent a lot of 2015 readying plans to offer customers programs enabled by investments in advanced technology."

Renewable Energy Program

WPPI Energy members are able to offer their customers the opportunity to voluntarily purchase renewable energy to offset some or all of their usage. In 2015, 44 participating members sold more than 46,000 megawatt-hours of renewable energy to more than 4,000 customers — enough to power 5,400 homes.

Community Solar

Customer interest in solar energy is growing, and the locally owned, not-for-profit, customer-focused member utilities of WPPI Energy are well positioned to respond.

Community solar gardens offer an appealing model: arrays of centrally located photovoltaic panels generate renewable energy for the benefit of subscribers, who receive a credit on their monthly electric bill based on

the projects' energy production. And, because they are centrally located, the projects provide better economies of scale than most smaller, individual installations. The community projects also make the benefits of local solar more accessible for renters, customers whose property is too small or shaded for rooftop solar panels, and others who may not be interested or able to pursue and maintain such a project on their own.

In October, 2015, the WPPI Energy membership broke ground on two 254-kilowatt community solar projects in New Richmond and River Falls. By year end, we completed construction and the panels began producing power. This pilot initiative will yield program design and technology insights to help the WPPI Energy membership continue evaluating new renewable program options for customers.

PROJECTS SHINE BRIGHT IN NEW RICHMOND, RIVER FALLS



New Richmond/River Falls



“We work hard to provide services customers want,” said Mike Darrow, city administrator for New Richmond. “A community solar garden offered us an opportunity to do something to respond to our customers’ interest in renewable energy. We have received a lot of positive feedback.”

“We work hard to provide services customers want.”

Scot Simpson, city administrator for River Falls, agreed. “We really wanted to offer customers an optional renewable energy service that helped them achieve their goals,” he said. “We push the dial on customer satisfaction when we make high-interest programs like solar available to them. And we were able to benefit from WPPI Energy’s technological expertise and economies of scale when one contracting firm built both community solar gardens.”

The first residential customer to subscribe in River Falls was Bill Cordua, a retired geology professor at the University of Wisconsin – River Falls. Ironically, the project groundbreaking took place in terrible weather — it was raining, snowing, windy and cold — but Cordua braved the elements, because he felt so strongly about renewable energy.

“As a geology professor, some of my lectures concerned energy and fossil fuels,” Cordua said. “I am always looking for ways to make a positive impact on the environment, and that includes using sustainable energy.”

“River Falls is doing the right thing, and it’s a fantastic, innovative project.”

Community solar has also been embraced by business customers such as Westfields Hospital & Clinic in New Richmond.

“We were delighted to buy 40 shares in the New Richmond community solar project,” said Steve Massey, Westfields Hospital & Clinic president and chief executive officer. “Our job as health care providers is to improve people’s lives, and we see our investment in renewable energy as a continuation of our mission. Sustainable, carbon-free electricity also is consistent with our community’s commitment to preserve and protect our environment.”

“We’re glad New Richmond Utilities and WPPI Energy took leadership roles and brought solar power to our community.”

AN EFFECTIVE VOICE FOR ADVOCACY

One of the many advantages of being a locally owned utility is the ability to directly serve customers in a hometown setting. With that advantage comes a sense of duty — the responsibility to weigh in on legislative or regulatory changes that could negatively impact customers through unreasonable cost increases or reduced reliability.

Together through WPPI Energy, our 51 members use the strength of their combined voices to advocate for sound energy policy. Our joint-action agency exists for the benefit of local communities and their utility customers, and our advocacy efforts are member-driven and member-led.

WPPI Energy Policy & Communications Leadership Council

To stay ahead of emerging issues, the WPPI Energy membership actively engages in policy discussions on the local, state and national levels. Our membership's grassroots advocacy efforts take shape under the advice and direction of the 11 community and utility leaders who serve on our Policy and Communications Leadership Council.

Legislative Rally in Washington, DC

PCLC members led the way last year as more than 40 local officials representing 22 WPPI Energy communities participated in meetings with their congressional delegates on Capitol Hill during the American Public Power Association's Legislative Rally March 9-11. APPA is the national service organization representing not-for-profit, community-owned electric utilities.

