GREAT RIVER ENERGY.

2023 ANNUAL REPORT

POWERING WHAT'S POSSIBLE

GREAT RIVER ENERGY IS A NOT-FOR-PROFIT WHOLESALE ELECTRIC COOPERATIVE SERVING 27 MEMBER-OWNER DISTRIBUTION COOPERATIVES. THROUGH OUR MEMBER-OWNERS AND CUSTOMERS WE PROVIDE AFFORDABLE AND RELIABLE ELECTRICITY FOR 1.7 MILLION PEOPLE.

Contents


Bob Bruckbauer
Board Chair


David Saggau
President & Chief Executive Officer

TO OUR MEMBERS & STAKEHOLDERS

Great River Energy continues to transition our power supply portfolio to serve our members and adapt to a changing market while charting a path to achieve carbon-free energy requirements — all while recording the strongest financial results in our history.

We once again rewarded our members' investment in Great River Energy by issuing $25 million in patronage capital returns. Historically strong 2023 margins allowed our cooperative to meet annual financial goals and reserve nearly $30 million to offset rates in the years ahead.

As a not-for-profit cooperative, Great River Energy operates at cost to keep rates low for our members. Our competitive advantage widened again in 2023 and we currently offer wholesale electric rates approximately 20% below the weighted regional average.

"We currently offer wholesale electric rates approximately 20% below the weighted regional average."

Great River Energy has been planning and executing the transition of our power supply portfolio for more than a decade. The progress made puts us in a favorable position to comply with the requirements of Minnesota's new carbon-free standard. Great River Energy's retail electric sales will be provided by a 90% carbon-free power supply by 2035.

When our region's grid operator identified over $10 billion of needed investments in the electric transmission system, Great River Energy recognized an opportunity. By jointly leading the design and development of the first significant project, the Northland Reliability Project, Great River Energy earned ownership opportunities that will reduce the impact on the electric bills of homes and businesses served by our members.

Great River Energy was created for one reason: to serve our member-owner cooperatives. Our Class A members demonstrated their support for this association by unanimously approving an extension of the member power purchase contracts by another decade. The extension will allow Great River Energy to better manage costs while providing greater flexibility to make decisions in members' best interests.

By working with our member-owner cooperatives, Great River Energy is rapidly decarbonizing our power supply resources, our transmission system remains reliable, and we are enhancing the value of membership.

We are proud of all we have accomplished and the direction we are heading. Thank you for your interest in Great River Energy.

THE POWER OF MEMBERSHIP

Great River Energy and its 27 member-owners are not-for-profit cooperatives that provide reliable and affordable electric service at cost.

Cooperatives are the ultimate local businesses. They are staffed and managed by friends and neighbors united for a shared goal of providing an essential service to the broader community. Great River Energy is dedicated to offering reliable, affordable electricity while being a responsible steward of the environment.

Great River Energy began 2023 by adding two new wind agreements to its growing portfolio of renewable resources. The projects collectively added more than 300 megawatts of nameplate generating capacity — and zero emissions.

Great River Energy now has power purchase agreements for the output of wind facilities located throughout Minnesota, Iowa and the Dakotas. The cooperative has added cost-effective renewable resources gradually for more than a decade.

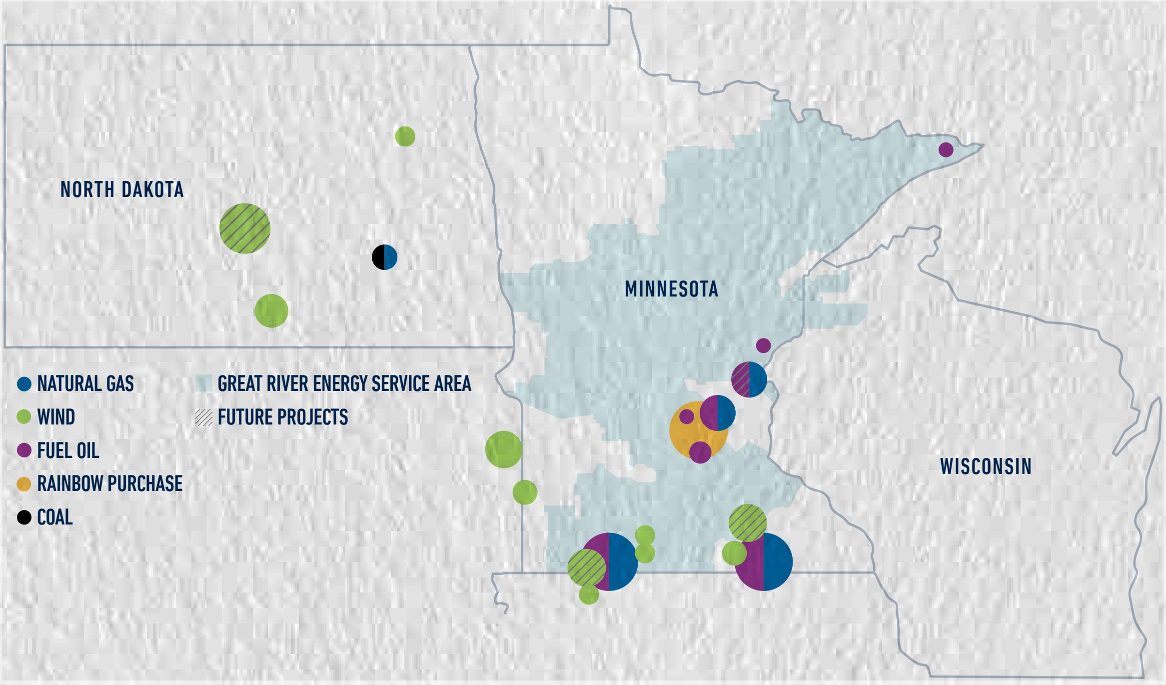
A 2023 filing with the Minnesota Public Utilities Commission (PUC) detailed Great River Energy's commitment and plan to reliably meet its member-owners' energy needs in a cost-effective and environmentally responsible way as it continues to adapt to a changing industry and economy.

Great River Energy's portfolio of renewable resources combined with the ability to retire earned renewable energy credits to satisfy the carbon-free standard puts the cooperative in a strong position to achieve Minnesota's carbon-free standard.

The PUC's unanimous approval of a project that will add dual fuel capability at Great River Energy's Cambridge Peaking Station will ensure a critical power supply resource has access to fuel during extreme conditions. The plant will soon be able to operate on fuel oil when its primary fuel — natural gas — is either unavailable or prohibitively expensive.

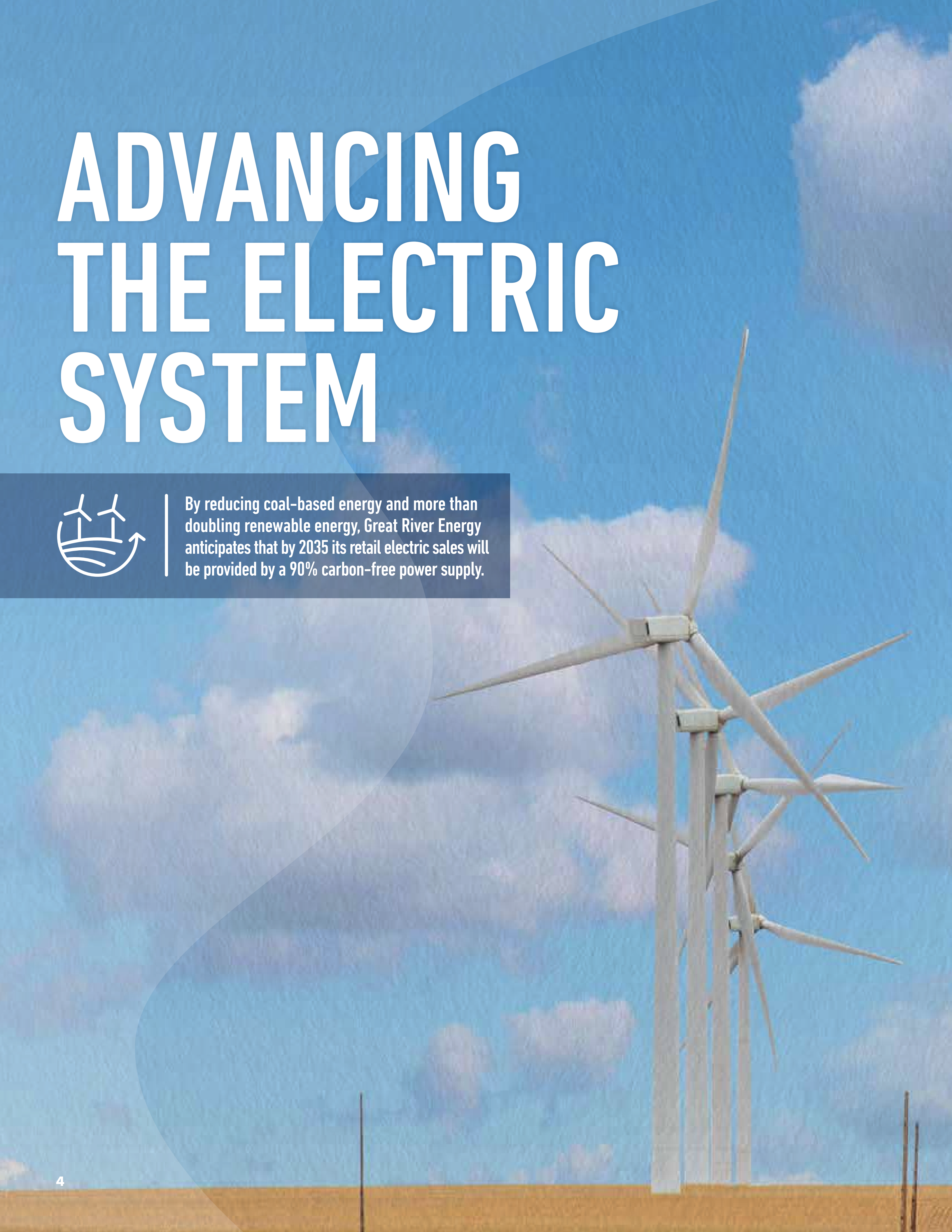
Great River Energy projects that it will not need to add power supply resources that emit carbon dioxide in the decades ahead. The cooperative also depends on ready access to the electricity market, which plays the essential roles of allowing the free flow of energy across state lines and providing the ability to purchase capacity as needed. Great River Energy's foresight in power supply decisions has us positioned well in the market.

GREAT RIVER ENERGY'S POWER SUPPLY RESOURCES



ADVANCING THE ELECTRIC SYSTEM

By reducing coal-based energy and more than doubling renewable energy, Great River Energy anticipates that by 2035 its retail electric sales will be provided by a 90% carbon-free power supply.



By making strategic investments in the grid, Great River Energy and its member-owners are helping keep electricity reliable and affordable as they reduce carbon dioxide emissions.

The Midwest grid operator identified an assortment of transmission projects that will be needed to continue safe and reliable electric service as the regional power system continues to evolve.

Great River Energy is teaming up with Minnesota Power to build the Northland Reliability Project, an approximately 180-mile, double-circuit 345-kilovolt transmission line between northern and central Minnesota. When completed in 2030, the line will bolster the power grid in northern and central Minnesota by allowing more renewable energy sources to be delivered where needed.

The companies jointly held nearly 30 public open houses and stakeholder meetings to provide opportunities for engagement with landowners, local governments, agencies and Tribal Nations. That feedback was incorporated into the permit applications filed in the summer of 2023.

ALLEVIATING GRID CONGESTION

Great River Energy is a member of Grid North Partners, a group of utilities that collaborate on projects to improve the electric system.

The coalition announced 19 transmission upgrade projects that will reduce system congestion and allow the most economic generation, such as low-cost renewable energy, to serve an area.

These small projects provide immediate benefits and complement large transmission projects that can take up to a decade to build.

BENEFITS OF TRANSMISSION

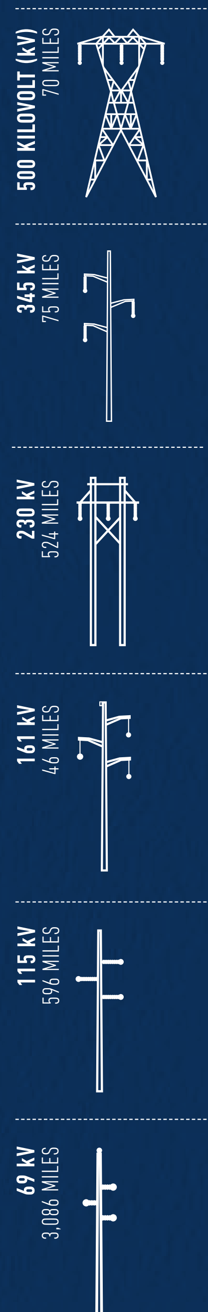
As generation resources shift from fossil fuels to more renewables, strategic transmission investments will help:

- Support the electric grid and energy market
- Improve resilience to extreme weather
- Increase capacity to deliver energy
- Enable transfer of many types of power generation over a wide area

DELIVERING ELECTRICITY

Great River Energy's transmission system is seamlessly getting electricity from its power supply resources to its 27 member-owner cooperatives that serve their members with affordable, reliable, cleaner power every day.

