ROBERT C. MUELLER
Vice President and CFO
Finance and Support Services

DAIRYLAND POWER
COOPERATIVE

April 1, 2010

In reply, please
refer to LAC 14108

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, 2009 and 2008. We will forward our 2009 Annual Report to you as soon as it is completed.

Sincerely,

DAIRYLAND POWER COOPERATIVE

Robert C. Mueller
Vice President and CFO

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Enclosures

cc: Mark Satorius, Regional Administrator, Region III
Kristina Banovac, Project Manager
Mike Brasel, LACBWR

Additional copies sent to PM

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Dairyland Power Cooperative and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended December 31, 2009 and 2008, and Independent Auditors' Report

Dairyland Power Cooperative and Subsidiaries

Consolidated Financial Statements as of and
for the Years Ended December 31, 2009 and 2008,
and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dairyland Power Cooperative:

We have audited the accompanying consolidated balance sheets of Dairyland Power Cooperative (a Wisconsin cooperative) and subsidiaries (the "Cooperative") as of December 31, 2009 and 2008, and the related consolidated statements of revenues and expenses, member and patron equities, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Cooperative's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Cooperative as of December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2010, on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Deloitte & Touche LLP

March 26, 2010

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2009 AND 2008
(In thousands)

ASSETS	2009	2008
ELECTRIC PLANT:		
Plant and equipment — at original cost	$1,338,382	$1,300,824
Less accumulated depreciation	(446,957)	(425,330)
Net plant and equipment	891,425	875,494
Construction work in progress	122,756	95,190
Total electric plant	1,014,181	970,684
OTHER ASSETS:		
Nuclear decommissioning funds	85,091	73,088
Investments under debt agreements — marketable securities	2,621	3,150
Economic development loans and other investments	8,047	7,599
Investments in capital term certificates of National Rural Utilities Cooperative Finance Corporation	9,176	9,176
Regulatory asset — deferred losses on nuclear decommissioning funds	9,198	16,479
Investment for deferred compensation	1,199	1,003
Deferred charges	6,060	8,383
Total other assets	121,392	118,878
CURRENT ASSETS:		
Cash and cash equivalents	899	8,898
Accounts receivable:		
Energy sales — net of allowance for doubtful accounts of $60 for 2009 and $60 for 2008	38,971	36,499
Other	5,523	5,134
Inventories:		
Fossil fuels	78,375	66,759
Materials and supplies	18,585	20,462
Prepaid expenses	3,638	2,654
Total current assets	145,991	140,406
TOTAL	$1,281,564	$1,229,968

(Continued)

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2009 AND 2008
(In thousands)

CAPITALIZATION AND LIABILITIES	2009	2008
CAPITALIZATION:		
Member and patron equities:		
Membership fees	$ 15	$ 14
Patronage capital	149,182	139,375
Accumulated other comprehensive income	(1,412)	(2,167)
Total member and patron equities	147,785	137,222
Long-term obligations	849,668	731,568
Total capitalization	997,453	868,790
OTHER LIABILITIES:		
Estimated decommissioning liabilities	76,937	79,527
Asset retirement obligations	3,227	3,749
Postretirement health insurance obligation	6,019	6,220
Accrued benefits	1,460	1,445
Deferred compensation	1,200	1,003
Obligations under capital leases	206	-
Other deferred credits	381	314
Total other liabilities	89,430	92,258
COMMITMENTS AND CONTINGENCIES (Note 10)		
CURRENT LIABILITIES:		
Current maturities of long-term obligations	28,991	32,254
Line of credit	96,812	185,900
Advances from member cooperatives	10,182	3,259
Advances from Great River Energy	14,925	-
Accounts payable	27,629	30,764
Accrued expenses:		
Payroll and vacation	6,609	7,935
Interest	1,968	2,452
Property and other taxes	2,525	2,137
Other	5,040	4,219
Total current liabilities	194,681	268,920
TOTAL	$ 1,281,564	$ 1,229,968

See notes to consolidated financial statements. (Concluded)

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In thousands)

