

GENERATION TO GENERATION

Wabash Valley Power 2013 ANNUAL REPORT
energy smart

FROM OUR GENERATION, FOR THEIRS

50 YEARS OF WABASH VALLEY POWER

There's a divide between what we see and what our members see. They don't see the power plants or the numbers on the page. We're always at work to make sense of the numbers that shape our industry and those we drive from within.

We look at a lot of numbers, but we can't be there to see how what we do reaches our members. We see the numbers, and project their impact on the people we serve.

They see light.

Fifty is quite a number. It's a big birthday, a major anniversary. Imagine the celebrations we've been part of on the way to our own—moments enabled and enhanced by the work our members never see.

Those moments don't just tick off the passage of time but solidify traditions and strengthen bonds. They provide continuity from one generation to the next.

We provide the power.

Looking back is nothing new for us: We're constantly analyzing and scrutinizing, looking for the clues in our past that will enable us to operate better in the future.

This year, at this milestone, we're taking a moment to look back in a much different way. The numbers you're used to are here, but this year we're also bringing you the congratulations you don't usually hear and images of success you've never seen.

This year, we're stopping to trace our power from generation to generation—from paper to plant to home, across one generation to the next in every sense of the word.

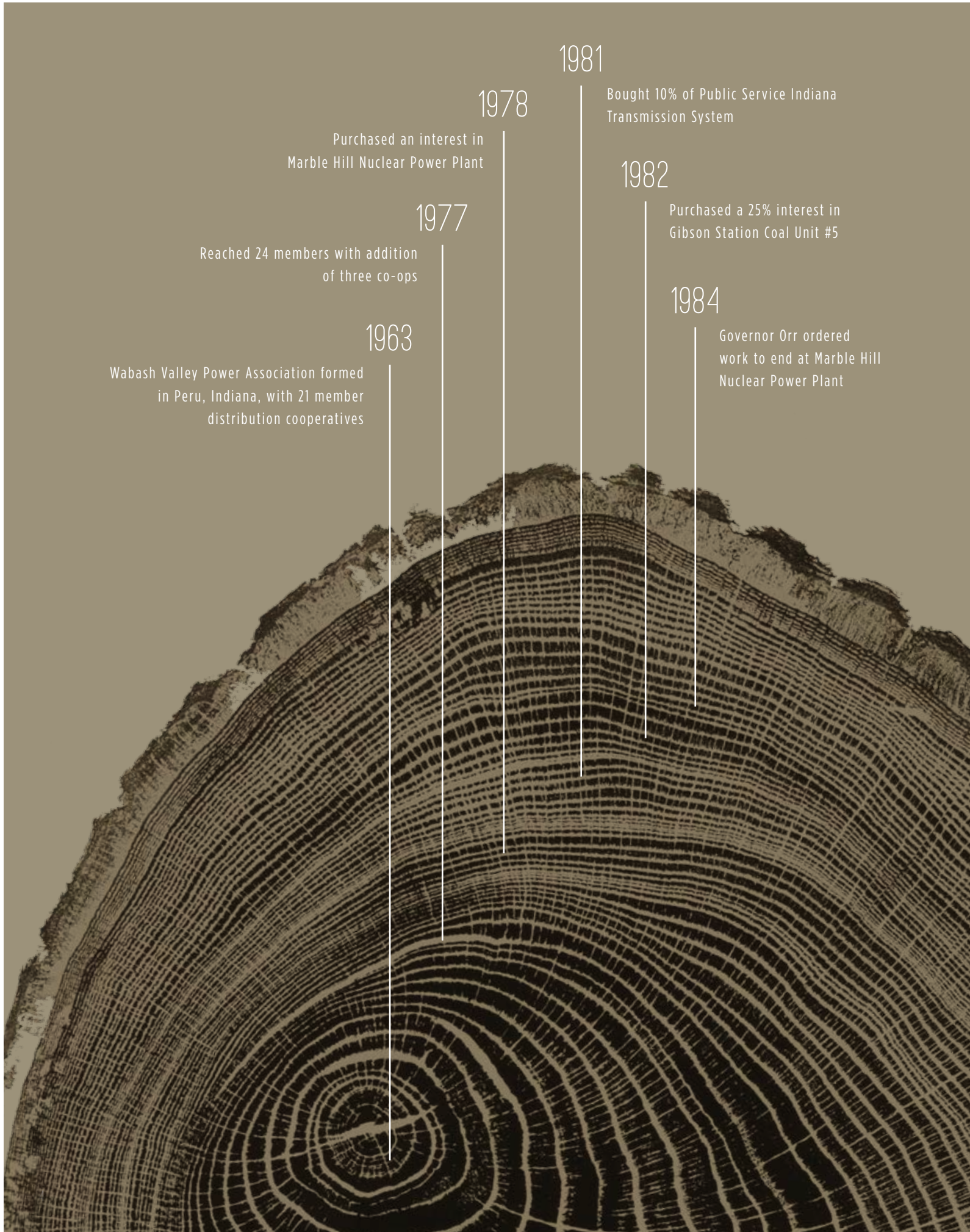


Artwork by:
Bryan Nash Gill

Photography by:
Phillip Fortune Photography-Fortune Works

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1963
Wabash Valley Power Association formed
in Peru, Indiana, with 21 member
distribution cooperatives

1977
Reached 24 members with addition
of three co-ops

1978
Purchased an interest in
Marble Hill Nuclear Power Plant

1981
Bought 10% of Public Service Indiana
Transmission System

1982
Purchased a 25% interest in
Gibson Station Coal Unit #5

1984
Governor Orr ordered
work to end at Marble Hill
Nuclear Power Plant

1998

Established ACES Power Marketing as a founding member

2002

Brought first landfill gas power plant online at Twin Bridges in Danville, Indiana

2003

Grew membership by three Illinois distribution cooperatives; broke ground on first peaking plant—Lawrence Generation Station

2004

Purchased 25% ownership in Vermillion peaking plant

2005

Formed sgSolutions; became 50% owners of Wabash River Gasification Plant

2006

Welcomed Missouri cooperative to membership

2007

Acquired Wabash River combined cycle plant; signed first wind power contract

2008

Became charter members of National Renewables Cooperative Organization

2009

Acquired 50% interest in Holland Energy combined cycle plant

2013

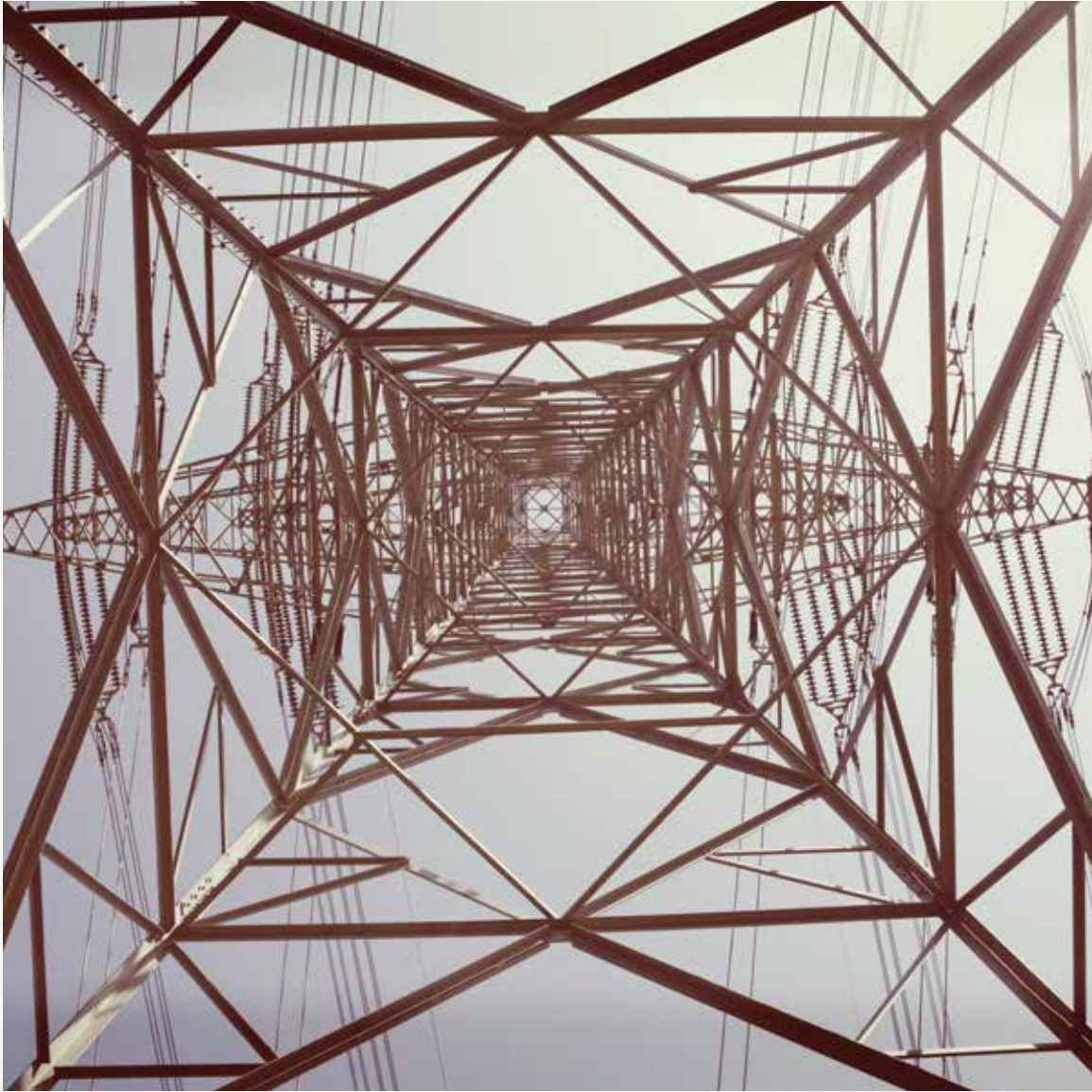
Board approved first small-scale solar project and set three-year strategic planning initiative



Throughout the 26 co-ops we serve, you find more similarities than differences. The same is true when you look across the years. Our purpose hasn't changed; our dedication hasn't wavered: Wabash Valley is committed to bringing stable, competitively priced electricity to members. The difference? We're making it happen more effectively than ever. From our start as a "paper" G&T to the purchase of our first generation facility, we've grown to become the 15th-largest generation & transmission cooperative in the country and have provided more than 220 billion kWh to 350,000 homes and businesses.



