


BALANCE OF POWER

2016 ANNUAL REPORT


Wabash Valley Power
energy smart

OUR 2016
KEY INITIATIVES

01 **Wholesale rate decrease to members**—second decrease in two years—keeping our co-ops competitive for business attraction

02 **$15 million** in patronage capital returned to our member co-ops

03 Purchase of 83 MW of the **Prairie State Energy Campus**

04 **Closure of synthetic gas plant** saving the membership an estimated $15 million annually

05 Board commitment to invest in **additional renewables**, including wind and utility-scale solar

06 Establishment of regional economic development offices to **support local business expansion and attraction**

07 Build-out of **fiber optic broadband network** to distribution co-op headquarters

08 Conversion of the Highland natural gas plant **from 70 to 160 MW**

09 Dedication of **our sixteenth landfill gas plant**, Liberty III in Buffalo, Indiana

10 Launch of **the new wvpa.com website** to proactively support business growth within the territory

11 Expansion of the POWER MOVES® demand-side management programs, saving millions in costs for members

BALANCE OF POWER

2016 ANNUAL REPORT

Table of Contents

CHAIRMAN'S MESSAGE

MIKE YANKAUSKAS | CHAIRMAN

A chairman's term lasts just two years, and so I've felt especially lucky that my tenure should fall during such a remarkable time for Wabash Valley Power. In my first year as chairman I had the opportunity to thank our departing CEO Rick Coons for his excellent vision and leadership. Now, after our new CEO Jay Bartlett has completed his first year, I'm thrilled to report that it has been marked by absolutely amazing growth and accomplishment.

And I think he would be the first to give credit for these achievements to our people. One of the reasons we selected Jay was that he embodies the spirit of servant-leadership. That's important—we don't issue decrees or dictate orders to our member distribution cooperatives. Our approach to decision-making is one that honors the cooperative spirit by making sure our members have a say in what we do.

That same attitude of servant-leadership informs how we serve the people, schools, farms, and businesses that depend on us for affordable, reliable power. As busy and exciting as 2016 was, we never lost sight of the fact that our members are best served by our deliberately different strategy of curating a carefully balanced power supply portfolio.

Why does this strategy work? Because striking a balance among fuel sources allows us to take advantage of market conditions. Energy prices fluctuate—it's a fact of life—and an overreliance on any single fuel source can be risky when prices spike. Our approach reduces the risk and protects our members. I'm pleased to say that after 2016, our power portfolio is stronger and more diverse than ever.

In fact, I believe we stand at a crossroads. While our portfolio has always included a diverse mix of fuels, the energy industry is now witnessing a tipping point as renewables become more prevalent in the marketplace. Because of our strategic approach, we spent 2016 in a great position to take advantage of new opportunities. Last year, we dedicated the Liberty III landfill gas plant, adding more of this economical renewable to our portfolio. We also planned the launch of Co-op Solar, which will add yet another renewable fuel to the mix. And we still have more growth ahead.

As I reflect on my term as chairman, I feel proud to have been a part of these moments at Wabash Valley Power, and proud of the great strides we've made in attracting the very brightest and most ethical people we can find. I am also confident that the spirit of servant-leadership that Jay embodies will continue to take us forward into a future of unlimited possibility.

It's been an honor to serve as your chairman, and I know that I leave you in great hands.

CEO'S MESSAGE

ONE THING I'VE LEARNED IN MY FIRST FULL YEAR AS PRESIDENT AND CEO OF WABASH VALLEY POWER IS THAT MUCH OF MY JOB IS ABOUT MAINTAINING BALANCE—BETWEEN THE NEEDS OF THE RETAIL MEMBERS, THE INDIVIDUAL ELECTRIC COOPERATIVES, AND THE ORGANIZATION AS A WHOLE; CREATING OPPORTUNITIES TO HELP SAVE ENERGY, WHILE STILL FINDING NEW SOURCES; AND ADDRESSING NEEDS IN THE PRESENT WHILE PLANNING FOR THE FUTURE. BALANCE IS ESSENTIAL TO ANY SUCCESSFUL ORGANIZATION, AND KEEPING YOUR BALANCE IN A FIELD AS FAST-MOVING AND IMMEDIATE AS ELECTRIC POWER IS NO SMALL FEAT.

That's where Wabash Valley Power finds itself today. But as much as our business changes, three fundamental tenets remain at the center.

We're serious about keeping electric rates affordable. Our supply strategy is all about creating long-term affordability. We are coming off of our second year in a row of wholesale rate reductions, which became reality through a disciplined approach to managing our supply contracts and our generation assets and by making tough decisions, such as the closure of the sgSolutions facility. Whether we are expanding into additional renewable supply sources or capturing a unique opportunity when it arises, our commitment to long-term affordability is our guiding principle.

We're focused on reliability. While affordability is fundamentally at the forefront of our minds, we understand that providing reliable electric service is where the rubber meets the road. Striking the balance between low cost and high

reliability is something we took on in 2016. Working with our board and our local co-op management teams, we took a fresh look at how we can expand and enhance our role in creating best-in-class system reliability throughout the service territory. We understand that, for many of the businesses we serve, a loss of power can mean a significant loss of revenue. So we are moving forward in 2017 with a renewed focus on creating value through increasing reliability.

We're focused on managing risk. Risk can never be fully eliminated, but a thorough and honest identification of where we could be vulnerable occurs every day in our organization. In 2016, we made risk mitigation a focus, as evidenced by the aforementioned closure of our gasification plant, as well as by the acceleration of depreciation on our coal facilities; acquisition of a portion of Prairie State Energy; and adjusting our natural gas hedging strategy from three to five years. Taking risk off the table keeps the portfolio strong and supports our goal of maintaining affordable rates.

At the end of 2016, our board of directors began a strategic planning process that will help define the role of Wabash Valley Power for years to come. We are indebted to the 23 electric distribution cooperatives that comprise Wabash Valley Power and the cooperative spirit that drives our organization. We're committed to their success and the success of their members, and we strive every day to be the best possible stewards of their resources. When it comes to how we run our business, the balance of power always tips in their favor.

OUR MEMBER DISTRIBUTION COOPERATIVES

WABASH VALLEY POWER IS PROUD TO SERVE THE 23 MEMBER DISTRIBUTION COOPERATIVES THAT COMPRISE OUR ORGANIZATION. WHILE WE ALL BRING UNIQUE QUALITIES TO THE TABLE, OUR COOPERATIVE SPIRIT HAS DRIVEN EVERYTHING WE'VE DONE TOGETHER FOR MORE THAN 50 YEARS.

