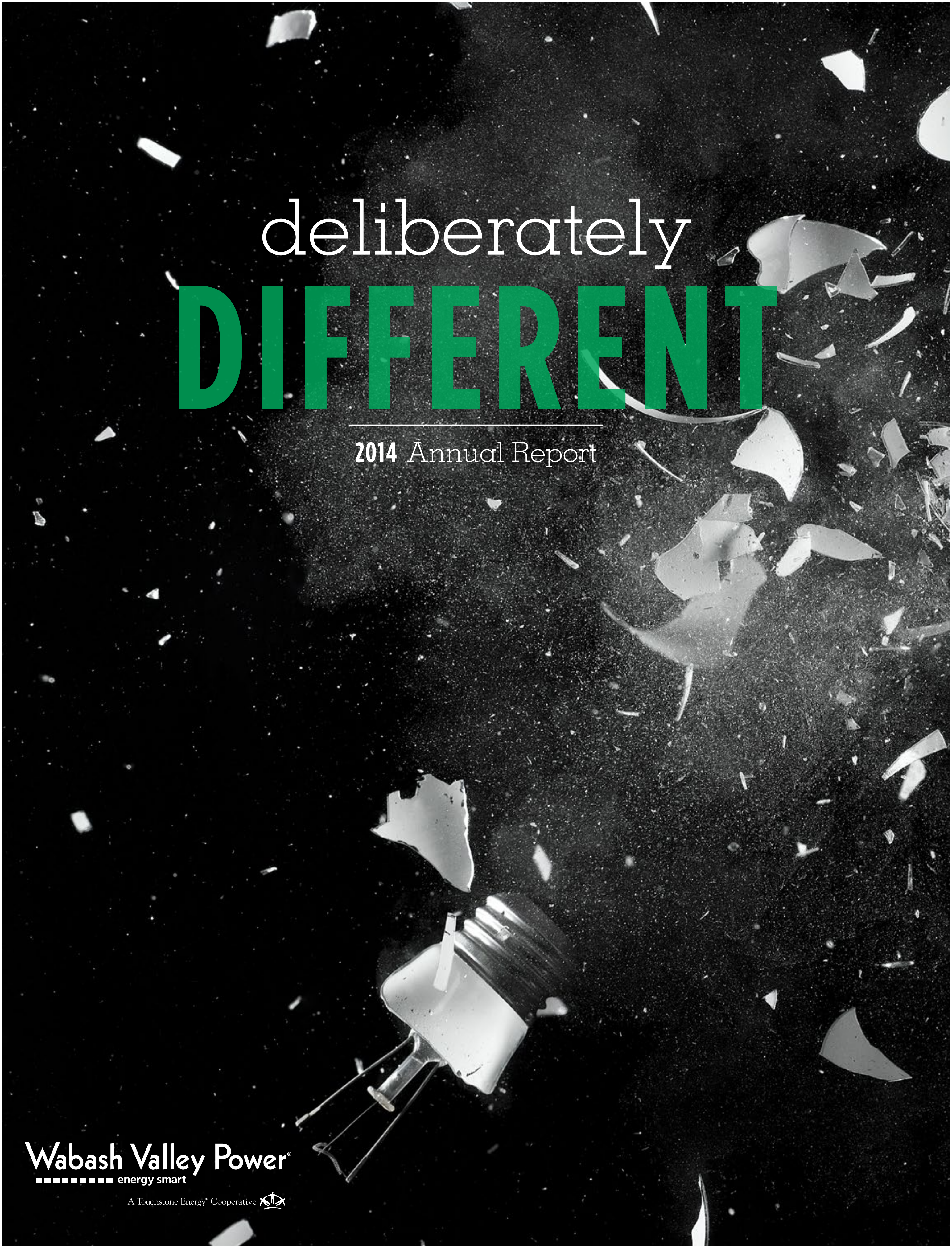
deliberately DIFFERENT

2014 Annual Report



Wabash Valley Power
energy smart

A Touchstone Energy® Cooperative

we've been different for as long as we've been around. and that's by design.

Different doesn't always mean *better*. In fact, there's probably no one among us who hasn't heard it used as a synonym for *unpleasant*, like when the new son-in-law showed up at Thanksgiving dinner with bottles of kale juice or the neighbor lady painted her front door fuchsia.

We've used it like that ourselves. But not about ourselves. Because we're very proud of the way we do *different*.

Our style of different has required some trial and error, and the confidence to pursue a new approach—one that keeps the expectations of our membership always in focus and an eye on the future. Our hearts in the Midwest and our heads in federal regulation and environmental policy shifts.

In some ways, Wabash Valley has been different from the beginning. We're not an investor-owned utility or a municipal. We're a cooperative, existing for the benefit not of shareholders or even customers, but our 25 distribution *members*. We came together to increase buying power and deflect the risks associated with supplying electricity.

Our members are independent organizations—each is locally owned and takes its own approach—but we come together and find answers to the challenges of generating and transmitting electricity. We work together to address the most volatile and cost-intensive side of the business so that we all earn better buying power and create the kind of diverse fuel mix that helps keep our power stable.

With their guidance, we bring diverse opinions and ideas together to form an organization that is truly representative of its members. It's not always the easiest approach, but it's who we are.

Now here we are. We've grown up differently; we took risks, learned from mistakes, and found the value of diversity. We've learned that reliance on a single power generation source or a single fuel type is a risky approach for the present, let alone the future. We sought a nontraditional supply strategy on purpose.

In other words, our brand of different has been *deliberate*.

It used to earn us the same kinds of funny looks that bright front door does. It was an unheard-of way of doing things at the time, and now others are following our lead. Why wouldn't they? Our approach has put us in a strong financial position as a steady and competitive provider of electricity.

We're right where we meant to be—on firm ground just outside the typical.

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message from the chairman and CEO

Taking a look back is always interesting, especially when our business requires so much looking ahead.

In a year that saw a "polar vortex" bring record low temperatures and a regional gas market struggle with supplying power plants and meeting home heating needs, our ongoing risk-management strategy paid off. While system load in January 2014 was significantly higher than projected and natural gas prices became volatile on the spot market, our energy hedge plan positioned us to ride out the high prices with minimal impact on overall supply costs. Removing the impact of this type of price volatility and effectively managing market risk are at the foundation of Wabash Valley Power. It is why we were initially formed and it remains our priority today.

We've stressed that our approach to supplying members is different. We concentrate on multiple supply sources and fuel types, risk-sharing in joint ventures and blending a portfolio of owned assets, power contracts, and demand-side management. Our approach to meeting member needs is about balance and flexibility—the ability to expand and contract the organization as conditions arise. We may not think like a traditional utility, but our singular focus is clear: deliver electricity at the lowest cost possible, now and into the future.

Though 2014 began with a jolt, as the year settled in we once again concentrated our efforts on expanding our landfill-gas-to-electricity program.[1] On October 31, we acquired our 15th landfill gas plant, the Clinton Plant in Clinton, Illinois. The addition of Clinton brings our total asset ownership of landfill methane plants to 47 MW—one of the largest landfill-gas-to-electricity fleets in the cooperative utility program. While several of our member distribution cooperatives began to move forward with their own community solar projects, we partnered with our member Hendricks Power Cooperative to install 96 photovoltaic solar panels at their headquarters in Danville, Indiana.[2] This project represents our first venture into solar generation and further promotes our board's commitment to exploring alternative fuel sources when they make economic sense for the organization.

Our exposure to coal fell to a statewide low of 50% in 2014, as we continue to use a variety of fuel sources to stay ready for changes in regulations and technological advances within the industry. We're proud to be at the leading edge of portfolio diversification in Indiana. We think it positions us perfectly for the future.

In 2014, we saw our POWER MOVES demand-side management programs continue to expand throughout the service territory. Working in conjunction with local Energy Advisors at our member cooperatives, incentives from our efficiency and peak-shaving programs have now touched over 40,000 retail members, saving millions of dollars annually in power supply costs and helping families and businesses save on their electric bills. We understand that retail members want options for saving money on their monthly bills, and that they expect their electric utility to provide them with that support. Our programs were built for retail members and, with their feedback, we continue to grow and expand our energy-savings options. And these members recognize that their local cooperatives are working on their behalf, as our systemwide *American Customer Satisfaction Index Survey* results climbed to a score of 81 in 2014—which compares to scores of 75 for investor-owned and 76 for municipal utilities.

In all, it was a year in which we experienced some change, explored new options, and continued to build on what makes us different. Innovation and reliability—we think these are exactly what people want from their electric company. The Wabash Valley Power Association is in a great position to build, and to continue to thrive. We're different on purpose.

And we're delighted to be right where we are.

Sincerely,

Michael R. Conner

Rick Coons

Mike Conner	Rick Coons
Chairman of the Board	President
	Chief Executive Officer

[1] WVPA supports renewable energy by owning landfill gas generation and purchasing the output from wind farms and biogas generators. Wabash Valley Power sells, separately, the environmental attributes associated with this generation to its members and third parties, and therefore does not claim the generation as renewable within our own supply portfolio.

[2] Hendricks Power purchases all of the energy and environmental attributes from this project. Wabash Valley Power therefore does not claim the generation from this solar project as renewable.

STRENGTH

the power we provide, and a powerful alliance

Being member-owned means there's no *us* without *all of us*. Every Wabash Valley Power member co-op, every home and business, school and farm—every life we ultimately power is who we are. We came to be so that electricity itself could become a reality for people on the outskirts. And we've learned to use creative strategies and a spirit of informed innovation to do that job better than ever.

Wabash Valley Power Association isn't the face of electricity for any of those homeowners or business owners we ultimately serve. That honor belongs to their local distribution co-op, which brings what we do home—the men and women who are in their communities alongside their member-owners, solving problems, facilitating lives and businesses, being neighborly. If you're a member of one of our co-ops, you've talked to your co-op team, and you probably know your CEO. That just doesn't happen at other electric companies.

