BARBARA A. NICK
President and CEO

DAIRYLAND POWER
COOPERATIVE

April 28, 2015

10 CFR 50.71(b)

In reply, please refer to LAC-14343

DOCKET NO. 50-409

ATTN: Document Control Desk
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

SUBJECT: Dairyland Power Cooperative
La Crosse Boiling Water Reactor (LACBWR)
Possession-Only License 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, 2013 and 2012. We will forward our 2013 Annual Report to you as soon as it is completed.

Sincerely,

Barbara A. Nick
President and CEO

BAN:pls

Enclosures

cc: Cynthia D. Pederson, Regional Administrator
Marlayna Vaaler, FSME
Ed Bowen, DPC
Cheryl Olson, LACBWR

NMSS20
M004

STATE OF WISCONSIN)
)
COUNTY OF LA CROSSE)

Personally came before me this 28th day of April, 2015, the above named, Barbara A. Nick, to me known to be the person who executed the foregoing instrument and acknowledged the same.

Laurie A. Engen

Notary Public, La Crosse County Wisconsin

LAURIE A. ENGEN
Notary Public
State of Wisconsin

My commission expires 5-25-18

Deloitte.

Dairyland Power Cooperative and Subsidiary

Consolidated Financial Statements as of and
for the Years Ended December 31, 2014 and 2013,
and Independent Auditors' Report

Dairyland Power Cooperative and Subsidiary

Consolidated Financial Statements as of and
for the Years Ended December 31, 2014 and 2013,
and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Dairyland Power Cooperative
La Crosse, Wisconsin

We have audited the accompanying consolidated financial statements of Dairyland Power Cooperative and subsidiary (the "Cooperative"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, 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 Cooperative'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 Cooperative'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, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 26, 2015

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2014 AND 2013
(In thousands)

ASSETS	**2014**	**2013**
ELECTRIC PLANT:		
Plant and equipment—at original cost	$ 1,520,662	$ 1,544,037
Less accumulated depreciation	(545,215)	(547,584)
Net plant and equipment	975,447	996,453
Construction work in progress	162,529	92,593
Total electric plant	1,137,976	1,089,046
OTHER ASSETS:		
Nuclear decommissioning funds	92,954	91,398
Investments under debt agreements—marketable securities	3,777	3,774
Other property and investments	10,197	38,217
Investments in capital term certificates of National Rural Utilities Cooperative Finance Corporation	9,176	9,176
Regulatory assets (Note 1)	35,348	20,462
Investment for deferred compensation	1,391	1,481
Deferred charges (Note 1)	25,924	26,785
Total other assets	178,767	191,293
CURRENT ASSETS:		
Cash and cash equivalents	25,871	30,318
Accounts receivable:		
Energy sales—net of allowance for doubtful accounts of $10 for 2014 and 2013	40,478	39,122
Other	3,340	2,428
Inventories:		
Fossil fuels	41,236	42,425
Materials and supplies	19,090	20,166
Prepaid expenses and other	10,416	8,326
Total current assets	140,431	142,785
TOTAL	$ 1,457,174	$ 1,423,124

(Continued)

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2014 AND 2013
(In thousands)

CAPITALIZATION AND LIABILITIES	2014	2013
CAPITALIZATION:		
Member and patron equities:		
Membership fees	$ 1	$ 15
Patronage capital	231,196	211,742
Accumulated other comprehensive income	2,719	3,098
Total member and patron equities	233,916	214,855
Long-term obligations (Note 6)	866,918	826,114
Total capitalization	1,100,834	1,040,969
OTHER LIABILITIES:		
Estimated decommissioning liabilities	87,936	90,468
Asset retirement obligations	4,370	4,297
Postretirement health insurance obligation	4,113	3,613
Accrued benefits	1,044	5,145
Deferred compensation	1,391	1,481
Obligations under capital leases	3,186	1,035
Other deferred credits	9,556	8,906
Total other liabilities	111,596	114,945
COMMITMENTS AND CONTINGENCIES (Note 10)		
CURRENT LIABILITIES:		
Current maturities of long-term obligations and obligations under capital leases	46,619	44,596
Line of credit	127,000	159,000
Advances from member cooperatives	13,530	11,416
Advances from Great River Energy	6,568	11,972
Accounts payable	32,651	26,269
Accrued expenses:		
Payroll, vacation, and benefits	10,720	7,701
Interest	327	398
Property and other taxes	2,646	2,903
Other	4,683	2,955
Total current liabilities	244,744	267,210
TOTAL	$ 1,457,174	$ 1,423,124

