

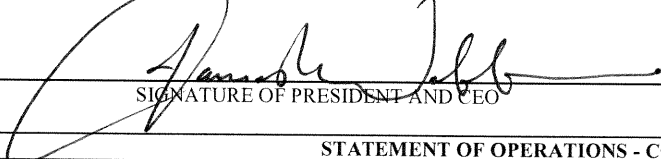
**LOWER VALLEY ENERGY**  
**STATEMENT OF OPERATIONS**  
*For The Month Ended*  
*February 28, 2014*

**CONSOLIDATED**

*We hereby certify that the entries in this report are in accordance with the accounts and other records of Lower Valley Energy, Inc. and reflect the status of the Cooperative to the best of our knowledge and belief.*

  
 \_\_\_\_\_  
 SIGNATURE OF CHIEF FINANCIAL OFFICER

3/20/2014  
 \_\_\_\_\_  
 DATE

  
 \_\_\_\_\_  
 SIGNATURE OF PRESIDENT AND CEO

3/20/2014  
 \_\_\_\_\_  
 DATE

**STATEMENT OF OPERATIONS - CONSOLIDATED**

ITEM	YEAR-TO-DATE			
	Electric	Combined Gas	Consolidated	Budget
<b>1 Operating Revenue</b>	\$ 9,543,045	\$ 3,231,799	\$ 12,774,844	\$ 12,830,185
2 Power Production Expense	18,496	-	18,496	24,105
3 Cost of Purchased Power/Gas Sold	6,075,854	1,635,212	7,711,066	7,811,282
4 Transmission Operation & Maintenance	62,122	26,631	88,752	118,101
5 Regional Market Expense	-	-	-	-
6 Distribution Operation Expense	613,369	48,857	662,227	547,818
7 Distribution Maintenance Expense	146,298	22,492	168,790	230,752
8 Consumer Accounts Expense	121,753	18,029	139,781	146,840
9 Customer Service and Informational Expense	202,772	4,162	206,934	77,859
10 Sales Expense	-	-	-	-
11 Administrative and General Expense	363,434	71,771	435,205	625,475
<b>12 Total Operation &amp; Maintenance Expense (2 thru 11)</b>	\$ 7,604,099	\$ 1,827,154	\$ 9,431,252	\$ 9,582,232
13 Depreciation and Amortization Expense	774,586	193,567	968,153	945,390
14 Tax Expense-Property	75,040	31,680	106,720	105,780
15 Tax Expense-Other	8,985	4,014	13,000	14,300
16 Interest on Long-Term Debt	211,601	269,969	481,570	457,132
17 Interest Charged to Construction-Credit	-	-	-	-
18 Interest Expense-Other*	7,804	20,541	7,963	32,000
19 Other Deductions	(29,824)	-	(29,824)	(29,820)
<b>20 Total Cost of Electric Service (16 thru 23)</b>	\$ 8,652,291	\$ 2,346,926	\$ 10,978,834	\$ 11,107,014
<b>21 Patronage Capital &amp; Operating Margins (3 minus 24)</b>	\$ 890,755	\$ 884,873	\$ 1,796,010	\$ 1,723,171
22 Non Operating Margins-Interest*	31,282	-	10,900	11,000
23 Allowance for Funds Used During Construction	-	-	-	-
24 Income (Loss) from Equity Investments	-	-	-	-
25 Non Operating Margins-Other	309	-	309	-
26 Generation and Transmission Capital Credits	-	-	-	-
27 Other Capital Credits and Patronage Dividends	25,966	-	25,966	-
28 Extraordinary Items	-	-	-	-
<b>29 Patronage Capital or Margins (21 thru 28)</b>	\$ 948,311	\$ 884,873	\$ 1,833,184	\$ 1,734,171

**DATA ON TRANSMISSION AND DISTRIBUTION**

ITEM	YEAR-TO-DATE			
	Electric	Combined Gas	Consolidated	Last Year
1 New Services Connected	25	3	28	22
2 Services Retired	7	1	8	170
3 Total Services in Place	26,823	4,032	30,855	30,320
4 Idle Services (Excluding Seasonal)	234	35	269	252
5 Miles Transmission	235	50	285	285
6 Miles Distribution - Overhead	938	-	938	948
7 Miles Distribution - Underground	1,456	224	1,680	1,616
8 Total Miles In Service ( 5 + 6 + 7 )	2,629	274	2,902	2,849

Note: Lines 18 and 22 in the Consolidated column do not include intercompany interest earned or accrued between the Electric and Gas divisions.

