THE WAY WE GROW

2015 ANNUAL REPORT

2015 HIGHLIGHTS

Wabash Valley Power is a not-for-profit cooperative that generates and transmits electricity to 23 electric distribution co-ops—that in turn provide the power for more than 300,000 homes, schools, and businesses—across Indiana, Illinois, and Missouri. **Here are the biggest things that happened in our world in 2015:**

1.

Board of directors hires **JAY BARTLETT** as Wabash Valley Power's CEO.

2.

$15 MILLION in patronage capital returned to our 23 distribution cooperatives.

3.

Decision made to **CEASE OPERATIONS** at the sgSolutions gasification facility and Wabash River steam turbine.

4.

2015 wholesale power costs come in **5%** under budget, leading to lower costs for members.

5.

Holland Energy and the Lawrence Generating station receive **OSHA VPP STAR STATUS** "demonstrating exemplary achievement in prevention and control of safety and health hazards."

6.

Indiana Gov. Mike Pence signs **LAW PROHIBITING MUNICIPAL ELECTRIC UTILITIES FROM ANNEXING** electric cooperative service territory.

7.

RELIABILITY becomes a top priority, with additional investment in transmission and the development of new outage reporting protocols with all transmission owners.

8.

Standard & Poor's reaffirms our **A- STATUS—WITH STABLE OUTLOOK**—rating for 2015.

9.

COMMITMENT TO GROWTH in our local communities is solidified with the creation of our new Economic Development Division.

10.

Retail member participation in our demand-side management programs, PowerShift® and POWER MOVES®, reaches the **50,000-PARTICIPANT** mark.

11.

Our American Customer Satisfaction Index™ survey score hits its highest mark ever—**81 OUT OF 100**. Our retail member survey posts an overall member satisfaction rating of **83—UP 3.8 POINTS** from 2013 and the highest rating in a decade.

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Our investments in landfill gas and wind have kept us from overreliance on any single generation source, and we continue to investigate new and different technologies, including solar.

CHAIRMAN'S MESSAGE

Mike Yankauskas
Chairman

When you think about your electric company, "excitement" isn't usually the first thing that springs to mind. In fact, most people don't think about their electric company at all—and that's usually a good thing. At Wabash Valley Power, we want the electricity we generate and transmit to our distribution cooperatives to be so reliable and affordable that the retail members on the lines don't have to think about it.

Nevertheless, it's an exciting time to be involved with the organization, and it's an especially exciting time to be chairman of the board of directors. It's been an eventful year, and the events of 2015 will affect the way we grow for many years to come.

First and foremost, we hired our new CEO, Jay Bartlett, in October. We had big shoes to fill, as Rick Coons served Wabash Valley Power for 36 years, the last 10 as CEO. Under Rick's watch, we grew dramatically, serving more co-op members, diversifying our generation portfolio through asset acquisition, and establishing the deliberately different approach to our business that has become our organization's hallmark. We're indebted to Rick for his leadership and his vision, and we wish him the best as he starts a new era in his own life.

Jay was an attractive candidate for a number of reasons. He came to us after serving as president and CEO of Prairie Power, Inc., a generation and transmission cooperative based in Springfield, Illinois, so he has a deep understanding of our industry. Prior to joining Prairie Power, Jay was assistant general manager and chief utilities engineer of the municipal utility City Water, Light and Power, also of Springfield, so he understands firsthand how our cooperative business model differs from municipal and investor-owned utilities.

We appreciate the engineering and operational knowledge and focus Jay brings to Wabash Valley Power—he's exactly the kind of smart, well-rounded leader we hoped to find, and we're truly excited to have him on board.

Our deliberately different approach to supplying electricity begins with risk management and the diversity of our power portfolio. While some electric companies have embraced nuclear energy and others have doubled down on coal, Wabash Valley Power continues to diversify its supply options. Our strategy has kept us from overreliance on any single power plant or fuel source, and we continue to investigate new and different technologies. So even though there is uncertainty around federal regulation, we believe we're in an excellent position to continue providing plentiful, reliable, economical electricity to our members, no matter what the future holds.

This was also a year in which we made a clear commitment to the growth of our local communities through an increased focus on local job creation through economic development. The territory served by Wabash Valley Power distribution co-ops is a great place to live and work. And we believe that being a part of an electric cooperative offers a unique advantage to businesses of all types and sizes.

The bottom line is that Wabash Valley Power is well poised for a bright future. The way we've grown is the way we'll keep growing: by serving the needs of our distribution co-ops and the members who count on them every day.

In the past year, Wabash Valley Power worked to bolster relationships with our transmission partners, ensuring the reliably steady flow of electricity to our member distribution co-ops and the retail members they serve.

CEO'S MESSAGE

Jay Bartlett
CEO

It is the time of year we take a quick glance in the rearview mirror, to document our recent performance and determine how we can improve. Much was accomplished in 2015, but resting on our laurels just isn't our style. Our goal is simple: We are here to deliver responsibly sourced, reliable, low-cost electricity for our distribution co-op members, and to do it for the long run. We are successful when our members are healthy, prosperous, and productive.

The people of Wabash Valley Power are a stubborn lot, unsatisfied with the status quo and unwavering in their determination to be better. They are not afraid to look at problems a bit differently to produce positive results. They are willing to tackle new challenges and to re-attack old challenges in the pursuit of excellence. Lowering costs, improving reliability, and using resources wisely are more than our job: These goals are our passion.

Rick Coons chose 2015 as the year to pass the leadership baton forward with the organization on solid, fertile ground, well equipped for the future. Due to Rick's leadership, the tenacity of the people at Wabash, and the desire of the board of directors to build upon Wabash's solid foundation, the transition has been seamless.

An essential element of delivering on our promise is providing electricity at a competitive and stable price. We would love to have a working crystal ball, but we don't have one. Instead, we continue to build a highly diversified portfolio of energy resources that performs well in the face of a constantly evolving and complex business environment. We pride ourselves in never taking our eyes off both the costs and risks associated with our energy supply resources.

We do this by continually pruning our resource portfolio to ensure it is growing straight and strong, able to withstand the occasional economic, regulatory, and technological storms that are certain to happen. In 2015, we pushed to add additional electricity production from landfill gas and wind resources. We also began the transition away from the burning of petroleum coke and toward producing electricity by repurposing existing turbines to utilize natural gas.

The transmission of energy is another essential part of meeting our promise. Moving the energy from our supply resources to those we serve across Indiana, Illinois, and Missouri is a highly collaborative effort. Wabash Valley Power works closely with our member distribution cooperatives and a myriad of others to orchestrate this process 24 hours a day. During the past year, we have focused on bolstering our engineering expertise, deepening our relationships with other transmission providers, and mitigating the financial risks associated with the transmission of electricity.

We also have intensified our look forward, placing laser-like focus on leveraging new technologies to improve reliability, to lower costs, and to create new options for our members. Wabash Valley Power's POWER MOVES energy efficiency program has continued to be a great success, and we'll be deploying the best of what the "smart grid" has to offer in increased reliability and enhanced options for controlling costs.

Overall, 2015 was another step forward in our journey to excellence—a journey taken on behalf of those we serve with passion, a willingness to think outside boundaries, and a relentless dedication to improving our performance. We exist solely to execute the mission of serving our members by delivering low-cost and reliable energy, now and into the future.

That's what helps everyone grow, and that is how we grow.

OUR DISTRIBUTION

Co-op Members

WABASH VALLEY POWER

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 COOPERATIVE**
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