We share the cooperative spirit—existing not to enrich the bank accounts of outside investors but to give back to members—to keep their bank accounts at the heart of our mission. That means finding ways to balance *their* needs with our costs, and it means helping them make informed decisions about how they use electricity. When they save, everyone saves, because we can subtract the kilowatt-hours we don't have to create in our overall supply plan.

POWER MOVES, our demand-side management program, has touched nearly 40,000 retail members—saving more than $5 million in power supply costs with over 200 energy and demand-saving options. The energy efficiency programs have saved almost 85,000 megawatt-hours, and in 2014 the PowerShift® program reduced peak load by more than 40 MW. Collectively, Wabash Valley Power member co-ops and their retail

in members

members earned $3.4 million in incentives, and our programs continue to grow.

There's more to how we work with members to help them save—and thrive: We help small businesses secure grants for energy efficiency and renewable resources through the Rural Energy for America Program (REAP), and our business construction program helps new and existing members build more efficiently by working hand in hand with them as they make design choices. We've developed commercial and industrial rates that help attract new employers, encourage existing businesses to grow, and provide economic security that strengthens communities.

We're further working to help grow the communities we reach through economic development efforts. We sponsored attendees to Ball State University's economic development program, and we're building a toolkit to attract new employers to the communities we serve. And our marketing support of local economic development organizations helps get our communities' information in front of the businesses that might find them a good fit.

In other words, we're giving our members the power to build their communities—and unleash that power in a way that benefits everyone they reach.

That's what it means to be a co-op. Responsiveness to member needs. Focused action. There's not a lot of bureaucracy standing between how we do things now and how we could do them better.

Why would there be? We're all in this together.

STRENGTH

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In Parke County, as in each of the co-ops we serve, our members drive every decision we make.

inspiration

IN DISRUPTION

taking uncertainty as a starting point

What worked before just doesn't fit anymore. The industry is headed in a new direction, although that direction isn't new to us; it's where we've been for decades. With decentralization and diversification—an "all of the above" strategy—we're in our comfort zone and ready to embrace the future.

Creating electricity that's safe, reliable, affordable and environmentally conscious is important to us, our distribution co-ops, and our retail members.[3] Nearly 30% of retail members surveyed said they either already have produced or are interested in producing energy from a source at or near the point where it will be used. We support a variety of distributed generation technologies such as wind, biomass, and solar.[4] Co-op members Hendricks Power and Tipmont REMC have installed 140 kilowatts of community-owned solar generation, and several more of our members are exploring options that will enable retail members to purchase electricity from an alternative fuel source.

In 2014, we expanded our promotion of alternative energy for retail members by offering grant-writing assistance for the Rural Energy for America Program. Sponsored by the United States Department of Agriculture, the program helps to defer project costs for energy efficiency and renewable energy projects for businesses in rural areas.

In addition to being a founding member of the National Renewables Cooperative Organization, we support the Energy for Economic Growth initiative, "America's Energy Future," which explores renewable energy options for electric co-ops. In 2014, Wabash Valley Power partnered with Indiana Farm Bureau and hosted agri-business leaders from throughout the United States to promote the organization's 25 x '25 initiative. Participants toured landfill-gas-to-electricity facilities, anaerobic digesters at dairy farms in Northern Indiana, and Wabash Valley member Tipmont REMC's community solar installation.[5]

Change won't stop, and we wouldn't want it to. It's our inspiration for staying ahead of everyone else. It's what keeps us making moves outside the ordinary.

Moves that pay off for our members.

[3,4,5] WVPA supports renewable energy by owning landfill gas generation and purchasing the output from wind farms and biogas generators. Wabash Valley Power sells, separately, the environmental attributes associated with this generation to its members and third parties, and therefore does not claim the generation as renewable within our own supply portfolio.

When there's a better answer to an old question, we're ready to try it. In Indiana, Hendricks Power Cooperative introduced a community solar program.

focus in DIVERSITY

from dizzying details, our vision—and our design

In our business, when the view ahead isn't a little hazy, that's only because it's extremely murky. We've found a way to focus, even when the landscape's blurred. Our power-supply strategy is broad by design, our possibilities wide open. We won't fall prey to change but absorb it and adjust.

Our focus is on supply, the lowest cost power, and being responsive to the members who own us. We don't say no to alternatives just because they aren't familiar; instead, we study, test, and explore—challenge ourselves to think differently about an industry that will not remain the same. New technologies that give retail members more options to control their bills, retail members who want to engage in meeting their own supply needs—we don't see these things as threats but as partnerships. As a member-owned non-profit, partnerships like these are just what we're meant to do.

In 2014, Wabash Valley Power Association had the lowest coal exposure of any power company in Indiana—50%. We also led the field in both the development and promotion of alternative energy solutions. We've developed a balanced portfolio that's not beholden to one fuel source or one generating plant—or even a dozen plants. We currently own a diverse array of 14 generating plants—and we have partnerships to purchase electricity from 60 counterparties—to better manage risk and keep the lights on for our members.

We continue to build our supply portfolio through an integration of owned power plants, purchased power agreements, and demand-side management. Because in the end, the balance of options means the best hope for a competitively priced product.

Maintaining an "all of the above" strategy is the way we keep our power portfolio working as hard as possible. More evidence that we're turning over every stone in our work to provide stable, competitively priced energy.

Most utilities just don't operate like we do. That's fine for them, but for our money (and the hard-earned dollars of members), the best answer is many answers: It's a careful and wide-ranging approach to providing electricity, now and for many years to come.

We know that's different. We also know it works.

We can't know what lies ahead, but we can continue to do our best, today, to be ready for the possibilities.

noble remc member shines with incentives,

SOARS BY DESIGN

airframe components by williams, inc.
kendallville, indiana

Airframe Components by Williams, Inc., draws customers from all over the world. But few Kendallville residents have any inkling that the company is among the cornfields—and part of their local economy.

Now owned by Roy Williams, the company took shape in a garage when his father founded it in 1967. Roy then expanded it with a business plan he wrote while earning a degree through Ball State University's Entrepreneurship Center.

The company is one of very few in the world that specializes in small aircraft wing and control surface repair, and so it draws customers from far beyond the city limits. When we talked to Roy, he'd just sent off parts to Union Island, in Saint Vincent and the Grenadines. Customers from France, England, and Germany are more common; Antarctica is the only continent that the company has not seen business from.

Locals might not realize what's next door to them, but Noble REMC has been serving the company throughout its decades in business, and got the chance to award an incentive to the company through the POWER MOVES energy efficiency program. Upgrading the lighting in the building—to reduce the number of

What started in a garage has become an international success story, one that continues to unfold among cornfields for Noble REMC member Airframe Components by Williams, Inc.

fixtures in the 66,000-square-foot space and switch those that remained with more energy-efficient options—added up to $10,000 savings in annual operating costs for the company.

Still, Williams appreciates it for a reason all his own.

"The energy savings are nice, but it's the increase in lumens I really appreciate," Williams told us. "Our work is very detailed and critical, and so the quality of our light takes precedence. We also have people visiting all the time to tour our facilities and put their minds at ease that their job is being handled by a professional organization. With the lighting change, the overall perception of our facility has been greatly enhanced."

citizens electric corporation member maintains tradition while

SUPPLYING THE WORLD

seguin moreau napa cooperage
perryville, missouri

Anyone who drinks red wine should raise a glass to a business located just off the highway but under the radar in Perryville, Missouri. Seguin Moreau Napa Cooperage is where 50,000 wine barrels start each year—where the wood staves are inspected, aged (for up to three years), and shaped for later assembly by the cooperages who order them.

A location in the heart of the United States was a draw for the company, which brings in American oak from all over the country and ships prepared barrel slats, tops, and bottoms all over the world. Seguin Moreau has a lineage dating back to 1838 in Cognac, France, and today has a presence in the United States, France, South America, and Australia. The Perryville operation was founded in 1994.

The process is incredibly exact—one missed knot in the wood or one tiny miscalculation in the cuts means the wine won't taste right or that the barrel won't be tight enough to hold it at all. Even the way the staves are stacked to age is precise, and changes in humidity

Before there can be wine, there must be barrels. And 50,000 of those barrels begin with Citizens Electric Corporation member Seguin Moreau Napa Cooperage.

affect how the wood ages and whether it needs to be kiln-dried. Because wine (or, more and more, craft beer) ends up in the barrels, they are built to food-grade standards—no glue or staples. Just dowels and precision hold them together.

The careful process takes place on a 15-acre facility at the hands (and sharp eyes) of 22 employees. It relies on the power of observation, of people—and on the light that our member co-op Citizens Electric Corporation provides.

Seguin Moreau is the kind of business that will always be different. It's an honor to know that, in our small way, we're part of that endeavor.

jay county remc member enables better technology

FOR FAMILY FARM

minnich poultry
portland, indiana

A million eggs a day come out of Minnich Poultry farm in Portland, Indiana. The company, which started with just 20,000 hens in 1977, now serves wholesale and retail egg markets and co-packs for producers all over the country and even internationally.

That's a lot of product to keep cool and a lot of employees to keep processes moving. That's where we got the chance to help with an incentive that improved conditions for animals, people, product—and the Minnich family's bottom line.

For many years, Minnich Poultry used strip curtains to separate its egg cooler from its processing plant. With about a 35-degree temperature difference between the two areas, keeping temperatures constant despite a flow of traffic was a challenge that strip curtains weren't quite up to. So the Jay County REMC member saw a chance for lowering overhead with an upgrade.

"Air seemed to flow right through the strip curtains," Minnich Poultry Finance and Production Manager Steve Reier said. "Especially if a door was open, it'd

George Minnich and his son-in-law Steve Reier made a good operation more efficient with help from Jay County REMC and POWER MOVES rebates.

pull the air right through, and you could see the curtains moving."

That's a challenge that the POWER MOVES program didn't have an incentive for, so Minnich Poultry, Jay County REMC, and Wabash Valley Power designed a custom efficiency solution that enabled the farm to replace its inefficient strip curtains with high-speed roll-up doors.

"Now we're not seeing moisture issues in the egg cooler, and we don't see cool air coming into the processing plant," Steve said.