TRANSMISSION RESOURCES



OUR RESPONSIBILITY TO MEMBERS

100+ sites across Minnesota established to restore pollinator-friendly habitats to date.

PROMOTING POLLINATORS

Great River Energy announced a commitment to plant and restore an additional 300 acres of pollinator habitat across current and future eligible sites, nearly doubling the cooperative's current established acreage.

The pledge, dubbed Pollinator Strong, is well underway and strengthens the cooperative's commitment to environmental sustainability by creating food and nesting space for animals and insects crucial to a diverse food supply.

DIRECTORS REFLECT THE COMMUNITIES THEY SERVE

Great River Energy's member-owners govern the cooperative through a democratically elected board comprised of directors who also serve at their local level. Great River Energy's board hires the chief executive officer and votes directly on matters such as budgets and major projects.

Great River Energy board of directors

Great River Energy senior staff

INVESTING IN A MODERN GRID

Great River Energy is proud to boast one of the largest and most mature portfolios of demand-response programs in the country.

Through this system, Great River Energy added more than 140 megawatts of generating capacity without developing a single power plant or wind turbine by aggregating load-modifying resources as a "virtual" power plant with its member-owners.

The cooperatives operate several demand response programs as a way to use the grid efficiently and economically by reducing electricity demand during periods of high stress.

More than 370,000 residential appliances are voluntarily enrolled into the programs by member-consumers, granting Great River Energy permission to "control" or "cycle" the air conditioners, water heaters, heat pumps or other devices for a period of time in exchange for a reduced electric rate or other incentive.

2023 FINANCIALS

FINANCIAL HIGHLIGHTS

(DOLLARS IN MILLIONS)	2023	2022	CHANGE
OPERATIONS			
Revenues	$ 1,028.3	$ 1,101.3	$ (73.0)
Purchased power	$ 459.3	$ 447.9	$ 11.4
Fuel	$ 24.4	$ 94.2	$ (69.8)
Operation and maintenance	$ 231.5	$ 253.5	$ (22.0)
Property and other taxes	$ 18.2	$ 17.0	$ 1.2
Depreciation and amortization	$ 158.7	$ 152.6	$ 6.1
Interest expense	$ 128.1	$ 123.9	$ 4.2
Other income	$ 20.1	$ 10.8	$ 9.3
Nonutility operations, excluding noncontrolling interest	$ 16.4	$ (3.2)	$ 19.6
Net margin attributable to GRE	$ 44.6	$ 19.8	$ 24.8
FINANCIAL POSITION			
Electric plant	$ 2,909.5	$ 2,838.4	$ 71.1
Utility plant - net	$ 1,808.8	$ 1,781.4	$ 27.4
Deferred charges	$ 840.3	$ 923.4	$ (83.1)
Derivative instruments—noncurrent	$ 214.4	$ 355.1	$ (140.7)
Cash and cash equivalents	$ 214.8	$ 352.6	$ (137.8)
Total assets	$ 3,435.5	$ 3,817.0	$ (381.5)
Regulatory Liabilities	$ 261.5	$ 398.7	$ (137.2)
Long-term obligations	$ 1,999.6	$ 2,134.2	$ (134.6)
Total capital	$ 677.5	$ 690.7	$ (13.2)
Equity to capitalization ratio	23.8%	23.1%	0.7%

GREAT RIVER ENERGY

FINANCIAL DISCUSSION AND ANALYSIS

Great River Energy (GRE) experienced remarkable financial results in 2023, ending the year with historically strong margins and a power cost adjustment (PCA) credit. Those financial results included favorable margins that were nearly triple our budget for 2023 prior to reflecting the $29.8 million deferral of member electric revenue to offset future rates. The favorable year end margin was largely due to favorable member electric sales, favorable ownership and operation and maintenance expenses, favorable interest income, as well as the recognition of $16.4 million of contingent consideration received in 2023 related to the Midwest AgEnergy (MAG) sale transaction which closed in 2022. Additionally, GRE returned $25.0 million of patronage capital to its members in 2023 and plans to return another $15.0 million in 2024.

Utility operating revenues ended the year at $1,028.3 million which was $73.0 million lower than 2022. The decrease was driven by lower member energy sales, PCA credit in 2023 versus a PCA charge in 2022, a decrease in steam sales due to the sale of Coal Creek Station in 2022, as well as a decrease in non-member energy and capacity revenue from the MISO market due to lower energy and capacity market prices. Lower MISO market and natural gas prices also contributed to the overall decrease in total operating expenses in 2023, along with savings in fuel and operation and maintenance expenses due to no longer owning and operating Coal Creek Station.

Net margin attributable to GRE for 2023 was $44.6 million. Without the deferral of member revenue, GRE's 2023 margin would have been $74.4 million. Positive actual variances compared to budget from net MISO market activity resulted in a PCA of $35.4 million to GRE's members for 2023. The strong financial performance of 2023 increased GRE's equity to capitalization ratio from 23.1% at the end of 2022 to 23.8% at the end of 2023. The strong financial results achieved in 2023 demonstrate the adaptability of GRE's transitioning power supply portfolio in unpredictable markets and serves the continued strengthening of GRE's financial position in preparation for significant investment in the region's transmission system.

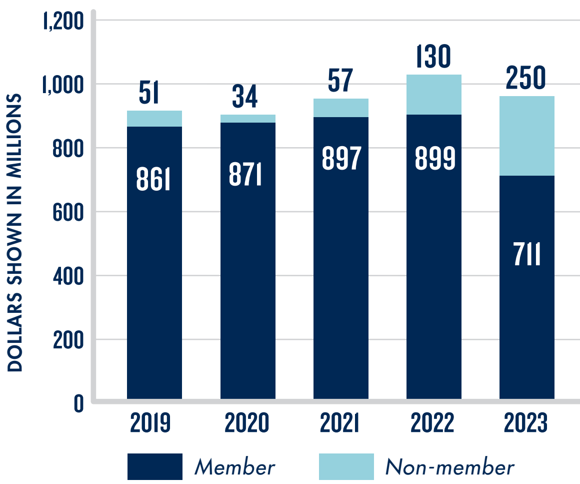
MARGINS

Net margin attributable to GRE for the year ended December 31, 2023, was $44.6 million and includes $16.4 million of contingent transaction proceeds received in 2023 from the MAG sale transaction which closed in 2022. This compares to a budget of $23.0 million for 2023. GRE's indenture requires the maintenance of a margin-for-interest (MFI) ratio of 1.10x, excluding the operating results of subsidiaries and equity method investments unless received by GRE in cash. GRE's net margin, which is used to calculate the MFI ratio, was $44.6 million for 2023, resulting in an MFI ratio of 1.39x. GRE's board of directors targeted a debt service coverage (DSC) ratio of 1.10x when setting member rates for 2023. GRE's 2023 operations produced a DSC ratio of 1.17x.

ELECTRIC REVENUE

Electric revenue decreased $67.8 million or 6.6% to $960.9 million in 2023 from $1,028.7 million in 2022. Member electric revenue decreased $188.0 million primarily as a result of the transition of a former member-owner to new customer contracts (with terms that extend to 2045) which moved their electric revenue from member to non-member. The decrease was also due to a 1.1% decrease in energy unit sales from all-requirements members, largely due to very mild December weather, a full year of reductions from several of GRE's fixed-requirement members, which resulted from the sale of Coal Creek Station and the HVDC system, as well as the impact of a $35.4 million PCA credit in 2023 compared to a

ELECTRIC REVENUE BILLED



$18.7 million PCA charge in 2022. The PCA allows GRE to credit or collect differences between actual and budgeted results in MISO market activity, purchased power, non-member revenue, fuel, and member energy unit sales. The 2023 PCA credit was primarily due to favorable budget variances in MISO market net activity, fuel, and non-member sales, offset partially by unfavorable budget variances in purchased power and member energy unit sales.

Electric revenue from non-members increased $120.1 million or 92.8% to $249.6 million in 2023 from $129.5 million in 2022. This was driven primarily by the transition of a former member-owner to new customer contracts (discussed above and below). This increase was offset partially by a $22.8 million decrease in MISO market energy revenue due to average market prices that were 55.6% lower in 2023 compared to 2022, as well as a $15.2 million decrease in MISO market demand revenue driven by substantially lower prices in the annual MISO capacity auction.

OTHER OPERATING REVENUE

Other operating revenue decreased $5.2 million or 7.1% to $67.4 million in 2023 from $72.6 million in 2022. The decrease was primarily due to lower steam revenue in 2023. With the sale of Coal Creek Station, GRE had no steam revenue from MAG's Blue Flint Ethanol plant. Additionally, steam revenue decreased from MAG's Dakota Spirit AgEnergy plant in 2023 due to lower natural gas costs compared to 2022.

OPERATING EXPENSES

Total operating expenses for 2023 were $892.2 million, a decrease of $73.0 million or 7.6% from $965.2 million in 2022.

Purchased power increased $11.4 million or 2.6% to $459.3 million in 2023 from $447.9 million in 2022. This was driven by an increase in purchases from wind contracts of $6.1 million due to two new wind agreements beginning in 2023 as well as higher purchases under other power contracts. These increases were offset partially by lower MISO market purchases in 2023 compared to 2022 due to substantially lower MISO market prices.

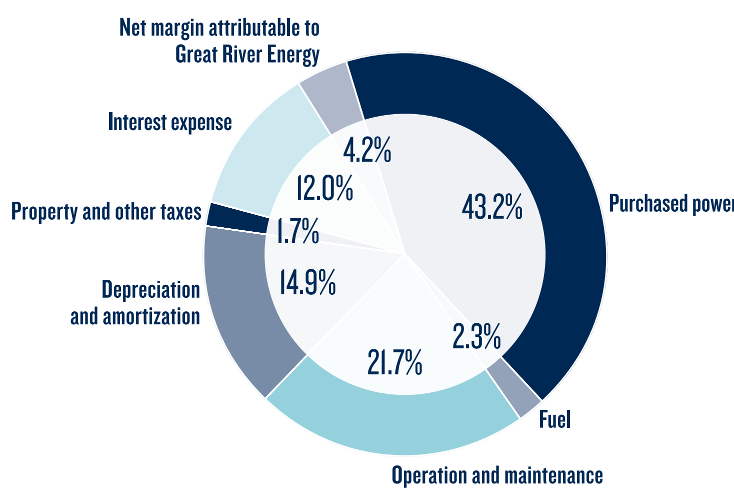
Fuel expense decreased $69.8 million or 74.1% to $24.4 million in 2023 from $94.2 million in 2022 driven primarily by a $56.1 million decrease in baseload plant production due to the sale of Coal Creek Station. Baseload output was 81.3% lower (133 GWh in 2023 compared to 2,669 GWh in 2022). Peaking plant fuel expense also decreased by $13.7 million driven by lower natural gas costs. GRE's peaking plants were called upon by the market more in 2023 compared to 2022 (peaking output was 293 GWh in 2023 compared to 261 GWh in 2022) with the average natural gas price paid 64.9% lower ($2.35/MMBtu in 2023 compared to $6.69/MMBtu in 2022).

Operation and maintenance expense decreased $22.0 million or 8.7% to $231.5 million in 2023 from $253.5 million in 2022. This was primarily driven by the sale of Coal Creek Station in 2022 and GRE no longer operating and maintaining the plant after the sale. This decrease was offset partially by increased transmission operation and maintenance expenses due to higher costs to serve member load under inter-utility transmission agreements as well as divisional labor costs.

Property and other taxes increased $1.2 million or 7.4% to $18.2 million in 2023 from $17.0 million in 2022. The increase is due to higher Minnesota state income taxes, offset partially by a decrease in property taxes driven by favorable valuation resettlements in Minnesota.

Depreciation and amortization increased $6.1 million or 4.0% to $158.7 million in 2023 from $152.6 million in 2022. The increase is mainly due to increased amortization of retired plant assets offset partially by decreased depreciation of utility plant assets.