See notes to consolidated financial statements. (Concluded)

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
UTILITY OPERATIONS:		
Operating revenues:		
Sales of electric energy	$ 425,364	$ 425,981
Other	22,300	17,114
Total operating revenues	447,664	443,095
Operating expenses:		
Fuel	121,885	151,024
Purchased and interchanged power	102,471	66,945
Other operating expenses	80,462	88,545
Depreciation and amortization	42,521	41,580
Maintenance	35,330	27,361
Property and other taxes	7,877	8,053
Total operating expenses	390,546	383,508
Operating margin before interest and other	57,118	59,587
Interest and other:		
Interest expense	41,188	41,714
Allowance for funds used in construction—equity	(1,873)	(1,187)
Other—net	147	794
Total interest and other	39,462	41,321
Operating margin	17,656	18,266
Nonoperating margin (Note 1)	5,207	3,750
NET MARGIN AND EARNINGS	22,863	22,016
OTHER COMPREHENSIVE (LOSS) INCOME—Postretirement health insurance obligation adjustments	(379)	4,674
COMPREHENSIVE INCOME	$ 22,484	$ 26,690

See notes to consolidated financial statements.

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF MEMBER AND PATRON EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	Membership Fees	Accumulated Other Comprehensive Income (Loss)	Patronage Capital	Total Member and Patron Equities
BALANCE—December 31, 2012	$ 15	$ (1,576)	$ 192,856	$ 191,295
Net margin and earnings	-	-	22,016	22,016
Postretirement health insurance obligation adjustments	-	4,674	-	4,674
Retirement of capital credits	-	-	(3,130)	(3,130)
BALANCE—December 31, 2013	15	3,098	211,742	214,855
Net margin and earnings	-	-	22,863	22,863
Postretirement health insurance obligation adjustments	-	(379)	-	(379)
Return of membership fees	(14)	-	-	(14)
Retirement of capital credits	-	-	(3,409)	(3,409)
BALANCE—December 31, 2014	$ 1	$ 2,719	$ 231,196	$ 233,916

See notes to consolidated financial statements.

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin and earnings	$ 22,863	$ 22,016
Adjustments to reconcile net margin and earnings to net cash provided by operating activities:		
Depreciation and amortization:		
Charged to operating expenses	42,521	41,580
Charged through other operating elements such as fuel expense	1,704	1,854
Allowance for funds used in construction—equity	(1,873)	(1,187)
Changes in operating elements:		
Accounts receivable	(2,268)	(803)
Inventories	1,781	11,109
Prepaid expenses and other assets	(1,196)	(26,661)
Accounts payable	8,543	(52)
Accrued expenses and other liabilities	(6,419)	961
Deferred charges and other	(12,776)	17,647
Total adjustments	30,017	44,448
Net cash provided by operating activities	52,880	66,464
CASH FLOWS FROM INVESTING ACTIVITIES:		
Electric plant additions	(89,490)	(80,345)
Advances to nuclear decommissioning funds	(75)	(1,581)
Purchase of investments	(135,080)	(211,221)
Proceeds from sale of investments and economic development loans	163,204	211,344
Net cash used in investing activities	(61,441)	(81,803)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under line of credit	115,000	116,000
Repayments under line of credit	(147,000)	(143,800)
Borrowings under long-term obligations	92,588	129,640
Repayments of long-term obligations	(49,761)	(89,428)
Retirement of capital credits	(3,423)	(3,130)
Borrowings of advances from member cooperatives	248,194	256,905
Repayments of advances from member cooperatives	(251,484)	(251,743)
Net cash provided by financing activities	4,114	14,444
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,447)	(895)
CASH AND CASH EQUIVALENTS—Beginning of year	30,318	31,213
CASH AND CASH EQUIVALENTS—End of year	$ 25,871	$ 30,318
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 43,413	$ 43,514
Electric plant additions funded through accounts payable and accrued expenses	$ 8,790	$ 6,629
Electric plant additions under capital leases	$ 3,395	$ -

See notes to consolidated financial statements.