APPA Policy Makers Council

Three PCLC members — Lodi Mayor Paul Fisk, Cedarburg Utility Commissioner Jim Coutts, and Evansville Mayor Sandy Decker — also represented WPPI Energy members throughout 2015 on APPA's 40-member Policy Makers Council. The PMC takes action on legislative and regulatory issues that could potentially impact customers in public power communities; that is, those with municipally owned, not-for-profit utilities. There are 2,000 public power communities in the U.S.

The three met with U.S. Sens. Ron Johnson and Tammy Baldwin, as well as Speaker of the House Paul Ryan and U.S. Rep. Glenn Grothman. They also met with staff from the offices of Reps. Duffy, Kind, Pocan, Ribble and Sensenbrenner. During the meetings, Coutts, Decker and Fisk discussed the importance of tax-exempt financing with municipal bonds for local, county and state governments to fund necessary infrastructure, transportation and construction projects.

Supporting our State Associations & Coalitions

To expand and strengthen the collective voice of public power communities working together, in addition to our collaboration with APPA, WPPI Energy also works



Wisconsin municipal utility officials and WPPI Energy staff meet with U.S. Sen. Ron Johnson during the APPA Legislative Rally.

closely with our state public power associations, including the Municipal Electric Utilities of Wisconsin, the Michigan Municipal Electric Association and the Iowa Association of Municipal Utilities, as well as industry coalitions such as CustomersFirst! in Wisconsin, the national Transmission Access Policy Study group and others.

WPPI Energy’s members and staff work together with these like-minded organizations and meet regularly with policymakers and regulators at the state and national levels.

Industry Faces New Uncertainty Regarding Clean Power Plan

The U.S. Environmental Protection Agency’s (EPA) Clean Power Plan (CPP), which aims to reduce carbon dioxide (CO₂) emissions from existing power plants, remained a primary focus of our membership’s advocacy efforts in 2015. Since its earliest drafting stages, EPA’s rule faced many legal challenges. We supported APPA’s legal efforts on this front.

Read about our reduced CO₂ emissions on page 8.

State	WPPI Energy and Member Operations
Wisconsin	Load and Generation
Michigan	Load
Iowa	Load and Generation
Illinois	Generation
Minnesota	Generation

At the same time, in order to ensure that the CPP — if implemented — would not unfairly burden WPPI Energy members and their customers, we also engaged throughout EPA’s rulemaking process. We provided formal comments to EPA and participated widely in discussions with regulators, legislators and energy stakeholders at the federal level and in all five states where we have operations.

Our efforts and our involvement with legislators and industry coalitions — including the Midcontinent Power Sector Collaborative — led to opportunities to meet with EPA and White House officials. We won some important changes to the draft rule, and since the August release of the final CPP, focus has shifted to the states to consider their compliance approaches. We are active participants in these efforts in the states where WPPI Energy has generation and member load.

Now, the U.S. Supreme Court’s unprecedented stay of the CPP creates new planning challenges for the industry. It is uncertain whether the requirements will stand and, if so, how the compliance deadlines might shift. Ultimately, if federal regulation of CO₂ comes in the form of the CPP or another regulatory approach, the details will matter greatly in terms of their impact on WPPI Energy member utilities and their customers. We remain actively engaged.

Protecting the Grid from Cyber-Attack

The electric power sector takes very seriously its responsibility to maintain the reliability, safety and security of the grid. Together with APPA we supported the Cybersecurity Information Sharing Act of 2015 to enhance and encourage communication among the federal government and industry to improve our ability to defend against cyber-attack.

Reforming the Rail Industry

For electricity generated from coal, reliable and affordable rail transportation of this baseload generating fuel is a critical issue. We are part of the Freight Rail Customer Alliance (FRCA) coalition in Wisconsin, and we support FRCA’s national efforts to address challenges faced by businesses when shipping by rail, including farmers, manufacturers and utilities.