INDIANA

01 **BOONE REMC**
Lebanon, IN

02 **CARROLL WHITE REMC**
Monticello, IN

03 **FULTON COUNTY REMC**
Rochester, IN

04 **HEARTLAND REMC**
Markle, IN

05 **HENDRICKS POWER COOP.**
Avon, IN

06 **JASPER COUNTY REMC**
Rensselaer, IN

07 **JAY COUNTY REMC**
Portland, IN

08 **KANKAKEE VALLEY REMC**
Wanatah, IN

09 **KOSCIUSKO REMC**
Warsaw, IN

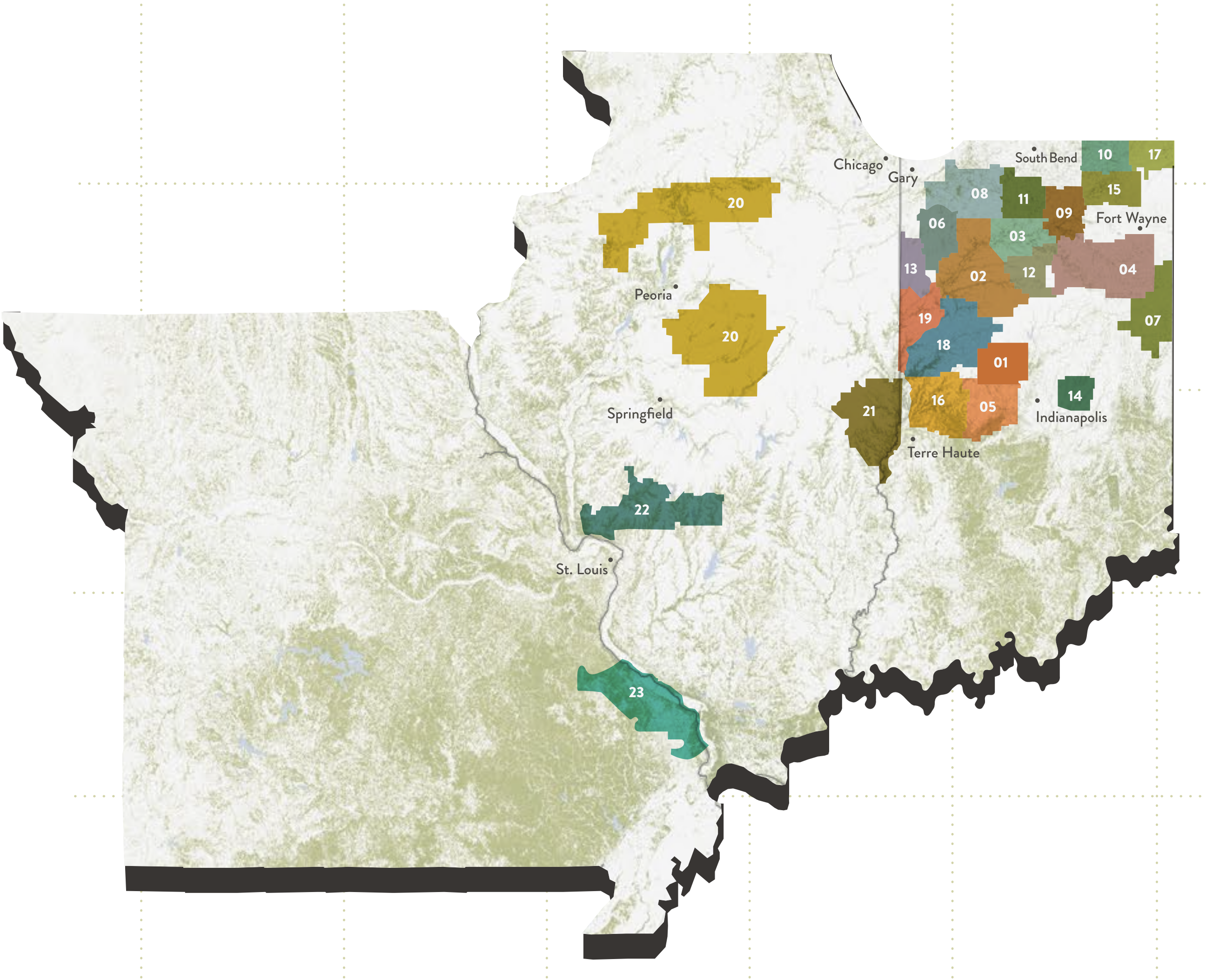
10 **LAGRANGE COUNTY REMC**
LaGrange, IN

11 **MARSHALL COUNTY REMC**
Plymouth, IN

12 **MIAMI-CASS REMC**
Peru, IN

13 **NEWTON COUNTY REMC**
Goodland, IN

14 **NINESTAR CONNECT**
Greenfield, IN



15 **NOBLE REMC**
Albion, IN

16 **PARKE COUNTY REMC**
Rockville, IN

17 **STEUBEN COUNTY REMC**
Angola, IN

18 **TIPMONT REMC**
Linden, IN

19 **WARREN COUNTY REMC**
Williamsport, IN

ILLINOIS

20 **CORN BELT ENERGY**
Bloomington, IL

21 **ENERSTAR ELECTRIC COOP.**
Paris, IL

22 **M.J.M. ELECTRIC COOP.**
Carlinville, IL

MISSOURI

23 **CITIZENS ELECTRIC CORP.**
Perryville, MO

BALANCE OF POWER

2016 IN REVIEW

IT'S A MIDWESTERN CLICHÉ, BUT THAT DOESN'T MEAN IT'S NOT TRUE: IF YOU DON'T LIKE THE WEATHER, WAIT A FEW MINUTES, BECAUSE IT'LL CHANGE.

So maybe it's our Midwestern upbringing—and maybe it's because dealing with the weather is part of what an electric company does every day—but we at Wabash Valley Power like the idea of being prepared for anything. To us, it means continuously looking forward: identifying risks and looking for unique opportunities that will provide greater rate predictability and ensure the steady flow of affordable electricity for our members.

Throughout 2016, our board and management team began charting a course of action that would not only yield immediate results, but also strengthen our future. The closure of our synthetic gas plant, restructuring of contracts with suppliers, and intensified efforts to increase performance at our Holland Energy facility created immediate cost savings, leading to a 1.3% average rate reduction for members as the organization enters 2017. The board also took steps this year to mitigate future portfolio risk by expanding our natural gas hedging strategy from three to five years, locking in future natural gas needs at lower prices. To fill the supply deficit from the closure of our synthetic gasification facility, we purchased 83 MW of the Prairie State Energy Campus in Marissa, Illinois, and began a turbine conversion project at our Wabash River Highland facility, increasing that unit's output from 70 to 160 MW. Finally, our 16th landfill-gas-to-energy plant was dedicated at the end of October 2016, strengthening our position as one of the region's largest landfill gas programs.

OPPOSITE PAGE: THE PURCHASE OF 83 MW OF THE PRAIRIE STATE ENERGY CAMPUS WAS ONE OF 2016'S KEY INITIATIVES.

RELIABILITY. EFFICIENCY. PLANNING FOR THE FUTURE.

As a member-owned organization, Wabash Valley Power's primary focus is meeting the needs of our member cooperatives. So when we were asked to take a more prominent role in ensuring transmission reliability throughout our service territory, we stepped up to the challenge. After completion of a system-wide review of network schematics and identification of local transmission issues, we began an infrastructure upgrade of our existing Supervisory Control and Data Automation (SCADA) system. This initiative included a build-out of fiber optics to each of our distribution co-op's headquarters and additional equipment to aid in enhanced monitoring of power grid health enabling us to respond more quickly to member needs. The SCADA project, to be completed in 2017, will be the first step in providing a new level of service reliability to our distribution cooperatives and their nearly 330,000 retail members.

THE POWER TO HELP PEOPLE SAVE.

While Wabash Valley Power primarily works behind-the-scenes to ensure affordable, reliable power, our POWER MOVES® efficiency programs continue to gain recognition among the members we serve. More than 50,000 residential members and just over 800 commercial and industrial members have helped the organization save millions in power supply costs by participating in one or more of our energy-saving programs. In our most recent participant survey,

99% of members who completed a POWER MOVES project with their local electric cooperative expressed satisfaction with the program. Whether it's support for a major building upgrade, control of appliances during times of high power costs, or a simple LED bulb exchange, we understand that helping members with smart energy solutions is a fundamental principle of our business.

A DELIBERATELY DIFFERENT DIRECTION.