1. NATURE OF BUSINESS AND ORGANIZATION

Business—Dairyland Power Cooperative and subsidiary ("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 approved by RUS in 2012. The Cooperative is unable to obtain the information to separate the cumulative removal costs as of December 31, 2014 and 2013. 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 3.0% and 2.9% of depreciable plant balances for 2014 and 2013, 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 (3.16% in 2014 and 3.04% in 2013) to certain electric plant additions under construction. The amount of such allowance was $3,311 in 2014 and $2,116 in 2013. The borrowed funds component of AFUDC for 2014 and 2013, was $1,438 and $929, respectively (representing 1.37% and 1.33% in 2014 and 2013, respectively). The equity component of AFUDC for 2014 and 2013 was $1,873 and $1,187, respectively, (representing 1.79% and 1.71% in 2014 and 2013, respectively). The borrowed funds components were included as a reduction of interest expense in the consolidated statements of revenues, expenses, and comprehensive income.

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, 2014, 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 noncurrent portion of deferred charges as of December 31, 2014 and 2013, include the following:

	2014	2013
Premiums on debt refinancing	$ 575	$ 675
Renewable energy power purchase agreements	974	1,069
Deferred billings and collections	86	212
Pension prepayment	18,829	21,519
Deferred litigation expenses	5,274	3,282
Other	186	28
Total deferred charges	$ 25,924	$ 26,785

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. Deferred billings and collections include project costs to be billed to others during or upon completion of the projects, and noncurrent receivables. As discussed in Note 11, the Cooperative made a voluntary prepayment in 2013 to its multiemployer defined-benefit pension plan to reduce future funding amounts. This prepayment will be amortized to benefits expense over ten years beginning in 2013 as prescribed by RUS. Litigation expenses from the second nuclear contract damages claim against the United States government, as discussed in Note 15, are being deferred pending the outcome of that litigation.

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 nonoperating 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 2014 and 2013, the Cooperative realized $1,994 and $1,614, 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. During 2014, the Cooperative established a regulatory asset related to unrecovered plant balances upon closure of the Alma 4&5 generating stations. This will be amortized through rates over 10 years beginning in 2015 with the expected 2015 portion included in other current assets. During 2013, the Cooperative established a regulatory asset of $16,700 for increased estimated costs in the nuclear decommissioning liability. The amortization of this regulatory asset will be deferred pending the outcome of the second nuclear contract damages claim with the U.S. government as described in Note 15. The regulatory asset created in 2013 related to the estimated costs of a special early retirement plan to be offered to certain age-eligible employees at specific Cooperative locations in 2014 was expensed in 2014.

The regulatory assets as of December 31, 2014 and 2013, include the following:

	2014	2013
Alma 4&5 unrecovered plant balances	$ 18,648	$ -
Nuclear decommissioning costs	16,700	16,700
Special Early Retirement Plan	-	3,762
Total regulatory assets	$ 35,348	$ 20,462

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 during 2014 did not require the Cooperative to purchase additional allowances beyond what was allocated under the program. Actual emissions exceeded the allocation amounts during 2013, thereby requiring the Cooperative to purchase additional allowances. As of December 31, 2014 and 2013, allowances are recorded in inventory at lower of average cost or market prices at a total cost of $0 and $40, respectively. The obligation to EPA to meet 2014 and 2013 emissions are $0 and $40, respectively, and have been charged to plant expense. The transfer to EPA for the 2013 annual allowances occurred in May 2014. The transfer to EPA for the 2014 annual allowances is expected to occur in May 2015. The remaining allowances in inventory as of December 31, 2014 will be surrendered to EPA, as applicable, under the terms of the consent decree described in Note 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 2014 and 2013, the power cost adjustment to the class A members resulted in charges to sales billed of $1,454 and $926, respectively. These amounts are recorded in sales of electric energy in operating revenues on the consolidated statements of revenues, expenses, and comprehensive income.