EXPENSES AND MARGIN



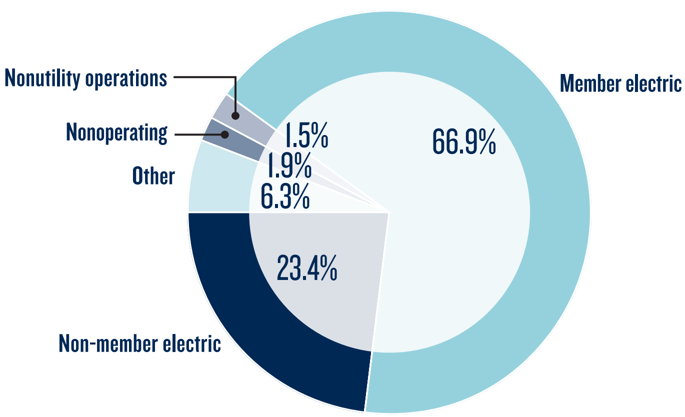
OTHER INCOME (EXPENSE)

Other income—net increased $0.1 million to $5.2 million in 2023 from $5.1 million in 2022. Interest income increased $9.2 million to $14.9 million in 2023 from $5.7 million in 2022, driven by higher market interest rates as well as a higher average cash balance compared to 2022. Interest expense—net of amounts capitalized increased $4.2 million or 3.4% to $128.1 million in 2023 from $123.9 million in 2022 due to interest expense incurred on new debt issued by GRE in 2022 and increased interest expense on GRE's variable rate debt due to higher market interest rates.

NONUTILITY OPERATIONS

Nonutility operating revenue and expense represent the operations of MAG, a subsidiary of GRE. On December 1, 2022, GRE and the noncontrolling interest owners of MAG closed on a transaction to sell their ownership interest in MAG to a third party and is no longer consolidating MAG's financial statements. In 2023, GRE recognized contingent consideration tied to certain closing adjustments of $16.4 million which was included as a nonutility equity method investment due to GRE no longer consolidating the financial statements of MAG.

REVENUES



MEMBER RATE

GRE's 2023 member billed rate was 78.51 mills/kilowatt-hour (kWh) compared to 78.80 mills/kWh in 2022. The budgeted average member rates were 81.84 mills/kWh for 2023 and 76.64 mills/kWh for 2022. The 0.4% decrease in the 2023 blended average rate was driven by lower net MISO costs, lower operating expenses, a PCA credit, offset partially by lower sales to members. The 2022 member billed rate reflects a refund issued to members of $38.0 million. GRE deferred the recognition of $29.8 million and $9.3 million of member electric revenue in 2023 and 2022, respectively, and recognized $25.6 million and $4.4 million as member electric revenue in 2023 and 2022, respectively.

BALANCE SHEET REVIEW

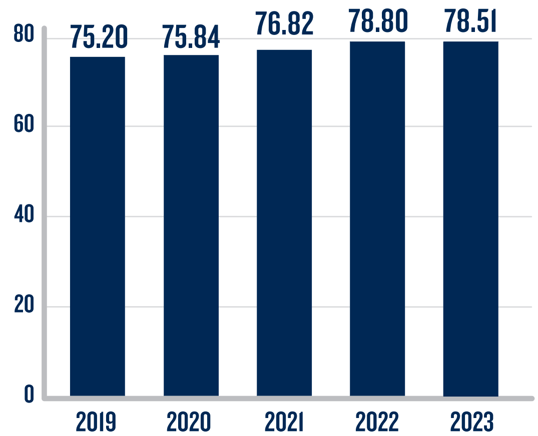
GRE's total consolidated assets decreased $381.5 million to $3,435.5 million in 2023 from $3,817.0 million in 2022.

Utility plant—net increased $27.4 million to $1,808.8 million in 2023 from $1,781.4 million in 2022 largely due to capital additions and capital spending on transmission and power supply projects outpacing the depreciation of existing utility plant assets.

Other assets and investments decreased $223.4 million to $1,129.4 million in 2023 from $1,352.8 million in 2022. Deferred charges—plant retirements decreased $69.2 million, due to amortization of retired plant deferred charges. Deferred charges—financing related decreased $6.8 million due to the amortization of the settled interest rate swaps. Deferred charges—other decreased $7.0 million largely due to a decrease in deferred taxes which was driven by a 2023 reduction in the valuation allowance held for

MEMBER AVERAGE RATE PER KWH

EXCLUDING WAPA | MILLS PER KWH



Minnesota net operating losses. Derivative instruments—noncurrent decreased $140.7 million as a result of the mark-to-market valuation of the noncurrent portion of a bilateral financial settlement contract.

Current assets decreased $185.5 million to $497.3 million in 2023 from $682.8 million in 2022. Cash and cash equivalents decreased $137.8 million primarily driven by GRE not issuing new debt in 2023 (whereas new debt was issued in 2022), higher retirements and redemption of patronage capital, and more cash used in investing activities in 2023. Accounts receivable – members decreased $29.2 million as a result of fewer member sales, the transition of a former member-owner to a customer contract, and a PCA credit compared to a charge during the same period in 2022. Accounts receivable – others increased $14.5 million due to the transition of the former member-owner to a customer contract. Derivative instruments – current decreased $61.3 million primarily as a result of a decrease in the mark-to-market valuation of the current portion of the financial settlement contract (discussed previously). These decreases were offset partially by an increase of $6.9 million in inventories due to the purchase of critical parts for peaking station and transmission capital projects and increased average storage costs of fuel oil. Additionally, prepaids and other current assets increased $17.2 million due to an increase in prepaid outage expenses for an upcoming outage at one of the peaking stations. Deferred charges—current increased $4.2 million as the offset to the current mark-to-market valuation for certain fuel hedging and interest rate swap contracts recorded as current derivative liabilities.

Members' patronage capital decreased $127.8 million to $562.9 million in 2023 from $690.7 million in 2022. The decrease was largely the result of the reclassification of $127.4 million of temporary patronage capital (see below). The remaining $0.4 million decrease was the result of $45.0 million of member patronage capital retired in 2023 offset partially by the addition of $44.6 million of net margin. On August 30, 2022, the GRE members approved the withdrawal and transition of a member to a long-term customer contract, which was effective on January 1, 2023 and extends through 2045. As a result, GRE reclassified their patronage capital as temporary patronage capital. GRE's equity to capitalization ratio was 23.8% at the end of 2023.

Temporary patronage capital increased to $114.6 million in 2023 from $0 in 2022. As part of an agreement with a former member-owner, an option exists for the former member-owner to redeem its patronage capital over a period of time not solely under GRE's control. As a result of this, GRE reclassified the former member-owner's patronage capital of $127.3 million as temporary patronage capital when the former member-owner transitioned to a customer contract on January 1, 2023. The former member-owner redeemed $12.7 million of temporary patronage capital during 2023.

Other noncurrent liabilities increased $10.2 million to $56.2 million in 2023 from $46.0 million in 2022, driven by an increase in customer construction advances related to several transmission interconnection projects GRE is constructing for others.

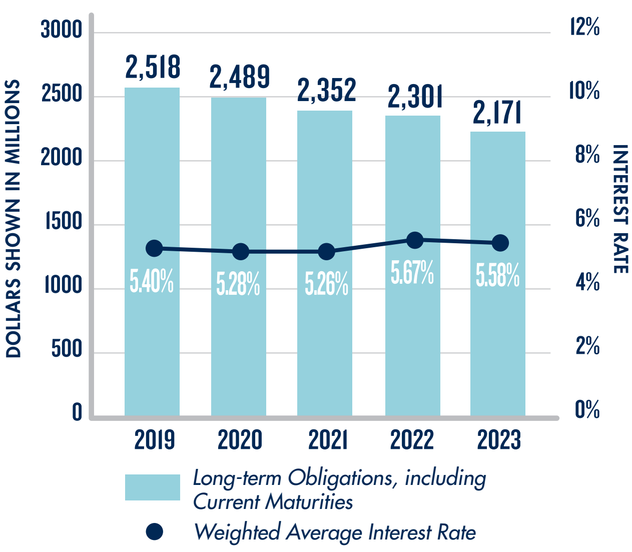
Regulatory liabilities decreased $137.2 million to $261.5 million in 2023 from $398.7 million in 2022. This is primarily driven by a $140.7 million decrease in the noncurrent portion of the financial settlement contract (discussed earlier) and the deferral of $29.8 million in member electric revenue in 2023, offset partially by the recognition of $25.6 million of deferred member electric revenue.

Long-term obligations decreased $134.6 million to $1,999.6 million in 2023 from $2,134.2 million in 2022. The decrease was driven by principal payments made during the year, offset partially by an increase in the syndicated credit facility balance.

Deferred income taxes decreased $6.1 million to $29.9 million in 2023 from $36.0 million in 2022 primarily as the result of the reduction in the 2023 valuation allowance held for Minnesota net operating losses.

Current liabilities decreased $104.3 million to $388.7 million in 2023 from $493.0 million in 2022. Regulatory liabilities – current increased $21.7 million due to the current portion of the mark-to-market valuation of the financial settlement contract (discussed earlier). Notes payable to members decreased $13.0 million due to member usage of invested funds to pay power bills outpacing additional investments by members into the investment program.

LONG-TERM DEBT



Accounts payable decreased $19.5 million due to the payment of accrued 2022 member refunds in 2023 offset partially by an increase in purchased power payables. Other accrued liabilities and notes payable decreased $17.2 million mainly due to the settlement of an accrual related to the repowering of MAG's Blue Flint Ethanol plant as part of the sale of Coal Creek Station and the HVDC system. These decreases were offset partially by a $5.0 million increase in the current portion of long-term obligations, due to the addition of payments on the 2022 debt issuance, and a $3.9 million increase in current derivative instruments related to the current mark-to-market valuation for certain fuel hedging and interest rate swap contracts.

LIQUIDITY POSITION AND FINANCING

GRE's year end 2023 unrestricted available liquidity of $526.1 million was comprised of cash and cash equivalents of $214.8 million and unused capacity on its existing unsecured credit facilities of $311.3 million. GRE's unsecured credit facilities include a $300.0 million revolving credit agreement that expires in May 2026. GRE also has a $60.0 million line of credit that expires in October 2025. GRE uses its unsecured credit facilities for funding general working capital needs, financing its construction program, and providing a source of financial assurance in the form of letters of credit primarily related to market participant obligations under the MISO tariff. In March 2024, GRE extended the revolving credit agreement's expiration to March 2031 (which includes two optional one-year extensions) and increased the unsecured capacity to $350.0 million. GRE has the option to increase the aggregate amount of credit extended to $450.0 million under the updated revolving credit agreement and $100.0 million under the line of credit, subject to certain terms and conditions.

Construction borrowings on the unsecured credit facilities are repaid periodically with issuances of long-term secured debt under GRE's Indenture of Mortgage, Security Agreement, and Financing Statement. Since GRE's 2007 prepayment of its debt under the RUS Mortgage with the issuance of the $1.3 billion Series 2007A bonds, GRE has issued an additional $2.8 billion of secured debt.

Utilizing existing available cash and cash equivalents, budgeted internally generated funds, and planned short-term borrowings under credit facilities, GRE anticipates being able to fund planned additions and upgrades to existing generation, transmission, and other general plant facilities until the next forecasted debt issuance.

GRE continues to strengthen its financial position as it looks forward to transformative investment opportunities in the future. While strengthening its financial position, GRE returned $25.0 million of patronage capital to its members in both 2023 and 2022, and based on the financial position as of December 31, 2023, has plans to return an additional $15.0 million in March 2024. In addition to this, GRE has maintained its competitive member rates position compared to others within the region, investment grade credit ratings, and a strong liquidity position. GRE is proud of its strong 2023 financial results and believes its portfolio of assets is well positioned to evolve, respond to changing market conditions, and achieve its future financial and operational goals.

TO THE BOARD OF DIRECTORS AND MEMBERS OF GREAT RIVER ENERGY:

Management is responsible for the fairness and accuracy of the financial information presented in this annual report. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgments where appropriate. Great River Energy maintains an internal accounting control system that provides reasonable assurance of the integrity and reliability of the financial statements and the protection of assets from loss or unauthorized use or disposition. Directors, who are not employees, make up the Finance and Audit Committee of the Board of Directors. The committee meets regularly with management and its independent public accountants to review and discuss Great River Energy's internal accounting controls and financial reports. The independent public accountants have free access to the committee and the board of directors, without management present, to discuss the findings of their audits.