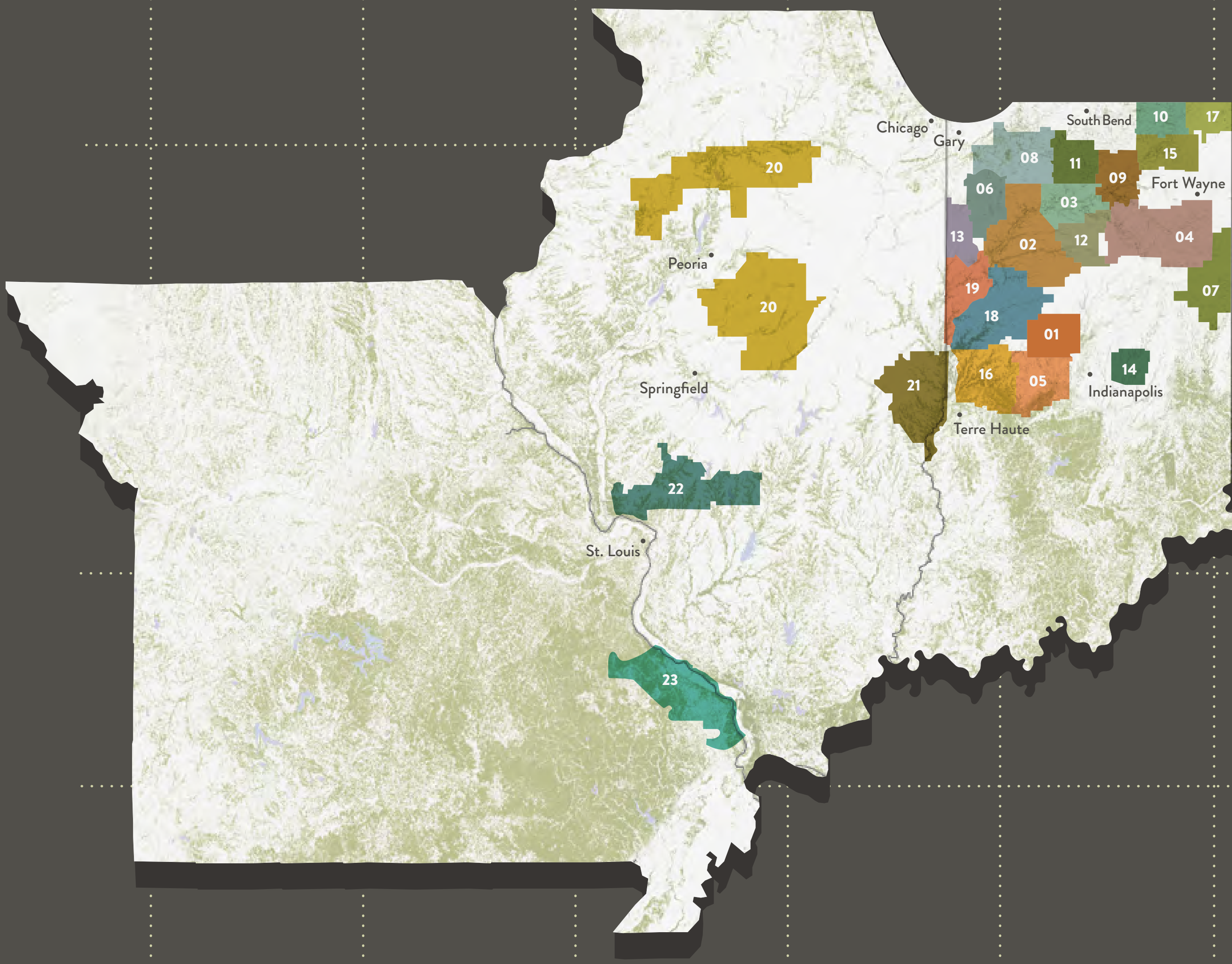
20 **CORN BELT ENERGY**
Bloomington, IL

21 **ENERSTAR ELECTRIC COOPERATIVE**
Paris, IL

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

MISSOURI

23 **CITIZENS ELECTRIC CORPORATION**
Perryville, MO



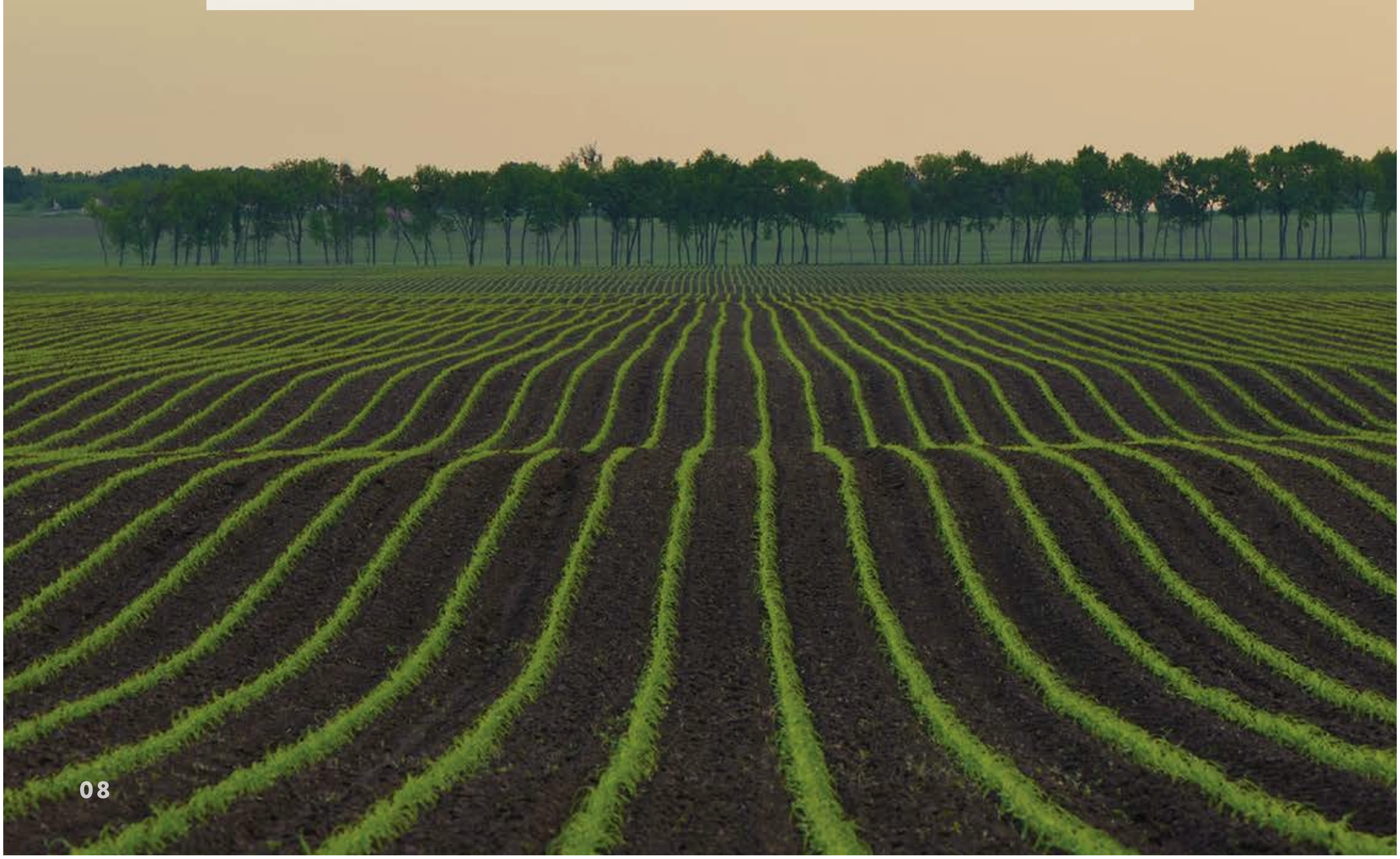
Wabash Valley Power generates and transmits electricity to 23 electric distribution cooperatives across three states. Our cooperative model of business means we serve not customers, but *members*, banded together to bring reliable, affordable electricity to everyone.

THE YEAR IN REVIEW

Here in America's heartland, we know a thing or two about growing. It's a way of life—a way of looking at the future and seeing something larger. Something valuable. Something worth protecting and celebrating.

At Wabash Valley Power, growth isn't just about how much electricity we provide. It's about the growth and well-being of the communities we serve. It's about the expanding and new ways we support our distribution cooperatives. It's also about our own internal growth—the growth of our knowledge base and our skills and our understanding of the volatile, ever-evolving business we're in.

THIS IS THE WAY WE GREW IN 2015.



SMART. NIMBLE. DELIBERATELY DIFFERENT.

How do you prepare for an uncertain future? We're not sure how everybody does it. But at Wabash Valley Power, we think you invest in people. You hire great people and provide opportunities to keep learning to meet the changing needs of your industry.

You get smart. You take advantage of all the market intelligence you can get your hands on. You gain a deep understanding of your environment. You back up every decision with data. You find out how technology can make a difference, and you employ it for all it's worth.

You understand that the pace of your business is faster than ever, and it's not going to slow down any time soon. You stay nimble. You build flexibility into everything you do, so you can change when you need to change. You use all the resources at your disposal to make smart decisions.

In 2015, we could see some of our past decisions come to fruition. Despite a year of unexpectedly mild weather, our supply flexibility enabled us to reduce costs in our wholesale portfolio by nearly 5 percent, leading to lower electricity costs for the retail members and a 1 percent rate decrease for 2016. So although our revenue was lower than anticipated, we were able to keep wholesale rates competitive, even in an era of rising costs in our industry.

This portfolio flexibility has been key to dealing successfully with the multiple risks that come our way. We have continued to diversify the generation assets we own, and to use our expertise in purchasing electricity on the wholesale power market, to foster rate predictability for our members.

In 2015, we implemented a new daily portfolio performance tool that gives us increased visibility into how the portfolio is performing on a near-real-time basis, allowing us to implement proactive cost containment strategies. We don't have to manage by looking backward; instead, we look forward to highlight opportunities.

With energy prices dropping to levels seen a decade ago, we sought opportunities this year to purchase future power needs, completing fixed-price purchases to help meet member needs in the years 2018 to 2025. Continually looking ahead to hedge future energy requirements with low-cost power will bring rate stability to everyone we serve.

With natural gas prices in steady decline for the foreseeable future, our board also made the decision to cease operations at both our synthetic gasification plant and steam turbine at our West Terre Haute, Indiana facility. The remaining turbine at the site will be modified to run solely on natural gas. To fill the void in the supply portfolio, we will stick with our approach of multiple sources for replacement, which will include renewable* options in both landfill gas and wind.

In November, we marked the establishment of our 16th landfill gas generation plant with the regulatory approval of Liberty III in White County, Indiana. The plant is slated to be completed by the summer of 2016 and brings our total landfill gas-to-electricity program to nearly 50MW—one of the largest initiatives of its kind in the Midwest. Our board of directors also approved the purchase of an additional 25MW of wind energy from Meadow Lake Farm V, also located in White County.

Throughout the year, Wabash Valley Power monitored upcoming environmental regulations that could affect our supply costs. And while we know changes are ahead, particularly related to coal resources, we anticipate that by 2018 our supply portfolio's exposure to coal will be under 45 percent. Our commitment to a deliberately different risk management strategy has positioned us for growth and stability, no matter what the future holds.

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

Keeping it safe. Keeping it compliant.

Working with electricity is inherently dangerous. Wabash Valley Power's safety program helps both our employees and our business partners avoid potential injury.

We take safety seriously, and it showed again in 2015:

- **WABASH RIVER COMBINED CYCLE: 11 YEARS WITHOUT AN OSHA RECORDABLE ACCIDENT.**
- **HOLLAND ENERGY, LLC COMPLETED ALL OF 2015 WITHOUT AN OSHA RECORDABLE ACCIDENT AND ACHIEVED OSHA VPP STAR RECERTIFICATION.**
- **LAWRENCE COUNTY ACHIEVED OSHA VPP STAR CERTIFICATION.**
- **IN ADDITION, 2015 WAS ANOTHER YEAR OF MEETING NATIONAL REQUIREMENTS TO KEEP OUR BULK POWER SYSTEM RELIABLE, AS BOTH HOLLAND ENERGY AND WABASH VALLEY POWER RECEIVED PERFECT COMPLIANCE RATINGS.**

FOCUSED ON RELIABILITY.

In 2015, Wabash Valley Power increased emphasis on our own transmission assets and those of other transmission owners. We stepped up our investment in the Indiana Joint Transmission system and made organizational changes to emphasize how our work with other transmission owners affects our system. We also developed shared outage protocols to enhance the visibility of the transmission grid throughout our service territory, thus enabling restoration crews to react more quickly and efficiently.

To further enhance reliability for our distribution cooperatives, Wabash Valley Power has initiated and will coordinate the new transformer and mobile substation program. This program will help to ensure that, should there be outages anywhere in the system, we can respond quickly with necessary equipment and temporary power.

REMOVING BARRIERS TO GROWTH.