	2009	2008
UTILITY OPERATIONS:		
Operating revenues:		
Sales of electric energy	$ 366,862	$ 358,552
Other	14,352	15,266
Total operating revenues	381,214	373,818
Operating expenses:		
Fuel	143,291	157,084
Purchased and interchanged power	29,357	33,148
Other operating expenses	81,925	78,724
Depreciation and amortization	32,478	26,793
Maintenance	36,106	32,303
Property and other taxes	6,795	6,331
Total operating expenses	329,952	334,383
Operating margin before interest and other	51,262	39,435
Interest and other:		
Interest expense	40,220	32,774
Allowance for funds used in construction — equity	(1,255)	(971)
Other — net	3,542	163
Total interest and other	42,507	31,966
Operating margin	8,755	7,469
Non-operating margin	2,855	2,191
NET UTILITY MARGIN	11,610	9,660
NON-UTILITY OPERATIONS:		
Net revenues	3,071	4,124
Operating expenses	(2,520)	(2,510)
Non-utility operating income	551	1,614
Interest income	-	2
NON-UTILITY EARNINGS	551	1,616
NET MARGIN AND EARNINGS	$ 12,161	$ 11,276

See notes to consolidated financial statements.

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF MEMBER AND PATRON EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In thousands)

	Membership Fees	Accumulated Other Comprehensive Loss	Patronage Capital	Total Member and Patron Equities	Comprehensive Income
BALANCE — December 31, 2007	$ 14	$(2,518)	$130,370	$127,866	
Net margin and earnings	-	-	11,276	11,276	$ 11,276
Unrecognized post-retirement costs	-	351	-	351	351
Retirement of capital credits	-	-	(2,271)	(2,271)	
Total comprehensive income 2008					$ 11,627
BALANCE — December 31, 2008	14	(2,167)	139,375	137,222	
Net margin and earnings	-	-	12,161	12,161	$ 12,161
Unrecognized post-retirement costs	-	112	-	112	112
Demographic gain and actuarial assumption changes	-	643	-	643	643
Membership fees	1	-	-	1	
Retirement of capital credits	-	-	(2,354)	(2,354)	
Total comprehensive income 2009					$ 12,916
BALANCE — December 31, 2009	$ 15	$(1,412)	$149,182	$147,785	

See notes to consolidated financial statements.

DAIRYLAND POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin and earnings	$ 12,161	$ 11,276
Adjustments to reconcile net margin and earnings to net cash provided by operating activities:		
Depreciation and amortization:		
Charged to operating expenses	32,500	26,831
Charged through other operating elements such as fuel expense	2,463	2,265
Allowance for funds used in construction — equity	(1,255)	(971)
Changes in operating elements:		
Accounts receivable	(2,861)	(7,551)
Inventories	(10,263)	(12,518)
Prepaid expenses and other assets	(789)	(1,226)
Accounts payable	(8,959)	(12,733)
Accrued expenses and other liabilities	(8,364)	(882)
Deferred charges and other	2,130	(1,651)
Total adjustments	4,602	(8,436)
Net cash provided by operating activities	16,763	2,840
CASH FLOWS FROM INVESTING ACTIVITIES:		
Electric plant additions	(67,880)	(96,694)
Advances to nuclear decommissioning funds	(2,000)	(2,500)
Purchase of investments	(88,776)	(87,797)
Proceeds from sale of investments and economic development loans	88,652	87,461
Net cash used in investing activities	(70,004)	(99,530)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under line of credit	283,560	288,975
Repayments under line of credit	(372,648)	(216,850)
Borrowings under long-term obligations	148,176	78,212
Repayments of long-term obligations	(33,339)	(43,658)
Retirement of capital credits	(2,355)	(2,271)
Borrowings of advances from member cooperatives	231,605	178,036
Repayments of advances from member cooperatives	(209,757)	(180,375)
Net cash provided by financing activities	45,242	102,069
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,999)	5,379
CASH AND CASH EQUIVALENTS — Beginning of year	8,898	3,519
CASH AND CASH EQUIVALENTS — End of year	$ 899	$ 8,898
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 45,315	$ 44,365
Electric plant additions funded through accounts payable and accrued expenses	$ 7,600	$ 13,424

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, E, and F members.