Strategic planning is critical for the success of any organization. Alignment around a common set of business objectives helps us respond to challenges and opportunities, while providing clear direction and focus for all employees.

With this in mind, at the end of 2016, we kicked off a strategic alignment initiative with a series of regional meetings and interviews with distribution co-op directors and CEOs and Wabash Valley Power staff. During this process, participating stakeholders are asked to identify challenges, opportunities, and risks facing Wabash Valley Power in the future. In 2017, our board of directors will prioritize these issues, which will serve as a guide to the organization for the next several years.

OUR SOURCES OF POWER

WABASH VALLEY POWER INCORPORATES A UNIQUE BLEND OF OWNED GENERATION ASSETS, LONG-TERM POWER CONTRACTS, AND DEMAND-SIDE RESOURCES WITHIN ITS SUPPLY PORTFOLIO.

Our resource mix has been designed with flexibility in mind, enabling us to layer in low-cost supply assets as market opportunities become available. This approach helps us minimize risk, allowing for greater rate predictability, which is critical to the members we serve. Here's the balance of power that keeps our organization strong.

POWER PLANTS

COAL

Coal-fired power plants continue to meet the baseload needs of the people we serve, providing 239 MW of combined output from Gibson Station and the Prairie State Energy Campus in Marissa, Illinois. The 83 MW Prairie State purchase was finalized in May, 2016.

NATURAL GAS

Wabash Valley Power owns 710 MW of generation capacity at four natural gas plants. After suspending operations at sgSolutions and the Wabash River Unit 1 combined cycle plant, we began conversion of the unit to a simple-cycle peaking unit, renamed Wabash River Highland, which will add an additional 90 MW of generation.

RENEWABLE SOURCES

LANDFILL GAS

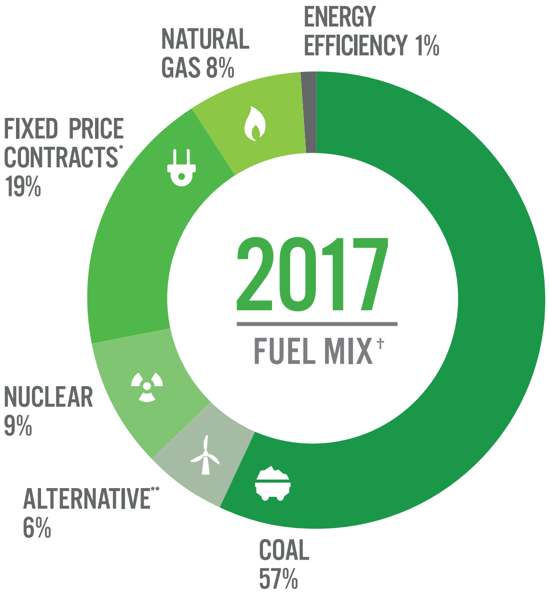
We are using methane gas produced by landfill waste to make 45 MW of electricity at 15 locations across our service territory. In October, we dedicated the Liberty III landfill gas power plant, which added an additional 6.4 MW of landfill gas generation in January 2017. This addition makes us one of the Midwest's largest producers of electricity from landfill-generated methane gas.

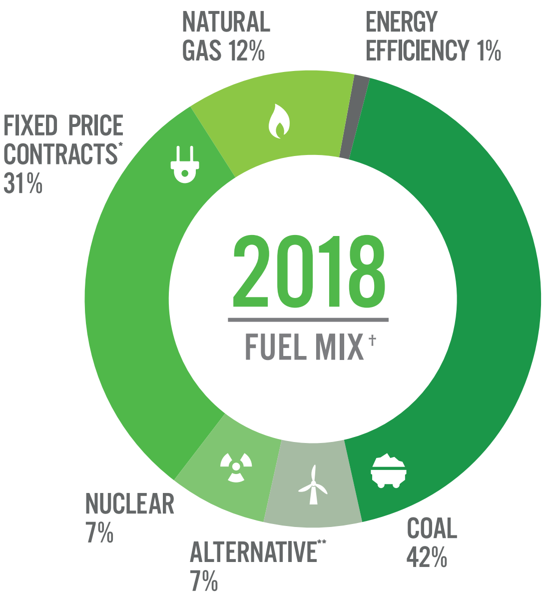
WIND

Purchased power agreements with wind producers provide nearly 40 MW of energy, which the organization currently sells to third-party partners. Our investment in wind will be increasing in 2018 and 2019 with the addition of 100 MW from the Meadowlake 5 & 6 wind farms in Northern Indiana.

THE POWER'S IN THE PORTFOLIO

At Wabash Valley Power, we've learned from experience that over-reliance on one energy source is a risky way to serve our members. That's why we've built one of our industry's most diversified portfolios of power—and why we continue to lessen our dependence on any single energy source. The numbers tell the tale: in the next year, coal will drop from 57% of our fuel mix to only 42%—a 15% reduction in one year, replaced with more natural gas and fixed-price contracts that secure affordable rates for the future.





DAIRY DIGESTERS

In addition to more traditional alternative fuels, Wabash Valley Power partners with local dairy farms to purchase the excess electricity created through the farm's anaerobic digesters. A chemical reaction occurs when outside bacteria is added to cattle waste, creating methane gas. The gas is then used to power small generators that create electricity.

SOLAR

In 2016, the Wabash Valley Power board approved the addition of solar power to our portfolio through the purchase of arrays currently owned by our member cooperatives and the construction of three new facilities. These arrays give Wabash Valley Power member co-ops a unique opportunity to bring solar energy to retail members. The Co-op Solar program, which will launch in the fourth quarter of 2017, allows retail members to purchase shares of solar energy created on a larger scale, so they can take advantage of solar energy without high upfront costs or maintenance worries.

LONG-TERM CONTRACTS

In keeping with an "all-of-the-above" supply strategy, Wabash Valley Power also meets our supply requirements through long-term contracts with suppliers. This approach enables us to purchase electricity generated by a wide range of business partners and fuel sources, including nuclear and hydroelectric generation.

*Fuel type varies based on supplier. **Wabash Valley 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 this generation as renewable within our own supply portfolio. To purchase renewable energy credits (RECs), contact your local co-op. +As of February 22, 2017

GROWING THE FUTURE OF OUR REGION.

WABASH VALLEY POWER HAS BEEN INCREASINGLY ACTIVE IN EFFORTS TO HELP ATTRACT AND RETAIN BUSINESS IN OUR THREE-STATE REGION.

In 2016, we expanded our team of economic development professionals and have established regional offices to more effectively support growth and business development at a local level.

And our region is growing. In 2016, we experienced $2.2 billion of new business investment within our territory, bringing with it more than 1,300 new jobs.

General Motors' $1.2 billion expansion at its Fort Wayne, Indiana assembly operations, served by Heartland REMC, led the growth in our manufacturing sector, while projects involving alternative fuels—Patriot Ethanol ($10 million) and Louis Dreyfus ($20 million)—expanded their facilities on Corn Belt Energy and Kosciusko REMC lines.

New technology firms made big investments in our members' service territory, as plastics-to-diesel fuel companies Res Polyflow ($180 million) and GEP Fuel and Energy ($350 million) selected sites served by Steuben County REMC and Carroll White REMC, respectively.

Food processing brought big gains, with a Boone REMC site named the location of choice for Ken's Foods' large $90 million production facility. Indiana Packers Corporation announced a $40 million expansion in Carroll White REMC's territory.

