

**Missouri Basin Municipal Power Agency d/b/a
Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statements of Net Position (Unaudited)
March 31, 2020 and 2019**

	<u>March 31</u>			<u>March 31</u>	
Assets:	<u>2020</u>	<u>2019</u>	Liabilities and Net Position:	<u>2020</u>	<u>2019</u>
Current assets:	(thousands of dollars)				
Cash and cash equivalents:			Current liabilities:		
Restricted	\$ 46,480	\$ 27,233			
Unrestricted	<u>18,156</u>	<u>30,335</u>	Accounts payable	\$ 54,948	\$ 46,928
Total cash and cash equivalents	<u>64,636</u>	<u>57,568</u>			
Short-term investments:			Accrued taxes	4,276	4,381
Restricted	50,076	59,998			
Unrestricted	<u>42,079</u>	<u>84,606</u>	Current liabilities payable from restricted assets:		
Total short-term investments:	<u>92,155</u>	<u>144,604</u>	Current maturity of revenue bonds	11,420	10,240
Accounts receivable	32,419	30,952			
Advances to Missouri Basin Power Project	19,357	46,144	Accrued interest	<u>8,312</u>	<u>7,856</u>
Fuel stock	1,502	612			
Materials and supplies	179	179	Total current liabilities	<u>78,956</u>	<u>69,405</u>
Other current assets	<u>2,839</u>	<u>2,443</u>	Non-current liabilities:		
Total current assets	<u>213,087</u>	<u>282,502</u>	Revenue bonds, net of unamortized debt discount and premium and excluding current maturities	638,559	640,043
Non-current assets:					
Long-term investments:			Revenues collected for future costs	50,205	45,578
Restricted	32,351	56,664			
Unrestricted	<u>161,299</u>	<u>98,090</u>	Other non-current liabilities	<u>5,768</u>	<u>4,203</u>
Total long-term investments:	<u>193,650</u>	<u>154,754</u>			
Capital assets:			Total non-current liabilities	<u>694,532</u>	<u>689,824</u>
Utility plant in service	574,974	521,936			
Less-accumulated depreciation	<u>262,728</u>	<u>255,074</u>	Total liabilities	<u>773,488</u>	<u>759,229</u>
Net utility plant in service	<u>312,246</u>	<u>266,862</u>			
Construction work in progress	<u>374,342</u>	<u>351,335</u>	Net position	<u>346,112</u>	<u>306,468</u>
Net capital assets	<u>686,588</u>	<u>618,197</u>			
Advances for mine development	1,892	1,789	Total liabilities and net position	<u>\$1,119,600</u>	<u>\$1,065,697</u>
Unamortized debt expense	3,832	3,770			
Other non-current assets	<u>20,551</u>	<u>4,685</u>			
Total Assets	<u>\$1,119,600</u>	<u>\$1,065,697</u>			



**Missouri River
Energy Services**

**Western Minnesota
Municipal
Power Agency**

**Quarterly
Financial
Statements**

**For the Periods Ending
March 31, 2020 and 2019**



Management Discussion

The Combined Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position for the periods ended March 31, 2020 and 2019, are included for those interested in the operations of the Missouri Basin Municipal Power Agency d.b.a. Missouri River Energy Services (MRES) and the Western Minnesota Municipal Power Agency (WMMPA). These statements should be read in conjunction with the 2019 Annual Report.

LONG-TERM POWER SALES

Long-term power sales revenue for the three months ended March 31, 2020, totaled \$44 million, a decrease of approximately 8 percent compared to the same period in 2019. The decrease is due to a decrease in demand and energy sales through the first quarter of 2020. The decrease in demand and energy sales is largely due to milder than normal weather. The early impact of COVID-19 also contributed to the lower demand and energy sales. The average rate for long-term power sales was approximately 5.6 cents per Kilowatt-hour (kWh) for the three months ended March 31, 2020, the same as the three months ended March 31, 2019.

SHORT-TERM POWER SALES

Short-term power sales revenue for the three months ended March 31, 2020, totaled \$3 million, compared to \$4 million during the same period in 2019. The decrease in 2020 was due to a decrease in Megawatt hours (MWh) sold in 2020, offset by a small increase in revenue from the sale of capacity. The lower short-term MWh sales in 2020 was due to limited generation from Laramie River Station (LRS) due to low market prices.

OPERATING EXPENSES

Fuel expense for the three months ended March 31, 2020, was 67 percent lower than the same period in 2019. The lower expense in 2020 was due to lower coal-fired generation at LRS and lower natural-gas fired generation at the Exira Station. The lower generation was due to low market prices. Other power supply operations and maintenance (O&M) expenses for the three months ended March 31, 2020, were 15 percent lower than the same period in 2019. The decrease in other power supply O&M was largely due to lower fixed O&M expenses for LRS.

