



## 2015 FIRST QUARTER REPORT

	March 31, 2015	March 31, 2014
<b>ASSETS</b>		
<b>UTILITY PLANT:</b>		
Electric plant	\$ 4,337,480	\$ 3,674,774
Plant held for future use	761	426,068
Coal mine plant	347,361	345,284
Construction work in progress	165,103	226,566
Less accumulated depreciation and amortization	(2,050,183)	(1,925,411)
Utility plant-net	2,800,522	2,747,281
<b>NONUTILITY PLANT AND EQUIPMENT--NET</b>	172,398	84,432
<b>OTHER ASSETS AND INVESTMENTS:</b>		
Restricted investments-deferred compensation	12,506	12,290
Other investments	29,079	28,395
Deferred charges-financing related	145,676	99,871
Deferred charges-other	142,269	119,658
Other long-term assets	38,559	29,065
Other long-term receivables	2,991	3,573
Total other assets and investments	371,080	292,852
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	317,101	313,583
Accounts receivable:		
Members	128,790	152,587
Others	16,823	23,506
Inventories:		
Materials and supplies	68,079	70,128
Fuel	27,565	18,601
Other	13,862	15,446
Prepays and other current assets	19,979	39,737
Derivative Instruments	5,922	4,126
Deferred income tax benefit	27,246	27,460
Total current assets	625,367	665,174
<b>TOTAL ASSETS</b>	<b>\$ 3,969,367</b>	<b>\$ 3,789,739</b>
<b>LIABILITIES AND CAPITAL</b>		
<b>CAPITAL:</b>		
Members:		
Patronage capital	\$ 525,598	\$ 491,086
Memberships	3	3
Additional paid-in capital - subsidiary - MAG	1,195	1,427
Total members' capital	526,796	492,516
Noncontrolling interest:		
Subsidiary - MAG	20,428	14,276
Variable interest entity - NDRC	83,328	68,309
Total capital	630,552	575,101
<b>OTHER NONCURRENT LIABILITIES</b>	88,576	73,316
<b>REGULATORY LIABILITIES</b>	65,062	58,693
<b>LONG-TERM OBLIGATIONS--Less current portion</b>	2,767,516	2,695,590
<b>DEFERRED COMPENSATION</b>	12,506	12,290
<b>DEFERRED INCOME TAXES</b>	27,246	26,636
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term obligations	142,087	124,345
Notes payable to members	33,545	32,563
Accounts payable	69,966	74,128
Property and other taxes	32,884	32,358
Other accrued liabilities and notes payable	29,495	27,544
Accrued interest payable	35,839	34,346
Derivative instruments	34,093	22,829
Total current liabilities	377,909	348,113
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$ 3,969,367</b>	<b>\$ 3,789,739</b>

Three months ended March 31,

	2015	2014
<b>UTILITY OPERATIONS</b>		
<b>UTILITY OPERATING REVENUE:</b>		
Electric revenue	\$ 219,514	\$ 273,416
Other operating revenue	19,179	15,135
<b>Total utility operating revenue</b>	<b>238,693</b>	<b>288,551</b>
<b>UTILITY OPERATING EXPENSES:</b>		
Purchased power	42,362	80,001
Fuel	58,836	66,023
Operation and maintenance	80,204	67,537
Depreciation and amortization	36,471	31,924
Property and other taxes	8,633	7,470
<b>Total utility operating expenses</b>	<b>226,506</b>	<b>252,955</b>
<b>UTILITY OPERATING MARGIN</b>	<b>12,187</b>	<b>35,596</b>
<b>OTHER INCOME (EXPENSE):</b>		
Other income-net	5,483	542
Interest income	320	311
Interest expense-net of amounts capitalized	(34,331)	(32,247)
<b>Net utility (loss) margin</b>	<b>(16,341)</b>	<b>4,202</b>
<b>NONUTILITY OPERATIONS:</b>		
Operating revenue	35,625	29,429
Operating expense	32,737	30,983
Operating income (loss)	2,888	(1,554)
Income from equity method investments	47	224
Loss from variable interest entity - NDRC	(2,166)	(228)
<b>Net nonutility operations</b>	<b>769</b>	<b>(1,558)</b>
<b>NET (LOSS) MARGIN AND COMPREHENSIVE (LOSS) INCOME, INCLUDING NONCONTROLLING INTEREST</b>	<b>(15,572)</b>	<b>2,644</b>
<b>NONCONTROLLING INTEREST NET (INCOME) LOSS:</b>		
Subsidiary - MAG	(631)	551
Variable interest entity - NDRC	2,166	228
<b>NET (LOSS) MARGIN AND COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO GREAT RIVER ENERGY</b>	<b>\$ (14,037)</b>	<b>\$ 3,423</b>
<b>CAPITAL-BEGINNING OF PERIOD</b>		
	\$ 639,444	\$ 547,709
Net (loss) margin and comprehensive (loss) income	(15,572)	2,644
Capital contributed by noncontrolling interest - MAG - net	-	16,254
Capital distributed to noncontrolling interest - MAG	(2,966)	-
Variable interest entity - NDRC:		
Capital contributed by noncontrolling interest	13,434	8,688
Capital distributed to noncontrolling interest	(3,592)	-
Dividends distributed by noncontrolling interest	(196)	(194)
<b>CAPITAL-END OF PERIOD</b>	<b>\$ 630,552</b>	<b>\$ 575,101</b>