David Saggau
President and CEO
Great River Energy
Maple Grove, Minnesota
March 14, 2024

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF GREAT RIVER ENERGY

MAPLE GROVE, MINNESOTA

Opinion

We have audited the consolidated financial statements of Great River Energy and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the three years in the period ended December 31, 2023, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the three years in the period ended December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Midwest AgEnergy ("MAG"), a consolidated subsidiary through November 30, 2022, or The Falkirk Mining Company ("Falkirk"), a variable interest entity through May 1, 2022, which statements reflect total assets constituting 0% of consolidated total assets as of December 31, 2022, and total revenues constituting 30% and 31%, respectively, of consolidated total revenues for the years ended December 31, 2022 and 2021. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Falkirk and MAG, is based solely on the reports of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

March 14, 2024

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2023 AND 2022 (IN THOUSANDS)

ASSETS	2023	2022
UTILITY PLANT:		
Electric plant	$ 2,909,510	$ 2,838,420
Construction work in progress	82,762	52,440
Less accumulated depreciation and amortization	(1,183,474)	(1,109,431)
Utility plant—net	1,808,798	1,781,429
OTHER ASSETS AND INVESTMENTS:		
Restricted investments—deferred compensation	22,009	18,532
Other investments	34,902	34,361
Deferred charges:		
Plant retirements	710,993	780,198
Financing related	88,371	95,219
Other	40,980	48,008
Other long-term assets	17,779	21,418
Derivative instruments—noncurrent	214,350	355,076
Total other assets and investments	1,129,384	1,352,812
CURRENT ASSETS:		
Cash and cash equivalents	214,789	352,556
Accounts receivable:		
Members	111,398	140,580
Others	35,939	21,418
Inventories:		
Materials and supplies	49,830	44,343
Fuel	8,566	7,135
Prepaids and other current assets	28,671	11,505
Deferred charges—current	4,166	-
Derivative instruments—current	43,926	105,264
Total current assets	497,285	682,801
TOTAL	$ 3,435,467	$ 3,817,042

CONTINUED

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2023 AND 2022 (IN THOUSANDS)

CAPITAL AND LIABILITIES	2023	2022
CAPITAL:		
Members:		
Patronage capital	$ 562,891	$ 690,658
Memberships	3	3
Total members' capital	562,894	690,661
Temporary patronage capital	114,597	-
Total capital	677,491	690,661
OTHER NONCURRENT LIABILITIES	56,204	46,046
REGULATORY LIABILITIES	261,549	398,706
LONG-TERM OBLIGATIONS—Less current portion	1,999,574	2,134,178
DEFERRED COMPENSATION	22,009	18,532
DEFERRED INCOME TAXES	29,891	35,955
COMMITMENTS AND CONTINGENCIES		
CURRENT LIABILITIES:		
Long-term obligations—current	171,537	166,506
Regulatory liabilities—current	43,926	105,264
Notes payable to members	42,467	55,430
Accounts payable	73,589	93,079
Property and other taxes	18,736	19,584
Other accrued liabilities and notes payable	21,707	38,862
Accrued interest payable	12,621	13,983
Derivative instruments	4,166	256
Total current liabilities	388,749	492,964
TOTAL	$ 3,435,467	$ 3,817,042

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. *CONCLUDED*

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021 (IN THOUSANDS)

UTILITY OPERATIONS	2023	2022	2021
UTILITY OPERATING REVENUE:			
Electric revenue	$ 960,908	$ 1,028,754	$ 954,021
Other operating revenue	67,412	72,597	76,222
Total utility operating revenue	1,028,320	1,101,351	1,030,243
UTILITY OPERATING EXPENSES:			
Purchased power	459,323	447,914	194,797
Fuel	24,436	94,234	211,744
Operation and maintenance	231,519	253,536	291,209
Depreciation and amortization	158,677	152,587	171,382
Property and other taxes	18,207	16,948	25,005
Total utility operating expenses	892,162	965,219	894,137
UTILITY OPERATING MARGIN	136,158	136,132	136,106
OTHER INCOME (EXPENSE):			
Other income—net	5,193	5,095	5,459
Interest income	14,874	5,701	1,103
Interest expense—net of amounts capitalized	(128,099)	(123,928)	(119,668)
Other expense—net	(108,032)	(113,132)	(113,106)
NET UTILITY MARGIN	28,126	23,000	23,000
NONUTILITY OPERATIONS:			
Operating revenue	-	439,394	457,976
Operating expense	-	424,575	427,397
Operating income	-	14,819	30,579
Income (loss) from equity method investments	16,429	(13,822)	(89)
Total nonutility operations	16,429	997	30,490
NET MARGIN AND COMPREHENSIVE INCOME, INCLUDING NONCONTROLLING INTEREST	44,555	23,997	53,490
NONCONTROLLING INTEREST—SUBSIDIARY—MAG	-	(4,183)	(6,604)
NET MARGIN AND COMPREHENSIVE INCOME ATTRIBUTABLE TO GREAT RIVER ENERGY	$ 44,555	$ 19,814	$ 46,886

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021 (IN THOUSANDS)

	PATRONAGE CAPITAL	TEMPORARY PATRONAGE CAPITAL	MEMBERSHIPS	ADDITIONAL PAID-IN CAPITAL	NONCONTROLLING INTEREST SUBSIDIARY—MAG	TOTAL CAPITAL
BALANCE—January 1, 2021	$ 673,958	$ -	$ 3	$ 1,195	$ 22,708	$ 697,864
Net margin and comprehensive income	46,886	-	-	-	6,604	53,490
Return of members' patronage capital	(25,000)	-	-	-	-	(25,000)
BALANCE—December 31, 2021	$ 695,844	$ -	$ 3	$ 1,195	$ 29,312	$ 726,354
Net margin (loss) and comprehensive income (loss)	19,814	-	-	(1,195)	4,183	22,802
Return of members' patronage capital	(25,000)	-	-	-	-	(25,000)
Capital transferred to noncontrolling interest	-	-	-	-	11,087	11,087
Capital distributed to noncontrolling interest	-	-	-	-	(44,582)	(44,582)
BALANCE—December 31, 2022	$ 690,658	$ -	$ 3	$ -	$ -	$ 690,661
Net margin and comprehensive income	44,555	-	-	-	-	44,555
Transfer to temporary patronage capital	(127,330)	127,330	-	-	-	-
Return of members' patronage capital	(44,992)	-	-	-	-	(44,992)
Redemption of temporary patronage capital	-	(12,733)	-	-	-	(12,733)
BALANCE—December 31, 2023	$ 562,891	$114,597	$ 3	$ -	$ -	$ 677,491

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021 (IN THOUSANDS)

	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net margin including noncontrolling interest	$ 44,555	$ 23,997	$ 53,490
Adjustments to reconcile net margin (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization:			
Included in depreciation and amortization	158,677	152,587	171,382
Included in fuel and interest	9,770	14,155	23,001
Included in operation and maintenance	4,167	8,528	18,866
Included in purchased power	671	488	-
Included in nonutility operating expense	-	8,919	10,134
Gain on loan forgiveness	-	-	(6,794)
Unrealized (gains) losses on commodity derivatives	-	(10,233)	4,156
Loss on disposal of nonutility plant and equipment	-	298	148
(Income) loss from equity method investments	(16,429)	13,822	89
Patronage credits earned from investments	(1,511)	(1,501)	(1,467)
Deferred charges	(2,526)	(26,217)	(18,068)
Regulatory liabilities	4,337	12,934	(4,400)
Changes in working capital (excluding cash, investments, and borrowings):			
Accounts and long-term receivables	7,160	9,276	(18,173)
Inventory and other assets	(32,121)	(18,500)	17,437
Accounts payable, taxes, and other accrued expenses	(48,977)	(233,782)	14,248
Accrued interest	(1,362)	1,200	(1,194)
Noncurrent liabilities	(3,102)	(6,536)	(6,773)
Net cash provided by (used in) operating activities	123,309	(50,565)	256,082
CASH FLOWS FROM INVESTING ACTIVITIES:			
Utility plant additions	(103,684)	(85,188)	(92,855)
Utility plant reimbursements—contributions in aid of construction	18,458	8,166	20,887
Nonutility plant and equipment additions	-	(41,670)	(8,294)
Proceeds from sale of property	7,199	207,759	736
Equity method investments	18,296	83,890	-
Redemption of patronage capital from investments	970	929	946
Purchases of investments	-	(99)	-
Net cash (used in) provided by investing activities	(58,761)	173,787	(78,580)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term obligations	35,000	388,000	295,396
Repayments of long-term obligations	(166,508)	(383,594)	(427,628)
Return of members' patronage capital	(44,992)	(25,000)	(25,000)
Redemption of temporary patronage capital	(12,733)	-	-
Cost of new debt issuances	(119)	(2,828)	(1,265)
Notes (paid to) received from members—net	(12,963)	4,193	426
Capital distributed to noncontrolling interest—subsidiary—MAG	-	(2,393)	-
Net cash used in financing activities	(202,315)	(21,622)	(158,071)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(137,767)	101,600	19,431
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—Beginning of year	352,556	250,956	231,525
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—End of year	$ 214,789	$ 352,556	$ 250,956

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

1. ORGANIZATION

Organization—Great River Energy (GRE) is a Minnesota electric generation and transmission cooperative corporation providing wholesale electric service to member distribution cooperatives engaged in the retail sale of electricity to member consumers in Minnesota and a small section of Wisconsin. This service is provided in accordance with the terms of the power purchase and transmission service contracts between GRE and the members. In 2023, the primary purchase power contract was extended to December 31, 2055. The transmission service contract has an expiration date of December 31, 2050.

Basis of Accounting—The consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of GRE as well as the following entities:

ENTITY	RELATIONSHIP	DATE NO LONGER CONSOLIDATED
The Falkirk Mining Company (Falkirk)	Variable interest entity	May 1, 2022
Midwest AgEnergy Group, LLC (MAG)	Subsidiary of GRE	December 1, 2022
Blue Flint Ethanol LLC (Blue Flint)	Subsidiary of MAG	December 1, 2022
Dakota Spirit AgEnergy, LLC (DSA)	Subsidiary of MAG	December 1, 2022

All intercompany balances and transactions have been eliminated in consolidation, except for steam and electricity sales between GRE and MAG discussed within Note 1.

Falkirk—As part of the transaction to sell Coal Creek Station, a former GRE facility located near Underwood, North Dakota, and the HVDC system (see Note 15), GRE and Falkirk terminated their coal supply agreement on May 1, 2022, which had been in place for the development and operation of a lignite coal mine to supply coal for Coal Creek Station and Spiritwood Station, GRE's facility located near Jamestown, North Dakota. Falkirk is a wholly owned subsidiary of the North American Coal Corporation (NACC), which is a wholly owned subsidiary of NACCO Industries, Inc. Falkirk is principally engaged in lignite mining through the operation of a surface mine in North Dakota.

Prior to the termination of the coal supply agreement, GRE financed all the costs associated with the mine development and operation. Accounting principles generally accepted in the United States of America (GAAP) required GRE to consolidate Falkirk in its financial statements since Falkirk qualified as a variable interest entity for which GRE was the primary beneficiary.

The coal purchase price included all costs incurred by Falkirk for development and operation of the mine. These costs were part of the contract cost of coal purchased under the coal supply agreement and were included in fuel expense in the consolidated statements of operations and comprehensive income. Accordingly, the net effect of consolidating the income statement of Falkirk had no impact on GRE's margin for the years ended December 31, 2022 and 2021.

Upon termination of the coal supply agreement on May 1, 2022, GRE ceased having a variable interest in Falkirk as the primary beneficiary. As such, and per the guidance set forth in Accounting Standards Codification (ASC) 810 *Consolidation*, GRE deconsolidated the financial statements of Falkirk. The coal purchased by GRE under the coal supply agreement for the period ended April 30, 2022, is included in fuel expense in the consolidated statements of operations and comprehensive income for the year ended December 31, 2022. The related cash flows for Falkirk for the four-month period ended April 30, 2022, have been included in the consolidated statements of cash flows for the year ended December 31, 2022.

MAG— MAG had two wholly owned subsidiaries, Blue Flint and DSA. Blue Flint operated an ethanol biorefinery facility located in Underwood, North Dakota. DSA operated a biorefinery located near Jamestown, North Dakota. Both facilities were dry-mill production facilities that produced and sold ethanol, dry and modified distillers grain, and distillers oil.

On December 1, 2022, GRE and the noncontrolling interest owners of MAG closed on a transaction to sell their ownership interest in MAG to a third party. Upon closing the transaction, per the guidance set forth in ASC 810 *Consolidation*, GRE deconsolidated the financial statements of MAG subsequent to November 30, 2022. The result of operations and related cash flows for MAG for the period ended November 30, 2022, have been included in the consolidated statements of operations and comprehensive income, changes in capital, and cash flows, respectively, for the year ended December 31, 2022. The transaction resulted in a $14.0 million loss to GRE and is recorded in income (loss) from equity method investments in the consolidated statements of operations and comprehensive income. The transaction contains elements of contingent consideration tied to closing adjustments and operations and capital expenditures during a two-to four-year period. In 2023, GRE recognized contingent consideration tied to closing adjustments of $16.4 million in accordance with ASC 450-30 *Gain Contingencies* which was recorded in income (loss) from equity method investments in the consolidated statements of operations and comprehensive income. GRE will evaluate and recognize additional future contingent consideration (if any) in accordance with ASC 450-30 *Gain Contingencies*.

