

ROBERT C. MUELLER
Assistant General Manager
& Controller

April 6, 1983

RE: LAC-8981

DOCKET NO. 50-409

Director of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

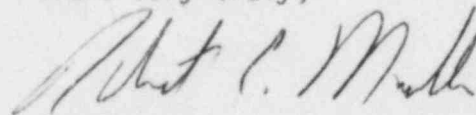
Gentlemen:

DAIRYLAND POWER COOPERATIVE
LA CROSSE BOILING WATER REACTOR (LACBWR)
PROVISIONAL OPERATING LICENSE NO. DPR-45
FINANCIAL STATEMENTS 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 annual financial report and certified financial statements for Dairyland Power Cooperative for the years 1981 and 1982. We will forward our 1982 Annual Report to you as soon as it is completed.

Yours very truly,



RCM:pw

Enclosures

cc: J. G. Keppler, Regional Administrator, NRC-DRO III
NRC Resident Inspector
R. Dudley, NRC Project Manager
J. Parkyn, LACBWR

ARTHUR ANDERSEN & Co.
MINNEAPOLIS, MINNESOTA

To the Members and the Board of Directors,
Dairyland Power Cooperative:

We have examined the balance sheets of DAIRYLAND POWER COOPERATIVE (a Wisconsin cooperative) as of December 31, 1982 and 1981, and the related statements of revenues and expenses and patronage capital and sources of funds used for construction for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Dairyland Power Cooperative as of December 31, 1982 and 1981, and the results of its operations and sources of funds used for construction for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

February 23, 1983.

BALANCE SHEETS -- DECEA S S E T S

	<u>1982</u>	<u>1981</u>
ELECTRIC PLANT (Notes 1, 2, 3 and 6):		
Plant and equipment, at original cost	\$453,822,318	\$440,284,272
Accumulated depreciation	(138,552,658)	(124,389,672)
	<u>315,269,660</u>	<u>315,894,600</u>
Construction work in progress	11,774,961	10,326,327
Nuclear fuel, at amortized cost (Note 1)	21,670,602	19,906,247
	<u>348,715,223</u>	<u>346,127,174</u>
INVESTMENTS, at cost:		
Capital term certificates of National Rural Utilities Cooperative Finance Corporation (Note 5)	9,819,848	9,833,090
Pollution Control Bond proceeds on deposit with trustee	10,172,905	14,191,035
Other investments	1,297,530	1,398,763
	<u>21,290,283</u>	<u>25,422,888</u>
CURRENT ASSETS:		
Cash	81,129	112,536
Accounts receivable-		
Energy sales	13,076,445	13,559,174
Other	844,420	476,706
Inventories, at average cost-		
Fossil fuels	54,031,363	47,921,717
Materials and supplies	5,893,232	4,963,354
Prepaid expenses	175,521	773,855
	<u>74,102,110</u>	<u>67,807,342</u>
DEFERRED CHARGES:		
Abandoned facility, Being amortized (Note 4)	2,652,130	4,939,030
Other	1,477,993	2,117,431
	<u>4,130,123</u>	<u>7,056,461</u>
	<u>\$448,237,739</u>	<u>\$446,413,865</u>

The accompanying notes are an int

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MBER 31, 1982 AND 1981

CAPITALIZATION AND LIABILITIES

	<u>1982</u>	<u>1981</u>
CAPITALIZATION:		
Long-term obligations, less current maturities included below (Notes 3 and 6)-		
Long-term debt	\$341,289,110	\$338,886,898
Subscriptions to capital term certificates of National Rural Utilities Cooperative Finance Corporation, due in varying annual amounts to 1984 (Note 5)	699,471	1,345,085
Capitalized lease obligations, principally at implicit interest rates of 7%, due in varying amounts to 1995	6,550,638	6,948,352
Total long-term obligations	<u>348,539,219</u>	<u>347,180,335</u>
Member and patron equities-		
Membership fees	9,814	9,613
Patronage capital (Note 8)	64,112,916	61,793,802
Total member and patron equities	<u>64,122,730</u>	<u>61,803,415</u>
Total capitalization	<u>412,661,949</u>	<u>408,983,750</u>
DEFERRED CREDITS	<u>1,474,379</u>	-
ACCUMULATED PROVISION FOR DISPOSAL OF NUCLEAR FUEL (Note 1)	<u>3,655,590</u>	<u>3,327,718</u>
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 2, 3 and 10)		
CURRENT LIABILITIES:		
Current maturities of long-term obligations	10,331,650	10,065,399
Notes payable (Note 7)	750,000	6,300,000
Advances from member cooperatives (Note 7)	7,524,255	5,877,160
Accounts payable	5,229,236	5,435,822
Accrued liabilities-		
Payroll and vacation pay	1,898,432	1,865,989
Taxes	1,842,686	1,678,216
Interest	2,006,110	1,998,292
Other	863,452	880,928
Total current liabilities	<u>30,445,821</u>	<u>34,102,397</u>
	<u>\$448,237,739</u>	<u>\$446,413,865</u>