Agribusiness sector investments included Walmart's $180 million milk processing plant at Heartland REMC; Homestead Dairy's $15 million robotic dairy conversion for Marshall County REMC; and a $17 million dairy facility investment on Warren County REMC lines. Poultry investments included $64 million in improvements at Green Valley Ranch and an expansion at Minnich Poultry on Jay County REMC lines.

OUR ECONOMIC DEVELOPMENT TEAM OFFERS INDUSTRY EXPERTISE IN THE AGRIBUSINESS, BIOMEDICAL, LOGISTICS, AND MANUFACTURING SECTORS.

A NEW BALANCE AND BEYOND.

OF POWER—

At Wabash Valley Power, we're looking to the future with confidence. We're proving that our balance of power—our strategy of continuing to diversify our power sources, now and for the long term—is already reaping lower, more stable rates for our members.

That's why we exist. As a cooperative organization, we are beholden to our own unique balance of power: our 23 member cooperatives and all the retail members they serve. We stand together for the benefit of all. To meet every challenge, to seize every opportunity, the only way forward is together.

2016 EXECUTIVE BOARD

TOP (L TO R): PHIL HAYES, NOEL KENDALL, KEN DENTON
BOTTOM (L TO R): MIKE YANKAUSKAS, WAYNE GINGERICH , MIKE CONNER

TOP (L TO R): JON RETTINGER (MARSHALL COUNTY REMC), HAL TRUAX (HENDRICKS POWER), TONY FLEMING (KOSCIUSKO REMC), BART NESIUS (JASPER COUNTY REMC), KEN DENTON (JAY COUNTY REMC), NOEL KENDALL (BOONE REMC), DOUG BROWN (PARKE COUNTY REMC), RICK RISLEY (NEWTON COUNTY REMC)

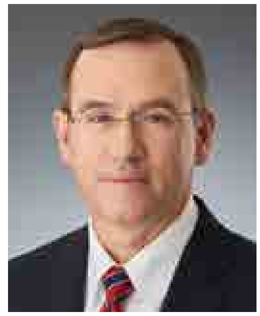
MIDDLE (L TO R): JIM SAVAGE (MIAMI-CASS REMC), JEFF HAMPSHIRE (LAGRANGE COUNTY REMC), BOB LEHMANN (M.J.M ELECTRIC), DENNIS BURTON (FULTON COUNTY REMC), ROB ANGUS (CORN BELT ELECTRIC), MILTON RODGERS (CARROLL WHITE REMC), ALAN SCHLAGENHAUF (HEARTLAND REMC), PHIL HAYES (NINESTAR CONNECT)

BOTTOM (L TO R): MIKE YANKAUSKAS (KANKAKEE VALLEY REMC), DANNY GARD (ENERSTAR ELECTRIC), WAYNE GINGERICH (STEUBEN COUNTY REMC), CHARLES HURST (CITIZENS ELECTRIC), DOUG BURNWORTH (NOBLE REMC), JERRY PEEVLER (TIPMONT REMC), MIKE CONNER (WARREN COUNTY REMC)

2016 BOARD OF DIRECTORS

2016 EXECUTIVE GROUP








TOP (L TO R): JAY C. BARTLETT, JEFFREY A. CONRAD, BRIAN J. FITZGERALD, KATHERINE A. JOYCE
BOTTOM (L TO R): CURTIS E. TAYLOR, SR., GREGORY E. WAGONER, LEE R. WILMES, THERESA E. YOUNG

2016 CORPORATE INFORMATION

CHIEF EXECUTIVE OFFICER

Jay C. Bartlett, President and Chief Executive Officer

EXECUTIVE STAFF

Jeffrey A. Conrad, Chief Operating Officer
Brian J. Fitzgerald, Executive Vice President, Engineering and Operations
Katherine A. Joyce, Vice President, Marketing and Communications
Curtis E. Taylor, Sr., Vice President, Technical Services
Gregory E. Wagoner, Executive Vice President, Transmission and Development
Lee R. Wilmes, Executive Vice President, Risk and Resource Portfolio
Theresa E. Young, Vice President, Financial Services

2016 BOARD OFFICERS

Mike Yankauskas
Chairman

Wayne Gingerich
Vice Chairman

Phil Hayes
Second Vice Chairman

Ken Denton
Secretary-Treasurer

Mike Conner
Executive Committeeman

Noel Kendall
Executive Committeeman

HEADQUARTERS

722 North High School Road
Indianapolis, Indiana 46214
Post Office Box 24700
Indianapolis, Indiana 46224

GENERAL COUNSEL

Randy Holt
Parr Richey Frandsen
Patterson Kruse LLP

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

2016 FINANCIAL REPORT

TABLE OF CONTENTS

GENERATION ASSETS

FACILITY	LOCATION	FACILITY CAPACITY *(MW)*	WV PORTION *(MW)*	FUEL TYPE	PLANT TYPE
Gibson Unit 5	Owensville, IN	**625**	**156**	Coal	Baseload
Prairie State	Marissa, IL	**1,640**	**83**	Coal	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	**0.8** **2.4**	**0.8** **2.4**	Landfill gas Natural gas	Baseload Peaking
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
Highland	West Terre Haute, IN	**70**	**70**	Natural gas	Peaking
Vermillion Station	Cayuga, IN	**640**	**240**	Natural gas	Peaking
Lawrence Station	Mitchell, IN	**258**	**86**	Natural gas	Peaking
TOTAL			**995.7**		

INDEPENDENT AUDITORS' REPORT

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 its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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 its subsidiary as of December 31, 2016 and 2015, 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 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 subsidiary for the year ended December 31, 2016. 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) during the Company's ownership interest in the entity.

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. The Company has made all required adjustments 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.

NOTABLE EVENTS

On April 30, 2016, the Company ceased operations at the gasification facility, sgSolutions, located in Terre Haute, Indiana and the assets were sold in May 2016.

On May 19, 2016, Wabash Valley Power purchased a 5.06% ownership interest in the Prairie State Energy Campus located in Illinois, adding an additional 83 MW of generation capacity.

In June 2016, the Company retired a steam turbine located at Wabash River Station.

Wabash Valley Power received regulatory approval from FERC to defer all costs associated with the decommissioning and sale of sgSolutions, as well as all costs associated with the retirement, decommissioning and dismantling of the steam turbine at Wabash River Station. Costs are being amortized over a 14-year period, which approximates the remaining useful life of the plants retired and sold (see Note 4 to consolidated financial statements).

On June 30, 2015, Northeastern REMC's (Northeastern) membership in Wabash Valley Power terminated, however, the Company retained the right to serve a large industrial customer of the REMC previously served as a member pass-thru load. Effective July 1, 2015, the large industrial customer is being served as a non-member pass-thru sale. While the exit of Northeastern did not have an adverse impact on the financial results of the company, the exit does affect comparative results year-over-year for revenues and energy sales.

Wabash Valley Power increased its syndicated credit facility from $160 million to $200 million and extended the term through June 2021.

RESULTS OF OPERATIONS

Revenue and energy sales are summarized in the following table:

Years Ended December 31

(in thousands)	2016	2015	% Change
OPERATING REVENUES			
Member - cooperatives	$555,377	$572,262	(3.0%)
Member – other	22,721	43,625	(47.9%)
Non-member	126,427	120,176	5.2%
Other	2,983	4,574	(34.8%)
TOTAL	**$707,508**	**$740,637**	**(4.5%)**
ENERGY SALES (MWH)			
Member - cooperatives	7,323	7,434	(1.5%)
Member – other	622	1,092	(43.0%)
Non-member	3,178	2,801	13.5%
TOTAL	**11,123**	**11,327**	**(1.8%)**

MEMBER - COOPERATIVES

Both revenue and energy sales from member cooperatives decreased mainly due to the exit of Northeastern. A warmer summer in 2016 helped offset the decreases, with 2016 cooling degree days being 23.8% higher than in 2015.