**LOWER VALLEY ENERGY**  
**STATEMENT OF OPERATIONS**  
*For The Month Ended*  
**February 28, 2014**

**CONSOLIDATED**

*We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.*

\_\_\_\_\_  
SIGNATURE OF CHIEF FINANCIAL OFFICER

\_\_\_\_\_  
3/20/2014  
DATE

\_\_\_\_\_  
SIGNATURE OF PRESIDENT AND CEO

\_\_\_\_\_  
3/20/2014  
DATE

**STATEMENT OF OPERATIONS - CONSOLIDATED**

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1 Operating Revenue	\$ 12,012,478	\$ 12,774,844	\$ 12,830,185	\$ 5,932,343
2 Power Production Expense	10,652	18,496	24,105	12,183
3 Cost of Purchased Power & Gas	7,479,822	7,711,066	7,811,282	3,797,432
4 Transmission Operation & Maintenance	116,842	88,752	118,101	49,430
5 Regional Market Expense	-	-	-	-
6 Distribution Operation Expense	590,331	662,227	547,818	387,347
7 Distribution Maintenance Expense	108,155	168,790	230,752	131,967
8 Consumer Accounts Expense	134,328	139,781	146,840	95,656
9 Customer Service and Informational Expense	146,660	206,934	77,859	146,467
10 Sales Expense	-	-	-	-
11 Administrative and General Expense	371,287	435,205	625,475	247,778
12 Total Operation & Maintenance Expense (2 thru 11)	\$ 8,958,076	\$ 9,431,252	\$ 9,582,232	\$ 4,868,261
13 Depreciation and Amortization Expense	900,750	968,153	945,390	485,222
14 Tax Expense-Property	103,550	106,720	105,780	52,900
15 Tax Expense-Other	42,672	13,000	14,300	5,936
16 Interest on Long-Term Debt	402,903	481,570	457,132	269,041
17 Interest Charged to Construction-Credit	-	-	-	-
18 Interest Expense-Other*	49,387	7,963	32,000	2,852
19 Other Deductions	(29,824)	(29,824)	(29,820)	(14,912)
20 Total Cost of Electric Service (16 thru 23)	\$ 10,427,515	\$ 10,978,834	\$ 11,107,014	\$ 5,669,299
21 Patronage Capital & Operating Margins (3 minus 24)	\$1,584,962	\$1,796,010	\$1,723,171	\$263,044
22 Non Operating Margins-Interest*	45,168	10,900	11,000	4,615
23 Allowance for Funds Used During Construction	-	-	-	-
24 Income (Loss) from Equity Investments	-	-	-	-
25 Non Operating Margins-Other	-	309	-	309
26 Generation and Transmission Capital Credits	-	-	-	-
27 Other Capital Credits and Patronage Dividends	-	25,966	-	25,966
28 Extraordinary Items	-	-	-	-
29 Patronage Capital or Margins (21 thru 28)	\$ 1,630,130	\$ 1,833,184	\$ 1,734,171	\$ 293,933

**DATA ON TRANSMISSION AND DISTRIBUTION**

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	22	28	5. Miles Trans.	285	285
2. Services Retired	170	8	6. Miles Dist. - OH	948	938
3. Total Services in Place	30,320	30,855	7. Miles Dist. - UG	1,616	1,680
4. Idle Services (Exclude Seasonal)	252	269	8. Total Miles (5 + 6 + 7)	2,849	2,902

