

# Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services Western Minnesota Municipal Power Agency Combined Statements of



## Missouri River Energy Services

## Western Minnesota Municipal Power Agency

## Quarterly Financial Statements

As of June 30, 2019



	<u>June 30</u>			<u>June 30</u>	
<u>Assets:</u>	<u>2019</u>	<u>2018</u>	<u>Liabilities and Net Position:</u>	<u>2019</u>	<u>2018</u>
Current Assets:			Current Liabilities:		
Cash and cash equivalents:					
Restricted	\$ 45,448,868	\$ 51,051,676	Accounts Payable	\$ 34,256,317	\$ 33,273,919
Unrestricted	<u>18,212,916</u>	<u>22,165,628</u>			
Total cash and cash equivalents	<u>63,661,784</u>	<u>73,217,304</u>	Accrued taxes	2,433,770	2,580,699
Short-term investments:					
Restricted	73,658,425	39,492,636			
Unrestricted	<u>96,629,878</u>	<u>46,771,785</u>	Current liabilities payable from restricted assets:		
Total short-term investments	<u>170,288,303</u>	<u>86,264,421</u>			
			Current maturity of revenue bonds	10,240,000	9,850,000
Accounts receivable	12,142,518	22,777,641			
Advances to Missouri Basin Power Project	47,622,894	40,239,188	Accrued interest	<u>15,712,823</u>	<u>13,849,198</u>
Fuel stock	896,952	1,033,767			
Materials and supplies	179,111	179,111	Total Current Liabilities	<u>62,642,910</u>	<u>59,553,816</u>
Other current assets	<u>2,475,006</u>	<u>1,254,830</u>			
Total Current Assets	<u>297,266,568</u>	<u>224,966,262</u>			
			Non-Current Liabilities:		
Non-Current Assets:					
Long-term investments:			Revenue bonds, net of unamortized debt discount and premium and excluding current maturities	638,914,101	558,056,292
Restricted	32,575,403	20,113,416			
Unrestricted	<u>98,963,378</u>	<u>97,154,742</u>	Revenues collected for future costs	47,007,885	41,283,601
Total long-term investments	<u>131,538,781</u>	<u>117,268,158</u>			
			Other non-current liabilities	4,202,892	380,637
Capital assets:					
Utility plant in service	523,980,179	508,354,182	Unearned revenue	<u>—</u>	<u>2,434,301</u>
Less-accumulated depreciation	<u>256,790,839</u>	<u>250,018,937</u>			
Net utility plant in service	<u>267,189,340</u>	<u>258,335,245</u>	Total Non-Current Liabilities	<u>690,124,878</u>	<u>602,154,831</u>
Construction work in progress	<u>359,381,057</u>	<u>320,952,294</u>			
Net capital assets	<u>626,570,397</u>	<u>579,287,539</u>	Total Liabilities	<u>752,767,788</u>	<u>661,708,647</u>
Advances for mine development	1,663,200	2,105,019			
Unamortized debt expense	3,699,217	3,291,959	Net Position	<u>312,742,642</u>	<u>270,582,694</u>
Other non-current assets	<u>4,772,267</u>	<u>5,372,404</u>			
Total Assets	<u>\$ 1,065,510,430</u>	<u>\$ 932,291,341</u>	Total Liabilities and Net Position	<u>\$1,065,510,430</u>	<u>\$ 932,291,341</u>

# Management Discussion

The Combined Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position for the periods ended June 30, 2019 and 2018, 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 2018 Annual Report.

## LONG-TERM POWER SALES

Long-term power sales revenue for the six months ended June 30, 2019, totaled \$86 million, a decrease of approximately 6 percent compared to the same period in 2018. The decrease is due to the 3.2 percent 2019 power supply rate decrease and a decrease in demand and energy sales through the second quarter of 2019. The average rate for long-term power sales was approximately 5.7 cents per Kilowatt-hour (kWh) for the six months ended June 30, 2019.

## SHORT-TERM POWER SALES

Short-term power sales revenue for the six months ended June 30, 2019, totaled \$7 million, compared to \$9 million during the same period in 2018. The decrease in 2019 was due to a decrease in Megawatt hours (MWh) sold in 2019, offset by an increase in the market price. The lower short-term energy sales in 2019 were largely due to Laramie River Station (LRS) Unit 1 being down due to the scheduled installation of Selective Catalytic Reduction equipment (SCR). The SCR was installed pursuant to a settlement agreement with the Environmental Protection Agency.

