PHIL MOILIEN
Vice President and CFO
Finance and Support Services

DAIRYLAND POWER
COOPERATIVE

April 24, 2012

In reply, please
refer to LAC #14276

DOCKET NO. 50-409

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, D.C. 20555

SUBJECT: Dairyland Power Cooperative
La Crosse Boiling Water Reactor (LACBWR)
Possession-Only License No. DPR-45
Financial Statement and Auditors' Report

REFERENCE: 1) 10 CFR 50.71.(b)

In accordance with the requirements of Reference 1, we are forwarding three (3) copies of the Financial Statements and Independent Auditors' Reports for Dairyland Power Cooperative as of December 31, 2012 and 2011. We will forward our 2012 Annual Report to you as soon as it is completed.

Sincerely,

Phil M. Moilien

Phil M. Moilien
Vice President and CFO

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Enclosures

cc: Mark Satorius, Regional Administrator, Region III
John Hickman, Project Manager
Don Egge, LACBWR
Ed Bowen, DPC

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Additional copies sent to PM

Dairyland Power Cooperative and Subsidiaries

Consolidated Financial Statements as of and
for the Years Ended December 31, 2012 and 2011,
and Independent Auditors' Report

Deloitte.

Deloitte & Touche LLP
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Minneapolis, MN 55402
USA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dairyland Power Cooperative
La Crosse, Wisconsin:

We have audited the accompanying consolidated financial statements of Dairyland Power Cooperative (a Wisconsin cooperative) and subsidiaries (the "Cooperative"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of revenues, expenses, and comprehensive income, member and patron equities, 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 the Cooperative as of December 31, 2012 and 2011, 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

March 28, 2013

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2012 AND 2011
(In thousands)

ASSETS	2012	2011
ELECTRIC PLANT:		
Plant and equipment — at original cost	$ 1,499,195	$ 1,470,033
Less accumulated depreciation	(516,241)	(503,795)
Net plant and equipment	982,954	966,238
Construction work in progress	67,898	63,624
Total electric plant	1,050,852	1,029,862
OTHER ASSETS:		
Nuclear decommissioning funds	112,867	108,493
Investments under debt agreements — marketable securities	3,769	3,762
Economic development loans and other investments	10,420	11,850
Investments in capital term certificates of National Rural Utilities Cooperative Finance Corporation	9,176	9,176
Regulatory assets — Independent Spent Fuel Storage Installation and deferred losses on nuclear decommissioning funds	18,811	13,461
Investment for deferred compensation	1,431	1,364
Deferred charges	7,895	6,199
Total other assets	164,369	154,305
CURRENT ASSETS:		
Cash and cash equivalents	31,213	42,646
Accounts receivable:		
Energy sales — net of allowance for doubtful accounts of $10 for 2012 and 2011	38,263	39,816
Other	2,484	3,428
Inventories:		
Fossil fuels	54,635	57,864
Materials and supplies	19,516	18,195
Prepaid expenses	5,146	4,287
Total current assets	151,257	166,236
TOTAL	$ 1,366,478	$ 1,350,403

(Continued)

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2012 AND 2011
(In thousands)

	2012	2011
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Member and patron equities:		
Membership fees	$ 15	$ 15
Patronage capital	192,856	175,507
Accumulated other comprehensive loss	(1,576)	(2,488)
Total member and patron equities	191,295	173,034
Long-term obligations	790,992	823,122
Total capitalization	982,287	996,156
OTHER LIABILITIES:		
Estimated decommissioning liabilities	76,471	79,880
Asset retirement obligations	4,264	4,199
Postretirement health insurance obligation	7,830	8,116
Accrued benefits	1,728	1,511
Deferred compensation	1,431	1,364
Obligations under capital leases	771	680
Other deferred credits	8,920	1,033
Total other liabilities	101,415	96,783
COMMITMENTS AND CONTINGENCIES (Note 10)		
CURRENT LIABILITIES:		
Current maturities of long-term obligations and obligations under capital leases	39,506	49,161
Line of credit	186,800	139,200
Advances from member cooperatives	9,421	14,271
Advances from Great River Energy	8,805	9,901
Accounts payable	26,709	23,598
Accrued expenses:		
Payroll, vacation, and benefits	7,413	7,626
Interest	487	10,151
Property and other taxes	2,575	2,717
Other	1,060	839
Total current liabilities	282,776	257,464
TOTAL	$ 1,366,478	$ 1,350,403

See notes to consolidated financial statements. (Concluded)

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (In thousands)

	2012	2011
UTILITY OPERATIONS:		
Operating revenues:		
Sales of electric energy	$402,889	$393,955
Other	17,252	17,416
Total operating revenues	420,141	411,371
Operating expenses:		
Fuel	119,093	123,558
Purchased and interchanged power	73,768	65,035
Other operating expenses	85,214	91,472
Depreciation and amortization	41,879	37,276
Maintenance	34,932	28,401
Property and other taxes	7,796	7,069
Total operating expenses	362,682	352,811
Operating margin before interest and other	57,459	58,560
Interest and other:		
Interest expense	41,068	41,609
Allowance for funds used in construction — equity	(583)	(696)
Other — net	133	1,389
Total interest and other	40,618	42,302
Operating margin	16,841	16,258
Non-operating margin	3,369	1,968
NET MARGIN AND EARNINGS	20,210	18,226
OTHER COMPREHENSIVE INCOME (LOSS):		
Postretirement health insurance obligation adjustments	912	(32)
COMPREHENSIVE INCOME	$ 21,122	$ 18,194

See notes to consolidated financial statements.

