

G R E A T R I V E R E N E R G Y

Consolidated Balance Sheets (unaudited)

(In Thousands)

	September 30, 2014	September 30, 2013
ASSETS		
UTILITY PLANT:		
Electric plant	\$ 3,807,904	\$ 3,608,696
Plant held for future use	761	426,027
Coal mine plant	346,977	352,136
Construction work in progress	607,125	217,093
Less accumulated depreciation and amortization	(1,986,424)	(1,879,142)
Utility plant-net	2,776,343	2,724,810
NONUTILITY PLANT AND EQUIPMENT--NET		
	131,409	56,444
OTHER ASSETS AND INVESTMENTS:		
Restricted investments-deferred compensation	12,206	11,642
Other investments	28,784	28,597
Deferred charges-financing related	122,175	99,331
Deferred charges-other	130,482	117,584
Other long-term assets	29,678	28,483
Other long-term receivables:		
Members	545	1,078
Others	2,619	2,680
Total other assets and investments	326,489	289,395
CURRENT ASSETS:		
Cash and cash equivalents	294,303	261,206
Accounts receivable:		
Members	144,618	154,616
Others	22,570	21,366
Inventories:		
Materials and supplies	65,774	67,933
Fuel	28,655	21,265
Other	7,145	6,850
Prepays and other current assets	25,705	28,663
Derivative instruments	10,686	7,423
Deferred income tax benefit	27,460	26,647
Total current assets	626,916	595,969
TOTAL ASSETS	\$ 3,861,157	\$ 3,666,618
LIABILITIES AND CAPITAL		
CAPITAL:		
Members:		
Patronage capital	\$ 544,036	\$ 516,048
Memberships	3	3
Additional paid-in capital - subsidiary	1,505	-
Total members' capital	545,544	516,051
Noncontrolling interest - subsidiary	21,149	-
Noncontrolling interest - variable interest entity	75,692	60,571
Total capital	642,385	576,622
OTHER NONCURRENT LIABILITIES		
	69,051	74,197
REGULATORY LIABILITIES		
	64,226	54,877
LONG-TERM OBLIGATIONS--Less current portion		
	2,708,612	2,621,795
DEFERRED COMPENSATION		
	12,206	11,642
DEFERRED INCOME TAXES		
	26,636	25,874
CURRENT LIABILITIES:		
Current portion of long-term obligations	141,101	120,813
Notes payable to members	25,322	25,745
Obligations under line of credit	-	10,000
Accounts payable	46,546	54,630
Property and other taxes	23,320	24,440
Other accrued liabilities and notes payable	30,953	28,066
Accrued interest payable	33,659	34,309
Derivative instruments	37,140	3,608
Total current liabilities	338,041	301,611
TOTAL LIABILITIES AND CAPITAL	\$ 3,861,157	\$ 3,666,618

Financial Highlights - Results of Operations

Utility operating revenue increased by \$37.3 million or 4.9 percent for the nine month period ended September 30, 2014 compared to the same period in 2013. Electric revenue increased due to an increase in the power cost adjustment (PCA) billed to members in 2014 over the same period in 2013 of \$31.0 million. The billed PCA for 2014 is a charge of \$20.3 million, which is due primarily to budget variances in market prices largely caused by transmission congestion during the winter months, compared to a credit of \$10.7 million in 2013. Deferred revenue of \$6.7 million was also recognized in 2014.

Purchased power increased by \$30.8 million or 21.8 percent for the nine month period ended September 30, 2014 due to increased power purchases from the market as a result of higher member load and significantly higher market prices during the winter months of 2014 compared to 2013.

Operation and maintenance increased by \$25.6 million or 14.5 percent for the nine month period ended September 30, 2014 due to increased transmission expenses for member load of \$5.3 million, increased expenses for GRE's share of local and regional transmission owned by others within MISO of \$4.2 million, an increase in the amortization of the scheduled major maintenance outage costs in 2014 compared to 2013 of \$7.3 million, and increased general plant maintenance costs of \$7.6 million.

Depreciation and amortization increased by \$13.3 million or 16.2 percent for the nine month period ended September 30, 2014 due primarily to the change in depreciable lives to 2028 for Coal Creek and Stanton Stations beginning in July of 2013.

Nonutility operating revenue and expense represents the operations of MAG and its subsidiaries beginning in 2014 and solely Blue Flint in 2013. Operating income of \$27.9 million for the nine month period ended September 30, 2014 is largely due to Blue Flint net income of \$29.6 million, which is driven by lower corn prices as a result of large corn supplies and steady ethanol prices. Offsetting Blue Flint's net income, DSAF recorded \$1.7 million of interest expense related to undrawn construction project funds.

Loss from variable interest entity represents the operating loss of NDRC, the lessee under the DryFining lease agreement. This transaction was a structured transaction designed to factor in the value of the Production Tax Credits (PTCs) that NDRC's member-owners are able to claim. As a result, NDRC is expected to operate at a loss for the duration of the lease and GRE expects to recognize a net benefit from the lease, which is recorded as a reduction in fuel expense.

Great River Energy of Maple Grove, Minnesota, is the second largest electric utility in the state, based on generating capacity, and the fourth largest generation and transmission (G&T) cooperative in the U.S. in terms of assets. We provide wholesale power to 28 distribution cooperatives in Minnesota. Those member cooperatives distribute electricity to approximately 655,000 homes, businesses, and farms.

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