



**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, 2017 and 2016**

	<u>September 30</u>			<u>September 30</u>	
Assets:	2017	2016	Liabilities and Net Position:	2017	2016
Current Assets:					
Cash and cash equivalents:					
Restricted	\$ 22,587,508	\$ 32,585,526	Current Liabilities:		
Unrestricted	<u>32,193,497</u>	<u>16,872,002</u>	Accounts Payable	\$ 32,643,501	\$ 36,489,630
Total cash and cash equivalents	<u>54,781,005</u>	<u>49,457,528</u>	Accrued taxes	4,283,003	3,135,406
Short-term investments:					
Restricted	100,346,020	112,912,782	Current liabilities payable from restricted assets:		
Unrestricted	<u>48,424,277</u>	<u>35,455,910</u>	Current maturity of revenue bonds	10,120,000	11,095,000
Total short-term investments	<u>148,770,297</u>	<u>148,368,692</u>	Accrued interest	<u>7,022,124</u>	<u>7,155,075</u>
Accounts receivable	16,932,600	18,649,527	Total Current Liabilities	<u>54,068,628</u>	<u>57,875,111</u>
Advances to Missouri Basin Power Project	33,080,511	22,691,719	Non-Current Liabilities:		
Fuel stock	1,065,360	1,066,920	Revenue bonds, net of unamortized debt discount and premium and excluding current maturities	570,833,673	585,008,994
Materials and supplies	173,911	173,911	Revenues collected for future costs	38,775,474	38,233,066
Other current assets	<u>1,002,857</u>	<u>875,697</u>	Other non-current liabilities	380,637	—
Total Current Assets	<u>255,806,541</u>	<u>241,283,994</u>	Unearned revenue	<u>6,085,754</u>	<u>10,954,357</u>
Non-Current Assets:					
Long-term investments:					
Restricted	38,146,456	77,516,670	Total Non-Current Liabilities	<u>616,075,538</u>	<u>634,196,417</u>
Unrestricted	<u>67,989,636</u>	<u>72,171,348</u>	Total Liabilities	<u>670,144,166</u>	<u>692,071,528</u>
Total long-term investments	<u>106,136,092</u>	<u>149,688,018</u>	Net Position		
Capital assets:					
Utility plant in service	501,463,420	497,451,816	Total Liabilities and Net Position	<u>\$ 908,582,687</u>	<u>\$ 888,340,127</u>
Less-accumulated depreciation	<u>243,812,639</u>	<u>241,126,529</u>			
Net utility plant in service	<u>257,650,781</u>	<u>256,325,287</u>			
Construction work in progress	<u>277,644,143</u>	<u>230,293,745</u>			
Net capital assets	<u>535,294,924</u>	<u>486,619,032</u>			
Advances for mine development	2,152,269	2,464,452			
Unamortized debt expense	3,440,344	3,707,490			
Other non-current assets	<u>5,752,517</u>	<u>4,577,141</u>			
Total Assets	<u>\$ 908,582,687</u>	<u>\$ 888,340,127</u>			

**Missouri River
Energy Services**

**Western Minnesota
Municipal
Power Agency**

**Quarterly
Financial
Statements**

**As of
September 30, 2017**

MISSOURI
RIVER
ENERGY SERVICES

Western Minnesota
Municipal Power Agency



Management Discussion

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 September 30, 2017 and 2016

The Combined Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position for the periods ended September 30, 2017, and 2016, 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 (WMPMA). These statements should be read in conjunction with the 2016 Annual Report.

LONG-TERM POWER SALES

Long-term sales revenue for the nine months ended September 30, 2017, totaled \$135.4 million, which is 10 percent more than the \$123.0 million during the same period in 2016. The average rate for long-term power sales was approximately 6.1 cents per kilowatt-hour (kWh) for the nine months ended September 30, 2017, compared to the 6.0 cents per kWh for the nine months ended September 30, 2016, an increase of two percent. The increase in revenue is largely due to serving the entire demand and energy requirements in excess of purchases from the Western Area Power Administration (WAPA) for Marshall, Minn., beginning in July 2016. Prior to July 2016, MRES was only serving a portion of the demand and energy in excess of WAPA purchases.

