MISSOURI RIVER
ENERGY SERVICES®

2013 ANNUAL REPORT

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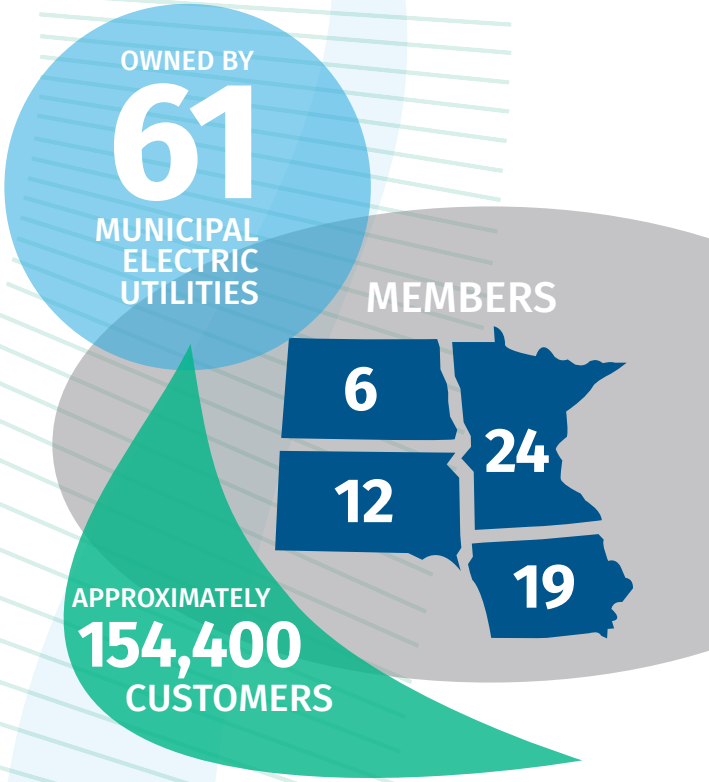
CONTENTS

ABOUT MISSOURI RIVER ENERGY SERVICES AND WESTERN MINNESOTA MUNICIPAL POWER AGENCY



MISSOURI RIVER ENERGY SERVICES (MRES) is a not-for-profit joint-action agency serving 61 municipal electric utilities located in four states. We serve 19 municipal electric utilities in Iowa, 24 in Minnesota, six in North Dakota and 12 in South Dakota. Each of these members owns and operates its own local municipal electric distribution system. Collectively, the 61 members serve approximately 154,400 customers and have a population of nearly 300,000.

MRES plans for all future power supply needs of our members and provides other energy-related services requested by the members to meet their customers' needs. MRES supplied 52 percent of our members' 2013 total energy needs. Most of the remainder is hydropower provided by Western Area Power Administration (WAPA).

MRES is governed by a 13-member board of directors elected by and from the ranks of our member representatives.

WESTERN MINNESOTA MUNICIPAL POWER AGENCY (WMMPA) has financed the construction and acquisition of the generation and transmission facilities for MRES. MRES performs all requested administrative services on behalf of WMMPA under an administrative services agreement.

WMMPA is governed by a seven-member board of directors, who serve as representatives of WMMPA members. All Minnesota members of MRES, except for Hutchinson, are members of WMMPA.

A MESSAGE FROM THE
CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

EVERY DAY...

...we serve our members. And every day we deliver on our promise to provide cost-effective and reliable energy to meet the needs of our member communities and their customers.

2013 was a remarkable year for MRES. We posted a strong year both financially and operationally. We continued to work on projects that will propel us forward for future growth and will have long-term impacts for our organization.

MRES and WMMPA continue to maintain a strong position including a 2013 net margin in excess of $23 million, which was $6 million more than projected. We secured $60 million in short-term financing to fund capital additions.

Our long-term wholesale rates have remained stable since 2009. Due to favorable financial results, we deferred a three-mill rate increase from 2013 to 2014. Fitch Ratings and Moody's Investors Service continue to rank our bonds in the top-tier of joint-action agencies. In 2013, we also received an unqualified audit opinion with no required adjustments from the auditors. We made progress on our plans for the Red Rock Hydroelectric Project (RRHP) that will expand our renewable energy and further diversify our power supply portfolio. We were successful in securing passage of legislation in Iowa that exempts hydroelectric generation from Iowa sales and use tax. This legislation, which passed the Iowa Senate unanimously and with only two no votes in the Iowa House, will save us over $7 million for RRHP.

We also invested in infrastructure necessary to modernize the transmission lines that serve our member communities. The projects, known as CapX2020, are intended to improve reliability to customers. The new transmission lines are being built in phases designed to meet electricity demand growth, as well as to support renewable energy expansion.

We are participating in two of the CapX projects — Fargo-St. Cloud and Brookings County-Hampton. A related project—the expansion of the Alexandria Substation—will facilitate interconnection of the Fargo project and improve reliability in the surrounding area. All told, we're expecting to invest nearly $107 million in these projects.

But 2013 was not without its challenges. Recent activities by the Environmental Protection Agency (EPA) have increased our risk. New EPA regulations have

2013 was a remarkable year for MRES. We posted a strong year both financially and operationally. We continued to work on projects that will propel us forward for future growth and will have long-term impacts for our organization.

already led to the closure of thousands of megawatts of coal-fired power generation, much of it located in the Midwest.

We will continue to play an active role in working through this issue, but we've called upon Congress to ensure that any regulations minimize consumer costs, ensure reliability, and provide a realistic pathway for coal.

We also worked with our Congressional delegation through 2012 and into 2013 to address the U.S. Secretary of Energy's memorandum that outlined a new policy direction for the federal Power Marketing Administrations (PMAs). We are concerned that the proposals in the memo run counter to WAPA's core mission. We're pleased that many of the proposals have been dropped, but some are still under consideration.

Our more than 48 years of service has earned the trust of our members and illustrates the strong relationship we hold with our members. In 2013, we received the highest ever ratings from our members in our member satisfaction survey.

In response to member requests, we introduced two new programs to the suite of services we offer to members. The first is the Municipal Power Advantage℠ (MPA) program, which communicates the value of the electric utility to its community. The second is the Bright Energy Solutions® (BES) Power Team program, which is designed to educate 5th graders about energy-related topics. Based on positive responses to the programs, we plan to offer both to the entire membership in 2014.

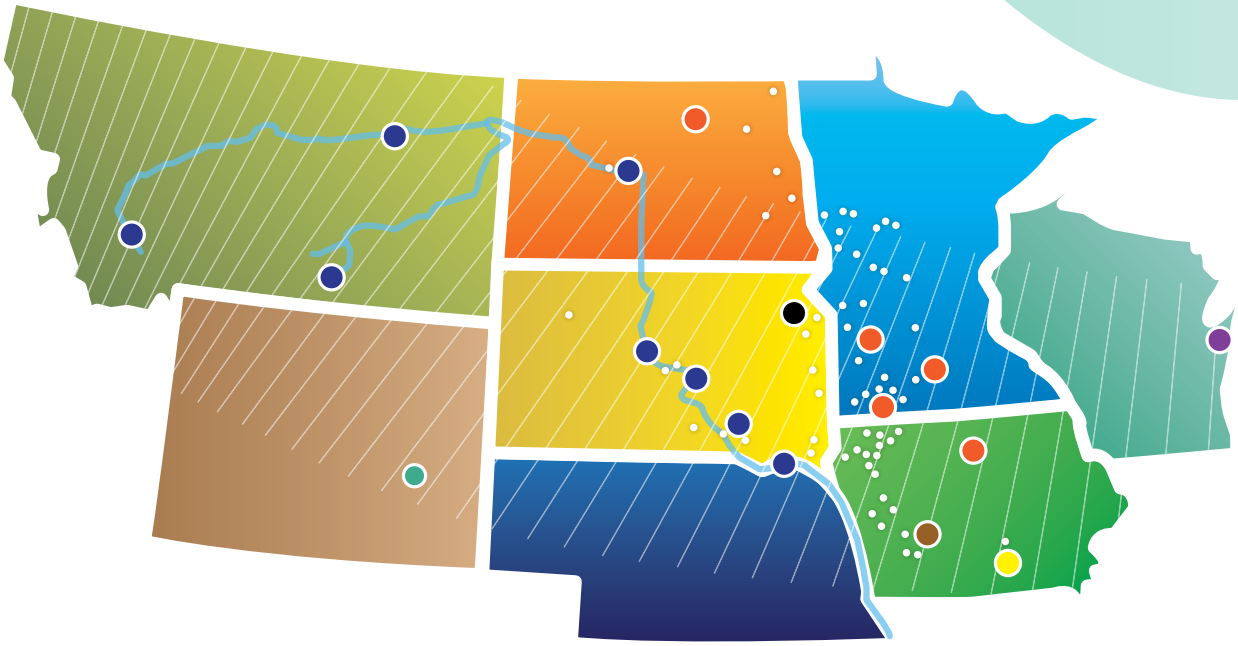
We want to thank our boards of directors and employees who believe in our mission to supply our members with reliable, cost-effective, long-term, and environmentally sensitive energy and energy services. It's their commitment and strategic guidance that will help shape a brighter and better future for our organization and for our member communities.

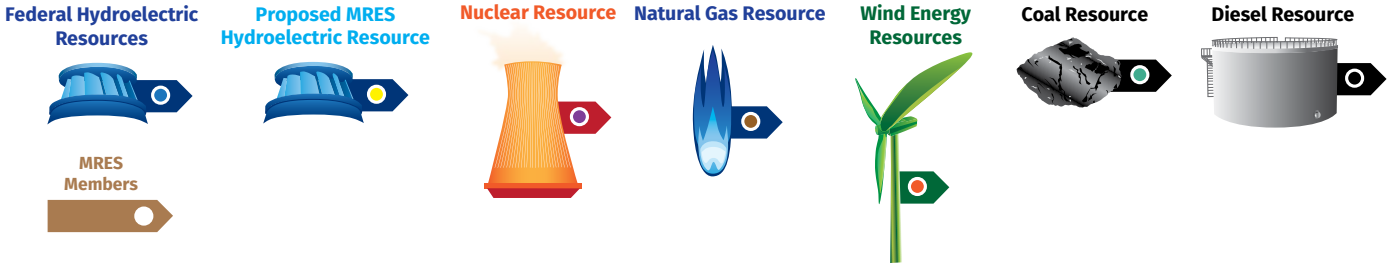
Our strategy starts with our members, and is designed to ensure that we deliver real value to our members and their communities, every day. We look forward to the opportunities in 2014.

Harold Schiebout,
Chairman of the Board, MRES

Thomas Heller,
Chief Executive Officer, MRES

MRES MEMBERS AND
GENERATION FACILITIES





Iowa

Alton
Atlantic
Denison
Fontanelle
Hartley
Hawarden
Kimballton
Lake Park
Manilla
Orange City
Paullina
Pella
Primghar
Remsen
Rock Rapids
Sanborn
Shelby
Sioux Center
Woodbine

Minnesota

Adrian
Alexandria
Barnesville
Benson
Breckenridge
Detroit Lakes
Elbow Lake
Henning
Hutchinson
Jackson
Lake Park
Lakefield
Luverne
Madison
Marshall
Melrose
Moorhead
Ortonville
St. James
Sauk Centre
Staples
Wadena
Westbrook
Worthington

North Dakota

Cavalier
Hillsboro
Lakota
Northwood
Riverdale
Valley City

South Dakota

Beresford
Big Stone City
Brookings
Burke
Faith
Flandreau
Fort Pierre
Pickstown
Pierre
Vermillion
Watertown
Winner

** Diesel generation under contract with MRES Members is not included.*

COMPARARTIVE

HIGHLIGHTS

Financial:	2013	2012	2008	2003
Operating Revenues ($000)	$178,393	$169,917	$119,943	$80,307
Operating Expenses ($000)	$142,215	$138,474	$117,954	$64,594
Other Income ($000)	$11,645	$12,022	$5,486	$3,189
Other Expenses ($000)	$24,619	$25,023	$12,810	$11,650
Plant in Service ($000)	$388,834	$379,964	$358,209	$266,028
Cash and Investments ($000)	$180,031	$212,187	$62,818	$146,334
Cash and Investments ($000) - Unrestricted	$109,163	$120,088	$45,460	$62,953
Total Assets ($000)	$488,318	$467,612	$341,181	$366,109
Net Position ($000)	$138,125	$114,921	$54,747	$65,388
Debt Outstanding ($000)	$258,292	$268,456	$232,070	$245,592
Debt as Percent of Capitalization	65%	70%	81%	79%
Principal Payments ($000)	$13,855	$13,160	$14,100	$12,210
Average Cost of Debt	4.4%	4.4%	5.1%	5.3%
Power Supply Revenue from Members ($000)	$148,268	$145,191	$96,692	$61,028
Member WAPA Power Expense ($000)	$60,460	$60,338	$43,473	$23,593
Power Supply Member Energy Requirements:				
Energy Provided by MRES (GWh)	2,643	2,409	2,105	1,549
Energy from WAPA (GWh)	1,862	1,861	1,854	1,665
Energy Provided by Others (GWh)	576	685	482	0
Total Energy Requirements (GWh)	5,081	4,955	4,441	3,214
Energy from Owned Coal Generation	33%	20%	39%	42%
Energy from Owned Natural Gas	0%	1%	0%	0%
Energy from Nuclear Generation	5%	5%	0%	0%
Energy from Renewable Resources (WAPA and Wind)	41%	43%	42%	52%
Member Energy Provided by Others	11%	14%	11%	0%
Member Energy from Market Purchases	10%	17%	8%	6%
Power Supply Member Peak Demand:				
MRES Peak Demand (MW)	492	501	404	329
Total Member Town Gate Peak Demand	939	954	765	634
Average Wholesale Rates (cents per kWh):				
Member Power Supply Rate	5.6	5.7	4.6	3.9
Member Blended Cost of Energy Supplied by MRES and WAPA	4.7	4.7	3.6	2.6

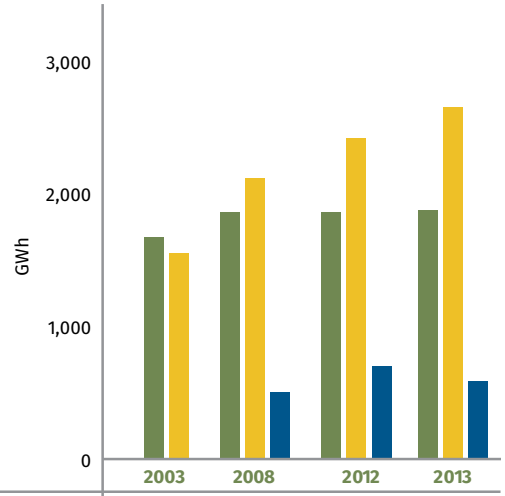
2013

YEAR IN REVIEW

Providing reliable and cost-effective energy and energy services that are environmentally sensitive.