The Minnich farm has been so pleased with the POWER MOVES program that they keep finding new ways to save energy and money—and earn incentives—with other projects. We're glad to support a growing operation with upgrades that keep costs down and efficiency up.

2014 board of directors

front (left to right):

Tony Fleming, Kosciusko REMC

Doug Brown, Parke County REMC

Jim Savage, Miami-Cass REMC

Ken Denton, Jay County REMC

Jon Rettinger, Marshall County REMC

Dennis Edmonds, Newton County REMC

Bart Nesius, Jasper County REMC

Alan Schlagenhauf, Heartland REMC

middle:

Danny Gard, EnerStar Electric

Doug Burnworth, Noble REMC

Skip Lottes, Citizens Electric Corporation

Bob Lehmann, M.J.M. Electric Cooperative

Jeff Hampshire, LaGrange County REMC

Noel Kendall, Boone REMC

Wayne Gingerich, Steuben County REMC

Mike Yankauskas, Kankakee Valley REMC

back:

Hal Truax, Hendricks Power Cooperative

Bob Baker, Tipmont REMC

Phil Hayes, NineStar Connect

Dennis Burton, Fulton County REMC

Milton Rodgers, Carroll White REMC

Mike Conner, Warren County REMC

Rob Angus, Corn Belt Energy

Elmer Stocker, Northeastern REMC

*Not pictured **Gerald Heitmeyer,** Paulding-Putnam Electric Cooperative

2014 executive board

front (left to right):

Jon Rettinger

Mike Yankauskas

Mike Conner

back:

Wayne Gingerich

Skip Lottes

Bob Lehmann

2014 executive group

front (left to right):

Keith Thompson

Greg Wagoner

Rick Coons

Lee Wilmes

back:

Kathy Joyce

Curtis Taylor

Jeff Conrad

Chief Executive Officer

Rick Coons
President & Chief Executive Officer

Executive Staff

Jeff Conrad
Chief Financial Officer

Kathy Joyce
Vice President,
Member and Corporate Relations

Curtis Taylor
Vice President, Technical Services

Keith Thompson
Vice President, Power Production

Greg Wagoner
Vice President, Transmission
Operations and Development

Lee Wilmes
Vice President, Power Supply

2014 Board Officers

Mike Conner
Chairman

Mike Yankauskas
Vice Chairman

Skip Lottes
Second Vice Chairman

Wayne Gingerich
Secretary - Treasurer

Jon Rettinger
Executive Committeeman

Bob Lehmann
Executive Committeeman

Headquarters

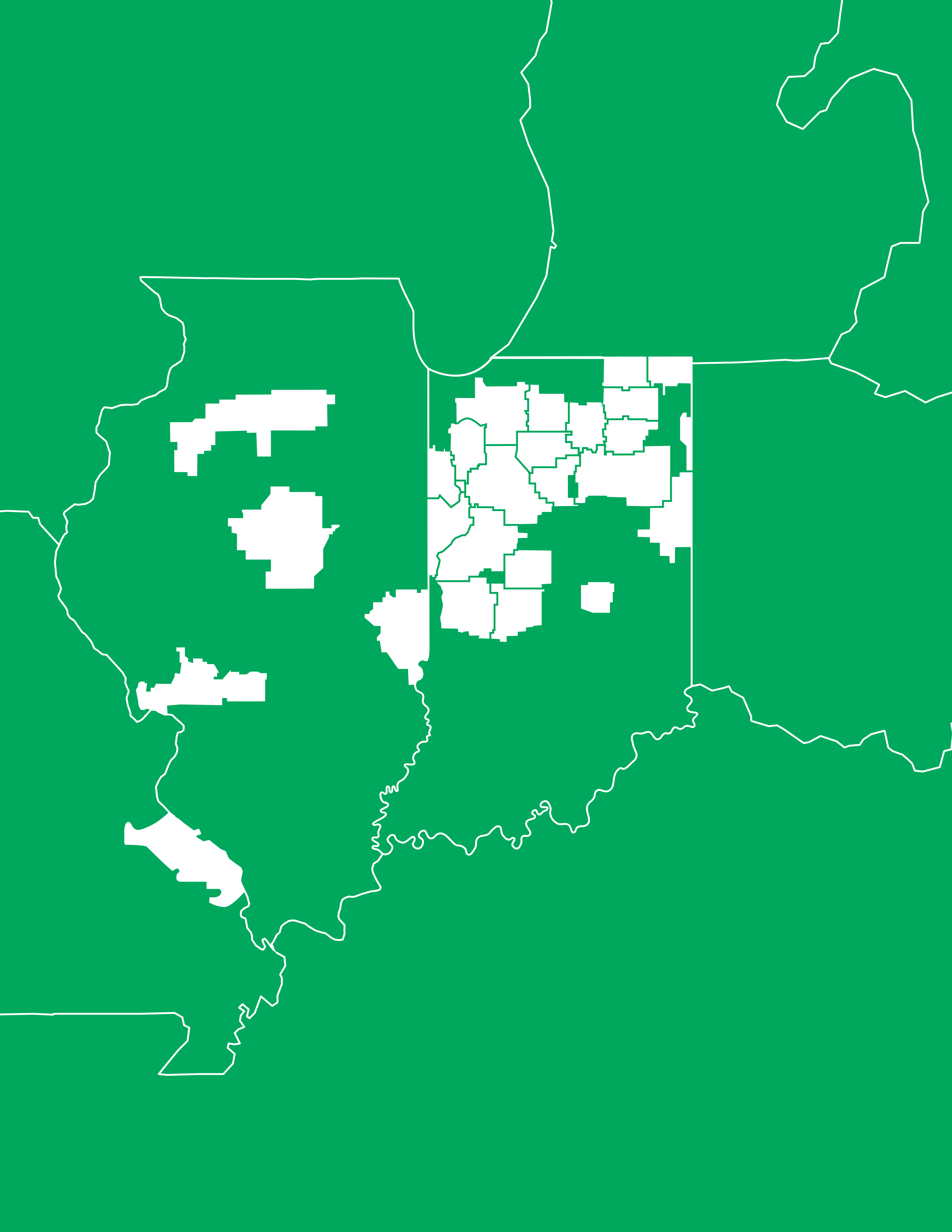
722 North High School Road
Indianapolis, Indiana 46214

Post Office Box 24700
Indianapolis, Indiana 46224

General Counsel

Randy Holt
Parr Richey Obremsky
Frandsen & Patterson

Inquiries regarding this annual report can be sent to WVPA's Communications Department at 722 North High School Road, Indianapolis, IN 46214.



member information

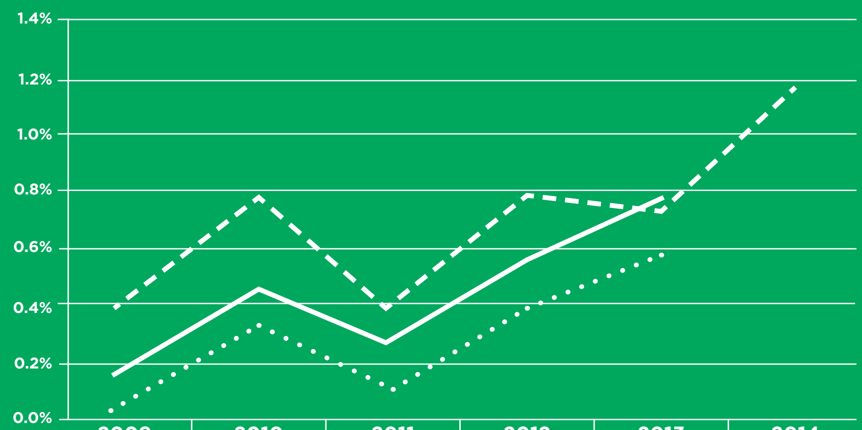
Co-op Name	Location
Boone REMC	Lebanon, IN
Carroll White REMC	Monticello, IN
Citizens Electric Corporation	Perryville, MO
Corn Belt Energy	Bloomington, IL
EnerStar Electric Cooperative	Paris, IL
Fulton County REMC	Rochester, IN
Heartland REMC	Markle, IN
Hendricks Power Cooperative	Avon, IN
Jasper County REMC	Rensselaer, IN
Jay County REMC	Portland, IN
Kankakee Valley REMC	Wanatah, IN
Kosciusko REMC	Warsaw, IN
LaGrange County REMC	LaGrange, IN
Marshall County REMC	Plymouth, IN
Miami-Cass REMC	Peru, IN
M.J.M. Electric Cooperative	Carlinville, IL
Newton County REMC	Goodland, IN
NineStar Connect	Greenfield, IN
Noble REMC	Albion, IN
Northeastern REMC	Columbia City, IN
Parke County REMC	Rockville, IN
Paulding-Putnam Electric Cooperative	Paulding, OH
Steuben County REMC	Angola, IN
Tipmont REMC	Linden, IN
Warren County REMC	Williamsport, IN

Wabash Valley Power's member cooperatives combine a financially firm foundation with a customer mix that consists mainly of residential members, providing a highly stable revenue base. Member cooperatives also have an average equity percent of just under 60%, which is higher than the national average for distribution cooperatives.

member cooperative summary

Number of Member Accounts	**341,000**
Sales to Members	**9.6 million megawatt-hours**
Total Assets	**$1.7 billion**
Equity as a % of Capitalization	**59.4%**

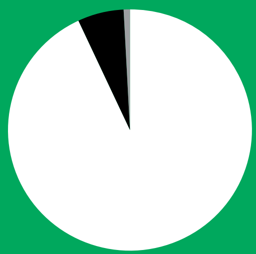
retail members - % growth year over year



	2009	2010	2011	2012	2013	2014
Wabash Valley	0.40%	0.76%	0.40%	0.78%	0.73%	1.15%
Indiana	0.03%	0.32%	0.10%	0.35%	0.57%	
US	0.15%	0.45%	0.26%	0.54%	0.77%	

Wabash Valley Power's membership is consistently growing faster than both the Indiana and national averages for utility providers.

