

**Missouri Basin Municipal Power Agency d/b/a
Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statements of Net Position (Unaudited)
September 30, 2020 and 2019**

	<u>September 30</u>			<u>September 30</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	\$ 43,275	\$ 37,920			
Unrestricted	<u>36,877</u>	<u>45,996</u>	Accounts payable	\$ 35,913	\$ 48,044
Total cash and cash equivalents	<u>80,152</u>	<u>83,916</u>			
Short-term investments:			Accrued taxes	2,961	3,275
Restricted	28,888	69,199	Current liabilities payable from restricted assets:		
Unrestricted	<u>57,055</u>	<u>93,491</u>	Current maturity of revenue bonds	11,420	10,240
Total short-term investments:	<u>85,943</u>	<u>162,690</u>			
Accounts receivable	15,702	20,458	Accrued interest	<u>6,656</u>	<u>7,856</u>
Advances to Missouri Basin Power Project	22,207	18,815	Total current liabilities	<u>56,950</u>	<u>69,415</u>
Fuel stock	1,423	888	Non-current liabilities:		
Materials and supplies	179	179	Revenue bonds, net of una amortized debt discount and premium and excluding current maturities	637,126	637,786
Other current assets	<u>3,277</u>	<u>2,506</u>	Revenues collected for future costs	51,604	48,376
Total current assets	<u>208,883</u>	<u>289,452</u>	Other non-current liabilities	<u>5,768</u>	<u>4,203</u>
Non-current assets:			Total non-current liabilities	<u>694,498</u>	<u>690,365</u>
Long-term investments:			Total liabilities	<u>751,448</u>	<u>759,780</u>
Restricted	39,383	29,646	Net position	<u>374,612</u>	<u>334,466</u>
Unrestricted	<u>149,539</u>	<u>99,608</u>	Total liabilities and net position	<u>\$1,126,060</u>	<u>\$1,094,246</u>
Total long-term investments:	<u>188,922</u>	<u>129,254</u>			
Capital assets:					
Utility plant in service	577,571	555,441			
Less-accumulated depreciation	<u>267,920</u>	<u>258,289</u>			
Net utility plant in service	<u>309,651</u>	<u>297,152</u>			
Construction work in progress	<u>391,394</u>	<u>368,282</u>			
Net capital assets	<u>701,045</u>	<u>665,434</u>			
Advances for mine development	1,645	1,537			
Unamortized debt expense	3,672	3,641			
Other non-current assets	<u>21,893</u>	<u>4,928</u>			
Total Assets	<u>\$1,126,060</u>	<u>\$1,094,246</u>			



**Missouri River
Energy Services**

**Western Minnesota
Municipal
Power Agency**

**Quarterly
Financial
Statements**

**For the Periods Ending
September 30, 2020 and 2019**



Management Discussion

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 September 30, 2020 and 2019

The Combined Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position for the periods ended September 30, 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 nine months ended September 30, 2020, totaled \$131 million, a decrease of approximately 4 percent compared to the same period in 2019. The decrease is due to a decrease in demand and energy sales through the first nine months of 2020. The decrease in demand and energy sales is due to milder than normal weather and the impact of COVID-19. The average rate for long-term power sales was approximately 6.0 cents per kilowatt-hour (kWh) for both periods ended September 30.

SHORT-TERM POWER SALES

Short-term power sales revenue for the nine months ended September 30, 2020, totaled \$14 million, compared to \$13 million during the same period in 2019. The increase in 2020 was largely due to an increase in revenue from the sale of capacity.

OPERATING EXPENSES

Fuel expenses for the nine months ended September 30, 2020, was 6 percent lower than the same period in 2019. The lower expense in 2020 was due to lower natural gas-fired generation at the Exira Station (Exira), offset by an increase in coal-fired generation at the Laramie River Station (LRS). The lower generation at Exira was due to market prices being below the cost of generation for more hours in 2020 than in 2019. Other power supply operations and maintenance (O&M) expenses for the nine months ended September 30, 2020, were 7 percent lower than the same period in 2019. The decrease in other power supply O&M was largely due to lower purchased power expense offset by higher fixed O&M expenses for LRS. The lower purchased power expense was due to lower market prices and lower member loads.

NON-OPERATING REVENUES (EXPENSES)

Investment income for the nine months ended September 30, 2020, was 3 percent lower than the same period in 2019. The lower investment income is due to lower interest rates in 2020 compared to 2019 and fewer funds available to invest.