MRES MEMBER ENERGY REQUIREMENTS (GWH)

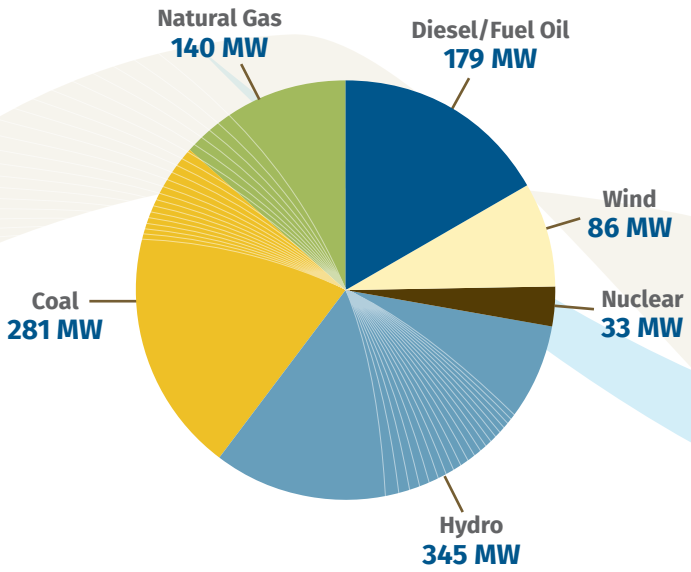
(2003-2013)



	2003	2008	2012	2013
Energy from WAPA	1,665	1,854	1,861	1,862
Energy Provided by MRES	1,549	2,105	2,409	2,643
Energy Provided by Others	–	482	685	576
Totals	3,214	4,441	4,955	5,081

GENERATION SERVING MRES MEMBERS BY FUEL TYPE

(Nameplate capacity - MW)



IN 2013

MRES furthered its mission to serve its members by:

- Providing reliable and cost-effective energy and energy services that are environmentally sensitive
- Diversifying the MRES generation and renewables portfolio
- Improving transmission lines and substation facilities by investing in upgrades to the regional grid
- Protecting federal hydropower allocations for preference power customers
- Maintaining a strong financial position
- Working with federal and state policymakers and regulators to ensure affordable and responsible energy policies
- Achieving energy savings through energy efficiency programs
- Managing growth of member peak demands through demand-side management programs

POWER SUPPLY AND
OPERATIONS

RED ROCK HYDROELECTRIC PROJECT

We're moving forward with our plans to build RRHP at the Red Rock Reservoir on the Des Moines River near the member community of Pella, Iowa. The facility is licensed at 36.4 megawatts (MW) of electricity, and will be capable of generating up to 55 MW at certain times when water levels are at their highest. MRES and WMMPA plan to start building the project in 2014, with the project becoming operational in 2018.

This past year, we achieved significant construction and regulatory milestones for RRHP. In July, MRES issued a request for proposal seeking a general construction contractor for RRHP. The bid was awarded in March 2014 to Ames Construction, Inc., which is headquartered in Burnsville, Minn.

In October, the Federal Energy Regulatory Commission approved an amendment to the project license that included certain design changes. The Section 408 design package also was approved in early 2014 by the U.S. Army Corps of Engineers (Corps) D.C. headquarters. The 408 process is designed to ensure that the project will not impact the Corps' operations at Red Rock and that the project will be constructed safely. A 404, a dredge and fill permit, was issued by the Corps shortly after receipt of the 408 approval. Another major regulatory approval was granted by the Iowa Department of Natural Resources. The 401 Water Quality Certification certifies that the proposed project will not violate state water quality standards.

RRHP FACTS:

- Located at the Red Rock Reservoir on the Des Moines River near Pella, Iowa
- Ready for commercial operation in 2018
- Designed to supply 36.4 MW of power
- Capable of generating up to 55 MW of power when water levels are elevated
- When operational, the power plant would generate enough energy to meet the needs of about 18,000 homes.
- Second largest hydroelectric plant in the State of Iowa

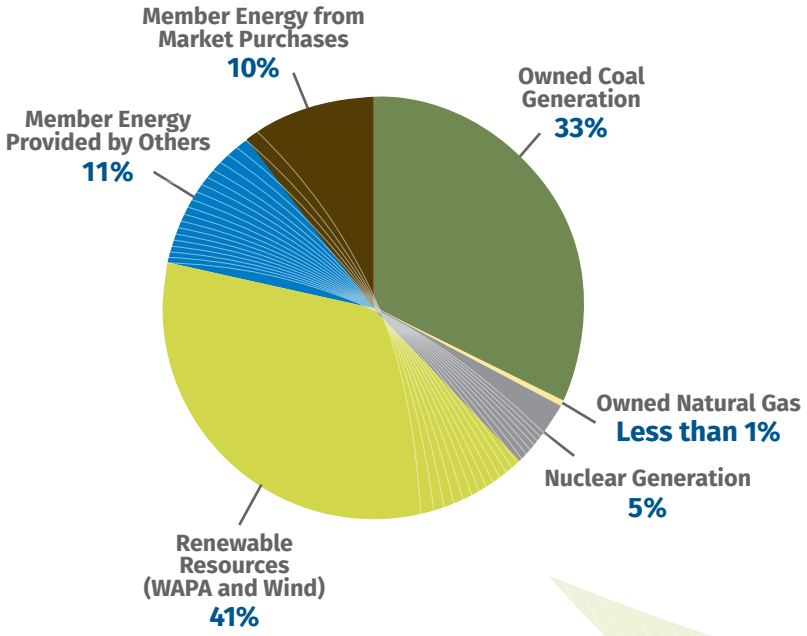
Last summer and fall, MRES worked on the construction of a 7,000-foot extension of the Volksweg Bike Trail near the Red Rock Dam in Iowa. Construction of the bike trail was completed. Other features include picnic shelters, a playground, a fish-cleaning station, restroom, parking facilities and water fountains. Work on the recreational facilities should be completed in the spring of 2014.

Alexandria, Minn., Substation expansion project.

TRANSMISSION

MRES, WMMPA and 10 other regional utilities have spent the past several years working together on the CapX2020 project that will expand electric transmission service and will support access to renewable energy. The project, which is being built in phases, includes three 345-kilovolt (kV) transmission lines and one 230-kV line covering nearly 800 miles. CapX2020 is the largest development of new transmission in the Upper Midwest in 30 years.

2013 SOURCES OF ENERGY



THE BENEFITS OF CAPX2020:

- CapX2020 upgrades will enable the reliable delivery of an increasing amount of power to growing communities and businesses in Minnesota and surrounding states.
- The $2 billion CapX2020 transmission initiative is creating thousands of jobs in local communities and equals nearly $4 billion over the course of the project.
- CapX2020 projects will accommodate the movement of a growing amount of renewable energy on the grid.

MRES and WMMPA are involved in these CapX2020 projects: Fargo-St. Cloud Project, the Alexandria (Minn.) Substation expansion, and the Brookings County (S.D.)-Hampton (Minn.) Project. The projects are in various stages of construction. MRES and WMMPA plan to invest nearly $107 million in several of the CapX2020 projects.

MEMBER GENERATION CONTRACTS EXTENDED

The MRES Board of Directors approved 10-year extensions of the contracts the organization has with 16 of its members for use of generating facilities owned by those members. A 17th member is expected to sign the agreement. The agreements remain in effect through May 31, 2029, assuming the facilities are dependably maintained.

MRES contracts with its members for these facilities to meet reserve capacity requirements of the Midcontinent Independent System Operator, Inc., and Southwest Power Pool, as well as for generating power if the need arises.

For the summer of 2014, MRES expects 133 MW of municipal capacity under contract from the 17 members.

DEMAND-SIDE MANAGEMENT

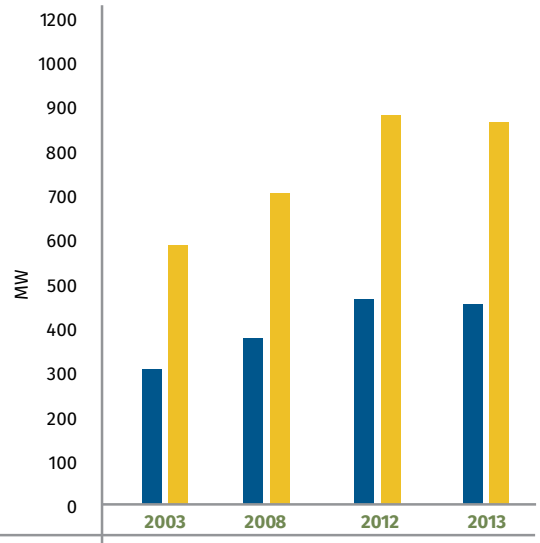
MRES uses energy efficiency and coordinated demand response (CDR) to reduce its need for additional power supply resources. To that end, we offer two incentive programs–BES and CDR–to our members and their retail customers. Combined, the BES and CDR programs are projected to reduce or delay the need for about 80 MW of generation resources by 2025. Since 2008, BES has reduced the MRES peak demand by about 28 MW. By 2025, it is projected that BES will have reduced or delayed the need for about 65 MW of generation resources. BES also helps MRES members achieve their state-mandated savings goals.

The CDR program allows MRES staff to remotely monitor and operate load-management equipment in its member communities to reduce demand during peak periods. To date, nine members are participating in the program and are in various stages of implementation. MRES estimates that the CDR program will reduce or delay the need for at least 15 MW of generation resources by 2025.

Fifty-seven MRES members were enrolled in the Bright Energy Solutions program in 2013. Their participation resulted in total demand savings of slightly more than 6 MW and energy savings of about 28,000 megawatt-hours (MWh) in 2013.

MRES MEMBER PEAK DEMAND (MW)

(2003-2013)



	2003	2008	2012	2013
MRES	329	404	501	492
Total Member Town Gate Peak Demand	634	765	954	939

In conjunction with the CDR program, Valley City, N.D., signed up as the first MRES member community to implement MRES-hosted Advanced Metering Infrastructure (AMI). Valley City's AMI meters can be read remotely at any time by the hosted head-end software at MRES. The information is accessible to Valley City for billing, troubleshooting and analysis of both its electric and its water systems. While AMI does not provide demand-side benefits directly, MRES is offering the AMI hosting service to help members cost-effectively install advanced metering that is considered to be the backbone of the Smart Grid. The AMI system will then enable other Smart Grid features, some of which can have direct demand-side management benefits.

Aerial view of Valley City, N.D.
Photo credit: By Patsy Lynch. (This image is from the FEMA Photo Library.) [Public domain], via Wikimedia Commons.

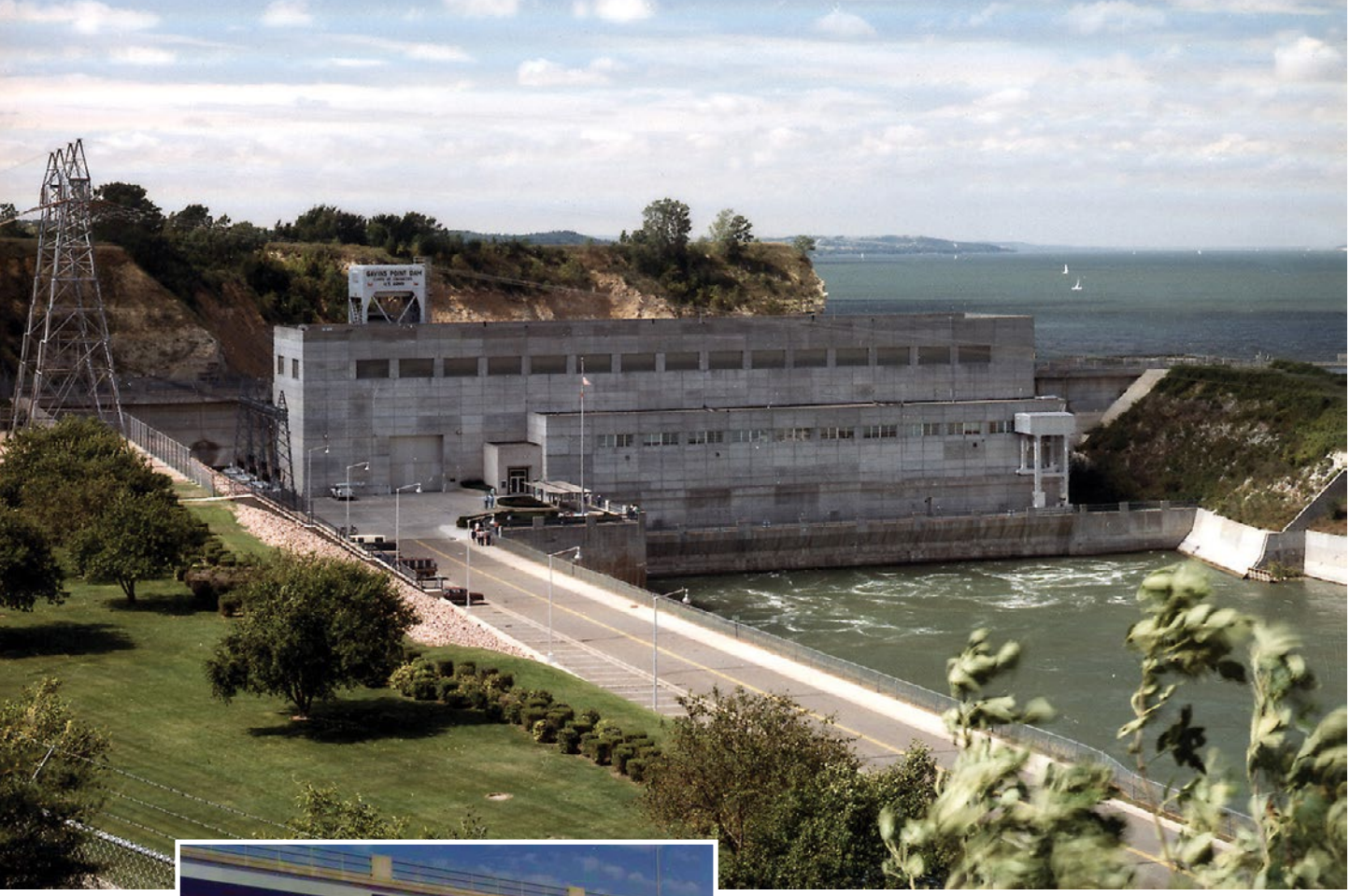
FEDERAL AND DISTRIBUTED POWER

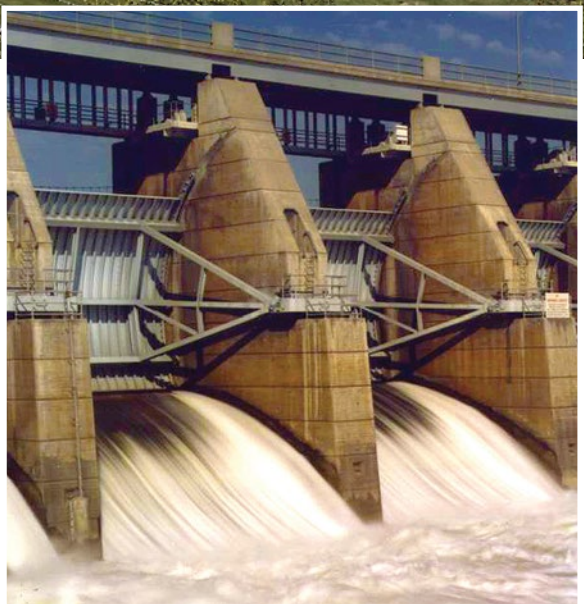
WAPA's Upper Great Plains Region (UGPR) provides 59 of our 61 members with low-cost hydroelectric power produced at federal dams along the Missouri River. In aggregate, these municipalities represent more than 20 percent of UGPR firm allocations. The current contracts held by these municipalities are set to expire on Dec. 31, 2020.

We've continued our efforts to ensure that the new preference power contracts offered by the federal marketing agency meet the needs of our members and provide stability for the future. The new contracts for firm electric service will begin Jan. 1, 2021, and expire Dec. 31, 2050. By the end of 2013, MRES had reviewed firm power contracts for 43 member communities. Most of those contracts have been executed by the members and UGPR.

Along with providing input on a myriad of WAPA's planning activities such as Access to Capital and the Asset Management Plan, MRES also actively monitored and provided comments on the final draft of WAPA's Strategic Roadmap 2024, a 10-year plan outlining the role it will play within the ever-changing utility industry. MRES has clearly stated that it is supportive of WAPA's strategic planning process that focuses on areas that support WAPA's core mission—delivery of clean, renewable, cost-based federal hydroelectric power to preference power customers. WAPA's strategic plan is expected to be published in May 2014.

Looking down the Yellowtail Dam spillway tunnel from above the air slot. The seepage from the drains creates an interesting array of colors. Photo credit: U.S. Bureau of Reclamation.