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

GEN~SYS Energy — The Cooperative is a member of GEN~SYS, a power supply and marketing cooperative, the primary purpose of which is to schedule and dispatch generation resources and to provide other power-related support services to its members, which also include Corn Belt Power Cooperative and Distribu-Gen Cooperative. GEN~SYS is owned equally by its members, but in fiscal years 2009 and 2008, substantially all of the GEN~SYS activities that produced margin, including energy purchases and sales, were derived from Dairyland. Dairyland has consolidated the accounts of GEN~SYS in the consolidated balance sheets, the consolidated statements of revenues and expenses in non-utility operations, and the consolidated statements of cash flows for fiscal years 2009 and 2008.

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 RUS-approved depreciation rates. The Cooperative is unable to obtain the information to separate the cumulative removal costs as of December 31, 2009 and 2008. 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 2.7% of depreciable plant balances for both 2009 and 2008.

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 (5.3% in 2009 and 7.4% in 2008) to certain electric plant additions under construction. The amount of such allowance was $4,725 in 2009 and $5,578 in 2008. The borrowed funds component of AFUDC for 2009 and 2008, was $3,470 and $4,607, respectively (representing 3.87% and 6.12% in 2009 and 2008, respectively). The equity component of AFUDC for 2009 and 2008 was $1,255 and $971, respectively, (representing 1.41% and 1.27%, in 2009 and 2008, respectively). These amounts were included as a reduction of interest expense in the consolidated statements of revenues and expenses.

Interest During Construction — Interest during construction represents the interest expense on debt borrowed during construction for specific projects and is capitalized as a component of the electric plant for which the debt was incurred. These capitalized interest amounts for 2009 and 2008 are $159 and $6,711, respectively.

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, 2009, the Cooperative's deferred charges are being reflected in rates charged to customers. If all or a separable portion of the Cooperative's operations no longer become 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. Deferred charges as of December 31, 2009, primarily represent a premium on debt refinancing, which is being amortized over approximately 20 years (the remaining life of related original debt), renewable energy power purchase agreements, which are being amortized over 20 years, and costs associated with preliminary project survey and investigation activities. 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 2009 and 2008, abandoned project charges of $3,208 and $0, respectively, were expensed and included in "Other – net" on the consolidated statements of revenue and expenses. The 2009 charges include $2,862 due to the cancellation of a base load coal project.

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 unrealized gains and losses increase or decrease the nuclear decommissioning liability (see Note 3). 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 2009 and 2008, the Cooperative realized $2,368 and $8,472, 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 $9,198 as of December 31, 2009.

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.

Sulfur Dioxide Emission Allowances — The U.S. Environmental Protection Agency (EPA) requires power plants to hold sufficient allowances to cover emissions of sulfur dioxide. Under these requirements, the Cooperative is required to surrender one emission allowance per ton of sulfur dioxide emitted. Currently, emission allowances are recorded under the inventory method at a cost of $0. As of December 31, 2009 and 2008, the Cooperative sold $20 and $140, respectively, of emission allowances through the EPA annual mandatory auction. These amounts were recorded as revenues in the non-operating margin.

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 exceed the allocation amounts thereby requiring the Cooperative to purchase additional allowances. At December 31, 2009, these are recorded in inventory at lower of average cost or market prices at a total cost of $2,679. Of this, $2,320 is obligated to EPA to meet 2009 emissions and have been charged to plant expense. The transfer to EPA of the 2009 allowances occurred January 2010. The remaining allowances in inventory are available for 2010 emissions.

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 2009 and 2008, the power cost adjustment to the class A members resulted in additional sales billed of $3,055 and $2,775, respectively. These amounts are recorded in sales of electric energy in operating revenues.

Other Operating Revenue — Other operating revenue includes primarily 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, 2009 and 2008.

Dairyland and GEN~SYS have determined that GEN~SYS' energy purchases and sales activities will be presented on a net basis within the non-utility operations section of the consolidated statements of revenue and expenses.