SHORT-TERM POWER SALES

Short-term power sales revenue for the nine months ended September 30, 2017, totaled \$10.7 million, which is higher than the \$8.9 million during the same period in 2016. The increase in short-term power sales is due to higher megawatt-hours (MWh) sold for the first nine months of 2017.

TRANSMISSION SERVICE REVENUE

Transmission service revenue for the nine months ended September 30, 2017, totaled \$45.2 million, 10 percent higher than the \$41.1 million during the same period in 2016. The higher revenue in 2017 was largely due to higher transmission costs paid to others and passing these costs along to MRES members.

OPERATING EXPENSES

Fuel expense for the nine months ended September 30, 2017, was five percent higher than the same period in 2016 due to higher generation at Laramie River Station (LRS) and the Exira Station. Other power supply operations and maintenance expenses of \$77.7 million were five percent higher during the nine months ended September 30, 2016, than the prior year, primarily due to higher purchased-power expenses. The higher purchased-power expenses were due to higher MWh purchases. Transmission operations and maintenance expenses during the nine months ended September 30, 2017, were eight percent more than the prior year, largely due to higher transmission of electricity by others costs.

NON-OPERATING REVENUES (EXPENSES)

The investment income for the nine months ended September 30, 2017, was 17 percent higher than the same period in 2016 due to an increase in investment yields. Interest expense for the nine months ended September 30, 2017, decreased compared to the same period in the prior year due to the regularly scheduled principal payments.

CHANGE IN NET POSITION

The change in net position for the nine months ended September 30, 2017, was approximately \$37.3 million compared to approximately \$25.9 million for the same period in 2016. The year-to-date change in net position is \$15.9 million higher than budgeted. The increase in net position compared to 2016 was largely due to higher long-term power sales to Marshall, Minnesota, offset by higher purchased power expense. The favorable variance in the year-to-date September 30, 2017, change in net position compared to budget is largely due to lower purchased power, LRS fuel, market expenses, including losses, and LRS boiler maintenance expense offset by lower long-term and short-term power sales.

	Nine Months Ended September 30	
	2017	2016
Operating Revenues:		
Long-term power sales	\$ 135,393,383	\$ 122,975,740
Short-term power sales	10,737,689	8,917,522
Transmission services	45,243,439	41,085,268
Other operating income	<u>3,871,457</u>	<u>3,742,891</u>
Total Operating Revenues	<u>195,245,968</u>	<u>176,721,421</u>
Operating Expenses:		
Fuel	16,275,513	15,573,231
Other power supply operation and maintenance	77,667,170	73,639,255
Depreciation and amortization	6,622,259	6,569,676
Transmission operation and maintenance	30,848,108	28,512,203
Customer information and collections	176,876	156,201
Administrative and general	8,800,604	8,503,337
Property taxes	<u>4,172,184</u>	<u>3,351,914</u>
Total Other Operating Expenses	<u>144,562,714</u>	<u>136,305,817</u>
Operating Income	<u>50,683,254</u>	<u>40,415,604</u>
Non-Operating Revenues (Expenses):		
Investment income	2,486,828	2,116,699
Other income	5,275,119	5,477,000
Other expense	(2,559,423)	(2,415,053)
Interest expense	(21,066,372)	(21,465,225)
Amortization of financing related costs, premium and discount	2,737,269	2,770,495
Amortization of reserves previously collected	3,798,952	3,798,952
Net Costs recoverable in (for) future years:		
Principal in excess of depreciation and amortization	<u>(4,017,230)</u>	<u>(4,804,856)</u>
Total Non-Operating Expenses	<u>(13,344,857)</u>	<u>(14,521,988)</u>
Change in Net Position	<u>\$ 37,338,397</u>	<u>\$ 25,893,616</u>