Turbines still churn. Linemen still climb. Electricity still bolts across cable and winds its way home to support members. Even though its work may no longer be to fire up a behemoth of a black-and-white television but to keep a computer humming—even though everything it powers, from refrigerators to light bulbs, has shifted shape—it's still at the heart of households and bottom line of businesses. And as for our bottom line? That \$7,450 in assets we claimed in 1963 has grown to \$930 million. Now *that* is some difference.



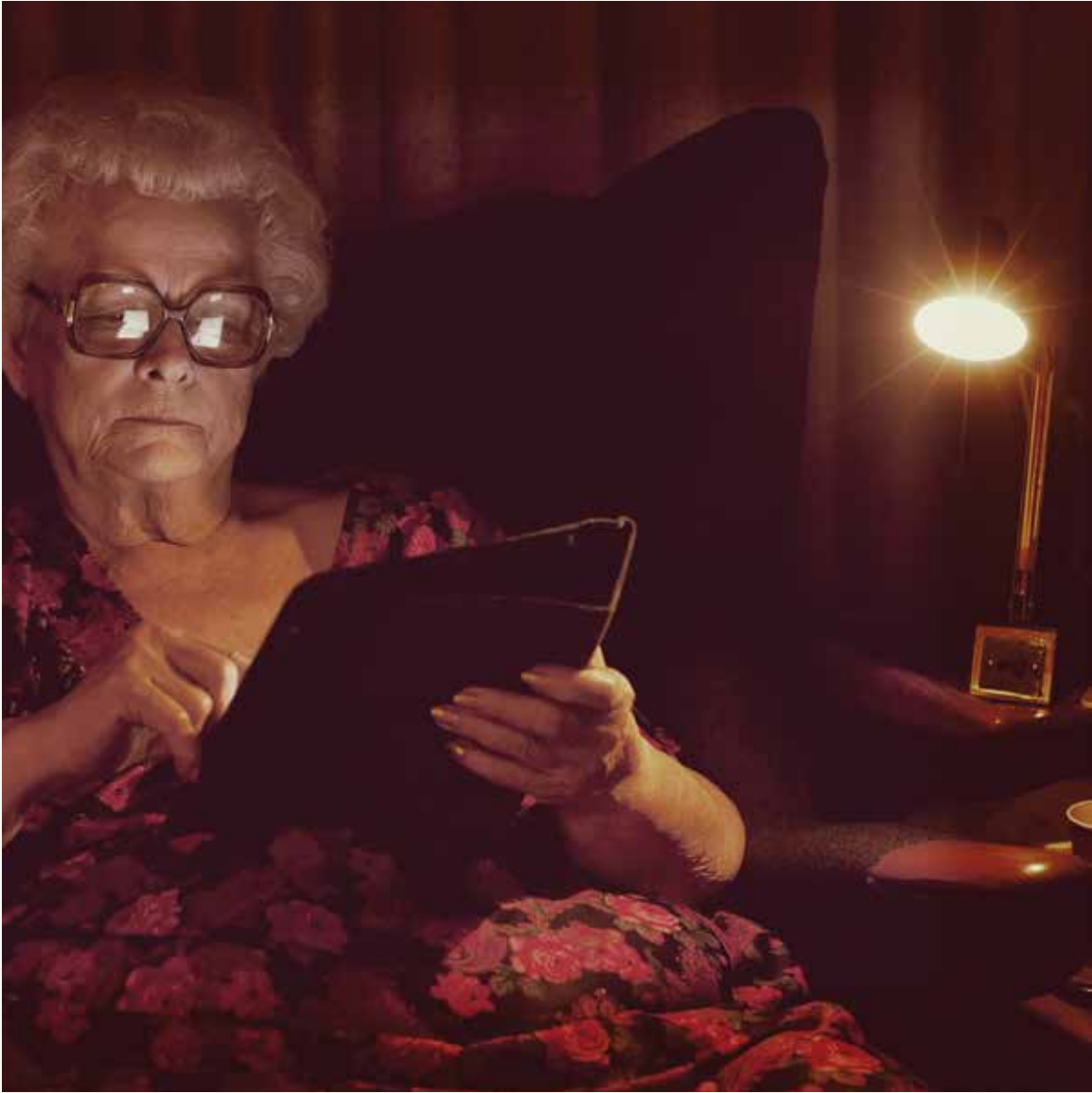
A compressor, a combustion chamber, a turbine, and then—electrons. The reaction that powers the world takes place out of sight in hulking steel structures that have become symbolic of humankind's triumph over environment and hardship. What's generated within them is much more than electrons: It's life as we know it. Electricity has created a new kind of order and connection, enabling an acceleration of progress in economics and lifestyle that the world had never known. Since 1963, we've gotten to be part of that.



What starts with fire and metal ends as a different kind of warmth—a light switch flipped on earlier than anyone wants to be up in the morning, a coffee maker gurgling, toast jumping from its slot. No one should have to pay more to make breakfast just because he chooses open spaces and a slower pace. We work relentlessly to support that idea. We work to be ready for opportunity and to know when it arises—to be able to absorb the inevitable hits from regulations, weather, economics, and demand. We work for that early-morning start or late-night movie; we work for the comfort and security of every member.



Revolution, evolution: Sometimes they read the same. Sometimes, the next right step is the one that changes the world for hundreds of thousands of people. Joining forces to take charge of our own destiny was a logical move for the 21 co-ops who formed Wabash Valley Power. It was also a Heartland revolution. The start of a force that runs through generations. That continues to evolve and generate power for the lives our members want to lead, right where they want to lead them.



From one era to the next, we've generated power. We started by doing it figuratively, as a “paper” G&T, and we've done it literally since buying our first interest in a power plant, the Gibson Generating Station, in 1982. What happens there, and even the intricate financial and risk management functions that enable it from behind the scenes, are hardly the real power we generate. That power is the hot dinner coming out of an oven on a cold winter night, and it's the refrigerated air that keeps the poultry farm running. It's the chair-side lamp beaming through one, two, three generations. So far.



Change can come like a gentle tailwind or hit you head-on as a formidable gust. We've glided over the years, but we've also had to put our heads down and push past some tough challenges. We bought into a nuclear power plant right before regulations took a sharp turn. Endured the worst ice storm of the century—and the damage it brought. Carried on through restructuring and through shifts in policy from within and without. Five decades in, we can stand tall. We know better than to get overly confident, but certainly we're glad for the power that can only come from knowing you rise after every fall.



As Wabash Valley has grown, we've bolstered our own power to deliver. In 1999, we joined forces to create ACES Power Marketing—a better way for co-ops to manage risk and interact with the daily power markets. We've led the way in landfill-gas generation, and we've acquired more than 1,100 megawatts in generating capacity across a diverse fuel mix and 19 generating stations. We've also brought a new kind of power to members, showing them how to cut back their usage and earn incentives for energy-efficient upgrades through PowerMoves.com. Because what good is our strength if it's not reaching members?



Were we really so young? Were our collars that big? The jolts of surprised recognition old family photos offer are a lot like what we've found this past year as, in celebration, we've looked back over 50 years of Wabash Valley Power Association. As an organization, we've seen change, weathered it, and created it. We've forged the goals that brought us from paper to steel and to greater financial strength than anyone could have foreseen in 1963. We've brought more power to more people—with much greater price stability.



For us and our members, *now* is a powerful place to be. It's a strong foundation under an even more powerful future for the nearly 750,000 people we serve, and for the generations to come. We're ready with the strategic priorities that will guide our evolution. We're ready to promote growth and development within our communities, to continue our supply diversification strategy, and to lead technological innovation. We're ready to refine our risk management practices even further. We're ready to meet the next generation with additional services and succession planning. And if our deliberate steps forward prove to be the start of a revolution? We're ready for that, too.

WABASH VALLEY'S STRATEGIC PRIORITIES

Vigilance is the guiding principle of our daily work and the only way to pave a smooth road onward for our member co-ops. In 2013, we shifted our focus: we looked inward to determine ways we could better approach our work and improve what we do in the years to come. Seven strategic priorities emerged—a family of seven objectives for this generation and the next. Seven goals that intertwine and support each other; seven ideals that demand intense consideration on their own but work in concert.

We spent last year identifying those priorities, and we're spending 2014 asking the questions that will guide our progress as we pursue each of them.