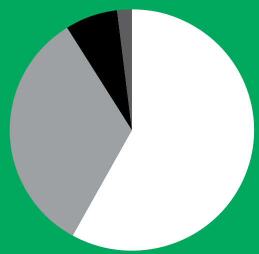
members by rate classification



Residential	Commercial & Industrial	Other
93%	6%	1%

Member composition by rate class continues to remain stable from year to year.

revenue by rate classification



Residential	Other C&I	Large Industrial (pass-thru loads)	Other
58%	33%	7%	2%

Weather is a key driver of energy sales by rate classification, particularly in the residential sector. Both sales and revenues from residential members increased in 2014 due mainly to a colder winter as compared to 2013. Revenue from residential customers continues to be the largest and most stable component of total revenues.

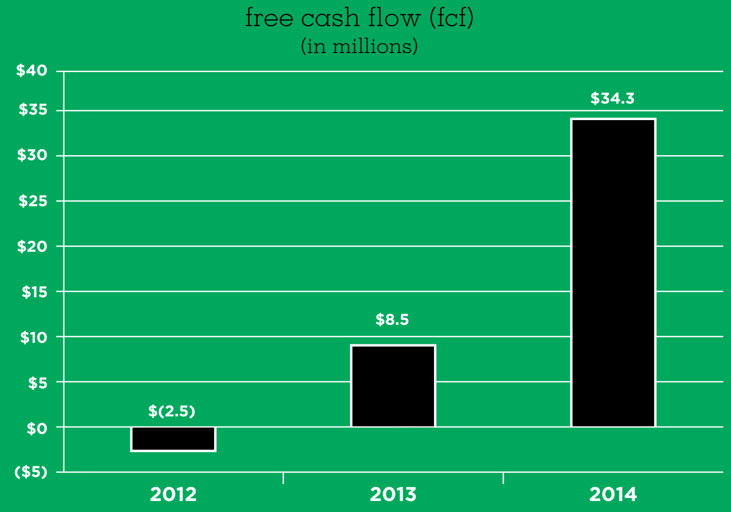
Miles of Transmission Lines	Miles of Distribution Lines	Number of Substations
430.7	16.8	65

Facility	Location	Facility Capacity (MW)	WV Portion (MW)	Fuel Type[6]	Plant Type
Gibson Unit 5	Owensville, IN	625	156	Coal	Baseload
Wabash River Unit 1	West Terre Haute, IN	262	262	Synthetic gas/natural gas	Baseload
Twin Bridges	Danville, IN	3.2	3.2	Landfill gas	Baseload
Twin Bridges II	Danville, IN	3.2	3.2	Landfill gas	Baseload
Twin Bridges III	Danville, IN	3.2	3.2	Landfill gas	Baseload
Twin Bridges IV	Danville, IN	3.2	3.2	Landfill gas	Baseload
Oak Ridge	Logansport, IN	3.2	3.2	Landfill gas	Baseload
Liberty	Monticello, IN	3.2	3.2	Landfill gas	Baseload
Liberty II	Monticello, IN	3.2	3.2	Landfill gas	Baseload
Jay County	Portland, IN	3.2	3.2	Landfill gas	Baseload
Wheeler	Hobart, IN	0.8	0.8	Landfill gas	Baseload
Deercroft I	Michigan City, IN	3.2	3.2	Landfill gas	Baseload
Deercroft II	Michigan City, IN	3.2	3.2	Landfill gas	Baseload
Prairie View I	Wyatt, IN	3.2	3.2	Landfill gas	Baseload
Prairie View II	Wyatt, IN	3.2	3.2	Landfill gas	Baseload
Earthmovers	Elkhart, IN	4.8	4.8	Landfill gas	Baseload
Clinton	Clinton, IL	3.2	3.2	Landfill gas	Baseload
Holland Energy	Beecher City, IL	627	313.5	Natural gas	Intermediate
Vermillion Station	Cayuga, IN	640	240	Natural gas	Peaking
Lawrence Station	Mitchell, IN	258	86	Natural gas	Peaking
Total			**1,104.7**		

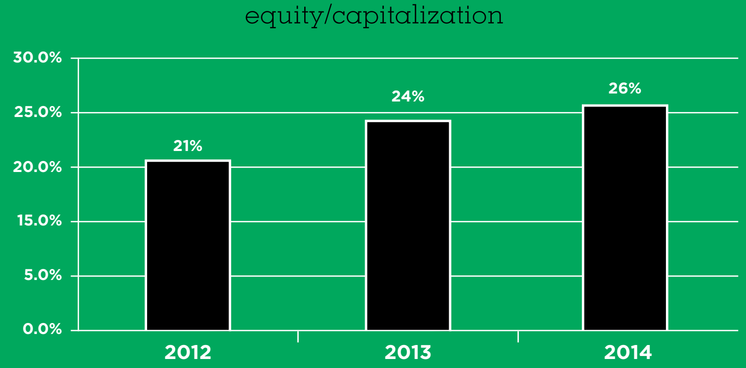
[6] WVPA supports renewable energy by owning landfill gas generation and purchasing the output from wind farms and biogas generators. Wabash Valley Power sells, separately, the environmental attributes associated with this generation to its members and third parties, and therefore does not claim the generation as renewable within our own supply portfolio.

the payoff of balance and agility

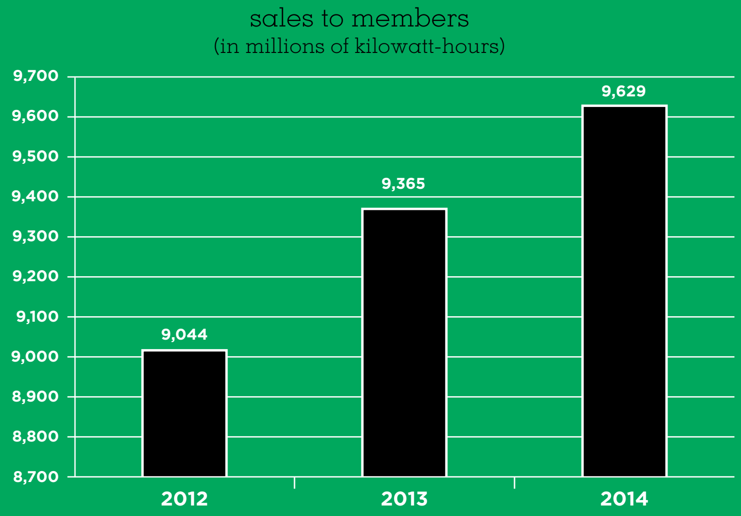
While maintaining a relentless focus on risk management, Wabash Valley Power has not only strengthened its financial performance but also maximized value for the membership.



With 47 days of operating expenses in cash and short-term investments on hand at December 31, 2014 and a $60 million increase in the syndicated credit facility during 2014, Wabash Valley Power has solid liquidity and an improving FCF.



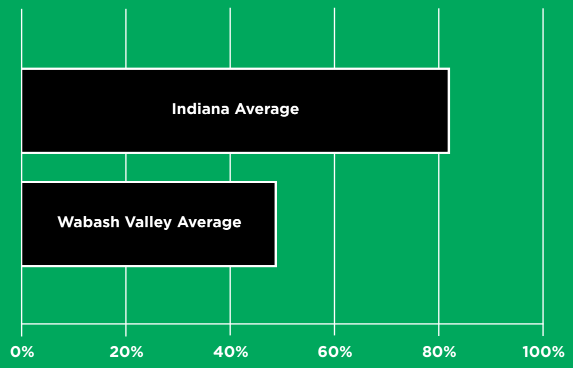
The Wabash Valley Power Board and management have strategically continued efforts to improve equity/capitalization ratios as evidenced in the chart above.



Due to our members adding and serving new retail members, Wabash Valley Power is experiencing steady sales growth.

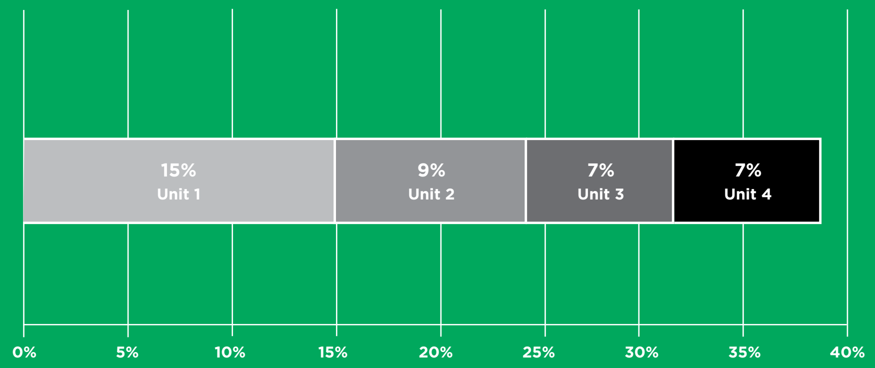
While many utilities are preparing to make large investments in, or retire, power plants to meet more stringent environmental regulations, Wabash Valley Power has strategically positioned itself to mitigate the impact of environmental compliance standards and reliance on a single fuel source or generating unit.

exposure to coal



Lower exposure to coal than the average for Indiana power companies as evidenced by megawatt-hours generated and purchased from coal resources as a percentage of sales to ultimate consumers.

large unit risk - top 4 baseload units



As a percent of member peak (MW), Wabash Valley Power has minimized the exposure to large unit risk, whether due to economic factors, outages, or environmental regulations.

