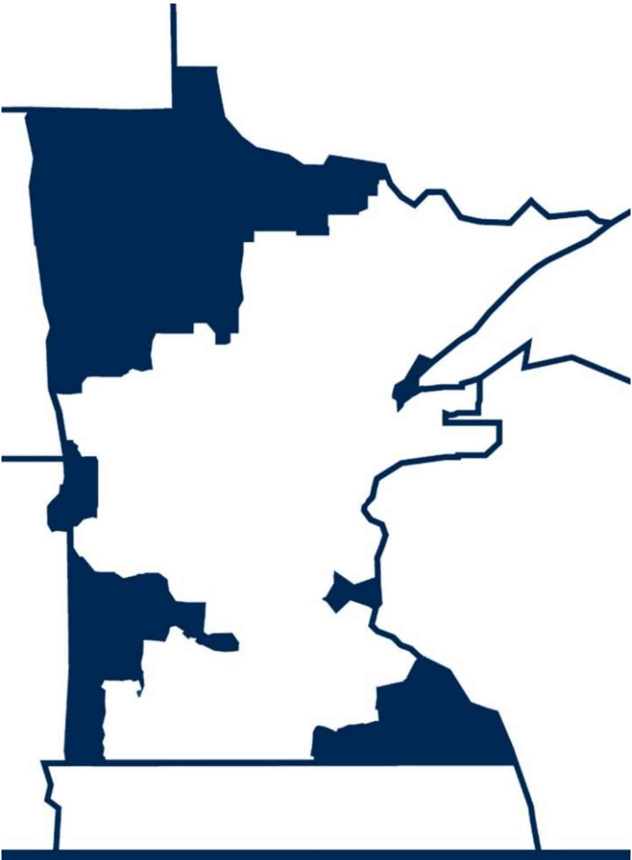

2017 Third Quarter Report

GREAT RIVER ENERGY™

GREAT RIVER ENERGY

Consolidated Balance Sheets (unaudited)

(In Thousands)

	September 30, 2017	September 30, 2016
ASSETS		
UTILITY PLANT:		
Electric plant	$ 4,500,576	$ 4,431,972
Coal mine plant	338,351	335,388
Plant to be retired - net of accumulated depreciation	-	53,661
Construction work in progress	117,097	102,891
Less accumulated depreciation and amortization	(2,196,876)	(2,107,508)
Utility plant-net	2,759,148	2,816,404
NONUTILITY PLANT AND EQUIPMENT--NET	178,300	181,283
OTHER ASSETS AND INVESTMENTS:		
Restricted investments-deferred compensation	13,750	12,776
Other investments	30,981	30,203
Deferred charges:		
Financing related	118,663	155,023
Contract settlement	83,543	83,543
Other	224,134	156,766
Other long-term assets	28,382	28,755
Total other assets and investments	499,453	467,066
CURRENT ASSETS:		
Cash and cash equivalents	252,817	273,343
Accounts receivable:		
Members	149,560	158,850
Others	28,804	28,945
Inventories:		
Materials and supplies	60,873	65,607
Fuel	23,263	26,073
Other	18,338	11,925
Prepaids and other current assets	19,775	20,998
Derivative instruments	2,548	2,612
Total current assets	555,978	588,353
TOTAL ASSETS	$ 3,992,879	$ 4,053,106
LIABILITIES AND CAPITAL		
CAPITAL:		
Members:		
Patronage capital	$ 650,323	$ 597,026
Memberships	3	3
Additional paid-in capital - subsidiary - MAG	1,195	1,195
Total members' capital	651,521	598,224
Noncontrolling interest:		
Subsidiary - MAG	22,854	19,338
Variable interest entity - NDRC	125,108	112,495
Total capital	799,483	730,057
OTHER NONCURRENT LIABILITIES	105,266	102,253
REGULATORY LIABILITIES	37,611	26,118
LONG-TERM OBLIGATIONS-Less current portion	2,643,491	2,729,100
DEFERRED COMPENSATION	13,750	12,776
DEFERRED INCOME TAXES	5,726	4,915
CURRENT LIABILITIES:		
Current portion of long-term obligations	150,030	148,144
Notes payable to members	29,441	45,307
Accounts payable	56,145	63,147
Property and other taxes	26,517	26,401
Other accrued liabilities and notes payable	64,326	50,114
Accrued interest payable	37,050	37,747
Derivative instruments	24,043	77,027
Total current liabilities	387,552	447,887
TOTAL LIABILITIES AND CAPITAL	$ 3,992,879	$ 4,053,106

