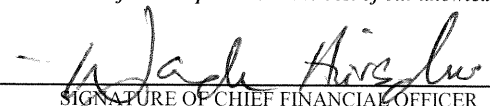


**LOWER VALLEY ENERGY**  
**STATEMENT OF OPERATIONS**  
*For The Month Ended*  
*July 31, 2014*

**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

8/20/2014  
 \_\_\_\_\_  
 DATE

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

8/20/2014  
 \_\_\_\_\_  
 DATE

**STATEMENT OF OPERATIONS - CONSOLIDATED**

ITEM	YEAR-TO-DATE			
	Electric	Combined Gas	Consolidated	Budget
<b>1 Operating Revenue</b>	\$ 25,750,592	\$ 7,217,231	\$ 32,967,823	\$ 30,711,092
2 Power Production Expense	53,313	-	53,313	79,540
3 Cost of Purchased Power/Gas Sold	14,857,784	3,883,242	18,741,026	18,017,611
4 Transmission Operation & Maintenance	252,582	100,836	353,418	476,935
5 Regional Market Expense	-	-	-	-
6 Distribution Operation Expense	1,972,983	151,998	2,124,981	1,927,571
7 Distribution Maintenance Expense	701,585	98,585	800,170	841,723
8 Consumer Accounts Expense	471,794	63,320	535,114	519,582
9 Customer Service and Informational Expense	267,534	17,739	285,273	281,540
10 Sales Expense	-	-	-	-
11 Administrative and General Expense	1,292,951	215,254	1,508,205	1,695,226
<b>12 Total Operation &amp; Maintenance Expense (2 thru 11)</b>	\$ 19,870,527	\$ 4,530,973	\$ 24,401,500	\$ 23,839,728
13 Depreciation and Amortization Expense	2,711,168	677,031	3,388,199	3,321,010
14 Tax Expense-Property	259,420	110,880	370,300	370,280
15 Tax Expense-Other	24,049	8,674	32,723	34,900
16 Interest on Long-Term Debt	575,563	918,356	1,493,920	1,633,284
17 Interest Charged to Construction-Credit	-	-	-	-
18 Interest Expense-Other*	23,111	49,002	21,639	112,000
19 Other Deductions	(104,386)	-	(104,386)	(104,370)
<b>20 Total Cost of Electric Service (16 thru 23)</b>	\$ 23,359,451	\$ 6,294,917	\$ 29,603,894	\$ 29,206,832
<b>21 Patronage Capital &amp; Operating Margins (3 minus 24)</b>	\$ 2,391,140	\$ 922,314	\$ 3,363,929	\$ 1,504,260
22 Non Operating Margins-Interest*	116,948	-	66,474	57,250
23 Allowance for Funds Used During Construction	-	-	-	-
24 Income (Loss) from Equity Investments	-	-	-	-
25 Non Operating Margins-Other	35,978	9,020	44,998	-
26 Generation and Transmission Capital Credits	-	-	-	-
27 Other Capital Credits and Patronage Dividends	215,101	-	215,101	-
28 Extraordinary Items	-	-	-	-
<b>29 Patronage Capital or Margins (21 thru 28)</b>	\$ 2,759,168	\$ 931,334	\$ 3,690,502	\$ 1,561,510

**DATA ON TRANSMISSION AND DISTRIBUTION**

ITEM	YEAR-TO-DATE			
	Electric	Combined Gas	Consolidated	Last Year
1 New Services Connected	167	20	187	149
2 Services Retired	43	3	46	258
3 Total Services in Place	25,846	4,057	29,903	30,437
4 Idle Services (Excluding Seasonal)	225	33	258	247
5 Miles Transmission	235	50	285	285
6 Miles Distribution - Overhead	938	-	938	947
7 Miles Distribution - Underground	1,457	224	1,681	1,637
8 Total Miles In Service ( 5 + 6 + 7 )	2,630	274	2,904	2,869

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*  
**July 31, 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	8/20/2014 DATE
SIGNATURE OF PRESIDENT AND CEO	8/20/2014 DATE