	2014	2013	2012	2011	2010
Operating Revenues (in thousands)	$816,292	$735,472	$701,463	$721,488	$750,137
Billed Revenue from Members (mills per kWh) (1)	$71.55	$69.17	$67.97	$67.40	$66.74
Member Sales (MWh) (1)	9,629,270	9,364,712	9,044,006	9,617,019	9,529,250
Member Peak Demand (MW)	1,682	1,748	1,813	1,916	1,839
Total Owned Capacity (MW)	1,104.7	1,101.5	1,101.5	1,018.3	1,018.3
MWh Sales by Source					
Owned Generation	20%	24%	24%	23%	18%
Purchased Power Agreements	80%	76%	76%	77%	82%
Capital Expenditures (in thousands)	$27,344	$33,192	$40,609	$32,169	$40,257
Total Assets (in thousands)	$923,920	$931,866	$939,751	$919,752	$953,351
Long-term Debt (in thousands) (2)	$578,791	$608,917	$637,955	$607,452	$633,867
Weighted Average Interest Rate	5.70%	5.69%	5.60%	5.88%	5.88%
Credit Rating (Standard & Poor's)	A-	A-	A-	A-	A-
Debt Service Coverage (DSC)	1.36	1.42	1.39	1.38	1.35
Times Interest Earned Ratio (TIER)	1.50	1.54	1.47	1.47	1.36
Capitalization Ratios					
Debt (2)	74%	76%	79%	80%	83%
Equity	26%	24%	21%	20%	17%

(1) Excluding sales to JAron

(2) Excluding amounts due within one year

To the Board of Directors of
Wabash Valley Power Association, Inc.
Indianapolis, Indiana:

We have audited the accompanying consolidated financial statements of Wabash Valley Power Association, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations and patronage capital 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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wabash Valley Power Association, Inc. and subsidiaries as of December 31, 2014 and 2013, 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

Indianapolis, Indiana
March 13, 2015

Management's Discussion and Analysis provides an overview of the consolidated results of operation and financial condition of Wabash Valley Power Association, Inc. (Wabash Valley Power or the Company) and its subsidiaries for the year ended December 31, 2014. It should be read in conjunction with the consolidated financial statements and accompanying notes.

OVERVIEW

The consolidated financial statements contain all activities of the Company and its wholly-owned subsidiary, Wabash Valley Energy Marketing, Inc. (Energy Marketing). Results also include the activities of sgSolutions LLC (sgSolutions), which is being consolidated due to the Company's ownership and control of its operations.

Wabash Valley Power is under the jurisdiction of the Federal Energy Regulatory Commission (FERC) and follows the Uniform System of Accounts as prescribed by FERC. All required adjustments have been made to make the financial statements consistent with accounting principles generally accepted in the United States (GAAP).

The Company has implemented all Financial Accounting Standards Board (FASB) pronouncements, as applicable.

ANNUAL HIGHLIGHTS

The Company expanded its syndicated revolving credit facility from $100 million to $160 million and extended the term to March 2019. The facility can be used to finance the general operating needs of the Company, provide interim financing of capital projects and provide letters of credit to power-supply counterparties to support purchase and sale obligations.

In October 2014, the Company purchased the Clinton Landfill in Clinton, Illinois. The facility adds an additional 3.2 MW to the generation portfolio.

In July 2014, Standard & Poor's reaffirmed Wabash Valley Power's credit rating of A- with a Stable Outlook.

RESULTS OF OPERATIONS

Sales

Sales are summarized in the following table:

	Years Ended December 31		
(in thousands)	2014	2013	% CHANGE
Operating Revenues			
Member co-ops	$614,998	$594,279	3.5%
Member - other	70,502	57,565	22.5%
Non-member	126,739	80,269	57.9%
Other	4,053	3,359	20.7%
Total	**$816,292**	**$735,472**	**11.0%**
Energy Sales (MWh)			
Member co-ops	8,002	7,845	2.0%
Member - other	1,631	1,523	7.1%
Non-member	2,865	1,794	59.7%
Total	**12,498**	**11,162**	**12.0%**

Revenue from member cooperatives increased 3.5% mainly due to higher energy sales related to a colder winter than the previous year. The 2014 heating degree days were 8.4% higher than in 2013. The increase also includes the recovery of higher purchased power costs for replacement energy due to an unplanned unit outage.

Wabash Valley Power's membership systems include three large industrial customers that participate as pass-thru loads. Revenue from pass-thru loads is higher year over year due to a 7.1% increase in energy sales. These loads also incurred higher transmission costs in 2014 related to serving their load.

Both non-member energy sales and revenue increased nearly 60% year over year due mainly to a firm sale obligation in 2014. This sale is being served by a corresponding firm purchase. Also contributing to the increase were higher power prices resulting in more revenue on market sales.

Other revenue increased in 2014 as compared to 2013 due to higher transmission revenue received under the terms of a joint transmission system (JTS) ownership agreement.

Operations

Operating expenses are summarized in the table below:

(in thousands)	Years Ended December 31 2014	2013	% CHANGE
Power Supply*	$641,672	$554,042	15.8%
Plant O&M	76,038	79,680	(4.6%)
Depreciation	35,730	35,155	1.6%
Other	14,338	13,059	9.8%
Total	**$767,778**	**$681,936**	**12.6%**

*Includes purchased power, fuel and transmission costs

Operating expenses increased $85.8 million, or 12.6%, during 2014 as compared to 2013. The primary driver is higher purchased power costs resulting from increased market purchases due to an unplanned plant outage. The increase also includes additional output from a unit contingent purchased power agreement, primarily due to lower outage rates in 2014, as well as a firm purchase commitment being used to supply a firm sale obligation.

Other expenses/(income) – net decreased 9.0% in 2014 mainly due to lower interest expense and an increase in the volume of renewable energy credits sold to third parties, as well as higher prices on those sales.

CAPITAL RESOURCES

Summary balance sheet information is presented below:

(in thousands)	Years Ended December 31 2014	2013	% CHANGE
Assets			
Net Plant	$684,535	$687,529	(0.4%)
Current	210,623	205,190	2.6%
Non-current	28,762	39,147	(26.5%)
Total	**$923,920**	**$931,866**	**(0.9%)**
Liabilities			
Capitalization	$784,594	$796,720	(1.5%)
Current	125,073	107,027	16.9%
Non-current	14,253	28,119	(49.3%)
Total	**$923,920**	**$931,866**	**(0.9%)**

Net Plant was flat year over year, reflecting plant additions of $26.8 million in 2014, offset by the current year's depreciation reserve of $30.5 million.

Current assets increased 2.6% or $5.4 million. The primary driver is a net increase in cash, cash equivalents, and short-term investments related to the redemption of $5 million of CFC membership certificates. Also contributing to the increase were higher accounts receivable mainly due to colder weather in December 2014 as compared to December 2013, resulting in higher sales.

Wabash Valley Power's capitalization decreased $12.0 million. Patronage capital equity increased $18.0 million, reflecting the current year's net margins. This increase was offset by the repayment of $29.0 million of long-term debt.

LIQUIDITY

In addition to $58.3 million of cash and cash equivalents on hand at December 31, 2014, Wabash Valley Power has a $160 million syndicated revolving credit facility. There were no amounts outstanding as of December 31, 2014 under the terms of the agreement.

Under the terms of various debt agreements, Wabash Valley Power is required to meet certain covenants. At December 31, 2014, the Company was in compliance with all of these covenants. Additionally, Wabash Valley Power's Times Interest Earned Ratio was 1.50 and the Debt Service Coverage Ratio was 1.36. Wabash Valley Power's Equity-to-Capitalization Ratio was 26%.

assets (in thousands)	As of December 31 2014	2013
Plant		
Plant in service	$1,005,291	$994,367
Less accumulated depreciation	339,509	323,533
	665,782	670,834
Construction work in progress	18,753	16,695
	684,535	**687,529**
Investments	**13,367**	**17,664**
Current Assets		
Cash and cash equivalents	58,325	61,671
Short-term investments	40,673	25,860
Restricted assets	1,549	1,900
Accounts receivable	69,025	65,872
Fuel stock and material inventory - at average cost	30,636	39,401
Under recovered power costs	-	1,525
Other	10,415	8,961
	210,623	**205,190**
Deferred Charges	**15,395**	**21,483**
total assets	$923,920	$931,866

See Notes to Consolidated Financial Statements

capitalization and liabilities (in thousands)	As of December 31 2014	2013
Capitalization		
Patronage capital equity	$188,803	$170,803
Non-controlling interest	17,000	17,000
Long-term debt	578,791	608,917
	784,594	**796,720**
Current Liabilities		
Current portion of long-term debt	30,126	29,037
Accounts payable	64,598	54,960
Accrued interest	5,962	6,249
Accrued taxes other than income	5,477	5,642
Over collected power costs	2,006	-
Other	16,904	11,139
	125,073	**107,027**
Deferred Credits	**14,253**	**28,119**
total capitalization and liabilities	$923,920	$931,866

See Notes to Consolidated Financial Statements

(in thousands)	Years Ended December 31 2014	2013
Operating Revenues		
Member	$685,500	$651,844
Other	130,792	83,628
	816,292	**735,472**
Operating Expenses		
Fuel	56,411	60,735
Production	50,478	53,465
Purchased power	585,261	493,307
Maintenance	25,560	26,215
Administrative and general	13,798	12,552
Other taxes	540	507
Depreciation and amortization	35,730	35,155
	767,778	681,936
Operating Margin	**48,514**	**53,536**
Other Expenses/(Income)		
Interest expense - net of amounts capitalized	36,028	37,488
Interest income	(3,839)	(3,231)
Miscellaneous income and deductions – net	(1,675)	(721)
	30,514	33,536
Net Margin	**$18,000**	**$20,000**
Patronage Capital - Beginning of Year	**170,803**	**150,803**
Patronage Capital - End of Period	**$188,803**	**$170,803**

See Notes to Consolidated Financial Statements

(in thousands)	Years Ended December 31 2014	2013
Operating Activities		
Net margin	$18,000	$20,000
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	35,730	35,155
Changes in certain assets and liabilities:		
Accounts receivable	(3,153)	(7,836)
Fuel stock and material inventory	5,889	6,434
Over collected/under recovered power costs	3,531	(3,940)
Accounts payable	7,711	522
Other assets	3,809	(8,203)
Other liabilities	(9,837)	(386)
Net Cash Provided by Operating Activities	**61,680**	**41,746**
Investing Activities		
Capital expenditures	(27,344)	(33,192)
Proceeds from sale of property, plant and equipment	1,866	-
Restricted assets	5	(12)
Proceeds from investments	31,667	24,437
Purchase of investments	(42,183)	(32,576)
Net Cash Used in Investing Activities	**(35,989)**	**(41,343)**
Financing Activities		
Payment on long-term debt	(29,037)	(27,664)
Net Cash Used in Financing Activities	**(29,037)**	**(27,664)**
Net Increase (Decrease) in Cash and Cash Equivalents	(3,346)	(27,261)
Cash and Cash Equivalents - Beginning of Year	61,671	88,932
Cash and Cash Equivalents - End of Period	**$58,325**	**$61,671**

See Notes to Consolidated Financial Statements

1. organization

ORGANIZATION

Wabash Valley Power Association, Inc. (Wabash Valley Power or the Company) is a non-profit electric generation and transmission cooperative headquartered in Indianapolis, Indiana. The Company provides wholesale power to its members who consist primarily of 25 rural electric membership corporations (REMCs) located in northern Indiana and parts of Illinois, Ohio and Missouri. Sales to the Ohio member are limited to the customers located in Indiana.