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF MEMBER AND PATRON EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands)

	Membership Fees	Accumulated Other Comprehensive Loss	Patronage Capital	Total Member and Patron Equities
BALANCE — December 31, 2010	$15	$ (2,456)	$159,885	$157,444
Net margin and earnings	-	-	18,226	18,226
Postretirement health insurance obligation adjustments	-	(32)	-	(32)
Retirement of capital credits	-	-	(2,604)	(2,604)
BALANCE — December 31, 2011	15	(2,488)	175,507	173,034
Net margin and earnings	-	-	20,210	20,210
Postretirement health insurance obligation adjustments	-	912	-	912
Retirement of capital credits	-	-	(2,861)	(2,861)
Total comprehensive income 2012				
BALANCE — December 31, 2012	$15	$ (1,576)	$192,856	$191,295

See notes to consolidated financial statements.

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin and earnings	$ 20,210	$ 18,226
Adjustments to reconcile net margin and earnings to net cash provided by operating activities:		
Depreciation and amortization:		
Charged to operating expenses	41,879	37,277
Charged through other operating elements such as fuel expense	2,058	2,246
Allowance for funds used in construction — equity	(583)	(696)
Changes in operating elements:		
Accounts receivable	2,497	(795)
Inventories	1,334	10,394
Prepaid expenses and other assets	(1,592)	530
Accounts payable	6,912	(7,942)
Accrued expenses and other liabilities	(14,373)	(12,669)
Deferred charges and other	(963)	(521)
Total adjustments	37,169	27,824
Net cash provided by operating activities	57,379	46,050
CASH FLOWS FROM INVESTING ACTIVITIES:		
Electric plant additions	(66,597)	(34,139)
Advances to nuclear decommissioning funds	(160)	(10,052)
Purchase of investments	(264,022)	(160,538)
Proceeds from sale of investments and economic development loans	264,959	157,230
Net cash used in investing activities	(65,820)	(47,499)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under line of credit	100,440	714,706
Repayments under line of credit	(52,840)	(679,506)
Borrowings under long-term obligations	22,529	39,900
Repayments of long-term obligations	(64,314)	(63,600)
Retirement of capital credits	(2,861)	(2,604)
Borrowings of advances from member cooperatives	238,241	224,623
Repayments of advances from member cooperatives	(244,187)	(219,243)
Net cash (used in) provided by financing activities	(2,992)	14,276
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,433)	12,827
CASH AND CASH EQUIVALENTS — Beginning of year	42,646	29,819
CASH AND CASH EQUIVALENTS — End of year	$ 31,213	$ 42,646
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 52,188	$ 45,221
Electric plant additions funded through accounts payable and accrued expenses	$ 6,241	$ 2,441

See notes to consolidated financial statements.

1. NATURE OF BUSINESS AND ORGANIZATION

Business — Dairyland Power Cooperative and subsidiaries ("Dairyland" or the "Cooperative") is an electric generation and transmission cooperative organized under the laws of the states of Wisconsin and Minnesota. The Cooperative, whose principal offices are located in Wisconsin, provides wholesale electric service to class A members engaged in the retail sale of electricity to member consumers located in Wisconsin, Minnesota, Iowa, and Illinois, and provides electric and other services to class C, D, and E members.

Principles of Consolidation — The consolidated financial statements include the accounts of Dairyland and Dairyland's wholly owned subsidiary, Genoa FuelTech, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Accounting System and Reporting — The accounting records of the Cooperative are maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission as adopted by the Rural Utilities Service (RUS), the Cooperative's principal regulatory agency.

Electric Plant — The cost of renewals and betterments of units of property (as distinguished from minor items of property) includes contract work, direct labor and materials, allocable overhead, and allowance for funds used during construction, and is charged to electric plant accounts. Included in accumulated depreciation are nonlegal or noncontractual costs of removal components. As a result, the cost of units of property retired, sold, or otherwise disposed of, plus removal costs, less salvage, is charged to accumulated depreciation and no profit or loss is recognized in connection with ordinary retirements of property units. A provision for these nonlegal or noncontractual costs of removal components is recognized based on depreciation rates determined by a third-party depreciation study completed in July 2011 and submitted to RUS for approval. The Cooperative is unable to obtain the information to separate the cumulative removal costs as of December 31, 2012 and 2011. Maintenance and repair costs and replacement and renewal of minor items of property are charged to operations.

Depreciation — Depreciation, which is based on the straight-line method at rates that are designed to amortize the original cost of properties over their estimated useful lives, includes a provision for the cost of removing and decommissioning the properties. The provision for depreciation averaged 3% and 2.8% of depreciable plant balances for 2012 and 2011, respectively.

Allowance for Funds Used during Construction — Allowance for funds used during construction (AFUDC) represents the cost of external and internal funds used for construction purposes, and is capitalized as a component of electric plant by applying a rate (3.06% in 2012 and 4.12% in 2011) to certain electric plant additions under construction. The amount of such allowance was $1,188 in 2012 and $2,107 in 2011. The borrowed funds component of AFUDC for 2012 and 2011, was $605 and $1,411, respectively (representing 1.53% and 2.76% in 2012 and 2011, respectively). The equity component of AFUDC for 2012 and 2011 was $583 and $696, respectively, (representing 1.54% and 1.36% in 2012 and 2011, respectively). The borrowed funds components were included as a reduction of interest expense in the consolidated statements of revenues and expenses.