Interest expense and amortization of financing-related costs for the nine months ended September 30, 2020, decreased 7 percent compared to the same period in 2019. The lower financing costs were due to a \$322 million taxable advance refunding of tax-exempt bonds in October 2019 and a \$10 million January 1, 2020, principal payment.

CHANGE IN NET POSITION

The change in net position for the nine months ended September 30, 2020, was \$40 million compared to \$35 million for the same period in 2019. The 2020 year-to-date change in net position is approximately \$23 million higher than budget. The

favorable variance in the year-to-date September 30, 2020, change in net position compared to budget is primarily due to lower fuel expense at LRS and Exira, lower fixed LRS expenses, lower financing-related expenses, and higher investment income, offset by lower long-term power sales. The lower fuel expense is due to low market prices and purchasing power in the market instead of generating power from LRS and Exira.

The higher change in net position for the nine months ended September 30, 2020, compared to the same period in 2019, is largely due to lower purchased power expenses and lower financing-related expenses, offset by lower long-term power sales.

COMBINED STATEMENTS OF NET POSITION

Total assets at September 30, 2020, were \$1.1 billion, an increase of \$44 million compared to September 30, 2019. The increase in total assets is primarily due to a \$36 million increase in net capital assets. The increase in net capital assets is largely due to an increase in construction work in progress for the Red Rock Hydroelectric Project, and the acquisition of the Marshall Wind Farm (MWF) in March 2020, offset by an increase in accumulated depreciation. At September 30, 2020, MRES and WMMPA had approximately \$243 million of unrestricted cash and investments, an increase of approximately \$4 million from September 30, 2019. The \$243 million of unrestricted cash and investments is approximately 14 months of projected 2020 operating expenses. The acquisition of the MWF and a portion of other capital additions were paid from unrestricted funds.

The increase in liabilities and net position between September 30, 2020 and September 30, 2019, is primarily due to a \$40 million increase in net position and a \$3 million increase in revenues collected for future costs.

COVID-19

MRES members 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. Total long-term energy sales to members have been approximately 3 percent below budget and 4 percent below 2019 long-term energy sales. Some of the decreased sales were due to COVID-19, and some were due to milder than normal weather. The COVID-19-related load reduction throughout the region has also been a contributing factor to lower market prices for energy. The lower energy prices have reduced the purchased power expense for MRES. The net impact of the lower energy prices has more than offset the lower revenue from reduced sales. The long-term impact of COVID-19 on the MRES results of operations and financial condition is indeterminate at this time.

In response to COVID-19, MRES has taken extra precautions for MRES employees, including those at generation facilities, headquarters and in member communities. MRES implemented travel restrictions and work from home policies where appropriate. MRES continues 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 to the members and to employees working remotely. The MRES office is currently closed to the general public.

	<u>Nine Months Ended</u>	
	<u>September 30</u>	
	<u>2020</u>	<u>2019</u>
Operating Revenues:	(thousands of dollars)	
Long-term power sales	\$ 131,112	\$ 136,364
Short-term power sales	14,398	12,966
Transmission services	45,172	45,173
Other operating income	<u>52</u>	<u>69</u>
Total Operating Revenues	<u>190,734</u>	<u>194,572</u>
Operating Expenses:		
Fuel	8,357	8,887
Other power supply operation and maintenance	77,858	83,844
Depreciation and amortization	7,625	6,914
Transmission operation and maintenance	29,659	30,842
Customer information and collections	156	157
Administrative and general	10,210	9,087
Property taxes	<u>2,927</u>	<u>2,972</u>
Total Other Operating Expenses	<u>136,792</u>	<u>142,703</u>
Operating Income	<u>53,942</u>	<u>51,869</u>
Non-operating Revenues (Expenses):		
Investment income	6,028	6,194
Other income	4,974	4,681
Other expense	(3,118)	(2,914)
Interest expense	(20,030)	(23,569)
Amortization of financing related costs and premium	999	3,130
Net Costs recoverable in (for) future years:		
Principal in excess of depreciation amortization	<u>(2,307)</u>	<u>(4,236)</u>
Total Non-Operating Expenses	<u>(13,454)</u>	<u>(16,713)</u>
Change in Net Position	<u>\$ 40,488</u>	<u>\$ 35,156</u>