Other Operating Revenue—Other operating revenue primarily includes revenue received from transmission service and is recorded as services are provided. During 2014, the Cooperative's board of directors implemented a revenue deferral plan which was approved by RUS in February 2015. Other operating revenue for 2014 was reduced by $2,200 which will be deferred into 2015 revenue recognition.

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, 2014 and 2013.

Nonoperating Margin—The nonoperating margin for the years ended December 31, 2014 and 2013, includes the following:

	2014	2013
Investment income	$ 3,643	$ 2,555
Investment income on nuclear decommissioning funds:		
Net earnings	163	1,074
Realized gains	2,302	9,280
Realized losses and losses due to OTTI	(2,978)	(6,163)
Provision—recorded as estimated decommissioning liabilities	513	(4,191)
Other	1,564	1,195
Nonoperating margin	$ 5,207	$ 3,750

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 the 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, asset retirement obligation liabilities, fixed-asset depreciable lives, and litigation and contingencies. Actual results could differ from those estimates.

Accumulated Other Comprehensive Income (Loss)—Accumulated other comprehensive income (loss) is comprised solely of a postretirement health insurance obligation. See additional information in Note 11. The components for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Balance—beginning of year	$ 3,098	$ (1,576)
Recognition in expense:		
Amortization of prior service cost	(102)	(223)
Amortization of unrecognized actuarial (gain) loss	(184)	175
Actuarial assumption changes	(93)	5,540
Plan changes	-	(818)
Net other comprehensive (loss) income	(379)	4,674
Balance—end of year	$ 2,719	$ 3,098

Concentration of Risk—During fiscal years 2014 and 2013, the Cooperative derived 10% and 9%, respectively, of its revenue from a single customer.

Approximately 44% of the labor force for the Cooperative is under a collective bargaining agreement that expires January 31, 2017.

Subsequent Events—The Cooperative considered events for recognition or disclosure in the consolidated financial statements that occurred subsequent to December 31, 2014, through March 26, 2015, the date the consolidated financial statements were available to be issued. All material subsequent events have been disclosed in these consolidated financial statements.

2. RECENTLY ISSUED ACCOUNTING STANDARDS UPDATES

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which is effective for the Cooperative in 2018. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management is in the process of evaluating the guidance in this Accounting Standards Update and has not yet determined if the adoption of this standard will have a material impact on the Cooperative's consolidated financial statements.

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 in the nuclear decommissioning trust (NDT), under debt agreements and other holdings are classified as available-for-sale, recorded at fair value, and include the following as of December 31, 2014 and 2013:

	Fair Value			
2014	**NDT**	**Debt Agreements**	**Other**	**Total**
Cash and cash equivalents	$ 3,338	$ 3,777	$ -	$ 7,115
U.S. government securities	47,705	-	-	47,705
Corporate bonds	18,964	-	-	18,964
Common stocks	19,951	-	-	19,951
Foreign obligations	2,996	-	-	2,996
	$ 92,954	$ 3,777	$ -	$ 96,731

2013	Fair Value NDT	Debt Agreements	Other	Total
Cash and cash equivalents	$ 2,860	$ 3,774	$ 28,220	$ 34,854
U.S. government securities	34,431	-	-	34,431
Corporate bonds	15,555	-	-	15,555
Common stocks	35,213	-	-	35,213
Foreign obligations	3,339	-	-	3,339
	$ 91,398	$ 3,774	$ 28,220	$ 123,392

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, 2014, are as follows:

	Fair Value	Cost
Due within 1 year	$ 399	$ 398
Due after 1 year through 5 years	25,748	25,776
Due after 5 years through 10 years	12,216	12,324
Due after 10 years	31,302	32,823
	$ 69,665	$ 71,321

Information regarding the sale of available-for-sale marketable securities, including nuclear decommissioning trusts, for the years ended December 31, 2014 and 2013, is as follows:

	2014	2013
Proceeds from sale of securities	$ 133,774	$ 210,300
Realized gains	1,318	4,731

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 $1,994 and $1,614 in 2014 and 2013, 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 nonoperating margin on the consolidated statements of revenues, expenses and comprehensive income is net of investment fees of approximately $255 and $432 for the years ended December 31, 2014 and 2013, 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. 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 2014 and 2013. Information regarding line of credit balances and activity for the years ended December 31, 2014 and 2013, is as follows:

	2014	2013
Interest rate at year-end	1.12 %	1.11 %
Total committed availability at year-end	$ 300,000	$ 300,000
Total borrowings outstanding at year-end	$ 127,000	$ 159,000
Average borrowings outstanding during year	$ 102,615	$ 128,277

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 $13,530 and $11,416 at December 31, 2014 and 2013, respectively. Interest expense on member cooperative advances were $103 and $96 during 2014 and 2013, respectively. These amounts have been included in interest expense in the consolidated statements of revenues, expenses, and comprehensive income.

6. LONG-TERM OBLIGATIONS

Long-term obligations as of December 31, 2014 and 2013, consist of the following:

	2014	2013
Federal Financing Bank obligations—1.93–4.46%	$ 347,570	$ 273,076
Federal Financing Bank obligations—4.52–6.80%	408,131	425,273
Total Federal Financing Bank	755,701	698,349
RUS obligations—4.125% and grant funds	5,618	5,982
CoBank notes—2.6%, 2.9%, 4.3%, 6.2%, and 7.4%.	57,194	68,263
Private bonds placement obligations—3.42%	94,167	97,500
Long-term debt	912,680	870,094
Less current maturities	(45,762)	(43,980)
Total long-term obligations	$ 866,918	$ 826,114

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 2.6%, 2.9%, 4.3%, 6.2%, and 7.4% notes are due monthly or quarterly through 2023. In March 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%. Quarterly principal and interest payments on this obligation extend through 2043.

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 unsecured notes to CoBank (balances of $34,917 and $41,354 at December 31, 2014 and 2013, respectively). 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, 2014.

Scheduled maturities of the Cooperative's long-term obligations as of December 31, 2014, were as follows:

Years Ending December 31	
2015	$ 45,762
2016	46,755
2017	46,676
2018	42,282
2019	41,660
Thereafter	689,545
Total	$ 912,680

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 $757 and $820 in 2014 and 2013, respectively. The schedule of future minimum lease payments as of December 31, 2014, is as follows:

Years Ending December 31	
2015	$ 530
2016	353
2017	123
2018	70
2019	67
Thereafter	76
Total	$ 1,219

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 $4,090 and $1,120 as of December 31, 2014 and 2013, respectively. The accumulated amortization of the capital leases was $1,155 and $659 as of December 31, 2014 and 2013, respectively. The principal and interest payments were $1,026 and $691 in 2014 and 2013, respectively. The schedule of future minimum lease payments as of December 31, 2014, is as follows:

Years Ending December 31	
2015	$ 1,044
2016	984
2017	665
2018	624
2019	552
Thereafter	919
Total minimum lease payments	4,788
Amounts representing interest	(745)
Present value of minimum lease payments	4,043
Current maturities	(857)
Long-term capital lease obligations	$ 3,186

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, 2014 and 2013, is estimated to be as follows:

	2014		2013	
	Recorded Value	**Fair Value**	**Recorded Value**	**Fair Value**
Assets:				
Other property and investments	$ 10,197	$ 10,197	$ 38,217	$ 38,217
Investments in capital term certificates of NRUCFC	9,176	9,176	9,176	9,176
Liabilities—long-term obligations	912,680	1,151,253	870,094	1,025,101

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.