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DAIRYLAND POWER COOPERATIVE

STATEMENTS OF REVENUES AND EXPENSES AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 1982 AND 1981

<u>REVENUES AND EXPENSES</u>	<u>1982</u>	<u>1981</u>
OPERATING REVENUES:		
Sales of electric energy	\$146,391,890	\$137,442,136
Other	351,597	98,759
Total operating revenues	146,743,487	137,540,895
OPERATING EXPENSES:		
Power generation-		
Fuel	63,690,351	61,177,312
Operation	9,416,096	8,432,039
Maintenance	7,357,448	4,957,520
Purchased and interchanged power	7,611,833	5,914,664
Transmission-		
Operation	852,076	702,250
Maintenance	1,614,471	1,278,791
Administrative and general-		
Operation	8,111,194	6,968,326
Maintenance	179,300	170,145
Depreciation and amortization (Note 1)	14,068,377	13,727,876
Taxes	4,545,730	4,290,556
Total operating expenses	117,446,876	107,619,479
Operating margin before interest and other deductions	29,296,611	29,921,416
INTEREST AND OTHER DEDUCTIONS:		
Interest on-		
Long-term obligations	23,109,690	20,602,067
Short-term obligations	1,205,490	1,620,310
Allowance for borrowed funds used during construction (Note 1)	(1,284,543)	(1,477,975)
Amortization of abandoned facility (Note 4)	2,286,900	2,286,900
Other	673,018	703,285
Total interest and other deductions	25,990,555	23,734,587
Operating margin	3,306,056	6,186,829
NONOPERATING MARGIN, principally investment income	1,606,993	466,234
Net margin	4,913,049	6,653,063
<u>PATRONAGE CAPITAL</u>		
PATRONAGE CAPITAL, BEGINNING OF YEAR	61,793,802	56,892,902
RETIREMENT OF CAPITAL CREDITS (Note 8)	(2,593,935)	(1,752,163)
PATRONAGE CAPITAL, END OF YEAR, including margins assignable of \$4,913,049 in 1982 and \$6,653,063 in 1981	\$ 64,112,916	\$ 61,793,802

The accompanying notes are an integral part of these statements

DAIRYLAND POWER COOPERATIVE

STATEMENTS OF SOURCES OF FUNDS USED FOR CONSTRUCTION

FOR THE YEARS ENDED DECEMBER 31, 1982 AND 1981

	1982	1981
FUNDS GENERATED INTERNALLY:		
Net margin	\$ 4,913,049	\$ 6,653,063
Noncash items-		
Depreciation and amortization:		
Charged to operations	14,068,377	13,727,876
Charged to clearing and other accounts	1,492,498	1,305,665
Amortization of abandoned facilities and other deferred charges	2,286,900	2,327,461
Nuclear fuel amortization	1,356,166	1,566,796
Provision for disposal of nuclear fuel	327,872	443,951
Funds generated by operations	24,444,862	26,024,812
Retirement of capital credits	(2,593,935)	(1,752,163)
Funds generated internally	21,850,927	24,272,649
FUNDS OBTAINED FROM OUTSIDE SOURCES:		
Long-term borrowing from FFB, REA and NRUCFC	11,580,000	9,999,420
Issuance of Pollution Control and Industrial Development Revenue Bond obligations	-	20,050,000
Repayments of short-term borrowings	(3,902,905)	(3,636,202)
Repayments of long-term obligations and changes in current maturities	(9,955,456)	(8,377,356)
Net funds obtained from outside sources	(2,278,361)	18,035,862
OTHER SOURCES (USES) OF FUNDS:		
Purchase of capital term certificates, net of change in subscriptions	13,242	(89,206)
(Increase) decrease in other investments, net	101,233	(516,154)
Increase in deferred credits	1,474,379	-
Pollution Control and Industrial Revenue Bond proceeds (deposited with) withdrawn from trustee	4,018,130	(13,619,746)
Abandoned facilities and other deferred charges, net	639,639	(138,101)
Changes in other working capital items-		
Cash	31,407	53,367
Accounts receivable	115,015	(884,570)
Inventories	(7,039,524)	(3,396,300)
Prepaid expenses	598,334	258,031
Accounts payable	(206,586)	(3,620,820)
Accrued liabilities	187,255	564,036
Total other uses of funds	(67,476)	(21,389,463)
ELECTRIC PLANT ADDITIONS, net	\$19,505,090	\$20,919,048

The accompanying notes are an integral part of these statements

(1) Summary of Significant Accounting Policies-

Organization:

Dairyland Power Cooperative (Cooperative) is an electric generation and transmission cooperative association organized under the laws of Wisconsin and Minnesota. The Cooperative provides wholesale electric service to member distribution cooperatives engaged in the retail sale of electricity to member consumers located in Wisconsin, Minnesota, Iowa, Illinois and Michigan.