Top: Gavins Point Dam Powerhouse.
Bottom: Gavins Point Dam Spillway.
Photo credits: U.S. Bureau of Reclamation.

MRES continues to play a large role to help finance the federal generating agency's capital needs through Western States Power Corporation (WSPC). For the last six years, public power and rural electric cooperative organizations in WAPA's UGPR have advanced close to $30 million annually to WAPA and the Corps to upgrade and maintain electric generating and delivery systems. The funds that are advanced each month to the agencies are credited back the following month with interest. MRES represents about 24 percent of the WSPC's Upper Great Plains membership, and contributes about $7 million annually.

MEMBER AND PUBLIC RELATIONS

Members expressed their high level of satisfaction with MRES as part of the 2013 MRES Member Satisfaction Survey. The survey measures member satisfaction with key programs and services offered by MRES. While member satisfaction has always been high, 2013 represented the first time MRES has achieved 100 percent overall satisfaction from the membership. The first member satisfaction survey was conducted in 2001.

While member satisfaction has always been high, 2013 represented the first time MRES has achieved 100 percent overall satisfaction from the membership.

MRES rolled out the BES Power Team education pilot program in four of its member communities in the fall of 2013. The school program is designed to educate 5th graders about energy-related topics such as non-renewable and renewable resources, various forms of energy, how electricity is produced by various resources, and energy efficiency and conservation. MRES piloted the program in Orange City (Iowa), Vermillion (S.D.), Madison (Minn.), and Worthington (Minn.). More than 380 students participated in the program.

Bright Energy Solutions®
POWER TEAM
Leading the Way

Based on the positive responses from the communities that piloted the program, MRES will offer the school program in 2014 to interested members on a 50 percent cost-share basis.

Education efforts throughout the year helped members, policymakers, and staff keep abreast of utility industry changes. Some of those education efforts included Compressed Air System Workshops, Technology Days, the MRES® Annual Meeting, the MRES® Legal Seminar, Regional Policy Maker Dinner Meetings, and Area Meetings.

MRES annually awards up to 10 $1,000 scholarships to high school graduates whose families are customers of MRES member municipal electric systems. Those scholarships are renewable for three more years. To date, MRES has awarded a total of $362,000 to 116 students.

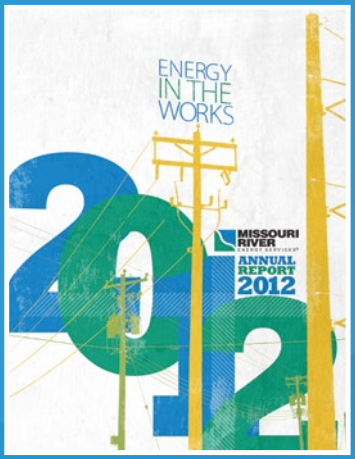
The Energy Services Technicians had a record year of providing 238 Infrared, Ultrasonic, and Motor Testing Services to MRES members and their customers.

GOVERNMENT RELATIONS

On the federal level, more than 40 people representing several MRES member and associate communities participated in the American Public Power Association's (APPA) Legislative Rally in Washington, D.C., in March 2013. Municipal electric utility leaders met with their U.S. senators, representatives, and key energy staff to discuss the importance of preserving tax-exempt financing, their concerns over the Energy Secretary's proposal to expand the mission of the federal power marketing administrations, and cyber security concerns.

MRES and several of its member utility representatives also traveled to Capitol Hill at other times throughout the year to update their elected officials on legislative and regulatory issues that directly affect public power and local utilities.

Energy issues also impact our members at the state level. MRES worked to strengthen existing relationships with state representatives and familiarize legislators with MRES and its members. MRES public power



The 2012 MRES Annual Report was one of 11 reports from across the nation to earn an award in APPA's Annual Report Contest.

leaders also communicated with state representatives throughout the year by visiting them in their home districts during the interim, hosting a legislative breakfast with the Iowa Association of Municipal Utilities, a dinner with our North Dakota members and their legislators, and a Power Lunch at the South Dakota Capitol. The events were well attended by legislators and offered good opportunities to meet with legislators and discuss municipal utilities.

2013 proved to be a quiet year on energy issues in North Dakota and South Dakota. In Iowa, MRES put forth an effort to pass a bill to give hydroelectric generation equipment the same exemption from state sales and use taxes as wind power. With support from the Governor and several key legislators, House File 630 passed the House and Senate quickly and was signed by the Governor on May 1. In Minnesota, it was a difficult year that began with bills seeking a 40 percent renewable energy mandate. MRES opposed the mandate based on the cost impacts to consumers and on the implications for setting rates for public power by state statute. After a lot of grassroots work, the renewable energy mandate was converted into an interim study that will be reported to the legislature in November of 2014.

"Developing and strengthening the relationships with elected officials is critical so that they can understand the issues facing our public power systems, the communities they serve, and the electric utility industry as a whole. These relationships are particularly key when it comes to advancing priorities in an increasingly complex legislative and regulatory environment."

- Bill Radio
Director, Member and Public Relations
Missouri River Energy Services

ADMINISTRATION AND FINANCE

MRES strives to maintain a strong financial position critical to achieving rate stability, strong bond ratings and a fiscally responsible organization.

The financial strength of MRES, WMMPA, and their members is evidenced by competitive wholesale rates, sound financial policies and management, and mitigation of significant risks.

We are pleased to report to our members that the average long-term wholesale power rates from 2009 to 2013 remained unchanged, although the rate structure changed to a seasonal demand rate. Factors contributing to the stable wholesale rates included purchased power, natural gas and debt service costs being lower than previously projected, and revenues relating to transmission facilities being higher than previously projected.

WHOLESALE RATE COMPARISON (REGIONAL SUPPLIERS)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Average of 18 Regional Utilities	38.0	39.4	41.4	43.8	47.6	50.1	53.4	56.3	60.0	62.8	64.7
MRES S-1 Rate	39.3	39.9	39.2	39.2	44.1	45.8	55.3	55.4	56.7	56.8	56.0
% Difference	3.5%	1.2%	-5.3%	-10.5%	-7.4%	-8.5%	3.6%	-1.6%	-5.4%	-9.5%	-13.4%

The MRES Board of Directors approved a 5.5 percent wholesale rate increase for 2014. The primary reasons for the rate increase are to pay interest during construction for RRHP from current rates, and to replenish the approximately $28 million of discretionary reserves used to fund the Debt Service Reserve Accounts with internal equity. Funding the Debt Service Reserve Accounts with internal equity is expected to reduce annual costs in excess of $1 million. Our wholesale power supply rates are still among the lowest in the region.

For the calendar year 2013, MRES and WMPPA posted a combined change in net positions of $23.2 million, compared to the budgeted change in net positions of $17.3 million—a favorable variance of $5.9 million. The favorable variance was largely due to lower than projected interest, purchased power, transmission, and power plant maintenance expense; and higher surplus power and transmission revenue. The strong 2013 financial performance resulted in a debt service coverage ratio in excess of 1.7.

Compared to similar organizations, MRES and WMMPA have high equity as a percent of the total capital structure. At December 31, 2013, the combined capital structure of MRES and WMMPA was comprised of 65 percent debt and 35 percent equity.

"We are pleased that the ratings agencies continue to show confidence in the financial strength of MRES, WMMPA, and our members. These ratings reflect the fiscally prudent policies of MRES and WMMPA as set forth by our Boards of Directors. Recent examples of the actions of the Boards of Directors that demonstrate their commitment to a strong financial position include funding the Debt Service Reserve Accounts with equity instead of bond proceeds and paying interest during construction for the Red Rock Hydro Project from current rates instead of issuing debt."

- Merlin Sawyer
Director, Finance and
Chief Financial Officer

The energy purchased by the long-term power supply members was approximately 10 percent higher in 2013 than in 2012. The higher member energy purchases in 2013 were largely attributable to the newest MRES member purchasing power from MRES for 12 months in 2013 compared to nine months in 2012, another member purchasing an additional 10 MW block of power in 2013, and a milder than normal winter in 2012.

Long-term power sales revenue for 2013 was 2 percent higher than in 2012, or approximately $148.3 million, compared to $145.2 million in 2012. The increase in the long-term power sales revenue was attributable to the factors stated in the previous paragraph. The percent increase in revenue was lower than the percent increase in energy sales due to the 2012 revenue including a one-time payment from a new member that began purchasing power from MRES in 2012.
In September 2013, WMMPA executed a $60 million revolving credit agreement with JP Morgan Chase Bank, National Association. Funds from this agreement will be advanced as needed to fund capital costs for RRHP, CapX2020 transmission projects, and other generation and transmission facilities until long-term financing is completed. WMMPA expects to secure long-term financing in 2014 to pay the balance of the revolving credit agreement and fund additional capital costs in 2014.

Our economic performance also can be measured by the credit ratings issued by financial rating agencies. WMMPA retained its existing ratings that were last reaffirmed in 2012. Fitch assigned the bonds AA- with a stable outlook and Moody's rated the bonds Aa3, also with a stable outlook. WMMPA is one of a few joint-action agencies in the country with ratings in the AA category.

MUNICIPAL POWER ADVANTAGE

MRES introduced a new pilot program that quantifies the value of the municipal electric utility to its community. The MPA program increases the public's awareness of the municipally owned utility and educates policy makers, utility staff, and customers about the utility's value. MRES completed in 2013 MPA reports for Luverne (Minn.) Municipal Utilities and Barnesville (Minn.) Municipal Utilities.

BOARDS OF DIRECTORS

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AL CROWSER
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ALP Utilities • Alexandria, Minnesota

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Sauk Centre, Minnesota

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Western Minnesota Municipal Power Agency

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MARTY SUNDERMAN, TREASURER
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Sauk Centre Public Utilities Commission
Sauk Centre, Minnesota

SCOTT HAIN, SECRETARY
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Worthington Public Utilities • Worthington, Minnesota

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8 years of service
Marshall Municipal Utilities • Marshall, Minnesota

VERNELL ROBERTS, DIRECTOR
2 years of service
Detroit Lakes Public Utilities
Detroit Lakes, Minnesota

ROB WOLFINGTON, DIRECTOR
1st year of service
Benson Municipal Utilities • Benson, Minnesota

MISSOURI RIVER ENERGY SERVICES
SENIOR MANAGEMENT

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21 years of service

JEFF PETERS, DIRECTOR, FEDERAL AND DISTRIBUTED POWER PROGRAMS
22 years of service

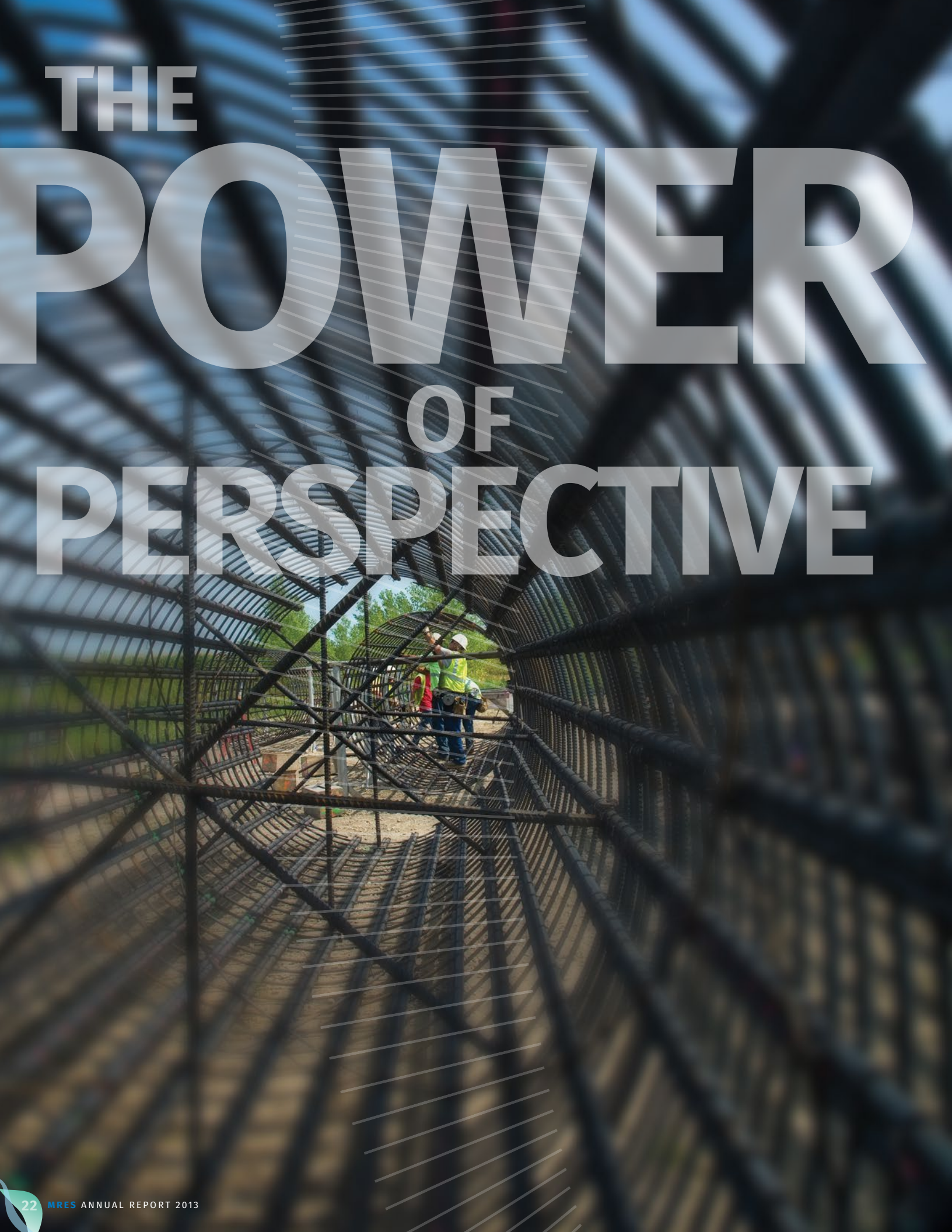
BILL RADIO, DIRECTOR, MEMBER AND PUBLIC RELATIONS
23 years of service

MERLIN SAWYER, DIRECTOR, FINANCE AND CHIEF FINANCIAL OFFICER
27 years of service

MRG SIMON, DIRECTOR, LEGAL
16 years of service

RAY WAHLE, DIRECTOR, POWER SUPPLY AND OPERATIONS
34 years of service

THE POWER OF PERSPECTIVE



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Missouri Basin Municipal Power Agency
d/b/a Missouri River Energy Services and
Western Minnesota Municipal Power Agency
Sioux Falls, South Dakota

Report on the Financial Statements

We have audited the accompanying combined financial statements of Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services and Western Minnesota Municipal Power Agency (MRES and WMMPA) as of and for the years ended December 31, 2013 and 2012, and the related notes to the combined financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MRES and WMMPA's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MRES and WMMPA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of MRES and WMMPA as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

an independent member of
BAKER TILLY
INTERNATIONAL

To the Board of Directors
Missouri Basin Municipal Power Agency
d/b/a Missouri River Energy Services and
Western Minnesota Municipal Power Agency

Emphasis of Matters

As discussed in the Note 1, MRES and WMMPA adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the combined financial statements as a whole. The Western Minnesota Municipal Power Agency Statement of Net Position, and Western Minnesota Municipal Power Agency Statement of Revenues, Expenses, and Changes in Net Position schedules included as supplemental information, as identified in the table of contents are presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detailed schedules included as supplemental information, as identified in the table of contents are fairly stated in all material respects in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have issued our report dated April 1, 2014 on our consideration of MRES and WMMPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering MRES and WMMPA's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 1, 2014

The discussion and analysis on the following pages summarizes the financial highlights and focuses on factors that had a material effect on the financial condition of Missouri River Energy Services (MRES) and Western Minnesota Municipal Power Agency (WMMPA) and the results of operations during 2013 and 2012. This discussion should be read in conjunction with the accompanying financial statements and notes thereto.