MEMBER - OTHER

Wabash Valley Power's member systems include large industrial customers that participate as pass-thru loads. Member revenue from pass-thru loads is lower year-over-year mainly due to a large industrial customer now being served as a non-member pass-thru sale upon Northeastern's exit on June 30, 2015.

NON-MEMBER

Both non-member energy sales and revenue increased year-over-year due mainly to a large industrial customer being served as a pass-thru sale upon Northeastern's exit. The increase was partially offset by lower power prices resulting in less revenue on market sales.

OTHER

Other revenue decreased in 2016, as compared to 2015, mainly due to lower sulfur revenue resulting from the shutdown of the sgSolutions facility.

OPERATIONS

Operating expenses are summarized in the table below:

	Years Ended December 31		
(in thousands)	**2016**	**2015**	**% Change**
Power Supply *	$540,511	$556,560	(2.9%)
Plant O&M	54,666	82,901	(34.1%)
Depreciation	41,462	36,855	12.5%
Other	16,353	14,832	10.3%
TOTAL	**$652,992**	**$691,148**	**(5.5%)**

*Includes purchased power, fuel and transmission costs

Operating expenses decreased $38.2 million, or 5.5%, during 2016 as compared to 2015. The primary driver is lower plant O&M due to the shutdown and sale of sgSolutions and the retirement of the steam turbine at Wabash River Station. Lower purchased power costs also contributed to the overall decrease in operating costs. With reduced member load, Wabash Valley Power was able to purchase less contract power from suppliers. Lower market prices during 2016 also contributed to the decrease in purchased power costs.

CAPITAL RESOURCES

Summary balance sheet information is presented below:

	Years Ended December 31		
(in thousands)	**2016**	**2015**	**% Change**
ASSETS			
Net Plant	$728,473	$736,410	(1.1%)
Current	196,473	200,622	(2.1%)
Other	182,138	86,427	110.7%
TOTAL	**$1,107,084**	**$1,023,459**	**8.2%**
LIABILITIES			
Capitalization	$887,803	$822,270	8.0%
Current	128,622	133,761	(3.8%)
Deferred Credits	90,659	67,428	34.5%
TOTAL	**$1,107,084**	**$1,023,459**	**8.2%**

Net Plant decreased 1.1% year-over-year reflecting the shutdown and sale of sgSolutions and the retirement of the steam turbine at Wabash River Station. Offsetting these decreases were the acquisition of an interest in the Prairie State facility and the continued investment in transmission assets under the terms of a joint transmission agreement.

Other Assets increased $95.7 million in 2016 due mainly to the deferral, per regulatory approval, of the costs associated with the decommissioning and sale of sgSolutions and retirement of the steam turbine at Wabash River Station. A regulatory asset associated with the decline in market value of certain derivatives also contributed to the increase.

Deferred Credits increased $23.2 million over the prior year. The primary driver is the unfavorable market valuation of certain derivative instruments due to a decline in market prices, most notably on a long-dated fixed price purchase contract executed in 2015. There is a corresponding regulatory asset in Other Assets, as Wabash Valley Power has regulatory authority to defer all unrealized gains and losses on derivative contracts until the contracts are settled and recognized in earnings as a gain or loss.

Wabash Valley Power's capitalization increased $65.5 million. Patronage capital equity increased $6.0 million, reflecting the current year's net margin, offset by the return of $15 million of patronage capital to members. The increase also reflects the issuance of long-term debt of $117 million, offset by the repayment of $31.7 million of long-term debt and the early retirement of $1.7 million of debt.

LIQUIDITY

In addition to $65.1 million of cash and cash equivalents on hand at December 31, 2016, Wabash Valley Power has a $200 million syndicated revolving credit facility. There were no amounts outstanding as of December 31, 2016 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, 2016, the Company was in compliance with all of these covenants. Additionally, Wabash Valley Power's Times Interest Earned Ratio was 1.56 and the Debt Service Coverage Ratio was 1.46. Wabash Valley Power's Equity-to-Capitalization Ratio was 22%.

CONSOLIDATED BALANCE SHEETS

ASSETS (in thousands)	As of December 31 2016	2015
PLANT		
In service, at original cost	$1,014,156	$950,047
Plant expected to be retired	-	80,761
Construction work in progress	62,044	25,676
Less accumulated depreciation	(347,727)	(320,074)
	728,473	**736,410**
CURRENT ASSETS		
Cash and cash equivalents	65,145	60,452
Short-term investments	5,000	9,710
Accounts receivable	104,957	76,198
Fuel stock and material inventory - at average cost	17,590	27,012
Other	3,781	27,250
	196,473	**200,622**
OTHER ASSETS		
Investments	13,288	12,535
Deferred charges	168,850	73,892
	182,138	**86,427**
TOTAL ASSETS	**$1,107,084**	**$1,023,459**

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

	As of December 31	
CAPITALIZATION AND LIABILITIES (in thousands)	**2016**	**2015**
CAPITALIZATION		
Patronage capital equity	$197,803	$191,803
Non-controlling interest	-	17,000
Long-term debt	690,000	613,467
	887,803	**822,270**
CURRENT LIABILITIES		
Current portion of long-term debt	37,009	30,175
Accounts payable	65,543	68,945
Accrued interest	6,512	6,159
Accrued taxes other than income	4,279	5,007
Over collected power costs	10,339	2,759
Other	4,940	20,716
	128,622	**133,761**
DEFERRED CREDITS	**90,659**	**67,428**
TOTAL CAPITALIZATION AND LIABILITIES	**$1,107,084**	**$1,023,459**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL

	Years Ended December 31	
(in thousands)	**2016**	**2015**
OPERATING REVENUES		
Member	$578,098	$615,887
Other	129,410	124,750
	707,508	**740,637**
OPERATING EXPENSES		
Fuel	51,766	40,489
Operation and maintenance	54,666	82,901
Purchased power	488,745	516,071
Administrative and general	15,770	14,286
Other taxes	583	546
Depreciation and amortization	41,462	36,855
	652,992	**691,148**
OPERATING MARGIN	**54,516**	**49,489**
OTHER EXPENSES/(INCOME)		
Interest expense - net of amounts capitalized	37,521	35,444
Interest income	(3,389)	(3,204)
Miscellaneous income and deductions – net	(616)	(751)
	33,516	**31,489**
NET MARGIN	**$21,000**	**$18,000**
PATRONAGE CAPITAL - BEGINNING OF YEAR	**191,803**	**188,803**
Patronage Capital Retirement	(15,000)	(15,000)
PATRONAGE CAPITAL - END OF PERIOD	**$197,803**	**$191,803**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
(in thousands)	**2016**	**2015**
OPERATING ACTIVITIES		
Net margin	$21,000	$18,000
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	41,462	36,855
Equity in losses of unconsolidated affiliates	17,000	-
Changes in certain assets and liabilities:		
Accounts receivable	(28,814)	(7,173)
Fuel stock and material inventory	6,562	(6,186)
Over collected/Under recovered power costs	7,580	753
Accounts payable	4,575	(6,710)
Member buy-out	-	10,100
Other assets	(9,751)	(14,714)
Other liabilities	(10,385)	(9,498)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**49,229**	**21,427**
INVESTING ACTIVITIES		
Capital expenditures	(62,019)	(75,745)
Purchase of interest in Prairie State	(57,000)	-
Restricted assets	-	28
Proceeds from sale of property, plant and equipment	2,400	2,867
Proceeds from investments	8,308	48,236
Purchase of investments	(4,352)	(16,441)
Other	(463)	-
NET CASH USED IN INVESTING ACTIVITIES	**(113,126)**	**(41,055)**
FINANCING ACTIVITIES		
Issuance of long-term debt	117,000	80,000
Patronage capital retirements	(15,000)	(15,000)
Payment on long-term debt	(33,410)	(43,245)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**68,590**	**21,755**
Net Increase in Cash and Cash Equivalents	4,693	2,127
Cash and Cash Equivalents - Beginning of Year	60,452	58,325
CASH AND CASH EQUIVALENTS - END OF PERIOD	**$65,145**	**$60,452**
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash Paid for Interest	$36,762	$35,168
Non-cash Investing and Operating Activities:		
Additions to electric plant included in accounts payable	$7,058	$11,057

See Notes to Consolidated Financial Statements.