Deferred Charges — Deferred charges represent future revenue to the Cooperative associated with costs that will be recovered from customers through the rate-making process. As of December 31, 2012, the Cooperative's deferred charges are being reflected in rates charged to customers. If all or a separable portion of the Cooperative's operations become no longer subject to the provisions of regulatory accounting, a write-off of deferred charges would be required, unless some form of transition recovery (refund) continues through rates established and collected for the Cooperative's remaining regulated operations. In addition, the Cooperative would be required to determine any impairment to the carrying costs of deregulated plant and inventory assets. The deferred charges as of December 31, 2012 and 2011 include the following:

	2012	2011
Premiums on debt refinancing	$ 876	$ 976
Renewable energy power purchase agreements	1,260	1,355
Preliminary project survey and investigation costs	9	2,012
Deferred billings and collections	773	1,856
Environmental mitigation projects	4,500	-
Other	477	-
Total deferred charges	$ 7,895	$ 6,199

Premiums on debt refinancing are being amortized over approximately 20 years (the remaining life of related original debt). Renewable energy power purchase agreements are being amortized over the 20 year term of the agreements. The preliminary project survey and investigation costs will either be capitalized as property and plant if the projects move forward, or be expensed if the projects are abandoned. In 2012 and 2011, abandoned project charges of $0 and $278, respectively, were expensed and included in "Other — net" on the consolidated statements of revenues and expenses. Deferred billings and collections include project costs to be billed to others during or upon completion of the projects, and noncurrent receivables which will be collected in 2014. The environmental mitigation projects are required under the consent decree referenced in Note 10 and are to be completed within five years of receiving EPA approval for the projects. EPA approval has been requested and is expected during 2013.

Investments — Investments in marketable debt and equity securities classified as available for sale are reported at fair value, with the interest, dividend income, and realized gains reported in non-operating margin. The Cooperative continually monitors the difference between cost and estimated fair value of its investments. If any of the Cooperative's investments experience a decline in value that the Cooperative believes is other than temporary, the Cooperative will realize the loss as a reduction in investment income on decommissioning funds. In 2012 and 2011, the Cooperative realized $1,115 and $467 respectively, of losses on these investments as a result of other-than-temporary impairment (OTTI).

Regulatory Assets and Liabilities — The Cooperative's accounting policies and the consolidated financial statements conform to accounting principles generally accepted in the United States of America applicable to electric cooperatives. In 2008, the Cooperative created a regulatory asset for $16,479 related to mark-to-market losses from investment assets in the nuclear decommissioning trust fund, and will be amortized no later than 2019. The balance of this regulatory asset is $5,398 as of December 31, 2012. In 2011, the Cooperative created a regulatory asset for $5,750 related to the spent nuclear fuel storage transfer project. In addition, the Cooperative also created a regulatory asset in 2011 for $1,600 related to the recognition of the decommissioning liability of the Independent Spent Fuel Storage Installation (ISFSI). Both of these regulatory assets will be amortized through rates over ten years beginning in 2012. The balance of these regulatory assets total $6,615 at December 31, 2012. In

2012, the Cooperative created a regulatory asset for $6,947 related to the deferral of the remaining cost to complete the dry cask storage project. This will be amortized through rates over ten years beginning in 2012. The balance of this regulatory asset is $6,798 as of December 31, 2012.

Cash and Cash Equivalents — Cash equivalents include all highly liquid investments with original maturities of three months or less. Cash equivalents consist primarily of commercial paper, stated at cost, which approximates market.

Fossil Fuels and Materials and Supplies — Coal inventories as well as materials and supplies inventories are stated at the lower of average cost or market prices.

Recoverability of Long-Lived Assets — The Cooperative accounts for the impairment or disposal of long-lived assets, such as property and equipment, whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimated undiscounted cash flows expected to result from the use of the asset, plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value based on quoted market prices or other valuation techniques. To date, management has determined that no impairment of these assets exists.

Nitrogen Oxide Emission Allowances — Beginning in 2009, the U.S. Environmental Protection Agency (EPA) requires power plants to hold sufficient allowances to cover emissions of nitrogen oxide. Under these requirements, the Cooperative is required to surrender one emission allowance per ton of nitrogen oxide emitted. Actual emissions exceeded the allocation amounts, thereby requiring the Cooperative to purchase additional allowances. As of December 31, 2012 and 2011, they are recorded in inventory at lower of average cost or market prices at a total cost of $0 and $46, respectively. The obligation to EPA to meet 2012 and 2011 emissions are $0 and $39, respectively, and have been charged to plant expense. The transfer to EPA of the 2012 seasonal allowances occurred February 4, 2013, and the transfer to EPA for the annual allowances is expected to occur in May 2013. The remaining allowances in inventory as of December 31, 2012 will be surrendered to EPA under the terms of the consent decree described in footnote 10.

Sales of Electric Energy — Revenues from sales of electric energy are recognized when energy is delivered. The class A wholesale rates approved by the Cooperative's board of directors (the "Board of Directors") have a power cost adjustment that allows for increases or decreases in class A member power billings based upon actual power costs compared to plan. For 2012 and 2011, the power cost adjustment to the class A members resulted in charges to sales billed of $1,020 and credits to sales billed of $228, respectively. These amounts are recorded in sales of electric energy in operating revenues.

Other Operating Revenue — Other operating revenue primarily includes revenue received from transmission service and is recorded as services are provided.

Accounting for Energy Contracts — Contracts that did not meet the accounting definition of a derivative are accounted for at historical cost. The Cooperative's energy contracts that qualify as derivatives continue to be accounted for at fair value, unless those contracts meet the requirements of and have been designated as "normal purchase/normal sale." The Cooperative does not have any energy contracts that are required to be accounted for at fair value as of December 31, 2012 and 2011.

Non-Operating Margin — The non-operating margin for the years ended December 31, 2012 and 2011, includes the following:

	2012	2011
Investment income	$ 1,467	$ 506
Investment income on nuclear decommissioning funds:		
Net earnings (losses)	1,029	(116)
Realized gains	6,366	7,595
Realized losses and losses due to OTTI	(4,296)	(4,829)
Provision — recorded as estimated decommissioning liabilities	(3,098)	(2,650)
Other	1,901	1,462
Non-operating margin	$ 3,369	$ 1,968

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates in the consolidated financial statements relate to inventory reserve, postretirement benefit obligations, self-funded medical insurance reserves, asset retirement obligation liabilities, fixed-asset depreciable lives, and litigation and contingencies. Actual results could differ from those estimates.