BALANCE

In an industry environment dependent on the whims of weather and the realities of growing regulation—of so much that’s out of our control—keeping what we can in balance is everything. We can’t know what the future looks like or what challenges may come, but that doesn’t mean we’re without control. A major part of maintaining control of our destiny is finding a balance of resources and fuels that provides the stability we need to absorb the changes we can see coming and those that come at us from nowhere.

STABILITY

We’ve seen utilities struggle, and we’ve seen them tip over the precipice before finding equilibrium. We know too well about financial edges ourselves. So we’re intent on staying back from them. On maintaining the financial stability we’ve achieved over the past decade so that we have the funds to build and grow when those opportunities arise. It’s the surest way to maintain our competitive edge and to keep supplying our members reliably and at the lowest prices possible.

RECEPTIVITY

We wouldn’t exist if it hadn’t been for a handful of visionaries taking matters into their own hands back in 1963. We owe our existence to the spirit of renaissance, and that spirit will continue to guide our development. We will never act without careful consideration, and we will give that consideration to any idea that promises to help our communities thrive and our families to enjoy the comfort of the lifestyles they chose.





SECURITY

Managing risk means coming together with every division of the company and with all of our member co-ops to assess and address whatever challenges might loom. It means doing so regularly and thoroughly, meeting head-on the risks that affect our business and that influence our member satisfaction. It means diligence and attention throughout the organization.

CONNECTIVITY

What happens with our network of distribution partners affects our members, noticeably and sometimes dramatically. We'll build relationships and lead the fight for our members so that Wabash Valley Power can do what it was founded to do: stand up for the businesses and residences we serve. We know we can't hold all the power, but we'll forge the partnerships that bring it home.

PROGRESSION

We can work doggedly and persistently on how we're handling our business at present, but it will ultimately come to nothing if we aren't also planning for our future leaders. Our commitment to security, reliability, balance, stability, and community means we also must commit to finding and training those leaders of the next generation, to sharing our knowledge and instilling our philosophy to ensure continuity.

COMMUNITY

We created one community out of many—one community of cooperatives to act on behalf of the whole. We intend to do our best for all of our members by looking for new ways to bring services, share costs, and launch initiatives to benefit each of our member co-ops. Our reach is far greater when we act as a whole, and we intend to keep reaching—for the sake of all of our members.





2013 Board of Directors

Front:

Mike Yankauskas, Kankakee Valley REMC, **Rob Angus**, Corn Belt Energy, **Gerald Heitmeyer**, Paulding-Putnam Electric Cooperative, **Skip Lottes**, Citizens Electric Corporation, **Bob Baker**, Tipmont REMC, **Melvin Coonrod**, Carroll White REMC, **Bob Lehmann**, M.J.M. Electric Cooperative, **Ken Denton**, Jay County REMC

Middle:

Fred Powell, Kosciusko REMC, **Mike Conner**, Warren County REMC, **Dennis Burton**, Fulton County REMC, **Elmer Stocker**, Northeastern REMC, **Tom Taylor**, Boone REMC, **Jim Keffaber**, Wabash County REMC, **Doug Burnworth**, Noble REMC, **Phil Hayes**, NineStar Connect

Back:

Wayne Gingerich, Steuben County REMC, **Jim Savage**, Miami-Cass REMC, **Jon Rettinger**, Marshall County REMC, **Alan Schlagenhauf**, United REMC, **Bart Nesius**, Jasper County REMC, **Dennis Edmonds**, Newton County REMC, **Jeff Hampshire**, LaGrange County REMC, **Hal Truax**, Hendricks Power Cooperative

Not pictured:

Danny Gard, EnerStar Electric Cooperative, **Doug Brown**, Parke County REMC



2013 Executive Board

Front:

Wayne Gingerich, Skip Lottes

Middle:

Mike Yankauskas, Mike Conner

Back:

Bob Lehmann, Jon Rettinger



2013 Executive Group

Front:

Jeff Conrad, Kathy Joyce, Rick Coons, Curtis Taylor

Back:

Keith Thompson, Lee Wilmes, Greg Wagoner

CORPORATE INFORMATION

Chief Executive Officer

Rick Coons
President & Chief Executive Officer

Executive Staff

Jeff Conrad
Chief Financial Officer

Kathy Joyce
Vice President, Administration

Curtis Taylor
Vice President, Technical Services

Keith Thompson
Vice President, Power Production

Greg Wagoner
Vice President, Business Development

Lee Wilmes
Vice President, Power Supply

2013 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

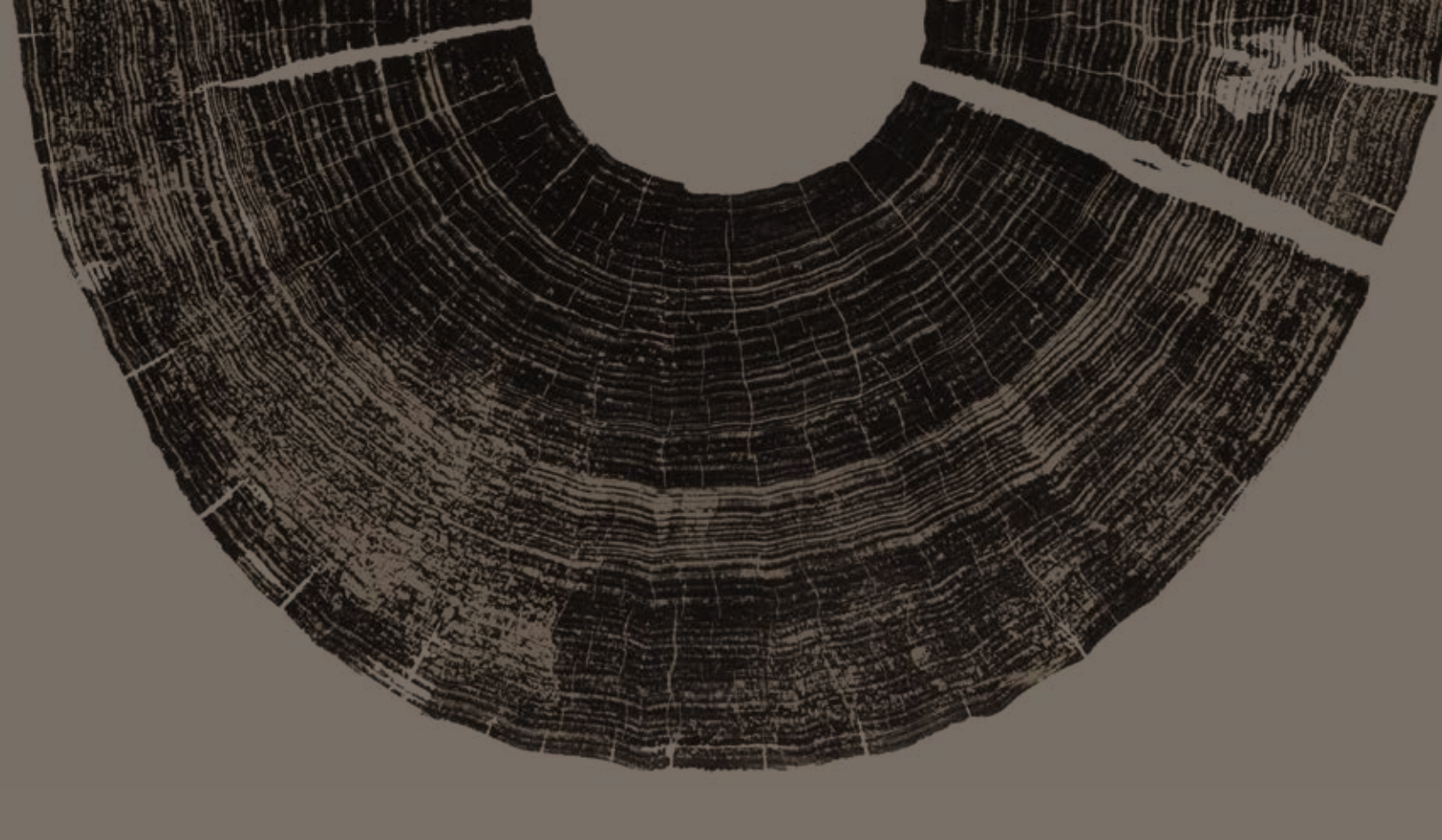
Inquiries regarding this annual report can be sent to WVPA's Communications Department at 722 North High School Road, Indianapolis, IN 46214.

FROM GENERATION TO GENERATION—FOR MANY MORE TO COME

It's hard to believe, but Wabash Valley Power Association has been around as long as ZIP codes, *Petticoat Junction*, and lava lamps. The Association came into being the same year The Beatles released their first album and Kuwait joined the United Nations. That was also the year Kennedy was assassinated and Martin Luther King, Jr., gave his landmark speech. Certainly, 1963 was a significant year—and an entirely different era.

In 2013, Wabash Valley Power Association turned 50, and to spend some time reflecting on those five decades is to see a range of setbacks overcome and triumphs earned. Our ability, as an association, to be analytical, forward-thinking, and nimble has gotten us past many challenges and brought us to the secure position we currently hold. That position looks nothing like it did in 1963, when the association formed in Peru, Indiana, with 21 distribution cooperatives. Not much looks like it did in 1963, really, and we're proud to have been part of the evolution within our service territory and our industry through years when change has been not just a constant but an accelerating force. We've met change by adding (and then adding to) generation assets and committing to a diverse mix of supply resources. We've done it through intensifying regulation, crushing weather events, national tragedy, and energy crises. We did it through financial hardship and through a vastly changing membership—through 50 years, and through generations.