Except as discussed in Note 12, each member REMC has signed two All Requirements Contracts (ARC) that obligate them to purchase all power and energy needed to serve their customers from Wabash Valley Power. The term of the first contract expires in April 2028 and the second contract term is from April 2028 through December 2050.

Membership also includes two non-cooperative organizations, JAron & Company (JAron) and Wabash Valley Energy Marketing, Inc. (Energy Marketing), a wholly owned subsidiary of Wabash Valley Power. JAron currently has contracted purchases from Wabash Valley Power through December 2015.

Wabash Valley Power has a 50% interest in sgSolutions LLC (sgSolutions) whose assets consist of a coal gasification plant located in West Terre Haute, Indiana. The remaining 50% is owned by TIAA SynGas LLC (TIAA). TIAA receives a monthly management fee from sgSolutions (see Note 11 – Related Party Transactions) and Wabash Valley Power retains all net income or loss generated by sgSolutions. TIAA's interest in sgSolutions at December 31, 2014 and 2013 was $17.0 million and is reflected as non-controlling interest on the consolidated balance sheets.

BASIS OF CONSOLIDATION

Due to Wabash Valley Power's ownership and control over the operations of sgSolutions and Energy Marketing, those entities have been included in the consolidated financial statements of Wabash Valley Power and all significant inter-company transactions have been eliminated.

2. summary of significant accounting policies

REGULATORY ACCOUNTING

Wabash Valley Power is governed by the Federal Energy Regulatory Commission (FERC) under the Federal Power Act and maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by FERC, which conform to accounting principles generally accepted in the United States of America (GAAP) in all material respects. All required adjustments to FERC accounting have been made to make the consolidated financial statements consistent with GAAP.

The rates charged by the Company for power supplied to its members are based on the revenue required by Wabash Valley Power to cover the cost of supplying such power plus an appropriate margin. As a rate-regulated entity, Wabash Valley Power's consolidated financial statements reflect actions of regulators that result in the recognition of revenues and expenses in different time periods than enterprises that are not rate regulated in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980 - Regulated Operations (ASC 980). As such, regulatory assets are recorded to reflect future revenues associated with certain costs that are expected to be recovered from customers in future periods. Regulatory liabilities are recorded to reflect future reductions in revenues associated with amounts that are expected to be credited to customers in future periods. For further information, see Note 8 – Deferred Charges and Credits.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

ASSET IMPAIRMENT

Long-lived assets are reviewed for impairment when events or circumstances change that could impact the recoverability of the asset's carrying amount. There were no impairments recorded during 2014 or 2013.

INVENTORIES

Fuel stock and materials and supplies are valued at average cost. The costs of fuel and materials used in production are expensed as consumed and are recovered through rates.

REVENUE RECOGNITION

Revenue is recognized each period when energy is delivered to

Wabash Valley Power's members or other non-member organizations. Member billed revenues reflect estimated power supply costs based on the current year's board-approved operating budget. Per the Formula Rate Tariff, member bills are adjusted in the subsequent year to collect or refund the difference between actual and estimated costs of power supply. Differences are shown as under recovered power costs or over collected power costs on the consolidated balance sheets. At December 31, 2014 the over collected balance was $2.0 million and the under recovered balance at December 31, 2013 was $1.5 million.

USE OF ESTIMATES

The preparation of consolidated financial statements, in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the consolidated financial statements are based on management's evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results may differ from those estimates.

CONCENTRATION OF RISK

Approximately 12% of Wabash Valley Power's total revenues for 2014 and 2013 were derived from sales to Citizens Electric Corporation (Citizens). Accounts receivable balances for Citizens account for 11% of total accounts receivable as of December 31, 2014 and 2013.

RESTRICTED ASSETS

Amounts restricted at December 31, 2014 include escrow funds associated with the exit of Paulding-Putnam Electric Cooperative, Inc. (Paulding) from the Company at the end of 2014 (see Note 12 – Members' Patronage Capital Equity) and the cost of sole-use assets purchased by Paulding upon termination. Amounts restricted at December 31, 2013, include the cost of sole-use assets sold to a member in late 2013. These funds were released to Wabash Valley Power in early 2014.

PLANT IN SERVICE AND MAINTENANCE

Plant in service is stated at original cost which includes labor, materials, overheads and interest on borrowed funds used during construction (for major projects only). Maintenance and repairs of plant and replacement of items determined to be less than units of property are charged to maintenance expense as incurred.

When assets other than general plant are retired, sold or otherwise disposed of, the original cost plus the cost of removal, less salvage, is charged to accumulated depreciation and the corresponding gain or loss is amortized over the remaining life of the plant. Losses included in accumulated depreciation are ($26.1) million and ($23.6) million at December 31, 2014 and 2013, respectively, that will continue to be amortized. As general plant assets are retired, the resulting gain or loss is recognized in the statements of operations.

Also included in accumulated depreciation are costs of removal for assets that do not have associated legal or contractual retirement obligations. Wabash Valley Power estimates that a regulatory liability related to these removal costs has been recorded in accumulated depreciation on the consolidated balance sheets at December 31, 2014, and 2013 of $36.4 million and $34.8 million, respectively.

DEPRECIATION

Plant in service is depreciated on a straight-line basis at rates designed to recover the cost of properties over their estimated service lives. The resulting average depreciation rates by plant function at December 31 were as follows:

	2014	2013
Steam production	2.41%	2.41%
Other production	3.39%	3.38%
Manufactured gas	5.00%	5.00%
Transmission	2.16%	2.16%
Distribution	4.17%	4.16%
General	6.56%	7.79%

FEDERAL INCOME TAXES

Wabash Valley Power is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(12) as long as member gross margins are at least 85% of total gross margins. Member gross margins as a percent of total gross margins for 2014 and 2013 were greater than 85%. As a result, no provision for federal income taxes was made during either year.

The Company has adopted guidance governing uncertain income tax positions which sets forth recognition thresholds and measurement attributes for financial statement recognition. The guidance did not result in the recording of any uncertain tax position liabilities as of December 31, 2014 and 2013. Tax years 2011 through 2014 remain open and could be subject to audit by the IRS.

PENSION PLAN

Qualified employees of the Company are members of a pension plan sponsored by the National Rural Electric Cooperative Association (NRECA). The NRECA Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Contributions to the RS Plan by Wabash Valley Power in 2014 and 2013 represented less than 5 percent of the total contributions made to the plan by all participating employers. Wabash Valley Power's contributions to the plan in 2014 were $0.8 million and $4.3 million in 2013. Contributions in 2013 were significantly higher than those in 2014 due to the Company electing to participate in the prepayment option offered under the RS Plan in 2013 (see Note 8 – Deferred Charges and Credits).

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded at January 1, 2014 and over 80 percent funded on January 1, 2013 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated balance sheet of the prior period to conform to the current period presentation in the areas of Deferred Charges and Deferred Credits. See Note 8 – Deferred Charges and Credits for comparative detail of these lines in the consolidated balance sheets.

3. recently issued accounting standards

In May 2014, the FASB issued ASU 2014-09 – Revenue from Contracts with Customers. The standard outlines a single model to use in accounting for revenue from contracts with customers and requires more extensive disclosures than current guidance. The standard is effective for the Company beginning in January 2018. The Company is currently evaluating the standard to determine the overall impact it will have on the consolidated financial statements.

4. plant in service

Plant in service at December 31 consists of the following:

(in thousands)	**2014**	**2013**
Production	$696,865	$685,735
Manufactured gas production	72,531	72,238
Transmission	164,071	161,206
Distribution	56,648	54,289
General	15,176	20,899
Plant in Service	**$1,005,291**	**$994,367**

Wabash Valley Power has an agreement with Duke Energy Indiana, Inc. (Duke Indiana) and Indiana Municipal Power Agency (IMPA) that provides for an undivided 25% ownership interest in the Gibson Unit No. 5 production facility.

Wabash Valley Power has an agreement with Duke Indiana that provides for an undivided 37.5% ownership interest in the Vermillion generating facility.

Wabash Valley Power has an agreement with Hoosier Energy REC (Hoosier) that provides for a one-third ownership interest in the Lawrence generating facility.

Wabash Valley Power and Hoosier jointly own the Holland generating facility. The agreement provides each owner with an undivided 50% ownership in the facility.

Wabash Valley Power jointly owns certain transmission property and local facilities with Duke Indiana and IMPA. These facilities are part of the joint transmission system (JTS) which is maintained by Duke Indiana.

A substantial portion of Wabash Valley Power's utility plant and related operation and maintenance expenses is included under the terms of the above agreements.

Wabash Valley Power has a 50% ownership interest in the assets of sgSolutions (See Note 1 - Organization). Due to its ownership and control of sgSolutions, Wabash Valley Power consolidates sgSolutions resulting in $28.3 million being included on the consolidated balance sheets in net plant at December 31, 2014 and $29.8 million at December 31, 2013.

Wabash Valley Power had $4.2 million and $2.1 million of capital expenditures recorded in accounts payable – other on the consolidated balance sheets at December 31, 2014 and 2013, respectively.