GREAT RIVER ENERGY

Interim Consolidated Statements of Operations, Comprehensive Income and Changes in Capital (unaudited)
(In Thousands)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended Sepetember 30, 2017	Nine months ended Sepetember 30, 2016
UTILITY OPERATIONS:				
UTILITY OPERATING REVENUE:				
Electric revenue	$ 268,686	$ 286,891	$ 717,391	$ 715,150
Other operating revenue	25,960	26,292	71,727	70,938
Total utility operating revenue	294,646	313,183	789,118	786,088
UTILITY OPERATING EXPENSES:				
Purchased power	35,347	33,325	133,728	107,441
Fuel	59,711	70,112	152,421	167,939
Operation and maintenance	76,886	79,854	219,656	235,029
Depreciation and amortization	39,735	36,095	116,074	108,219
Property and other taxes	7,291	7,321	22,600	24,072
Total utility operating expenses	218,970	226,707	644,479	642,700
UTILITY OPERATING MARGIN	75,676	86,476	144,639	143,388
OTHER INCOME (EXPENSE):				
Other income - net	1,466	1,317	3,505	3,236
Interest income	663	420	1,615	1,243
Interest expense-net of amounts capitalized	(32,861)	(33,757)	(99,391)	(104,636)
Other expense - net	(30,732)	(32,020)	(94,271)	(100,157)
Net utility margin	44,944	54,456	50,368	43,231
NONUTILITY OPERATIONS:				
Operating revenue	63,476	60,292	189,128	181,048
Operating expense	58,468	58,998	180,412	182,322
Operating income (loss)	5,008	1,294	8,716	(1,274)
Loss from equity method investments	-	(4)	(96)	(39)
Loss from variable interest entity - NDRC	(1,544)	(919)	(11,729)	(9,746)
Net nonutility operations	3,464	371	(3,109)	(11,059)
NET MARGIN AND COMPREHENSIVE INCOME, INCLUDING NONCONTROLLING INTEREST	48,408	54,827	47,259	32,172
NONCONTROLLING INTEREST:				
Subsidiary - MAG	(1,085)	(284)	(1,895)	260
Variable interest entity - NDRC	1,544	919	11,729	9,746
NET MARGIN AND COMPREHENSIVE INCOME ATTRIBUTABLE TO GREAT RIVER ENERGY	**$ 48,867**	**$ 55,462**	**$ 57,093**	**$ 42,178**
CAPITAL-BEGINNING OF PERIOD	$ 743,699	$ 667,019	$ 729,033	$ 672,599
Net margin and comprehensive income	48,408	54,827	47,259	32,172
Variable interest entity - NDRC:				
Capital contributed by noncontrolling interest	7,578	8,581	31,315	32,536
Capital distributed to noncontrolling interest	-	(169)	(7,520)	(6,656)
Dividends paid by noncontrolling interest	(202)	(201)	(604)	(594)
CAPITAL-END OF PERIOD	$ 799,483	$ 730,057	$ 799,483	$ 730,057

GREAT RIVER ENERGY

Interim Consolidated Statements of Cash Flows (unaudited)
(In Thousands)

	Nine months ended September 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin, including noncontrolling interest	$ 47,259	$ 32,172
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization:		
Included in depreciation and amortization	116,074	108,219
Included in fuel and interest	24,641	20,724
Included in operation and maintenance	8,497	10,289
Included in nonutility operating expense	7,383	7,626
Loss from equity method investments	96	39
Patronage credits earned from investments	(2,069)	(2,035)
Deferred charges	(37,413)	(26,812)
Regulatory liabilities	-	-
Changes in working capital (excluding cash, investments and borrowings):		
Accounts and long-term receivables	46	(34,257)
Inventory and other assets	4,202	14,397
Accounts payable, taxes and other accrued expenses	(37,704)	9,109
Accrued interest	(23,641)	(25,531)
Noncurrent liabilities	1,798	(780)
Net cash provided by operating activities	109,169	113,160
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(107,890)	(128,257)
Nonutility property additions	(4,461)	(2,335)
Proceeds from the sale of plant	470	250
Redemption of patronage capital investments	1,337	1,289
Net cash used in investing activities	(110,544)	(129,053)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term obligations	625,000	285,000
Repayments of long-term obligations	(667,900)	(302,961)
Costs of new debt issuance, leases, and interest rate hedging instruments	(3,333)	(1,200)
Notes received from members-net	2,254	14,764
Variable interest entity - NDRC:		
Capital contributed by noncontrolling interest	31,315	32,536
Capital distributed to noncontrolling interest	(7,520)	(6,656)
Dividends distributed by noncontrolling interest	(604)	(594)
Net cash (used in) provided by financing activities	(20,788)	20,889
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(22,163)**	**4,996**
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	**274,980**	**268,347**
CASH AND CASH EQUIVALENTS - END OF PERIOD	**$ 252,817**	**$ 273,343**

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 on the consolidated statements of operations.

GRE adopted ASU 2015-17, Balance Sheet Classification of Deferred Taxes, as of December 31, 2016. The standard requires GRE to present deferred tax assets and deferred tax liabilities on a net basis and as noncurrent on a classified balance sheet. To conform with the current presentation, current deferred income tax benefit of $25.2 million was retrospectively reclassified to long-term deferred income taxes liability on the consolidated balance sheet as of September 30, 2016.