An anniversary like this makes a fitting time to survey the events of the past, and we've done quite a bit of that in putting together this report, including milestones and images that highlight some of Wabash Valley's long history alongside the details of our 50th year. We've also worked to show the very thing that sets us apart: that is, our connection with our members—the symbiotic relationship that gives us our reason for being.

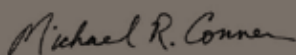


Most important, this report details the elements that support our present strength and put us in good stead to reach our goals for the year ahead. You see within it the ways we're at work to keep moving toward greater stability and better service for our members.

In 2013, we delved deeper than ever into strategic planning. In 2014, we'll continue to build on those initiatives. We'll do that through improvements to how we manage our generation portfolio for stability and affordability, and we'll do it through enhanced risk management practices and reporting. We'll do it by keeping an eye out for growth opportunities and vigilantly maintaining our current assets—all while fostering the relationships that our organization was based on.

Wabash Valley Power Association is in a strong position to maintain and thrive through 50 more years, and another 50 after that. As we consider the history of the organization and the strategies in place right now for the future, we're proud of the efforts and insight of those who came before us and optimistic about what's to come.

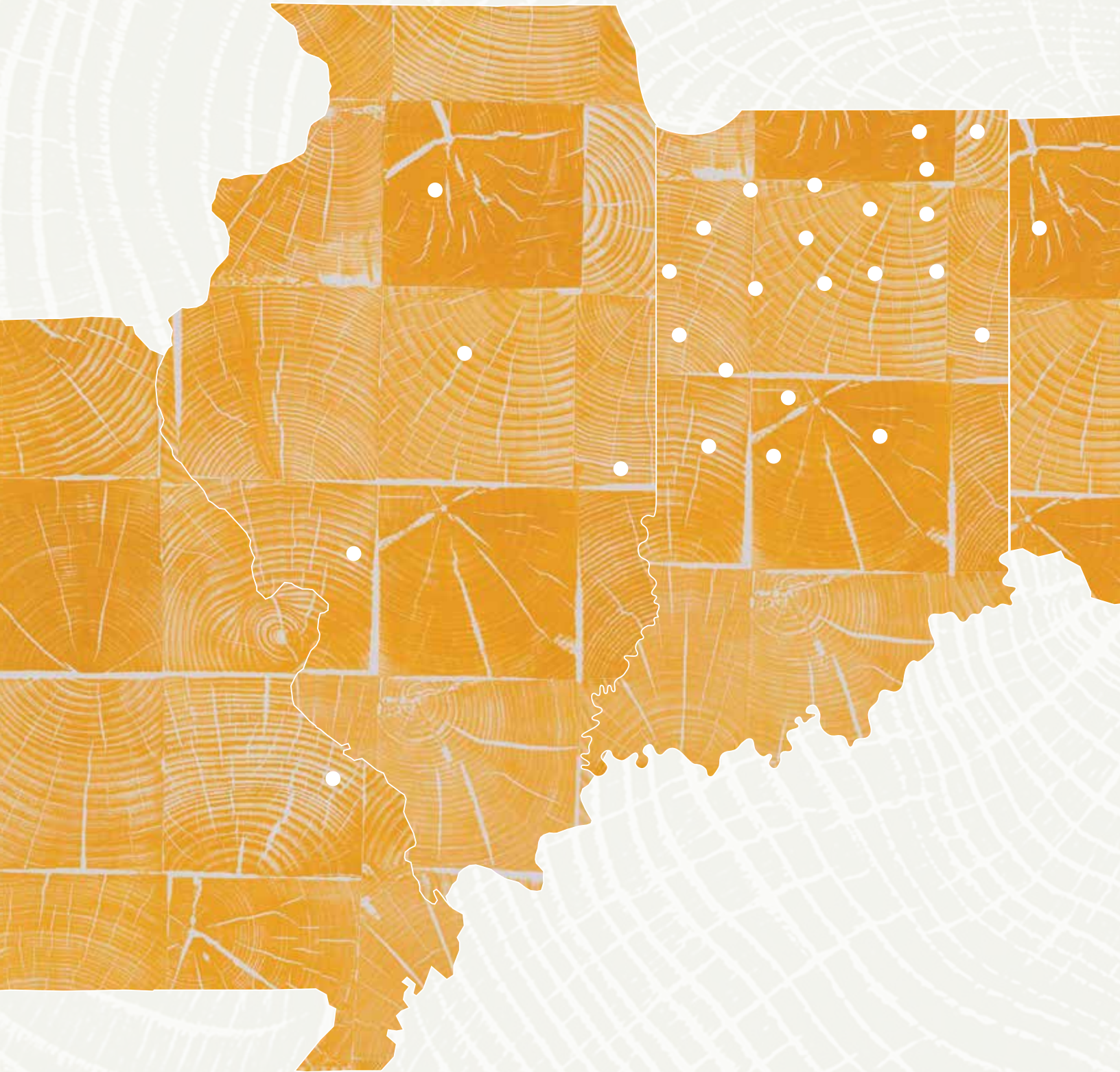
Sincerely,



Mike Conner
CHAIRMAN OF THE BOARD

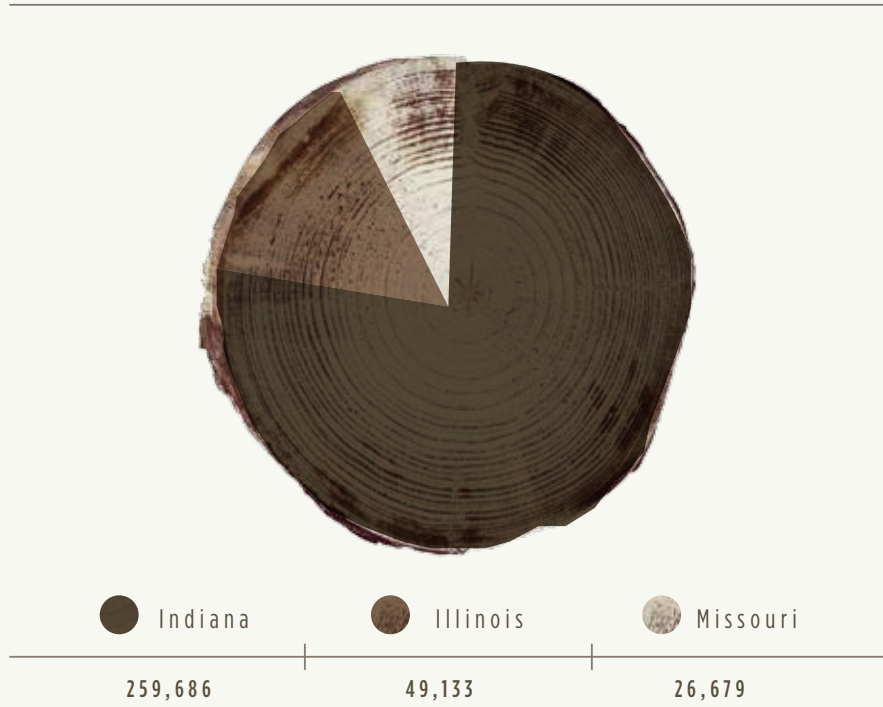


Rick Coons
PRESIDENT
CHIEF EXECUTIVE OFFICER

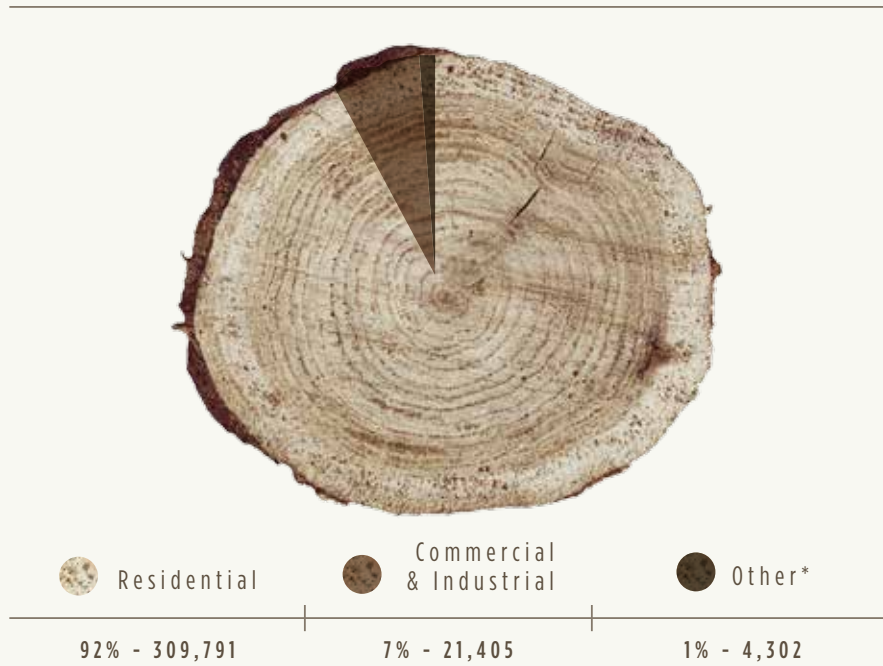


CO-OP NAME	LOCATION
Boone REMC	Lebanon, IN
Carroll White REMC	Monticello, IN
Citizens Electric Corporation	Perryville, MO
Corn Belt Energy Corporation	Bloomington, IL
EnerStar Electric Cooperative	Paris, IL
Fulton County REMC	Rochester, IN
Hendricks Power Cooperative	Danville, IN
Jasper County REMC	Rensselaer, 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	Kentland, IN
NineStar Connect	Greenfield, IN
Noble REMC	Albion, IN
Northeastern REMC	Columbia City, IN
Parke County REMC	Rockville, IN
Paulding-Putnam E.C.	Paulding, OH
Steuben County REMC	Angola, IN
Tipmont REMC	Linden, IN
United REMC	Markle, IN
Wabash County REMC	Wabash, IN
Warren County REMC	Williamsport, IN

Members by State



Members by Class



* includes irrigation, street lighting and public authorities

Miles of Transmission Lines	Miles of Distribution Lines	Number of Substations
430.7	16.8	63

Facility	Location	Facility Capacity (MW)	WV Portion (MW)	Fuel Type	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
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			1,101.5		

Energy Sales by Fuel Type

Coal	Synthetic Gas	Alternative*	Nuclear	Contracts	Natural Gas
50%	13%	5%	5%	20%	7%

*Wabash Valley Power supports renewable energy, owns landfill gas generation and has contracts to purchase 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.