Non-Operating Margin — The non-operating margin for the years ended December 31, 2009 and 2008, includes the following:

	2009	2008
Investment income	$ 744	$ 603
Investment income on nuclear decommissioning funds:		
Net earnings	9,856	2,096
Realized gains	1,678	1,641
Realized losses and losses due to OTTI	(3,899)	(13,127)
Provision — recorded as estimated decommissioning liabilities	(7,634)	9,390
Other	2,110	1,588
Non-operating margin	$ 2,855	$ 2,191

Energy and Natural Gas Sales and Purchases — In its non-utility operations the Cooperative presents revenue from energy and natural gas sales, net of cost. For the purposes of additional disclosure, the gross sales and purchases as of December 31, 2009 representing $598 of the $3,071 net revenues from non-utility operations, and December 31, 2008, representing $1,699 of the $4,124 net revenues from non-utility operations are presented below:

	2009	2008
Energy sales	$ 63,958	$ 102,691
Natural gas sales	96	892
Energy purchases	63,370	101,003
Natural gas purchases	86	881

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 (ARO) liabilities, fixed asset depreciable lives, and litigation and contingencies. Actual results could differ from those estimates.

Concentration of Risk — During fiscal years 2009 and 2008, the Cooperative derived 11% and 13%, respectively, of its revenue from a single customer.

Approximately 49% of the labor force for the Cooperative is under a collective bargaining agreement that expires January 31, 2012.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (ASC or the "Codification"), which is to be the single source of authoritative generally accepted accounting principles. All other accounting literature not included in the Codification is to be considered non-authoritative. The Codification was effective for annual periods ending after September 15, 2009. The Cooperative implemented the guidance, recognizing the Codification as the single source of authoritative generally accepted accounting principles, for the year ended 2009. The implementation did not have a material impact on the Cooperative's consolidated financial statements.

In June 2009, the FASB issued a revision to ASC 810, *Consolidation* (ASC 810), which was a revision to its initial issuance in December 2007. ASC 810 changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. ASC 810 is effective for financial statements issued for fiscal years beginning in fiscal 2009. The Cooperative adopted ASC 810 effective January 1, 2009; however as the Cooperative has no such noncontrolling interests, ASC 810 is not applicable.

The June 2009 revision to ASC 810 requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and eliminates the quantitative approach for determining the primary beneficiary of a variable interest entity. The revision is effective as of the beginning of an entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Early adoption is prohibited. Management does not expect that adoption of this revision will have an impact on the Cooperative's consolidated financial statements as the Cooperative has no such noncontrolling interests, and therefore ASC 810 is not applicable.

In May 2009, ASC 855, *Subsequent Events*, established general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued or available to be issued. The standard is effective for interim or annual financial periods ending after June 15, 2009, and the Cooperative reviewed all subsequent events for inclusion in these consolidated financial statements through March 26, 2010, the date the financial statements were available for issuance. All material subsequent events have been disclosed in these consolidated financial statements.

In April 2009, the FASB approved a revision to ASC 820, *Fair Value Measurements and Disclosures*, which provides additional guidance for determining fair value when the volume and level of activity for the asset or liability have significantly decreased. This revision also provides guidance on identifying circumstances that indicate a transaction is not orderly. This revision is effective for reporting periods ending after June 15, 2009, and its adoption did not have a significant impact on the Cooperative's consolidated financial statements.

In December 2008, the FASB approved a revision regarding employers' disclosures about postretirement benefit plan assets, which amends ASC 715, *Compensation-Retirement Benefits* (ASC 715), to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. This revision also includes a technical amendment to ASC 715 that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented. Disclosures about plan assets required by this revision must be provided for fiscal years ending after December 15, 2009, and its adoption did not have a significant 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.

For its non-utility operations, the Cooperative accounts for the income taxes using the liability method, under which deferred income taxes are recognized for temporary differences between the income tax and financial reporting basis of the Cooperative's assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Cooperative's provision for income taxes was $0 at both December 31, 2009 and 2008.

The total income tax provision (benefit) expense differs from the amount computed by applying the effective income tax rate of 34% to non-utility operating (loss) income as of December 31, 2009 and 2008, are as follows:

	2009	2008
Overall effective federal and state income tax rate	34 %	34 %
Tax computed at federal statutory rate	$ 188	$ 550
Increase (decrease) in tax from:		
Patronage allocation	(188)	(549)
Valuation allowance and carryforward/carryback	-	(1)
	$ -	$ -

The Cooperative deferred taxes as of December 31, 2009 and 2008, were as follows:

	2009	2008
Net operating loss carryforward	$ 207	$ 237
Other	67	62
Valuation allowance	(274)	(299)
Net deferred tax asset	$ -	$ -

The Cooperative does not anticipate generating taxable income prior to the expiration of the net operating loss (NOL) carryforward and accordingly has recorded a full valuation allowance for its net deferred tax asset in an amount equal to the excess of the deferred tax asset over the deferred tax liability is necessary. The realization of the deferred tax assets depends on the ability of the Cooperative to generate sufficient taxable income in the future. As of December 31, 2009, the Cooperative has federal and state NOL carryforwards of $240 and $1,470, which begin to expire in 2026 and 2013, respectively.