Accumulated Other Comprehensive Loss — The accumulated other comprehensive loss is comprised solely of a postretirement health insurance obligation. See additional information in Note 11. The components for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Balance — beginning of year	$ (2,488)	$ (2,456)
Recognition in expense	145	142
Actuarial assumption changes	(953)	(174)
Plan changes	1,720	-
Net other comprehensive income (loss)	912	(32)
Balance — end of year	$ (1,576)	$ (2,488)

Concentration of Risk — During fiscal years 2012 and 2011, the Cooperative derived 9% and 8%, respectively, of its revenue from a single customer.

Approximately 47% of the labor force for the Cooperative is under a collective bargaining agreement that expires January 31, 2014.

Subsequent Events — The Cooperative considered events for recognition or disclosure in the consolidated financial statements that occurred subsequent to December 31, 2012 through March 28, 2013, the date the financial statements were available to be issued. All material subsequent events have been disclosed in these consolidated financial statements.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2011, the Financial Accounting Standards Board (FASB) issued an update to Accounting Standards Codification (ASC) 220, *Presentation of Comprehensive Income*, related to presentation and disclosure of comprehensive income, the components of net income, and the components of other comprehensive income effective for the year ending December 31, 2012. In December 2011, the FASB issued another update to ASC 220, which deferred a portion of these requirements. The Cooperative adopted the required portions of the amendments for the year ending December 31, 2012, with no significant effect on the Cooperative's consolidated financial position or results of operations.

In September 2011, the FASB issued an update to ASC 715-80, *Compensation — Retirement Benefits — Multiemployer Plans*, which requires that employers provide additional quantitative and qualitative disclosures for multiemployer pension plans and separate disclosures for multiemployer other postretirement benefit plans effective for the Cooperative for the year ending December 31, 2012. The Cooperative adopted the amendments in this update for the year ending December 31, 2012, with no significant impact on the Cooperative's consolidated financial position or results of operations.

3. INCOME TAXES

The Internal Revenue Service has determined that Dairyland is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. Accordingly, the Cooperative's utility operations are generally exempt from federal and state income taxes, and, no provision for such taxes is recorded in the consolidated financial statements.

4. AVAILABLE-FOR-SALE INVESTMENTS

Investments under debt agreements and nuclear decommissioning funds as of December 31, 2012 and 2011, are classified as available-for-sale, recorded at fair value, and include the following:

	Fair Value	
	2012	2011
Cash and cash equivalents	$ 35,207	$ 39,197
U.S. government securities	41,623	42,227
Corporate bonds	6,878	6,360
Common stocks	31,301	22,957
Foreign obligations	1,627	1,514
	$ 116,636	$ 112,255

Investments under debt agreements represent amounts arising from the sale of assets that are encumbered by mortgages and restricted by the RUS for use on future generation and transmission construction projects.

The contractual maturities of marketable debt securities, which include U.S. government securities, foreign obligations, and corporate bonds, as of December 31, 2012, are as follows:

	Fair Value	Cost
Due within 1 year	$ 757	$ 756
Due after 1 year through 5 years	16,965	16,766
Due after 5 years through 10 years	16,713	16,522
Due after 10 years	15,693	15,692
	$ 50,128	$ 49,736

Information regarding the sale of available-for-sale marketable securities, including nuclear decommissioning trusts, for the years ended December 31, 2012 and 2011, is as follows:

	2012	2011
Proceeds from sale of securities	$ 261,966	$ 156,830
Realized gains	6,366	7,595
Realized losses	(3,181)	(4,362)

For the purposes of determining realized gains and losses, the cost of securities sold is based upon specific identification.

Securities in the portfolio are reviewed to determine whether they have been other-than-temporarily impaired. The Cooperative has recorded impairment write-downs of its investments of $1,115 and $467 in 2012 and 2011, respectively, as the Cooperative cannot represent that it has the intent and ability to hold securities until they recover in value, since that decision is outside of its sole control. In accordance with restrictions enacted by the Nuclear Regulatory Commission, the Cooperative does not control the day-to-day management of nuclear decommissioning trust fund investments. The nuclear decommissioning trust of the Cooperative is managed by independent investment managers with discretion to buy, sell, and invest to achieve the broad investment objectives set forth by the Cooperative.

Investment income included in non-operating margin on the consolidated statements of revenues and expenses is net of investment fees of approximately $398 and $346 for the years ended December 31, 2012 and 2011, respectively.

5. LINES OF CREDIT

To provide interim financing capabilities, the Cooperative has arranged committed lines of credit with availability aggregating approximately $300,000. On November 18, 2011, a syndicated credit facility was executed with CoBank acting as lead arranger. This facility has a five-year term and provides funds both for short-term working capital requirements and for capital projects until permanent financing can be obtained through RUS. Some capital projects will last longer than one year, but the intent is to pay down the line of credit as permanent funding is received. Compensating balance requirements and fees relating to the lines of credit were not significant in 2012 and 2011. Information regarding line of credit balances and activity for the years ended December 31, 2012 and 2011, is as follows:

	2012	2011
Interest rate at year-end	1.16 %	1.24 %
Total committed availability at year-end	$ 300,000	$ 300,000
Total borrowings outstanding at year-end	$ 186,800	$ 139,200
Average borrowings outstanding during year	$ 167,265	$ 132,381

The Cooperative also allows member cooperatives to prepay their power bills and pays interest on these prepayments based on current short-term borrowing rates. Advances from member cooperatives totaled $9,421 and $14,271 at December 31, 2012 and 2011, respectively. Interest expense on member cooperative advances were $105 and $189 during 2012 and 2011, respectively. These amounts have been included in interest expense in the consolidated statements of revenues and expenses.

