2024
Second Quarter Report

GREAT RIVER ENERGY®

CONSOLIDATED BALANCE SHEETS (unaudited)

(IN THOUSANDS)

	JUNE 30 2024	JUNE 30 2023
ASSETS		
UTILITY PLANT:		
Electric plant	$ 2,974,334	$ 2,844,129
Construction work in progress	93,111	76,049
Less accumulated depreciation and amortization	(1,220,398)	(1,142,463)
Utility plant—net	1,847,047	1,777,715
OTHER ASSETS AND INVESTMENTS:		
Restricted investments—deferred compensation	21,068	21,036
Other investments	35,205	34,710
Deferred charges:		
Plant retirements	672,568	744,615
Financing related	84,972	91,770
Other	41,138	47,657
Other long-term assets	16,827	19,594
Derivative instruments—noncurrent	229,193	230,065
Total other assets and investments	1,100,971	1,189,447
CURRENT ASSETS:		
Cash and cash equivalents	225,904	209,335
Accounts receivable:		
Members	123,454	116,109
Others	49,414	43,133
Inventories:		
Materials and supplies	54,064	49,695
Fuel	8,451	7,808
Prepaids and other current assets	18,893	18,235
Deferred charges—current	837	627
Derivative instruments—current	44,426	40,435
Total current assets	525,443	485,377
TOTAL ASSETS	$ 3,473,461	$ 3,452,539

CONTINUED

CONSOLIDATED BALANCE SHEETS (unaudited)

(IN THOUSANDS)

	JUNE 30 2024	JUNE 30 2023
CAPITAL AND LIABILITIES		
CAPITAL:		
Members:		
Patronage capital	$ 527,958	$ 539,520
Memberships	3	3
Total members' capital	527,961	539,523
Temporary patronage capital	101,864	114,597
Total capital	629,825	654,120
OTHER NONCURRENT LIABILITIES	37,206	58,791
REGULATORY LIABILITIES	282,433	261,116
LONG-TERM OBLIGATIONS—Less current portion	2,091,649	2,031,188
DEFERRED COMPENSATION	21,068	21,036
DEFERRED INCOME TAXES	29,891	35,955
CURRENT LIABILITIES:		
Long-term obligations—current	179,637	176,510
Regulatory liabilities—current	44,426	40,435
Notes payable to members	45,769	49,973
Accounts payable	62,812	64,675
Property and other taxes	15,249	19,948
Other accrued liabilities and notes payable	19,670	24,242
Accrued interest payable	12,989	13,923
Derivative instruments	837	627
Total current liabilities	381,389	390,333
TOTAL CAPITAL AND LIABILITIES	$ 3,473,461	$ 3,452,539

CONCLUDED

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (unaudited)

(IN THOUSANDS)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2024	2023	2024	2023
UTILITY OPERATIONS				
UTILITY OPERATING REVENUE:				
Electric revenue	$ 221,773	$ 234,162	$ 460,427	$ 486,819
Other operating revenue	17,345	16,133	33,667	32,803
Total utility operating revenue	239,118	250,295	494,094	519,622
UTILITY OPERATING EXPENSES:				
Purchased power	98,724	99,554	224,854	231,072
Fuel	4,123	6,280	9,804	11,610
Operation and maintenance	63,555	58,036	124,952	114,465
Depreciation and amortization	42,711	40,078	84,828	77,888
Property and other taxes	5,704	7,112	11,385	14,217
Total utility operating expenses	214,817	211,060	455,823	449,252
UTILITY OPERATING MARGIN	24,301	39,235	38,271	70,370
OTHER INCOME (EXPENSE):				
Other income—net	927	835	2,830	2,611
Interest income	2,177	4,417	5,090	8,756
Interest expense—net of amounts capitalized	(31,010)	(33,139)	(62,233)	(65,983)
Other expense—net	(27,906)	(27,887)	(54,313)	(54,616)
Net utility (loss) margin	(3,605)	11,348	(16,042)	15,754
Income from equity method investments	10	17	39	5,430
Total nonutility operations	10	17	39	5,430
NET (LOSS) MARGIN AND COMPREHENSIVE INCOME ATTRIBUTABLE TO GREAT RIVER ENERGY	$ (3,595)	$ 11,365	$ (16,003)	$ 21,184

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL (unaudited)

FOR JANUARY 1, 2023 THROUGH JUNE 30, 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	(16,003)	-	-	(16,003)
Return of members' patronage capital	(18,930)	-	-	(18,930)
Redemption of temporary patronage capital	-	-	(12,733)	(12,733)
BALANCE—June 30, 2024	$ 527,958	$ 3	$ 101,864	$ 629,825