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 23 rural electric membership corporations (REMCs) located in northern Indiana and parts of Illinois and Missouri.

Each member REMC has signed two All Requirements Contracts (ARCs) that obligate them to purchase all power and energy from Wabash Valley Power needed to serve their customers. 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 2017.

Wabash Valley Power had a 50% interest in sgSolutions LLC (sgSolutions) whose assets consisted of a coal gasification plant located in West Terre Haute, Indiana. Under the terms of a tolling agreement, Wabash Valley Power purchased, at cost, 100% of the synthetic gas and steam produced by sgSolutions as a fuel source for the Company's Wabash River Station Combined Cycle (WRCC). TIAA SynGas LLC (TIAA) owned the remaining 50%. TIAA received a monthly management fee from sgSolutions (see Note 11 – Related Party Transactions) and Wabash Valley Power retained all net income or loss generated by sgSolutions. TIAA's interest in sgSolutions at December 31, 2015 was $17.0 million and is reflected as non-controlling interest on the consolidated balance sheets. The assets of sgSolutions were sold in May 2016 and the partnership dissolved in November 2016 (see Note 4 – Plant in Service).

BASIS OF CONSOLIDATION

Due to Wabash Valley Power's ownership and control over the operations of sgSolutions and of Energy Marketing, those entities have been included in the consolidated financial statements of Wabash Valley Power and all significant intercompany transactions 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 issues consolidated financial statements that reflect actions of regulators that result in the recognition of revenues and expenses in different 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 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.

Revenues and expenses that are deferred are treated as non-cash items in the consolidated statements of cash flows in the year of the deferral.

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 2016 or 2015. As discussed in Note 4 – Plant in Service, the Company retired certain assets in 2016 prior to being fully recovered in rates.

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, 2016 the over collected balance was $10.3 million and the over collected balance at December 31, 2015 was $2.8 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 10% of Wabash Valley Power's total revenues for 2016 and 12% of 2015 total revenues were derived from sales to Citizens Electric Corporation (Citizens). Accounts receivable balances for Citizens account for 7% and 9% of total accounts receivable as of December 31, 2016 and 2015, respectively.

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 ($24.3) million and ($30.5) million at December 31, 2016 and 2015, 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, 2016 and 2015 of $40.5 million and $36.8 million, respectively.

Wabash Valley Power's ownership in the Prairie State Generating Company LLC (Prairie State) also includes an interest in coal reserves. The original cost, net of depletion, at December 31, 2016 was $3.1 million.

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:

	2016	2015
Steam Production	2.33%	2.41%
Other Production	3.40%	3.40%
Manufactured Gas	5.00%	5.00%
Transmission	2.13%	2.13%
Distribution	3.99%	4.04%
Other Utility	3.70%	N/A
General	5.46%	6.69%

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 2016 and 2015 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 that 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, 2016 and 2015. Tax years 2013 through 2016 remain open and could be subject to audit by the IRS.

RETIREMENT PLANS

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 is tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multi-employer 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 2016 and 2015 represented less than 5 percent of the total contributions made to the plan by all participating employers. Wabash Valley Power had no contributions to the plan in 2016 and contributions of $4.0 million in 2015. Contributions in 2015 were significantly higher than those in 2016 due to the Company making a prepayment to the RS Plan in 2015 (See Note 8 – Deferred Charges and Credits).

For 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, 2016 and over 80 percent funded on January 1, 2015 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.

Employees may also voluntarily participate in the 401(k) savings plan offered through NRECA. Wabash Valley Power makes matching contribution payments to NRECA for the benefit of those employees who participate in the plan. The Company expenses the payments as incurred, and contributions were $133,000 and $120,000 for 2016 and 2015, respectively.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the FASB issued ASU 2014-09 – Revenue from Contracts with Customers. The standard provides guidance on the recognition of revenue from contracts with customers and requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. In August 2015, FASB issued ASU 2015-14 delaying the effective date to January 2019. The new standard can be adopted either retrospectively to each reporting period or as a cumulative-effect adjustment as of the date of adoption. The Company continues to evaluate the impacts of the standard to determine the overall impact it will have on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-2 – Leases. The standard will increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The standard is effective for Wabash Valley Power beginning January 2020 and is being evaluated to determine the impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15 – Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. The standard provides consistency in the reporting of certain cash receipts and payments in the statement of cash flows. The standard is effective for Wabash Valley Power beginning January 2020, with early adoption permitted. The Company is evaluating the changes the standard may have on the statement of cash flows as currently presented.

In November 2016, the FASB issued ASU 2016-18 – Statement of Cash Flows: Restricted Cash. The standard clarifies the guidance on the classification and presentation of restricted cash. The standard is effective for Wabash Valley Power beginning January 2019. The Company is evaluating the changes the standard may have on the statement of cash flows as currently presented.

4. PLANT IN SERVICE

Plant in service at December 31 consists of the following:

(in thousands)	2016	2015
Production	$719,794	$679,240
Transmission	199,612	190,191
Distribution	67,035	65,435
Other Utility	11,680	-
General	16,035	15,181
PLANT IN SERVICE	**$1,014,156**	**$950,047**

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.

During 2016, Wabash Valley Power acquired an undivided 5.06% ownership interest in the Prairie State Energy Group LLC (PSEG) for $57 million. PSEG includes coal reserves and a captive coal mine that serves as the fuel source for the power plant.

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) 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.

Due to its prior ownership and control over the operations of sgSolutions (see Note 1 – Organization), Wabash Valley Power consolidated sgSolutions, resulting in $28.0 million being included on the consolidated balance sheets in net plant at December 31, 2015.

In November 2015, Wabash Valley Power's Board of Directors voted to retire the steam turbine (WRU1) at the WRCC plant during 2016 prior to being fully recovered in rates. The combustion turbine (WRU8) at Wabash River Station will remain in service with the ability to dispatch on natural gas. The Board of Directors also voted to take the steps necessary to discontinue operations at sgSolutions, resulting in the write-off of costs associated with the investment in sgSolutions. Wabash Valley Power filed a petition with FERC pursuant to Section 205 of the Federal Power Act (205 Filing) requesting approval to recover all costs associated with the planned early retirement and decommissioning of WRU1 and discontinued operations at sgSolutions. The Company also filed a request with FERC for accounting treatment related to the planned early retirements, pending approval of the 205 Filing. In accordance with ASC 980, the Company requested to establish a regulatory asset and amortize the balance over a period of 14 years, which approximates the remaining useful life of the assets. In March 2016, the Company received approval from FERC on both requests.