5. investments

Investments at December 31, 2014 and 2013 consist of the following:

(in thousands)	2014	2013
Capital term certificates - CFC	$6,660	$6,934
Capital securities – CFC	-	5,000
Cooperative investment patronage allocation	6,110	5,164
Investment in associated organizations	547	516
Other investments	50	50
Total	**$13,367**	**$17,664**

The capital term certificates (CTCs) bear interest ranging from 0% to 6.6% and were required in order to borrow from the National Rural Utilities Cooperative Finance Corporation (CFC). All investments with CFC are classified as held-to-maturity investments and reported at cost, subject to an annual impairment test.

Wabash Valley Power's cooperative investment patronage allocations are reported at cost, plus allocated equities.

Wabash Valley Power also has authority to make short-term investments. As of December 31, 2014, Wabash Valley Power had invested $20.0 million in CFC medium-term notes and $20.7 million in CFC commercial paper. Amounts invested at December 31, 2013, include $15.0 million of CFC medium-term notes and $10.9 million of CFC commercial paper. As held-to-maturity investments that will mature in less than one year, the notes and commercial paper are reflected at cost, which approximates fair value, in short-term investments on the consolidated balance sheets. There were no gains or losses recorded during the year.

6. long-term obligations

DEBT

Wabash Valley Power's long-term debt, as of December 31, consists of the following:

(in thousands)		2014	2013
First Mortgage Notes (due in quarterly installments):			
Series 1999-B	7.45%-9.10% due April 2019	$3,606	$4,242
Series 2000-A	5.30% thru Jan. 2019, due 2030	2,895	3,010
Series 2000-A	5.30% thru Jan. 2019, due April 2021	2,711	3,052
Series 2001-A	2.90%-8.25%, due July 2027	11,166	11,819
Series 2003-B	6.65%-7.15%, due Oct. 2023	5,308	5,717
Series 2004-A	5.08% due April 2024	83,604	90,292
Series 2004-B	4.59% due April 2019	11,236	13,435
Series 2004-C	6.00% due April 2024	8,604	9,335
Series 2004-D	5.56% due December 2024	20,759	22,785
Series 2005-A	5.25% due July 2025	13,254	14,149
Series 2006-A	6.44%-6.87% due April 2028	20,010	21,007
Series 2007	6.14%-6.24%, due January 2028	127,746	132,874
Series 2009-A	3.12%-7.71% due January 2039 (a)	92,500	92,500
Series 2009-B	7.22% due January 2039	90,466	91,804
Series 2009-C	0%-1.5% due December 2021 (b)	7,054	8,062
Series 2012	1.59% thru January 2015, due July 2032 (c)	36,100	36,850
Series 2012	4.58% due July 2032 (d)	20,587	20,587
Tax-Exempt Bonds (due in quarterly installments):			
Series 2010-A	1.30% thru March 2015, due Jan. 2031 (e)	35,875	36,975
Promissory Notes (due in quarterly installments):			
	2.50% due October 2015	3,204	6,175
	6.55% due October 2016	649	943
Unsecured Notes (due in quarterly installments):			
Series 2005	2.90%-6.15%, due July 2025	11,583	12,341
Total long-term debt		**$608,917**	**$637,954**
Current maturities		30,126	29,037
Total long-term debt – net of current maturities		**$578,791**	**$608,917**

(a) Due in quarterly installments beginning April 2020

(b) Due in annual installments

(c) Variable rate on debt with swap to effectively fix the rate at 3.75% (see note 10 – Derivative Instruments)

(d) Due at maturity

(e) Variable rate on debt with swap to effectively fix the rate at 3.49% (see Note 10 – Derivative Instruments)

Wabash Valley Power issues secured debt under an Indenture of Mortgage, Security Agreement and Financing Statement (Indenture). The Indenture requires the Company to design rates that shall, on an annual basis, yield a minimum times interest earned ratio (TIER) of 1.0 and a debt service coverage (DSC) ratio of 1.10. The TIER and DSC for the year ended December 31, 2014 were 1.50

and 1.36, respectively. Under the Indenture, Wabash Valley Power may retire patronage capital provided members' capital as of the end of the most recent fiscal quarter is not less than 20% of total long-term debt and members' capital.

The First Mortgage Notes are collateralized by the generation, transmission, distribution and general plant assets (excluding transportation equipment) of the Company.

The Promissory Notes are secured by the assets of sgSolutions.

Estimated future maturities on long-term obligations as of December 31, 2014 are as follows:

(in thousands)	
2015	$30,126
2016	30,446
2017	31,090
2018	32,525
2019	33,436
Thereafter	451,294
Total long-term debt	**$608,917**

CREDIT FACILITY

The Company has a $160 million syndicated revolving credit facility that expires in May 2019. The facility can be used to finance the general operating needs of the Company, provide interim financing of capital projects and provide letters of credit to power supply counterparties to support purchase and sale obligations. There were no borrowings or letters of credit outstanding under the agreement at December 31, 2014 or 2013.

Cash paid for interest on all long-term obligations (net of amounts capitalized of $0 for both years) was $36.7 million and $37.6 million for the years ended December 31, 2014 and 2013, respectively.

7. fair value of financial instruments

Cash and temporary cash investments, trustee deposits, CTCs, receivables, certain other liabilities and long-term debt are considered to be financial instruments. The carrying value of cash, temporary cash investments, trustee deposits, receivables and certain other liabilities approximate the fair value because of the short maturity of the instruments. The fair value of the CFC CTCs and other investments are not estimable since these instruments are required to be held by Wabash Valley Power as a condition of membership and can only be returned to the investee.

Wabash Valley Power's estimated fair value of long-term debt, including current maturities, at December 31, 2014 and 2013, was $695.9 million and $682.6 million, respectively. The fair value of long-term debt is determined by calculating the net present value of each individual note using the estimated rate at which the Company could borrow funds for similar terms as of December 31, 2014. Long-term debt valuations are considered Level 2.

Wabash Valley Power's gas futures derivatives were valued using Level 1 inputs which consist of quoted market prices from active exchange markets.

The Company's power contract derivatives were calculated using broker quotes or appropriate pricing models with primarily externally verifiable model inputs. These valuations are considered Level 2.

The interest rate swap derivatives were valued by using yield curves derived from current interest rates and spreads to project and discount swap cash flows to present value. These valuations are considered Level 2.

8. deferred charges and credits

The amounts recorded as deferred charges as of December 31, 2014 and 2013, are as follows:

(in thousands)	2014	2013
Regulatory asset - contract termination costs	$5,768	$6,159
Regulatory asset – unrealized losses on derivative instruments	1,160	224
Fair value of derivative instruments	418	5,681
Contributions for transmission upgrades	2,621	2,919
Debt issuance costs	1,899	1,989
Pension funding	826	1,652
Other deferred charges	2,703	2,859
Total Deferred Charges	**$15,395**	**$21,483**

A power supply contract with Duke Energy Vermillion LLC (Duke Energy) was terminated in 2004 when the Company acquired an ownership interest in the Vermillion generating facility (see Note 4 – Plant In Service). Wabash Valley Power received regulatory approval to defer the termination costs and amortize them over the remaining life of the plant (through September 2030).

Wabash Valley Power has FERC approval to defer all unrealized gains and losses on derivative and hedging contracts. Amounts are recorded as a regulatory asset or liability until the derivative is settled, at which time the gain or loss is recognized in earnings.

The Company has power, gas futures and interest rate contracts that qualify as derivative instruments under FASB ASC 815 - Accounting for Derivative Instruments and Hedging Activities (ASC 815), as amended. These contracts are recorded at fair value in the consolidated balance sheets. See Note 10 - Derivative Instruments for the recovery period of derivative contracts.

Wabash Valley Power has made contributions to transmission providers to upgrade or install facilities for the sole benefit of Wabash Valley Power's member systems. The facilities are not owned by Wabash Valley Power and the amounts are billed to the respective Wabash Valley Power customers over a negotiated term, with all amounts being recovered by April 2048.

Debt issuance costs are being amortized over the lives of the related debt on a straight-line basis.

The Company elected the prepayment option offered under the RS Plan in 2013 that allowed plan members to make a payment contribution and reduce future required contributions (see Note 2 – Pension Plan). The contribution of $3.3 million was deferred and is being amortized from January 2013 through December 2016.

Amounts recorded as deferred credits as of December 31, 2014 and 2013, are as follows:

(in thousands)	2014	2013
Member buy-in/buy-out payments	$10,645	$20,044
Regulatory liability - unrealized gains on derivative instruments	418	5,681
Fair value of derivative instruments	1,160	224
Other deferred credits	2,030	2,170
Total Deferred Credits	**$14,253**	**$28,119**

A member of Wabash Valley Power was paying an adder above member rates associated with joining the Company and elected to invoke the prepayment option in 2008. The prepaid amount is being amortized over the remaining term of the buy-in agreement which expires in 2016. Midwest Energy Cooperative (Midwest) terminated membership in Wabash Valley Power effective December 31, 2011 and a portion of Midwest's load is now being served as a non-member sale via another provider. The member termination fee received from Midwest was deferred and is being amortized from January 2012 through December 2017. Paulding's membership terminated at the end of 2014, and the termination fee received was deferred and is being amortized through April 2028.

9. asset retirement obligations

The Company records its ownership share of legal obligations associated with the retirement of waste landfills and ash ponds at the Gibson Unit No. 5 production facility. The obligations are recorded at fair value when incurred and capitalized as a cost of the related asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. When the asset is retired, the entity settles the obligation for its recorded amount or incurs a gain or loss.

The following table represents the details of Wabash Valley Power's asset retirement obligations. The non-current portion of the obligations is included on the consolidated balance sheets in deferred credits.

(in thousands)	2014	2013
Beginning Balance	**$1,301**	**$1,286**
Liabilities incurred	-	-
Liabilities settled	-	-
Accretion	37	66
Cash flow revisions	1	(51)
Ending Balance	**$1,339**	**$1,301**

10. derivative instruments

Wabash Valley Power is exposed to various market risks in the normal course of business. Management has established risk management policies to mitigate the potentially adverse effects that these risks may have on member rates. The policies include the use of derivative instruments that generally qualify for the normal purchase and normal sales exception under ASC 815.