The financial portion of this annual report consists of the following:

- Management Discussion and Analysis, which provides an objective and easily readable analysis of the financial activities of MRES and WMMPA, based on currently known facts, decisions or conditions.
- The Combined Statement of Net Position, which provides a summary of the assets, deferred outflows of resources, liabilities and deferred inflows of resources as well as further analysis on changes in current and long-term assets and liabilities.
- The Combined Statement of Revenues, Expenses and Changes in Net Position, which presents the operating results of MRES and WMMPA into various categories of operating revenues and expenses and non-operating revenues and expenses.
- The Combined Statement of Cash Flow, which reports the cash provided by and used for operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.
- The notes to the combined financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Position

Condensed Statement of Net Position as of December 31 (Million $)

	2013	2012	2011	2013 Dollar Change	2012 Dollar Change
Current Assets	$ 132.0	$ 181.5	$ 182.2	$(49.5)	$ (0.7)
Non-current Assets:					
Net Capital Assets	262.3	207.7	169.1	54.6	38.6
Other Non-current Assets	93.0	76.7	101.1	16.3	(24.4)
Total Assets	487.3	465.9	452.4	$ 21.4	$ 13.5
Deferred Outflows of Resources:					
Unamortized loss on reacquired debt	1.0	1.7	3.1	(0.7)	(1.4)
Total Assets and Deferred Outflows of Resources	$ 488.3	$ 467.6	$ 455.5	$ 20.7	$ 12.1
Current Liabilities	$ 57.0	$ 45.2	$ 36.2	$ 11.8	$ 9.0
Non-current Liabilities:					
Revenue Bonds, Net of Current Maturities	239.1	254.6	270.4	(15.5)	(15.8)
Revenues collected for future costs	34.7	33.6	33.1	1.1	0.5
Unearned Revenues	19.4	19.3	19.2	0.1	0.1
Net Position:					
Net Investment in Capital Assets	19.3	(16.8)	(63.2)	36.1	46.4
Restricted Net Position	52.2	46.2	92.3	6.0	(46.1)
Unrestricted Net Position	66.6	85.5	67.4	(18.9)	18.1
Total Net Position	138.1	114.9	96.5	23.2	18.4
Total Liabilities and Net Position	$ 488.3	$ 467.6	$ 455.5	$ 20.7	$ 12.1
Totals may not foot due to rounding.					

See accompanying independent auditors' report.

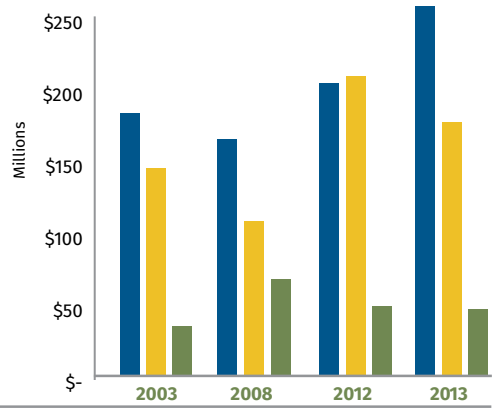
Assets and Deferred Outflows of Resources

The total assets and deferred outflows of resources of MRES and WMMPA at December 31, 2013 increased by $20.7 million or 4 percent compared to December 31, 2012. The largest variance was a $54.6 million increase in net capital assets, from $207.7 million to $262.3 million. The increase in net capital assets was largely due to an increase in construction work in progress related to the CapX transmission projects and the Red Rock Hydroelectric Project (RRHP). Other non-current assets increased at December 31, 2013 compared to the prior year by $16.3 million, from $76.7 million to $93.0 million. A majority of the increase is due to the $19.4 million increase in long-term investments, which was offset by a 2.7 million decrease due to the reduction in abandoned plant costs resulting from amortization and the Hutchinson note receivable being paid off in 2013. Total cash and investments decreased by $32.2 million, from $212.2 million to $180.0 million. The decrease in cash and investments was largely due to the funding of the capital additions offset by cash provided from operating income. Accounts and notes receivable increased from $17.9 million to $20.9 million. The receivable for long-term power sales increased by $2.3 million due to the colder weather in December 2013 compared to December 2012.

The total assets and deferred outflows of resources of MRES and WMMPA at December 31, 2012 increased by $12.1 million or 3 percent compared to December 31, 2011. The largest variance was a $38.6 million increase in net capital assets, from $169.1 million to $207.7 million. The increase in net capital assets was largely due to the CapX Alexandria Substation project being placed into service and an increase in construction work in progress related to the CapX transmission projects and RRHP. Other non-current assets decreased at December 31, 2012 compared to the prior year by $24.4 million, from $101.1 million to $76.7 million. The $18.0 million in lower long-term investments was the largest portion of the decrease in other non-current assets. Of the remaining $6.4 million decrease in other non-current assets, $3.0 million was due to the reduction in abandoned plant costs resulting from amortization and revenues received. Total cash and investments decreased by $22.4 million, from $234.6 million to $212.2 million. The decrease in cash and investments was largely due to the funding of the capital additions offset by operating income.

MRES AND WMMPA ASSETS

(2003-2013)



	2003	2008	2012	2013
Net Plant	185	166	208	262
Cash and Investments	146	108	212	180
Other Assets	34	67	48	46

Accounts and notes receivable increased from $14.6 million to $17.9 million. The receivable for long-term power sales increased by $1.7 million due to the milder weather in December 2011 compared to December 2012. The approximate $1.3 million increase in other accounts receivable was primarily due to higher receivables for transmission activities.

The largest asset and deferred outflows of resources of MRES and WMMPA at December 31, 2013 was net capital assets, which totaled $262.3 million or 54 percent of total assets and deferred outflows of resources, at December 31, 2013, compared to $207.7 million or 44 percent of total assets and deferred outflows of resources, at December 31, 2012. The $54.6 million net change in net capital assets during 2013 included an $8.8 million increase in utility plant in service and a $48.1 million increase in construction work in progress offset by a $2.3 million increase in accumulated depreciation.

Net capital assets totaled $207.7 million or 44 percent of total assets, at December 31, 2012, compared to $169.1 million, or 37 percent of total assets, at December 31, 2011. The $38.6 million net change in net capital assets during 2012 included a $9.2 million increase in utility plant in service and a $30.9 million increase in construction work in progress offset by a $1.5 million increase in accumulated depreciation.

See accompanying independent auditors' report.

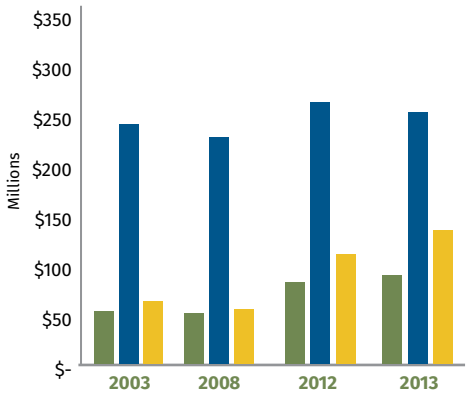
Total cash and investments was the second largest asset and deferred outflows of resources of MRES and WMMPA at December 31, 2013. Cash and investments totaled $180.0 million or 37 percent of total assets and deferred outflows of resources at December 31, 2013, a decrease of $32.2 million, compared to December 31, 2012. The decrease in cash and investments during 2013 is largely due to expenditures for CapX transmission projects and RRHP. At December 31, 2013, approximately $70.9 million of total cash and investments was restricted for debt service, capital projects and other required purposes and the remaining $109.1 million is unrestricted. During 2013, WMMPA and MRES transferred approximately $27.8 million of unrestricted cash and investments to equity fund the Debt Service Reserve Account (DSRA). This equity funding of the DSRA delayed the need to issue additional debt and improved the debt/equity position of WMMPA and MRES. The $180.0 million of cash and investments represents over 15 months of the 2013 operating expenses. Cash and investment levels are determined by bond resolution requirements and Board policy to provide rate stability, handle unexpected contingencies and provide adequate resources for projected capital requirements.

Cash and investments totaled $212.2 million or 45 percent of total assets and deferred outflows of resources at December 31, 2012, a decrease of $22.4 million, compared to December 31, 2011. The decrease in cash and investments during 2012 is largely due to expenditures for CapX transmission projects and RRHP. At December 31, 2012, approximately $92.1 million of cash and investments was restricted for debt service, capital projects and other required purposes and the remaining $120.1 million was unrestricted. The $212.2 million represents over 18 months of the 2012 operating expenses.

All other assets and deferred outflows of resources of MRES and WMMPA totaled $46.0 million at December 31, 2013, a decrease of $1.8 million compared to the prior year. Accounts and notes receivable was $3.0 million higher, which was due to an increase in sales to members. The fuel stock at the Missouri Basin Power Project (MBPP) and the Exira Station (Exira) decreased by $2.4 million in 2013 compared to 2012. The decrease in other non-current assets of $3.8 million includes $2.0 million of amortization of the accumulated costs of canceled power and transmission projects and revenues received for transmission rights in these projects and a $1.0 million reduction in notes receivable from Hutchinson. The deferred outflows of resources decreased $0.8 million during 2013 due to the amortization of the net loss on reacquired debt.

All other assets and deferred outflows of resources of MRES and WMMPA totaled $47.7 million at December 31, 2012, a decrease of $4.1 million compared to the prior year. Of this decrease, $7.3 million was due to lower other non-current assets, which was offset by accounts and notes receivable being $3.3 million higher. The decrease in other non-current assets includes $3.0 million of amortization of the accumulated costs of canceled power and transmission projects and revenues received for transmission rights in these projects, the transfer of $2.0 million of accumulated expenses for power supply and transmission projects from deferred charges to construction work in progress and a $1.2 million reduction in notes receivable. The deferred outflows of resources decreased $1.4 million during 2012 due to the amortization of the net loss on reacquired debt.

MRES AND WMMPA NET POSITION AND LIABILITIES (2003-2013)



	2003	2008	2012	2013
Other Liabilities	55	54	84	92
Long-term Debt	246	232	268	258
Net Position	65	55	115	138

See accompanying independent auditors' report.

Liabilities and Net Position

The largest liability of MRES and WMMPA is long-term debt, which totaled $239.1 million or 49 percent of total liabilities and net position at December 31, 2013. Long-term debt decreased by approximately $15.5 million during 2013. The decrease in 2013 was due to scheduled principal payments and amortization of debt premium. Long-term debt at December 31, 2012 totaled $254.6 million or 54 percent of total liabilities and net position, a decrease of $15.8 million from the prior year. The decrease was due to scheduled principal payments and amortization of debt premium.

Net position totaled $138.1 million at December 31, 2013 or 28 percent of the total liabilities and net position compared to $114.9 million or 25 percent of total liabilities and net position at December 31, 2012. The $23.2 million increase in net position in 2013 was the MRES and WMMPA change in net position for 2013. During 2012 and 2011, net position increased by $18.4 million and $17.8 million, respectively, the MRES and WMMPA change in net position for each year.

Revenues collected for future costs of $34.7 million at December 31, 2013 and $33.6 million at December 31, 2012 represent 7 percent of total liabilities and net position for both years. Unearned revenues totaled $19.4 million at December 31, 2013 and $19.3 million at December 31, 2012, which represents 4 percent of total liabilities and net position for both years. Current liabilities represent the remaining 12 percent ($57.0 million) of total liabilities and net position at December 31, 2013 and 10 percent ($45.2 million) for 2012. Unrestricted accounts payable increased by $5.2 million in 2013 compared to the prior year, due to the funding of the CapX and RRHP projects. Accounts payable increased by $4.0 million in 2012 compared to the prior year, due to the increase in operating expenses and the estimated true-up for transmission activities.

Debt Activity

During 2013, WMMPA issued Power Supply Revenue Bonds, Series 2013 A (2013 Bonds) in an amount not to exceed $60 million to fund capital additions. WMMPA executed a $60 million Revolving Credit Agreement (Credit Agreement) with JP Morgan Chase Bank, National Association in connection with the 2013 Bonds. As of December 31, 2013, WMMPA had received advances of $5.1 million from the Credit Agreement. During 2013, WMMPA made scheduled principal payments of $13.9 million. Revenue Bonds are expected to be issued in 2014 to pay the outstanding balance of the Credit Agreement and to fund additional expenditures for capital assets. WMMPA issued $49.4 million of Power Supply Revenue Bonds and made scheduled principal payments of $13.2 million during 2012. The 2012 bond issuance refunded the 2003 Series A Power Supply Revenue Bonds and had a net present value savings of $11.2 million, 19.6 percent of refunded bonds. In 2011, WMMPA did not issue any debt and made scheduled principal payments of $14.8 million.

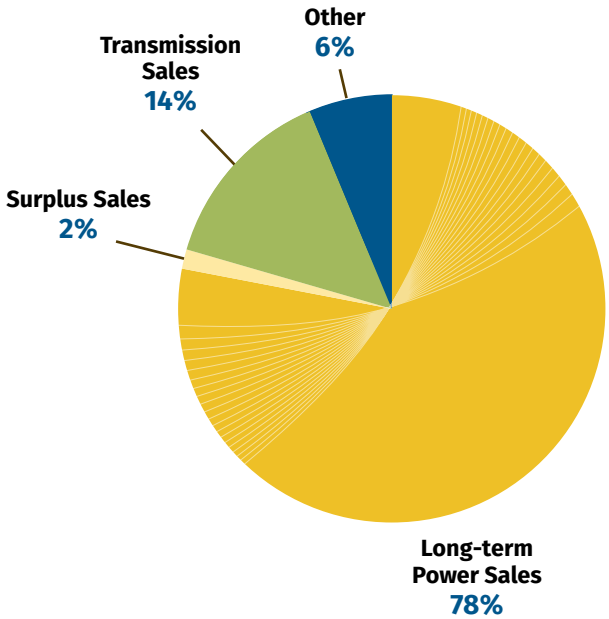
Debt Ratings

Following are the current underlying ratings for outstanding WMMPA revenue bonds:

Fitch	AA- (stable outlook)
Moody's	Aa 3 (stable outlook)

Moody's increased the debt rating on WMMPA revenue bonds from A1 with a positive outlook to Aa3 with a stable outlook in April 2012.

2013 SOURCES OF REVENUE



See accompanying independent auditors' report.

Results of Operations

Condensed Statement of Revenues, Expenses and Changes in Net Position (Million $)

	2013	2012	2011	2013 Dollar Change	2012 Dollar Change
Operating Revenues	$ 178.4	$ 169.9	$ 152.0	$ 8.5	$ 17.9
Operating Expenses	142.2	138.5	121.1	3.7	17.4
Operating Income	36.2	31.4	30.9	4.8	0.5
Investment and Other Income	6.6	6.7	6.6	(0.1)	0.1
Interest Expense	(13.6)	(14.3)	(14.7)	0.7	0.4
Other Non-operating (Expenses) Income	(2.9)	(2.7)	(3.3)	(0.2)	0.6
Amortization of Reserves Previously Collected	5.1	5.1	5.1	-	-
Amortization of cancelled power supply and transmission projects	(2.0)	(2.2)	(2.2)	0.2	-
Net costs recoverable in (for) future years	(6.2)	(5.6)	(4.6)	(0.6)	(1.0)
Change in Net Position	23.2	18.4	17.8	4.8	0.6
Ending Net Position	$ 138.1	$ 114.9	$ 96.5	$ 23.2	$ 18.4
Totals may not foot due to rounding.					