In April 2016, the Company terminated the tolling agreement with sgSolutions and the assets were sold in May 2016. In October 2016, the Company purchased the remaining 50% ownership in sgSolutions from TIAA and dissolved the entity in November 2016. A charge, net of proceeds received from the sale of assets, of $52.0 million was recorded as a regulatory asset and is being amortized and recovered in rates through May 2030 (see Note 8 – Deferred Charges and Credits).

In June 2016, Wabash Valley Power retired WRU1 and unrecovered costs of the assets retired and related inventory of $31.6 million were recorded as a regulatory asset and are being amortized and recovered in rates through May 2030 (see Note 8 – Deferred Charges and Credits).

The Company has not established any asset retirement obligations related to the retirement of WRU1 as of December 31, 2016 as the exact timing and cost of the decommissioning and dismantling efforts are unknown. As estimates are established, a general liability will be recorded since the asset associated with the costs will have been removed from service.

5. INVESTMENTS

Investments at December 31, 2016 and 2015 consist of the following:

(in thousands)	2016	2015
Capital term certificates – CFC	$4,757	$4,973
Cooperative investment patronage allocation	7,953	7,015
Investment in associated organizations	578	547
TOTAL	**$13,288**	**$12,535**

The capital term certificates (CTCs) bear interest ranging from 0% to 5.6% 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 are 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, 2016, Wabash Valley Power had invested $5.0 million in CFC medium-term notes. Amounts invested at December 31, 2015 include $5.0 million of CFC medium-term notes and $4.7 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)		2016	2015
FIRST MORTGAGE NOTES *(due in quarterly installments)*			
Series 1999-B	7.45%-9.10%; due April 2019	$2,166	$2,915
Series 2000-A	5.30% thru Jan. 2019; due 2030	2,646	2,774
Series 2000-A	5.30% thru Jan. 2019; due April 2021	1,974	2,352
Series 2001-A	3.55%- 6.95%; due July 2027	1,268	1,361
Series 2003-B	6.65%-7.15%; due Oct. 2023	4,400	4,870
Series 2004-A	5.08%; due April 2024	69,171	76,570
Series 2004-B	4.59%; due April 2019	6,526	8,935
Series 2004-C	6.00%; due April 2024	7,053	7,844
Series 2004-D	5.56%; due December 2024	16,709	18,734
Series 2005-A	5.25%; due July 2025	11,315	12,310
Series 2006-A	6.44%-6.87%; due April 2028	17,768	18,932
Series 2007	6.14%-6.24%; due January 2028	116,503	122,296
Series 2009-A	7.39%-7.71%; due January 2039 (a)	90,000	90,000
Series 2009-B	7.22%; due January 2039	87,486	89,029
Series 2009-C	0%-1.5%; due December 2021 (b)	5,038	6,046
Series 2012	2.24% thru January 2017; due July 2032 (c)	33,850	35,750
Series 2012	4.58%; due July 2032 (d)	20,587	20,587
Series 2015-A	3.87%; due September 2045	39,750	40,000
Series 2015-B	4.03%; due September 2045	39,750	40,000
Series 2016-A	3.65%; due June 2031	56,050	-
Series 2016-B	3.54%; due April 2046	39,664	-
Series 2016-D	2.09%; due May 2036	19,750	-
TAX-EXEMPT BONDS *(due in quarterly installments)*			
Series 2010-A	1.78% thru February 2017; due Jan. 2031 (e)	33,000	34,775
PROMISSORY NOTES *(due in quarterly installments)*			
	6.55%; due October 2016	-	335
UNSECURED NOTES *(due in quarterly installments)*			
Series 2005	2.90%-6.15%; due July 2025	6,837	9,257
TOTAL LONG-TERM DEBT		**$729,261**	**$645,672**
Less current maturities		37,009	30,175
Less debt issuance costs		2,252	2,030
TOTAL LONG-TERM DEBT *– net of current maturities and debt issuance costs*		**$690,000**	**$613,467**

(a) Remaining balance 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, 2016 were 1.56 and 1.46, 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 (See Note 12 – Members' Patronage Capital Equity).

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

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

Estimated future maturities on long-term obligations as of December 31, 2016 are as follows:

(in thousands)	
2017	$37,009
2018	38,102
2019	39,269
2020	40,110
2021	40,614
Thereafter	534,157
TOTAL LONG-TERM DEBT	**$729,261**

CREDIT FACILITY

The Company has a $200 million syndicated revolving credit facility that expires in June 2021. 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, 2016 or 2015.

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.

The Company uses observable inputs in the calculation of fair value. ASC 820 – Fair Value Measurement and Disclosures (ASC 820) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the hierarchy are described below.

LEVEL 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

LEVEL 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

LEVEL 3 – Prices or valuations that require inputs that are both significant to the fair value measure and unobservable.

Wabash Valley Power's estimated fair value of long-term debt, including current maturities, at December 31, 2016 and 2015, was $780.9 million and $703.2 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, 2016. 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 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

Amounts recorded as deferred charges as of December 31, 2016 and 2015, are as follows:

(in thousands)	2016	2015
Regulatory asset - *unrealized losses on derivative instruments*	$74,980	$51,875
Regulatory asset – *contract termination cost*	5,377	5,377
Fair value of derivative instruments	882	85
Contributions for transmission upgrades	2,305	2,308
Pension funding	2,318	1,798
Plant retirement and decommissioning costs	80,826	10,735
Other deferred charges	2,162	1,714
TOTAL DEFERRED CHARGES	**$168,850**	**$73,892**

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.

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).

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.
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. The contribution of $3.3 million was deferred and amortized from January 2013 through December 2016. The Company made an additional prepayment in 2015 and future required cash contributions will be suspended until the prepayment amount is depleted. The contribution of $3.1 million is being amortized monthly based on the amount of contributions that would have been required if the prepayment had not been made. The Company estimates cash contributions will resume in 2018.

Wabash Valley Power has FERC approval to defer all costs associated with the retirement and decommissioning of WRU1 and the discontinued operations of sgSolutions (see Note 4 – Plant In Service).

Amounts recorded as deferred credits as of December 31, 2016 and 2015, are as follows:

(in thousands)	2016	2015
Member buy-in/ buy-out payments	$10,132	$10,132
Regulatory liability – *unrealized gains on derivative instruments*	882	85
Fair value of derivative instruments	74,980	51,875
Asset retirement obligations	4,121	4,792
Other deferred credits	544	544
TOTAL DEFERRED CREDITS	**$90,659**	**$67,428**

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 was amortized over the remaining term of the buy-in agreement that expired 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 Putnam Electric Cooperative's membership terminated at the end of 2014 and Northeastern REMC's (Northeastern) membership terminated on June 30, 2015. The termination fees received were deferred and are being amortized through April 2028 (see Note 12 – Members' Patronage Capital Equity).

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 and mine reclamation and closure costs at the Prairie State generating 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, which are included on the consolidated balance sheets in deferred credits.

