2016 **THIRD QUARTER REPORT**

GREAT RIVER ENERGY™

GREAT RIVER ENERGY

Consolidated Balance Sheets (unaudited)
(In Thousands)

	September 30, 2016	September 30, 2015
ASSETS		
UTILITY PLANT:		
Electric plant	$ 4,431,972	$ 4,548,453
Coal mine plant	335,388	302,613
Plant to be retired - net of accumulated depreciation	53,661	
Construction work in progress	102,891	62,031
Less accumulated depreciation and amortization	(2,107,508)	(2,121,628)
Utility plant-net	2,816,404	2,791,469
NONUTILITY PLANT AND EQUIPMENT--NET	181,283	188,010
OTHER ASSETS AND INVESTMENTS:		
Restricted investments-deferred compensation	12,776	11,734
Other investments	30,203	29,556
Deferred charges:		
Financing related	155,023	125,360
Contract settlement	83,543	83,543
Other	156,766	140,461
Other long-term assets	26,046	26,108
Other long-term receivables	2,709	2,690
Total other assets and investments	467,066	419,452
CURRENT ASSETS:		
Cash and cash equivalents	273,343	274,610
Accounts receivable:		
Members	158,850	150,997
Others	28,945	20,618
Inventories:		
Materials and supplies	65,607	67,426
Fuel	26,073	31,340
Other	11,925	16,950
Prepaids and other current assets	20,998	15,260
Derivative instruments	2,612	6,009
Deferred income tax benefit	25,246	28,406
Total current assets	613,599	611,616
TOTAL ASSETS	$ 4,078,352	$ 4,010,547
LIABILITIES AND CAPITAL		
CAPITAL:		
Members:		
Patronage capital	$ 597,026	$ 549,739
Memberships	3	3
Additional paid-in capital - subsidiary - MAG	1,195	1,195
Total members' capital	598,224	550,937
Noncontrolling interest:		
Subsidiary - MAG	19,338	19,987
Variable interest entity - NDRC	112,495	96,899
Total capital	730,057	667,823
OTHER NONCURRENT LIABILITIES	102,253	93,664
REGULATORY LIABILITIES	26,118	58,981
LONG-TERM OBLIGATIONS-Less current portion	2,729,100	2,766,480
DEFERRED COMPENSATION	12,776	11,734
DEFERRED INCOME TAXES	30,161	27,246
CURRENT LIABILITIES:		
Current portion of long-term obligations	148,144	149,692
Notes payable to members	45,307	31,784
Accounts payable	63,147	63,891
Property and other taxes	26,401	27,815
Other accrued liabilities and notes payable	50,114	32,116
Accrued interest payable	37,747	40,920
Derivative instruments	77,027	38,401
Total current liabilities	447,887	384,619
TOTAL LIABILITIES AND CAPITAL	$ 4,078,352	$ 4,010,547

GREAT RIVER ENERGY

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

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
UTILITY OPERATIONS:				
UTILITY OPERATING REVENUE:				
Electric revenue	$ 286,891	$ 260,270	$ 715,150	$ 683,142
Other operating revenue	26,292	26,849	70,938	67,662
Total utility operating revenue	313,183	287,119	786,088	750,804
UTILITY OPERATING EXPENSES:				
Purchased power	33,325	30,608	107,441	109,112
Fuel	70,112	65,672	167,939	178,840
Operation and maintenance	79,854	73,470	235,029	230,796
Depreciation and amortization	36,095	35,228	108,219	105,309
Property and other taxes	7,321	8,134	24,072	25,298
Total utility operating expenses	226,707	213,112	642,700	649,355
UTILITY OPERATING MARGIN	86,476	74,007	143,388	101,449
OTHER INCOME (EXPENSE):				
Other income (expense) - net	1,317	5,453	3,236	15,826
Interest income	420	312	1,243	978
Interest expense-net of amounts capitalized	(33,757)	(36,481)	(104,636)	(108,790)
Net utility margin	54,456	43,291	43,231	9,463
NONUTILITY OPERATIONS:				
Operating revenue	60,292	52,950	181,048	125,263
Operating expense	58,998	54,464	182,322	124,461
Operating income (loss)	1,294	(1,514)	(1,274)	802
(Loss) income from equity method investments	(4)	(74)	(39)	29
Loss from variable interest entity - NDRC	(919)	(1,396)	(9,746)	(6,410)
Net nonutility operations	371	(2,984)	(11,059)	(5,579)
NET MARGIN AND COMPREHENSIVE INCOME, INCLUDING NONCONTROLLING INTEREST	54,827	40,307	32,172	3,884
NONCONTROLLING INTEREST:				
Subsidiary - MAG	(284)	322	260	(190)
Variable interest entity - NDRC	919	1,396	9,746	6,410
NET MARGIN AND COMPREHENSIVE INCOME ATTRIBUTABLE TO GREAT RIVER ENERGY	**$ 55,462**	**$ 42,025**	**$ 42,178**	**$ 10,104**
CAPITAL-BEGINNING OF PERIOD	$ 667,019	$ 619,355	$ 672,599	$ 639,444
Net margin and comprehensive income	54,827	40,307	32,172	3,884
Capital distributed to noncontrolling interest - MAG - net	-	-	-	(2,966)
Variable interest entity - NDRC:				
Capital contributed by noncontrolling interest	8,581	11,775	32,536	37,597
Capital distributed to noncontrolling interest	(169)	(3,418)	(6,656)	(9,548)
Dividends paid by noncontrolling interest	(201)	(196)	(594)	(588)
CAPITAL-END OF PERIOD	$ 730,057	$ 667,823	$ 730,057	$ 667,823

