2024
Third Quarter Report

GREAT RIVER ENERGY®

CONSOLIDATED BALANCE SHEETS (unaudited)

(IN THOUSANDS)

	SEPTEMBER 30 2024	SEPTEMBER 30 2023
ASSETS		
UTILITY PLANT:		
Electric plant	$ 2,997,165	$ 2,871,100
Construction work in progress	130,563	84,295
Less accumulated depreciation and amortization	(1,231,781)	(1,164,171)
Utility plant—net	1,895,947	1,791,224
OTHER ASSETS AND INVESTMENTS:		
Restricted investments—deferred compensation	22,831	20,070
Other investments	35,343	34,879
Deferred charges:		
Plant retirements	653,336	726,703
Financing related	83,273	90,071
Other	40,683	47,879
Other long-term assets	15,968	18,718
Derivative instruments—noncurrent	172,456	198,737
Total other assets and investments	1,023,890	1,137,057
CURRENT ASSETS:		
Cash and cash equivalents	274,078	236,008
Accounts receivable:		
Members	131,920	124,988
Others	37,547	34,122
Inventories:		
Materials and supplies	50,714	49,799
Fuel	8,201	8,126
Prepaids and other current assets	16,862	14,607
Deferred charges—current	115	347
Derivative instruments—current	28,133	74,667
Total current assets	547,570	542,664
TOTAL ASSETS	$ 3,467,407	$ 3,470,945

CONTINUED

CONSOLIDATED BALANCE SHEETS (unaudited)

(IN THOUSANDS)

	SEPTEMBER 30 2024	SEPTEMBER 30 2023
CAPITAL AND LIABILITIES		
CAPITAL:		
Members:		
Patronage capital	$ 566,241	$ 584,962
Memberships	3	3
Total members' capital	566,244	584,965
Temporary patronage capital	101,864	114,597
Total capital	668,108	699,562
OTHER NONCURRENT LIABILITIES	34,218	55,114
REGULATORY LIABILITIES	221,386	222,554
LONG-TERM OBLIGATIONS—Less current portion	2,060,774	1,994,553
DEFERRED COMPENSATION	22,831	20,070
DEFERRED INCOME TAXES	29,891	35,955
CURRENT LIABILITIES:		
Long-term obligations—current	172,897	176,521
Regulatory liabilities—current	28,133	74,667
Notes payable to members	84,503	47,937
Accounts payable	70,046	60,416
Property and other taxes	19,047	22,014
Other accrued liabilities and notes payable	21,258	25,204
Accrued interest payable	34,200	36,031
Derivative instruments	115	347
Total current liabilities	430,199	443,137
TOTAL CAPITAL AND LIABILITIES	$ 3,467,407	$ 3,470,945

CONCLUDED

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (unaudited)

(IN THOUSANDS)

	THREE MONTHS ENDED SEPTEMBER 30 2024	2023	NINE MONTHS ENDED SEPETEMBER 30 2024	2023
UTILITY OPERATIONS				
UTILITY OPERATING REVENUE:				
Electric revenue	$ 275,908	$ 277,370	$ 736,335	$ 764,189
Other operating revenue	18,268	18,619	51,935	51,422
Total utility operating revenue	294,176	295,989	788,270	815,611
UTILITY OPERATING EXPENSES:				
Purchased power	107,074	116,662	331,928	347,734
Fuel	7,364	7,393	17,168	19,003
Operation and maintenance	64,486	55,980	189,438	170,445
Depreciation and amortization	43,459	40,208	128,287	118,096
Property and other taxes	4,749	3,007	16,134	17,224
Total utility operating expenses	227,132	223,250	682,955	672,502
UTILITY OPERATING MARGIN	67,044	72,739	105,315	143,109
OTHER INCOME (EXPENSE):				
Other income—net	1,020	934	3,850	3,545
Interest income	3,085	2,897	8,175	11,653
Interest expense—net of amounts capitalized	(32,878)	(31,098)	(95,111)	(97,081)
Other expense—net	(28,773)	(27,267)	(83,086)	(81,883)
Net utility margin	38,271	45,472	22,229	61,226
Income (loss) from equity method investments	12	(30)	51	5,400
Total nonutility operations	12	(30)	51	5,400
NET MARGIN AND COMPREHENSIVE INCOME ATTRIBUTABLE TO GREAT RIVER ENERGY	$ 38,283	$ 45,442	$ 22,280	$ 66,626