## OPERATING EXPENSES

Fuel expense for the six months ended June 30, 2019, was 38 percent lower than the same period in 2018. This was primarily due to lower generation at LRS, partially offset by an increase in generation at the natural-gas fired Exira Station.

Other power supply operations and maintenance expenses for the six months ended June 30, 2019, were \$60 million, which approximates expenses the same period in 2018.

## NON-OPERATING REVENUES (EXPENSES)

Investment income for the six months ended June 30, 2019, was 110 percent higher than the same period in 2018 due to an increase in investment yields and increased funds available to invest. The increased funds available to invest reflect the change in net position of MRES and WMMPA and higher unspent bond proceeds.

Interest expense for the six months ended June 30, 2019, increased 13 percent compared to the same period in 2018 due to an \$82 million bond issuance in July 2018 offset by interest savings from the January 1, 2019, principal payment of \$10 million.

## CHANGE IN NET POSITION

The change in net position for the six months ended June 30, 2019, was \$13 million compared to \$22 million for the same period in 2018. The 2019 year-to-date change in net position is \$7 million higher than budget. The favorable variance in the year-to-date June 30, 2019, change in net position compared to budget is due to higher long-term and short-term power sales and higher investment income, offset by higher than budgeted purchased power expense. The lower change in net position for the six months ended June 30, 2019, compared to the same period in 2018 is largely due to lower long-term power sales, short-term power sales, and other operating income.

## COMBINED STATEMENTS OF NET POSITION

Total assets at June 30, 2019, totaled \$1.1 billion, an increase of \$133 million compared to June 30, 2018. The increase in total assets is largely related to a \$38 million increase in construction work in progress, primarily related to the Red Rock Hydroelectric Project, a \$48 million increase in unrestricted cash and investments, and a \$41 million increase in restricted cash and investments related to unspent bond proceeds. The \$214 million of unrestricted cash and investments represents over one year of projected 2019 operating expenses.

Significant changes in liabilities and net position between June 2019 and June 2018 included an \$81 million increase in revenue bonds and a \$42 million increase in net position.

## NEW POWER SUPPLY MEMBER

Willmar, Minnesota, began purchasing power supplemental to their Western Area Power Administration (WAPA) allocation and existing power purchase agreements from MRES in June 2019. As their existing purchase power agreements expire at various times through 2033, Willmar will purchase the power currently provided by those agreements from MRES. When Willmar begins purchasing all their power and energy requirements supplemental to their WAPA allocation from MRES, they are projected to be the third largest purchaser of power and energy from MRES.

## Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services Western Minnesota Municipal Power Agency

### Combined Statements of Revenues, Expenses and Changes in Net Position (Unaudited)

For the Periods Ending June 30, 2019 and 2018

	Six Months Ended June 30	
	2019	2018
Operating Revenues:		
Long-term power sales	\$ 85,673,314	\$ 90,861,027
Short-term power sales	7,037,484	9,011,873
Transmission services	28,949,608	28,037,945
Other operating income	<u>48,631</u>	<u>2,497,729</u>
Total Operating Revenues	<u>121,709,037</u>	<u>130,408,574</u>
Operating Expenses:		
Fuel	3,905,696	6,267,050
Other power supply operation and maintenance	60,497,406	59,539,856
Depreciation and amortization	4,558,677	4,462,921
Transmission operation and maintenance	19,694,513	18,515,256
Customer information and collections	106,676	122,358
Administrative and general	6,101,658	6,008,710
Property taxes	<u>1,982,022</u>	<u>2,121,198</u>
Total Other Operating Expenses	<u>96,846,648</u>	<u>97,037,349</u>
Operating Income	<u>24,862,389</u>	<u>33,371,225</u>
Non-Operating Revenues (Expenses):		
Investment income	4,039,447	1,925,143
Other income	2,790,874	3,034,621
Other expense	(1,766,735)	(1,703,600)
Interest expense	(15,712,823)	(13,849,198)
Amortization of financing related costs, premium and discount	2,086,918	1,769,644
Net Costs recoverable in (for) future years:		
Principal in excess of depreciation and amortization	(2,867,282)	(2,442,889)
Amortization of reserves previously collected	<u>—</u>	<u>—</u>
Total Non-Operating Expenses	<u>(11,429,601)</u>	<u>(11,266,279)</u>
Change in Net Position	<u>\$ 13,432,788</u>	<u>\$ 22,104,946</u>