In June 2006, ASC 740, *Income Taxes* (ASC 740), was issued. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Cooperative adopted

ASC 740 effective January 1, 2009. The adoption of ASC 740 did not have any material impact on its consolidated financial statements as the only tax impacts to the Cooperative are a result of the consolidation with GEN-SYS. The adoption of ASC 740 by GEN~SYS did not result in any unrecognized tax benefits or liability for income taxes.

4. AVAILABLE-FOR-SALE INVESTMENTS

Investments under debt agreements and nuclear decommissioning funds as of December 31, 2009 and 2008, are classified as available-for-sale, recorded at fair value, and include the following:

	Fair Value	
	2009	2008
Cash and cash equivalents	$23,821	$21,979
U.S. government securities	21,877	22,411
Corporate bonds	7,761	5,809
Common stocks	32,339	24,409
Foreign obligations	1,914	1,630
	$87,712	$76,238

Since the Cooperative intends to adjust rates in the future to reflect changes in the fair value of investments held in its nuclear decommissioning trust, unrealized gains of $5,317 and $3,166 on these investments as of December 31, 2009 and 2008, respectively, are included in estimated decommissioning liabilities. 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, 2009, are as follows:

	Fair Value	Cost
Due within 1 year	$ 243	$ 228
Due after 1 year through 5 years	9,051	8,941
Due after 5 years through 10 years	5,980	5,793
Due after 10 years	16,278	15,846
	$31,552	$30,808

Information regarding the sale of available-for-sale marketable securities, including nuclear decommissioning trusts, for the years ended December 31, 2009 and 2008, is as follows:

	2009	2008
Proceeds from sale of securities	$87,627	$86,728
Realized gains (losses)	147	(3,014)

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 $2,368 in 2009 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 on the consolidated statements of revenues and expenses is net of investment fees of approximately $293 and $368 for the years ended December 31, 2009 and 2008, respectively.

5. LINES OF CREDIT

To provide interim financing capabilities, the Cooperative has arranged committed lines of credit with availability aggregating approximately $250,000 principally through CoBank split between a construction revolver and an operating line. The construction revolver is used to fund 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 construction line of credit as permanent funding is received. The operating line of credit is used to meet short term working capital requirements. Compensating balance requirements and fees relating to the lines of credit were not significant in 2009 or 2008. The construction revolver line of credit expires December 2012. The operating line of credit is renewable annually as to terms and conditions, and the principal balance must be paid in full within one business day of expiration, unless unilaterally extended by CoBank. The next renewal date is April 2010 with renewal expected at that time. Information regarding line of credit balances and activity for the years ended December 31, 2009 and 2008, is as follows:

	2009	2008
Interest rate at year-end	2.24 %	2.35 %
Committed availability at year-end:		
Construction revolver	$ 185,000	$ 185,000
Operating line	65,000	65,000
Total	$ 250,000	$ 250,000
Borrowings outstanding at year-end:		
Construction revolver	$ 86,712	$ 149,300
Operating line	10,100	36,600
Total	$ 96,812	$ 185,900
Average borrowings outstanding during year:		
Construction revolver	$ 108,466	$ 113,244
Operating line	28,295	16,808
Total	$ 136,761	$ 130,052

The Cooperative also allows member cooperatives to prepay their power bills and pays interest on these prepayments based on current short-term borrowing rates. Interest expense on member cooperative advances were $324 and $406 during 2009 and 2008, 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, 2009 and 2008, consist of the following:

	2009	2008
Federal Financing Bank obligations, 2.6% to 6.8%	$ 799,002	$ 681,112
RUS obligations, 2%, 5%, 4.125% and grant funds	17,529	17,271
CoBank notes, 6.2% and 7.4%	38,457	41,834
City of La Crosse, Wisconsin, Pollution Control Bonds, 5.45% to 5.55%	23,605	23,605
Long-term debt	878,593	763,822
Less current maturities	28,925	32,254
Total long-term obligations	$ 849,668	$ 731,568

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 quarterly or monthly principal and interest installments through 2024. Payments on the CoBank 6.2% and 7.4% notes are due monthly or quarterly through 2019.