(in thousands)	2016	2015
Beginning Balance	**$5,046**	**$1,339**
Liabilities incurred	1,329	3,600
Liabilities settled	(118)	-
Accretion	320	39
Cash flow revisions	(2,456)	68
ENDING BALANCE	**$4,121**	**$5,046**

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 2016 and 2015 were 8.8 million megawatt hours (MWh) and 8.9 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 9,434,000 MMBtu (million British thermal units) in 2016 and 4,018,000 MMBtu in 2015. Wabash Valley Power has entered into three interest rate swap agreements with a total notional value of $66.5 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 recorded in assets and liabilities at December 31, 2016 and 2015 for the Company's derivative instruments:

(in thousands)	2016	2015
POWER CONTRACTS		
Other current assets	$456	$ -
Deferred charges	-	20
GAS FUTURES		
Other current assets	379	268
Deferred charges	882	65
TOTAL DERIVATIVE ASSETS	**$1,717**	**$353**

(in thousands)	2016	2015
POWER CONTRACTS		
Other current liabilities	$45	$5,633
Deferred credits	74,965	51,201
GAS FUTURES		
Other current liabilities	53	1,634
Deferred credits	15	208
INTEREST RATE SWAPS		
Other current liabilities	-	1,329
Deferred credits	-	466
TOTAL DERIVATIVE LIABILITIES	**$75,078**	**$60,471**

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, 2016 and 2015 were as follows:

(in thousands)	2016	2015
Power Contracts (purchased power)	$3,377	$5,311
Gas Futures (fuel expense or purchased power)	$1,296	$1,759
Interest Rate Swaps (interest expense)	$1,276	$1,554

The realized portion of derivative gains and losses is 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, 2016 mature on or before December 31, 2025. The interest rate swaps mature in January 2032 and July 2032. As of December 31, 2015 Wabash Valley Power was required to post cash collateral of $33.8 million 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, 2016 and 2015, Wabash Valley Power's investment in ACES was approximately $0.5 million.

sgSolutions paid the minority owner a monthly management fee based on certain operational performance metrics of the plant. The amounts paid in 2016 and 2015 were $0.9 million and $2.6 million, respectively, and are included in operating expenses – operation and maintenance on the consolidated statements of operations and patronage capital.

Wabash Valley Power had purchases from JAron totaling $42.7 million in 2015. 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). During 2016 and 2015, $15 million was returned to members in each year.

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, together with accrued interest thereon, which 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.

13. COMMITMENTS, CONTINGENCIES AND PENDING LITIGATION

LONG-TERM SUPPLY AGREEMENTS

Wabash Valley Power has several long-term power supply agreements that 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, 2030, and the total amount of these future purchase obligations is approximately $964.4 million as of December 31, 2016. The amounts by year are as follows:

(in thousands)	
2017	$95,101
2018	$102,558
2019	$107,241
2020	$108,309
2021	$124,248
Thereafter	$426,910

Wabash Valley Power also has long-term power supply agreements that are supplier cost-based. The costs are part of a formulary rate and vary from year to year. Volumes under these agreements are approximately

305 megawatts (MW) per year and all agreements expire on or before December 31, 2032.

Amounts paid under long-term agreements were $348.5 million in 2016 and $366.8 million in 2015.

GUARANTEES

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, 2016.
- Guarantee up to $0.1 million of MISO activities. A guarantee to MISO for $0.1 million is outstanding as of December 31, 2016.

As of December 31, 2016 and 2015, 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 went into effect 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 invested capital in 2015 and 2016 to comply with the standards. Wabash Valley Power's share was approximately $15.5 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 that limits sulfur dioxide (SO2) 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. In 2016, the EPA finalized the Cross-State Air Pollution Rule Update for the 2008 Ozone NAAQS (CSAPR II). CSAPR II will replace the NOx Ozone Season allowance-trading program established in (CSAPR). The Company purchases allowances needed to comply and the impact to the cost of operations is 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. These standards were finalized in August 2015, but have been stayed by the U.S. Supreme Court pending results of the lawsuits that are currently being challenged in court. Wabash Valley Power is engaged with other utilities and state agencies to minimize the impact of these rules on its facilities. In addition, the EPA tightened the Ozone National Ambient Air Quality Standards (NAAQS) and revised the Steam Electric Effluent Guidelines in 2015. The Company estimates the cost impact to its facilities to be minimal. However, the Company cannot accurately estimate the impact they will have on the costs charged by suppliers under the Company's various power supply agreements.

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of coal combustion residuals (CCR) from electric utilities as solid waste. The federal regulation, which became effective in October 2015, classifies CCR as nonhazardous waste and allows for beneficial use of CCR with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. The Company recorded an asset retirement obligation during 2015 because of these new rules. Cost recovery for future expenditures will be pursued through the normal ratemaking process.

The ARO amount recorded on the consolidated balance sheets is based upon estimated closure costs for impacted ash impoundments. The amount recorded represents the discounted cash flows for estimated closure costs based upon closure plans. Actual costs to be incurred will be dependent upon a variety of specific factors. The most significant factors are the method and time frame of closure at the site. The ultimate method and timetable for closure will comply with standards set by federal and state regulations. The ARO amount will be adjusted as additional information is gained through the closure process, including acceptance and approval of compliance approaches that may change management assumptions, and may result in a material change to the balance. Asset retirement costs associated with the asset retirement obligations for operating plants and retired plants are included in Plant and Deferred Credits (see Note 9 – Asset Retirement Obligations).

MEMBER LITIGATION

In December 2010, a now former 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 because of the shift to FERC jurisdiction in 2004 and that it should be relieved of its purchased power obligations under the ARC. In July 2015, the trial court granted Wabash Valley Power's motion for summary judgment and dismissed the former member's suit with prejudice. The former member appealed the dismissal of its lawsuit. On June 15, 2016, the Indiana Court of Appeals upheld the dismissal and the former member's petition for transfer to the Indiana Supreme Court was denied on September 22, 2016, putting an end to the litigation.

14. SUBSEQUENT EVENTS

The consolidated financial statements include a review of subsequent events through March 17, 2017, the date the consolidated financial statements were available to be issued.

In January 2017, the Company issued $35 million of long-term debt to finance various capital projects.

In March 2017, the Company entered into two long-term power supply agreements that obligate the Company to purchase an additional $351.2 million of power between January 1, 2024 and December 31, 2035.

FIVE-YEAR STATISTICAL SUMMARY

	2016	2015	2014	2013	2012
Operating Revenues *(in thousands)*	$707,508	$740,637	$816,292	$735,472	$701,463
Billed Revenue from Members *(mills per kWh) (1)*	$73.75	$72.35	$71.55	$69.17	$67.97
Member Sales *(MWh) (1)*	7,941,538	8,522,028	9,629,270	9,364,712	9,044,006
Member Peak Demand *(MW)*	1,573	1,686	1,682	1,748	1,813
Total Owned Capacity *(MW)*	995.7	1,104.7	1,104.7	1,101.5	1,101.5
MWh Sales by Source					
Owned Generation	24%	18%	20%	24%	24%
Purchased Power Agreements	76%	82%	80%	76%	76%
Capital Expenditures (in thousands)	$119,019	$75,745	$27,344	$33,192	$40,609
Total Assets (in thousands)	$1,107,084	$1,023,459	$921,763	$929,658	$937,628
Long-term Debt (in thousands) (2)	$690,000	$613,467	$576,634	$606,709	$635,832
Weighted Average Interest Rate	5.20%	5.68%	5.70%	5.69%	5.60%
Credit Rating (Standard & Poor's)	A-	A-	A-	A-	A-
Debt Service Coverage (DSC)	1.46	1.38	1.36	1.42	1.39
Times Interest Earned Ratio (TIER)	1.56	1.52	1.50	1.54	1.47
Capitalization Ratios					
Debt (2)	78%	75%	74%	76%	79%
Equity	22%	25%	26%	24%	21%

(1) Excluding sales to JAron

(2) Excluding amounts due within one year

Wabash Valley Power
energy smart

722 North High School Road
Indianapolis, Indiana 46214
317.481.2800 | 800.833.2279 | **www.wvpa.com**