**STATEMENT OF OPERATIONS - CONSOLIDATED**

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1 Operating Revenue	\$ 30,709,731	\$ 32,967,823	\$ 30,711,092	\$ 3,387,978
2 Power Production Expense	64,354	53,313	79,540	9,812
3 Cost of Purchased Power & Gas	16,970,068	18,741,026	18,017,611	1,577,991
4 Transmission Operation & Maintenance	445,315	353,418	476,935	33,650
5 Regional Market Expense	-	-	-	-
6 Distribution Operation Expense	2,105,890	2,124,981	1,927,571	357,905
7 Distribution Maintenance Expense	641,571	800,170	841,723	117,266
8 Consumer Accounts Expense	536,060	535,114	519,582	60,568
9 Customer Service and Informational Expense	257,029	285,273	281,540	(27,902)
10 Sales Expense	-	-	-	-
11 Administrative and General Expense	1,552,253	1,508,205	1,695,226	227,789
12 Total Operation & Maintenance Expense (2 thru 11)	\$ 22,572,539	\$ 24,401,500	\$ 23,839,728	\$ 2,357,080
13 Depreciation and Amortization Expense	3,164,233	3,388,199	3,321,010	486,402
14 Tax Expense-Property	362,425	370,300	370,280	52,900
15 Tax Expense-Other	109,303	32,723	34,900	2,867
16 Interest on Long-Term Debt	1,427,172	1,493,920	1,633,284	175,087
17 Interest Charged to Construction-Credit	-	-	-	-
18 Interest Expense-Other*	177,272	21,639	112,000	(6,159)
19 Other Deductions	(104,386)	(104,386)	(104,370)	(14,912)
20 Total Cost of Electric Service (16 thru 23)	\$ 27,708,558	\$ 29,603,894	\$ 29,206,832	\$ 3,053,264
21 Patronage Capital & Operating Margins (3 minus 24)	\$3,001,173	\$3,363,929	\$1,504,260	\$334,714
22 Non Operating Margins-Interest*	171,892	66,474	57,250	3,708
23 Allowance for Funds Used During Construction	-	-	-	-
24 Income (Loss) from Equity Investments	-	-	-	-
25 Non Operating Margins-Other	-	44,998	-	-
26 Generation and Transmission Capital Credits	-	-	-	-
27 Other Capital Credits and Patronage Dividends	-	215,101	-	192,289
28 Extraordinary Items	-	-	-	-
29 Patronage Capital or Margins (21 thru 28)	\$ 3,173,065	\$ 3,690,502	\$ 1,561,510	\$ 530,711

**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	149	187	5. Miles Trans.	285	285
2. Services Retired	258	46	6. Miles Dist. - OH	947	938
3. Total Services in Place	30,437	29,903	7. Miles Dist. - UG	1,637	1,681
4. Idle Services (Exclude Seasonal)	247	258	8. Total Miles (5 + 6 + 7)	2,869	2,904