Operating Revenues

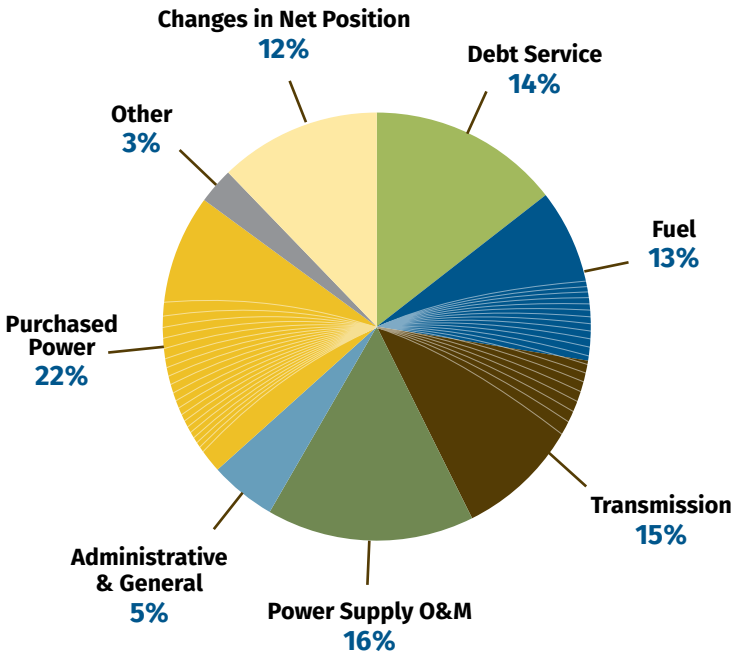
Long-term power sales revenue for 2013 was approximately $148.3 million, compared to $145.2 million and $128.8 million in 2012 and 2011, respectively. The 2013 long-term power sales revenue was 2 percent higher than in 2012. The 13 percent increase in 2012 revenue compared to 2011 was largely due to Pella, Iowa taking service under a long-term power sale agreement effective April 1, 2012. The long-term power rates for 2013, 2012 and 2011 were unchanged from the previous year. The average rate for long-term power sales was approximately 5.6 cents per kilowatt-hour in 2013 compared to 5.7 cents in 2012 and 5.6 cents in 2011.

Short-term power sales revenue of $2.8 million remained unchanged from 2012 to 2013 and was 59 percent lower in 2012 than in 2011. The megawatt-hours (MWh) sold in the surplus market was 16 percent lower in 2013 than in 2012, with the average price received for the surplus energy sold being 19 percent higher in 2013 than in 2012. The lower 2013 MWh sales in the surplus market was largely due to higher MWh sales to long-term power supply members. MWh sold in the surplus market was 64 percent lower in 2012 than in 2011, with the average price received for the surplus energy sold being 14 percent higher in 2012 than in 2011. The decrease in MWh sold in the surplus market in 2012 was due to Laramie River Station (LRS) scheduled and unplanned outages and the additional power sales to Pella.

The revenue received for transmission services increased by $5.3 million (24 percent) in 2013 compared to a $5.5 million (34 percent) increase from 2011 to 2012. The increase in transmission revenue in 2013 compared to 2012 was largely due to higher transmission expenses paid to other utilities and higher revenue from being a Midcontinent Independent Transmission System Operator, Inc. (MISO) transmission owner. The increase in transmission revenue in 2012 compared to 2011 was largely due to three additional members taking service under a transmission service agreement with MRES and additional revenue from being a MISO transmission owner.

See accompanying independent auditors' report.

2013 USES OF REVENUE



Operating Expenses and Net Operating Income

Fuel expense for 2013 of $24.8 million was 57 percent higher than in 2012 ($15.8 million) and 33 percent lower in 2012 compared to 2011 ($23.5 million). The 2013 generation at Laramie River Station (LRS) was 1.9 million MWh compared to 1.2 million MWh in 2012 and 2.0 million MWh in 2011. The higher 2013 generation compared to 2012 generation was due to the triennial scheduled maintenance outage and higher than expected unplanned outages in 2012. The average fuel cost for LRS was 9 percent higher in 2013 than in 2012 and 6 percent higher in 2012 than in 2011. The 2013 generation at natural gas-fired Exira was 10,081 MWh, 45,375 MWh and 11,469 MWh in 2013, 2012 and 2011, respectively. The higher generation at Exira in 2012 was primarily due to replacing LRS generation during outages when it was more economical to run Exira than purchase energy from the market. The average cost of generation at Exira was 22 percent higher in 2013 than in 2012 and 30 percent lower in 2012 than in 2011.

Purchase power expense for 2013 of $41.3 million was 22 percent lower than in 2012 ($52.9 million) and 66 percent higher in 2012 than in 2011 ($31.8 million). The lower purchased power expense in 2013 compared to 2012 was largely due to higher 2012 market purchases to replace the lower LRS generation. The higher purchased power in 2012 compared to 2011 was due to additional purchases to replace the lower LRS generation, purchases required to provide service to Pella and a long-term purchased power agreement for nuclear capacity for a full year in 2012. The average cost per MWh purchased was 5 percent lower in 2013 than in 2012 and 7 percent lower in 2012 than in 2011. All other operating expenses totaled $76.1 million in 2013, $69.8 million in 2012 and $65.7 million in 2011. The largest increase in other operating expense in 2013 compared to 2012 was due to higher transmission expenses paid to other utilities. The largest increase in other operating expense in 2012 compared to 2011 was due to transmission expense related to three additional members taking service under a transmission service agreement with MRES.

Net operating income was $36.2 million in 2013 compared to $31.4 million and $30.9 million in 2012 and 2011, respectively.

Non-Operating Revenues and Expenses

For the years ended December 31, 2013 and 2012, non-operating expenses exceeded non-operating revenues by $13.0 million compared to $13.1 million in 2011.

Investment income totaled $1.2 million in 2013, $1.3 million in 2012 and $1.5 million for 2011. The lower investment income during 2013 compared to the previous year was due a decrease in average funds available to invest and slightly lower yields. The lower investment income during 2012 compared to the previous year was due to lower average funds available to invest and lower yields. Interest expense was $13.6 million, $14.3 million and $14.7 million in 2013, 2012 and 2011, respectively. The lower interest expense for 2013 compared to 2012 was due to scheduled principal payments. The lower interest expense for 2012 compared to 2011 was due to scheduled principal payments and the refunding of the 2003

See accompanying independent auditors' report.

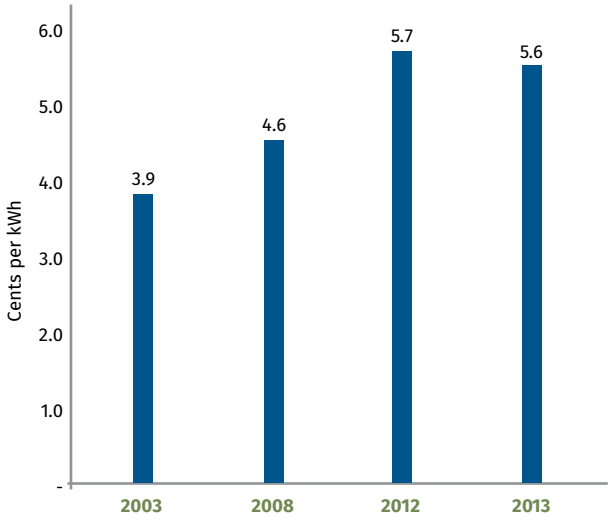
Series A Bonds. The five year amortization of reserves previously collected and cost of cancelled power supply and transmission projects started in 2011 and will be completed in 2015. Debt principal requirements exceeded depreciation and amortization expense by $6.7 million, $5.6 million and $4.4 million in 2013, 2012 and 2011, respectively. The difference between debt principal requirements and depreciation and amortization and the deferral of unrealized gain or loss on investments reflects MRES and WMMPA utilizing the accrual basis of accounting and follow the provisions of Government Accounting Standards Board (GASB) No. 62 *Regulated Operations*, which conforms to Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation. In general, GASB 62 relates to the deferral of revenues and expenses to or from future periods to the period that revenues are expected to be earned or expenses are expected to be recovered through the rates charged to its members.

Other income totaled $5.3 million, $5.5 million and $5.1 million in 2013, 2012 and 2011, respectively. The slight decrease in other income from 2012 to 2013 is largely due to lower subsidy payments from the U.S. Treasury for Build America Bonds due to sequestration.

This financial report is designed to provide members, investors and creditors with a general overview of the finances of MRES and WMMPA. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to: Missouri River Energy Services, 3724 West Avera Drive, Sioux Falls, SD 57108-5750.

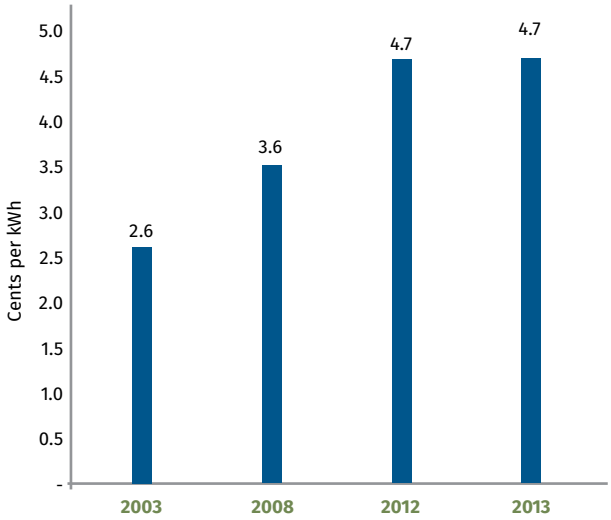
MRES AVERAGE LONG-TERM POWER SUPPLY RATE

(2003-2013)



BLENDED COST OF ENERGY SUPPLIED BY MRES AND WAPA

(2003-2013)



See accompanying independent auditors' report.

Missouri Basin Municipal Power Agency d.b.a. Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statement of Net Position

	December 31	
	2013	2012
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
Current Assets:		
Cash and cash equivalents (Note 5):		
Restricted	$ 33,621,844	$ 39,319,920
Unrestricted	27,371,643	21,214,832
Total cash and cash equivalents	60,993,487	60,534,752
Short-term investments (Note 5):		
Restricted	20,335,448	31,888,680
Unrestricted	12,675,971	53,108,595
Total short-term investments	33,011,419	84,997,275
Accounts and notes receivable	20,926,118	17,895,650
Advances to Missouri Basin Power Project (MBPP) (Note 6)	3,383,936	2,804,668
Fuel stock	4,203,631	6,646,775
Materials and supplies	4,406,930	3,782,919
Other current assets	5,117,135	4,876,215
Total Current Assets	132,042,656	181,538,254
Non-Current Assets:		
Long-term investments (Note 5):		
Restricted	16,910,667	20,890,157
Unrestricted	69,115,527	45,764,377
Total long-term investments	86,026,194	66,654,534
Capital assets (Note 7):		
Utility plant in service	388,834,171	379,963,721
Less-accumulated depreciation	(224,788,189)	(222,447,417)
Net utility plant in service	164,045,982	157,516,304
Construction work in progress	98,260,137	50,177,022
Net capital assets	262,306,119	207,693,326
Unamortized debt expense - regulatory asset	2,406,757	2,720,121
Other non-current assets	4,578,654	7,276,924
TOTAL ASSETS	487,360,380	465,883,159
Deferred Outflows of Resources		
Unamortized loss on reacquired debt	957,980	1,729,126
Total Deferred Outflows of Resources	957,980	1,729,126
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 488,318,360	$ 467,612,285

The accompanying notes to the combined financial statements are an integral part of these statements.

Missouri Basin Municipal Power Agency d.b.a. Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statement of Net Position

	December 31	
	2013	2012
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts payable - unrestricted	$ 17,772,688	$ 12,549,606
Accrued taxes	1,351,592	1,261,773
Revolving credit agreement	5,060,000	—
Current liabilities payable from restricted assets:		
Accounts payable - restricted	11,856,470	11,117,500
Current maturities of revenue bonds (Note 8)	14,165,000	13,855,000
Accrued interest	6,810,307	6,368,263
Total Current Liabilities	57,016,057	45,152,142
Non-Current Liabilities:		
Revenue bonds, excluding current maturities (Note 8):	239,067,457	254,600,841
Revenues collected for future costs - regulatory liability	34,738,397	33,632,249
Unearned revenue (Note 12)	19,371,263	19,306,276
Total Non-Current Liabilities	293,177,117	307,539,366
Total Liabilities	350,193,174	352,691,508
Commitments and Contingencies (Notes 3, 6 and 12)	—	—
Net Position:		
Net investment in capital assets	19,279,210	(16,788,395)
Restricted:		
Debt service	42,412,804	13,864,999
Capital additions	—	23,888,677
Other	9,788,378	8,442,089
Total Restricted	52,201,182	46,195,765
Unrestricted	66,644,794	85,513,407
Total Net Position	138,125,186	114,920,777
TOTAL LIABILITIES AND NET POSITION	$ 488,318,360	$ 467,612,285

The accompanying notes to the combined financial statements are an integral part of these statements.

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

	Years Ended December 31	
	2013	**2012**
Operating Revenues (Notes 3 and 9):		
Long-term power sales	$ 148,268,113	$ 145,191,492
Short-term power sales	2,785,933	2,801,604
Transmission services	27,089,208	21,836,134
Other operating income	250,076	87,652
Total Operating Revenues	178,393,330	169,916,882
Operating Expenses:		
Fuel	24,846,928	15,793,153
Purchased power	41,276,706	52,867,224
Other power supply operation and maintenance	29,817,289	28,607,439
Depreciation and amortization	6,174,051	5,874,659
Transmission operation and maintenance	28,701,461	24,925,642
Customer information and collections	182,643	195,901
Administrative and general	9,528,181	8,546,500
Property taxes	1,687,651	1,663,475
Total Operating Expenses	142,214,910	138,473,993
Operating Income	36,178,420	31,442,889
Non-Operating Revenues (Expenses):		
Investment income	1,240,972	1,259,313
Other income	5,338,494	5,450,013
Other expense	(2,674,360)	(2,462,560)
Interest expense	(13,620,688)	(14,317,829)
Allowance for funds used during construction	—	247,626
Amortization of financing related costs, premium and discount	283,876	(413,000)
Amortization of reserves previously collected	5,065,269	5,065,269
Amortization of canceled power supply and transmission project	(1,953,874)	(2,188,506)
Unrealized gain (loss) on investments	(482,281)	(25,075)
Net costs recoverable in (for) future years:		
Principal in excess of depreciation and amortization	(6,653,700)	(5,641,118)
Other costs recoverable in (for) future years	482,281	25,075
Total Non-Operating Expenses	(12,974,011)	(13,000,792)
Change in Net Position	23,204,409	18,442,097
Net Position:		
Beginning of year	114,920,777	96,478,680
End of year	$ 138,125,186	$ 114,920,777

The accompanying notes to the combined financial statements are an integral part of these statements.