In August, we were pleased to host a forum organized by U.S. Sen. Tammy Baldwin, a longtime leader in the effort to reduce costs, improve service problems and make much-needed reforms to the industry.

Supporting State Policy Efforts

At the state level, as technology and customer expectations continue to evolve, we are working to support our state regulators' efforts to adapt to industry changes by seeking collaboration and participating in policy forums.

Meeting Changing Customer Expectations

Customer-owned generation is one such example. Our customer-focused, not-for-profit member utilities are committed to working with customers interested in owning their own generation equipment. We are actively engaged with policymakers to ensure our membership can provide the options customers want and also protect utility worker safety, grid reliability and equitable allocation of costs where such systems are in place.

Michigan's Energy Future

Along with other utilities in the region, WPPI Energy's membership contributed substantially to help keep open for reliability purposes the Presque Isle Power Plant in Michigan. We are pleased that through the advocacy efforts of WPPI Energy, its members and others, these costs were reallocated and ultimately stopped.

Recognizing Michigan's need for a long-term solution, we are also committed to remaining at the energy policy table to support the state's resource planning efforts. We are working closely with state policymakers to ensure that their offered solutions reflect the specific planning needs of smaller utilities and that our members are able to comply.



WPPI Energy Manager of Government Relations Joseph Owen, President/CEO Mike Peters and General Counsel Tom Hanrahan participated in U.S. Sen. Tammy Baldwin's rail shipper forum, which was held at WPPI Energy.

Members Thank Speaker Ryan for Advocacy Regarding Clean Power Plan Concerns

During their August meeting with U.S. Rep. Paul Ryan (who in October was elected Speaker of the U.S. House of Representatives), Coutts, Decker and Fisk emphasized the importance of tax-exempt financing with municipal bonds.

They also thanked Speaker Ryan for signing, along with six other members of Wisconsin's congressional delegation, a letter to the EPA. The letter highlighted Wisconsin utilities' concerns about the compliance timeline for the Clean Power Plan and its potential impacts on electric system reliability and customer rates.



From left: WPPI Energy Manager of Government Relations Joseph Owen, Evansville Mayor Sandy Decker, Speaker of the U.S. House of Representatives Paul Ryan, Cedarburg Utility Commissioner Jim Coutts, Lodi Mayor Paul Fisk, and APPA Senior Director of Government Relations John Godfrey.

FINANCIAL STRENGTH

WPPI Energy is in good financial health, with excellent credit ratings, member unity and business partnerships. Joint action provides the solid foundation for our financial strength and performance.

Strength of Joint Action

WPPI Energy members' long-term, all-requirements power supply agreements enable us to negotiate cost-effective power purchases and access lower-cost power plant financing. WPPI Energy's members are diverse in size, geographic location and load, and the structure of our wholesale rates ensures cost recovery so that our system costs flow to the members we serve, as do our system benefits and savings.

We have applied these strengths to building a diverse, flexible generation mix — including our owned resources and power that we purchase under long-term contracts — for the benefit of member utilities and their customers.

Read more about our member contracts on page 3.

Management Focus

We manage these resources with a strong focus on resource adequacy and risk management, and we run a lean operation, with administrative and general costs making up less than 4% of our operating expenses.

Liquidity

WPPI Energy has continued to make progress in our ongoing strategy to improve liquidity. We have increased our unrestricted cash and investments from \$48.8 million in 2012 to \$66.6 million in 2015.

WPPI Energy also maintains a line of credit for working capital purposes in order to, among other things, optimize our liquidity and obtain higher rates of return on other investments. In 2015, we completed steps to extend this line of credit for another five years. Currently, WPPI Energy has access to \$37 million under the line of credit.

In addition, WPPI Energy has replenished the \$7.4 million of rate stabilization funds used in 2011 and 2012. This leaves a balance of approximately \$43 million in the rate stabilization fund.

These strengths help us finance long-term generation and other projects with a lower cost of debt, which in turn helps keep WPPI Energy's power costs lower for members and their customers.