NON-OPERATING REVENUES (EXPENSES)

Investment income for the three months ended March 31, 2020, was 6 percent lower than the same period in 2019 due to a decrease in investment yields.

Interest expense and amortization of financing related costs for the three months ended March 31, 2020, decreased 7 percent compared to the same period in 2019 primarily due to a \$322 million taxable advance refunding of tax-exempt bonds in October 2019.

CHANGE IN NET POSITION

The change in net position for the three months ended March 31, 2020, was \$12 million compared to \$7 million for the same period in 2019. The 2020 year-to-date change in net position is approximately \$6 million higher than budget. The favorable variance in the year-to-date March 31, 2020, change in net position compared to budget is primarily due to lower fuel and other LRS expenses, lower financing-related expenses and higher investment income, offset by lower long-term and short-term power sales and higher purchased power expense. The higher change in net position for the three months ended March 31, 2020, compared to the same period in 2019 is largely due to lower fuel expenses, lower purchased power expenses, and lower financing-related expenses, offset by lower long-term and short-term power sales.

COMBINED STATEMENTS OF NET POSITION

Total assets at March 31, 2020, were \$1.1 billion, an increase of \$54 million compared to March 31, 2019. The increase in total assets is primarily due to a \$68 million increase in net capital assets. The increase in net capital assets is primarily due to an increase in construction work in progress for the Red Rock Hydroelectric Project, installation of Selective Catalytic Reduction equipment at LRS and the acquisition of the Marshall Wind Farm in March 2020. At March 31, 2020, MRES and WMMPA had approximately \$221 million of unrestricted cash and investments, in excess of 12 months of projected 2020 operating expenses.

The increase in liabilities and net position between March 31, 2020 and March 30, 2019, is primarily due to a \$40 million increase in net position and an \$8 million increase in accounts payable.

COVID-19

MRES members have experienced some, but not significant, reduction in demand and energy sales due to COVID-19, and these load reductions have reduced the MRES long-term power sales revenue. The COVID-19-related load reduction throughout the region has also been a contributing factor in lower market prices for energy. The lower energy prices have reduced the purchased power expense for MRES. The net impact to date of COVID-19 on MRES has not been significant. The long-term impact of COVID-19 on the MRES results of operations and financial condition is indeterminable at this time.

In response to COVID-19, MRES has taken extra precautions for MRES employees, including those who work in the field, at generation facilities, and at headquarters. MRES implemented work from home policies where appropriate. We continue to implement strong physical and cyber-security measures to ensure that MRES systems remain functional and secure in order to meet operational needs and ensure uninterrupted service with a partially remote workforce.

**Missouri Basin Municipal Power Agency
d/b/a Missouri River Energy Services**
Western Minnesota Municipal Power Agency
**Combined Statement of Revenues, Expenses and
Changes in Net Position (Unaudited)**
For the Periods Ending March 31, 2020 and 2019

	<u>Three Months Ended</u>	
	<u>March 31</u>	
	<u>2020</u>	<u>2019</u>
	(thousands of dollars)	
Operating Revenues:		
Long-term power sales	\$ 43,650	\$ 47,558
Short-term power sales	2,948	4,059
Transmission services	16,703	14,194
Other operating income	<u>20</u>	<u>25</u>
Total Operating Revenues	<u>63,321</u>	<u>65,836</u>
Operating Expenses:		
Fuel	918	2,770
Other power supply operation and maintenance	28,856	34,052
Depreciation and amortization	2,398	2,275
Transmission operation and maintenance	10,010	9,765
Customer information and collections	48	44
Administrative and general	3,186	3,080
Property taxes	<u>976</u>	<u>991</u>
Total Other Operating Expenses	<u>46,392</u>	<u>52,977</u>
Operating Income	<u>16,929</u>	<u>12,859</u>
Non-operating Revenues (Expenses):		
Investment income	1,836	1,960
Other income	1,511	1,443
Other expense	(1,035)	(853)
Interest expense	(6,677)	(7,856)
Amortization of financing related costs and premium	333	1,043
Net Costs recoverable in (for) future years:		
Principal in excess of depreciation amortization	<u>(908)</u>	<u>(1,437)</u>
Total Non-Operating Expenses	<u>(4,940)</u>	<u>(5,700)</u>
Change in Net Position	<u>\$ 11,989</u>	<u>\$ 7,159</u>