One significant barrier to our growth was eliminated in April 2015. Through the diligent efforts of cooperatives throughout Indiana, the Indiana legislature passed, and Indiana Gov. Mike Pence signed into law, Senate Bill 309, which preserved existing electric service area boundaries that once were subject to municipal annexation. Passage of this new law is proof of what cooperatives can do when we work together, and it paves the way for continuing growth in the areas we serve. It gives our co-ops the confidence to make growth plans surrounding the infrastructure needed to be competitive in bringing in new businesses and jobs to their communities.

In February 2015, with our board's full commitment, we began to expand on our dedicated growth strategy, leveraging economic development, energy efficiency, and marketing opportunities to enhance the bottom line of our existing business members and attract new development to our service territory. The expansion of our economic development team to include professionals experienced in workforce development, infrastructure planning, and site development and promotion brings a new level of expertise that will make a difference in how we grow.

LIVING THE COOPERATIVE SPIRIT.

In July, the board voted to return $15 million in patronage capital to our member co-ops. Many of the co-ops used these funds for equipment and operations improvements; others chose to pass on the return to their members. It's a sign not only of our strength as an association, but also of our commitment to the co-op principles that guide our work.

The cooperative business model is about helping members, not about returning a profit to stockholders. With this in mind, our demand-side management initiatives—designed to help members save energy and money—have now reached over 50,000 participants. Growing our demand-side management programs will help us keep electricity more affordable for all members. Demand-side management is yet another tool cooperatives enlist to help retail members save money and keep overall power supply costs low. Whether we are installing devices to help shift usage from expensive times of day to less expensive times, or providing incentives to install more efficient equipment, Wabash Valley Power is enabling controlled, responsible growth for all our members—clear proof that sometimes the way to grow is actually to save.

TOWARD A GROWING FUTURE.

In the fall, we said goodbye to our longtime leader Rick Coons, and we welcomed Jay Bartlett as our new CEO. Rick guided the organization's transition from a primarily market-based supplier with limited owned assets to the 15th-largest G&T in the country. Jay has the vision and the energy to keep reshaping the organization to meet the demands of an evolving industry and to continue on our path toward creating a rural renaissance in the heart of America.

It's a deliberately different approach to business. We're focused not on profits, but on the common good of the people. We understand that by keeping our fundamentals strong, and by keeping electricity reliable and affordable, we're well-positioned for the future.

The way we grew in the past may not be how we expand in the future—but that, too, is the secret to Wabash Valley Power's success. We're not waiting to see what happens. We're working actively to be the best electric company in America, and we're ready for whatever comes our way.

Securing the system in the cyber age.

Cyber security was paramount in the minds of our Technical Services group in 2015. Throughout the year, we worked with our distribution cooperatives to develop and implement a comprehensive cyber security strategy—assessing current systems and enhancing system design and functionality.

Wabash Valley Power's responsibility to move electricity across the grid means security is always a high priority. In the years ahead, we'll continue to prioritize security and help our distribution co-ops keep our systems safe.

THE WAY WE GROW

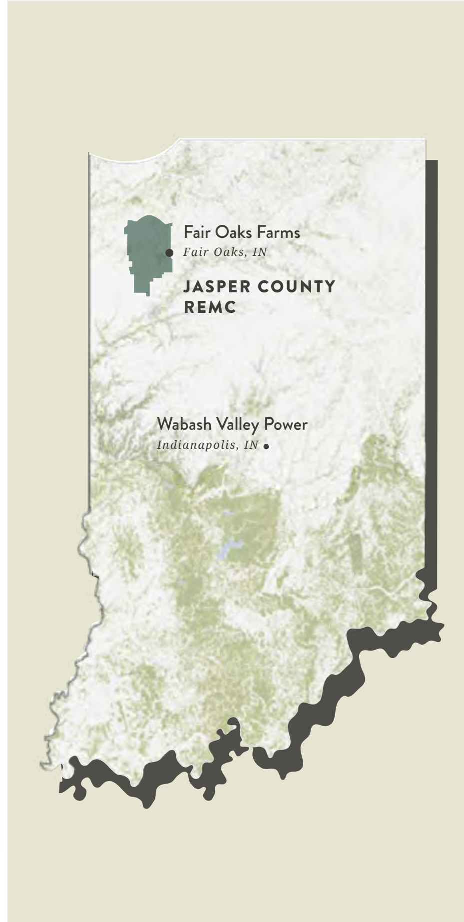
Fair Oaks Farms in Fair Oaks, Indiana, is a working dairy farm that has become one of Northern Indiana's top tourist attractions.

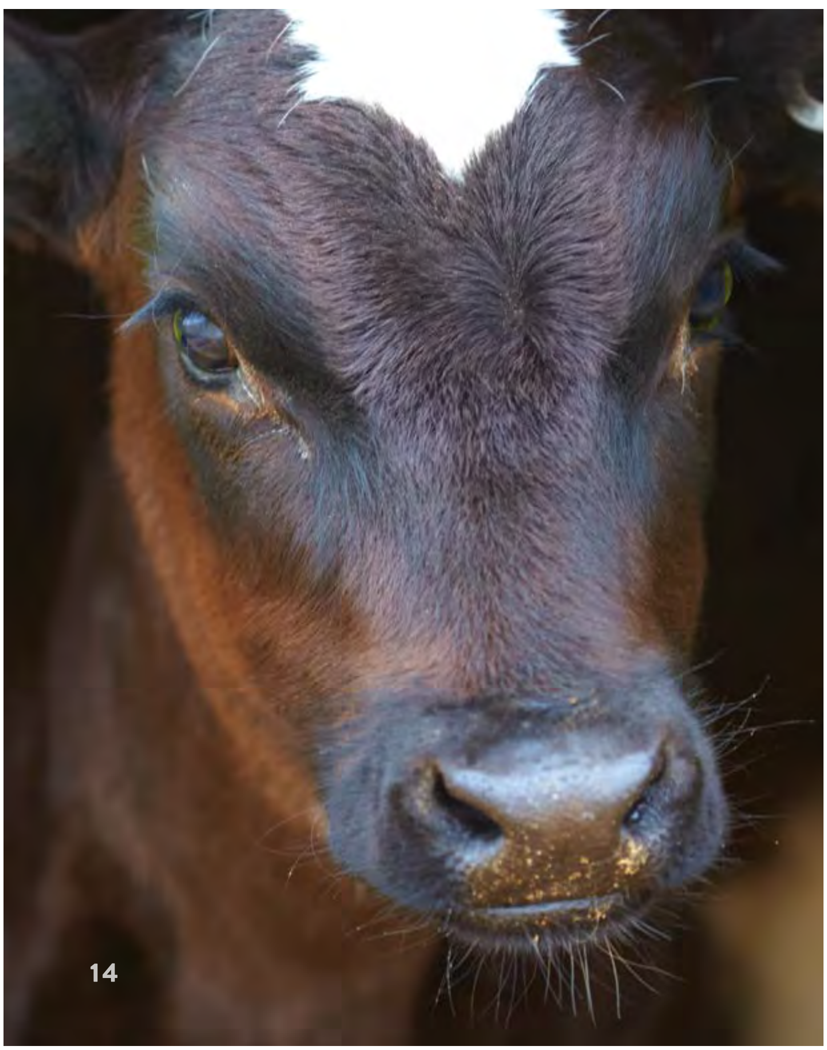
At Wabash Valley Power, we've been in the electricity business for more than 50 years. But members still surprise us every day.

Who would have guessed that a dairy farm would one day grow into a major tourist destination? That someone's custom car hobby shop would blossom into a business employing more than 200 people? That a rural electric co-op would expand to provide its members with more sophisticated, cutting-edge services? Or that, through years of ups and downs in the auto business, one Midwestern facility would thrive—in part due to an ongoing partnership with its electric cooperative?

Our world changes all the time. But our deliberately different approach means that no matter how our members grow, we're ready to serve them with reliable, affordable electricity.

Because when it comes right down to it, we are our members. That's the beauty of being a co-op. This is the way we grow.


Fair Oaks Farms
Fair Oaks, IN
JASPER COUNTY REMC
Wabash Valley Power
Indianapolis, IN



Fair Oaks Farms offers visitors a glimpse into the world of dairy farming. An on-site restaurant and store let them sample what they've seen.

GETTING UP-CLOSE AND PERSONAL WITH YOUR MILKSHAKE

FAIR OAKS FARMS GROWS A WORKING DAIRY FARM INTO A BIG AGRITOURISM DESTINATION.

In an era in which only 1 percent of the U.S. population works in production agriculture, people can pretty quickly lose touch with what it takes to put food on their table.

So the founders of Fair Oaks Farms—a Jasper County REMC member that opened in 1999 as a production dairy farm—came up with an ingenious idea: Why not invite the public and give them an opportunity to get up-close and personal with their food?

Gary Corbett is Fair Oaks' CEO and one of its founders. "A lot of our visitors have seen lions, tigers, and bears but never cows and pigs," Corbett said. "Now we're bringing in more than a half-million people each year, giving them context for where that gallon of milk or pork chop comes from."

Visitors can tour the farm's milking facility, stables, and birthing center, and they can get a taste of its meat and dairy products in the Farmhouse Restaurant, market and bakery, and gift shop. But what might surprise them most is Fair Oaks Farms' entrepreneurial spirit, clearly displayed by its commitment to sustainability.