**LOWER VALLEY ENERGY, INC.**  
**BALANCE SHEET**  
As of  
**February 28, 2014**

**CONSOLIDATED**

ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
	Current Year	Prior Year		Current Year	Prior Year
1 Total Utility Plant in Service	\$ 199,240,669	\$ 192,595,143	30 Memberships	-	-
2 Construction Work in Progress	5,993,665	7,094,940	31 Patronage Capital	51,532,890	54,609,159
<b>3 Total Utility Plant</b>	<b>205,234,334</b>	<b>199,690,083</b>	32 Operating Margins-Prior Years	5,006,169	-
4 Accum. Provision for Depreciation and Amort	85,901,598	81,613,617	33 Operating Margins-Current Year	1,775,628	1,584,962
<b>5 Net Utility Plant</b>	<b>119,332,736</b>	<b>118,076,466</b>	34 Non Operating Margins	57,556	45,168
6 Nonutility Property - Net	-	-	35 Other Margins and Equities	15,011,826	14,359,270
7 Investments in Subsidiary Companies	-	-	<b>36 Total Margins &amp; Equities</b>	<b>73,384,069</b>	<b>70,598,560</b>
8 Invest. in Assoc. Org. - Patronage Capital	1,751,991	1,968,548	37 Long-Term Debt - RUS (Net)	-	-
9 Invest. in Assoc. Org.-Other-General Funds	6,685	11,685	38 Long-Term Debt - FFB - RUS Guaranteed	-	-
10 Invest. in Assoc. Org.-Other-Nongeneral Funds	2,631,017	2,633,566	39 Long-Term Debt - Other - RUS Guaranteed	-	-
11 Investments in Economic Development Projects	2,093	2,093	40 Long-Term Debt-Other (Net)	49,919,328	57,889,791
12 Other Investments	266,058	97,768	40a Long-Term Debt-Other (BPA Power Prepayment)	146,961,802	-
13 Special Funds	-	-	41 Long-Term Debt - RUS Econ. Devel. (Net)	1,500,000	1,500,000
<b>14 Total Other Property &amp; Investments</b>	<b>4,657,843</b>	<b>4,713,661</b>	42 Payments - Unapplied	-	-
15 Cash-General Funds	1,238,488	744,268	<b>43 Total Long-Term Debt</b>	<b>198,381,130</b>	<b>59,389,791</b>
16 Cash-Construction Funds-Trustee	-	-	44 Obligations under Capital Leases	-	-
17 Special Deposits	1,205,295	1,354,873	45 Accumulated Operating Provisions	-	-
18 Temporary Investments	-	-	<b>46 Total Other Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>
19 Notes Receivable-Net	231,045	160,746	47 Notes Payable	-	-
20 Accounts Receivable-Net Sales of Energy	5,238,298	4,669,024	48 Accounts Payable	6,478,185	8,572,691
21 Accounts Receivable-Net Other	61,313	309,006	49 Consumers Deposits	521,533	552,367
22 Renewable Energy Credits	-	-	50 Current Maturities Long-Term Debt	9,867,834	-
23 Materials & Supplies-Electric and Other	1,724,406	1,517,722	51 Current Maturities Long-Term Debt - Econ. Devel.	-	-
24 Prepayments	7,593,237	321,286	52 Current Maturities Capital Leases	-	-
25 Other Current & Accrued Assets	2,218,488	2,023,390	53 Other Current & Accrued Liabilities	3,211,332	2,582,819
<b>26 Total Current &amp; Accrued Assets</b>	<b>19,510,571</b>	<b>11,100,316</b>	<b>54 Total Current &amp; Accrued Liabilities</b>	<b>20,078,883</b>	<b>11,707,877</b>
27 Regulatory Assets	-	-	55 Regulatory Liabilities	-	-
28 Other Deferred Debits	10,540,348	9,518,527	56 Deferred Credits	1,830,623	1,712,743
28a Other Non-current Assets-BPA Power Prepayment	139,633,208	-	<b>57 Total Liabilities &amp; Other Credits</b>	<b>\$ 293,674,705</b>	<b>\$ 143,408,970</b>
<b>29 Total Assets &amp; Other Debits</b>	<b>\$ 293,674,705</b>	<b>\$ 143,408,970</b>			

ESTIMATED CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION		
58 Balance Beginning of Year (1978 Thru 2012)	\$52,420,428	\$50,999,089
59 Amounts Received This Year (Net)	41,098	12,335
<b>60 TOTAL Contributions-In-Aid-Of-Construction</b>	<b>\$52,461,526</b>	<b>\$51,011,424</b>

**NOTES TO FINANCIAL STATEMENTS**

THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.

	2014		2013	
	January	February	January	February
1. Current Assets/Liabilities	1.00	0.97	1.02	0.95
2. Equity	23.23%	24.99% *	46.30%	49.23%
2a. Equity excluding BPA Power Prepayment	46.67%	50.02%	46.30%	49.23%
3. Long Term Debt as a % of Plant	102.24%	101.47% *	30.28%	29.74%
4. Debt Service Coverage	2.64	1.52	4.54	2.08
5. Inventory Turnover - Electric (Dist & Trans)				
Dollar Value	0.97	0.82	1.02	1.03
Quantity	0.90	1.02	1.22	1.27
6. Intercompany Receivables/(Payables) :				
Electric Division	4,302,605	4,170,563	7,130,649	6,909,706
Combined Gas Division	(4,302,605)	(4,170,563)	(7,130,649)	(6,909,706)
7. Total Shared Overhead-Gas Division	17,518	50,972	19,657	45,596
8. Material Inventory:				
Material	1,711,357	1,724,406	1,534,790	1,531,263
Special Equip.	2,239,689	2,209,531	1,948,971	1,956,222
Total Material	<u>3,951,046</u>	<u>3,933,937</u>	<u>3,483,761</u>	<u>3,487,485</u>
9. Aged Accounts Receivable (Over 60 Days):	19,345	18,913	52,644	26,635
10. Lower Valley has a \$12 Million dollar line of credit with CFC to meet short term cash needs. As of October 31, 2013 the line of credit balance was		\$ 3,032,767		

\* Note: The decrease in Equity and increase in Long Term Debt % of Plant ratios are attributable to the acquisition of new debt related to the BPA power prepayment program.