Prior to the closing of the transaction to sell Coal Creek Station and the HVDC system (see Note 15), Blue Flint purchased steam and water from Coal Creek Station under a long-term contract with GRE. Steam and water purchases were $12.3 million and $14.2 million for the years ended December 31, 2022 (prior to deconsolidation) and 2021, respectively. Electricity sales were $2.8 million and $3.0 million, for the years ended December 31, 2022 (prior to deconsolidation) and 2021, respectively. The sale of electricity by GRE is recorded as electric revenues and steam and water sales are recorded as other operating revenue. Prior to the sale of MAG, purchases of electricity, steam, and water by MAG subsidiaries were recorded as nonutility operating expense. These transactions were not eliminated in consolidation for 2022 and 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Regulatory Accounting—As the board of directors sets rates on a cost-of-service basis, GRE follows GAAP related to the effects of certain types of regulation, which provide for the reporting of assets and liabilities consistent with the economic effect of the rate structure. As such, regulatory assets are recorded to reflect probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities are recorded to reflect probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process. For further information, see Note 11.

Public Business Entity—GRE believes it meets the definition of a public business entity due to the issuance of debt securities that are traded on an over-the-counter market.

Cash, Cash Equivalents, and Restricted Cash—Cash equivalents include all highly liquid investments with original maturities of three months or less (e.g., money market funds). Certain cash and cash equivalents are classified as investments when they relate to trust funds held for long-term purposes.

Restricted cash represents GRE cash deposits held in trust which are restricted for allowable purposes under GRE's Indenture of Mortgage, Security Agreement, and Financing Statement. Restricted cash at December 31, 2021, represented MAG cash deposits with commodity investment brokers held as collateral to cover settlements of futures and options contracts.

Supplemental Cash Flow Information—Supplemental cash flow information for the years ended December 31, 2023, 2022, and 2021, is as follows (in thousands):

	2023	2022	2021
Supplemental disclosure of cash flow information:			
Cash paid for interest—net of amounts capitalized	$ 125,656	$ 124,038	$ 121,567
Cash paid for taxes—Falkirk	-	$ 530	$ 4,280
Noncash investing and financing activities:			
Utility and nonutility plant acquisitions included in accounts payable	$ 12,563	$ 12,769	$ 6,968

Interest on borrowed funds in the amount of $2.4 million, $1.6 million, and $1.8 million was capitalized in 2023, 2022, and 2021, respectively, and these amounts are excluded from the cash payments for interest noted above.

Inventories—Materials and supplies inventories are stated at lower of average cost or net realizable value. Fuel inventories are carried at average cost and include coal, oil, and gas used for electric generation. Emission allowances are also accounted for as fuel inventory and recorded at the lower of cost or net realizable value. Renewable energy credits (RECs) are either purchased or acquired in the course of generation, or purchased as a result of meeting load obligations, and are recorded as fuel inventory at cost. GRE's allowances and RECs in inventory have a recorded cost of $0.3 million and $0.7 million as of December 31, 2023 and 2022, respectively.

Utility Plant—Utility plant is stated at original cost, which includes materials, contract and direct labor, overhead, and interest during construction. Interest charged to construction on borrowed funds are included as a component of utility plant cost and credited to interest expense. The rates applied reflect the actual rates for borrowed funds. Repairs and maintenance are charged to operations as incurred. When generation and transmission assets are retired, sold, or otherwise disposed of, the original cost, plus the cost of removal, less salvage, is charged to accumulated depreciation and the corresponding gain or loss is amortized over the remaining life of the plant. Included in accumulated depreciation are retired assets totaling $17.6 million and $17.8 million as of December 31, 2023 and 2022, respectively, that will continue to be amortized. Also included in accumulated depreciation are nonlegal or noncontractual costs of removal components in the amount of $9.0 million and $8.0 million for 2023 and 2022, respectively. When other property assets are retired or sold, the cost and related accumulated depreciation are eliminated and any gain or loss is reflected in depreciation expense.

Depreciation and Amortization—Depreciation for financial reporting purposes is provided based upon the straight-line method at rates designed to amortize the original cost of properties over their estimated service lives. The effective depreciation rate was 3.0%, 2.6%, and 3.4% for 2023, 2022, and 2021, respectively. The range of useful lives for utility plant is three to 50 years. Amortization expense also includes the accretion expense related to asset retirement obligations and the amortization of deferred charges, except as described in Note 11.

Nonutility Plant and Equipment—Net—Nonutility plant and equipment as of December 31, 2021, represents the plant and equipment assets of MAG.

Recoverability of Long-Lived Assets—GRE reviews its long-lived assets whenever events or changes in circumstances indicate the carrying value of the assets may not be recoverable. GRE determines potential impairment by comparing the carrying value of the asset with the net cash flows expected to be provided by the operating activities of the business or related products. Should the sum of the expected cash flows be less than the carrying values, GRE would determine whether an impairment loss should be recognized. No impairment losses have been recorded in the consolidated financial statements.

Income Taxes—GRE accounts for income taxes using the asset/liability method prescribed under ASC 740, Income Taxes. Under this method, deferred income taxes are recognized for temporary differences between the tax and financial reporting bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. GRE establishes a regulatory asset or liability to account for the difference between GRE's deferred tax assets or liabilities. A regulatory asset or liability associated with deferred income taxes generally represents the future increase or decrease in income taxes payable that will be received or settled through future rate increases.

Members' Patronage Capital—Revenues in excess of current-period costs (net margin and comprehensive income attributable to GRE in the consolidated statements of operations and comprehensive income) in any year are designated as assignable margins. These assignable margins are considered capital furnished by the members and are credited to the members' individual accounts. Assignable margins are held by GRE until they are retired and returned, without interest, at the discretion of the board of directors and subject to long-term obligation agreement restrictions (see Note 5). The board of directors has adopted a policy of retiring and returning assignable margins (patronage capital) on a first-in, first-out basis. Upon approval by the board of directors, GRE retired and returned patronage capital of $45.0 million, $25.0 million, and $25.0 million in 2023, 2022, and 2021, respectively. Retained assignable margins are designated as patronage capital in the consolidated balance sheets.

Temporary Patronage Capital—GRE and its largest member-owner signed a withdrawal agreement in 2022 which terminated their membership in GRE. Also in 2022, new long-term power supply and transmission service customer contracts were signed that extend through December 31, 2045. The membership termination and transition to the new customer contracts were effective on January 1, 2023. As part of the withdrawal agreement, the former member-owner has the option to redeem its patronage capital over a period of time not solely under GRE's control. In accordance with ASC 480 *Distinguishing Liabilities from Equity*, GRE reclassified the former member-owner's patronage capital of $127.3 million as temporary patronage capital on the consolidated balance sheets as of January 1, 2023. Temporary patronage capital of $12.7 million was redeemed by the former member owner during 2023.

Use of Estimates—The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The significant estimates in the consolidated financial statements relate to key inputs to compensation and benefit accruals, asset retirement obligation liabilities, fair value calculations of derivative instruments, accrued property and other taxes, useful lives of utility plant, recoverability of deferred tax assets, and contingencies and other reserves. Actual results could differ from those estimates.

Revenue Recognition—GRE recognizes revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which GRE expects to be entitled in exchange for those goods or services. The related disclosures below provide further information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Revenues from Contracts with Customers

The revenues of GRE are primarily derived from providing wholesale electric service to members. Revenues from contracts with customers represent over 99% of all GRE revenues. Below is a disaggregated view of GRE's revenues from contracts with customers as well as other revenues, including their location in the statements of operations and comprehensive income (in thousands):

YEAR ENDED DECEMBER 31, 2023

REVENUE STREAMS	ELECTRIC REVENUE	OTHER OPERATING REVENUE	OTHER INCOME-NET
Member revenue	$ 711,351	$ -	$ -
Non-member revenue	249,557	-	-
Transmission revenue – related to others	-	59,263	-
Utility plant byproduct revenue	-	7,057	-
Other income – net	-	-	5,193
Total revenue from contracts with customers	960,908	66,320	5,193
Interest income	-	-	14,874
Lease income	-	1,092	-
Total revenue	$ 960,908	$ 67,412	$ 20,067
Timing of revenue recognition			
Services transferred over time	$ 960,908	$ 66,320	$ -
Goods transferred at a point in time	-	-	5,193
Total revenue from contracts with customers	$ 960,908	$ 66,320	$ 5,193

YEAR ENDED DECEMBER 31, 2022

REVENUE STREAMS	ELECTRIC REVENUE	OTHER OPERATING REVENUE	OTHER INCOME-NET	NONUTILITY OPERATING REVENUE
Member revenue	$ 899,299	$ -	$ -	$ -
Non-member revenue	129,455	-	-	-
Transmission revenue – related to others	-	57,468	-	-
Utility plant byproduct revenue	-	13,882	-	-
Other income – net	-	-	5,095	-
Ethanol sales	-	-	-	315,440
Ethanol byproduct revenue	-	-	-	112,449
Other revenue	-	-	-	2,602
Total revenue from contracts with customers	1,028,754	71,350	5,095	430,491
Interest income	-	-	5,701	-
Lease income	-	1,247	-	-
Other income	-	-	-	8,739
Realized and unrealized gains on commodity contracts	-	-	-	164
Total revenue	$1,028,754	$ 72,597	$ 10,796	$ 439,394
Timing of revenue recognition				
Services transferred over time	$1,028,754	$ 70,059	$ -	$ 430,491
Goods transferred at a point in time	-	1,291	5,095	-
Total revenue from contracts with customers	$1,028,754	$ 71,350	$ 5,095	$ 430,491

YEAR ENDED DECEMBER 31, 2021

REVENUE STREAMS	ELECTRIC REVENUE	OTHER OPERATING REVENUE	OTHER INCOME-NET	NONUTILITY OPERATING REVENUE
Member revenue	$ 897,383	$ -	$ -	$ -
Non-member revenue	56,638	-	-	-
Transmission revenue – related to others	-	53,141	-	-
Utility plant byproduct revenue	-	21,581	-	-
Other income – net	-	-	5,459	-
Ethanol sales	-	-	-	329,496
Ethanol byproduct revenue	-	-	-	90,812
Other revenue	-	-	-	45,113
Total revenue from contracts with customers	954,021	74,722	5,459	465,421
Interest income	-	-	1,103	-
Lease income	-	1,500	-	-
Other income	-	-	-	17,565
Realized and unrealized losses on commodity contracts	-	-	-	(25,010)
Total revenue	$ 954,021	$ 76,222	$ 6,562	$ 457,976
Timing of revenue recognition				
Services transferred over time	$ 954,021	$ 67,292	$ -	$ -
Goods transferred at a point in time	-	7,430	5,459	465,421
Total revenue from contracts with customers	$ 954,021	$ 74,722	$ 5,459	$ 465,421

Electric revenue

Electric revenues consist of wholesale electric power sales to members through the member power purchase and transmission service contracts, to non-members through bilateral contracts, and from participation in the Midcontinent Independent System Operator (MISO) market. All the electric revenues meet the criteria to be classified as revenue from contracts with customers and are recognized over time as energy is delivered or transmitted. Revenue is recognized based on the metered quantity of electricity delivered or transmitted at the applicable contractual or market rates. Electric revenues from members are recorded net of bill credits approved by GRE's board of directors. GRE did not issue a bill credit for the year ended December 31, 2023, and issued bill credits to members of $24.8 million and $57.1 million for the years ended December 31, 2022 and 2021, respectively.

The rate schedules within the member contracts include a power cost adjustment, which allows for increases or decreases in member power billings based upon actual power costs compared to plan for certain categories of revenues and expenses. The power cost adjustment was a credit of $35.4 million in 2023, compared to a charge to GRE members of $18.7 million and $46.9 million for 2022 and 2021, respectively. Credits or charges are recorded as a decrease or increase, respectively, in member revenues and are recorded in electric revenue in the consolidated statements of operations and comprehensive income.

GRE deferred the recognition of $29.8 million and $9.3 million of member electric revenue in 2023 and 2022, respectively. Additionally, $25.6 million and $4.4 million of deferred member electric revenues was recognized in 2023 and 2022, under regulatory accounting (see Note 11). Deferred member electric revenues are recorded in electric revenue in the consolidated statements of operations and comprehensive income when recognized.

Other operating revenue

Other operating revenue primarily includes revenue received from the transmission of electricity for others under MISO rate tariffs or under various integrated transmission agreements, revenue from the sale of utility plant byproducts, such as steam and fly ash, and other revenue. All these revenue streams meet the criteria to be classified as revenue from contracts with customers. Transmission revenue for others is recognized over time as GRE stands ready to serve the load with its transmission assets per the agreements. Steam revenue is derived from Spiritwood Station supplying steam and water to DSA, and had also been derived from Coal Creek Station supplying steam and water to Blue Flint, prior to the plant's sale, and is recognized over time as the steam is transferred through and measured at the interconnection point. Prior to the plant's closing, fly ash from Coal Creek Station was marketed and sold to external customers by a third party with whom GRE had a marketing agreement. Fly ash revenue is recognized as of the point in time when the third party completes the resale to the external customer.