	Three months ended March 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) margin, including noncontrolling interest	\$ (15,572)	\$ 2,644
Adjustments to reconcile net (loss) margin to net cash used in operating activities:		
Depreciation and amortization:		
Charged to operating expenses	36,471	31,924
Charged to fuel expense and other accounts	6,021	7,000
Income from equity method investments	(47)	(224)
Patronage credits earned from investments	(906)	(520)
Deferred charges	1,086	(1,635)
Regulatory liabilities	(4,527)	(10,503)
Changes in working capital (excluding cash, investments and borrowings):		
Accounts and long-term receivables	9,827	(11,989)
Inventory and other assets	(2,492)	(14,374)
Accounts payable, taxes and other accrued expenses	(24,161)	16,354
Accrued interest	(26,807)	(30,710)
Noncurrent liabilities	1,569	11
<b>Net cash used in operating activities</b>	<b>(19,538)</b>	<b>(12,022)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Utility plant additions	(21,035)	(33,811)
Nonutility plant and equipment additions	(7,501)	(21,539)
Proceeds from sale of property	40	24
Investment in equity method Investments	-	(25)
Redemption of patronage capital from investments	612	373
<b>Net cash used in investing activities</b>	<b>(27,884)</b>	<b>(54,978)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of long-term obligations	320,724	115,000
Repayments of long-term obligations	(216,108)	(27,809)
Costs of new debt issuance, leases, and interest rate hedging instruments	(136)	(560)
Borrowings on line of credit-net		(10,000)
Notes received from members-net	9,659	7,594
Capital contributed by noncontrolling interest - MAG		16,400
Equity issuance costs - MAG		(146)
Capital distributed to noncontrolling interest - MAG	(2,966)	
Variable interest entity - NDRC:		
Capital contributed by noncontrolling interest	13,434	8,688
Capital distributed to noncontrolling interest	(3,592)	
Dividends paid by noncontrolling interest	(196)	(194)
<b>Net cash provided by financing activities</b>	<b>120,819</b>	<b>108,973</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>73,397</b>	<b>41,973</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>243,704</b>	<b>271,610</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 317,101</b>	<b>\$ 313,583</b>

**Note to consolidated financial statements** - As required by Accounting Standards Codification 810-10, GRE is consolidating the financial statements of the Falkirk Mining Company (Falkirk), a variable interest entity; North Dakota Refined Coal, LLC (NDRC), a variable interest entity; and Midwest AgEnergy Group, LLC (MAG), a subsidiary of GRE. MAG includes its subsidiaries Dakota Spirit AgEnergy Finance, LLC (DSAF), Dakota Spirit AgEnergy, LLC (DSA), and Blue Flint Ethanol LLC (Blue Flint). GRE is a 78.43 percent owner in MAG. All transactions between the companies have been eliminated in consolidation, except for the steam sales between GRE and MAG.

## Financial Highlights - Financial Condition

### Assets

**Utility plant – net** increased by \$53.2 million to \$2.8 billion as of March 31, 2015, due to additions for CapX2020, Spiritwood Station, other transmission and utility plant projects, and Falkirk; offset by net retirements and depreciation for the period.

**Nonutility plant and equipment – net** increased by \$88.0 million to \$172.4 million as of March 31, 2015 due to the continued construction of the DSA biorefinery facility. The facility is expected to begin commercial operation in May 2015.