The Wabash Valley Board and Management instituted a strategic financial plan beginning January 1, 2008. The financial results of this plan have been remarkable.

Chart 1

Prior to the plan, Wabash Valley had an equity-to-capitalization ratio of 15.5%. Over the years, Wabash Valley has methodically worked to improve this ratio. The success of this effort and perseverance is very apparent. At the end of 2013, Wabash Valley has an equity-to-capitalization ratio of 23.6%.

Chart 2

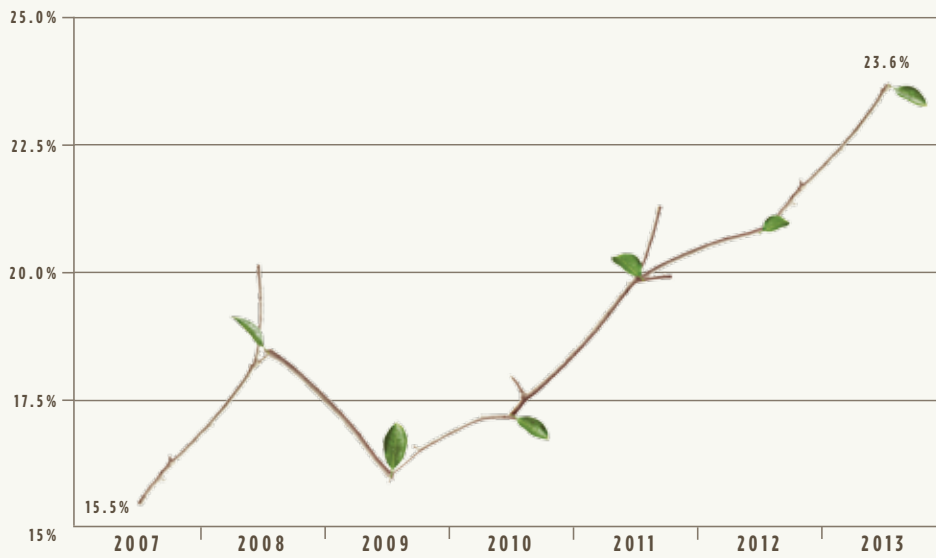
Since implementing the 2008 financial plan, Wabash Valley's equity has grown from approximately \$80 million in 2007 to nearly \$190 million at the end of 2013. This represents an amazing 15% compounded annual growth rate (CAGR) during this 7-year time frame.

Chart 3

Despite challenging times, such as the Great Recession of 2008, the Company has demonstrated an unwavering commitment to maintaining strong financial metrics each and every year. Chart 3 provides a glimpse of how the net margin and financial metrics have progressed as compared to 2007 (prior to the plan).

Due to the forethought and steadfastness of the Wabash Valley Board during this 7-year period, the Company is financially well positioned to take on the challenges and opportunities of the future.

1. Equity as % of Total Capitalization

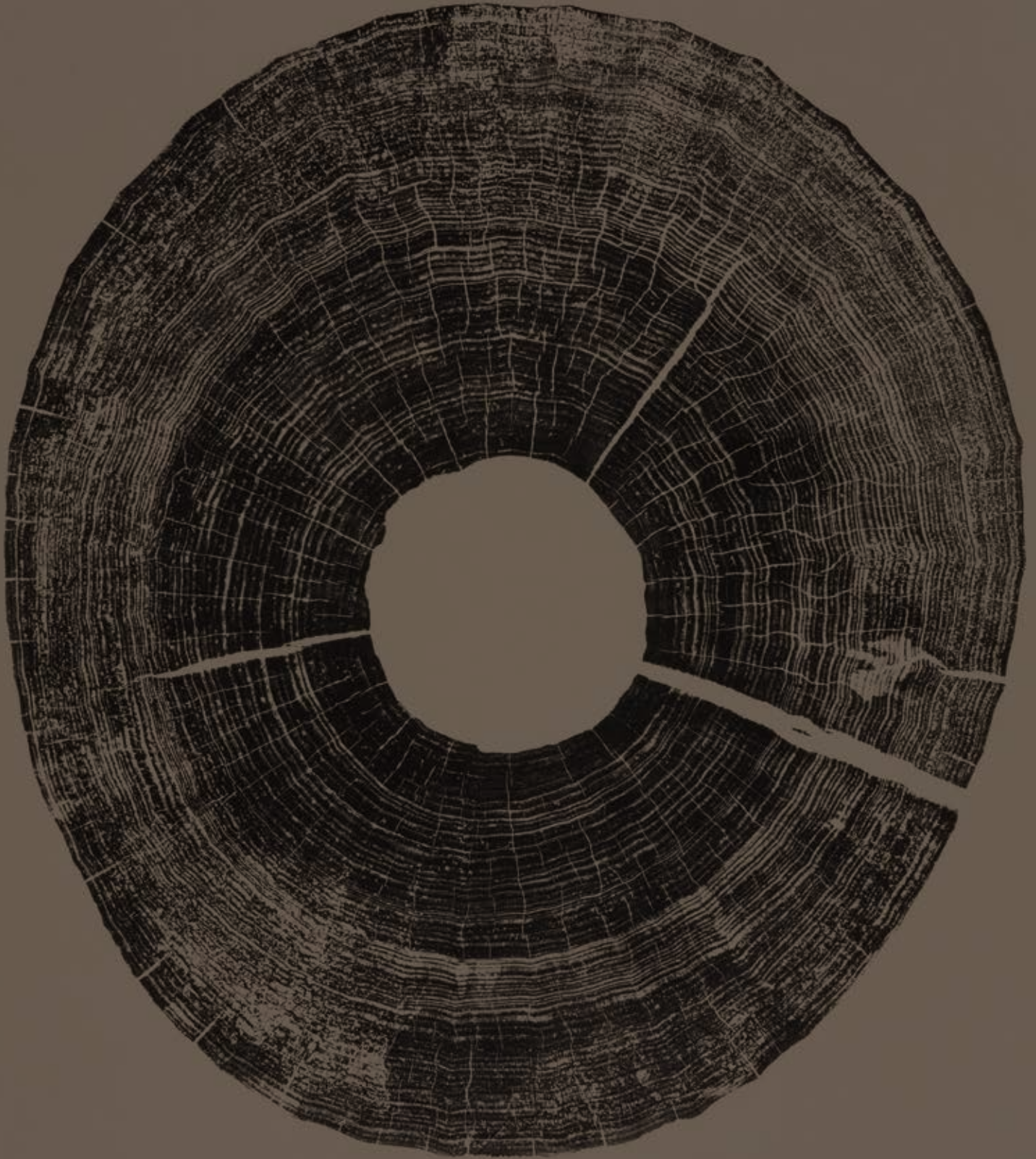


2. Equity (in thousands)



3. Coverage Ratios

	2007	2013
Debt Service Coverage	1.25	1.42
Times Interest Earned Ratio	1.31	1.54
Net Margin (in thousands)	\$5,802	\$20,000



FIVE-YEAR STATISTICAL SUMMARY

	2013	2012	2011	2010	2009
Operating Revenues (in thousands)	\$735,472	\$701,463	\$721,488	\$750,137	\$674,394
Billed Revenue from Members (mills per kWh) (1)	\$69.17	\$67.97	\$67.40	\$66.74	\$65.78
Member Sales (MWh) (1)	9,364,712	9,044,006	9,617,019	9,529,250	8,755,672
Member Peak Demand (MW)	1,748	1,813	1,916	1,839	1,675
Total Owned Capacity (MW)	1,101.5	1,101.5	1,018.3	1,018.3	1,010.3
MWh Sales by Source					
Owned Generation	24%	24%	23%	18%	19%
Purchased Power Agreements	76%	76%	77%	82%	81%
Capital Expenditures (in thousands)	\$33,192	\$40,609	\$32,169	\$40,257	\$205,266
Total Assets (in thousands)	\$931,866	\$939,751	\$919,752	\$953,351	\$880,496
Long-term Debt (in thousands) (2)	\$608,917	\$637,955	\$607,452	\$633,867	\$618,736
Weighted Average Interest Rate	5.69%	5.60%	5.88%	5.88%	6.15%
Credit Rating (Standard & Poor's)	A-	A-	A-	A-	A-
Debt Service Coverage (DSC)	1.42	1.39	1.38	1.35	1.52
Times Interest Earned Ratio (TIER)	1.54	1.47	1.47	1.36	1.46
Capitalization Ratios					
Debt (2)	76%	79%	80%	83%	84%
Equity	24%	21%	20%	17%	16%

(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 of the consolidated balance sheets as of December 31, 2013 and 2012, 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

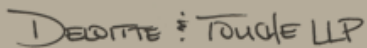
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable 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, 2013 and 2012, 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.