Wabash Valley Power enters into power contracts with the primary intent of securing wholesale power requirements for members at the minimum cost, while enhancing the value of Wabash Valley Power's assets and managing the risk associated with volatility in power prices. These contracts generally meet the definition of a derivative as defined in ASC 815. Many of these contracts qualify for the normal purchase and normal sales exception and are not recorded in the consolidated financial statements at fair value. Contracts not meeting the normal purchase and normal sales exception are reflected at fair value on the consolidated balance sheets. Wabash Valley Power values its contracts using market prices from brokers. Notional values of these contracts for 2014 and 2013 were 1.0 million megawatt-hours (MWh) and 0.5 million MWh, respectively.

Wabash Valley Power holds gas futures contracts for the primary purpose of mitigating volatility in gas prices related to the operation of its gas-fired plants and as a means to reduce the effect on member rates due to changes in future gas prices. These contracts qualify as derivatives and are recorded at fair value on the consolidated balance sheets. Notional values under these contracts were 2,220,000 MMBtu (million British thermal units) in 2014 and 1,890,000 MMBtu in 2013.

Wabash Valley Power has entered into three interest rate swap agreements with a total notional value of $72.0 million to mitigate the risk associated with changes in floating interest rates on the issuance of variable-rate long-term debt. The swap agreements convert floating rates into fixed rates, on a quarterly basis, so the Company can more accurately predict future interest costs and protect itself against increases in floating rates. These contracts qualify as derivatives and are reflected at fair value on the consolidated balance sheets. See Note 6 – Long-term Obligations for additional detail.

See Note 7 – Fair Value of Financial Instruments for additional information regarding the fair value of these derivatives.

The following reflects the amounts that are recorded in assets and liabilities at December 31, 2014 and 2013 for the Company's derivative instruments:

(in thousands)	2014	2013
Power Contracts		
Other current assets	$21	$634
Gas Futures		
Other current assets	276	1,141
Deferred charges	29	9
Interest Rate Swaps		
Deferred charges	389	5,672
Total Derivative Assets	**$715**	**$7,456**

(in thousands)	2014	2013
Power Contracts		
Other current liabilities	$2,844	-
Deferred credits	47	171
Gas Futures		
Other current liabilities	1,133	1,385
Deferred credits	668	-
Interest Rate Swaps		
Other current liabilities	1,295	18
Deferred credits	445	53
Total Derivative Liabilities	**$6,432**	**$1,627**

The changes in the fair value of derivative contracts result in unrealized gains and losses, which are reflected in regulatory assets or liabilities, as appropriate, on the consolidated balance sheets (see Note 8 – Deferred Charges and Credits). As the contracts are settled, the derivative assets and liabilities and corresponding regulatory assets and liabilities are relieved and amounts are recognized in fuel expense, purchased power, or interest expense, as appropriate.

Net realized losses/(gains) recognized in earnings for the years ended December 31, 2014 and 2013 were as follows:

(in thousands)	2014	2013
Power Contracts (purchased power)	($2,952)	($1,318)
Gas Futures (fuel expense or purchased power)	$166	$500
Interest Rate Swaps (interest expense)	$1,636	$1,617

The realized portion of derivative gains and losses are reflected in net cash from operating activities on the consolidated statements of cash flows.

All power and gas futures contracts reflected at fair value on the consolidated balance sheets at December 31, 2014 mature on or before December 31, 2018. The interest rate swaps mature in January 2032 and July 2032. As of December 31, 2014 Wabash Valley Power was not required to post cash collateral under the terms of these agreements.

11. related party transactions

Wabash Valley Power is a member of ACES LLC (ACES) which provides wholesale marketing services and efficiencies of combining the marketing of member power resources. The investment in ACES is accounted for using the cost method of accounting. At December 31, 2014 and 2013, Wabash Valley Power's investment in ACES was approximately $0.5 million.

sgSolutions pays the minority owner a monthly management fee based on certain operational performance metrics of the plant. The amounts paid in 2014 and 2013 were $2.6 million and are included in operating expenses – production on the consolidated statements of operations and patronage capital.

Wabash Valley Power had purchases from JAron totaling $42.5 million in 2014 and in 2013. These purchases are reflected in purchased power on the consolidated statements of operations and patronage capital.

12. members' patronage capital equity

Revenues in excess of current period costs (net margins) in any year are considered capital furnished by the members and are credited to the members' individual accounts pursuant to the provisions of its by-laws. Net margins are held by Wabash Valley Power until they are retired and returned, without interest, at the discretion of the board of directors and subject to certain restrictions under the Indenture (see Note 6 – Long-term Obligations). No distributions were made during 2014 or 2013.

Wabash Valley Power's Buyout Policy and Procedure (Buyout Policy) describes the process and obligations for withdrawing from membership. Pursuant to the Buyout Policy, a terminating member continues to be an all-requirements purchaser and member for ten years upon execution of a Supplemental Agreement. During the ten-year period, the terminating member is required to deposit specified amounts into an escrow account, which together with accrued interest thereon, is paid to an Escrow Agent. Upon written notice, the terminating member can elect to cancel the Supplemental Agreement prior to the end of the seventh year, receive all escrow funds and continue its membership in Wabash Valley Power.

Two of Wabash Valley Power's members, Paulding and Northeastern REMC (Northeastern), elected to invoke the provisions of the Buyout Policy. Paulding's membership terminated on December 31, 2014 and Northeastern's will terminate on June 30, 2015. The exit of these members will not result in any obligations by the Company or have a material adverse impact on its operations or cash flows.

13. commitments, contingencies and pending litigation

LONG-TERM SUPPLY AGREEMENTS

Wabash Valley Power has several long-term power supply agreements which obligate the Company to purchase power at amounts specified in the agreements without regard to whether it takes delivery of such power. All of these power supply agreements expire on or before December 31, 2023, and the total amount of these future purchase obligations is approximately $525.6 million as of December 31, 2014. The amounts by year are as follows:

(in thousands)	
2015	$108,866
2016	$79,107
2017	$81,370
2018	$54,356
2019	$41,655
Thereafter	$160,284

Wabash Valley Power also has long-term power supply agreements which are supplier cost-based. The costs are part of a formulary rate and vary from year to year. Volumes under these agreements are approximately 300 megawatts (MW) per year and all agreements expire on or before December 31, 2032.

Amounts paid under long-term agreements were $395.6 million in 2014 and $343.8 million in 2013.

GUARANTEES

Wabash Valley Power's board of directors authorized Wabash Valley Power to guarantee the repayment of sgSolutions' long-term debt, up to $28 million. All outstanding long-term debt of sgSolutions is included in the consolidated financial statements.

Wabash Valley Power's board of directors authorized Wabash Valley Power to guarantee up to $10 million of sgSolutions' operating and capital needs. As of December 31, 2014, a guarantee for $3 million is outstanding.

Wabash Valley Power's board of directors authorized two guarantees related to Holland. They are as follows:

- Guarantee up to $10 million of activities related to operations, fuel purchasing, financial and construction activities. A guarantee for $6 million is outstanding as of December 31, 2014.
- Guarantee up to $0.1 million of MISO activities. A guarantee to MISO for $0.1 million is outstanding as of December 31, 2014.

As of December 31, 2014 and 2013, no liabilities were recorded for these guarantees.

ENVIRONMENTAL MATTERS

On December 16, 2011, the Environmental Protection Agency (EPA) issued the Mercury and Air Toxics Standards (the MATS) which becomes effective in 2015 with a one-year extension available to companies doing pollution control upgrades. Wabash Valley Power and the co-owners of Gibson Unit 5 plan to invest capital during 2015 and 2016 to comply with the standards. Wabash Valley Power's share is estimated to be approximately $17.0 million. No material capital expenditures are anticipated at Wabash Valley Power's other production facilities due to the MATS.

The EPA issued the Cross State Air Pollution Rule (CSAPR) in July 2011 which limits sulfur dioxide (SO_2) and nitrogen oxide (NOx) emissions at generating facilities. The rule, which was to become effective January 1, 2012, was stayed by the D.C. Court of Appeals on December 30, 2011. In 2014, the Supreme Court reversed the decision which lifted the stay with all dates tolled to commence in 2015. The Clean Air Interstate Rule (CAIR) program expired on December 31, 2014 and CSAPR commenced January 1, 2015. The company expects to purchase the allowances needed to comply and estimates the impact to the cost of operations of Gibson Unit 5 and Wabash River Unit 1 to be immaterial.

In late 2013 and mid-2014, the EPA proposed a suite of standards to regulate carbon emissions from new, existing, modified and reconstructed power plants. The EPA expects to finalize the rule in 2015. In addition, the EPA is also expected to tighten the Ozone National Ambient Air Quality Standards (NAAQS) and revise the Steam Electric Effluent Guidelines. The Company cannot predict the contents of these rules, nor can it estimate the impact they will have on the cost of operations for all facilities or the costs charged by suppliers under the Company's various power supply agreements.

MEMBER LITIGATION

In December 2010, a member of Wabash Valley Power notified the Company of an alleged breach of the ARC related to the Company's transition to FERC rate jurisdiction in 2004. In response, Wabash Valley Power filed for and received a Declaratory Judgment from FERC in November 2011 affirming FERC's jurisdiction over the rates of Wabash Valley Power to that member under the ARC. In January 2012, the member filed suit seeking a declaration that Wabash Valley Power had materially breached the ARC as a result of the shift to FERC jurisdiction in 2004 and that it should be relieved of its of purchased power obligations under the ARC. The suit is still pending. If the Member would prevail in state court, a proceeding at FERC must be filed before they can terminate performance under the federally filed rate schedule. The Company believes the final outcome will be an order confirming FERC's jurisdiction over Wabash Valley Power's rates and upholding the Member's purchase obligations under the ARC, and therefore has not recorded any contingent obligation related to this matter in the consolidated financial statements.

14. subsequent events

The consolidated financial statements include a review of subsequent events, as that term is defined in FASB ASC 855, through March 13, 2015, the date the consolidated financial statements were available to be issued.

Wabash Valley Power
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