Missouri Basin Municipal Power Agency d.b.a. Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statement of Cash Flow

	Years Ended December 31	
	2013	2012
Cash Flows From (Used For) Operating Activities:		
Received from members and others	$ 179,902,626	$ 171,922,585
Paid to suppliers for goods and services	(124,286,656)	(122,189,174)
Paid to employees for operating payroll	(7,499,424)	(7,069,501)
Net Cash Flows From Operating Activities	48,116,546	42,663,910
Cash Flows From (Used For) Capital and Related Financing Activities:		
Additions to utility plant	(61,886,358)	(40,358,290)
Net proceeds from issuance of revenue bonds	—	57,867,554
Bond issuance costs	—	(756,921)
Bonds defeased	—	(56,980,000)
Net proceeds from short-term debt	5,060,000	—
Net refunds from development of capital projects	1,717,906	1,668,338
Mine development repayments	1,036,021	867,667
Revenue bond payments	(13,855,000)	(13,160,000)
Interest paid on revenue bonds	(13,178,644)	(15,309,270)
Other	29,194	(298,626)
Net Cash Flows Used For Capital and Related Financing Activities	(81,076,881)	(66,459,548)
Cash Flows From (Used For) Investing Activities:		
Proceeds from maturity and sale of investment securities	99,572,822	143,266,439
Purchase of investment securities	(67,440,907)	(111,967,055)
Investment income received	1,287,155	1,363,835
Net Cash Flows From (Used For) Investing Activities	33,419,070	32,663,219
Net Change in Cash and Cash Equivalents	458,735	8,867,581
Cash and Cash Equivalents, Beginning of Year	60,534,752	51,667,171
Cash and Cash Equivalents, End of Year	$ 60,993,487	$ 60,534,752
Reconciliation of Operating Income to Net Cash Flows From Operating Activities:		
Operating income	$ 36,178,420	$ 31,442,889
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation and amortization	6,174,051	5,874,659
Member assessments and miscellaneous income	5,117,668	5,200,813
Other expenses	(709,880)	(2,462,560)
Changes in assets and liabilities:		
Accounts receivable	(3,673,359)	(3,253,985)
Advances to MBPP	(1,615,289)	722,238
Fuel stock	2,443,144	(911,825)
Materials and supplies	(624,011)	(216,098)
Other current assets	(1,269,343)	(974,814)
Accounts payable	5,935,097	6,912,670
Accrued taxes	95,061	271,047
Unearned revenue	64,987	58,876
Net Cash Flow From Operating Activities	$ 48,116,546	$ 42,663,910
Reconciliation of Cash and Cash Equivalents to Statement of Net Position:		
Cash and Cash Equivalents:		
Restricted	$ 33,621,844	$ 39,319,920
Unrestricted	27,371,643	21,214,832
Short-term Investments:		
Restricted	20,335,448	31,888,680
Unrestricted	12,675,971	53,108,595
Long-term Investments:		
Restricted	16,910,667	20,890,157
Unrestricted	69,115,527	45,764,377
Total Cash and Investments	180,031,100	212,186,561
Less: Noncash Equivalents	(119,037,613)	(151,651,809)
TOTAL CASH AND CASH EQUIVALENTS	$ 60,993,487	$ 60,534,752

The accompanying notes to the combined financial statements are an integral part of these statements.

Missouri Basin Municipal Power Agency d.b.a. Missouri River Energy Services (MRES)
Western Minnesota Municipal Power Agency (WMMPA)
Notes to Combined Financial Statements

1. ORGANIZATION

Missouri Basin Municipal Power Agency d.b.a. Missouri River Energy Services (MRES) is a body corporate and politic, organized under the laws of the State of Iowa. Membership consists of 61 municipalities in the states of Iowa, Minnesota, North Dakota and South Dakota that own and operate utilities for the local distribution of electricity.

Western Minnesota Municipal Power Agency (WMMPA) is a municipal corporation and political subdivision of the State of Minnesota. The WMMPA membership consists of 23 municipalities in the state of Minnesota. All WMMPA members are also members of MRES.

WMMPA owns (1) a 16.47 percent undivided interest in the Missouri Basin Power Project (MBPP), a 1,710 megawatt (MW) coal-fired generating facility; (2) the Exira Station (Exira), a 140 MW natural gas-fired generating facility; (3) the Watertown Power Plant (WPP), a 60 MW oil-fired generating plant; (4) the Worthington Wind Project, four wind turbines with a total capacity of 3.7 MW; (5) the Red Rock Hydroelectric Project (RRHP), a planned 36.4 MW hydroelectric generating facility; (6) a headquarters building; and (7) varying ownership interests in transmission facilities.

Pursuant to a power supply contract, MRES has purchased the WMMPA entitlement in its generation and transmission facilities and MRES has, in turn, sold the output and capacity of these facilities to certain of its members under terms of separate Long-term Power Sale Agreements and Transmission Service Agreements (Notes 3 and 4). MRES and WMMPA are not rate-regulated by any federal or state authority, or subject to federal or state income taxes.

MRES performs all requested administrative services on behalf of WMMPA, which has no employees of its own, under an administrative services agreement that is in effect until 2046 and may be terminated thereafter by either party upon two years written notice.

The financial statements of MRES and WMMPA have been combined to reflect the contractual and economic relationship between the two organizations (Note 4).

2. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Method

The combined financial statements of MRES and WMMPA are presented in conformity with generally accepted accounting principles (GAAP) and accounting records are maintained in accordance with the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC). All material intercompany balances and transactions between MRES and WMMPA have been eliminated from the combined statements.

In reporting financial activity, MRES and WMMPA apply the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), except for those that conflict with or contradict Government Accounting Standards Board (GASB) pronouncements.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renamed Net Assets as Net Position and amended the related reporting requirements. MRES and WMMPA implemented this standard effective January 1, 2012, with the only significant impact being related to Net Position.

MRES and WMMPA use the accrual basis of accounting and follow the provisions of GASB No. 62 *Regulated Operations* (GASB 62), which conforms to Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation. In general, GASB 62 relates to the deferral of revenues and expenses to or from future periods to the period that revenues are expected to be earned or expenses that are expected to be recovered through the rates charged to its members.

Net Position is classified into three components:

Net investment in capital assets – This component consists of net capital assets reduced by the outstanding balances of revenue bonds attributable to the acquisition, construction, or improvement of capital assets. Unspent debt proceeds at year end are classified as restricted and are not included in this component.

Restricted – This component of net position consists of constraints imposed by the WMMPA Power Supply Revenue Bond Resolution (Bond Resolution).

Unrestricted – This component consists of the portion of the net position of MRES and WMMPA that does not meet the definition of "restricted" or "net investments in capital assets."

When both restricted and unrestricted resources are available for use, it is the policy of MRES and WMMPA to use restricted resources first, then unrestricted resources as they are needed.

In March 2012, the GASB issued Statement No. 65 - Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. MRES and WMMPA implemented this standard effective January 1, 2013.

B. Revenue Recognition

Revenue is accrued through the end of each month.

C. Operating Revenues and Expenses

MRES and WMMPA distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from generating, purchasing and delivering electric power and energy. The principal operating revenues of MRES are revenues from members and others for the generation, purchase and delivery of electric power and energy. Operating expenses for MRES and WMMPA include the cost of generating, purchasing and delivering electric power and energy, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. A majority of the non-operating expenses are related to distribution maintenance for four of MRES' member communities and one associate member. The other non-operating revenues are primarily related to distribution maintenance income received from four of the MRES member communities and one associate member and income received from the U.S. Treasury for the Build America Bonds. The other non-operating expenses are related to distribution maintenance.

D. Utility Plant

Utility plant is stated at cost. MRES and WMMPA capitalize assets with a cost in excess of $1,000 and life of more than one year, with the exception of MBPP assets, which are capitalized in excess of $10,000.

Interest during construction is recorded in accordance with ASC Section 835 *Capitalization of Interest* (ASC 835). MRES and WMMPA accrue interest during construction if the construction period is expected to exceed 12 months based on interest costs incurred. Interest during construction is not accrued on transmission assets that FERC has approved including Construction Work in Progress (CWIP) in rate base or if the MRES Board has approved collecting the interest through current rates. The cost of utility plant retired, plus the cost of removal less salvage, is charged to accumulated depreciation. Repairs and maintenance of units of property are charged to operations.

MRES and WMMPA use the provisions of ASC Section 410 *Asset Retirement and Environmental Obligations* (ASC 410), formerly known as Statement of Financial Accounting Standards Board issued Statement No. 143, "Accounting for Asset Retirement Obligations," which establishes accounting standards for the recognition and measurement of a liability for legal obligations associated with the retirement of long-lived assets.

E. Depreciation

WMMPA and MRES utilize straight line depreciation for all depreciable assets. The estimated service lives for capital assets are 25 to 52 years for generation plant, 40 to 60 years for transmission plant, 52 years for intangible plant and 5 to 50 years for general plant.

Depreciation expense, expressed as a percent of depreciable utility plant in service was 1.6 percent for both 2013 and 2012.

F. Inventories

Fuel stock inventory and materials and supplies are stated at weighted average cost.

G. Investments

Investment securities are stated at market value based on quoted market prices. Gains or losses on the sale of investment securities are recognized using the specific identification method.

H. Restricted Assets

Restricted assets consist of cash and investments required to be maintained or restricted by the Bond Resolution. Current liabilities payable from these restricted assets are also classified as restricted. WMMPA is in compliance with all Bond Resolution funding requirements.

I. Amortization

Unamortized debt issuance costs and premium are amortized over the term of the bonds. Additionally, gains and losses resulting from the defeasance or early redemption of bonds are recorded as deferred outflow and amortized over the term of the new debt. WMMPA amortizes these amounts based on the straight-line method, which approximates the effective interest rate method.

J. Compensated Absences

Employees are granted and accrue paid time off in varying amounts in accordance with the MRES Personnel Policies. Only compensated absences considered to be vested are accrued in these statements.

K. Revenues Collected for Future Costs

This liability established pursuant to GASB 62 includes (1) the unamortized balance of funds collected for renewal and replacement of utility plant and significant unplanned replacement power costs; (2) the difference between debt principal collected in rates and depreciation expense; and (3) unrealized gain or loss on investments.

L. Statements of Cash Flows

All highly liquid investments with a remaining maturity of three months or less at the date of purchase are considered cash equivalents.

M. Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses to prepare these combined financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from the estimates. MRES participates in the Midcontinent Independent System Operator, Inc. (MISO) energy market. MISO may true-up revenues and expenses dating back to April 1, 2005. MRES accrues revenue and expenses that are known at the time of closing but since there is such a long window for true-ups, actual results may differ from estimates.

N. Deferred Outflow of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

O. Subsequent Events

MRES and WMMPA considered events for recognition or disclosure in the financial statements that occurred subsequent to December 31, 2013 through April 1, 2014, the date the financial statements were available for issuance. Management is aware of a material subsequent event and disclosed the event in footnote 11 in the financial statements.

P. Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to current year presentation.

3. SALE AGREEMENTS

A. Power Sale Agreements

MRES and WMMPA have Long-term Power Sale Agreements with 60 members (Power Supply Members). 57 of the members (S-1 Members) have executed S-1 Power Sale Agreements (S-1 Agreements) and three members have executed Non S-1 Power Sales Agreements. The S-1 Agreements for 56 of the S-1 Members require MRES to provide and obligate the S-1 Member to purchase, all energy and capacity required by the S-1 Member in excess of the electric power and energy made available to each S-1 Member from the Western Area Power Administration (WAPA). The S-1 Agreement for the other S-1 Member requires MRES to provide and obligates the S-1 Member to purchase all energy and capacity required in excess of the electric power and energy made available from WAPA and another power supplier through June 30, 2016 and all requirements in excess of power and energy provided by WAPA after June 30, 2016. The S-1 Agreements expire on January 1, 2046. S-1 Members have an option, exercisable every five years, to cap purchases from MRES at the level of service provided by MRES two years following exercise of the option. None of the S-1 Members have elected to cap their purchases from MRES. The next option date for capping purchases from MRES is 2017.

The sale of power and energy under the two of the Non S-1 Agreements during 2013 and 2012 was based on a 100 percent load factor, i.e., the same level of power and energy every hour. Effective April 1, 2012, MRES provided 100 percent of the demand and energy requirements under one of the Non S-1 Power Sale Agreements. Two of the Non S-1 Power Sales Agreements expire January 1, 2046 and the other January 1, 2030.

Sales revenue associated with all Long-term Power Sale Agreements is classified in the accompanying statements as "long-term power sales." Under terms of the Long-term Power Sale Agreements, MRES is required to establish and maintain rates that will provide sufficient revenues to cover the payments under the Power Supply Contract.

MRES has contracted to collect payments for WAPA power and energy purchased by the S-1 Members and remits these payments to WAPA. Since MRES is only acting as agent for the S-1 Members, these amounts are not reflected as revenue or expense in the Combined Statements of Revenues, Expenses and Changes in Net Position. The WAPA power and energy purchased by the S-1 Members that MRES was responsible for collecting and remitting to WAPA totaled approximately $60,460,000 and $60,338,000 for the 12 months ended December 31, 2013 and December 31, 2012, respectively.

The revenue requirements of the Long-term Power Sale Agreements include expenses for use of certain transmission facilities. The majority of the expenses involve the charge levied by WAPA for use of the facilities of WAPA, WMMPA and three other utilities. The expenses incurred by MRES for use of these transmission facilities approximated $11,701,000 and $10,636,000 in 2013 and 2012, respectively.

In addition to sales under the Long-term Power Sale Agreements, MRES has arrangements to sell wholesale power and energy to other customers or MISO on short-term firm and non-firm bases. Revenues associated with these sales are classified in the accompanying statements as "short-term power sales."

B. Transmission Service Agreements

WMMPA and MRES have a Transmission Service Agreement with 12 Transmission Customers. An additional 11 Transmission Customers have Transmission Service Agreements solely with MRES. The expiration of the Transmission Service Agreements varies between January 1, 2016 and January 1, 2021. The Transmission Service Agreements automatically renew upon expiration until terminated by either MRES or the Transmission Customer(s). The revenues collected pursuant to the Transmission Service Agreements between WMMPA, MRES and 12 Transmission Customers are available for payments under the Power Supply Contract until January 1, 2016 and are not available for payments under the Power Supply Contract after that date.

4. SUPPLY CONTRACTS

A. Power Supply Contract

Under the Power Supply Contract, WMMPA is obligated to sell to MRES and MRES is obligated to buy from WMMPA, on a take-and-pay basis, entitlement in the generation, transmission and general plant facilities owned by WMMPA and all replacement power and energy required by the Power Supply Members. These members must take and pay for all electric power and energy made available under these agreements (Note 3A).

B. Purchase Power Agreements

MRES has twenty year purchase power agreements (PPAs) with various third parties to receive the output of approximately 79 MW of wind generation and 33 MW of nuclear generation. The wind generation PPAs expire between 2024 and 2029 and the nuclear generation PPA expires in 2033.

5. INVESTMENTS

The investments for MRES and WMMPA are in accordance with the Bond Resolution; the Assignment and Pledge Agreement among MRES, WMMPA and the Agent Bank; the MRES Investment Policy; the WMMPA Investment Policy (which conforms to the Bond Resolution); and applicable state law. These documents allow investment in securities issued by the United States Government, its agencies and instrumentalities, certain state and local government securities, specified corporate obligations, and certain bank instruments.

Custodial Credit Risk

Deposits

Deposit custodial credit risk is the risk that in the event of a financial institution failure, the entity's deposits may not be returned to MRES or WMMPA. Deposits in each bank were insured by the Federal Deposit Insurance Corporation (FDIC) in the aggregate amount of $250,000 for interest-bearing and noninterest-bearing accounts in 2013. Deposits in each bank were insured by the FDIC in the amount of $250,000 for interest-bearing accounts and unlimited amounts for noninterest-bearing accounts during 2012. State law and the MRES and WMMPA Investment Policies require collateralization of all deposits above the FDIC limit. At December 31, 2013 and 2012, MRES and WMMPA deposits were entirely insured or collateralized. MRES also holds a collateral account with MISO which totaled $50,000 at both December 31, 2013 and 2012.

Investments

Investment custodial credit risk is the risk that in the event of the failure of the counterparty, MRES and WMMPA will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. WMMPA investments are held by WMMPA's custodian, Wells Fargo Bank, N.A., in the name of WMMPA. MRES investments are held in the book entry system of the Federal Reserve Bank of Minneapolis in the name of the MRES custodian, First Premier Bank. MRES is identified as the owner of these investments in the records of First Premier Bank.