6. LONG-TERM OBLIGATIONS

Long-term obligations as of December 31, 2012 and 2011, consist of the following:

	2012	2011
Federal Financing Bank obligations, 1.9% to 6.8%	$ 772,052	$ 805,487
RUS obligations, 4.125% and grant funds	6,331	6,664
CoBank notes, 6.2%, 7.4%, 2.9%, and 4.3%	51,657	59,826
Long-term debt	830,040	871,977
Less current maturities	(39,048)	48,855
Total long-term obligations	$ 790,992	$ 823,122

Quarterly principal and interest payments on the long-term obligations to the Federal Financing Bank extend through 2040. Long-term obligations to the RUS are payable in equal monthly principal and interest installments through 2024. Payments on the CoBank 6.2%, 7.4%, 2.9%, and 4.3% notes are due monthly or quarterly through 2021.

In order to provide additional financing alternatives, during 2011 the Cooperative took action to substitute an indenture of mortgage for its consolidated mortgage and security agreement with RUS, CoBank, and U.S. Bank National Association. The Cooperative executed, filed and recorded an indenture of mortgage, security agreement, and financing statement, dated as of September 13, 2011 (the "Indenture"), between the Cooperative, as grantor, and U.S. Bank National Association, as trustee. The perfected lien of the Indenture on substantially all of the Cooperative's assets secured equally and ratably all of the Cooperative's long-term debt with the exception of an unsecured note to CoBank (balances of $19,997 and $23,311 at December 31, 2012 and 2011, respectively). The Indenture was filed and recorded in September 2011, and the prior consolidated mortgage was then released and discharged of record in January 2012. The Cooperative is required to maintain and has maintained certain financial ratios related to earnings in accordance with the covenants of its loan agreements as of December 31, 2012.

Scheduled maturities of the Cooperative's long-term obligations as of December 31, 2012, were as follows:

Years Ending December 31	
2013	$ 39,048
2014	37,855
2015	37,642
2016	38,411
2017	38,228
Thereafter	638,856
Total	$ 830,040

7. LEASES

Operating Leases — The Cooperative has entered into lease agreements under which it is the lessee on an operating lease for a Caterpillar coal dozer, six rail cars, and fleet vehicles. These transactions are covered in the master lease agreement and have lease terms ranging from four to 15 years. At the end of the leases, the Cooperative can either purchase the equipment at fair market value, continue to lease the assets, or return the equipment to the lessor. Rent expense was $570 and $494 in 2012 and 2011, respectively. The schedule of future minimum lease payments as of December 31, 2012, is as follows:

Years Ending December 31	
2013	$ 796
2014	678
2015	456
2016	272
2017	53
Thereafter	268
Total	$ 2,523

Capital Leases — The Cooperative has entered into several capital lease agreements for work equipment and computer equipment. The transactions are covered in the master lease agreement with lease terms of four, five, or nine years. At the end of the lease, the Cooperative can purchase the equipment for a bargain purchase price. The gross amount of the leases was $740 and $585 as of December 31, 2012 and 2011. The accumulated amortization of the capital leases was $365 and $170 as of December 31, 2012 and 2011. The principal and interest payments were $495 and $331 in 2012 and 2011, respectively. The schedule of future minimum lease payments as of December 31, 2012, is as follows:

Years Ending December 31	
2013	$ 493
2014	379
2015	170
2016	125
2017	63
2018	62
2019	6
Total minimum lease payments	1,298
Amounts representing interest	69
Present value of minimum lease payments	1,229
Current maturities	458
Long-term capital lease obligations	$ 771

8. FINANCIAL INSTRUMENTS

The fair value of the Cooperative's financial instruments other than marketable securities and short-term borrowings, based on the rates for similar securities and present value models using current rates available as of December 31, 2012 and 2011, is estimated to be as follows:

	2012		2011	
	Recorded Value	Fair Value	Recorded Value	Fair Value
Assets:				
Economic development loans and other investments	$ 10,420	$ 10,420	$ 11,850	$ 11,850
Investments in capital term certificates of NRUCFC	9,176	9,176	9,176	9,176
Liabilities — long-term obligations	830,040	1,059,836	871,977	1,105,802

Assets and Liabilities Measured at Fair Value — Accounting principles generally accepted in the United States of America establish a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and provides for required disclosures about fair value measurements. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

A description of the inputs used in the valuation of assets and liabilities are as follows:

Level 1 inputs utilize observable market data in active markets for identical assets or liabilities. Level 2 inputs consist of observable market data, other than that included in Level 1, that are either directly or indirectly observable. Level 3 inputs consist of unobservable market data, which are typically based on an entity's own assumptions of what a market participant would use in pricing an asset or liability as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. The Cooperative's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

There were no significant transfers between Levels 1, 2, and 3 in 2012. During 2011, the Cooperatives transferred cash equivalents of the economic development loans and other from Level 3 to Level 1 based on a re-evaluation of the observable inputs used in the fair value calculation.

The following table summarizes the Cooperative's assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 and 2011, aggregated by the level in the fair value hierarchy within which those measurements fall:

		Fair Value Measurements Using		
2012	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets — investments:				
Nuclear decommissioning funds	$112,867	$112,867	$ -	$ -
Investments under debt agreements — marketable securities	3,769	-	3,769	-
Economic development loans and other	10,420	1,348	-	9,072
Investments in capital term certificates of National Rural Utilities Finance Corporation	9,176	-	-	9,176
Investment for deferred compensation	1,431	-	1,431	-
	$137,663	$114,215	$5,200	$18,248

2011	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets — investments:				
Nuclear decommissioning funds	$108,493	$108,493	$ -	$ -
Investments under debt agreements — marketable securities	3,762	-	3,762	-
Economic development loans and other	11,850	1,639	-	10,211
Investments in capital term certificates of National Rural Utilities Finance Corporation	9,176	-	-	9,176
Investment for deferred compensation	1,364	-	1,364	-
	$134,645	$110,132	$5,126	$19,387

The changes in Level 3 recurring fair value measurements using significant unobservable inputs for the years ended December 31, 2012 and 2011, are as follows:

	2012	2011
Economic development loans and other:		
Balance — beginning of year	$ 10,211	$ 9,312
New investment and loans made	1,163	2,649
Loan repayments received	(212)	(266)
Patronage capital allocations	523	452
Refund of credit facility	(2,613)	-
Transfer to Level 1	-	(1,936)
Balance — end of year	$ 9,072	$ 10,211

The valuation of this security involved management's judgment after consideration of market factors and the absence of market transparency, market liquidity, and observable inputs.