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL (unaudited)

FOR JANUARY 1, 2023 THROUGH SEPTEMBER 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 margin and comprehensive income	22,280	-	-	22,280
Return of members' patronage capital	(18,930)	-	-	(18,930)
Redemption of temporary patronage capital	-	-	(12,733)	(12,733)
BALANCE—September 30, 2024	$ 566,241	$ 3	$ 101,864	$ 668,108

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	$ 22,280	$ 66,626
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization:		
Included in depreciation and amortization	127,709	118,096
Included in fuel and interest	8,113	7,341
Included in operation and maintenance	3,821	1,883
Included in purchased power	504	503
Income from equity method investments	(51)	(5,400)
Patronage credits earned from investments	(1,223)	(1,452)
Deferred charges	(1,713)	(2,745)
Regulatory liabilities	2,220	(19,325)
Changes in working capital (excluding cash, investments and borrowings):		
Accounts and long-term receivables	(22,624)	2,607
Inventory and other assets	11,159	(7,556)
Accounts payable, taxes, and other accrued expenses	(18,942)	(58,468)
Accrued interest	21,579	22,048
Noncurrent liabilities	(4,964)	(3,098)
Net cash provided by operating activities	147,868	121,060
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions	(151,827)	(71,679)
Utility plant reimbursements—contributions in aid of construction	(8,190)	14,965
Proceeds from the sale of property	-	7,199
Equity method investments	-	7,256
Redemption of patronage capital from investments	782	934
Net cash used in investing activities	(159,235)	(41,325)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term obligations	565,000	-
Repayments of long-term obligations	(490,983)	(130,976)
Return of members' patronage capital	(18,930)	(44,992)
Redemption of temporary patronage capital	(12,733)	(12,733)
Costs of new debt issuances	(13,734)	(89)
Notes received from (paid to) members—net	42,036	(7,493)
Net cash provided by (used in) financing activities	70,656	(196,283)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	59,289	(116,548)
CASH AND CASH EQUIVALENTS—BEGINNING OF PERIOD	214,789	352,556
CASH AND CASH EQUIVALENTS—END OF PERIOD	$ 274,078	$ 236,008

Notes to consolidated financial statements – The interim financial statements as of September 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 $104.7 million to $1,895.9 million as of September 30, 2024, largely due to capital additions and capital spending on transmission and peaking plant projects outpacing the depreciation of existing utility plant assets.

Other assets and investments decreased $113.2 million to $1,023.9 million as of September 30, 2024. Deferred charges—plant retirements decreased $73.4 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 $7.2 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 $26.3 million due to the noncurrent mark-to-market valuation of the energy component of a bilateral financial settlement contract.

Current assets increased $4.9 million to $547.6 million as of September 30, 2024. Cash and cash equivalents increased $38.1 million primarily due to strong operating cash flows and positive financing cash flows due to the receipt of funds raised through the 2024 debt issuance as well as increased investment by the members in the member investment program, offset by cash used for investing in utility plant capital projects. Accounts receivable—members increased $6.9 million due to a much smaller power cost adjustment (PCA) credit year to date in 2024 compared to the same period in 2023, offset partially by fewer member sales. Accounts receivable—others increased $3.4 million due to the addition of a new plant byproduct revenue stream and the addition of an accrual for a MISO outage dispute. Prepaids and other current assets increased $2.3 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. These increases were offset by a $46.5 million decrease in derivative instruments—current due to an decrease in valuation of the current portion of a bilateral financial settlement contract (discussed above) and a decrease in the mark-to-market valuation of interest rate hedging contracts as certain hedges were settled in 2024 (in conjunction with the 2024 debt issuance), offset by an increase in the mark-to-market valuation of the financial transmission rights (FTR) contracts.

Capital and liabilities

Total capital decreased $31.5 million to $668.1 million as of September 30, 2024, as a result of the retirement of patronage capital and the redemption of temporary patronage capital.

Other noncurrent liabilities decreased $20.9 million to $34.2 million as of September 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 an overall decrease in the environmental ARO liabilities due to the payment of invoices for work being completed at Coal Creek Station for which GRE remains responsible as part of the sales transaction.

