2024
First Quarter Report

GREAT RIVER ENERGY®

CONSOLIDATED BALANCE SHEETS (unaudited)

(IN THOUSANDS)

	MARCH 31 2024	MARCH 31 2023
ASSETS		
UTILITY PLANT:		
Electric plant	$ 2,920,017	$ 2,832,831
Construction work in progress	99,120	56,116
Less accumulated depreciation and amortization	(1,204,043)	(1,121,038)
Utility plant—net	1,815,094	1,767,909
OTHER ASSETS AND INVESTMENTS:		
Restricted investments—deferred compensation	20,866	19,989
Other investments	35,187	34,667
Deferred charges:		
Plant retirements	691,725	762,239
Financing related	86,672	93,494
Other	41,156	48,027
Other long-term assets	17,169	20,985
Derivative instruments—noncurrent	290,686	291,438
Total other assets and investments	1,183,461	1,270,839
CURRENT ASSETS:		
Cash and cash equivalents	213,472	339,846
Accounts receivable:		
Members	110,343	112,209
Others	35,201	44,669
Inventories:		
Materials and supplies	52,938	48,649
Fuel	8,694	7,683
Prepaids and other current assets	32,967	15,151
Deferred charges—current	3,534	13,496
Derivative instruments—current	44,425	19,022
Total current assets	501,574	600,725
TOTAL ASSETS	$ 3,500,129	$ 3,639,473

CONTINUED

CONSOLIDATED BALANCE SHEETS (unaudited)

(IN THOUSANDS)

	MARCH 31 2024	MARCH 31 2023
CAPITAL AND LIABILITIES		
CAPITAL:		
Members:		
Patronage capital	$ 531,553	$ 528,155
Memberships	3	3
Total members' capital	531,556	528,158
Temporary patronage capital	101,864	114,597
Total capital	633,420	642,755
OTHER NONCURRENT LIABILITIES	40,521	59,480
REGULATORY LIABILITIES	334,059	328,541
LONG-TERM OBLIGATIONS—Less current portion	2,003,075	2,134,117
DEFERRED COMPENSATION	20,866	19,989
DEFERRED INCOME TAXES	29,891	35,955
CURRENT LIABILITIES:		
Long-term obligations—current	171,550	166,517
Regulatory liabilities—current	44,425	19,023
Notes payable to members	61,121	73,636
Accounts payable	78,819	53,252
Property and other taxes	23,973	25,896
Other accrued liabilities and notes payable	19,396	28,883
Accrued interest payable	35,479	37,933
Derivative instruments	3,534	13,496
Total current liabilities	438,297	418,636
TOTAL CAPITAL AND LIABILITIES	$ 3,500,129	$ 3,639,473

CONCLUDED

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (unaudited)

(IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31 2024	2023
UTILITY OPERATIONS		
UTILITY OPERATING REVENUE:		
Electric revenue	$ 238,654	$ 252,656
Other operating revenue	16,322	16,670
Total utility operating revenue	254,976	269,326
UTILITY OPERATING EXPENSES:		
Purchased power	126,130	131,517
Fuel	5,681	5,330
Operation and maintenance	61,397	56,429
Depreciation and amortization	42,117	37,810
Property and other taxes	5,681	7,105
Total utility operating expenses	241,006	238,191
UTILITY OPERATING MARGIN	13,970	31,135
OTHER INCOME (EXPENSE):		
Other income—net	1,903	1,776
Interest income	2,913	4,339
Interest expense—net of amounts capitalized	(31,223)	(32,844)
Other expense—net	(26,407)	(26,729)
NET UTILITY (LOSS) MARGIN	(12,437)	4,406
NONUTILITY OPERATIONS:		
Income from equity method investments	29	5,412
Total nonutility operations	29	5,412
NET (LOSS) MARGIN AND COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO GREAT RIVER ENERGY	$ (12,408)	$ 9,818

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL (unaudited)

FOR JANUARY 1, 2023 THROUGH MARCH 31, 2024 (IN THOUSANDS)

	Patronage Capital	Memberships	Temporary Patronage Capital	Total Capital
BALANCE—January 1, 2023	$ 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	$ 3	$ 114,597	$ 677,491
Net loss and comprehensive loss	(12,408)	-	-	(12,408)
Return of members' patronage capital	(18,930)	-	-	(18,930)
Redemption of temporary patronage capital	-	-	(12,733)	(12,733)
BALANCE—March 31, 2024	$ 531,553	$ 3	$ 101,864	$ 633,420