9. RETIREMENT OF CAPITAL CREDITS

The Cooperative's Board of Directors has adopted a policy of retiring capital credits allocated to members on a first-in, first-out basis. As part of an equity development strategy adopted in 2003, patronage capital retired will be limited to no greater than 2% of the total assigned patronage capital balance as of December 31 of the prior year. Accordingly, $2,861 and $2,604 were retired in 2012 and 2011, respectively. This policy is subject to annual review and approval by the Board of Directors and the RUS, and no cash retirements are to be made which would impair the financial condition of the Cooperative or violate any terms of its agreements. Since 2003, the amount of non-operating margins assigned to members each year is at the discretion of the Board of Directors. Any unassigned non-operating margins will become unallocated reserves and part of permanent equity. Patronage capital as of December 31, 2012, includes 2012 margins assignable of $16,258 and unallocated reserves of $3,952. Patronage capital as of December 31, 2011, includes 2011 margins assignable of $15,562 and unallocated reserves of $2,664.

10. COMMITMENTS AND CONTINGENCIES

The Cooperative's estimated 2013 construction program expenditures, including Weston 4, are $107,673 with financing expected to be provided by borrowings and internally generated funds.

The Cooperative is a party to a number of generation, transmission, and distribution agreements, under which costs and/or revenues are recognized currently based upon the Cooperative's interpretations of the provisions of the related agreements. Differences between the estimates used in the consolidated financial statements and the final settlements are recorded in the year of settlement.

The Cooperative has entered into various coal purchase contracts with one- to three-year terms. The estimated commitments under these contracts as of December 31, 2012, were $105,246 in 2013, $82,191 in 2014, and $53,045 in 2015.

On August 27, 2012, a consent decree (CD) between the Cooperative, the EPA and the Sierra Club was entered by the U.S. District Court concluding litigation regarding alleged violations of New Source Review and other provisions of the Clean Air Act. Under the CD, the Cooperative will install new or operate existing pollution control equipment at its coal generation stations or cease burning coal at certain facilities, and achieve required reductions in sulfur dioxide, nitrogen oxide and particulate emissions. The CD requires the Cooperative to pay a civil penalty of $950 to EPA and to spend $5,000 on environmental mitigation projects within five years of EPA's approval of the projects. During 2012, the Cooperative paid the civil penalty in full and spent $500 of the funds required for environmental mitigation projects. The $4,500 cost of the remaining environmental mitigation projects is in deferred charges and accrued in deferred credits until projects commence upon EPA approval.

The Cooperative has been named as a defendant in various lawsuits and claims arising in the normal course of business. Although the outcome of these matters cannot be determined at the present time, management and legal counsel believe these actions can be successfully defended or resolved without a material effect on the consolidated financial position, results of operations, or cash flows of the Cooperative.

11. EMPLOYEE BENEFITS

Multiemployer Defined-Benefit Pension Plan — Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan). This is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. Pension benefits are funded in accordance with the provisions of the RS Plan and are based on salaries, as defined, of each participant. The Employee Retirement Income Security Act of 1974, as amended by the Multiemployer Pension Plan Amendment Act of 1980, imposes certain liabilities on employers who are contributors to multiemployer plans in the event of a plan termination or an employer's withdrawal. These plans have not been terminated, nor has the Cooperative undertaken any plans to withdraw from participation. Since the RS Plan is a multiemployer plan for accounting purposes, 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. The Cooperative may be contingently liable for its share of the RS Plans' unfunded vested liabilities.

The Cooperative's contributions to the RS Plan in 2012 and 2011 represented less than 5% of the total contributions made to the plan by all participating employers. Contributions to this plan for pension costs were $10,367 in 2012 and $10,402 in 2011. There have been no significant changes that affect the comparability of 2012 and 2011 contributions.

In the RS plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was between 65% and 80% funded at January 1, 2012 and January 1, 2011 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.

Postretirement Health Insurance Obligation — Certain employees of the Cooperative retiring at or after age 55 are eligible to participate in a postretirement health care plan through age 65. Eligible dependents of the retired Cooperative employees are also eligible to participate in this plan through age 65. Retirees pay 100% of the premium amount for this coverage. The premium is based upon the combined medical claims experiences of all active employees and retirees. If premiums were determined based upon the medical claims experience of retirees only, the resulting premium for retirees would be higher. The difference between the premium paid by retirees and the potential actual premium amount is the basis for the postretirement benefit obligation.

The Cooperative uses a December 31 measurement date for its plan.