**LOWER VALLEY ENERGY, INC.**  
**BALANCE SHEET**  
As of  
July 31, 2014

**CONSOLIDATED**

ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
	Current Year	Prior Year		Current Year	Prior Year
1 Total Utility Plant in Service	\$ 201,712,177	\$ 195,730,961	30 Memberships	\$ -	\$ -
2 Construction Work in Progress	6,357,157	6,313,990	31 Patronage Capital	55,729,034	54,253,241
<b>3 Total Utility Plant</b>	<b>208,069,335</b>	<b>202,044,951</b>	32 Operating Margins-Prior Years	-	-
4 Accum. Provision for Depreciation and Amort	88,057,666	82,786,435	33 Operating Margins-Current Year	3,313,455	3,001,173
<b>5 Net Utility Plant</b>	<b>120,011,668</b>	<b>119,258,516</b>	34 Non Operating Margins	377,047	171,892
6 Nonutility Property - Net	-	-	35 Other Margins and Equities	15,427,489	14,277,172
7 Investments in Subsidiary Companies	-	-	<b>36 Total Margins &amp; Equities</b>	<b>74,847,025</b>	<b>71,703,478</b>
8 Invest. in Assoc. Org. - Patronage Capital	1,740,683	1,958,643	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	2,128,281	2,631,017	39 Long-Term Debt - Other - RUS Guaranteed	-	-
11 Investments in Economic Development Projects	2,093	2,093	40 Long-Term Debt-Other (Net)	49,359,257	57,697,523
12 Other Investments	723,010	97,768	40a Long-Term Debt-Other (BPA Power Prepayment)	143,763,098	151,356,428
13 Special Funds	-	-	41 Long-Term Debt - WY SEO (Net)	1,500,000	1,500,000
<b>14 Total Other Property &amp; Investments</b>	<b>4,600,752</b>	<b>4,701,206</b>	42 Payments - Unapplied	-	-
15 Cash-General Funds	356,647	874,778	<b>43 Total Long-Term Debt</b>	<b>194,622,355</b>	<b>210,553,951</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	235,008	165,701	47 Notes Payable	-	-
20 Accounts Receivable-Net Sales of Energy	2,754,930	2,282,677	48 Accounts Payable	2,218,360	5,793,210
21 Accounts Receivable-Net Other	317,829	489,595	49 Consumers Deposits	527,914	576,335
22 Renewable Energy Credits	-	-	50 Current Maturities Long-Term Debt	10,007,375	-
23 Materials & Supplies-Electric and Other	2,158,612	1,855,815	51 Current Maturities Long-Term Debt - Econ. Devel.	-	-
24 Prepayments (inc. current portion of BPA prepay)	7,394,321	465,042	52 Current Maturities Capital Leases	-	-
25 Other Current & Accrued Assets	1,394,595	1,170,142	53 Other Current & Accrued Liabilities	3,189,359	3,303,772
<b>26 Total Current &amp; Accrued Assets</b>	<b>15,817,235</b>	<b>8,658,623</b>	<b>54 Total Current &amp; Accrued Liabilities</b>	<b>15,943,008</b>	<b>9,673,318</b>
27 Regulatory Assets	-	-	55 Regulatory Liabilities	-	-
28 Other Deferred Debits	10,054,212	9,437,210	56 Deferred Credits	1,772,730	1,043,795
28a Other Non-current Assets-BPA Power Prepayment	136,701,250	150,918,985	<b>57 Total Liabilities &amp; Other Credits</b>	<b>\$ 287,185,118</b>	<b>\$ 292,974,541</b>
<b>29 Total Assets &amp; Other Debits</b>	<b>\$ 287,185,118</b>	<b>\$ 292,974,541</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)	1,045,915	766,527
60 TOTAL Contributions-In-Aid-Of-Construction	<u>\$53,466,343</u>	<u>\$51,765,616</u>

**NOTES TO FINANCIAL STATEMENTS**

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

	2014		2013	
	June	July	June	July
1. Current Assets/Liabilities	0.97	0.99	0.99	0.90
2. Equity	25.56%	26.06% *	26.06%	24.47%
2a. Equity excluding BPA Power Prepayment	50.76%	52.19%	52.19%	50.63%
3. Long Term Debt as a % of Plant	99.06%	98.35% *	98.35%	104.21%
4. Debt Service Coverage	1.26	1.26	2.71	2.94
5. Inventory Turnover - Electric (Dist & Trans)				
Dollar Value	0.56	0.54	0.76	0.85
Quantity	1.05	1.05	1.20	1.35
6. Intercompany Receivables/(Payables) :				
Electric Division	3,044,859	2,952,786	-	7,194,658
Combined Gas Division	(3,044,859)	(2,952,786)	-	(7,194,658)
7. Total Shared Overhead-Gas Division	164,997	197,952	169,343	200,257
8. Material Inventory:				
Material	2,109,365	2,158,612	2,030,425	1,855,815
Special Equip.	2,700,671	2,649,279	2,005,472	2,139,974
Total Material	<u>4,810,036</u>	<u>4,807,891</u>	<u>4,035,897</u>	<u>3,995,789</u>
9. Inventory Carrying Cost (YTD)	<u>25,344</u>	<u>30,502</u>		
10. Aged Accounts Receivable (Over 60 Days):	78,896	84,883	51,569	62,715
11. Lower Valley has a \$12 Million dollar line of credit with CFC, and a \$5 Million line of credit with 1st Bank to meet short term cash needs.				
CFC line of credit balance is:	\$	(106)		
1st Bank line of credit balance is:		756,569		
Total lines of credit	<u>\$</u>	<u>756,463</u>		

\* 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.