GREAT RIVER ENERGY

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

	Nine months ended September 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin, including noncontrolling interest	$ 32,172	$ 3,884
Adjustments to reconcile net margin to net cash provided by (used in) operating activities:		
Depreciation and amortization:		
Included in depreciation and amortization	108,219	105,309
Included in fuel, interest, and purchased power expense	20,724	19,178
Included in nonutility operating expense	7,626	-
Loss (income) from equity method investments	39	(29)
Patronage credits earned from investments	(2,035)	(1,851)
Deferred charges	(16,523)	(77,269)
Regulatory liabilities	-	(13,580)
Changes in working capital (excluding cash, investments and borrowings):		
Accounts and long-term receivables	(34,257)	(15,602)
Inventory and other assets	14,397	(5,328)
Accounts payable, taxes and other accrued expenses	9,109	(2,376)
Accrued interest	(25,531)	(21,726)
Noncurrent liabilities	(780)	3,059
Net cash provided by (used in) operating activities	113,160	(6,331)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(128,257)	(105,935)
Nonutility property additions	(2,335)	(24,204)
Proceeds from the sale of plant	250	95
Redemption of patronage capital investments	1,289	1,080
Net cash used in investing activities	(129,053)	(128,964)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term obligations	285,000	539,853
Repayments of long-term obligations	(302,961)	(405,732)
Costs of new debt issuance, leases, and interest rate hedging instruments	(1,200)	(313)
Notes received from members-net	14,764	7,898
Capital distributed to noncontrolling interest - subsidiary - MAG	-	(2,966)
Variable interest entity - NDRC:		
Capital contributed by noncontrolling interest	32,536	37,597
Capital distributed to noncontrolling interest	(6,656)	(9,548)
Dividends distributed by noncontrolling interest	(594)	(588)
Net cash provided by financing activities	20,889	166,201
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,996**	**30,906**
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	**268,347**	**243,704**
CASH AND CASH EQUIVALENTS - END OF PERIOD	**$ 273,343**	**$ 274,610**

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.

The September 30, 2015 consolidated financial statements have been reclassified to reflect the adoption of Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* , which is effective for GRE in 2016. GRE now presents debt issuance costs as a reduction of long-term obligations rather than as deferred charges and the amortization of debt issuance costs as a component of interest expense. The impact of this reclassification is to decrease both total assets and total liabilities and capital by $25.3 million and to increase interest expense and decrease depreciation and amortization by $4.2M as of September 30, 2015.

Financial Highlights - Financial Condition

Assets

Utility plant – net increased by $24.9 million to $2,816.4 million as of September 30, 2016, due to additions for the HVDC converter station upgrade, a major telecom upgrade project, and general electric plant and transmission additions; offset by depreciation and retirements for the period. Plant to be retired represents the net book value of Stanton.

Other assets and investments increased by $47.6 million to $467.1 million as of September 30, 2016. Deferred charges-financing related increased due to the marked-to-market valuation of certain derivative instruments in a liability position. Deferred charges-other increased due to the deferral of refined coal fuel purchase costs and scheduled major outage maintenance costs.