The following table summarizes the Cooperative's assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2013, aggregated by the level in the fair value hierarchy within which those measurements fall:

		Fair Value Measurements Using		
2014	**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	$ 92,954	$ 92,954	$ -	$ -
Investments under debt agreements—marketable securities	3,777	-	3,777	-
Other property and investments	10,197	1,157	-	9,040
Investments in capital term certificates of National Rural Utilities Finance Corporation	9,176	-	-	9,176
Investment for deferred compensation	1,649	-	1,649	-
	$117,753	$94,111	$5,426	$18,216

		Fair Value Measurements Using		
2013	**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	$ 91,398	$ 91,398	$ -	$ -
Investments under debt agreements—marketable securities	3,774	-	3,774	-
Other property and investments	38,217	29,495	-	8,722
Investments in capital term certificates of National Rural Utilities Finance Corporation	9,176	-	-	9,176
Investment for deferred compensation	1,615	-	1,615	-
	$144,180	$120,893	$5,389	$17,898

There were no significant transfers between Levels 1, 2, and 3 in 2014. The changes in Level 3 recurring fair value measurements using significant unobservable inputs for the years ended December 31, 2014 and 2013, are as follows:

	2014	2013
Other property and investments:		
Balance—beginning of year	$ 8,722	$ 9,072
New investment and loans made	875	350
Loan repayments received and current maturities	(207)	(321)
Patronage capital allocations	250	246
Refunds of deposits	(600)	(625)
Balance—end of year	$ 9,040	$ 8,722

The valuation of these assets 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. 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 nonoperating margins assigned to members each year is at the discretion of the Board of Directors. Any unassigned nonoperating margins will become unallocated reserves and part of permanent equity. Patronage capital amounts for the years ended December 31, 2014 and 2013, are as follows:

	Assigned	Unassigned	Total
Balance—December 31, 2012	$ 156,500	$ 36,356	$ 192,856
Retirement of capital credits	(3,130)	-	(3,130)
Current year margins	17,079	4,937	22,016
Balance—December 31, 2013	170,449	41,293	211,742
Retirement of capital credits	(3,409)	-	(3,409)
Current year margins	15,783	7,080	22,863
Balance—December 31, 2014	$ 182,823	$ 48,373	$ 231,196

10. COMMITMENTS AND CONTINGENCIES

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 four-year terms. The estimated commitments under these contracts as of December 31, 2014, were $98,866 in 2015, $29,180 in 2016, $10,335 in 2017, and $1,655 in 2018.

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 and 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 was modified in 2014 when the EPA agreed to extend by eight months the time for the Cooperative to comply with the CD's 30-day rolling average sulfur dioxide emission rate for one of the units at the Alma/J.P. Madgett plant if the Cooperative offsets additional emissions caused by the delay by reducing overall pollution from the Alma/J.P. Madgett plant beyond the levels required by the original CD. As part of the CD modification, the Cooperative ceased burning coal in the Alma#4 and #5 boilers by December 31, 2014. Approval of the CD modifications was received by the U.S. District Court on April 28, 2014. The CD requires the Cooperative to spend $5,000 on environmental mitigation projects within five years of EPA's April 2013 approval of the projects which will include participation in major solar projects. The Cooperative reflected the cost and obligation of this requirement in deferred charges and deferred credits, respectively. During 2013, the $4,500 cost of the remaining environmental mitigation projects in deferred charges was charged to expense. Also during 2013, the remaining $4,500 obligation for environmental mitigation projects was reduced by $84 spent on approved projects. During 2014, the remaining $4,416 obligation for environmental mitigation projects was reduced by $772 spent on approved solar and other projects. The estimated $1,485 cost of 2015 solar and other projects participation is included in accrued expenses.

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 2014 and 2013 represented less than 5% of the total contributions made to the plan by all participating employers. In 2013, the Cooperative made a voluntary prepayment of $26,899 to this plan to reduce future contribution amounts. Expense for this pension plan

was $10,553 in 2014 and $10,970 in 2013. The 2014 expense includes contributions to the plan of $7,863 and $2,690 of prepayment amortization. The 2013 expense includes contributions to the plan of $8,280 and $2,690 of prepayment amortization.

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

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

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 2013, a plan change included the addition of a lower cost high-deductible health plan as an option of available plans to union employees effective for 2014.