Financial Highlights - Financial Condition

Assets

Utility plant – net decreased $57.3 million to $2.8 billion as of September 30, 2017. Current additions for transmission and generation projects, general plant, and Falkirk additions were more than offset by the Stanton plant retirement and depreciation and accretion for the period.

Other assets and investments increased $32.4 million to $499.5 million as of September 30, 2017. Deferred charges-other increased $67.4 million due to the deferral of Stanton undepreciated plant and plant closure costs as the plant was retired in May 2017, the deferral of refined coal fuel purchase costs during the last three months of 2016, and the 2017 scheduled outage at CCS. Deferred charges-financing related decreased $36.4 million due to a decrease in the marked-to-market valuation of certain derivative instruments in a liability position and amortization.

Current assets decreased $32.4 million to $556.0 million as of September 30, 2017. Materials and supplies inventory decreased $4.7 million and fuel inventory decreased $2.8 million due to Stanton retirement. Accounts receivable-members, which represents receivables for the months of August and September, decreased $9.3 million due to lower August sales in 2017 compared to 2016 and due to a September $4.3 million PCA credit in 2017 compared to a small charge in 2016. These decreases were offset by an increase in other inventory at MAG of $6.4 million due primarily to more bushels of corn in inventory as of September 30, 2017 compared to 2016.

Liabilities and Capital

Total capital increased $69.4 million to $799.5 million as of September 30, 2017. Members' capital increased due to results from operations. The MAG noncontrolling interest increased due to MAG earnings. The NDRC noncontrolling interest increased due to capital contributions by third party investors.

Regulatory liabilities increased $11.5 million to $37.6 million as of September 30, 2017 due to the deferral of member electric revenue of $12.0 million in December 2016.

Long-term obligations – less current portion decreased $85.6 million to $2.6 billion as of September 30, 2017 due to the repayment of the syndicated credit facility and principal payments; offset by the receipt of the 2017 private placement proceeds in August.

Current liabilities decreased $60.3 million to $387.6 million as of September 30, 2017. Accounts payable decreased $7.0 million due to timing. Notes payable to members decreased due to decreased participation in the member investment program. Derivative instruments decreased $53.0 million due to a decrease in the marked-to-market valuation for the unsettled interest rate hedge instruments and the termination of the interest rate swaps associated with the 2017 debt issuance. These decreases were partially offset by an increase in other current liabilities and notes payable of $14.2 million due to the reclassification of a Stanton ash pond asset retirement obligation to current, the recording of Stanton plant closure cost accruals, and MAG increased accrued payments for corn purchases in 2017 versus 2016.

...

Financial Highlights - **Results of Operations**

Utility operating revenue increased $3.0 million or 0.4 percent for the nine month period ended September 30, 2017 compared to the same period in 2016. Electric revenue increased due to an average rate increase of 1.8 percent for 2017 and the impact of a PCA charge of $4.3 million in 2017 compared to a PCA credit of $6.2 million in 2016. These increases were offset by a 2.1 percent decrease in member energy unit sales in 2017 compared to 2016. Other operating revenue increased due to higher transmission revenue from others.

Purchased power increased $26.3 million or 24.5 percent. Power purchases from the market increased due to higher average MISO market prices and increased MWh purchases due to Stanton's retirement, economic dispatch of Coal Creek Station (CCS) when market prices are low, and an extended maintenance outage at CCS in 2017. Power purchases under a bi-lateral agreement also were higher in 2017 compared to 2016.

Fuel decreased $15.5 million or 9.2 percent due to fewer MWHs generated at the baseload and peaking plants. This is due to a maintenance outage at CCS in 2017, the retirement of Stanton, and fewer peaking plant starts. These decreases were offset by increased fuel costs at CCS as refined coal fuel purchase costs are no longer being deferred in 2017.

Operation and maintenance decreased $15.4 million or 6.5 percent. Generation operation and maintenance decreased $7.8 million due primarily to Stanton's retirement. Transmission operation and maintenance decreased $10.7 million due to the receipt of retroactive settlements from other transmission owners for the lowering of the FERC Rate of Return and due to lower transmission costs for 2017 for GRE's share of local and regional transmission owned by others within MISO. General and administrative expenses increased $3.1 million due to inflationary increases.

Depreciation and amortization increased $7.9 million or 7.3 percent due to CCS new additions being depreciated through 2028, large CCS projects going into service in the latter half of 2016, and amortizing Stanton retirement costs.

Interest expense – net of capitalized amounts decreased $5.2 million or 5.0 percent due to the repayment of higher rate debt and the new debt being issued at lower interest rates. Capitalized interest increased $1.4 million in 2017 compared to 2016 due to larger projects, such as the HVDC refurbishment, in construction work in progress.

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

…

The interim financial statements as of September 30, 2017 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 2016 Annual Report.

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 685,000 homes, businesses, and farms.