Other income – net

Other income – net primarily includes income from the operation of an energy recovery plant, the operation and maintenance of the HVDC system, and from miscellaneous work performed for others. The work performed for others relates to services provided by GRE to its members (or third parties) that is not included in the rate charged for electricity under the member power purchase and transmission service contracts.

Nonutility operating revenue

Nonutility operating revenue represents revenues from MAG consolidated operations. Revenue from the production of ethanol and related byproducts is recognized when obligations under the terms of the respective contracts with customers are satisfied. Revenue is also recognized on certain ethanol contracts that utilize future price indexes at the time of title transfer, when the price is estimable using a methodology which reflects future commodity price averages for the settlement month. For the year ended December 31, 2021, MAG recognized a gain on loan forgiveness of $6.8 million. This gain is included in nonutility operating revenue in the consolidated statements of operations and comprehensive income.

Government Assistance—GRE has filed claims with the Federal Emergency Management Agency (FEMA) for assistance related to storm damage to GRE assets incurred in 2019 and 2022. These claims totaled $7.1 million. GRE received $3.7 million related to these claims in 2021 and another $0.3 million in 2023. As of December 31, 2023, GRE has not received payment for $3.1 million of these claims. GRE accounts for these payments, when received, as an offset to the cost of the constructed assets.

Concentration of Risk—GRE has a bilateral contract with a non-member for the long-term purchase of power and transmission service which began in 2023. The electric revenue associated with this contract represents 16.4% of GRE's electric revenue for the year ended December 31, 2023.

Subsequent Events—GRE has considered subsequent events for recognition or disclosure through March 14, 2024, the date the consolidated financial statements were available to be issued. All material subsequent events have been disclosed in these consolidated financial statements.

3. ACCOUNTING PRONOUNCEMENTS

Recently Issued

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740)*, which seeks improvements to income tax disclosures related specifically to enhancing the usefulness of the rate reconciliation, requiring additional information about income taxes paid, and additional disaggregation of jurisdictional information. ASU 2023-09 is effective for annual reporting periods beginning after December 15, 2024. GRE does not expect the adoption to have a material impact on its consolidated financial statements.

4. LEASING TRANSACTIONS

GRE evaluates contracts that may contain leases, including PPAs and arrangements for the use of equipment, railroad cars, and vehicles. A contract contains a lease if it conveys the exclusive right to control the use of a specified asset. A contract determined to contain a lease is evaluated further to determine if the arrangement is a finance lease. GRE recognizes right-of-use assets and a corresponding lease liability at the lease commencement date.

GRE has elected the practical expedient under which non-lease components, such as asset maintenance costs included in payments, are not deducted from minimum lease payments for the purposes of lease accounting and disclosure. In addition, leases with an initial term of 12 months or less are classified as short-term leases and are not recognized on the consolidated balance sheets. If a lease contains an option to extend and there is reasonable certainty the option will be exercised, the option is considered in the lease term at inception. If a lease contains an option for early buy-out and there is reasonable certainty the option will be exercised, the option is considered in the lease term and cash flows from inception. GRE's lease agreements do not contain any material residual value guarantees, material bargain purchase options, or material restrictive covenants.

Operating Leases—GRE entered into various leases for equipment used in its operations under varying terms and conditions, expiring at various times through 2027. The remaining payments for operating lease right-of-use assets are charged to expense on a straight-line basis over the life of the lease.

Finance Leases— GRE entered into various lease agreements which were classified as financing leases. The leases were for railroad cars used in the operation of Spiritwood Station and equipment used in transmission operations and have terms expiring at various times through 2026.

GRE deconsolidated Falkirk and MAG from its financial statements on May 1, 2022, and December 1, 2022, respectively (see Note 1). The components of lease expense and supplemental cash flow information related to leases for the year ended December 31, 2022, include results for Falkirk for the period ended April 30, 2022, and MAG for the period ended November 30, 2022.

Components of lease expense for the years ended December 31, 2023, 2022, and 2021 include the following (in thousands):

	2023	2022	2021
Operating lease expense:			
Included in operation and maintenance	$ 636	$ 796	$ 1,643
Included in fuel	-	265	3,371
Included in nonutility operating expense	-	9,826	10,191
	$ 636	$ 10,887	$ 15,205
Finance lease expense:			
Amortization of right-of-use assets	$ 1,420	$ 2,110	$ 3,185
Interest on lease liabilities	109	246	485
	$ 1,529	$ 2,356	$ 3,670

Costs associated with short-term leases, variable rent, and subleases were immaterial for the years ended December 31, 2023, 2022, and 2021.

Supplemental balance sheet information related to operating and finance leases is as follows (in thousands):

	CLASSIFICATION	DECEMBER 31, 2023	DECEMBER 31, 2022
Assets:			
Operating leases	Other long-term assets	$ 1,697	$ 2,606
Finance leases	Utility plant—net	2,763	4,176
Liabilities:			
Current			
Operating leases	Other accrued liabilities and notes payable	$ 795	$ 585
Finance leases	Long term obligations—current	1,529	1,485
Noncurrent			
Operating leases	Other noncurrent liabilities	$ 2,318	$ 3,160
Finance leases	Long-term obligations—less current portion	1,246	2,775

The weighted average remaining lease terms and weighted average discount rates are as follows:

	DECEMBER 31, 2023	DECEMBER 31, 2022
Weighted average remaining lease term (in years)		
Operating leases	2.1	3.1
Finance leases	1.4	2.4
Weighted average discount rate		
Operating leases	3.15%	3.15%
Finance leases	2.84%	2.84%

As of December 31, 2023, maturities of lease liabilities are as follows (in thousands):

YEARS ENDING DECEMBER 31	OPERATING LEASES	FINANCING LEASES
2024	$ 881	$ 1,594
2025	1,211	945
2026	1,135	330
2027	54	-
2028	-	-
Thereafter	-	-
Total minimum lease payments	3,281	2,869
Amounts representing interest	(168)	(94)
Present value of minimum lease payments	3,113	2,775
Current maturities	(795)	(1,529)
Noncurrent lease liabilities	$ 2,318	$ 1,246

As of December 31, 2023, there were no material additional operating or financing leases that have not yet commenced.

Supplemental cash flow information related to leases is as follows (in thousands):

DECEMBER 31	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	$ (495)	$ (7,059)	$ (11,615)
Operating cash flows from financing leases	(109)	(246)	(485)
Financing cash flows from financing leases	(1,594)	(3,799)	(4,977)

5. LONG-TERM OBLIGATIONS

The consolidated long-term obligations as of December 31, 2023 and 2022, are as follows (in thousands):

	2023	2022
First Mortgage Bonds, Series 2007A, 6.254%, due 2024–2038	$ 435,800	$ 483,400
First Mortgage Bonds, Series 2008A, 7.233%, due 2024–2038	320,215	322,997
First Mortgage Bonds, Series 2008B, 3.107%, due 2023	-	1,667
First Mortgage Notes, Series 2009A, 5.0% to 7.15%, due 2024	6,400	13,600
First Mortgage Bonds, Series 2009B, 5.81% to 6.94%, due 2024–2031	115,000	150,000
First Mortgage Bonds, Series 2010D, 4.478%, due 2024–2030	194,000	229,000
First Mortgage Note, Series 2014B, SOFR plus 1.225%, 6.581% at December 31, 2023, due 2033–2038	100,000	100,000
First Mortgage Note, Series 2015A, 3.76%, due 2024-2028	65,000	80,000
First Mortgage Note, Series 2015B, 4.11%, due 2028-2035	100,000	100,000
First Mortgage Note, Series 2015C, 4.62%, due 2036-2044	100,000	100,000
First Mortgage Note, Series 2015D, 4.70%, due 2036-2044	50,000	50,000
First Mortgage Note, Series 2017A, 3.59%, due 2024-2045	220,000	235,000
First Mortgage Note, Series 2020A, 3.25%, due 2026-2045	200,000	200,000
First Mortgage Note, Series 2022A, 4.58%, due 2024-2042	195,000	200,000
First Mortgage Note, Series 2022B, 4.98%, due 2042-2045	50,000	50,000
Syndicated Credit Facility, National Rural Utilities Cooperative Finance Corp, ABR plus 0.125%, 8.625% at December 31, 2023	35,000	-
Department of Energy, 0%, due 2024–2028, 5.2% to 6.1% imputed interest	1,873	2,241
Finance lease obligation, Spiritwood Station railroad cars, 2.75% imputed interest	1,211	2,219
Finance lease obligation, 1.12% to 4.81% imputed interest	1,564	2,041
Other—at various rates and maturities	2,844	3,251
Subtotal	2,193,907	2,325,416
Less unamortized bond issuance costs	(17,045)	(18,415)
Less unamortized bond discount	(5,751)	(6,318)
	2,171,111	2,300,683
Current maturities	(171,537)	(166,506)
Long-term obligations—net	$ 1,999,574	$ 2,134,177

GRE issues secured debt under an Indenture of Mortgage, Security Agreement, and Financing Statement (Indenture). The Indenture requires GRE to establish and collect rates reasonably expected to yield a specified margins-for-interest level. Under the Indenture, GRE has limitations on the retirement of patronage capital if, after the distribution, an event of default would exist or GRE's members' capital would be less than 20% of total long-term debt and members' capital. Substantially all of the tangible assets of GRE, the power purchase and transmission service contracts with the members (see Note 1), as well as the customer power supply and transmission service contracts with a former member-owner (see Note 2) are pledged as security under the Indenture.

The First Mortgage Note, Series 2014B debt agreement has a feature that allows GRE to periodically change how the variable rate is determined or change to a fixed interest rate option, at its election, subject to the applicable provisions in the debt agreement.

GRE has a $300.0 million unsecured revolving credit facility for which National Rural Utilities Cooperative Finance Corporation (CFC) is the administrative agent that expires in May 2026. This facility can be increased, at GRE's option, to $400.0 million subject to certain terms and conditions. As of December 31, 2023 and 2022, the outstanding balance was $35.0 million and $0, respectively. In March 2024, GRE extended the facility's expiration to March 2031 and increased the unsecured capacity to $350.0 million which, at GRE's option, can be increased to $450.0 million subject to certain terms and conditions.

GRE also has an unsecured line of credit facility with CoBank, ACB (CoBank) for $60.0 million that expires in October 2025. The termination date of this facility can be extended, at GRE's request, subject to certain terms and conditions, on not more than two occasions for an additional period of one year. This facility can also be increased, at GRE's option, to $100.0 million, subject to certain terms and conditions. There were no amounts outstanding on this facility at December 31, 2023 and 2022.

GRE is subject to a number of customary covenants under the Indenture, other debt agreements, and the credit facilities.

Future maturities on long-term obligations as of December 31, 2023, are as follows (in thousands):

YEARS ENDING DECEMBER 31	
2024	$ 171,537
2025	172,702
2026	163,283
2027	151,052
2028	105,064
Thereafter	1,407,473
	$ 2,171,111

6. INVESTMENTS

GRE's investments as of December 31, 2023 and 2022, are as follows (in thousands):

	2023	2022
Other investments:		
Capital certificate investments—CFC	$ 19,644	$ 19,644
Cooperative investment patronage allocations	15,258	14,717
Total other investments	34,902	34,361
Restricted investments—investments for deferred compensation	22,009	18,532
	$ 56,911	$ 52,893

The capital certificate investments bear interest at a rate of 5% and a portion of them are required under borrowing arrangements with CFC. At December 31, 2023, GRE had no commitments to purchase additional capital certificate investments from CFC. Capital certificate investments are classified as held-to-maturity and reported at amortized cost using the specific identification method.

GRE's cooperative investment patronage allocations are reported at cost plus allocated equities.

GRE's investments held for deferred compensation are reported at fair value (see Note 8).

The investments reported at amortized cost at December 31, 2023 and 2022, are as follows (in thousands):

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
2023				
Long-term investments—held-to-maturity securities—capital certificate investments	$ 19,644	$ -	$ -	$ 19,644
2022				
Long-term investments—held-to-maturity securities—capital certificate investments	$ 19,644	$ -	$ -	$ 19,644

Capital certificate investments have maturities greater than 10 years.

Interest income received on all investments, including cash and cash equivalents, was $14.9 million, $5.7 million, and $1.1 million in 2023, 2022, and 2021, respectively.