The signature is written in a stylized, cursive font. It reads "DEDMTE & TOUCHÉ LLP". The ampersand is a simple cross shape. The letters are dark blue or black.

Indianapolis, Indiana
March 14, 2014

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 subsidiaries for the year ended December 31, 2013. 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 executed a \$100 million syndicated revolving credit facility that expires in March 2018. 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 July 2013, 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:

(in thousands)	Years Ended December 31		
	2013	2012	% CHANGE
Operating Revenues			
Member	\$651,844	\$619,314	5.3%
Non-member	80,269	76,954	4.3%
Other	3,359	5,195	(35.3%)
Total	\$735,472	\$701,463	4.8%
Energy Sales (MWh)			
Member	9,368	9,048	3.5%
Non-member	1,794	1,868	(4.0%)
Total	11,162	10,916	2.3%

Member revenue increased 5.3% due to recovery of cost increases related to a cost-based purchase power agreement, as well as to a 3.5% increase in member sales.

Member energy sales are 3.5% higher in 2013 due to a colder winter. The 2013 degree days increased 15% over 2012. A 6.2% increase in sales to pass-through loads also contributed to the higher energy sales. Wabash Valley Power's membership systems include three large industrial customers that participate as pass-thru loads.

Despite a decrease in non-member energy sales, revenue on non-member sales increased year over year due to higher power prices resulting in more revenues on those sales.

Other revenue decreased in 2013 as compared to 2012 due to lower 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		
	2013	2012	% CHANGE
Power Supply **	\$554,042	\$523,164	5.9%
Plant O&M	79,680	77,000	3.5%
Depreciation	35,155	33,878	3.8%
Other	13,059	15,383	(15.1%)
Total	\$681,936	\$649,425	5.0%

**Includes purchased power, fuel and transmission

Operating expenses increased \$32.5 million, or 5.0%, during 2013 as compared to 2012. The primary driver is higher purchased-power costs due to increased costs from a cost-based purchase agreement and additional output from a unit-contingent purchased power agreement, primarily due to no planned outages in 2013.

Other expenses/(income) decreased 2.9% in 2013 mainly due to an increase in the volume of renewable energy credits sold into the market, as well as higher prices on those sales.

CAPITAL RESOURCES

Summary balance sheet information is presented below:

(in thousands)	As of December 31		
	2013	2012	% CHANGE
Assets			
Net Plant	\$687,529	\$688,495	(0.1%)
Current	205,190	218,243	(6.0%)
Non-Current	39,147	33,013	18.6%
Total	\$931,866	\$939,751	(0.8%)
Liabilities			
Capitalization	\$796,720	\$805,758	(1.1%)
Current	107,027	104,266	2.6%
Non-Current	28,119	29,727	(5.4%)
Total	\$931,866	\$939,751	(0.8%)

Net plant was flat year over year, reflecting plant additions of \$23.2 million in 2013 primarily due to investment in the JTS under a joint transmission ownership agreement. The increase was offset by the current year's depreciation reserve of \$24.1 million.

Current assets decreased 6.0% or \$13.1 million. The primary driver is a net decrease in cash, cash equivalents and short-term investments of \$19.6 million mainly due the funding of capital expenditures for which there were no long-term borrowings. Offsetting the decrease was a \$7.8 million increase in accounts receivable mainly due to colder weather in December 2013 as compared to December 2012, resulting in higher sales.

Wabash Valley Power's capitalization decreased \$9.0 million. Patronage capital equity increased \$20.0 million, reflecting the current year's net margins. This increase was offset by the repayment of \$27.7 million of long-term debt.

LIQUIDITY

In addition to \$61.7 million of cash and cash equivalents on hand at December 31, 2013, Wabash Valley Power has a \$100 million syndicated revolving credit facility. There were no amounts outstanding as of December 31, 2013 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, 2013, the Company was in compliance with all of these covenants. Additionally, Wabash Valley Power's Times Interest Earned Ratio was 1.54 and the Debt Service Coverage Ratio was 1.42. Wabash Valley Power's Equity-to-Capitalization Ratio was 24%.

CONSOLIDATED BALANCE SHEETS

Assets (in thousands)	As of December 31	
	2013	2012
Plant		
Plant in service	\$994,367	\$972,655
Less accumulated depreciation	323,533	299,403
	670,834	673,252
Construction work in progress	16,695	15,243
	687,529	688,495
Current Assets		
Cash and cash equivalents	61,671	88,932
Short-term investments	25,860	18,236
Restricted assets	1,900	22
Accounts receivable	65,872	58,036
Fuel stock and material inventory - at average cost	39,401	45,835
Regulatory assets		
Unrecovered power costs	1,525	-
Other	1,794	2,093
Other current assets	7,167	5,089
	205,190	218,243
Non-Current Assets		
Other regulatory assets		
Contract termination costs	6,159	6,550
Other	224	1,117
Investments	17,664	17,149
Other deferred charges	14,183	7,280
Other noncurrent assets	917	917
	39,147	33,013
Total Assets	\$931,866	\$939,751

See Notes to Consolidated Financial Statements

Capitalization and Liabilities (in thousands)	As of December 31	
	2013	2012
Capitalization		
Patronage capital equity	\$170,803	\$150,803
Noncontrolling interest	17,000	17,000
Long-term debt	608,917	637,955
	796,720	805,758
Current Liabilities		
Current maturities of long-term debt	29,037	27,663
Accounts payable	54,960	52,434
Accrued interest	6,249	6,551
Accrued taxes other than income	5,642	5,273
Regulatory liability - over collected power costs	-	2,415
Other current liabilities	11,139	9,930
	107,027	104,266
Non-Current Liabilities		
Other deferred credits	28,119	29,727
Total Capitalization and Liabilities	\$931,866	\$939,751

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL

(in thousands)	Years Ended December 31	
	2013	2012
Operating Revenues		
Member revenue	\$651,844	\$619,314
Other revenue	83,628	82,149
	735,472	701,463
Operating Expenses		
Fuel	60,735	61,363
Production	53,465	50,223
Purchased power	493,307	461,801
Maintenance	26,215	26,777
Administrative and general	12,552	14,845
Other taxes	507	538
Depreciation and amortization	35,155	33,878
	681,936	649,425
Operating Margin	53,536	52,038
Other Expenses/(Income)		
Interest expense - net of amounts capitalized	37,488	37,796
Interest income	(3,231)	(2,956)
Miscellaneous income and deductions - net	(721)	(302)
	33,536	34,538
Net Margin	\$20,000	\$17,500
Patronage Capital - Beginning of Year	150,803	133,303
Patronage Capital - End of Period	\$170,803	\$150,803

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Years Ended December 31	
	2013	2012
Operating Activities		
Net margin	\$20,000	\$17,500
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	35,155	33,878
Changes in certain assets and liabilities:		
Accounts receivable	(7,836)	(668)
Fuel stock and material inventory	6,434	(4,308)
Over collected/unrecovered power costs	(3,940)	(5,260)
Accounts payable	522	(3,638)
Member buy-out payment	-	7,526
Other assets	(8,203)	4,199
Other liabilities	(386)	(15,166)
Net Cash Provided by Operating Activities	41,746	34,063
Investing Activities		
Capital expenditures	(33,192)	(40,609)
Proceeds from sale of property, plant and equipment	-	4,035
Restricted assets	(12)	5
Proceeds from investments	24,437	10,000
Purchase of investments	(32,576)	(18,806)
Net Cash Used in Investing Activities	(41,343)	(45,375)
Financing Activities		
Issuance of long-term debt	-	58,187
Payment on long-term debt	(27,664)	(26,436)
Net Cash Provided by (Used in) Financing Activities	(27,664)	31,751
Net Increase (Decrease) in Cash and Cash Equivalents	(27,261)	20,439
Cash and Cash Equivalents - Beginning of Year	88,932	68,493
Cash and Cash Equivalents - End of Period	\$61,671	\$88,932

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Wabash Valley Power Association, Inc. (Wabash Valley Power or the Company) is an electric generation and transmission cooperative that provides wholesale power to its members which consist primarily of rural electric membership corporations (REMCs). In 2013, Wabash Valley Power sold power to twenty-six of its members located in northern Indiana and parts of Illinois, Ohio and Missouri. Sales to the Ohio member are limited to the customers located in Indiana. Wabash Valley Power is a non-profit corporation headquartered in Indianapolis, Indiana and is under the jurisdiction of the Federal Energy Regulatory Commission (FERC) for rate-related matters and the Indiana Utility Regulatory Commission (IURC) for financing and acquisition activities.

Except as discussed in Note 6, each member REMC has signed two All Requirements Contracts 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.

Wabash Valley Power's 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 2014.

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 7) and Wabash Valley Power retains all net income or loss generated by sgSolutions. TIAA's interest in sgSolutions at December 31, 2013 and 2012 was \$17.0 million and is reflected as noncontrolling 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, sgSolutions and Energy Marketing have been included in the consolidated financial statements of Wabash

Valley Power and all significant inter-company transactions have been eliminated.