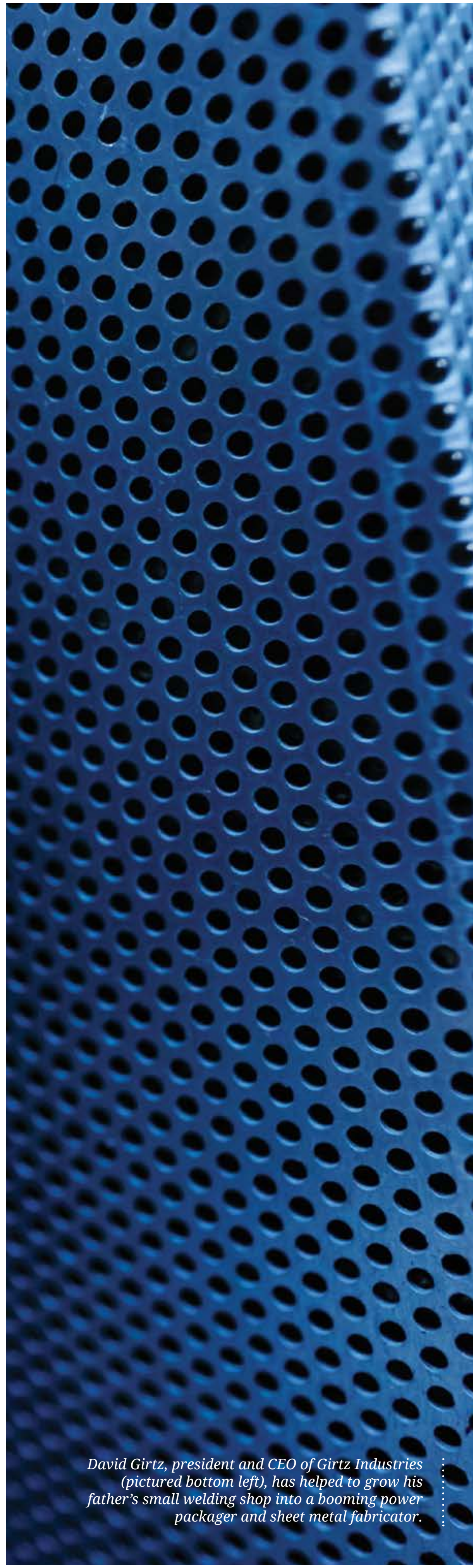
How? By "making rocket science of manure management"; that is, processing the phosphorus in manure for use as fertilizer, and the methane to make electricity and compressed natural gas (CNG) that powers one of the largest fleets of CNG delivery trucks in the country.

"It means a 90 percent reduction in our carbon footprint and brings a cost savings of about $2 per gallon," Corbett said. "And a side benefit, Cummins—which is right here in Indiana—is the biggest producer of CNG engines right now."

That kind of ingenuity has led Fair Oaks Farms to keep growing. Expect a hog education facility to open soon, and a crop education center in early spring. There's a craft center on the horizon, a John Deere equipment museum, a new lunch facility for the 75,000 school and camp kids who come through each year, and an egg-laying facility. Probably a convention center and inn. Certainly a concert facility.

Still, the animals are the main attraction. "We didn't think that agriculture could keep its attitude that the world ends at the farm gate, and we wanted to develop a new paradigm as best we could," Corbett said.

Mission accomplished. Fair Oaks Farms is empowering visitors to understand how food gets from rural America to all kinds of dinner tables in all kinds of households across the nation and around the world. It's also an economic development success story—proof that all kinds of big dreams and great ideas can thrive here—a deliberately different approach to business that's right at home on Jasper County REMC's lines.



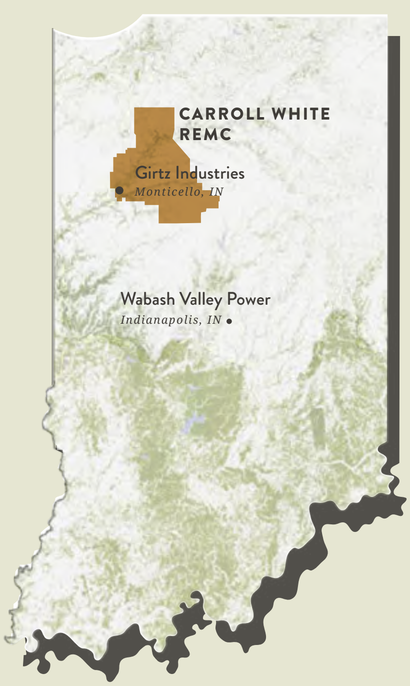
David Girtz, president and CEO of Girtz Industries (pictured bottom left), has helped to grow his father's small welding shop into a booming power packager and sheet metal fabricator.

CHANGE. GROW. REPEAT.

HOW THE GIRTZ FAMILY GREW AN ANTIQUE-CAR HOBBY INTO A POWERFULLY THRIVING BUSINESS.

For Girtz Industries, a member of Carroll White REMC in Monticello, Indiana, 2015 was a record-setting year. Business is booming at this power packager and sheet metal fabricator that employs nearly 200 people in its 107,000-square-foot facility. Not bad for a company founded as a small welding shop repairing farm equipment for local growers.

David Girtz grew up with the business. "My father started the business 53 years ago, when I was born," he said.



Elmer Girtz was a skilled welder who also loved antique cars. In his shop, he started making parts for Model A Fords and other classics. His ingenuity in part-making led him to create his own production methods—and that led to opportunity for the entrepreneur. With the capacity to offer metal fabrication for local manufacturers, Girtz Industries grew both its reputation and its bottom line.

Today, David Girtz is president and CEO of the company his father founded—and the business has changed again. Now focused primarily on building electric power packaging equipment and accessories, Girtz Industries is still growing and providing even more great jobs on the shores of beautiful Lake Shafer—a prime tourism destination for visitors from across the Midwest.

"The model my dad established worked well with 10 employees, but by the time we were at 40 or 50, I saw how we needed to expand," said Girtz. "And it's still true that we're always searching for ways we can work smarter and save on overhead and production costs."

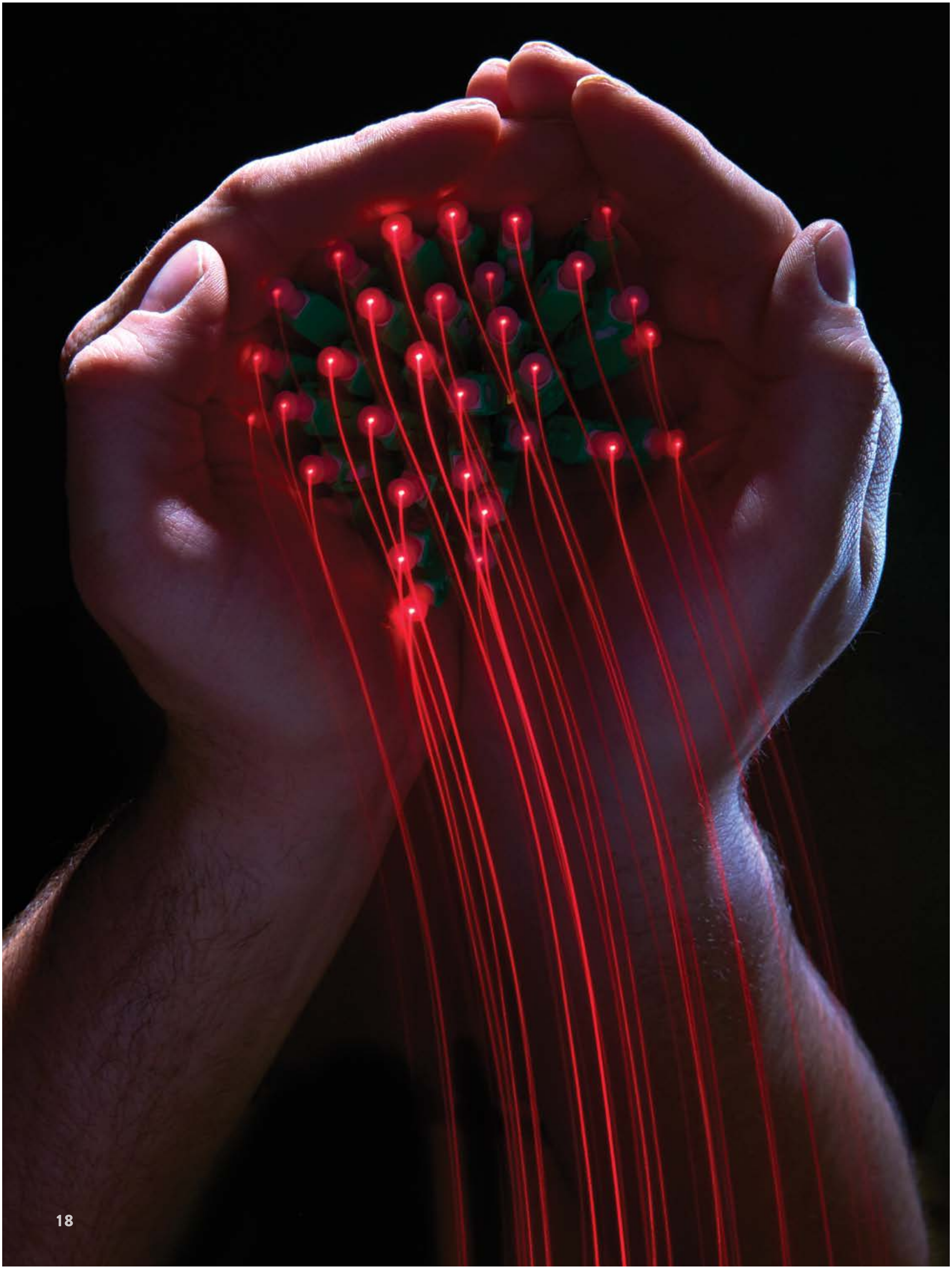
That search led Girtz Industries to seek out innovative ways to save on electricity. With the help of Carroll White REMC, they found the Industrial Assessment Center, part of the Purdue University School of Engineering and Technology. The center, one of 24 across the United States, exists to educate and to help small- and medium-sized companies—those who don't have the capacity for an energy-efficiency staff—find ways to use energy more efficiently.

The Industrial Assessment Center conducts free eight-hour energy audits to study how companies are using energy and where they're using more than they need. Their detailed reports, which also evaluate a company's past year of energy usage, lead to an average 20 percent reduction in energy use.

For Girtz, it led to a sleeker, more efficient operation, allowing the company to keep its focus on innovations and opportunities in the wind turbine and solar markets.

It's all part of the benefit of working with Carroll White REMC—an organization that's not only providing electric power, but also working to strengthen the community by helping businesses find ways to stay competitive. Girtz appreciates the relationship he has with his co-op.

"In all honesty, they've been a great partner over the years," said Girtz. "They're responsive, offer great rates, and always work with us. Being a member-owned co-op makes all the difference."



STAYING NINE STEPS AHEAD

NINESTAR CONNECT IN GREENFIELD, INDIANA, MADE HISTORY AS ONE OF THE ONLY MERGED ELECTRIC AND TELECOM COMPANIES IN THE COUNTRY. NOW THEY'RE DOING IT AGAIN.

No one can accuse NineStar Connect of being ordinary. The co-op is the result of a historic 2011 merger between Hancock Rural Telephone Corporation and Central Indiana Power, and it is one of only two companies in the nation—the other being in a remote region of Alaska—that provides both electric and telecom services. Now they're poised to make history again by adding water and sewer services to their offerings.