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) margin	$ (16,003)	$ 21,184
Adjustments to reconcile net (loss) margin to net cash provided by operating activities:		
Depreciation and amortization:		
Included in depreciation and amortization	84,505	77,888
Included in fuel and interest	4,859	4,912
Included in operation and maintenance	2,348	1,223
Included in purchased power	336	335
Income from equity method investments	(39)	(5,430)
Patronage credits earned from investments	(974)	(1,091)
Deferred charges	(1,454)	(1,677)
Regulatory liabilities	6,367	(12,253)
Changes in working capital (excluding cash, investments and borrowings):		
Accounts and long-term receivables	(26,073)	2,428
Inventory and other assets	5,556	(11,132)
Accounts payable, taxes and other accrued expenses	(25,374)	(59,611)
Accrued interest	368	(60)
Noncurrent liabilities	(2,376)	(1,629)
Net cash provided by operating activities	32,046	15,087
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions	(84,228)	(31,284)
Utility plant reimbursements—contributions in aid of construction	(8,220)	14,919
Proceeds from the sale of property	-	7,199
Equity method investments	-	7,256
Redemption of patronage capital investments	671	742
Net cash used in investing activities	(91,777)	(1,168)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term obligations	315,000	-
Repayments of long-term obligations	(204,164)	(93,893)
Return of members' patronage capital	(18,930)	(44,993)
Redemption of temporary patronage capital	(12,733)	(12,733)
Costs of new debt issuances	(11,629)	(64)
Notes received from (paid to) members—net	3,302	(5,457)
Net cash provided by (used in) financing activities	70,846	(157,140)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,115	(143,221)
CASH AND CASH EQUIVALENTS—BEGINNING OF PERIOD	214,789	352,556
CASH AND CASH EQUIVALENTS—END OF PERIOD	$ 225,904	$ 209,335

Notes to consolidated financial statements – The interim financial statements as of June 30, 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 $69.3 million to $1,847.0 million as of June 30, 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 $88.5 million to $1,101.0 million as of June 30, 2024. Deferred charges—plant retirements decreased $72.0 million due to the amortization of retired plant costs, offset partially by changes to estimated asset retirement obligation (ARO) valuations. Deferred charges—financing related decreased $6.8 million due to continued amortization of settled interest rate swaps. Deferred charges—other decreased $6.5 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 $2.8 million largely driven by the amortization of cloud computing projects and amortization of operating lease right of use assets. Derivative instruments—noncurrent decreased $1.0 million due to the noncurrent mark-to-market valuation of the energy component of a bilateral financial settlement contract.

Current assets increased $40.1 million to $525.4 million as of June 30, 2024. Cash and cash equivalents increased $16.6 million primarily due to strong operating cash flows and positive financing cash flows due to a large draw on the syndicated credit facility, offset by cash used for investing in utility plant capital projects. Accounts receivable – members increased $7.3 million due to a power cost adjustment (PCA) charge compared to a credit during the same period in 2023, offset partially by fewer member sales. Accounts receivable—others increased $6.3 million due to the addition of a new plant byproduct revenue stream and the addition of an accrual for a MISO outage dispute. Materials and supply inventories increased $4.4 million due to the purchase of materials for future peaking and transmission capital projects. Prepaids and other current assets increased $1.0 million due to an increase in prepaid outage expenses for an upcoming outage at one of the peaking stations, offset partially by the amortization of a prepaid purchased power capacity contract. Derivative instruments – current increased $4.0 million due to an increase in valuation of the current portion of a bilateral financial settlement contract (discussed above) and the financial transmission rights (FTR) contracts, offset by a decrease in the mark-to-market valuation of interest rate hedging contracts as certain hedges were settled in June 2024.

Capital and liabilities

Total capital decreased $24.3 million to $629.8 million as of June 30, 2024, as a result of the retirement of patronage capital, the redemption of temporary patronage capital, and a decrease in net margins during the period.

Other noncurrent liabilities decreased $21.6 million to $37.2 million as of June 30, 2024, largely due to the cancellation 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 ARO costs.

Regulatory liabilities increased $21.3 million to $282.4 million as of June 30, 2024, due to the reclassification of certain interest rate swaps from regulatory liabilities—current to regulatory liabilities upon settlement with the counterparty in connection with the 2024 financing transaction. There was also an increase due to the addition of $29.8 million of deferred revenues at the end of 2023 offset by the usage of $20.6 million in deferred revenues during the past year.