USE OF ESTIMATES

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States (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.

BASIS OF ACCOUNTING

Wabash Valley Power is governed by FERC under the Federal Power Act and maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by FERC. All required adjustments to FERC accounting have been made to make the consolidated financial statements consistent with GAAP. The rates charged by Wabash Valley Power 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 a 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).

OPERATING REVENUES, FUEL AND POWER SUPPLY COSTS

Wabash Valley Power records member revenues each period for energy delivered during the period. Member billed revenues reflect estimated power supply costs based on the current year's board-approved operating budget. Member bills are adjusted in the subsequent year to reflect the difference between actual and estimated costs of power supply.

A member of Wabash Valley Power was paying an adder above member rates associated with joining the association 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. The outstanding balance at December 31, 2013 and 2012 was \$20.3 million and \$25.3 million, respectively, of which \$4.0 million

is reflected in other current liabilities and the remaining balance is shown in other deferred credits.

CONCENTRATION OF RISK

Approximately 12% of Wabash Valley Power’s total revenues for 2013 and 2012 were derived from sales to Citizens Electric Corporation (Citizens). Accounts receivable balances for Citizens account for 11% of total accounts receivables as of December 31, 2013 and 2012.

REGULATORY ASSETS AND LIABILITIES

Under the provisions of ASC 980, Wabash Valley Power has authority from FERC to defer certain costs and revenues for recovery through rates in future periods.

Wabash Valley Power estimates the cost of power supply applicable to members and includes the estimate in the current billing rates. Per Wabash Valley Power’s Formula Rate Tariff, member bills are adjusted in the subsequent year to collect the difference between actual and estimated costs. Any difference between actual and estimated costs is shown as regulatory assets – unrecovered power costs or regulatory liabilities - overcollected power costs on the consolidated balance sheets. At December 31, 2013 the under collected balance was \$1.5 million and the December 31, 2012 over collected balance was \$2.4 million.

Wabash Valley Power terminated a power supply contract with Duke Energy Vermillion LLC (Duke Energy) in 2004 when Wabash Valley Power acquired an ownership interest in the Vermillion generating facility from Duke Energy (See Note 2). In March 2004, Wabash Valley Power received IURC approval to defer the contract termination costs and amortize them over the remaining life of the plant (through September 2030). The amounts deferred at December 31, 2013 and 2012 are \$6.5 million and \$6.9 million, respectively. For 2013, \$6.1 million is included in other regulatory assets – contract termination costs on the consolidated balance sheets, and the remaining \$0.4 million is included in regulatory assets.

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. Amounts paid at December 31, 2013 and 2012 were \$3.2 million and \$3.5 million, respectively,

of which \$0.3 million is in other current assets on the consolidated balance sheets and the remaining amount is reflected in other deferred charges.

Wabash Valley Power has FERC approval to defer all unrealized gains and losses on derivative and hedging contracts until such time as the derivative is settled. At December 31, 2013 Wabash Valley Power has deferred \$1.6 million of unrealized losses, of which \$1.4 million is reflected in regulatory assets and \$0.2 million is reflected in other regulatory assets – other. Unrealized gains deferred at December 31, 2013 totaled \$7.5 million, of which \$1.8 million is reflected in other current liabilities and \$5.7 million is reflected in other deferred credits. See Note 1 - Derivative Instruments for the recovery period of derivative contracts.

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 fees received from Midwest were deferred and will be refunded through the FERC formulary rate from January 2012 through December 2017. Amounts deferred at December 31, 2013 and 2012 were \$5.0 million and \$6.3 million, respectively, of which \$1.3 million is reflected in other current liabilities on the consolidated balance sheets and the remaining amount is reflected in other deferred credits.

DEPRECIATION

Wabash Valley Power depreciates its plant on the straight-line basis over the estimated service life of the depreciable plant. Depreciation is calculated by applying depreciation rates to the detail plant account balances.

The resulting average depreciation rates by plant function at December 31 were as follows:

	2013	2012
Steam production	2.41%	2.40%
Other production	3.38%	3.38%
Manufactured gas	5.00%	5.18%
Transmission	2.16%	2.16%
Distribution	4.16%	3.76%
General	7.79%	7.77%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENSION PLAN

Qualified employees of Wabash Valley Power 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 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 2013 and 2012 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 2013 were \$4.3 million and \$1.1 million in 2012. Contributions in 2013 were significantly higher than those in 2012 due to the Company electing to participate in the prepayment option offered under the RS Plan in 2013.

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, 2013 and between 65 percent and 80 percent funded on January 1, 2012 based on the PPA funding target and PPA actuarial value of assets on those dates.

The prepayment option allowed plan members to make a payment contribution and reduce future required contributions. The contribution of \$3.3 million was deferred and will be amortized from January 2013 through December 2016. Amounts deferred at December 31, 2013 were \$2.5 million, of which \$0.8 million is reflected in other current assets on the consolidated balance sheets and the remaining amount is reflected in other deferred charges.

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.

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 2013 and 2012 were greater than 85%. As a result, no provision for federal income taxes was made during either year.

Wabash Valley Power 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, 2013 and 2012. Tax years 2010 through 2013 remain open and could be subject to audit by the IRS.

CASH AND CASH EQUIVALENTS

Wabash Valley Power considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

RESTRICTED ASSETS

Amounts restricted at December 31, 2013 include the cost of sole-use assets sold to a member in late 2013. The funds were released to Wabash Valley Power in early 2014 (See Note 10 – Subsequent Events).

FUEL STOCK AND MATERIAL INVENTORY

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.

ASSET IMPAIRMENT

Wabash Valley Power's 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 2013 or 2012.

INVESTMENTS

Wabash Valley Power's investments consist primarily of loan capital term certificates and subscription capital term certificates (SCTCs) which are required in order to borrow from the National Rural Utilities Cooperative Finance Corporation (CFC) (See Note 4). These

certificates represent less than a 20 percent ownership in CFC and management does not have significant influence over CFC. In 2009, Wabash Valley Power invested \$5 million in CFC's membership certificates. All investments with CFC are held-to-maturity investments and are carried at cost, subject to an annual impairment test.

Wabash Valley Power also has authority to make short-term investments. As of December 31, 2013, Wabash Valley Power had invested \$15.0 million in CFC medium-term notes and \$10.9 million in 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.

REGIONAL TRANSMISSION ORGANIZATIONS

Wabash Valley Power is a transmission-owning member of the Midcontinent ISO (MISO) and a transmission participant in MISO and PJM Interconnection, LLC. Wabash Valley Power and the other owners of the joint transmission system (JTS) (See Note 2) have assigned operational control of the JTS to MISO. While Wabash Valley Power remains an owner of its respective share of the JTS, MISO schedules, manages and oversees operational control of the JTS.

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 other deferred credits.

(in thousands)	2013	2012
Beginning balance	\$1,286	\$1,470
Liabilities incurred	-	-
Liabilities settled	-	-
Accretion	66	166
Cash flow revisions	(51)	(350)
Ending balance	\$1,301	\$1,286

In accordance with regulatory treatment, Wabash Valley Power collects

removal costs in rates for certain assets that do not have associated legal asset retirement obligations. Wabash Valley Power estimates that a regulatory liability related to removal costs has been recorded in accumulated depreciation on the consolidated balance sheets for 2013 of \$34.8 million and \$33.5 million for 2012.

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 exclusion under FASB ASC 815 - Accounting for Derivative Instruments and Hedging Activities (ASC 815), as amended.

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 exclusion and are not recorded in the consolidated financial statements at fair value. Contracts not meeting the normal purchase and normal sales exclusion 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 2013 and 2012 were 0.5 million megawatt hours (MWh) and 1.2 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 1,890,000 MMBtu (million British thermal units) in 2013 and 1,840,000 MMBtu in 2012.

Wabash Valley Power has entered into two interest rate swap agreements with a total notional value of \$73.8 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following reflects the amounts that are recorded in assets and liabilities at December 31, 2013 and 2012 for the Company's derivative instruments:

(in thousands)	Fair Value Hierarchy	2013	2012
Power Contracts			
Other current assets	Level 2	\$634	\$584
Gas Futures			
Other current assets	Level 1	1,141	
Other deferred charges	Level 1	9	10
Interest Rate Swap			
Other deferred charges	Level 2	5,672	-
Total Derivative Assets		\$7,456	\$594
<hr/>			
(\$in thousands)	Fair Value Hierarchy	2013	2013
Power Contracts			
Other deferred credits	Level 2	\$171	\$787
Interest Rate Swap			
Other current liabilities	Level 2	1,385	602
Other deferred credits	Level 2	-	1,032
Gas Futures			
Other current liabilities	Level 1	18	312
Other deferred credits	Level 1	53	86
Total Derivative Liabilities		\$1,627	\$2,819

The changes in the fair value of derivative contracts result in unrealized gains and losses, which are reflected in regulatory assets or liabilities (included in other current liabilities), as appropriate, on the consolidated balance sheets (See Note 1 – Regulatory Assets and Liabilities). 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 at December 31, 2013 and 2012 were as follows:

(in thousands)	2013	2012
Power Contracts (purchased power)	(\$1,318)	\$1,995
Gas Futures (purchased power)	\$500	\$986
Interest Rate Swaps (interest expense)	\$1,617	\$951

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

All power and gas futures contracts reflected at fair value on the consolidated balance sheets at December 31, 2013 mature on or before November 30, 2016. The interest rate swaps mature in January 2032 and July 2032.

