

**Missouri Basin Municipal Power Agency d/b/a
Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statements of Assets & Liabilities (Unaudited)
June 30, 2009 and 2008**

	<u>June 30</u>			<u>June 30</u>	
Assets:	2009	2008	Liabilities & Accumulated Net Revenues:	2009	2008
Utility Plant in Service:					
Missouri Basin Power Project	\$ 218,712,564	\$ 216,481,211	Accumulated Net Revenues	\$ 57,322,155	\$ 52,615,224
Exira Station	79,414,728	78,807,370			
Watertown Power Plant	17,842,746	17,842,746			
Transmission Services Agreement facilities	27,485,959	27,109,740	Operating Reserves	35,456,885	35,456,885
Other	<u>15,156,928</u>	<u>14,921,809</u>			
Total Utility Plant in Service	<u>358,612,925</u>	<u>355,162,876</u>	Revenue Bonds (net of unamortized debt discount / premium):		
Less-Accumulated Depreciation	<u>200,666,201</u>	<u>185,009,927</u>	Power supply	189,422,724	203,945,669
Net Utility Plant in Service	<u>157,946,724</u>	<u>170,152,949</u>	Transmission project	<u>11,880,957</u>	<u>13,551,489</u>
Current Assets:			Total Revenue Bonds	<u>201,303,681</u>	<u>217,497,158</u>
Cash and cash equivalents	25,406,769	25,039,273	Current Liabilities:		
Accounts receivable	10,753,555	9,868,822	Current maturity of revenue bonds	15,640,000	14,850,000
Advances to Missouri Basin Power Project	14,339,528	13,578,128	Accounts payable	10,337,557	9,065,789
Interest receivable	275,175	894,904	Accrued interest	5,383,876	5,780,273
Fuel and other inventory	1,700,237	1,392,589	Accrued taxes	<u>885,284</u>	<u>935,479</u>
Other current assets	<u>1,598,147</u>	<u>1,956,404</u>	Total Current Liabilities	<u>32,246,717</u>	<u>30,631,541</u>
Total Current Assets	<u>54,073,411</u>	<u>52,730,120</u>			
Special Funds:			Total Liabilities & Accumulated Net Revenues	\$ 326,329,438	\$ 336,200,808
Power supply - cash & investments	70,988,066	72,408,791			
Transmission project - cash & investments	<u>2,250,064</u>	<u>2,610,383</u>			
Total Special Funds	<u>73,238,130</u>	<u>75,019,174</u>			
Advances for Mine Development	3,498,219	3,930,043			
Unamortized Debt Expense	4,469,188	5,157,685			
Costs to be Recovered from Future Revenues	9,667,062	8,336,454			
Deferred Charges and Other Non-Current Assets	<u>23,436,704</u>	<u>20,874,383</u>			
Total Assets	<u>\$ 326,329,438</u>	<u>\$ 336,200,808</u>			

Quarterly Financial Statements

Missouri River
Energy Services

Western Minnesota
Municipal Power Agency

As of June 30, 2009



Management Discussion

The Combined Balance Sheets and Statements of Revenues and Expenses for the periods ended June 30, 2009 and 2008, are included for those interested in the operations of the Missouri Basin Municipal Power Agency d.b.a. Missouri River Energy Services (MRES) and the Western Minnesota Municipal Power Agency (WMMPA). These statements should be read in conjunction with the 2008 Annual Report.

LONG-TERM POWER SALES

Long-term sales revenue for the six months ended June 30, 2009, was 19.7 percent higher than for the same period in 2008, largely due to an 18.5 percent rate increase effective January 1, 2009. Among the factors contributing to the necessity for the rate increase were:

- The projected cost of replacement power during a planned maintenance outage at Laramie River Station (LRS) Unit 1,
- Increased cost of energy-efficiency programs,
- Higher fixed operations and maintenance costs at generating facilities, and
- The need to begin replenishing reserves utilized during the past three years.

The average rate for long-term power sales was approximately 5.6 cents per kilowatt-hour for the six months ended June 30, 2009, compared to 4.6 cents for the six months ended June 30, 2008.

SHORT-TERM POWER SALES

Short-term power sales revenue for the six months ended June 30, 2009, was 64.2 percent less than the same period in 2008. The decrease in revenue was due to lower megawatt-hour sales and lower average price received for surplus sales. The average price for surplus sales was 54.6 percent lower and the energy sold was 21.1 percent lower for the six months ended June 30, 2009.