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 Electrification Administration (REA), the Cooperative's principal regulatory agency.

Depreciation:

Depreciation is provided based on the straight-line method at rates which are designed to amortize the original cost of properties over their estimated useful lives. The provision for depreciation averaged 3.5% of depreciable plant balances for both 1982 and 1981.

Amortization of Nuclear Fuel:

The cost of nuclear fuel is charged to fuel expense based on heat produced for the generation of electricity. The cost of disposal of spent fuel is being recorded over the lives of individual assemblies.

Under the Nuclear Waste Policy Act of 1982 (Act), which became law on January 7, 1983, the U.S. Department of Energy is responsible for the storage and disposal of spent nuclear fuel removed from nuclear reactors. Based on the Cooperative's understanding of the rates to be charged, it is estimated that the accumulated provision for disposal of nuclear fuel at December 31, 1982, will be adequate to meet obligations under the Act for spent fuel removed from the reactor at that date.

(1) Summary of Significant Accounting Policies (continued)-

Income Taxes:

The Cooperative is exempt from federal and state income taxes. Accordingly, provision for such taxes has not been reflected in the accompanying financial statements.

Allowance for Funds Used During Construction:

Allowance for funds used during construction represents the cost of borrowed funds used for construction purposes and is capitalized as a component of electric plant. The amount of such allowance is determined by applying a rate to the balance of nuclear fuel in fabrication and certain electric plant additions under construction. The rates used varied from 5% to 13% in 1982 and from 5% to 21% in 1981, depending on the source of funds.

Property Additions:

The cost of renewals and betterments of units of property (as distinguished from minor items of property) is charged to electric plant accounts. The cost of units of property retired, sold, or otherwise disposed of, plus removal costs, less salvage, is charged to accumulated depreciation. No profit or loss is recognized in connection with ordinary retirements of property units. Maintenance and repair costs and replacement and renewal of minor items of property are charged to operating expenses.

Prior Year Statements:

Certain amounts previously reported in the December 31, 1981 financial statements have been reclassified for purposes of comparison with the December 31, 1982 financial statements. These reclassifications did not affect the previously reported net margin.

(2) Nuclear Reactor-

The Cooperative has operated a nuclear generating facility under a provisional operating license which expired in 1975. The reactor is presently being operated under an informal extension of the provisional operating license. The Cooperative has applied to the Nuclear Regulatory Commission (NRC) for a permanent operating license. The NRC's consideration of construction permits and operating licenses, including the Cooperative's application for an operating license, has been delayed. The Cooperative expects that hearings related to obtaining a permanent operating license will be held in late 1983.

Recent events indicate that the manner of decommissioning a nuclear generating plant may not be determined for many years. While the provision for depreciation includes a factor to provide for estimated decommissioning costs, the eventual cost of retiring a nuclear generating unit is uncertain at the present time. The Cooperative continues to review its decommissioning cost estimates and it expects that any increases in such costs will be recovered through future additional rates.

(3) Construction and Commitments-

The Cooperative's 1983 estimated construction program is \$17.7 million. Financing of construction is expected to be provided by borrowings from the Federal Financing Bank (FFB), REA-insured loans, proceeds from the issuance of Pollution Control Bonds, short-term lines of credit with the National Rural Utilities Cooperative Finance Corporation (NRUCFC), advances from member cooperatives and funds generated internally.

(4) Abandoned Facility-

The Cooperative was one of four joint owners in a project to build a 1,100 megawatt nuclear generating facility in western Wisconsin to have been known as the Tyrone Energy Park. On March 6, 1979, The Wisconsin Public Service Commission issued an order denying the application for a certificate of need for the project. The co-owners reached an agreement to terminate and abandon the project.

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(Continued)

(4) Abandoned Facility (continued)-

The Cooperative has received approval from REA to defer the accumulated costs and amortize these over a 60-month period commencing March 1, 1979. Such amortization is to be recovered through additional rates. Annual amortization is approximately \$2.3 million.

(5) Investment in National Rural Utilities
Cooperative Finance Corporation-

The Cooperative has purchased or subscribed to purchase approximately \$9.8 million of unsecured subordinated capital term certificates to be issued by the National Rural Utilities Cooperative Finance Corporation. The certificates will bear interest at the rate of 3% per year and will mature in 2020, 2025 and 2030. Of the above amount, \$1.4 million will be purchased during the period 1983 to 1984 in annual installments approximating .6% of operating revenues, as defined.