**Other assets and investments** increased by \$78.2 million to \$371.1 million as of March 31, 2015. Deferred charges-financing related increased due to the market valuation of certain derivative instruments in a liability position and the cash settlement of interest rate hedges of \$24.6 million in 2014 accounted for under regulatory accounting. Deferred charges-other increased due to the deferral of refined coal fuel purchase costs and an increase in the regulatory assets related to the defined benefit pension plans for GRE and Falkirk. Other long term assets increased due to a CapX2020 related deposit and debt issue costs for MAG.

**Current assets** decreased by \$39.8 million to \$625.4 million as of March 31, 2015. Accounts receivable-members decreased due to decreased member sales for February and March, 2015 compared to 2014 due to record cold weather in 2014. Prepays and other current assets decreased due to an outage related prepayment in 2014. Fuel inventory increased due to lower than normal levels at Stanton Station in the prior year due to rail issues and increased stockpile levels in the current year at Falkirk due to favorable weather related mining conditions.

### Liabilities and Capital

**Total capital** increased by \$55.5 million to \$630.6 million as of March 31, 2015 due to results from operations. The MAG noncontrolling interest capital increased due to MAG earnings and NDRC noncontrolling interest increased due to capital contributions by third party investors.

**Other noncurrent liabilities** increased \$15.3 million as of March 31, 2015 due primarily to the remeasurement of the GRE and Falkirk defined benefit pension obligations at year end 2014.

**Regulatory liabilities** increased by \$6.4 million due primarily to the recording of deferred revenue from July to December 2014 of \$8.5 million after \$10.5 million was recognized in January 2014.

**Long-term obligations – less current portion** increased \$71.9 million as of March 31, 2015 due to the issuance of \$550.0 million of additional debt during 2014, of which \$50.0 million has not yet been drawn under a delayed draw feature, and additional debt issued by MAG of \$25.9 million; offset by the reduction in the amount outstanding on the syndicated credit facility of \$330.0 million and the payment of principal and amortization.

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*The interim financial statements as of March 31, 2015 are unaudited. In the opinion of Management, all adjustments (which are normal recurring adjustments) have been made for a fair and accurate presentation of the financial reports. The interim financial statements should be read in conjunction with the Notes to Consolidated Financial Statements included in the 2014 Annual Report.*

## Financial Highlights - Results of Operations

**Utility operating revenue** decreased by \$49.9 million or 17.3 percent for the three month period ended March 31, 2015 compared to the same period in 2014.

Electric revenue decreased due to decreased member demand and energy unit sales of 3.1 percent and 5.0 percent over the same period in 2014, a result of the milder winter temperatures in 2015 compared to 2014. Electric revenue also decreased due to the impact of a power cost adjustment (PCA) credit of \$8.4 million in 2015 compared to a PCA charge of \$15.4 million and the recording of deferred revenue of \$10.5 million in 2014. Other operating revenue increased due to increased transmission revenue from the MISO market and Spiritwood Station steam sales.

**Purchased power** decreased by \$37.6 million or 47.1 percent for the three month period ended March 31, 2015 due to decreased power purchases from the market because of decreased member load compared to the prior year and lower market prices.

**Fuel** decreased by \$7.2 million or 10.9 percent for the three month period ended March 31, 2015 due to significantly reduced natural gas and fuel oil prices for peaking generation and 5.3% less generation or 149,000 MWH compared to 2014, largely the result of short planned maintenance outages at three plants in March 2015 and reduced peaking generation; these decreases were offset by increased fuel expense at Spiritwood Station of \$2.5 million.

**Operation and maintenance** increased by \$12.7 million or 18.8 percent for the three month period ended March 31, 2015 due to increased maintenance for short outages occurring in March 2015; increased operating expense at Spiritwood Station; increased expenses for GRE's share of local and regional transmission owned by others within MISO; inflationary increases in operating costs, and increased amortization for scheduled major maintenance outage costs of \$1.5 million.

**Depreciation and amortization** increased by \$4.5 million for the three month period ended March 31, 2015 due primarily to Spiritwood Station depreciation of \$2.8 million and depreciation on CapX2020 projects placed in service during 2014 and early 2015 of \$0.8 million.

**Nonutility operating revenue and expense** represents the operations of MAG and its subsidiaries.

**Net (Loss) Margin** is a net (loss) of \$(14.0) million for the three month period ended March 31, 2015. The budgeted net (loss) for the three month period ended March 31, 2015 was \$(12.5) million, for a difference of \$(1.5) million. Budgeted net margin for the year ended 2015 is \$23.0 million.

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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 660,000 homes, businesses, and farms.

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