TRANSMISSION SERVICES

Transmission services revenue during the six months ended June 30, 2009, was significantly higher than the same period in the prior year, largely due to dollars received for transmission facility credits.

OTHER OPERATING REVENUES

Other operating revenue consists primarily of providing distribution maintenance services to five members in Minnesota.

OPERATING EXPENSES

Fuel expense during the six months ended June 30, 2009, was 33.8 percent less than the same period in 2008. Energy production at LRS during the six months ended June 30, 2009, was 712,221

megawatt-hours, compared to 1,063,329 megawatt-hours for the same period in 2008. The decrease was due to a scheduled maintenance outage in April and May 2009. Purchased power expense during the six months ended June 30, 2009, was 29.1 percent higher than the same period in 2008. The increase in the purchased power expense was due to the increase in megawatt-hours purchased offset by the lower average cost for energy purchased. The higher energy purchases during the first six months of 2009 compared to 2008 were largely due to the scheduled maintenance outage at LRS. Transmission operation and maintenance expense during the six months ended June 30, 2009, was 29.3 percent greater than the prior year, largely due to higher rates for transmission service provided by others.

The other operating expenses are primarily associated with distribution maintenance services.

NON-OPERATING REVENUES (EXPENSES)

Investment income for the six months ended June 30, 2009, was 57.3 percent less than the prior year. Approximately 89 percent of the decrease was due to lower yields and 11 percent due to fewer funds available to invest.

Interest expense for the six months ended June 30, 2009, was 6.9 percent less than for the same period in the prior year, due to the January 2009 principal payments.

STB RAIL RATE RELIEF

A decision by the U.S. Surface Transportation Board (STB) could bring substantial cost savings to MRES/WMMPA and the five other owners of LRS. The STB ruled February 18, 2009, that BNSF Railway has overcharged MRES/WMMPA and the other owners of LRS for rail transportation since October 2004. The case began in October 2004 after the expiration of a contract with BNSF. BNSF more than doubled its rates for shipping coal from Wyoming's Powder River Basin to LRS, a haul of about 175 miles. The STB said this is the largest award it has ever given to a captive shipper, which is an entity that must rely on service from a single railroad because the shipper has no access to a competitive carrier. In its press release concerning the decision, the STB indicated that BNSF must reimburse the LRS owners approximately \$100 million for overcharges since 2004 and, over the next 20 years, it must provide approximately \$245 million in rate relief (on a present value basis). The MRES share of payments from BNSF and future rate reductions will be 16.47 percent of the total. BNSF is appealing the ruling and the process is likely to continue for some time.

Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services Western Minnesota Municipal Power Agency Combined Statements of Revenues and Expenses (Unaudited) June 30, 2009 and 2008

	<u>Six Months Ended June 30</u>	
	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Long-term power sales	\$ 56,823,752	\$ 47,461,493
Short-term power sales	1,810,477	5,051,132
Transmission	7,439,315	3,812,209
Other	<u>1,078,128</u>	<u>1,042,167</u>
Total Operating Revenues	<u>67,151,672</u>	<u>57,367,001</u>
Operating Expenses:		
Fuel	9,070,344	13,690,114
Purchased power	14,955,275	11,584,909
Other power supply operation and maintenance	14,102,810	13,917,186
Depreciation and amortization	8,244,009	7,903,705
Transmission operation and maintenance	9,193,102	7,110,267
Sales and marketing	151,297	232,827
Administrative and general	3,885,755	3,623,048
Property taxes	701,340	637,107
Other	<u>951,665</u>	<u>1,002,815</u>
Total Other Operating Expenses	<u>61,255,597</u>	<u>59,701,978</u>
Operating Income (Loss)	<u>5,896,075</u>	<u>(2,334,977)</u>
Non-operating Revenues (Expenses):		
Investment income	927,329	2,170,967
Other income	508,592	512,526
Interest expense	(5,383,876)	(5,780,274)
Amortization of financing related costs, premium and discount	306,489	306,489
Allowance for funds used during construction	<u>321,036</u>	<u>321,036</u>
Total Non-Operating Revenues (Expenses)	<u>(3,320,430)</u>	<u>(2,469,256)</u>
Change in Net Assets	<u>\$ 2,575,645</u>	<u>(\$ 4,804,233)</u>