(6) Long-Term Obligations-

The Cooperative's long-term debt outstanding as of December 31 consists of the following:

	<u>1982</u>	<u>1981</u>
REA Obligations, 2%	\$ 97,702,368	\$103,404,950
REA Obligations, 5%	30,760,567	25,454,832
FFB Obligations, 7.6% - 16.7%	173,307,000	167,191,000
NRUCFC Obligations-		
8%	7,868,743	8,085,164
9.5%	7,869,268	10,534,898
City of Alma, Wisconsin Pollution Control Bonds-		
4.3% - 6.125%	12,940,000	13,170,000
8.5%	16,100,000	16,100,000
City of LaCrosse, Wisconsin Industrial Development Revenue Bonds, 8.5%	3,950,000	3,950,000
	-----	-----
	350,497,946	347,890,844
Less- Current maturities	9,208,836	9,003,946
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Total long-term debt	\$341,289,110	\$338,886,898
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NOTES TO
FINANCIAL
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(Continued)

(6) Long-Term Obligations (continued)-

Long-term obligations to the REA are payable in equal quarterly principal and interest installments to 2016. Principal repayments on the long-term obligation to the FFB began in 1981 and extend through 2013. Principal and interest payments on the NRUCFC obligations are payable quarterly through 1999. The 4.3% - 6.125% Pollution Control Bonds are payable in increasing annual amounts in the years 1982 through 2008. The 8.5% Pollution Control and Industrial Development Revenue Bonds are due and payable in February, 1984.

Substantially all of the Cooperative's assets are pledged as collateral for these obligations.

Maturities of the Cooperative's long-term debt, subscriptions to capital term certificates and capitalized lease obligations are as follows:

<u>Year</u>	<u>Amount</u>
1983	\$ 10,331,650
1984	30,908,559
1985	8,869,849
1986	7,554,352
1987	7,864,733
1988-2016	293,341,726

Total	\$358,870,869
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(7) Lines of Credit-

To provide interim financing, the Cooperative has arranged lines of credit aggregating \$35,539,000, principally through NRUCFC. Substantially all borrowings are at the prime interest rate. The Cooperative also maintains a policy which allows member cooperatives to prepay their power bills. Under this policy, the Cooperative will pay

NOTES TO
FINANCIAL
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(Continued)

(7) Lines of Credit (continued)-

interest on these prepayments based on current short-term borrowing rates. Information relating to lines of credit and member cooperatives' prepayments during the years is as follows:

	<u>1982</u>	<u>1981</u>
	(in millions except percentages)	
Average amounts outstanding	\$ 9.9	\$ 8.6
Maximum amount outstanding	15.7	21.0
Amount outstanding at yearend	8.3	12.2
Weighted average interest rate for the year	12.1%	18.6%
Weighted average interest rate at yearend	11.3%	16.0%

There are no compensating balance requirements or fees relating to the NRUCFC line of credit.

(8) Retirement of Capital Credits-

The Cooperative's Board of Directors has adopted the policy of retiring capital credits allocated to patron members on a "first-in, first-out" basis so that at all times the Cooperative will not retain as patronage capital any capital contributed or deposited more than twenty years prior to the current year. Accordingly, the 1962 capital credits were retired in 1982 and the 1961 capital credits were retired in 1981. Implementation of this policy is subject to annual review and approval by the Board of Directors and the REA, and no cash retirements are to be made which would impair the financial condition of the Cooperative or violate any terms of its agreements.

(9) Pension Plan-

Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association Retirement and Security Program. Pension cost for this defined benefit pension program was approximately \$1,575,812 in 1982 and \$1,281,011 in 1981. These contributions are determined in accordance with the provisions of the plan and are based on the gross salaries, as defined, of each participant.

(9) Pension Plan (continued)-

Information from the plan's administrator is not available to permit the Cooperative to determine its share, if any, of unfunded vested benefits of the program. As of December 31, 1980, the last available actuarial valuation, net assets of the plan available for benefits exceeded the actuarial present value of accumulated plan benefits.

(10) Contingencies-

The Cooperative has been named in several lawsuits and claims, primarily related to the construction and operation of the John P. Madgett Station. 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 adverse effect on the financial position of the Cooperative.

The Cooperative has entered into a shared transmission agreement with the Southern Minnesota Municipal Power Agency (SMMPA) which will provide SMMPA to use of the Cooperative-owned transmission system to deliver power and energy requirements to SMMPA members in the Cooperative's electric service area for a period of 50 years. The agreement is subject to review and approval by the REA. Approval of the agreement is expected in early 1983 at which time the Cooperative will receive a payment of \$13.7 million for the use of its transmission system during the term of the agreement. The Cooperative may be entitled to further payments depending on the investment in and joint use of the system. The Cooperative will receive wheeling fees from SMMPA for use of the system until the agreement becomes effective.