The Cooperative has obtained guarantee commitments from RUS for $280,000 to provide long-term financing for the Cooperative's share of construction costs of the Weston 4 generating station project (the "Project") which was placed in service in 2008. The Cooperative has borrowed $280,000 of advances on this loan through December 31, 2009. The Cooperative had secured a $280,000 construction loan from CoBank, due October 2008, to provide interim financing for the Project. The Cooperative had borrowed $230,006 of construction advances on this loan. Through October 31, 2008, all $230,006 of construction advances were converted to RUS long-term financing, while paying off the CoBank construction loan. In addition, the Cooperative has borrowed additional funds to finance the purchase of unit trains. Any advances from RUS for long-term financing for the project are pursuant to the terms of the consolidated mortgage and security agreement between the Cooperative and RUS.

Approximately $7,545 of the City of La Crosse, Wisconsin, Pollution Control Bonds (the "Bonds") is due in September 2014 and $16,060 is due in February 2015. On December 27, 2001, the Bonds were reissued at fixed interest rates of 5.45% for the $7,545 of Bonds due in 2014 and 5.55% for the $16,060 of Bonds due in 2015.

Substantially all of the Cooperative's assets are pledged as collateral for these obligations under the consolidated mortgage and security agreement with RUS, which extends through December 31, 2055. The Cooperative is required to maintain and has maintained certain financial ratios related to earnings and liquidity in accordance with the covenants of its loan agreements as of December 31, 2009.

Scheduled maturities of the Cooperative's long-term obligations as of December 31, 2009, were as follows:

Years Ending December 31	
2010	$ 28,925
2011	37,785
2012	44,292
2013	33,781
2014	40,166
Thereafter	693,644
Total	$ 878,593

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 7 years 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 $243 and $85 in 2009 and 2008, respectively. The schedule of future minimum lease payments as of December 31, 2009, is as follows:

Years Ending December 31	
2010	$ 273
2011	273
2012	273
2013	235
2014	202
Thereafter	436
Total	$ 1,692

Capital Leases

The Cooperative entered into a capital lease agreement in 2009 for a Pettibone carry lift. The transaction is covered in the master lease agreement with a lease term of 4 years. At the end of the lease, the Cooperative can purchase the equipment for $30. The gross amount of the lease was $314. The accumulated amortization of this lease is $9. The principal and interest payments were $44 in 2009. The schedule of future minimum lease payments as of December 31, 2009, is as follows:

Years Ending December 31		
2010		$ 78
2011		78
2012		78
2013		67
	Total minimum lease payments	$ 301
Amounts representing interest		28
Present value of minimum lease payments		273
	Current maturities	67
Long-term capital lease obligations		$ 206

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, 2009 and 2008, is estimated to be as follows:

	2009		2008	
	Recorded Value	Fair Value	Recorded Value	Fair Value
Assets:				
Economic development loans and other investments	$ 8,047	$ 8,047	$ 7,599	$ 7,599
Investments in capital term certificates of NRUCFC	9,176	9,176	9,176	9,176
Liabilities — long-term obligations	878,593	1,064,107	763,822	949,716

Assets and Liabilities Measured at Fair Value — Generally accepted accounting principles 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, 2009, aggregated by the level in the fair-value hierarchy within which those measurements fall:

		Fair-Value Measurements Using		
	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	$ 85,091	$85,091	$ -	$ -
Investments under debt agreements — marketable securities	2,621	-	2,621	-
Economic development loans and other	8,047	-	-	8,047
Investments in capital term certificates of National Rural Utilities Finance Corporation	9,176	-	-	9,176
Investment for deferred compensation	1,200	-	1,200	-
	$106,135	$85,091	$3,821	$17,223

The following table presents the changes in Level 3 recurring fair-value for the year ended December 31, 2009:

	Fair-Value Measurement Using Significant Unobservable Inputs (Level 3)
Economic development loans and other:	
Balance — January 1, 2009	$ 7,599
New investment and loans made	84
Loan repayments received	(379)
Patronage capital allocations	735
Reinvested net earnings	8
Balance — December 31, 2009	$ 8,047