Representatives from Jefferson deliver their completed contract extension materials. From left: Jefferson Utility Commissioner Bill Brandel, WPPI Energy President/CEO Mike Peters, Jefferson Mayor Dale Opperman, Jefferson Utility Manager Jill Weiss, and Jefferson Utility Commissioner Phil Ristow.

FINANCIAL HIGHLIGHTS

Summary Statements of Net Position

December 31,	2015	2014
Assets		
Current assets	\$ 157,600,397	\$ 189,308,251
Non-current assets	247,823,113	247,335,458
Capital assets	406,486,206	382,901,495
Total assets	811,909,716	819,545,204
Deferred Outflows of Resources	19,278,292	21,202,698
Liabilities		
Current liabilities	63,331,136	67,188,634
Non-current liabilities	5,237,049	4,744,385
Long-term debt	457,357,554	480,101,385
Total liabilities	525,925,739	552,034,404
Deferred Inflows of Resources	62,361,600	60,548,243
Net Position	242,900,669	228,165,255

Summary Statements of Revenue, Expenses and Changes in Net Position

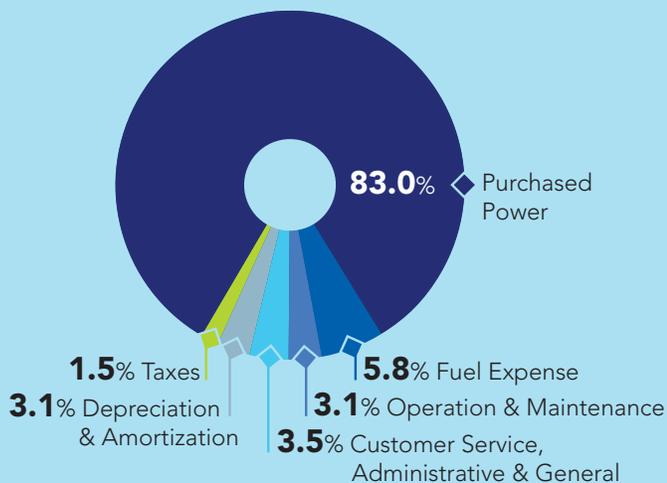
Years ended December 31,	2015	2014
Operating revenues	\$ 480,698,567	\$ 519,974,798
Operating expenses	456,171,145	497,086,189
Operating income	24,527,422	22,888,609
Non-operating revenues (expenses), net	(4,557,508)	(5,817,261)
Future recoverable costs	(5,234,500)	(1,690,459)
Change in net position	14,735,414	15,380,889
Net position, beginning of year	228,165,255	212,784,366
Net position, end of year	\$ 242,900,669	\$ 228,165,255

See our complete financial statements online at www.wppienergy.org

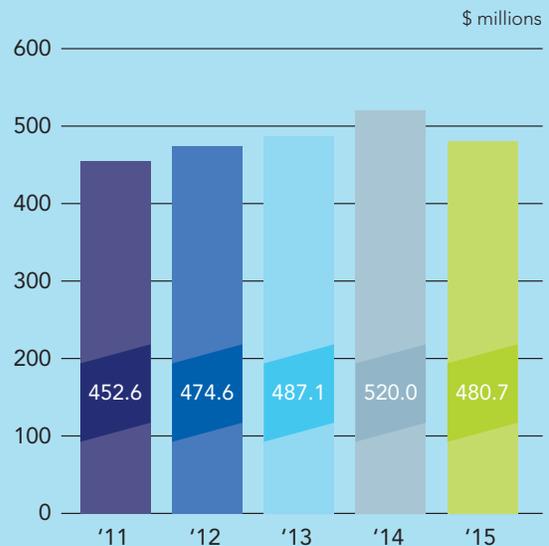
Long-Term Bond Rating

S&P A
Moody's A1
Fitch A+

2015 OPERATING EXPENSES



OPERATING REVENUES



WPPI ENERGY BOARD OF DIRECTORS

Alger Delta Cooperative Electric Association ·
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Algoma · Peter A. Haack

Baraga · LeAnn M. LeClaire

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