MRES and WMMPA funds at December 31, 2013 and 2012 are summarized as follows:

	2013		2012	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Cash and Cash Equivalents:	$ 60,993,487	$ 60,993,487	$ 60,534,752	$ 60,534,752
Investment Securities:				
Securities issued by U.S. Government	17,001,993	17,000,345	20,046,432	20,049,860
Securities issued by U.S. Government Agencies and Instrumentalities	90,610,869	90,557,760	122,621,500	123,031,992
Securities issued by State and Local Governments	1,614,524	1,619,508	1,613,376	1,632,652
Commercial Paper	9,859,954	9,860,000	6,937,949	6,937,305
Total Funds	$ 180,080,827	$ 180,031,100	$ 211,754,009	$ 212,186,561

Investments are stated at estimated market value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Estimated market values are based on quoted market prices. The amortized cost and estimated market value of cash and cash equivalents and debt securities, by contractual maturity, are shown below. Expected maturities will differ from the contractual maturity because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Investment values may have changed significantly after year end.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The securities issued by the U.S. Government, its Agencies and Instrumentalities had AA+ ratings from Standard & Poor's and/or AAA ratings from Fitch Ratings (Fitch) and/or Aaa ratings from Moody's Investors Service (Moody's). The commercial paper had short term ratings of A-1+ from Standard & Poor's and P-1 from Moody's. The money market mutual funds had ratings of AAAm from Standard & Poor's and Aaa-mf ratings from Moody's. The state and local government securities were rated AA+ and Aa1 by Fitch, and Moody's, respectively. The MRES and WMMPA Investment Policies limit investments to certain issuers, types of institutions, and ratings, of which all outstanding investments are in compliance.

CONCENTRATIONS OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer by MRES or WMMPA. Investments held with issuers, each totaling five percent or more of the total portfolio were concentrated as follows:

Issuer	% of Portfolio at December 31	
	2013	2012
Federal Home Loan Bank	18%	16%
Federal Home Loan Mortgage Corporation	17%	21%
Federal National Mortgage Association	13%	17%
General Electric Commercial Paper	5%	3%

The MRES and WMMPA Investment Policies do not limit the amount of the portfolio that can be invested in securities issued by the United States Government or agencies of the U.S. Government. The MRES Investment Policy and state law restricts investments of commercial paper and prime bankers' acceptances by amount of portfolio as well as by amount of a single issuer. Both the MRES and WMMPA Investment Policies address diversification of investments to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or class of security.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the estimated market value of an investment.

At December 31, 2013, the MRES and WMMPA investments were as follows:

Investment Type	Estimated Market Value	Maturity (Years) Less than One	One through Five	Greater than Five
Cash and Cash Equivalents	$ 60,993,487	$ 60,993,487	$ —	$ —
Securities issued by U.S. Government	17,000,345	5,002,540	11,997,805	—
Securities issued by U.S. Government Agencies and Instrumentalities	90,557,760	16,529,371	74,028,389	—
Securities issued by State and Local Governments	1,619,508	1,619,508	—	—
Commercial Paper	9,860,000	9,860,000	—	—
Total	$ 180,031,100	$ 94,004,906	$ 86,026,194	$ -

At December 31, 2012, the MRES and WMMPA investments were as follows:

Investment Type	Estimated Market Value	Maturity (Years) Less than One	One through Five	Greater than Five
Cash and Cash Equivalents	$ 60,534,752	$ 60,534,752	$ —	$ —
Securities issued by U.S. Government	20,049,860	13,046,850	7,003,010	—
Securities issued by U.S. Government Agencies and Instrumentalities	123,031,992	65,013,120	58,018,872	—
Securities issued by State and Local Governments	1,632,652	—	1,632,652	—
Commercial Paper	6,937,305	6,937,305	—	—
Total	$ 212,186,561	$ 145,532,027	$ 66,654,534	$ -

The maximum maturity under the MRES Investment Policy for operating funds is 397 days. All other MRES funds may have longer maturities consistent with liquidity needs. The maximum maturity under the WMMPA Investment Policy for operating funds is twelve months. All other WMMPA funds have varying maturity limits depending on the anticipated need to make payments from the various funds.

6. MISSOURI BASIN POWER PROJECT

A. Utility Plant

WMMPA has a 16.47 percent undivided ownership in MBPP that includes the Laramie River Station (LRS), which consists of three 570 MW coal-fired steam electric generating units, associated transmission facilities, intangible plant and the Grayrocks Dam and Reservoir.

B. Coal Supply Contracts

MBPP has an agreement with Western Fuels Association, Inc. (Western Fuels) to purchase sub-bituminous coal for LRS through the year 2034. The price of this coal is fixed at an amount that will produce revenues sufficient, together with all other Western Fuels' revenues, to cover the costs of producing or acquiring and delivering the coal. MBPP is obligated to pay for a minimum amount of coal each year. MBPP purchased its minimum obligations in 2013 and 2012 and expects to purchase the minimum in 2014.

The average prices of MBPP coal purchases were approximately $19.77 and $19.16 per ton in 2013 and 2012, respectively. MBPP purchased approximately 6.4 million and 6.9 million tons of coal during 2013 and 2012, respectively. Minimum coal purchase requirements over the next five years of the contracts for all MBPP participants are as follows:

	Tons
2014	7,395,000
2015	5,700,000
2016	3,700,000
2017	2,700,000
2018	2,700,000

Western Fuels entered into various agreements that provide for development and ownership of the Dry Fork Mine. In connection with the development and acquisition of the Dry Fork Mine, the MBPP participants provided financing to Western Fuels. At December 31, 2013 and 2012, the balance of advances owed to WMMPA approximated $0.1 million and $1.1 million, respectively. These advances are expected to be fully repaid in 2018.

C. Operating Expenses

Costs of MBPP are allocated to WMMPA based on its 16.47 percent undivided ownership interest, except for energy-related costs and refined coal credit revenues that are allocated based on scheduled generation and adjusted for the relative effects of the LRS heat rate and plant efficiency at the time generation is scheduled. Such costs are included in operating expenses in the Combined Statements of Revenues, Expenses and Changes in Net Position.

D. Advances to MBPP

At December 31, 2013 and 2012, WMMPA advances to the MBPP operating agent, for working capital purposes, totaled approximately $3.3 million and $1.7 million, respectively.

7. UTILITY PLANT

Utility plant at December 31, 2013 and 2012 consisted of:

	2013			2012		
	Gross Plant	Accumulated Depreciation	Net Plant	Gross Plant	Accumulated Depreciation	Net Plant
Generation	$292,297,484	$175,851,162	$116,446,322	$285,382,642	$174,754,397	$110,628,245
Transmission	72,718,255	33,962,985	38,755,270	71,075,528	33,290,680	37,784,848
General	14,544,681	7,382,254	7,162,427	14,210,554	6,882,255	7,328,299
Intangible	9,273,751	7,591,788	1,681,963	9,294,997	7,520,085	1,774,912
Utility Plant in Service	388,834,171	224,788,189	164,045,982	379,963,721	222,447,417	157,516,304
Construction Work in Progress	98,260,137	-	98,260,137	50,177,022	-	50,177,022
Total Utility Plant	$487,094,308	$224,788,189	$262,306,119	$430,140,743	$222,447,417	$207,693,326

Utility plant activity for the years ended December 31, 2013 and 2012 was:

	January 1, 2013	Additions and Transfers	Retirements and Transfers	December 31, 2013
Non-depreciable Utility Plant:				
Land	$ 2,502,176	$ —	$ (115,036)	$ 2,387,140
Construction Work in Progress	50,177,022	60,098,426	(12,015,311)	98,260,137
Total Non-depreciable Utility Plant	52,679,198	60,098,426	(12,130,347)	100,647,277
Depreciable Utility Plant:				
Depreciable Utility Plant in Service	377,461,546	12,847,958	(3,862,473)	386,447,031
Accumulated Depreciation	(222,447,418)	(6,174,051)	3,833,280	(224,788,189)
Net Depreciable Utility Plant in Service	155,014,128	6,673,907	(29,193)	161,658,842
Net Utility Plant	$ 207,693,326	$ 66,772,333	($ 12,159,540)	$ 262,306,119

	January 1, 2012	Additions and Transfers	Retirements and Transfers	December 31, 2012
Non-depreciable Utility Plant:				
Land	$ 2,674,798	$ —	$ (172,622)	$ 2,502,176
Construction Work in Progress	19,240,631	43,720,292	(12,783,901)	50,177,022
Total Non-depreciable Utility Plant	21,915,429	43,720,292	(12,956,523)	52,679,198
Depreciable Utility Plant:				
Depreciable Utility Plant in Service	368,063,187	13,738,710	(4,340,352)	377,461,545
Accumulated Depreciation	(220,920,846)	(5,874,658)	4,348,087	(222,447,417)
Net Depreciable Utility Plant in Service	147,142,341	7,864,052	7,735	155,014,128
Net Utility Plant	$ 169,057,770	$ 51,584,344	($ 12,948,788)	$ 207,693,326

8. FINANCING

A. Power Supply Revenue Bonds

The Power Supply Revenue Bonds (Power Supply Bonds) were issued to finance the ownership interest of WMMPA in generation, transmission and general plant facilities. Power Supply Bond activity for the years ended December 31, 2013 and 2012 was as follows:

	January 1, 2013	Debt Issued	Debt Refunded	Payments or Amortization	December 31, 2013	Amount Due within One Year
Power Supply Bonds	$ 256,800,000	$ 5,060,000	$ —	($ 13,855,000)	$ 248,005,000	$ 19,225,000
Unamortized Debt Premium	11,655,841	—	—	(1,368,384)	10,287,457	—
Power Supply Bonds, Net of Unamortized Premium	$ 268,455,841	$ 5,060,000	$ —	($ 15,223,384)	$ 258,292,457	$ 19,225,000

	January 1, 2012	Debt Issued	Debt Refunded	Payments or Amortization	December 31, 2012	Amount Due within One Year
Power Supply Bonds	$ 277,500,000	$ 49,440,000	($ 56,980,000)	($ 13,160,000)	$ 256,800,000	$ 13,855,000
Unamortized Debt Premium	6,094,783	8,427,554	(1,859,349)	(1,007,147)	11,655,841	—
Power Supply Bonds, Net of Unamortized Premium	$ 283,594,783	$ 57,867,554	($ 58,839,349)	($ 14,167,147)	$ 268,455,841	$ 13,855,000

The original issue amount and the outstanding amount of the Power Supply Bonds, net of unamortized debt discount and premium, at December 31, 2013 and 2012 are as follows:

	Original Issue Amount	Amount Outstanding 2013	Amount Outstanding 2012
2003 Series B Bonds: 5.00% Serial Bonds due 2014-2015	$ 29,030,000	$ 29,030,000	$ 29,030,000
2006 Series A Bonds: Serial Bonds: 3.85%-5.00% due 2016 and 2017	12,890,000	12,890,000	12,890,000
2006 Series A Bonds: 5.00% Term Bonds with annual sinking fund requirements beginning in 2031, due 2036	36,955,000	36,955,000	36,955,000
2010 Series A Bonds: Serial Bonds: 3.00%-5.00% due 2017 and 2018	9,215,000	9,215,000	9,215,000
2010 Series B Bonds: Serial Bonds: 1.86%-3.62% due 2012 through 2016	32,515,000	5,500,000	19,355,000
2010 Series C Bonds: Term Bonds (Build America Bonds): 6.77% with annual sinking fund requirements beginning in 2031, due 2046	99,915,000	99,915,000	99,915,000
2012 Series A Bonds: Serial Bonds: 3.00%-5.00% due 2024 through 2030	49,440,000	49,440,000	49,440,000
2013 Series A Bonds: Revolving Credit Agreement due in 2014	Up to 60,000,000	5,060,000	—
Principal Outstanding		248,005,000	256,800,000
Unamortized debt premium		10,287,457	11,655,841
Revenue Bonds, including unamortized debt premium		258,292,457	268,455,841
Less current maturities		19,225,000	13,855,000
Revenue Bonds, including unamortized debt premium and excluding current maturities		$ 239,067,457	$ 254,600,841

Future Debt service payments for the outstanding Power Supply Bonds are as follows:

Year Ending December 31	Principal	Interest	Total	Payments expected to be received from U.S. Treasury
2014	$ 19,225,000	$ 13,291,514	$ 32,516,514	$ 2,197,027
2015	14,865,000	12,540,734	27,405,734	2,197,027
2016	11,795,000	11,919,630	23,714,630	2,197,027
2017	11,095,000	11,404,249	22,499,249	2,197,027
2018	4,715,000	11,024,371	15,739,371	2,197,027
2019-2023	-	54,551,980	54,551,980	10,985,135
2024-2028	33,775,000	50,590,555	84,365,555	11,666,971
2029-2033	34,315,000	42,433,824	76,748,824	11,784,176
2034-2038	37,710,000	33,337,147	71,047,147	11,136,176
2039-2043	47,025,000	19,567,164	66,592,164	6,848,507
2044-2046	33,485,000	3,465,395	36,950,395	1,212,888
Totals	$ 248,005,000	$ 264,126,563	$ 512,131,563	$ 64,618,988

During 2012, WMMPA issued $49,440,000 of Power Supply Revenue Bonds, 2012 Series A Bonds (2012 Bonds) to refund the 2003 Series Power Supply Revenue Bonds (2003 Bonds). The proceeds from the 2012 Bonds were placed in an irrevocable escrow account. The outstanding 2003 Bonds plus accrued interest were redeemed on January 2, 2013. The approximate $0.3 million gain on debt reacquisition of the 2003 Bonds is reflected as a reduction in deferred outflow in the Combined Statements of Net Position and will be amortized over the life of the term of the 2012 Bonds to match the benefit of the refunding. The net present value savings resulting from the refunding approximated $11.2 million.

The 2003 Series B, 2010 Series A and 2010 Series B Power Supply Bonds are not subject to redemption prior to their scheduled maturities. The 2006 Series A and 2012 Series A Power Supply Bonds are subject to redemption at par beginning in 2017 and 2023, respectively, at the option of WMMPA. The 2010 Series C Bonds are subject to redemption prior to their stated maturity, at the option of WMMPA, in whole or in part on any date. The redemption price for the 2010 Series C Bonds is the greater of 100 percent of the principal or the sum of present value of the remaining scheduled payments of principal and interest to the maturity date of the 2010 Series C Bonds.

The outstanding bonds are secured by a pledge and assignment of and security interest in (1) the proceeds of the Power Supply Bonds; (2) all funds established under the Bond Resolution; (3) all revenues received by MRES under the Power Sale Agreements and (4) all revenues through January 1, 2016 received under the Transmission Service Agreements among WMMPA, MRES and 12 Transmission Customers payable to WMMPA under the Power Supply Contract.

WMMPA has irrevocably escrowed funds to make the remaining principal and interest payments on previously issued Power Supply and Transmission Project Bonds (Escrowed Bonds). Escrowed Bonds outstanding and considered defeased totaled $50,320,000 at December 31, 2013.

In September 2013, WMMPA issued Power Supply Revenue Bonds, 2013 Series A Bonds (2013 Bonds) in an amount not to exceed $60 million to fund capital additions. WMMPA executed a $60 million Revolving Credit Agreement (Credit Agreement) with JP Morgan Chase Bank, National Association in connection with the 2013 Bonds. The Credit Agreement has a termination date of October 1, 2014 but may be extended to December 31, 2014, at the option of WMMPA, with the interest rate based on the one-month London Interbank Offered Rate (LIBOR). As of December 31, 2013, $5,060,000 had been advanced from the Credit Agreement. Revenue Bonds are expected to be issued in 2014 to pay the outstanding balance of the Credit Agreement and fund additional capital costs.

9. RATE MATTERS

As part of a plan to stabilize the cost of electrical energy to its members, the MRES Board of Directors has a policy to approve rates under the Long-term Power Sale Agreements that may include the use of prior years' Net Position to fund a portion of subsequent years' operating expenses. Funds accumulated from prior years were not utilized in establishing the rates for either 2013 or 2012.