"From our perspective, we want to be a complete rural utility, and that has to include water and sewer," said Michael R. Burrow, NineStar Connect president and CEO. "We're not just stopping with electric and communications. We are deeply committed to being there with essential services."

It's a step that's as surprising as it is logical, given their post-merger success. If anything, being a combined electric and telecom utility has allowed NineStar Connect to go above and beyond for the people they serve.

"It's really been a great thing for our co-op—and for our members and customers. It's allowed us to offer them not just electric services, but also telephone, television, security services, and more—all with the advantages of a co-op that's working to keep their costs down," Burrow said.

With smart meter technology afforded by fiber optic cable, NineStar Connect lets members monitor their own electric usage.

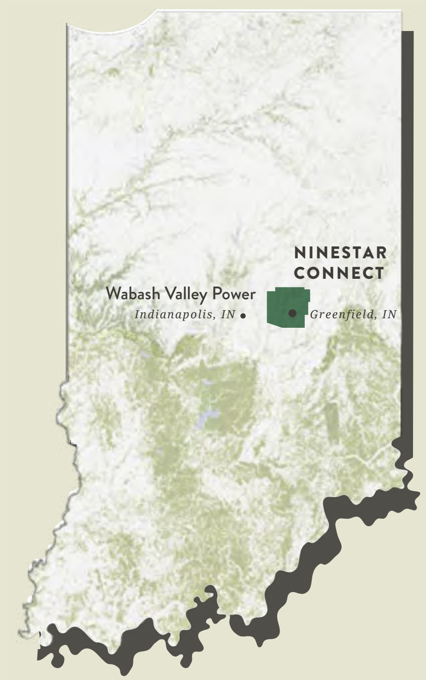
As one example of the co-op's ingenuity, NineStar Connect took advantage of its existing electric infrastructure to introduce fiber optic cable to members. Fiber is great for fast Internet and dependable video and security services—but it also allows for smart meter technology that lets members take charge of their electric bills.

"With the smart meters, instead of looking at your usage once a month, we're taking meter readings about once an hour," said Burrow. "People can log in to their accounts and examine their usage on an hour-by-hour basis and adjust how they're using electricity in their homes."

This growth and innovation has been supported by Wabash Valley Power's reliable supply of cost-effective wholesale electricity.

"What Wabash Valley Power does for us is absolutely critical," said Burrow. "We need a steady power supply at an affordable and stable price. If we had to worry about our power supply, that could be a major problem, but we don't."

And reliability has become something of a calling card for NineStar Connect, which serves residents of Hancock County and parts of Hamilton, Madison, and Rush counties, just east of Indianapolis. In addition to providing power and telecom services to nearly 16,000 members, they also provide telecom services to an additional 4,500 non-member customers.



Because the co-op has proven so resilient, Burrow feels confident about their venture into wet utilities. It's a reflection of the co-op's entrepreneurial spirit, and one that could kick off a new wave of economic development in underserved areas.

"We're looking for areas with limited access to what we believe are essential services," explained Burrow. "Then we'll begin making investments to kick-start economic development initiatives. The great part about the co-op business model is that making a profit isn't our top priority—serving members is—and that gives us a unique perspective on growth."

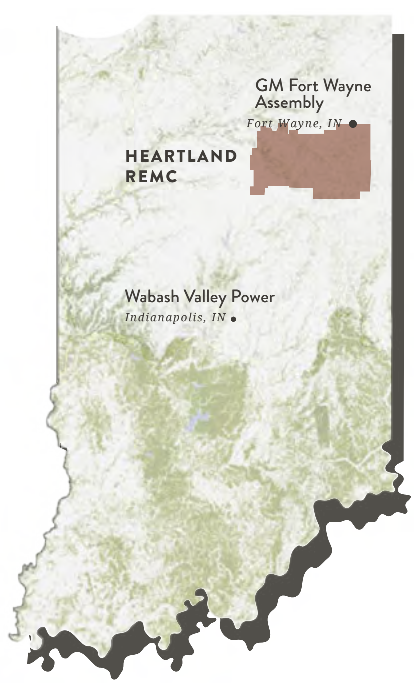
The employees of GM's Fort Wayne Assembly just celebrated a major milestone: the completion of their seven millionth produced vehicle. Innovative energy strategies have helped Fort Wayne Assembly work smarter and keep costs down.

KEEP ON TRUCKING

GM'S FORT WAYNE ASSEMBLY IS QUICK, SMART, AND LEAN.
NOT BAD FOR A 30-YEAR-OLD.

It's no secret that, over the last 30 years, the auto industry has had its ups and downs. Yet General Motors' Fort Wayne Assembly has, since 1986, not only survived—it has positively thrived. The 3.3-million-square-foot facility that produces full-sized pickup trucks just received a $1.2 billion investment from GM to support its growth.

"The company's been through tough times," said Dave Shenefield, Fort Wayne Assembly's site utility manager, who's been there for all 30 of those years. "But we were able to prevail for the right reasons. We build the trucks at a very economical cost for the company, and we work very efficiently."



Some of that efficiency has come through automation, such as innovations in the robotics that now paint trucks and handle sheet metal. But improved efficiencies also can be found in the way Shenefield has worked with Heartland REMC to reduce electricity expenses.

"GM always hopes to partner with utility companies to find savings," said Shenefield. "But with Heartland REMC, the reaction time to our needs has been so quick that their work has been recognized throughout the entire GM corporation."

That work includes the co-op's POWER MOVES efficient lighting program, which Shenefield describes as a win-win. "Receiving incentives really helps us to implement these projects, and it helps the utility company keep their costs down by reducing our overall load and usage," he said.

The lighting program was followed up just last year with the installation of variable frequency drive pumps for the plant's Weld Water system, which is vital to the plant's production process.

"We worked with Heartland REMC's POWER MOVES team throughout the whole project," said Shenefield. "They checked the validation up front, were with us through the installation process, and helped right through verification at the end."

This attentiveness and service is, in Shenefield's eyes, a feature of the co-op model.

"I call the co-op model 'the neighborhood approach,'" said Shenefield. "They want to take care of us, and they want to do what's right for us. Even as big as we are, they have applied every bit of their expertise to help us achieve our goals."

And there's more growth to come. That big investment from GM will add a 900,000-square-foot body shop, a 400,000-square-foot pre-treatment and electro-deposition facility, more production space, and a sequence center.

It's a lot of change—and it shows what's possible when dedicated people work together.

"We've got a good work force up here," Shenefield said. "People want to work hard and do the right things."

2015
BOARD OF DIRECTORS

FRONT ROW (L TO R):

Jerry Peevler (Tipmont REMC), **Doug Burnworth** (Noble REMC), **Wayne Gingerich** (Steuben County REMC), **Rob Angus** (Corn Belt Energy), **Dennis Burton** (Fulton County REMC), **Mike Conner** (Warren County REMC), **Mike Yankauskas** (Kankakee Valley REMC)

MIDDLE (L TO R):

Danny Gard (EnerStar Electric), **Skip Lottes** (Citizens Electric Corporation), **Phil Hayes** (NineStar Connect), **Milton Rodgers** (Carroll White REMC), **Jeff Hampshire** (LaGrange County REMC), **Jim Savage** (Miami-Cass REMC), **Alan Schlagenhauf** (Heartland REMC), **Bob Lehmann** (M.J.M. Electric)

BACK (L TO R):

Jon Rettinger (Marshall County REMC), **Hal Truax** (Hendricks Power), **Tony Fleming** (Kosciusko REMC), **Bart Nesius** (Jasper County REMC), **Dennis Edmonds** (Newton County REMC), **Doug Brown** (Parke County REMC), **Noel Kendall** (Boone REMC), **Ken Denton** (Jay County REMC)

2015
EXECUTIVE BOARD

FRONT ROW (L TO R):

Wayne Gingerich, Mike Yankauskas, Mike Conner

BACK ROW (L TO R):

Phil Hayes, Ken Denton, Noel Kendall

2015
EXECUTIVE GROUP






TOP (L TO R):

Jay Bartlett, Greg Wagoner, Lee Wilmes

BOTTOM (L TO R):

Kathy Joyce, Curtis Taylor, Jeff Conrad

2015
CORPORATE INFORMATION

CHIEF EXECUTIVE OFFICER

Jay Bartlett
President & Chief Executive Officer

EXECUTIVE STAFF

Greg Wagoner
Vice President, Transmission Operations and Development

Lee Wilmes
Vice President, Power Supply

Kathy Joyce
Vice President, Member and Corporate Relations

Curtis Taylor
Vice President, Technical Services

Jeff Conrad
Chief Financial Officer

2015 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 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.

RETAIL MEMBER SATISFACTION

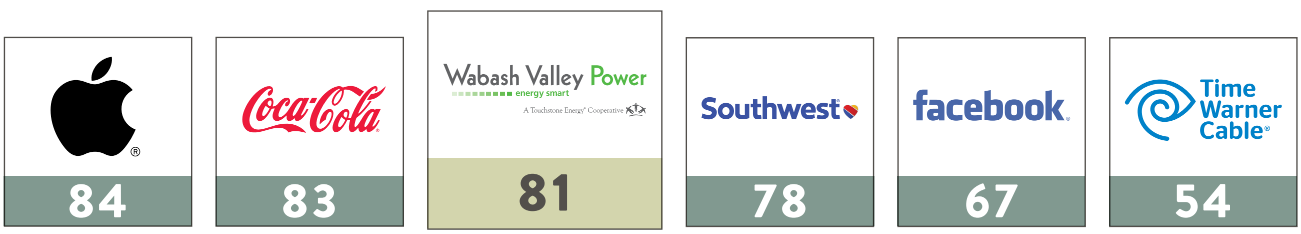
WITH THEIR DISTRIBUTION CO-OPS

The people of Wabash Valley Power work hard to support our member distribution co-ops—because we know how much their retail members depend on them for reliable, affordable electricity to power their lives.

That's why we're so pleased to see how satisfied those members are with their local co-ops. Our co-ops have sterling reputations in their communities—better than some of America's most beloved brands, and better than most other electric companies. It's proof that we're living our mission, all the way down the line.