7. DERIVATIVE INSTRUMENTS

As part of its risk management program, GRE may periodically use interest rate swaps and swaptions to manage market exposures. Terms and tenor of the swap and swaption agreements are generally structured to match the terms of the risk being managed. Mark-to-market gains and losses related to the interest rate hedging agreements are deferred as regulatory assets or liabilities until the execution of the related debt transaction and the agreements are settled. The amount paid or received at settlement is then deferred as a regulatory asset or liability and amortized to the consolidated statements of operations and comprehensive income as a component of interest expense over the term of the related debt issuance.

GRE is exposed to credit risk as a result of entering into these interest rate hedging agreements. Interest rate hedging contracts entered into by GRE are governed by an International Swap Dealers Association Master Agreement. As of December 31, 2023, all of the counterparties with transaction amounts outstanding under GRE's hedging program are rated investment grade by the major rating agencies. The contractual agreements contain provisions that could require GRE or the counterparty to post collateral or credit support. No amounts have been posted by GRE or the counterparties as of December 31, 2023 or 2022.

See additional information regarding the fair value of these instruments in Note 8 and amounts recorded in deferred charges and regulatory liabilities in Note 11.

GRE enters into contracts for the purchase and sale of commodities for use in its business operations. GAAP requires an evaluation of these contracts to determine whether the contracts are derivatives. Certain contracts that meet the definition of a derivative may be exempted from derivative accounting as normal purchases or normal sales. GRE evaluates all of its contracts at inception to determine if they are derivatives and if they meet the normal purchases or normal sales designation requirements. The commodity contracts that do not qualify for a normal purchases or normal sales designation are recorded at fair value, and the gains or losses are deferred as regulatory assets or liabilities. The realized gains and losses on settled commodity derivatives, which include exchange-traded futures contracts, financial transmission rights, fuel contracts, and financial settlement energy contracts are recognized as purchased power. See additional information regarding the fair value of these derivatives in Note 8.

MAG enters into derivative transactions to hedge its exposure to commodity price fluctuations. MAG's derivative gains and losses included in the consolidated statements of operations and comprehensive income for the years ended December 31, 2022 (prior to deconsolidation), and 2021, are as follows (in thousands):

	2022	2021
Realized and unrealized gains (losses) recognized from undesignated hedges:		
Nonutility operating revenue	$ 164	$ (25,010)
Nonutility operating expenses	880	(26,361)

The location and fair value of derivative instruments in the consolidated balance sheets as of December 31, 2023 and 2022, are as follows (in thousands):

	BALANCE SHEET LOCATION	2023	2022
Derivatives in a current asset position, none of which are designated as hedging instruments:			
Interest rate contracts	Derivative instruments—current	$ 19,390	$ 15,945
Commodity contracts	Derivative instruments—current	24,536	89,319
Total current derivative instrument assets		43,926	105,264
Derivatives in a noncurrent asset position, none of which are designated as hedging instruments:			
Commodity contracts	Derivative instruments—noncurrent	214,350	355,076
Total derivative instrument assets		$ 258,276	$ 460,340
Derivatives in a current liability position, none of which are designated as hedging instruments:			
Commodity contracts	Derivative instruments	$ 4,116	$ 256
Total derivative instrument liabilities		$ 4,116	$ 256

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

GAAP establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and provide for required disclosures about fair value measurements. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

A description of the inputs used in the valuation of assets and liabilities is as follows:

Level 1—Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets.

Level 2—Inputs include direct or indirect observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities exchanged in active or inactive markets, quoted prices for identical assets or liabilities exchanged in inactive markets, and other inputs that are considered in fair value determinations of the assets or liabilities.

Level 3—Inputs include unobservable inputs used in the measurement of assets and liabilities. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities or related observable inputs that can be corroborated at the measurement date.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. GRE's policy is to recognize significant transfers between levels at December 31.

A summary of the assets and liabilities at fair value at December 31, 2023 and 2022, set forth by level within the fair value hierarchy, is as follows (in thousands):

	ASSETS AT FAIR VALUE AS OF DECEMBER 31, 2023			
	TOTAL	ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Assets:				
Cash equivalents—money market funds	$ 185,647	$ 185,647	$ -	$ -
Restricted investments—deferred compensation:				
Money market funds	3,655	3,655	-	-
Mutual funds:				
Domestic stock funds	8,688	8,688	-	-
Balanced funds	4,567	4,567	-	-
Fixed income funds	2,523	2,523	-	-
International stock funds	2,576	2,576	-	-
Interest rate contracts	19,390	-	19,390	-
Commodity derivatives	238,886	18,298	220,588	-
Total assets	$ 465,932	$ 225,954	$ 239,978	$ -
Liabilities:				
Commodity derivatives	$ 4,166	$ 4,166	$ -	$ -
Total liabilities	$ 4,166	$ 4,166	$ -	$ -

	ASSETS AT FAIR VALUE AS OF DECEMBER 31, 2022			
	TOTAL	ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Assets:				
Cash equivalents—money market funds	$ 324,730	$ 324,730	$ -	$ -
Restricted investments—deferred compensation:				
Money market funds	3,507	3,507	-	-
Mutual funds:				
Domestic stock funds	5,505	5,505	-	-
Balanced funds	6,023	6,023	-	-
Fixed income funds	1,504	1,504	-	-
International stock funds	1,993	1,993	-	-
Interest rate contracts	15,945	-	15,945	-
Commodity derivatives	444,395	15,855	428,540	-
Total assets	$ 803,602	$ 359,117	$ 444,485	$ -
Liabilities:				
Interest rate contracts	$ 256	$ 256	$ -	$ -
Total liabilities	$ 256	$ 256	$ -	$ -

For the years ended December 31, 2023 and 2022, there were no significant transfers in or out of Levels 1, 2, or 3.

Money Market Accounts—Fair value is determined using quoted prices in active markets for identical assets.

Mutual Funds—Shares of registered investment companies (mutual funds) are categorized as Level 1. They are valued at quoted market prices available on an active clearing exchange for identical assets.

Interest Rate Contracts—Fair value is determined by comparing the difference between the net present value of the cash flows for the swaps at their initial fixed rate and the current market fixed rate. The initial fixed rate is quoted in the swap agreement and the current market fixed rate is corroborated by observable market data and categorized as Level 2.

Commodity Derivatives—Exchange-traded futures contracts, financial transmission rights, and fuel contracts are valued at active quoted market prices and are categorized as Level 1. Fair value for the financial settlement energy contracts is determined by comparing the difference between the net present value of the cash flows of the contract price and the current market price. The contract price is quoted in the contract and the market price is corroborated by observable market data. These contracts are categorized as Level 2.

GRE continuously monitors the creditworthiness of the counterparties to its derivative contracts and assesses the counterparties' ability to perform on the transactions set forth in the contracts. Liability positions are generally not adjusted as GRE has the ability and intent to perform under each of the contracts. In the instance of asset positions, GRE considers: general market conditions and the observable financial health and outlook of specific counterparties; forward-looking data, such as credit default swaps, when available; and historical default probabilities from credit rating agencies in evaluating the potential impact of nonperformance risk to derivative positions. Given this assessment, when determining the fair value of derivative assets, the impact of considering credit risk was immaterial to the fair value of derivative assets presented in the consolidated balance sheets.

The estimated fair values of financial instruments carried at cost, other than finance leases, at December 31, 2023 and 2022, are as follows and are provided for disclosure purposes only (in thousands):

	2023		2022	
	CARRYING COST	FAIR VALUE	CARRYING COST	FAIR VALUE
Long-term receivables	$ 2,457	$ 2,624	$ 2,240	$ 2,387
Long-term obligations	2,185,381	2,162,192	2,314,838	2,261,932

The estimated fair values of long-term receivables and long-term obligations, other than finance leases, were based on present value models using current rates available for similar issues with similar credit ratings. These fair value measurements would be characterized as Level 2.

The carrying amounts of remaining financial instruments included in current assets and current liabilities approximate their fair value. For other investments—capital certificate investments, the carrying amount is assumed to approximate fair value as these instruments generally must be held as a condition of financing.

9. INCOME TAXES

GRE is a nonprofit taxable cooperative subject to federal and state income taxation and is allowed a deduction for margins allocated to members as patronage capital.

GRE had no federal income tax expense for the years ending December 31, 2023, 2022, or 2021, due to the utilization of net operating losses in 2023 and 2021, and a net loss position in 2022. The net tax loss position in 2022 was primarily the result of the allocation of margins to members, the retirement of utility plant, and the deduction of certain costs for income tax reporting purposes, which were deferred for financial reporting purposes. For the years ended December 31, 2023, 2022, and 2021, GRE had $2.8 million, $0, and $0.6 million, respectively, of state income tax expense due to state tax laws limiting the utilization of net operating loss carryforwards to fully offset income.

The consolidated deferred income taxes as of December 31, 2023 and 2022, are as follows (in thousands):

	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 209,268	$ 245,978
Tax credit carryforwards	18,611	18,110
Other	43,683	36,474
Total deferred tax assets	271,562	300,562
Deferred tax liabilities:		
Coal Creek/HVDC Sale	(183,440)	(198,097)
Property related	(92,061)	(100,318)
Deferred regulatory assets	(1,506)	(1,549)
Other	(19,339)	(17,140)
Total deferred tax liabilities	(296,346)	(317,104)
Valuation allowance	(5,107)	(19,413)
Net deferred tax liability	$ (29,891)	$ (35,955)

These deferred income taxes result from differences in the recognition of accounting transactions for tax and financial reporting purposes. The primary temporary differences relate to depreciation, retirement benefits, the sale and leaseback transaction that originated in 1996 and terminated in 2008, deferred charges, and certain financial reserves not deductible for tax purposes until paid.

GRE uses regulatory accounting to account for the difference between the accrual based method of accounting for income taxes and the cash based method of accounting for recognizing income tax expense in the consolidated statements of operations and comprehensive income as member rates include actual income taxes paid (see Note 11).

As of December 31, 2023 and 2022, GRE had federal net operating loss carryforwards of $736.1 million and $868.1 million, respectively, that will be utilized to offset projected taxable income in the carryforward periods. GRE has state net operating loss carryforwards of $806.4 million and $920.0 million, respectively, that will be utilized to offset projected taxable income in the carryforward periods. There are $68.0 million of federal net operating losses that expire in varying amounts from 2035 through 2037, while $668.1 million of the federal net operating losses have no expiration. There are $647.1 million of state net operating losses that expire in varying amounts from 2030 through 2037, while $159.3 million of the state net operating losses have no expiration. GRE also has a federal tax credit carryforward of $18.6 million. The tax credits expire in varying amounts from 2024 through 2043.

Under GAAP GRE is required to evaluate the recoverability of deferred tax assets and establish a valuation allowance if necessary to reduce deferred tax assets to an amount that is more likely than not to be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. GRE establishes or adjusts valuation allowances for deferred tax assets when it estimates it is more likely than not that it will not be able to realize the value of the deferred tax assets. GRE evaluates all significant available positive and negative evidence as part of the analysis, including past operating results, tax planning strategies, current and cumulative losses, and forecasts of future taxable income. GRE has recorded a valuation allowance against the net operating losses that will not be realized prior to expiration.

In the ordinary course of business, there is inherent uncertainty in quantifying GRE's income tax positions. GRE assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting dates. For those tax positions where it is more likely than not that a tax benefit will be sustained, GRE records the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the consolidated financial statements. Where applicable, associated interest and penalties will also be recognized as income tax expense.

As of December 31, 2023, GRE recorded an uncertain tax position pertaining to the MAG transaction of $1.1 million. GRE does not expect the amount of uncertain tax positions recorded to materially change within the next 12 months. As of December 31, 2022, there were no uncertain tax positions. GRE has determined that its taxable years ended December 31, 2020 through 2023, are still subject to examination under federal tax statutes. In addition, net operating loss carryforwards dating back to 2015 are subject to review and possible adjustment by taxing authorities. GRE's taxable years ended December 31, 2019 through 2023, are still subject to examination under state tax statutes.

10. PENDING LITIGATION, CONTINGENCIES, AND COMMITMENTS

Midcontinent Independent System Operator (MISO)—GRE is a member of the MISO market, and due to the nature of the market, various disputes and resettlements have taken place and some are still in process. It is the opinion of management that the resolution of the various open MISO disputes and resettlements will not have a material effect on the consolidated financial position, results of operations, or cash flows.

Litigation—GRE is involved in various legal actions arising in the normal course of business. It is the opinion of management that the resolution of such actions will not have a material adverse effect on the consolidated financial position, results of operations, or cash flows.