The following table summarizes the Cooperative's assets and liabilities measured at fair-value on a recurring basis as of December 31, 2008, aggregated by the level in the fair-value hierarchy within which those measurements fall:

		Fair-Value Measurements Using		
	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	$ 73,088	$ 73,088	$ -	$ -
Investments under debt agreements — marketable securities	3,150	-	3,150	-
Economic development loans and other	7,599	-	-	7,599
Investments in capital term certificates of National Rural Utilities Finance Corporation	9,176	-	-	9,176
Investment for deferred compensation	1,003	-	1,003	-
	$ 94,016	$ 73,088	$ 4,153	$ 16,775

The following table presents the changes in Level 3 recurring fair-value for the year ended December 31, 2008:

	Fair-Value Measurement Using Significant Unobservable Inputs (Level 3)
Economic development loans and other:	
Balance — January 1, 2008	$ 7,136
New investment and loans made	460
Loan repayments received	(653)
Patronage capital allocations	634
Reinvested net earnings	22
Balance — December 31, 2008	$ 7,599

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 patronage capital balance as of December 31 of the prior year. Accordingly, $2,355 and $2,271 were retired in 2009 and 2008, 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, 2009, includes 2009 margins assignable of $7,500 and unallocated reserves of $4,661. Patronage capital as of December 31, 2008, includes 2008 margins assignable of $6,498 and unallocated reserves of $4,778.

10. COMMITMENTS AND CONTINGENCIES

The Cooperative acquired a 30% ownership share of the Weston 4 power plant near Wausau, Wisconsin, from Wisconsin Public Service Corporation (WPSC) in November 2005. The acquisition gives the Cooperative a 159 megawatt share of the 531 megawatt supercritical coal-fired facility. WPSC obtained regulatory approval and began construction in October 2004 on the plant which was placed in service in June 2008. As a 30% owner, the Cooperative incurred construction costs of $273,595 as of December 31, 2009. The Cooperative is accounting for its share of the jointly owned plant on a proportionate consolidation basis with costs of construction and related financing reported in electric plant and long-term obligations. Both the Cooperative and WPSC must provide financing for their respective portions of the Weston 4 plant costs.

The Cooperative's estimated 2010 construction program expenditures, including Weston 4, are $47,574 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 six year terms. The estimated commitments under these contracts as of December 31, 2009, were $106,105 in 2010, $100,082 in 2011, $56,627 in 2012, $15,991 in 2013, $14,536 in 2014, and $15,010 in 2015.

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 and Security Program. Pension benefits are funded in accordance with the provisions of the program 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 program is a multiemployer plan for accounting purposes, the accumulated benefits and plan assets are not determined or allocated separately for each participating company. The Cooperative may be contingently liable for its share of the plans' unfunded vested liabilities. The Cooperative cannot obtain information from the plans' administrators to determine its share, if any, of unfunded vested benefits; however, the Cooperative has received notice that the contribution rates for 2010 will increase by approximately 35% over 2009 rates for the same benefits levels. Pension costs for this pension plan were $7,121 in 2009 and $6,028 in 2008.

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 plans are unfunded. The accumulated postretirement benefit obligation (APBO) and the amounts recognized in the consolidated financial statements as of and for the years ended December 31, 2009 and 2008, are as follows:

	2009	2008
Amount recognized in the consolidated balance sheets:		
Total accrued qualified and nonqualified benefit obligation	$ 6,239	$ 6,532
Less current portion included in accrued expenses — other	(220)	(312)
Long-term portion	$ 6,019	$ 6,220

	2009	2008
Change in benefit obligation:		
APBO — beginning of year	$ 6,532	$ 6,151
Service cost	252	240
Interest cost	411	389
Actuarial (gain)	(643)	-
Benefits paid	(313)	(248)
APBO — end of year	$ 6,239	$ 6,532
Funded status of plan — December 31	$ (6,239)	$ (6,532)
Accrued postretirement health insurance obligations recorded at year-end	$ (6,239)	$ (6,532)
Change in plan assets:		
Fair value of plan assets — beginning of year	$ -	$ -
Employer contribution	313	248
Benefits paid	(313)	(248)
Fair value of plan assets — end of year	$ -	$ -
Change in accumulated other comprehensive income:		
Net loss at prior measurement date	2,167	2,291
Demographic (gain) and assumption changes	(643)	-
Recognition in expense	(112)	(124)
Accumulated other comprehensive income	$ 1,412	$ 2,167
Components of net periodic postretirement benefit cost:		
Service cost — benefits attributed to service during the year	$ 252	$ 240
Interest cost on accrued postretirement health insurance obligation	411	389
Amortization of unrecognized actuarial loss	112	124
Net periodic postretirement benefit expense	$ 775	$ 753