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) margin	$ (12,408)	$ 9,818
Adjustments to reconcile net (loss) margin to net cash provided by operating activities:		
Depreciation and amortization:		
Included in depreciation and amortization	42,072	37,810
Included in fuel and interest	2,428	2,456
Included in operation and maintenance	1,292	620
Included in purchased power	168	168
Income from equity method investments	(29)	(5,412)
Patronage credits earned from investments	(921)	(1,006)
Deferred charges	(766)	(901)
Regulatory liabilities	(3,662)	(6,364)
Changes in working capital (excluding cash, investments and borrowings):		
Accounts and long-term receivables	1,501	4,722
Inventory and other assets	(7,481)	(7,981)
Accounts payable, taxes and other accrued expenses	2,577	(49,381)
Accrued interest	22,858	23,950
Noncurrent liabilities	(1,333)	(487)
Net cash provided by operating activities	46,296	8,012
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions	(38,507)	(10,726)
Utility plant reimbursements—contributions in aid of construction	237	14,903
Proceeds from sale of property	-	7,199
Equity method investments	-	7,255
Redemption of patronage capital investments	636	700
Net cash (used in) provided by investing activities	(37,634)	19,331
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term obligations	50,000	-
Repayments of long-term obligations	(35,511)	(498)
Return of members' patronage capital	(18,930)	(44,991)
Redemption of temporary patronage capital	(12,733)	(12,733)
Costs of new debt issuances	(11,459)	(37)
Notes received from members—net	18,654	18,206
Net cash used in financing activities	(9,979)	(40,053)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,317)	(12,710)
CASH AND CASH EQUIVALENTS — BEGINNING OF PERIOD	214,789	352,556
CASH AND CASH EQUIVALENTS—END OF PERIOD	$ 213,472	$ 339,846

Notes to consolidated financial statements – The interim financial statements as of March 31, 2024 are unaudited. In the opinion of management, all adjustments (which are normal recurring adjustments) have been made for a fair and accurate presentation of the financial reports. The interim financial statements should be read in conjunction with the notes to the consolidated financial statements included in the 2023 Annual Report.

FINANCIAL HIGHLIGHTS – FINANCIAL CONDITION

Assets

Utility plant—net increased $47.2 million to $1,815.1 million as of March 31, 2024, largely due to capital additions and capital spending on transmission and business operations projects outpacing the depreciation of existing utility plant assets.

Other assets and investments decreased $87.4 million to $1,183.5 million as of March 31, 2024. Deferred charges—plant retirements decreased $70.5 million due to the amortization of retired plant costs. Deferred charges—financing related decreased $6.8 million due to continued amortization of settled interest rate swaps. Deferred charges—other decreased $6.9 million due to a decrease in deferred income taxes which was driven by a 2023 reduction in the valuation allowance held for Minnesota net operating losses. Other long-term assets decreased $3.8 million largely driven by the amortization of cloud computing projects and amortization of operating lease right of use assets.

Current assets decreased $ 99.2 million to $501.6 million as of March 31, 2024. Cash and cash equivalents decreased $126.4 million primarily driven by higher uses of cash for financing activities related to the retirement and redemption of patronage capital and repayments of long-term obligations as well as more cash used in investing activities in 2024. Deferred charges – current decreased $10.0 million due to a flip in the mark-to-market valuation of the current portion of a bilateral financial settlement contract from a liability position in 2023 to an asset position in 2024. Accounts receivable – members decreased $1.9 million as a result of fewer member sales, offset partially by a PCA charge compared to a credit during the same period in 2023. These decreases were partially offset by an increase in material and supply inventories of $4.3 million due to the purchase of materials for peaking and transmission capital projects. Prepaids and other current assets increased $17.8 million due to an increase in prepaid outage expenses for an upcoming outage at one of the peaking stations. Derivative instruments – current increased $25.4 million due to an increase in the mark-to-market valuation of the interest rate swap contracts and a flip in valuation of the current portion of a bilateral financial settlement contract (discussed above).

Capital and liabilities

Total capital decreased $9.3 million to $633.4 million as of March 31, 2024, as a result of the retirement of patronage capital and the redemption of temporary patronage capital in March 2024, offset partially by an increase in net margins during the period.

Other noncurrent liabilities decreased $19.0 million to $40.5 million as of March 31, 2024, largely due to the cancelation of a transmission interconnection project for a customer which resulted in the return of construction advances, as well as changes to the valuation of environmental asset retirement costs.

Regulatory liabilities increased $5.5 million to $334.1 million as of March 31, 2024, driven by an increase in the noncurrent portion of the financial settlement contract, offset partially by the recognition of deferred member electric revenue.

Long-term obligations—less current portion decreased $131.0 million to $2,003.1 million as of March 31, 2024, primarily due to $165.0 million in principal payments made during the year, offset partially by an increase in the syndicated credit facility balance, which had an outstanding balance of $50.0 million as of March 31, 2024.