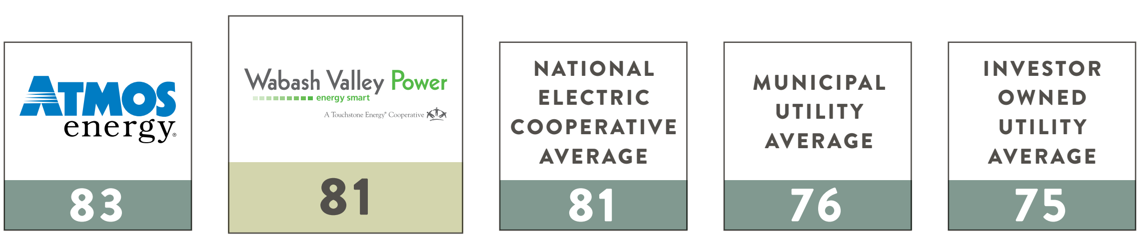
HOW WVPA CO-OPS COMPARE TO NATIONALLY KNOWN COMPANIES*

ACROSS VARYING INDUSTRIES**



HOW WVPA CO-OPS COMPARE TO ENERGY UTILITIES*

ACROSS THE COUNTRY**



*WVPA member satisfaction survey conducted in 2014.
**According to the 2014 American Customer Satisfaction Index.

2015 FINANCIAL REPORT

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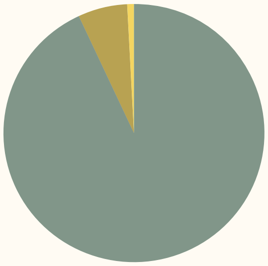
MEMBER
INFORMATION

Wabash Valley Power's member cooperatives are built on a stable base of residential customers, and both revenues by class and usage by rate classification have remained consistent from year to year. Despite the impact weather can have on energy sales, particularly the residential sector, revenue from residential customers remains the largest and most stable component of total revenues.

MEMBER
COOPERATIVE SUMMARY

Sales to Members	**8.5 million megawatt-hours**
Total Assets	**$1.5 billion**
Equity as a % of Capitalization	**59.8%**

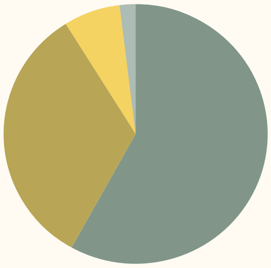
MEMBERS
BY RATE CLASSIFICATION



Residential	**93%**	**290,500**
C&I	**6%**	**18,500**
Other	**1%**	**2,000**

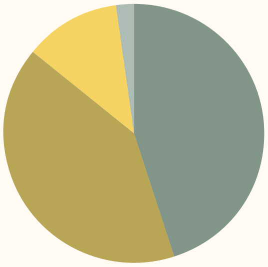
MEMBER
INFORMATION

REVENUE
BY RATE CLASSIFICATION



Residential	**57%**
Other C&I	**34%**
Large Industrial *(pass-thru loads)*	**7%**
Other	**2%**

USAGE
BY RATE CLASSIFICATION



Residential	**45%**
Other C&I	**41%**
Large Industrial *(pass-thru loads)*	**12%**
Other	**2%**

GENERATION & TRANSMISSION

ASSETS

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
Clinton	Clinton, IL	3.2	3.2	Landfill gas	Baseload
Holland Energy	Beecher City, IL	627	313.5	Natural gas	Intermediate
Vermillion Station	Cayuga, IN	640	240	Natural gas	Peaking
Lawrence Station	Mitchell, IN	258	86	Natural gas	Peaking
TOTAL			**1,104.7**		

Miles of Transmission Lines	Miles of Distribution Lines	Number of Substations
446.9	16.8	66

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 subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 14, 2016

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, 2015. 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 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.

NOTABLE EVENTS

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 which was previously served as a member pass-thru load. Effective July 1, 2015, the large industrial customer began 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 impact comparative results year over year for revenues and energy sales.

In July 2015, the Company returned $15 million of patronage capital to members.

In November 2015, the Board of Directors voted to retire certain assets at Wabash River Station and to cease operations at sgSolutions in 2016. Wabash Valley Power requested regulatory approval from FERC to recover all costs associated with the retirement and closures and amortize the balance into rates over a period not to exceed 15 years. The Company expects a response from FERC in March 2016 (see Note 4 to consolidated financial statements).

RESULTS OF OPERATIONS

Revenue and energy sales are summarized in the following table:

(in thousands)	Years Ended December 31 2015	2014	% Change
OPERATING REVENUES			
Member cooperatives	$572,262	$614,998	(6.9%)
Member - other	43,625	70,502	(38.1%)
Non-member	120,176	126,739	(5.2%)
Other	4,574	4,053	12.9%
TOTAL	**$740,637**	**$816,292**	**(9.3%)**
ENERGY SALES (MWH)			
Member cooperatives	7,434	8,002	(7.1%)
Member - other	1,092	1,631	(33.0%)
Non-member	2,801	2,865	(2.2%)
TOTAL	**11,327**	**12,498**	**(9.4%)**

Member - Cooperatives

Both revenue and energy sales from member cooperatives decreased largely due to the exit of Northeastern. A mild winter in 2015 also contributed to the decreases with 2015 heating degree days being 16.1% lower than in 2014. The decrease in revenue also includes lower purchased power costs related to a reduction in volumes purchased under contract.

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 planned exit on June 30, 2015. The decrease also reflects a 3.8% decrease in energy sales.

Non-Member

Both non-member energy sales and revenue decreased year over year due mainly to lower power prices resulting in less revenue on market sales.

Other

Other revenue increased in 2015 as compared to 2014 due to higher transmission revenue received under the terms of a joint transmission system (JTS) ownership agreement.

MANAGEMENT'S

DISCUSSION AND ANALYSIS

Operations

Operating expenses are summarized in the table below:

	Years Ended December 31		
(in thousands)	2015	2014	% Change
Power Supply*	$556,560	$641,672	(13.3%)
Plant O&M	82,901	76,038	9.0%
Depreciation	36,855	35,730	3.1%
Other	14,832	14,338	3.4%
TOTAL	**$691,148**	**$767,778**	**(10.0%)**

**Includes purchased power, fuel and transmission costs*

Operating expenses decreased $76.6 million, or 10.0%, during 2015 as compared to 2014. The primary driver is lower purchased power costs. With reduced member load due to mild weather in 2015, Wabash Valley Power was able to utilize the flexibility in its portfolio and purchase less contract power from suppliers. Lower market prices during 2015 also contributed to the decrease in costs.

CAPITAL RESOURCES

Summary balance sheet information is presented below:

	Years Ended December 31		
(in thousands)	2015	2014	% Change
ASSETS			
Net Plant	$736,410	$684,535	7.6%
Current	200,622	210,365	(4.6%)
Non-current	86,427	26,863	221.7%
TOTAL	**$1,023,459**	**$921,763**	**11.0%**
LIABILITIES			
Capitalization	$822,270	$782,437	5.1%
Current	133,761	125,073	6.9%
Non-current	67,428	14,253	373.1%
TOTAL	**$1,023,459**	**$921,763**	**11.0%**

Net Plant increased 7.6% year over year, reflecting expenditures associated with environmental compliance at Gibson Station and the continued investment in transmission assets under the terms of the JTS.

Deferred Credits increased $53.2 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 Deferred Charges as Wabash Valley Power has regulatory authority to defer all unrealized gains and losses on derivative contracts until such time contracts are settled and recognized in earnings as a gain or loss.

Wabash Valley Power's capitalization increased $39.8 million. Patronage capital equity increased $3.0 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 $80 million, offset by the repayment of $30.0 million of long-term debt and the early retirement of $13.3 million of debt.

Liquidity

In addition to $60.5 million of cash and cash equivalents on hand at December 31, 2015, Wabash Valley Power has a $160 million syndicated revolving credit facility. There were no amounts outstanding as of December 31, 2015 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, 2015, the Company was in compliance with all of these covenants. Additionally, Wabash Valley Power's Times Interest Earned Ratio was 1.52 and the Debt Service Coverage Ratio was 1.38. Wabash Valley Power's Equity-to-Capitalization Ratio was 25%.

CONSOLIDATED

BALANCE SHEETS

ASSETS *(in thousands)*	As of December 31 2015	2014
PLANT		
In service, at original cost	$950,047	$1,005,291
Plant expected to be retired	80,761	-
Construction work in progress	25,676	18,753
Less accumulated depreciation	(320,074)	(339,509)
	736,410	**684,535**
CURRENT ASSETS		
Cash and cash equivalents	60,452	58,325
Short-term investments	9,710	40,673
Restricted assets	-	1,549
Accounts receivable	76,198	69,025
Fuel stock and material inventory - at average cost	27,012	30,636
Other	27,250	10,157
	200,622	**210,365**
OTHER ASSETS		
Investments	12,535	13,367
Deferred charges	73,892	13,496
	86,427	**26,863**
TOTAL ASSETS	**$1,023,459**	**$921,763**

See Notes to Consolidated Financial Statements

CONSOLIDATED
BALANCE SHEETS

CAPITALIZATION AND LIABILITIES *(in thousands)*	As of December 31 2015	2014
CAPITALIZATION		
Patronage capital equity	$191,803	$188,803
Non-controlling interest	17,000	17,000
Long-term debt	613,467	576,634
	822,270	**782,437**
CURRENT LIABILITIES		
Current portion of long-term debt	30,175	30,126
Accounts payable	68,945	64,598
Accrued interest	6,159	5,962
Accrued taxes other than income	5,007	5,477
Over collected power costs	2,759	2,006
Other	20,716	16,904
	133,761	**125,073**
DEFERRED CREDITS	**67,428**	**14,253**
TOTAL CAPITALIZATION AND LIABILITIES	**$1,023,459**	**$921,763**

See Notes to Consolidated Financial Statements

CONSOLIDATED

STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL

(in thousands)	Years Ended December 31 2015	2014
OPERATING REVENUES		
Member	$615,887	$685,500
Other	124,750	130,792
	740,637	**816,292**
OPERATING EXPENSES		
Fuel	40,489	56,411
Operation and maintenance	82,901	76,038
Purchased power	516,071	585,261
Administrative and general	14,286	13,798
Other taxes	546	540
Depreciation and amortization	36,855	35,730
	691,148	767,778
OPERATING MARGIN	**49,489**	**48,514**
OTHER EXPENSES/(INCOME)		
Interest expense - net of amounts capitalized	35,444	36,028
Interest income	(3,204)	(3,839)
Miscellaneous income and deductions – net	(751)	(1,675)
	31,489	30,514
NET MARGIN	**$18,000**	**$18,000**
PATRONAGE CAPITAL - BEGINNING OF YEAR	188,803	170,803
Patronage Capital Retirement	(15,000)	-
PATRONAGE CAPITAL - END OF PERIOD	**$191,803**	**$188,803**