Current assets increased by $2.0 million to $613.6 million as of September 30, 2016. Accounts receivable-members increased due to higher demand and energy sales in August of 2016 compared to 2015. Accounts receivable-other increased due primarily to increased billings for services performed for others. Prepaids and other current assets increased due to an increase in MAG's restricted cash for a debt related escrow account and due to timing. These increases were offset by a decrease in fuel inventory as the inventory levels at Stanton Station have decreased in preparation for its 2017 retirement and a decrease in other inventory, which represents MAG's inventory, as a result of decreased quantities and values of corn and ethanol inventory at Blue Flint.

Liabilities and Capital

Other noncurrent liabilities increased by $8.6 million to $102.3 million as of September 30, 2016 due primarily to an increase in the estimated asset retirement obligations associated with the final capping, reclamation, and monitoring of the ash disposal sites at CCS as a result of the new coal combustion residuals (CCR) regulations. This increase was offset by the reclassification of the asset retirement obligations related to Stanton Station to current accrued liabilities, the decrease in pension related accrued liabilities due to the year-end remeasurement, and a decrease in MAG related noncurrent liabilities.

Regulatory liabilities decreased by $32.9 million to $26.1 million as of September 30, 2016 due primarily to the income recognition in 2015 of deferred revenue and a portion of the gain from the interest rate hedge settlement.

Long-term obligations – less current portion decreased by $37.4 million to $2,729.1 million as of September 30, 2016 due to scheduled debt repayments during the period, partially offset by an increase in the outstanding balance on the syndicated credit facility of $90.0 million.

Current liabilities increased by $63.3 million to $447.9 million as of September 30, 2016. Notes payable to members increased due to increased participation in the member investment program. Other accrued liabilities increased $18.0 million due to an increase in MAG related accrued liabilities of $7.1 million and due to the reclassification of estimated closure costs related to Stanton to a current liability. As of September 30, 2015, the estimated liability for the plant closure of $7.1 million was reported as a contra-asset in electric plant and the liability related to the ash disposal site of $2.9 million was reported as noncurrent. Derivative instruments increased due to the marked-to-market valuation for the interest rate hedge instruments.

Financial Highlights - Results of Operations

Utility operating revenue increased by $35.3 million or 4.7 percent for the nine month period ended September 30, 2016 compared to the same period in 2015. Electric revenue increased by $32.0 million or 4.7 percent. Athough total member demand MW and energy MWh unit sales decreased 1.6 percent and 0.6 percent, respectively, compared to the same period in 2015, the decrease in units sales was more than offset by the 2016 member rate increase. Member sales also increased due to the impact of a smaller power cost adjustment (PCA) credit through September of $6.2 million in 2016 compared to a PCA credit of $17.1 million in 2015. Nonmember sales increased $4.1 million due primarily to increased energy sales as a result of higher average market prices compared to 2015 and increased demand sales under bi-lateral contracts. Other operating revenue increased by $3.3 million due to increased Spiritwood Station steam sales to DSA.

Purchased power decreased by $1.7 million or 1.5 percent for the nine month period ended September 30, 2016. Although MWh purchases increased 9.2 percent due to the 2016 CCS scheduled outage, the average market price for energy purchases decreased 8.9 percent compared to 2015. Additionally, capacity purchases were lower under the G3 contract in 2016 compared to 2015.

Fuel decreased by $10.9 million or 6.1 percent for the nine month period ended September 30, 2016 due to 7.7 percent less generation or 615,000 MWh compared to 2015. Decreased generation is due to the scheduled outage and Stanton not operating at full capacity in response to low market prices.

Operation and maintenance increased by $4.2 million or 1.8 percent for the nine month period ended September 30, 2016 due to increased expenses for GRE's share of regional transmission owned by others.

Depreciation and amortization increased by $2.9 million or 2.8 percent for the nine month period ended September 30, 2016 due primarily to increased depreciation and accretion for the additional asset retirement obligations and due to the impact of shortened asset lives for new additions at CCS.

Other income – net decreased $12.6 million for the nine month period ended September 30, 2016 due to the recognition in 2015 of a portion of the interest rate hedge settlement gain that was deferred as a regulatory liability in 2013.

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

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The interim financial statements as of September 30, 2016 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 2015 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 665,000 homes, businesses, and farms.

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