The postretirement health care plan is unfunded. During 2012, a plan change included the addition of a lower cost high-deductible health plan as an option of available plans effective for 2013. The accumulated postretirement benefit obligation (APBO) and the amounts recognized in the consolidated financial statements as of and for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Amount recognized in the consolidated balance sheets:		
Total accrued qualified and nonqualified benefit obligation	$ 8,077	$ 8,314
Less current portion included in accrued expenses — other	(247)	(198)
Long-term portion	$ 7,830	$ 8,116
Change in benefit obligation:		
APBO — beginning of year	$ 8,314	$ 7,723
Service cost	400	315
Interest cost	328	376
Plan changes	(1,720)	-
Actuarial loss	953	174
Benefits paid	(198)	(274)
APBO — end of year	$ 8,077	$ 8,314
Funded status of plan — December 31	$ (8,077)	$ (8,314)
Accrued postretirement health insurance obligations recorded at year-end	$ (8,077)	$ (8,314)
Change in plan assets:		
Fair value of plan assets — beginning of year	$ -	$ -
Employer contribution	198	274
Benefits paid	(198)	(274)
Fair value of plan assets — end of year	$ -	$ -
Change in accumulated other comprehensive loss:		
Net loss at prior measurement date	$ 2,488	$ 2,456
Plan changes	(1,720)	-
Actuarial assumption changes	953	174
Recognition in expense	(145)	(142)
Accumulated other comprehensive loss	$ 1,576	$ 2,488
Components of net periodic postretirement benefit cost:		
Service cost — benefits attributed to service during the year	$ 400	$ 315
Interest cost on accrued postretirement health insurance obligation	328	376
Amortization of prior service cost	39	39
Amortization of unrecognized actuarial loss	106	103
Net periodic postretirement benefit expense	$ 873	$ 833

Employer cash contributions expected to be made to the plan during the fiscal year ending December 31, 2013 is $247. The amount of accumulated other comprehensive loss expected to be recognized during the fiscal year ending December 31, 2013, is an actuarial loss of $176 and amortization of prior service cost of $(223).

For measurement purposes, a 3.99% and 4.96% discount rate was assumed for 2012 and 2011, respectively, to determine net periodic benefit cost. The 2012 and 2011 annual health care cost increase assumed is 8.60% and 7.49%, respectively, decreasing gradually to 4.50% for 2030 and thereafter. A one percentage point increase in the assumed health care cost trend rates would increase the total of service and interest cost components by $122 and the end-of-year APBO by $878. A one percentage point decrease in the assumed health care cost trend rates would decrease the total of service and interest cost components by $100 and the end-of-year APBO by $763.

Estimated future benefit payments from the plan as of December 31, 2012, are as follows:

December 31	
2013	$ 247
2014	320
2015	399
2016	455
2017	524
2018–2022	3,403

Defined-Contribution Plan — Dairyland has a qualified tax-deferred savings plan for eligible employees. Eligible participants may make pretax contributions, as defined, with Dairyland matching up to 2.5% of the participants' annual compensation. Contributions to this plan by Dairyland were $1,091 and $1,112 for 2012 and 2011, respectively.

Accrued Sick Leave Benefit — Certain employees are eligible to receive amounts at the time of retirement related to a discontinued sick leave policy. Eligible employees will be paid for a fixed number of sick leave hours at the wage rate in effect at retirement. The total liability was $1,941 and $1,710 as of December 31, 2012 and 2011, respectively. The cost for this sick leave benefit was $561 in 2012 and $215 in 2011.

Other Plans — The Cooperative offers key employees deferred compensation plans available through NRECA. The plans permit qualifying employees to defer a portion of their salary until future years. The accumulated deferred compensation balance is not available to employees until termination, retirement, or death.

All amounts of compensation deferred under the plans and all income attributable to those amounts (until paid or made available to the employee or other beneficiary) are solely the property and rights of the Cooperative (not restricted to the payment of benefits under the plan), subject only to the claim of general creditors. Participants' rights under the plans are equal to those of general creditors of the Cooperative in an amount equal to the fair market value of the deferred account for each participant. The related assets and liabilities, totaling $1,431 and $1,364 as of December 31, 2012 and 2011, respectively, are reported at contract value, which approximates fair value.

The Cooperative also provides employees with medical insurance coverage, short-term and long-term disability, and life insurance, which are funded by employer and employee contributions. The Cooperative's costs related to these benefits were $9,452 and $8,870 for 2012 and 2011, respectively.

12. RELATED-PARTY TRANSACTIONS

The Cooperative provides electric and other services to its class A members. The Cooperative received revenue of $334,176 and $320,601 in 2012 and 2011, respectively, for these services. The Cooperative has accounts receivable from its class A members of $32,174 and $31,760 as of December 31, 2012 and 2011, respectively.

The Cooperative has advances from class A members of $9,421 and $14,271 as of December 31, 2012 and 2011, respectively, related to the prepayment program. Class A members have the option of paying their electric bill in advance, and in turn, the Cooperative pays the members' interest income. The Cooperative's interest expense related to the prepayment program was $105 and $189 in 2012 and 2011, respectively.

The Cooperative has interest-bearing loan receivables from class A members of $852 and $945 as of December 31, 2012 and 2011, respectively. These loan receivables, which are recorded as part of other assets, are related to the economic development program, whereas class A members can borrow funds from the Cooperative, which the members, in turn, loan to economic development projects in their service territories. These loans are typically repaid to the Cooperative over 10 years. The Cooperative recorded interest income related to the economic development program of $38 and $38 in 2012 and 2011, respectively.

13. LONG-TERM POWER AGREEMENTS

The Cooperative has a power agreement with Great River Energy (GRE) to share costs and benefits of a 380-megawatt coal-fired generating unit ("Genoa Station #3") located in Genoa, Wisconsin. Under the agreement, GRE will pay for 50% of the costs of operating the plant and GRE is entitled to take 50% of the output of the plant. This agreement remains in effect until the retirement of the unit from service or until the payment in full of all obligations arising from the construction of the unit, whichever is later. The Cooperative provided substantially all the financing for the construction of the unit and GRE does not guarantee any portion of any debt of the Cooperative. As a result, the Cooperative records the assets, debts, and operating costs of Genoa 3 on the consolidated financial statements. Energy charges to GRE under the agreement were $37,576 and $33,065 during 2012 and 2011, respectively. As of December 31, 2012, GRE had $8,805 on deposit with the Cooperative for its share of the 2012 estimated operating coal inventory at Genoa 3.