See Notes to Consolidated Financial Statements

CONSOLIDATED

STATEMENTS OF CASH FLOWS

(in thousands)	Years Ended December 31 2015	2014
OPERATING ACTIVITIES		
Net margin	$18,000	$18,000
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	36,855	35,730
Changes in certain assets and liabilities:		
Accounts receivable	(7,173)	(5,754)
Fuel stock and material inventory	(6,186)	5,889
Over collected/Under recovered power costs	753	3,531
Accounts payable	(6,710)	10,312
Member buyout	10,100	-
Other assets	(14,714)	3,852
Other liabilities	(9,498)	(9,880)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**21,427**	**61,680**
INVESTING ACTIVITIES		
Capital expenditures	(75,745)	(27,344)
Proceeds from sale of property, plant and equipment	2,867	1,866
Restricted assets	28	5
Proceeds from investments	48,236	31,667
Purchase of investments	(16,441)	(42,183)
NET CASH USED IN INVESTING ACTIVITIES	**(41,055)**	**(35,989)**
FINANCING ACTIVITIES		
Patronage capital retirements	(15,000)	-
Issuance of long-term debt	80,000	-
Payment on long-term debt	(29,937)	(29,037)
Early retirement of long-term debt	(13,308)	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	**21,755**	**(29,037)**
Net Increase (Decrease) in Cash and Cash Equivalents	2,127	(3,346)
Cash and Cash Equivalents - Beginning of Year	58,325	61,671
CASH AND CASH EQUIVALENTS - END OF PERIOD	**$60,452**	**$58,325**
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash Paid for Interest	$35,168	$36,671
Non-cash Investing and Operating Activities:		
Additions to electric plant included in accounts payable	$11,057	$4,204

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) which obligate them to purchase all power and energy that is needed to serve their customers from Wabash Valley Power. The term of the first contract expires in April 2028 and the second contract term is from April 2028 through December 2050.

Membership also includes two non-cooperative organizations, JAron & Company (JAron) and Wabash Valley Energy Marketing, Inc. (Energy Marketing), a wholly owned subsidiary of Wabash Valley Power. JAron currently has contracted purchases from Wabash Valley Power through December 2016.

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. Under the terms of a tolling agreement, Wabash Valley Power purchases, 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). The remaining 50% is owned by TIAA SynGas LLC (TIAA). TIAA receives a monthly management fee from sgSolutions (see Note 11 – Related Party Transactions) and Wabash Valley Power retains all net income or loss generated by sgSolutions. TIAA's interest in sgSolutions at December 31, 2015 and 2014 was $17.0 million and is reflected as non-controlling interest on the consolidated balance sheets.

BASIS OF CONSOLIDATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REGULATORY ACCOUNTING

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

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

CASH AND CASH EQUIVALENTS

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

ASSET IMPAIRMENT

Long-lived assets are reviewed for impairment when events or circumstances change that could impact the recoverability of the asset's carrying amount. There were no impairments recorded during 2015 or 2014. As discussed in Note 4 – Plant In Service, Wabash Valley Power is expected to retire certain assets prior to full recovery in rates and has requested rate recovery and regulatory accounting treatment from FERC.

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.

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2015 the over collected balance was $2.8 million and the over collected balance at December 31, 2014 was $2.0 million.

USE OF ESTIMATES

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

CONCENTRATION OF RISK

Approximately 12% of Wabash Valley Power's total revenues for 2015 and 2014 were derived from sales to Citizens Electric Corporation (Citizens). Accounts receivable balances for Citizens account for 9% and 11% of total accounts receivable as of December 31, 2015 and 2014, respectively.

RESTRICTED ASSETS

Amounts restricted at December 31, 2014 include escrow funds associated with the exit of Paulding-Putnam Electric Cooperative, Inc. (Paulding) from the Company at the end of 2014 (see Note 12 – Members' Patronage Capital Equity) and the cost of sole-use assets purchased by Paulding upon termination. These funds were released to Wabash Valley Power in 2015.

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 ($30.5) million and ($26.1) million at December 31, 2015 and 2014, 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, 2015 and 2014 of $36.8 million and $36.4 million, respectively.

DEPRECIATION

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

	2015	2014
Steam production	2.41%	2.41%
Other production	3.40%	3.39%
Manufactured gas	5.00%	5.00%
Transmission	2.13%	2.16%
Distribution	4.04%	4.17%
General	6.69%	6.56%

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 2015 and 2014 were greater than 85%. As a result, no provision for federal income taxes was made during either year.

The Company has adopted guidance governing uncertain income tax positions which sets forth recognition thresholds and measurement attributes for financial statement recognition. The guidance did not result in the recording of any uncertain tax position liabilities as of December 31, 2015 and 2014. Tax years 2012 through 2015 remain open and could be subject to audit by the IRS.

PENSION PLAN

Qualified employees of the Company are members of a pension plan sponsored by the National Rural Electric Cooperative Association (NRECA). The NRECA Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a 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 2015 and 2014 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 2015 were $4.0 million and $0.8 million in 2014. Contributions in 2015 were significantly higher than those in 2014 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, 2015 and over 80 percent funded on January 1, 2014 based on the PPA funding target and PPA actuarial value of assets on those dates.

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

RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated balance sheet of the prior period to conform to the current period presentation in the areas of Deferred Charges and Long-term Debt. See Note 3 – Recently Issued Accounting Standards.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2015, the FASB issued ASU 2015-03 – Simplifying the Presentation of Debt Issuance Costs. The standard changes the presentation of debt issuance costs in the consolidated balance sheets from an asset to a direct reduction of the debt liability. This guidance was adopted for the year ended December 31, 2015 and has been applied retrospectively to all periods presented.

In August 2015, the FASB issued ASU 2015-13 – Derivatives and Hedging: Application of the Normal Purchases and Normal Sales Scope Exception to Certain Electricity Contracts within Nodal Energy Markets. The standard clarifies that the use of locational marginal pricing on forward energy contracts that flow through an independent system operator does not constitute net settlement of the contract. The contract can be designated as a normal purchase or normal sale assuming all other requirements are met. The standard is effective immediately and did not result in a change in the designation of any contracts previously reported as normal purchases and normal sales.

In May 2014, the FASB issued ASU 2014-09 – Revenue from Contracts with Customers. The standard outlines a single model to use in accounting for revenue from contracts with customers and requires more extensive disclosures than current guidance. In August 2015, FASB issued ASU 2015-14 delaying the effective date to January 2019. The Company is currently evaluating the standard to determine the overall impact it will have on the consolidated financial statements.

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 currently being evaluated to determine the impact on the consolidated financial statements.

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS

4. PLANT IN SERVICE

Plant in service at December 31 consists of the following:

(in thousands)	2015	2014
Production	$679,240	$696,865
Manufactured gas production	-	72,531
Transmission	190,191	164,071
Distribution	65,435	56,648
General	15,181	15,176
PLANT IN SERVICE	**$950,047**	**$1,005,291**

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

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

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

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

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

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

Due to its control over the operations of sgSolutions (see Note 1 – Organization), Wabash Valley Power consolidates sgSolutions resulting in $28.0 million being included on the consolidated balance sheets in net plant at December 31, 2015 and $28.3 million at December 31, 2014.

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 which will result 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, estimated at $100 million. The Company has 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 is requesting to establish a regulatory asset and amortize the balance over a period not to exceed 15 years. The Company anticipates a response from FERC on both requests in March 2016. As of December 31, 2015, the $80.8 million reported in the consolidated balance sheets as Plant Expected to Be Retired represents the undepreciated costs of WRU1 and sgSolutions plant assets. The Company has not established any asset retirement obligations related to the plant retirements as of December 31, 2015 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, 2015 and 2014 consist of the following:

(in thousands)	2015	2014
Capital term certificates - CFC	$4,973	$6,660
Cooperative investment patronage allocation	7,015	6,110
Investment in associated organizations	547	547
Other investments	-	50
TOTAL	**$12,535**	**$13,367**

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 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, 2015, Wabash Valley Power had invested $5.0 million in CFC medium-term notes and $4.7 million in CFC commercial paper. Amounts invested at December 31, 2014 include $20.0 million of CFC medium-term notes and $20.7 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.

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS

DEBT

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

(in thousands)		2015	2014
FIRST MORTGAGE NOTES *(due in quarterly installments):*			
Series 1999-B	7.45%-9.10% due April 2019	$2,915	$3,606
Series 2000-A	5.30% thru Jan. 2019, due 2030	2,774	2,895
Series 2000-A	5.30% thru Jan. 2019, due April 2021	2,352	2,711
Series 2001-A	2.90%-8.25%, due July 2027	1,361	11,166
Series 2003-B	6.65%-7.15%, due Oct. 2023	4,870	5,308
Series 2004-A	5.08% due April 2024	76,570	83,604
Series 2004-B	4.59% due April 2019	8,935	11,236
Series 2004-C	6.00% due April 2024	7,844	8,604
Series 2004-D	5.56% due December 2024	18,734	20,759
Series 2005-A	5.25% due July 2025	12,310	13,254
Series 2006-A	6.44%-6.87% due April 2028	18,932	20,010
Series 2007	6.14%-6.24%, due January 2028	122,296	127,746
Series 2009-A	3.12%-7.71% due January 2039 (a)	90,000	92,500
Series 2009-B	7.22% due January 2039	89,029	90,466
Series 2009-C	0%-1.5% due December 2021 (b)	6,046	7,054
Series 2012	1.59% thru January 2015, due July 2032 (c)	35,750	36,100
Series 2012	4.58% due July 2032 (d)	20,587	20,587
Series 2015-A	3.87% due September 2045	40,000	-
Series 2015-B	4.03% due September 2045	40,000	-
TAX-EXEMPT BONDS *(due in quarterly installments):*			
Series 2010-A	1.30% thru March 2015, due Jan. 2031 (e)	34,775	35,875
PROMISSORY NOTES *(due in quarterly installments):*			
	2.50% due October 2015	-	3,204
	6.55% due October 2016	335	649
UNSECURED NOTES *(due in quarterly installments):*			
Series 2005	2.90%-6.15%, due July 2025	9,257	11,583
TOTAL LONG-TERM DEBT		**$645,672**	**$608,917**
Less current maturities		30,175	30,126
Less debt issuance costs		2,030	2,157
TOTAL LONG-TERM DEBT – *net of current maturities and debt issuance costs*		**$613,467**	**$576,634**

(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, 2015 were 1.52 and 1.38, 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 generation, transmission, distribution and general plant assets (excluding transportation equipment) of the Company.