10. RETIREMENT PLAN

MRES has a defined contribution retirement plan covering substantially all of its employees that have more than one year of service. Employees vest at the rate of 20 percent per year with full vesting after six years of service. MRES contributes 3 percent and 10 percent of payroll after six months and one year of service, respectively, to the plan. Employer contributions totaled approximately $717,000 and $697,000 for 2013 and 2012, respectively. Covered payroll was 96 percent of total payroll for 2013 and 2012. Employees may contribute, on a voluntary basis, up to the maximum allowed by law after six months of employment. Employee contributions to the plan totaled approximately $653,000 and $585,000 in 2013 and 2012, respectively, or approximately 9 and 8 percent of covered payroll for 2013 and 2012, respectively. MRES acts as plan administrator and all changes to the plan are approved by the MRES Board of Directors.

11. SUBSEQUENT EVENT

The Boards of Directors of MRES and WMMPA approved the contract with the general contractor for RRHP on March 27, 2014. This contract is approximately 65 percent of the projected $379 million total cost to construct the RRHP. Construction is expected to begin in late summer of 2014 and be substantially complete in early 2018. WMMPA plans to issue debt to finance all or a portion of the project costs in late 2014. As of December 31, 2013, WMMPA has $32.2 million in construction work in progress and $39.5 million in outstanding commitments.

12. CONTINGENCIES, COMMITMENTS, AND LITIGATION GENERAL

MRES and WMMPA are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. MRES and WMMPA carry commercial insurance, subject to certain limits and deductibles, to reduce the financial impact if claims for these risks are asserted or judgments awarded. There have been no claims filed or judgments awarded during the years ended December 31, 2013 and 2012. The coverages and deductibles in effect were substantially the same for both 2013 and 2012. MRES and WMMPA are unaware of any claims pending at December 31, 2013.

MRES and WMMPA are subject to continually changing federal, state and regional environmental, health and safety standards, laws and regulations. These changes may arise from continuing legislative, regulatory and judicial action taken in response to public safety and environmental concerns. Compliance with such regulations could result in increased operating costs and reduced operation levels. An inability to comply with certain regulations could result in the complete shutdown of generating units and transmission facilities. At December 31, 2013, MRES and WMMPA believe they are in material compliance with all environmental, health and safety regulations.

CONTRACT COMMITMENTS

WMMPA has entered into various contracts for the development of the RRHP and the construction of various transmission projects. As of December 31, 2013, the remaining obligation on these contract commitments totaled approximately $42.9 million.

LARAMIE RIVER STATION RAIL TRANSPORTATION COSTS

On October 19, 2004, Western Fuels and Basin Electric Power Cooperative (BEPC), on behalf of the MBPP owners, filed a complaint with the Surface Transportation Board (STB) alleging that the BNSF Railway Company (BNSF) rates were unreasonably high for transporting coal from the Powder River Basin to LRS, and asked the STB to set reasonable rates.

On February 18, 2009, the STB issued a decision that the BNSF rates charged to Western Fuels for the coal deliveries to LRS were unreasonable and that the costs for LRS deliveries should be reduced by approximately 48 percent. BNSF appealed the STB decision to the U.S. Court of Appeals for the D.C. Circuit (DC Circuit). The DC Circuit ruled in favor of Western Fuels on two of the three issues and remanded the third issue back to the STB, directing them to explain in greater detail why their methodology for allocating variable costs did not double count certain revenue. On June 15, 2012, the STB provided the detailed recommendation on their allocation and affirmed their earlier decision without considering an alternative allocation methodology proposed by BNSF. On July 23, 2012, BNSF appealed the decision to the DC Circuit. On January 31, 2014, the DC Circuit vacated the June 15, 2012 STB decision and remanded the case back to the STB noting that the STB should consider the alternative allocation methodology proposed by BNSF or provide an explanation why the alternative methodology isn't appropriate. The DC Circuit did not mandate that the STB adopt the alternative methodology, only consider it. Western Fuels filed a request for rehearing with the DC Circuit on March 17, 2014. The impact, if any, of the STB remand is indeterminable at the current time.

WMMPA received approximately $19.1 million for its portion of the October 2004 through March 2009 overcharges. Until the success of the appeal can be reasonably predicted, the $19.1 million received as a result of the STB decision plus accumulated interest will be maintained in a separate account, will not be used to reduce rates and will be reflected as unearned revenue on the Combined Statement of Net Position.

CLEAN AIR ACT

The 1990 Amendments to the Clean Air Act (Act) require, among other things, significant reductions in the emission of sulfur dioxide and oxides of nitrogen, and the potential impacts of mercury and other hazardous air pollutants from fossil-fueled electric generating units. The Act requires that sulfur dioxide emissions be reduced in two phases over a ten-year period. The MBPP facilities or WPP were not affected by Phase I.

MBPP and the Exira Station are Phase II plants. WPP and member-owned generating units under contract with MRES are not subject to Phase II. MBPP is in full compliance with the requirements of Phase II Acid Rain and Title V Operating Permit sulfur dioxide emissions limits of the Act. MRES and WMMPA hold or will hold sufficient allowances to allow MBPP to operate at its historical annual capacity factors. In addition, MRES and WMMPA hold or will hold sufficient allowances to allow for the continued operation of Exira Station. In the event that the actual generation exceeds projections, it may be necessary to reduce sulfur dioxide emissions or acquire additional allowances.

MBPP and Exira Station are also in compliance with the nitrogen oxide emissions limitations imposed under the Act. Other non-nitrogen oxides related compliance costs under the Act are believed to be insignificant and are not expected to impact future energy production capabilities of MBPP, Exira Station, or WPP.

The Act, under its Regional Haze provisions, also requires facilities that commenced construction between 1962 and 1977, which includes LRS, to identify and apply best available retrofit technology (BART) to control sulfur dioxide and NO_x if their emission rates for those pollutants exceed a certain designated level. LRS has installed over-fire air technology, and low-NO_x burners for all three units to address the BART requirements.

The United States Environmental Protection Agency (EPA) rejected the Wyoming State Implementation Plan in part and issued a final rule imposing a Federal Implementation Plan on January 10, 2014, which impacts LRS. Under the rule, LRS is required to install Selective Catalytic Reduction on each of units 1, 2 and 3 on or before March 4, 2019. The MBPP participants are considering the options for responding to this ruling.

In addition, the EPA is in the process of amending its rules and regulations under the Act. EPA is evaluating (and has or is considering proposing) regulations or amendments relating to sulfur oxides, ozone, and hazardous air pollutants (including mercury). In addition, the EPA has proposed regulations relating to carbon dioxide emission from new Electric Generating Units (EGUs), and is in the process of developing regulations relating to carbon dioxide emissions from existing EGUs. If these proposals become final, the impact of any new regulatory requirements will be determined.

EPA issued its final Mercury and Air Toxics Standards for Power Plants (MATS rule) on December 16, 2011. The rule is being challenged in court and the ultimate outcome of the litigation is unknown. BEPC, as Operating Agent for LRS, is evaluating the MATS rule to determine its impact to achieve compliance with applicable portions of the rule. The impacts of the MATS rule and the other EPA proposals are indeterminable at the current time.

EPA SECTION 114(a) REQUEST

BEPC, as Operating Agent of MBPP, received a Section 114(a) letter dated September 28, 2011, from the EPA requesting information about capital additions at LRS. BEPC has provided all information requested. The impact, if any, of this Section 114(a) request is indeterminable at the current time.

Western Minnesota Municipal Power Agency
Statement of Net Position

	December 31	
	2013	2012
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
Current Assets:		
Cash and cash equivalents:		
Restricted	$ 20,915,650	$ 28,641,920
Unrestricted	7,470,956	1,838,366
Total cash and cash equivalents	28,386,606	30,480,286
Short-term investments:		
Restricted	20,335,448	31,888,680
Unrestricted	2,623,821	39,522,609
Total short-term investments	22,959,269	71,411,289
Accounts and notes receivable	1,047,340	1,305,974
Advances to MBPP	3,383,936	2,804,668
Fuel stock	4,203,631	6,646,775
Materials and supplies	4,406,930	3,782,919
Interest receivable	133,798	182,640
Prepayments	1,879,793	2,055,921
Other current assets	878,337	479,958
Total Current Assets	67,279,640	119,150,430
Non-Current Assets:		
Long-term investments:		
Restricted	16,910,667	20,890,157
Unrestricted	45,517,924	16,588,661
Total long-term investments	62,428,591	37,478,818
Capital assets:		
Utility plant in service	384,527,182	375,983,335
Less-accumulated depreciation	(221,365,629)	(219,298,929)
Net utility plant in service	163,161,553	156,684,406
Construction work in progress	98,260,137	50,177,022
Net capital assets	261,421,690	206,861,428
Unamortized debt expense - regulatory asset	2,406,757	2,720,121
Other non-current assets	4,359,369	7,066,812
TOTAL ASSETS	397,896,047	373,277,609
Deferred Outflows of Resources		
Unamortized loss on reacquired debt	957,980	1,729,126
Total Deferred Outflows of Resources	957,980	1,729,126
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 398,854,027	$ 375,006,735

See accompanying independent auditors' report.

Western Minnesota Municipal Power Agency
Statement of Net Position

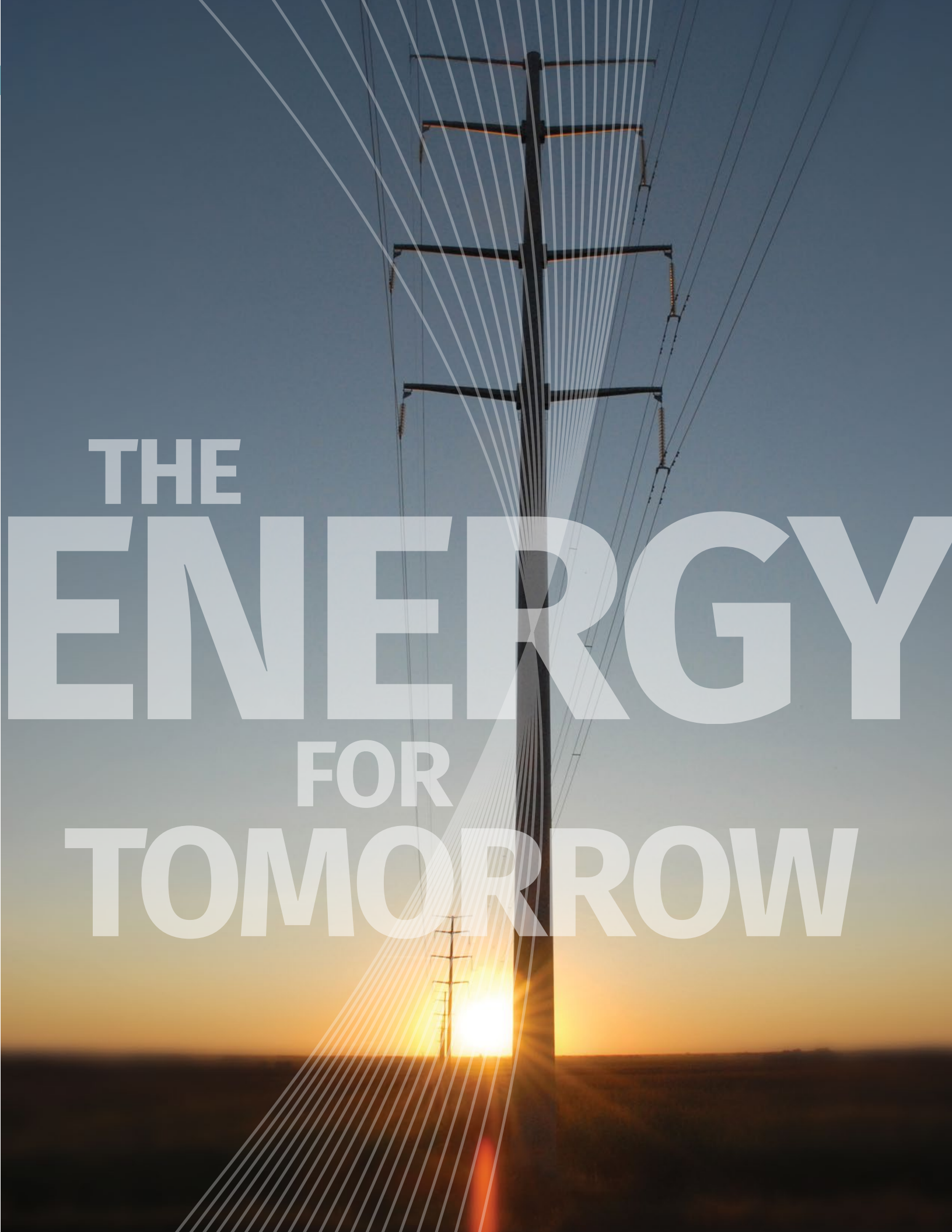
	December 31	
	2013	2012
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts payable - unrestricted	$ 9,926,736	$ 7,201,263
Accrued taxes	1,346,350	1,261,242
Revolving credit agreement	5,060,000	—
Current liabilities payable from restricted assets:		
Accounts payable - restricted	8,034,021	6,943,821
Current maturities of revenue bonds	14,165,000	13,855,000
Accrued interest	6,810,307	6,368,263
Total Current Liabilities	45,342,414	35,629,589
Non-Current Liabilities:		
Revenue bonds:		
Principal outstanding	228,780,000	242,945,000
Unamortized debt premium	10,287,457	11,655,841
Revenue bonds, excluding current maturities	239,067,457	254,600,841
Revenues collected for future costs - regulatory liability	54,002,565	52,750,578
Advances from MRES	23,285,608	—
Unearned revenue	19,371,263	19,306,276
Total Non-Current Liabilities	335,726,893	326,657,695
Net Position:		
Net investment in capital assets	23,454,781	(17,620,293)
Restricted:		
Debt service	42,412,804	13,864,999
Capital additions	—	25,813,052
Other	904,633	13,393
Total Restricted	43,317,437	39,691,444
Unrestricted	(48,987,498)	(9,351,700)
Total Net Position	17,784,720	12,719,451
TOTAL LIABILITIES AND NET POSITION	$ 398,854,027	$ 375,006,735

See accompanying independent auditors' report.

Western Minnesota Municipal Power Agency
Statement of Revenues, Expenses and Changes in Net Position

	Years Ended December 31	
	2013	**2012**
Operating Revenues:		
Revenues billed MRES	$ 75,652,813	$ 64,496,490
Other operating income	135,886	136,387
Total Operating Income	75,788,699	64,632,877
Operating Expenses:		
Fuel	24,846,928	15,793,153
Other power supply operation and maintenance	21,013,905	18,993,678
Depreciation and amortization	5,841,302	5,612,372
Transmission operation and maintenance	1,248,467	1,246,728
Administrative and general	2,777,853	2,459,484
Property taxes	1,682,939	1,643,340
Total Operating Expenses	57,411,394	45,748,755
Operating Revenues	18,377,305	18,884,122
Non-Operating Revenues (Expenses):		
Investment income	976,331	936,074
Other income	2,590,750	2,740,257
Interest expense	(13,620,688)	(14,317,829)
Allowance for funds used during construction	—	247,626
Amortization of financing related costs, premium and discount	283,876	(413,000)
Amortization of reserves previously collected	5,065,269	5,065,269
Amortization of canceled power supply and transmission project	(1,953,874)	(2,188,506)
Unrealized gain (loss) on investments	(336,443)	(26,597)
Net costs recoverable in (for) future years:		
Principal in excess of depreciation and amortization	(6,653,700)	(5,641,118)
Other costs recoverable in (for) future years	336,443	26,597
Total Non-Operating Expenses	(13,312,036)	(13,571,227)
Change in Net Position	5,065,269	5,312,895
Net Position:		
Beginning of year	$ 12,719,451	$ 7,406,556
End of year	$ 17,784,720	$ 12,719,451

See accompanying independent auditors' report.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