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

Current liabilities decreased $19.7 million to $438.3 million as of March 31, 2024. Notes payable to members decreased $12.5 million due to a decrease in our current investment options as the investments held by members reached maturity and were paid out. Other accrued liabilities and notes payable decreased $9.5 million mainly due to the settlement of costs of the Blue Flint Ethanol termination agreement. Derivative instruments – current decreased $10.0 million related to a flip in the mark-to-market valuation of a financial settlement contract (discussed earlier), offset partially by an increase in the valuation for fuel hedging and interest rate swap contracts. These decreases were offset partially by a $5.0 million increase in long-term obligations – current due to higher principal payments in the coming year on several of the debt positions, an increase in regulatory liabilities – current of $25.4 million due to a flip in the mark-to-market valuation of a financial settlement contract (discussed earlier) and an increase in the valuation of the interest rate swap contracts, and an increase in accounts payable of $25.6 million due to the cancelation of a transmission interconnection project for a customer which resulted in and accrual for the return of construction advances received during 2023, as well as an increase in purchased power payables.

FINANCIAL HIGHLIGHTS – RESULTS OF OPERATIONS

Electric revenue decreased $14.0 million or 5.5% for the three-month period ended March 31, 2024, compared to the same period in 2023. The decrease in sales was driven by member demand and energy unit sales from all-requirements members that were 3.7% and 4.6% lower due to weak sales impacted by very mild winter weather, partially offset by a PCA charge of $0.5 million through March 31, 2024, versus a $3.5 million credit last year.

Other operating revenue decreased $0.3 million or 2.1% for the three-month period ended March 31, 2024, driven primarily by lower net transmission revenue from the MISO market and inter-utility transmission agreements.

Purchased power decreased $5.4 million or 4.1% for the three-month period ended March 31, 2024, compared to the same period in 2023. This decrease was largely due to a $12.3 million decrease in purchases related to a bilateral financial settlement contract as well as a $7.8 million increase in revenue received from financial transmission rights, which are accounted for as derivative instruments and are utilized by GRE as a hedge against transmission congestion between GRE's generation resources and load zones. This was offset by higher wind and other purchase power contracts of $5.5 million, driven by hedging contract purchases, and higher net MISO market purchases that were at a rate 24.9% higher than the same period in 2023, despite the volume being 249 GWh or 9.9% lower. These higher net MISO market purchases in the first quarter of 2024 were driven by cold weather in January that drove up MISO market prices for a five-day stretch. Compared to their respective budgets, 2024 and 2023 net MISO market purchases were favorable $35.5 million and $102.1 million due to (overall) mild winter weather.

Fuel decreased $0.4 million or 6.6% for the three-month period ended March 31, 2024, primarily due to prices paid for natural gas that were 21.2% lower compared to the same period last year.

Operations and maintenance increased $5.0 million or 8.8% for the three-month period ended March 31, 2024, largely due to increased transmission operation and maintenance expenses due to higher costs to service member load under inter-utility transmission agreements as well as an increase in generation operations and maintenance expenses.

Depreciation and amortization increased $4.3 million or 11.4% for the three-month period ended March 31, 2024, largely due to increased amortization of retired plant assets and a larger transmission basis driving increased depreciation expenses.

Property and other taxes decreased $1.4 million or 20.0% for the three-month period ended March 31, 2024, due to lower property taxes when comparing to the same period last year due to a reduction in Minnesota property tax accruals as tax statements became available from the taxing authorities.

Interest income decreased $1.4 million or 32.9% for the three-month period ended March 31, 2024, due to lower average cash balances in 2024 compared to the same period last year.

Interest expense – net of amounts capitalized decreased $1.6 million or 4.9% for the three-month period ended March 31, 2024, due to less interest expense on the existing debt portfolio and more interest charge to construction, offset partially by higher interest expenses in the member investment program.

Nonutility operations decreased $5.4 million for the three-month period ended March 31, 2024. On December 1, 2022, GRE and the noncontrolling interest owners of Midwest AgEnergy Group, LLC (MAG) closed on a transaction to sell their ownership interest in MAG to a third party. In the first quarter of 2023, GRE recognized contingent consideration tied to certain closing adjustments of $5.4 million. Income received from equity method investments in 2024 represents GRE's investment in ACES Power Marketing.

Net (loss) margin attributable to GRE decreased $22.2 million for the three-month period ending March 31, 2024. Compared to budget, net loss of $(12.4) million for 2024 and net margin of $9.8 million for 2023 were $(1.7) million unfavorable and $8.0 million favorable to their respective budgets. Persistently mild winter weather kept demand and energy sales below budget through the first quarter of 2024 but had little effect on the year-to-date net margin compared to budget. GRE experienced atypical positive results in the first quarter of 2023 mainly due to an additional $5.4 million of margin from nonutility operations (discussed above) and additional margin from higher interest income due to higher average cash balances in 2023.

. . .

Great River Energy of Maple Grove, Minnesota, is the second largest electric utility in the state, based on generating capacity, and the fourth largest generation and transmission (G&T) cooperative in the U.S. in terms of assets. We provide wholesale power to 27 distribution cooperatives in Minnesota. Those member cooperatives distribute electricity to approximately 600,000 homes, businesses, and farms.