Employer cash contributions expected to be made to the plan during the fiscal year ending December 31, 2010 is $220. The amount of accumulated other comprehensive income expected to be recognized during the fiscal year ending December 31, 2010 is an actuarial loss of $61.

For measurement purposes, a 6.2% discount rate was assumed for both 2009 and 2008 to determine net periodic benefit cost. The 2009 and 2008 annual health care cost increase assumed is 7.5% and 8%, respectively, decreasing gradually to 5% for 2014 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 $95 and the end of year APBO by $677. A one percentage point decrease in the assumed health care cost trend rates would decrease the total of service and interest cost components by $81 and the end of year APBO by $585.

	Postretirement Health Insurance Obligation
Expected future benefit payments:	
2010	$ 220
2011	262
2012	303
2013	354
2014	421
2015–2019	3,015

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 $1,017 and $977 for 2009 and 2008, 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 $1,653 and $1,621 as of December 31, 2009 and 2008, respectively. The cost for this sick leave benefit was $190 in 2009 and $193 in 2008.

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 $1,200 and $1,003 as of December 31, 2009 and 2008, 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 was $8,114 and $7,135 for 2009 and 2008, respectively.

12. RELATED-PARTY TRANSACTIONS

The Cooperative provides electric and other services to its class A members. The Cooperative received revenue of $290,619 and $264,485 in 2009 and 2008, respectively, for these services. The Cooperative has accounts receivable from its class A members of $30,129 and $26,831 as of December 31, 2009 and 2008, respectively.

The Cooperative has notes payables to the class A member of $10,182 and $3,259 as of December 31, 2009 and 2008, respectively. These notes are 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 $324 and $406 in 2009 and 2008, respectively.

The Cooperative has interest-bearing loan receivables from class A members of $949 and $1,110 as of December 31, 2009 and 2008, 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 $50 and $62 in 2009 and 2008, 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 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 $41,435 and $49,009 during 2009 and 2008, respectively. In January 2009, GRE placed $14,925 on deposit with the Cooperative for its share of the 2009 estimated operating coal inventory at Genoa 3. In January 2010, this deposit was reduced to $10,754 for its share of the 2010 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 result 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 a reduction of ($348) to its discounted liability in 2009 and recorded an additional discounted liability of $461 in 2008 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 $71,695 as of December 31, 2009, and $61,753 as of December 31, 2008, 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 $13,396 as of December 31, 2009, and $11,335 as of December 31, 2008, 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, 2009 and 2008, is as follows:

	2009	2008
Balance — beginning of year	$ 83,276	$ 80,000
(Reduction to)/additional obligation due to change in estimated cash flows	(348)	461
Accretion in ARO	(175)	456
Incurred costs on decommissioning projects	(8,811)	(3,096)
Provision recorded as decommissioning liabilities	6,222	5,455
Balance — end of year	$ 80,164	$ 83,276

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 decommissioning of LACBWR is complete. 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 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. Subsequent suits are expected to be brought for 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. The Government is expected to appeal the decision. No payments for damages will be received until the completion of the appeals process. None of the award damages are reflected in the consolidated balance sheets or statements of revenue and expense. The Cooperative is currently seeking approvals to move the spent fuel to a temporary dry storage facility to be located on the LACBWR site. Dismantlement of nonessential systems is proceeding on an ongoing basis. The LACBWR decommissioning plan calls for final decommissioning no later than 2025.

The estimated costs of decommissioning the nuclear generating facility are based on a decommissioning cost study. Annual costs are recorded on an as incurred basis and are incorporated into the annual budget and rate making process. 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 the trust will be sufficient to cover final decommissioning expenses. The annual decommissioning expense, including SAFSTOR costs, is 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.

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