14. ASSET RETIREMENT OBLIGATIONS

An asset retirement obligation (ARO) is the result of legal or contractual obligations associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, or development and/or the normal operation of a long-lived asset. The Cooperative determines these obligations based on an estimated asset retirement cost adjusted for inflation and projected to the estimated settlement dates and discounted using a credit-adjusted risk-free interest rate. Upon initial recognition of a liability for ARO, the Cooperative capitalizes the asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. The Cooperative allocates that asset retirement cost to expense using the straight-line method over the remaining useful life of the related long-lived asset. The accretion of the obligation is recognized over time up to the settlement date. Any future change in estimate will be recognized as an increase or a decrease in the carrying amount of the liability for an ARO and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset.

The Cooperative determined that it has AROs related to future removal and disposal of asbestos at its power plants. The Cooperative recorded no additional liability to its discounted liability in 2012 and 2011 related to this obligation. There are no assets legally restricted for purpose of settling the ARO related to future removal and disposal of asbestos. This ARO is recorded in other noncurrent liabilities in the consolidated balance sheets.

The Cooperative has established a decommissioning trust to accumulate the estimated amounts necessary to decommission a nuclear power plant that the Cooperative formerly operated. The assets of this trust in the amount of $84,330 as of December 31, 2012, and $80,405 as of December 31, 2011, are outside the Cooperative's administrative control and are available solely to satisfy the future costs of decommissioning. The assets of a second fund, a supplemental reserve of $28,537 as of December 31, 2012, and $28,088 as of December 31, 2011, are designated to be used for such decommissioning efforts or for removal and temporary storage for the spent nuclear fuel pending permanent storage by the U.S. Department of Energy (DOE). These amounts are recorded as other noncurrent assets in the consolidated balance sheets. The nuclear decommissioning obligation is recorded in the consolidated balance sheets in other noncurrent liabilities.

A reconciliation of the beginning and ending aggregate carrying amount of the obligations as of December 31, 2012 and 2011, is as follows:

	2012	2011
Balance — beginning of year	$ 84,079	$ 83,135
Accretion in ARO	64	122
Incurred costs on decommissioning projects	(13,881)	(12,675)
Provision recorded as decommissioning liabilities	10,473	13,497
Balance — end of year	$ 80,735	$ 84,079

The Cooperative did not record a conditional ARO related to the dismantlement of the dam and drainage reservoir for the hydro generation plant at Flambeau, the restoration of land to preexisting condition at Genoa Station #3 site related to the land rights permit, dismantlement of equipment and removal of generators related to the easement interest at various power plants, and the removal of transmission lines in various corridors, because the Cooperative does not have sufficient information to estimate the fair value of the ARO.

15. NUCLEAR REACTOR

The La Crosse Boiling Water Nuclear Reactor (LACBWR) was voluntarily removed from service by the Cooperative effective April 30, 1987. The intent was to terminate operation of the reactor, and a possession-only license was obtained from the Nuclear Regulatory Commission in August 1987.

Under the Nuclear Waste Policy Act of 1982, the DOE is responsible for the storage and disposal of spent nuclear fuel removed from nuclear reactors. LACBWR will remain in safe storage status (SAFSTOR) until the final stage of decommissioning of LACBWR, involving dismantlement and decontamination, can be completed. By statute, the DOE was to have begun accepting spent fuel in January 1998, but has not yet licensed and established a repository. The Cooperative filed a breach of contract damages claim against the United States government in the United States Court of Federal Claims to recover its costs generally incurred after 1998 related to spent fuel remaining at LACBWR. The initial claim covered the period from 1999 through 2006. The Cooperative filed a second contract

damages claim in December 2012 to recover its costs generally incurred after 2006 through the date of the next trial. Subsequent suits will be brought to recover the continuing costs arising from the presence of the spent fuel. The initial claim was tried in July 2008 and resulted in a damages award in December 2009 of approximately $37,600. That award decision was appealed by the government. During 2011, $25,600 of the award was affirmed for Dairyland by the United States Court of Appeals for the Federal Circuit and $12,000 of the award was vacated and remanded for reconsideration. After reconsideration, the initial damages award was reinstated in full by the Court of Federal Claims during 2012. The government withdrew its appeal of that decision in November 2012. None of the award damages are reflected in the consolidated balance sheets or statements of revenues and expenses for 2012 or 2011. In January 2013, the Cooperative received payment from the government for the damage award of $37,600.

The Cooperative completed the temporary dry storage facility project located on the LACBWR site and completed the move of the spent fuel to this ISFSI facility in September 2012. Dismantlement of nonessential LACBWR plant systems is proceeding on an ongoing basis. The LACBWR decommissioning plan calls for completion of decommissioning no later than 2025. The estimated costs of decommissioning the nuclear generating facility are based on a decommissioning cost study. Annual SAFSTOR costs incurred through the September 2012 fuel transfer were incorporated into the annual budget and rate making process. Annual ISFSI costs are recorded on an as incurred basis and incorporated into the annual budget and rate making process. Costs incurred for decommissioning projects are charged against the decommissioning liability. The Cooperative's policy is to provide additional funding of the nuclear decommissioning trust, as necessary, through rates or through transfers from the supplemental reserve, and with future earnings, to ensure that the trust will be sufficient to cover final decommissioning expenses. The annual decommissioning expense, SAFSTOR and ISFSI costs are recovered from the class A members. Earnings on the nuclear decommissioning funds and the equivalent provision for nuclear decommissioning costs are recorded as non-operating margins, since the plant is no longer in service.

16. SUBSEQUENT EVENT

On March 12, 2013, the Cooperative completed a $100,000 private bond placement with ten investors. The private bond placement is an amortizing 30 year term loan at an interest rate of 3.42%.

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