As of December 31, 2013 Wabash Valley Power was not required to post cash collateral under the terms of these agreements.

2. PLANT

Wabash Valley Power states its plant at cost which includes labor, materials, overheads and interest on borrowed funds used during construction on major projects. Plant in service at December 31 consists of the following:

(in thousands)	2013	2012
Production	\$685,735	\$685,929
Manufactured gas production	72,238	72,328
Transmission	161,206	141,796
Distribution	54,289	50,481
General	20,899	22,121
Plant in Service	\$994,367	\$972,655

Maintenance and repairs of plant and replacement of items determined to be less than units of property are charged to expense. Replacements and renewals of items considered to be units of property are charged to the plant accounts. At the time plant is disposed, the original cost plus cost of removal less salvage value of such plant is charged to accumulated depreciation.

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

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

Wabash Valley Power has an agreement with Hoosier Energy REC (Hoosier) that provides for Wabash Valley Power's 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 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% interest in the assets of sgSolutions (See Note 1). Due to its ownership and control of sgSolutions, Wabash Valley Power consolidates sgSolutions resulting in approximately \$29.8 million being included on the consolidated balance sheets in net plant at December 31, 2013 and \$31.8 million at December 31, 2012.

Wabash Valley Power had \$2.1 million and \$0.3 million of capital expenditures recorded in accounts payable – other on the consolidated balance sheets at December 31, 2013 and 2012, respectively.

3. CREDIT FACILITIES

In March 2013, the Company entered into a \$100 million syndicated revolving credit facility that expires in March 2018. 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. The facility bears interest at market rates depending on the term of the borrowing. The \$80 million in existing facilities were cancelled as of March 6, 2013.

There were no borrowings or letters of credit outstanding at December 31, 2013 or 2012.

4. LONG-TERM DEBT

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

(\$ in thousands)		2013	2012
First Mortgage Notes (due in quarterly installments):			
Series 1999-B	7.45%-9.10% due April 2019	\$4,242	\$4,829
Series 2000-A	5.30% thru Jan. 2019, due 2030	3,010	3,119
Series 2000-A	5.30% thru Jan. 2019, due April 2021	3,052	3,375
Series 2001-A	2.90%-8.25%, due July 2027	11,819	12,445
Series 2003-B	6.65%-7.15%, due Oct. 2023	5,717	6,097
Series 2004-A	5.08% due April 2024	90,292	96,651
Series 2004-B	4.59% due April 2019	13,435	15,535
Series 2004-C	6.00% due April 2024	9,335	10,037
Series 2004-D	5.56% due December 2024	22,785	24,810
Series 2005-A	5.25% due July 2025	14,149	15,000
Series 2006-A	6.44%-6.87% due April 2028	21,007	21,930
Series 2007	6.14%-6.24%, due January 2028	132,874	137,700
Series 2009-A	3.77%-7.71% due January 2039 (a)	92,500	92,500
Series 2009-B	7.22% due January 2039	91,804	93,049
Series 2009-C	0%-1.5% due December 2021 (b)	8,062	9,069
Series 2012	1.59%-4.58% due July 2032	57,437	58,187
Tax-Exempt Bonds (due in quarterly installments):			
Series 2010-A	1.30% thru March 2014, due Jan. 2031	36,975	38,075
Promissory Notes (due in quarterly installments):			
	6.70%-7.65% due October 2015	6,175	8,933
	6.55% due October 2016	943	1,219
Unsecured Notes (due in quarterly installments):			
Series 2005	3.95%-6.15%, due July 2025	12,341	13,058
Total long-term debt		\$637,954	\$665,618
Current maturities		29,037	27,663
Total long-term debt – net of current maturities		\$608,917	\$637,955

(a) Due in quarterly installments beginning April 2020

(b) Due in annual installments

The estimated principal payments on long-term debt are as follows:

(in thousands)	
2014	\$29,037
2015	30,097
2016	30,420
2017	31,068
2018	32,508
Thereafter	484,824
Total long-term debt	\$637,954

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wabash Valley Power is required to be a member of CFC in order to borrow from CFC. As a condition of membership in CFC, Wabash Valley Power was required to purchase a total of \$2.3 million of SCTCs from CFC over a fifteen-year period. The SCTCs accrue interest at a rate of 3% annually and are reflected as investments on the consolidated balance sheets.

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

The Promissory Notes are secured by the assets of sgSolutions.

Pursuant to the covenants of the Indenture of Trust, Wabash Valley Power must design rates that shall, on an annual basis, yield a times interest earned ratio (TIER) of 1.0 and a debt service coverage (DSC) ratio of 1.10. Wabash Valley Power's TIER and DSC for the year ended December 31, 2013 were 1.54 and 1.42, respectively.

Under the terms of the Indenture of Trust, Wabash Valley Power may declare and make distributions of patronage capital, provided Wabash Valley Power's aggregate margins and equities as of the end of the most recent fiscal quarter are not less than 20% of Wabash Valley Power's total capital (long-term debt and equity) as of such date. No distributions were made during 2013 or 2012.

During 2013 and 2012, cash paid for interest (net of amounts capitalized of \$0 for both years) was \$37.6 million and \$37.5 million, respectively.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and temporary cash investments, trustee deposits, SCTCs, 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 SCTCs 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, 2013 and 2012, was \$682.6 million and \$774.6 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 those funds at December 31, 2013 for similar terms. 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 swaps 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.

6. MEMBERS' EQUITY AND PATRONAGE CAPITAL

Net margins are allocated to Wabash Valley Power's members as patronage capital pursuant to the provisions of its by-laws. Wabash Valley Power's Indenture of Trust (See Note 4) permits the refund of patronage capital provided Wabash Valley Power's aggregate margins and equities as of the end of the most recent fiscal quarter are not less than 20% of its total capital.

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-Putnam Electric Cooperative, Inc. (Paulding) and Northeastern REMC (Northeastern), elected to invoke the provisions of the Buyout Policy. Paulding's membership will terminate on December 31, 2014 and Northeastern's on June 30, 2015.

The exit of these members will not result in any obligations by Wabash

Valley Power or have a material adverse impact on its operations or cash flows.

7. 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, 2013 and 2012, 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 2013 and 2012 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 2013 and \$42.7 million in 2012. These purchases are reflected in purchased power on the consolidated statements of operations and patronage capital.

8. COMMITMENTS AND CONTINGENT LIABILITIES

LONG-TERM SUPPLY AGREEMENTS

Wabash Valley Power has several long-term power supply agreements which obligate Wabash Valley Power 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 \$630.2 million as of December 31, 2013.

The amounts by year are as follows:

(in thousands)	
2014	\$107,830
2015	\$105,567
2016	\$79,107
2017	\$81,370
2018	\$54,356
Thereafter	\$201,939

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

Amounts paid under long-term agreements were \$343.8 million in 2013 and \$321.6 million in 2012.

ENVIRONMENTAL MATTERS

On December 16, 2011, the Environmental Protection Agency (EPA) issued the Mercury and Air Toxics Standards (the MATS) which will become effective during 2015 with a one-year extension available to companies doing pollution control upgrades. Wabash Valley Power may need to make certain retrofits to Gibson Unit 5 to comply with the standards and is working with the co-owners of the facility to determine the total cost and timing of these future capital improvements. 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 (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. The Court noted that the EPA is expected to continue the Clean Air Interstate Rule (CAIR) program pending the Court’s resolution. At this time, the Company cannot predict the exact timing of a new CSAPR rule by the EPA, nor can it estimate the impact it will have on the cost of operations for Gibson Unit 5, Wabash River Unit 1 or the costs charged by suppliers under the Company’s various power supply agreements.

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. Wabash Valley Power has entered into a guarantee for \$3 million as of December 31, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 operation, fuel purchasing, financial and construction activities. A guarantee for \$6 million has been entered into as of December 31, 2013.
- Guarantee up to \$0.1 million of MISO activities. A guarantee to MISO for \$0.1 million is outstanding as of December 31, 2013.

As of December 31, 2013 and 2012, no liabilities were recorded for these guarantees.

9. LEGAL MATTERS

In the normal course of business, Wabash Valley Power may be involved in various legal matters. Other than those specifically disclosed below, Wabash Valley Power does not expect the resolution of these matters to have a material adverse effect on the consolidated financial statements.

MEMBER LITIGATION

In December 2010, a member of Wabash Valley Power notified the Company of an alleged breach of its All Requirements Contract (ARC) with Company 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.

In February 2013, the Court of Appeals for the 7th Circuit issued an opinion and order remanding the member lawsuit back to state court. The Court concluded the breach of contract claim arose under state law and does not necessarily violate the FERC filed rate so the federal court lacked jurisdiction. The order did not rule on the merits of the case, but rather solely on the court that has jurisdiction over the case. The order requires the Member to continue buying all of its power from Wabash Valley Power under

the terms of the ARC unless FERC rules otherwise. 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.

10. SUBSEQUENT EVENTS

The consolidated financial statements include a review of subsequent events, as that term is defined in FASB ASC 855, through March 14, 2014, the date the consolidated financial statements were available to be issued.

RESTRICTED ASSETS

In January 2014 Wabash Valley Power received \$1.9 million from the Trustee for funds on deposit at December 31, 2013 (See Note 1 - Restricted Assets).

Wabash Valley Power

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