Regulatory liabilities decreased $1.2 million to $221.4 million as of September 30, 2024, driven by a $26.3 million decrease in the fair value of the noncurrent portion of the energy component of a bilateral financial settlement contract, offset by a $13.4 million increase due to the reclassification of certain interest rate swaps upon settlement with the counterparty in connection with the 2024 debt issuance. 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 $23.1 million in deferred revenues during the past year.

Long-term obligations—less current portion increased $66.2 million to $2,060.8 million as of September 30, 2024, primarily due to the issuance of the Series 2024A debt of $250.0 million, offset partially by $175.0 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 $12.9 million to $430.2 million as of September 30, 2024. Regulatory liabilities—current decreased $46.5 million due to a decrease in the valuation of the current portion of the bilateral financial settlement contract and 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, offset partially by an increase in the mark-to-market valuation of the FTR contracts. Other accrued liabilities and notes payable decreased $3.9 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. Long-term obligations—current decreased $3.6 million due to lower principal payments scheduled for the upcoming year. Property and other taxes decreased $3.0 million due to lower Minnesota property taxes incurred as well as the reversal of accruals for estimated property taxes. These decreases were offset by an increase in notes payable to members of $36.6 million due to additional investments by members into the investment program outpacing member usage of invested funds to pay power bills. Accounts payable increased $9.6 million due to an increase in purchased power and MISO payables, as well as increased payables for ARO obligations and payables to serve member load under inter-utility transmission agreements.

FINANCIAL HIGHLIGHTS – RESULTS OF OPERATIONS

Electric revenue decreased $27.9 million or 3.6% for the nine-month period ended September 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 7.9% and 4.2% lower, respectively, due to weak sales impacted by very mild winter weather and mild and wet spring and summer weather, partially offset by a smaller PCA credit in 2024 ($1.1 million through September 30, 2024, versus a $28.2 million credit last year). While sales in 2024 have underperformed, 2023 exceeded expectations, resulting in a considerable variance in both sales and margins.

Other operating revenue increased $0.5 million or 1.0% for the nine-month period ended September 30, 2024, driven primarily by an increase in plant byproduct revenue from a new steam off-take contract at Spiritwood Station, offset partially by a decrease in net revenues received under inter-utility transmission agreements.

Purchased power decreased $15.8 million or 4.5% for the nine-month period ended September 30, 2024, compared to the same period in 2023. This decrease was largely due to lower net MISO market purchases of $13.7 million driven by volume being 381 GWh or 5.4% lower than last year due to continued mild weather, a $8.3 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, and a $1.5 million decrease in purchases related to a bilateral financial settlement contract. This was offset by higher wind and other purchase power contracts of $7.7 million, largely driven by higher wind output and more hedging contract purchases in 2024.

Fuel decreased $1.8 million or 9.7% for the nine-month period ended September 30, 2024, primarily due to a decrease in the amount of natural gas consumed driven by 67.7% fewer GWHs generated at the peaking plants than during the same period last year.

Operations and maintenance increased $19.0 million or 11.1% for the nine-month period ended September 30, 2024, largely due to increased transmission operation and maintenance expenses due to higher costs to serve 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 $10.2 million or 8.6% for the nine-month period ended September 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 $1.1 million or 6.3% for the nine-month period ended September 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 $3.5 million or 29.8% for the nine-month period ended September 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 $2.0 million or 2.0% for the nine-month period ended September 30, 2024, due to less interest expense on the existing debt portfolio and higher interest charged to construction, offset partially by higher interest expenses associated with the member investment program.

Nonutility operations decreased $5.3 million for the nine-month period ended September 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 margin attributable to GRE decreased $44.3 million for the nine-month period ending September 30, 2024. Compared to budget, net margin of $22.3 million for 2024 and net margin of $66.6 million for 2023 were $(10.7) million unfavorable and $35.0 million favorable to their respective budgets. Persistently mild weather through the first nine months of 2024 compared to atypical sales from warmer weather in 2023 have kept demand and energy sales below budget. GRE experienced atypical positive results in the first nine months 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. GRE intends to recognize additional deferred revenue in the fourth quarter to meet the budgeted margin of $23.0 million for 2024.

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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.

GREAT RIVER ENERGY
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