The accumulated postretirement benefit obligation (APBO) and the amounts recognized in the consolidated financial statements as of and for the years ended December 31, 2014 and 2013, are as follows:

	2014	2013
Amount recognized in the consolidated balance sheets:		
Total accrued qualified and nonqualified benefit obligation	$ 4,330	$ 3,779
Less current portion included in accrued expenses—other	(217)	(166)
Long-term portion	$ 4,113	$ 3,613
Change in benefit obligation:		
APBO—beginning of year	$ 3,779	$ 8,077
Service cost	177	413
Interest cost	161	258
Plan changes	-	818
Actuarial loss (gain)	93	(5,540)
Participant contributions	373	-
Benefits paid	(253)	(247)
APBO—end of year	$ 4,330	$ 3,779
Funded status of plan—December 31	$ (4,330)	$ (3,779)
Accrued postretirement health insurance obligations recorded at year-end	$ 4,330	$ 3,779

(Continued)

	2014	2013
Change in plan assets:		
Fair value of plan assets—beginning of year	$ -	$ -
Employer contribution	253	247
Benefits paid	(253)	(247)
Fair value of plan assets—end of year	$ -	$ -
Change in accumulated other comprehensive income (loss):		
Net income (loss) at prior measurement date	$ 3,098	$ (1,576)
Plan changes	-	(818)
Actuarial assumption changes	(93)	5,540
Recognition in expense:		
Amortization of prior service cost	(102)	(223)
Amortization of unrecognized actuarial (gain) loss	(184)	175
Accumulated other comprehensive income (loss)	$ 2,719	$ 3,098
Components of net periodic postretirement benefit cost:		
Service cost—benefits attributed to service during the year	$ 177	$ 413
Interest cost on accrued postretirement health insurance obligation	161	258
Amortization of prior service cost	(102)	(223)
Amortization of unrecognized actuarial (gain) loss	(184)	175
Net periodic postretirement benefit expense	$ 52	$ 623

(Concluded)

Employer cash contributions expected to be made to the plan during the fiscal year ending December 31, 2015, is $217. The amount of accumulated other comprehensive income expected to be recognized during the fiscal year ending December 31, 2015, is an actuarial gain of $158 and amortization of prior service cost of $102.

For measurement purposes, a 4.36% and 3.25% discount rate was assumed for 2014 and 2013, respectively, to determine net periodic benefit cost. The 2014 and 2013 annual health care cost increase assumed is 7.70% and 8.10%, respectively, decreasing gradually to 4.65% for 2031 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 $50 and the end-of-year APBO by $458. A one percentage point decrease in the assumed health care cost trend rates would decrease the total of service and interest cost components by $42 and the end-of-year APBO by $396.

Estimated future benefit payments from the plan as of December 31, 2014, are as follows:

Years Ending December 31	
2015	$ 217
2016	219
2017	242
2018	270
2019	322
2020–2024	1,607

Defined-Contribution Plan—Dairyland has a qualified tax-deferred savings plan for eligible employees. Eligible participants may make pretax contributions, as defined, with the Cooperative matching up to 2.5% of the participants' annual compensation. Contributions to this plan by the Cooperative were $1,136 and $1,071 for 2014 and 2013, 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 $1,349 and $1,590 as of December 31, 2014 and 2013, respectively. The cost for this sick leave benefit was $31 in 2014 and $23 in 2013.

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 $1,649 and $1,615 as of December 31, 2014 and 2013, 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 $8,222 and $8,687 for 2014 and 2013, respectively. The liability for these plans of $665 and $694 as of December 31, 2014 and 2013, respectively, are recorded in accrued expenses.

During 2013, the Cooperative announced a special early retirement plan through NRECA to be offered to certain age-eligible employees at specific Cooperative locations. Participation was effective July 1, 2014. Provisions of the plan include waiving the discount that is otherwise applied to pension benefits for employees electing retirement between ages 55 and 62, as well as a supplemental monthly payment to the employees for a minimum of 18 months or through age 65. The $3,506 cost of this plan was expensed in 2014. At December 31, 2014, the obligation for the plan is included in accrued expenses in Current Liabilities as payment was made to NRECA in February 2015. At December 31, 2013, the obligation for the plan was included in accrued benefits in Other liabilities.