Long-term obligations—less current portion increased $60.5 million to $2,091.6 million as of June 30, 2024, primarily due increased borrowing on the syndicated credit facility, which had an outstanding balance of $255.0 million as of June 30, 2024, offset partially by $180.3 million in principal payments made during the year.

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 $8.9 million to $381.4 million as of June 30, 2024. Notes payable to members decreased $4.2 million due to a decrease in our daily rate investment options as the investments held by members reached maturity and were paid out. Account payable decreased $1.9 million due to a decrease in natural gas and MISO payables due to overall lower purchases due to milder weather and lower market prices. Property and other taxes decreased $4.7 million due to lower Minnesota property taxes incurred as well as the reversal of accruals for estimated property taxes. Other accrued liabilities and notes payable decreased $4.6 million due to the settlement of costs of the Blue Flint Ethanol termination agreement and the payment of GRE's portion of the decommissioning and demolition costs of Dairyland Power Cooperative's Genoa 3 plant. These decreases were offset partially by a $3.1 million increase in long-term obligations – current due to higher principal payments in the coming year and an increase in regulatory liabilities – current of $4.0 million due to an increase in the mark-to-market valuation of the FTR contracts, offset partially by an overall decrease in interest rate hedging instruments as certain interest rate swaps were settled in connection with the 2024 financing transaction and reclassified to noncurrent regulatory liabilities. This was partially offset by the addition of additional interest rate hedging instruments and an increase in the mark-to-market valuation of those contracts.

FINANCIAL HIGHLIGHTS – RESULTS OF OPERATIONS

Electric revenue decreased $26.4 million or 5.4% for the six-month period ended June 30, 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 8.5% and 5.7% lower, respectively, due to weak sales impacted by very mild winter weather and mild and wet spring and early summer weather, partially offset by a PCA charge of $5.6 million through June 30, 2024, versus a $14.3 million credit last year.

Other operating revenue increased $0.9 million or 2.6% for the six-month period ended June 30, 2024, driven primarily by an increase in plant byproduct revenue from a new steam off-take contract at Spiritwood Station.

Purchased power decreased $6.2 million or 2.7% for the six-month period ended June 30, 2024, compared to the same period in 2023. This decrease was largely due to a $5.1 million decrease in purchases related to a bilateral financial settlement contract as well as a $6.2 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. Continued mild weather led to lower net MISO market purchases of $2.4 million driven by volume being 320 GWh or 6.8% lower than last year. This was offset by higher wind and other purchase power contracts of $7.4 million, largely driven by higher wind output and more hedging contract purchases in 2024.

Fuel decreased $1.8 million or 15.6% for the six-month period ended June 30, 2024, primarily due to a decrease in the amount of natural gas consumed driven by 60.7% fewer GWHs generated at the peaking plants than during the same period last year.

Operations and maintenance increased $10.5 million or 9.2% for the six-month period ended June 30, 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 due to spring outage work at Spiritwood Station in 2024.

Depreciation and amortization increased $6.9 million or 8.9% for the six-month period ended June 30, 2024, largely due to increased amortization of retired plant assets and a larger transmission basis driving increased depreciation expenses.

Property and other taxes decreased $2.8 million or 19.9% for the six-month period ended June 30, 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 $3.7 million or 41.9% for the six-month period ended June 30, 2024, due to a decrease in money market mutual fund dividends and lower average cash balances when compared to the same period last year.

Interest expense – net of amounts capitalized decreased $3.8 million or 5.7% for the six-month period ended June 30, 2024, due to less interest expense on the existing debt portfolio and higher interest charged to construction, offset partially by higher interest expenses allocated to the member investment program.

Nonutility operations decreased $5.4 million for the six-month period ended June 30, 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 $31.8 million for the six-month period ending June 30, 2024. Compared to budget, net loss of $(16.0) million for 2024 and net margin of $21.2 million for 2023 were $(12.2) million unfavorable and $15.1 million favorable to their respective budgets. Persistently mild weather through the winter, spring, and early summer kept demand and energy sales below budget through the first half of 2024. GRE experienced atypical positive results in the first half 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.

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Great River Energy of Maple Grove, Minnesota, is the second largest electric utility in the state, based on generating capacity, and the fourth largest generation and transmission (G&T) cooperative in the U.S. in terms of assets. We provide wholesale power to 27 distribution cooperatives in Minnesota. Those member cooperatives distribute electricity to approximately 610,000 homes, businesses, and farms.

12300 Elm Creek Boulevard
Maple Grove, MN 55369

greatriverenergy.com

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