The Promissory Notes are secured by the assets of sgSolutions.

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, 2015 are as follows:

(in thousands)	
2016	$30,175
2017	30,992
2018	32,100
2019	33,282
2020	34,140
Thereafter	484,983
TOTAL LONG-TERM DEBT	**$645,672**

CREDIT FACILITY

The Company has a $160 million syndicated revolving credit facility that expires in May 2019. The facility can be used to finance the general operating needs of the Company, provide interim financing of capital projects and provide letters of credit to power supply counterparties to support purchase and sale obligations. There were no borrowings or letters of credit outstanding under the agreement at December 31, 2015 or 2014.

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Wabash Valley Power's estimated fair value of long-term debt, including current maturities, at December 31, 2015 and 2014, was $703.2 million and $695.9 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, 2015. 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, 2015 and 2014, are as follows:

(in thousands)	2015	2014
Regulatory asset – *unrealized losses on derivative instruments*	$51,875	$1,160
Regulatory asset – *contract termination costs*	5,377	5,768
Fair value of derivative instruments	85	418
Contributions for transmission upgrades	2,308	2,621
Pension funding	1,798	826
Plant retirement and decommissioning costs	10,735	-
Other deferred charges	1,714	2,703
TOTAL DEFERRED CHARGES	**$73,892**	**$13,496**

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 is being 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 deferred all plant retirement and decommissioning costs pending FERC approval for rate recovery (see Note 4 – Plant In Service). Amounts deferred at December 31, 2015 represent material and supplies deemed obsolete.

Amounts recorded as deferred credits as of December 31, 2015 and 2014, are as follows:

(in thousands)	2015	2014
Member buy-in/buy-out payments	$10,132	$10,645
Regulatory liability - *unrealized gains on derivative instruments*	85	418
Fair value of derivative instruments	51,875	1,160
Asset retirement obligations	4,792	1,300
Other deferred credits	544	730
TOTAL DEFERRED CREDITS	**$67,428**	**$14,253**

A member of Wabash Valley Power was paying an adder above member rates associated with joining the Company and elected to invoke the prepayment option in 2008. The prepaid amount is being amortized over the remaining term of the buy-in agreement which expires in 2016. Midwest Energy Cooperative (Midwest) terminated membership in Wabash Valley Power effective December 31, 2011 and a portion of Midwest's load is now being served as a non-member sale via another provider. The member termination fee received from Midwest was deferred and is being amortized from January 2012 through December 2017. Paulding's membership terminated at the end of 2014 and 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. The obligations are recorded at fair value when incurred and capitalized as a cost of the related asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. When the asset is retired, the entity settles the obligation for its recorded amount or incurs a gain or loss.

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

(in thousands)	2015	2014
BEGINNING BALANCE	**$1,339**	**$1,301**
Liabilities incurred	3,600	-
Liabilities settled	-	-
Accretion	39	37
Cash flow revisions	68	1
ENDING BALANCE	**$5,046**	**$1,339**

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 2015 and 2014 were 8.9 million megawatt hours (MWh) and 1.0 million MWh, respectively.

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TO CONSOLIDATED FINANCIAL STATEMENTS

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 4,018,000 MMBtu (million British thermal units) in 2015 and 2,220,000 MMBtu in 2014.

Wabash Valley Power has entered into three interest rate swap agreements with a total notional value of $70.5 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 that are recorded in assets and liabilities at December 31, 2015 and 2014 for the Company's derivative instruments:

(in thousands)	2015	2014
POWER CONTRACTS		
Deferred charges	$20	$21
GAS FUTURES		
Other current assets	268	276
Deferred charges	65	29
INTEREST RATE SWAPS		
Deferred charges	-	389
TOTAL DERIVATIVE ASSETS	**$353**	**$715**

(in thousands)	2015	2014
POWER CONTRACTS		
Other current liabilities	$5,633	$2,844
Deferred credits	51,201	47
GAS FUTURES		
Other current liabilities	1,634	1,133
Deferred credits	208	668
INTEREST RATE SWAPS		
Other current liabilities	1,329	1,295
Deferred credits	466	445
TOTAL DERIVATIVE LIABILITIES	**$60,471**	**$6,432**

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, 2015 and 2014 were as follows:

(in thousands)	2015	2014
POWER CONTRACTS *(purchased power)*	$5,311	($2,952)
GAS FUTURES *(fuel expense or purchased power)*	$1,759	$166
INTEREST RATE SWAPS *(interest expense)*	$1,554	$1,636

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

All power and gas futures contracts reflected at fair value on the consolidated balance sheets at December 31, 2015 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 $16.1 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, 2015 and 2014, 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 2015 and 2014 were $2.6 million 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 and $42.5 million in 2014. 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 2015, $15 million was returned to members. No distributions were made during 2014.

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

Two of Wabash Valley Power's members, Paulding and Northeastern, previously invoked the provisions of the Buyout Policy and have been depositing amounts with Escrow Agents during the 10-year buyout term. Paulding's membership terminated on December 31, 2014 and Northeastern's terminated on June 30, 2015. The exit of these members did not result in any obligations by the Company or have a material adverse impact on its operations or cash flows.

13. COMMITMENTS, CONTINGENCIES AND PENDING LITIGATION

LONG-TERM SUPPLY AGREEMENTS

Wabash Valley Power has several long-term power supply agreements which obligate the Company to purchase power at amounts specified in the agreements without regard to whether it takes delivery of such power. All of these power supply agreements expire on or before December 31, 2025, and the total amount of these future purchase obligations is approximately $863.1 million as of December 31, 2015. The amounts by year are as follows:

(in thousands)	
2016	$79,107
2017	$95,101
2018	$102,558
2019	$107,241
2020	$108,309
Thereafter	$370,787

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

Amounts paid under long-term agreements were $366.8 million in 2015 and $395.6 million in 2014.

GUARANTEES

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

Wabash Valley Power's board of directors authorized Wabash Valley Power to guarantee up to $10 million of sgSolutions' operating and capital needs. As of December 31, 2015, a guarantee for $3 million is outstanding.

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

- Guarantee up to $10 million of activities related to operations, fuel purchasing, financial and construction activities. A guarantee for $6 million is outstanding as of December 31, 2015.

- Guarantee up to $0.1 million of MISO activities. A guarantee to MISO for $0.1 million is outstanding as of December 31, 2015.

As of December 31, 2015 and 2014, 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 are investing capital in 2015 and 2016 to comply with the standards. Wabash Valley Power's share is estimated to be approximately $17.0 million. No material capital expenditures are anticipated at Wabash Valley Power's other production facilities due to the MATS.

The EPA issued the Cross State Air Pollution Rule (CSAPR) in July 2011 which limits sulfur dioxide (SO_2) and nitrogen oxide (NOx) emissions at generating facilities. The rule, which was to become effective January 1, 2012, was stayed by the D.C. Court of Appeals on December 30, 2011. In 2014, the Supreme Court reversed the decision which lifted the stay with all dates tolled to commence in 2015. The Clean Air Interstate Rule (CAIR) program expired on December 31, 2014 and CSAPR commenced January 1, 2015. The Company purchases allowances needed to comply and the impact to the cost of operations of Gibson Unit 5 and Wabash River Unit 1 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 this rule 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. WVPA has recorded an asset retirement obligation during 2015 as a result 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 be in compliance 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 which 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 as a result 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 has appealed the dismissal of its lawsuit. The Company believes the final outcome will be an order upholding the dismissal, and therefore has not recorded any contingent obligation related to this matter in the consolidated financial statements.

14. SUBSEQUENT EVENTS

The consolidated financial statements include a review of subsequent events, as that term is defined in FASB ASC 855, through March 14, 2016, the date the consolidated financial statements were available to be issued.

In January 2016, Wabash Valley Power signed a Purchase and Sale Agreement to acquire a 5.06% undivided ownership interest in a coal-fired generating plant. The purchase would add an additional 83MW to the Company's portfolio at an estimated cost of $57 million and is subject to regulatory and financing approvals. If approved, the transaction is expected to close by June 30, 2016.

In February 2016, the Company terminated the tolling agreement with sgSolutions effective April 30, 2016 (see Note 1 – Organization).

As of March 14, 2016 an additional $14.7 million of cash collateral has been posted under the terms of various power agreements (see Note 10 – Derivative Instruments).

FIVE-YEAR

STATISTICAL SUMMARY

	2015	2014	2013	2012	2011
Operating Revenues *(in thousands)*	$740,637	$816,292	$735,472	$701,463	$721,488
Billed Revenue from Members *(mills per kWh) (1)*	$72.35	$71.55	$69.17	$67.97	$67.40
Member Sales *(MWh) (1)*	8,522,028	9,629,270	9,364,712	9,044,006	9,617,019
Member Peak Demand *(MW)*	1,686	1,682	1,748	1,813	1,916
Total Owned Capacity *(MW)*	1,104.7	1,104.7	1,101.5	1,101.5	1,018.3
MWh Sales by Source					
Owned Generation	18%	20%	24%	24%	23%
Purchased Power Agreements	82%	80%	76%	76%	77%
Capital Expenditures *(in thousands)*	$75,745	$27,344	$33,192	$40,609	$32,169
Total Assets *(in thousands)*	$1,023,459	$921,763	$929,658	$937,628	$917,709
Long-term Debt *(in thousands) (2)*	$613,467	$576,634	$606,709	$635,832	$605,409
Weighted Average Interest Rate	5.68%	5.70%	5.69%	5.60%	5.88%
Credit Rating *(Standard & Poor's)*	A-	A-	A-	A-	A-
Debt Service Coverage *(DSC)*	1.38	1.36	1.42	1.39	1.38
Times Interest Earned Ratio *(TIER)*	1.52	1.50	1.54	1.47	1.47
Capitalization Ratios					
Debt *(2)*	75%	74%	76%	79%	80%
Equity	25%	26%	24%	21%	20%

(1) Excluding sales to JAron

(2) Excluding amounts due within one year


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