12. RELATED-PARTY TRANSACTIONS

The Cooperative provides electric and other services to its class A members. The Cooperative received revenue of $347,078 and $343,327 in 2014 and 2013, respectively, for these services. The Cooperative has accounts receivable from its class A members of $33,500 and $33,008 as of December 31, 2014 and 2013, respectively.

The Cooperative has advances from class A members of $13,530 and $11,416 as of December 31, 2014 and 2013, 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 $103 and $96 in 2014 and 2013, respectively.

The Cooperative has interest-bearing loan receivables from class A members of $605 and $797 as of December 31, 2014 and 2013, respectively. These loan receivables, which are recorded as part of other assets, are related to the economic development program, wherein 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 $21 and $30 in 2014 and 2013, respectively.

13. LONG-TERM POWER AGREEMENTS

The Cooperative has a power agreement with Great River Energy (GRE) to share costs and benefits of a 345-megawatt coal-fired generating unit ("Genoa Station #3") located in Genoa, Wisconsin. Under the agreement, GRE pays 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 payment in full of all obligations arising from the construction and operation of the unit. 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 $45,281 and $41,381 during 2014 and 2013, respectively. As of December 31, 2014, GRE had $6,568 on deposit with the Cooperative for its share of the 2014 estimated operating coal inventory at Genoa 3.

In February 2015, the Cooperative and GRE agreed to terms which will allow GRE to end its purchase of power and energy under the agreement as of June 1, 2015 upon prepayment by GRE of approximately $83,500 for certain obligations. GRE will remain responsible for its share of eventual decommissioning costs and of any liability for disposal of coal combustion byproducts. The transaction is subject to execution of definitive agreements and regulatory approval. None of the settlement amount is reflected in the consolidated balance sheets or statements of revenues, expenses, and comprehensive income for 2014.

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 2014 and 2013 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 and the related Independent Spent Fuel Storage Installation (ISFSI). The assets of this trust in the amount of $92,954 as of December 31, 2014, and $91,398 as of December 31, 2013, are outside the Cooperative's administrative control and are available solely to satisfy the future costs of decommissioning. 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, 2014 and 2013, is as follows:

	2014	2013
Balance—beginning of year	$ 94,764	$ 80,735
Accretion in ARO	74	32
Incurred costs on decommissioning projects	(6,156)	(5,880)
Provision recorded as decommissioning liabilities	3,624	19,877
Balance—end of year	$ 92,306	$ 94,764

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, 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 United States government 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 and under contract, the United States government was to have begun accepting spent fuel in January 1998, but has not yet licensed and established a repository. The Cooperative filed an initial 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 through 2006 related to spent fuel remaining at LACBWR. The Cooperative filed a second contract damages claim in December 2012 to recover its costs generally incurred from 2007 through 2012. The trial for the second claim is expected to be scheduled in 2015. Subsequent suits will be brought to recover the continuing costs arising from the presence of the spent fuel. For 2014 and 2013, none of the second claim potential award damages are reflected in the consolidated balance sheets or consolidated statements of revenues, expenses, and comprehensive income. The initial claim was tried in July 2008 and resulted in a damages award in December 2009, with all appeals efforts concluded during 2012. In January 2013, the Cooperative received payment of $37,659 from the government for the damages award. For 2013, a regulatory liability for this amount was created to reflect the obligation to the class A members who had paid these costs as part of their rates during 1999-2006. Also in 2013, $18,848 of that regulatory liability was refunded to class A members and the remainder was offset against prior nuclear related regulatory assets.

The Cooperative completed the temporary dry storage facility project located on the LACBWR site and completed the move of the LACBWR spent nuclear fuel to this ISFSI facility in September 2012. Annual ISFSI costs are recorded on an as incurred basis and incorporated into the annual budget and rate making process. The current decommissioning plan calls for completion of decommissioning LACBWR, not including the ISFSI, by the end of 2025. The estimated costs of decommissioning the nuclear generating facility are based on a decommissioning cost study. 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 supplemental funds, 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 nonoperating margins, since the plant is no longer in service.

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