Future Commitments—GRE is committed to the following estimated expenditures under the various contracts discussed below (in millions):

	2024	2025	2026	2027	2028	THEREAFTER	TOTAL
Power supply purchases	$ 158.5	$ 140.9	$ 214.0	$ 245.3	$ 232.5	$ 3,987.3	$ 4,978.5

Power Supply Purchases—GRE has various power supply agreements in place for purchase of capacity and/or energy from various third parties. The agreements have varying terms, and some have extension options. The longest contract term extends through 2055. GRE is obligated to purchase the capacity and/or energy generated from these facilities at either fixed or variable prices for the term of the agreements. GRE's expenses for purchases made under these agreements were $176.9 million, $167.5 million, and $85.4 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Letters of Credit—GRE has issued a letter of credit for $5.0 million to MISO in support of its security agreement, which includes financial transmission rights commodity derivative positions, two letters of credit totaling $8.6 million related to Spiritwood Station water and infrastructure agreements, and letters of credit totaling $0.1 million for transmission construction projects. No amounts are outstanding as of December 31, 2023 and 2022.

11. DEFERRED CHARGES AND REGULATORY LIABILITIES

Deferred charges as of December 31, 2023 and 2022, are as follows (in thousands):

	2023	2022
Regulatory assets:		
Plant retirements	$ 707,354	$ 775,888
Contract settlement	3,639	4,310
Settled interest rate hedging instruments	83,409	89,914
Interest rate derivatives	2,789	-
Commodity derivatives	1,377	-
Postretirement benefit plans	1,659	1,728
Deferred income taxes	29,891	35,955
Other	14,392	15,630
Total deferred charges	$ 844,510	$ 923,425
Reported as:		
Deferred charges:		
Plant retirements	$ 710,993	$ 780,198
Financing related	88,371	95,219
Other	40,980	48,008
Deferred charges – current	4,166	-
Total deferred charges	$ 844,510	$ 923,425

Regulatory liabilities as of December 31, 2023 and 2022, are as follows (in thousands):

	2023	2022
Regulatory liabilities:		
Incentive-based rate treatment	$ 13,461	$ 13,852
Settled interest rate hedging instruments	3,373	3,528
Deferred revenue	29,840	25,600
Current derivative instruments	43,926	105,264
Noncurrent derivative instruments	214,350	355,076
Other	525	650
Total regulatory liabilities	$ 305,475	$ 503,970

Plant Retirements—GRE retired Stanton Station in 2017. Regulatory accounting was approved for the remaining undepreciated net plant value and plant closure costs. Decommissioning and demolition activities were completed in 2020. The regulatory asset is being amortized through 2028.

GRE retired Elk River Station in 2019. Regulatory accounting was approved for the remaining undepreciated net plant value and plant closure costs. Decommissioning and demolition activities were completed in 2021. The regulatory asset is being amortized through 2038.

During 2022, GRE closed on a transaction to sell Coal Creek Station and the HVDC system to a third party. As part of the transaction approval, the board of directors authorized regulatory accounting for transaction-related costs, certain contract termination payments, and the financial impact of assets transferred in the transaction. Amortization of the regulatory asset commenced in May 2022 and will continue in varying amounts through 2042.

Purchased Power Contract Settlement—GRE had a power agreement with Dairyland Power Cooperative (DPC) to share costs and benefits of a generating unit located near Genoa, Wisconsin. GRE's obligation to purchase energy and capacity through this agreement was terminated through an amendment in 2015 and the plant was subsequently retired by DPC in 2021. The regulatory asset, which represents GRE's portion of the contract termination and plant retirement costs, is being amortized through May 2029. The amortization is included in purchased power in the consolidated statements of operations and comprehensive income. This deferred charge is combined with other plant retirement deferred charges in the consolidated balance sheets.

Settled Interest Rate Hedging Instruments—GRE settled interest rate swaps related to bond issuances, resulting in payments to or received from the swap counterparties. These settled swaps are amortized over the life of the related debt and the amortization is included in interest expense in the consolidated statements of operations and comprehensive income.

Commodity and Interest Rate Derivatives—GRE has commodity and interest rate derivatives that have not been settled as of December 31, 2023 and 2022. A regulatory asset or liability is recorded offsetting the fair value liability or asset, respectively, in accordance with regulatory accounting.

Postretirement Benefit Plans—GRE has defined benefit pension and postretirement medical plans for certain employees. GRE records regulatory assets for the amounts that are normally reported as accumulated other comprehensive income as these amounts will be recovered in future rates. These amounts are adjusted each year as a result of the actuarial remeasurement of the obligations related to these plans.

Deferred Income Taxes—GRE records income tax expense as income taxes are paid; a regulatory asset is recorded for the difference between deferred tax assets and liabilities. The regulatory asset is adjusted each year for changes in income tax timing differences.

Other Regulatory Assets—Other regulatory assets includes premiums on refinanced long-term debt, settled postretirement benefit plans, deferred interest and plant costs, and the unamortized discount on notes receivable. These regulatory assets are being amortized over varying time periods with the latest being fully amortized by the end of 2045.

Incentive-Based Rate Treatment—GRE received approval from the Federal Energy Regulatory Commission for incentive-based rate treatment for the CapX2020 transmission projects and collected a return on investment from MISO while these projects were under construction. GRE recorded amortization expense in an amount equal to the interest capitalized to the project and recorded an offsetting regulatory liability. Now that the projects are complete, the regulatory liability is being amortized over the useful life of the underlying assets and recorded as a reduction to depreciation and amortization expense in the consolidated statements of operations and comprehensive income.

Deferred Revenue— GRE deferred the recognition of $29.8 million and $9.3 million of member electric revenue in 2023 and 2022, respectively, and recognized $25.6 million and $4.4 million as member electric revenue in 2023 and 2022, respectively, in accordance with regulatory accounting requirements. The remaining deferred revenue will be recognized in member electric revenue in the future as determined by the board of directors.

Other Regulatory Liabilities—Other regulatory liabilities include the unamortized bond discount on certain borrowings.

The regulatory assets and regulatory liabilities are recorded in accordance with regulatory accounting requirements and have all been approved by the board of directors.

12. EMPLOYEE BENEFIT PLANS

GRE offers various benefit plans to its employees, including health/welfare and retirement plans. Approximately 26% of total employees eligible for these benefit plans are represented by two labor unions under two collective bargaining agreements. One agreement expires at the end of 2025 and the second expires at the end of 2026.

Defined Benefit Plans—GRE has a nonqualified supplemental defined benefit plan covering certain former employees and retirees that is frozen, a qualified defined contribution retirement plan for all employees, and a nonqualified defined contribution plan for certain employees.

The accumulated benefit obligation for the GRE defined benefit pension plans and the accumulated loss not yet recognized as a component of net periodic cost recognized in the consolidated balance sheets as of December 31, 2023 and 2022, are as follows (in thousands):

	2023	2022
Benefit obligation	$ 2,534	$ 2,638
Accumulated loss	1,212	1,264

The plan is unfunded as of December 31, 2023 and 2022, respectively.

Net periodic cost for the years ended December 31, 2023, 2022, and 2021, was $0.2 million, $0.2 million, and $0.3 million, respectively.

Weighted-average assumptions used to determine benefit obligations were 4.90% and 5.15% as of December 31, 2023 and 2022, respectively. Weighted-average assumptions used to determine periodic benefit cost were 5.15%, 4.00%, and 4.00% for the years ended December 31, 2023, 2022, and 2021, respectively.

The expected future benefits to be paid as of December 31, 2023, are as follows (in thousands):

YEARS ENDING DECEMBER 31	
2024	$ 263
2025	257
2026	251
2027	244
2028	236
2029-2033	1,044

Defined Contribution Plans—GRE makes defined contributions to all employees and matching contributions to all eligible employees under a defined contribution retirement plan. GRE made savings and matching contributions to its defined contribution retirement plan of $9.1 million, $10.2 million, and $11.7 million in 2023, 2022, and 2021, respectively.

Postretirement Medical Benefits—Under a previously offered postretirement benefit plan, certain employees are entitled to participate in the GRE medical insurance plan until they reach age 65. Benefits to the retirees are in the form of monthly payments to cover a portion of the premium charged for participation in the program.

Costs for the unfunded postretirement medical plan are recognized in the year the employees render service.

The accumulated benefit obligation for the GRE postretirement medical benefit plan and the accumulated loss not yet recognized as a component of net periodic cost recognized in the consolidated balance sheets as of December 31, 2023 and 2022, are as follows (in thousands):

	2023	2022
Benefit obligation	$ 879	$ 934
Accumulated loss	446	464

Net periodic cost for the years ended December 31, 2023, 2022, and 2021, was $0.1 million, $0.1 million, and $0.1 million, respectively.

Weighted-average assumptions used to determine benefit obligations were 4.85% and 5.15% as of December 31, 2023 and 2022, respectively. Weighted-average assumptions used to determine periodic benefit cost were 5.15%, 4.00%, and 4.00% for the years ended December 31, 2023, 2022, and 2021, respectively.

The expected future benefit payments to be paid as of December 31, 2023, are as follows (in thousands):

YEARS ENDING DECEMBER 31	
2024	$ 109
2025	104
2026	99
2027	93
2028	87
2029-2033	358

13. MEMBER RELATED-PARTY TRANSACTIONS

GRE provides electric and other services to its members. GRE received revenue of $712.7 million, $901.0 million, and $899.1 million in 2023, 2022, and 2021, respectively, for these services. GRE received 34.4%, 36.9%, and 38.2% of total member revenue from two members for the years ended 2023, 2022, and 2021, respectively. GRE had accounts receivable from its members of $111.4 million and $140.6 million at December 31, 2023 and 2022, respectively.

GRE also received various services from the members and paid $7.6 million, $3.6 million, and $6.0 million for these services in 2023, 2022, and 2021, respectively. GRE had accounts payable to the members of $1.9 million and $2.3 million at December 31, 2023 and 2022, respectively.

GRE has notes payable to the members of $42.5 million and $55.4 million at December 31, 2023 and 2022, respectively. These notes relate to funds invested with GRE by the members under a member investment program. These funds are used by GRE to reduce short-term borrowings. The members receive investment earnings based on GRE's blended rate of return for specified investments, adjusted for administrative costs.

14. ASSET RETIREMENT OBLIGATIONS

GAAP requires the recording of liabilities related to asset retirement obligations. An asset retirement obligation is the result of legal or contractual obligations associated with the retirement of a tangible long-lived asset that resulted from the acquisition, construction, or development and/or the normal operation of a long-lived asset. GRE determines these obligations based on an estimated asset retirement cost adjusted for inflation and projected to the estimated settlement dates, and discounted using a credit-adjusted, risk-free interest rate. GRE allocates the amortization for the offsetting capitalized asset retirement cost to expense using the straight-line method over the remaining useful life of the related long-lived asset being retired.

GRE has recorded obligations related to capping and reclamation of ash disposal sites for certain power plants. As part of the transaction to sell Coal Creek Station and the HVDC system (see Note 15), GRE transferred several of these obligations to the third party, resulting in the removal of $78.2 million in asset retirement obligations.

The EPA regulation of coal combustion residuals (CCRs) requires increased groundwater monitoring, reporting, recordkeeping, and posting related information to the internet. The rule also established requirements related to CCR management, impoundments, landfills, and storage.

Falkirk has an obligation related to the final costs to close its surface mines and reclaim the land disturbed as a result of normal mining operations. As part of the transaction to sell Coal Creek Station and the HVDC system (see Note 15), the obligation for closing Falkirk's surface mine and reclaiming the land was transferred to the third party for consideration, resulting in the removal of $186.1 million in asset retirement obligations in 2022. The overall impact of the transaction resulted in a $264.9 million disposal of asset retirement obligations in 2022.

A reconciliation of the beginning and ending aggregate carrying amount of the obligations as of December 31, 2023 and 2022, is as follows (in thousands):

	2023	2022
Balance—beginning of year	$ 27,761	$ 288,203
Obligations recorded as a result of changes in estimated cash flows	2,510	1,117
Accretion expense	1,291	4,815
Transaction disposals	-	(264,899)
Obligations settled	(5,269)	(1,475)
Balance—end of year	$ 26,293	$ 27,761

These obligations are recorded in other noncurrent liabilities in the consolidated balance sheets with the exception of retired plant obligations expected to be incurred in the upcoming year. The obligations settled and the consideration paid for the transfer of the Falkirk obligation are the only transactions recognized as a use of cash in the consolidated statements of cash flows.

15. SIGNIFICANT TRANSACTIONS

On May 1, 2022, GRE closed on a transaction to sell Coal Creek Station and the HVDC system to a third party. The HVDC system transmits the energy from Coal Creek Station in North Dakota to the GRE service territory in Minnesota. The transaction also included entry into a purchase power agreement with the third party and entry into a separate agreement whereby GRE operates and maintains the HVDC system for the third party. Additionally, as part of the transaction, GRE and Falkirk terminated their coal supply agreement and GRE transferred 8.91% of its ownership interest in MAG to the noncontrolling interest.

* * *

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