### 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**

**Signature of President and CEO**

**8/20/2014**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>YEAR-TO-DATE</th>
<th>Electric</th>
<th>Combined Gas</th>
<th>Consolidated</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Operating Revenue</td>
<td>$ 25,750,592</td>
<td>$ 7,217,231</td>
<td>$ 32,967,823</td>
<td>$ 30,711,092</td>
<td></td>
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<td>2 Power Production Expense</td>
<td>53,313</td>
<td>-</td>
<td>53,313</td>
<td>79,540</td>
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</tr>
<tr>
<td>3 Cost of Purchased Power/Gas Sold</td>
<td>14,857,784</td>
<td>3,883,242</td>
<td>18,741,026</td>
<td>18,017,611</td>
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<tr>
<td>4 Transmission Operation &amp; Maintenance</td>
<td>252,582</td>
<td>100,836</td>
<td>353,418</td>
<td>476,935</td>
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</tr>
<tr>
<td>5 Regional Market Expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>6 Distribution Operation Expense</td>
<td>1,972,963</td>
<td>151,998</td>
<td>2,124,961</td>
<td>1,927,571</td>
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<tr>
<td>7 Distribution Maintenance Expense</td>
<td>701,585</td>
<td>98,585</td>
<td>800,170</td>
<td>841,723</td>
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<td>8 Consumer Accounts Expense</td>
<td>471,794</td>
<td>63,320</td>
<td>535,114</td>
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<tr>
<td>9 Customer Service and Informational Expense</td>
<td>267,534</td>
<td>17,739</td>
<td>285,273</td>
<td>281,540</td>
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<td>10 Sales Expense</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
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<tr>
<td>11 Administrative and General Expense</td>
<td>1,292,951</td>
<td>215,254</td>
<td>1,508,205</td>
<td>1,695,226</td>
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<td>12 Total Operation &amp; Maintenance Expense (2 thru 11)</td>
<td>$ 19,870,527</td>
<td>$ 4,530,973</td>
<td>$ 24,401,500</td>
<td>$ 23,839,728</td>
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<tr>
<td>13 Depreciation and Amortization Expense</td>
<td>2,711,168</td>
<td>677,031</td>
<td>3,388,199</td>
<td>3,321,010</td>
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<tr>
<td>14 Tax Expense-Property</td>
<td>259,420</td>
<td>110,880</td>
<td>370,300</td>
<td>370,280</td>
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<td>15 Tax Expense-Other</td>
<td>24,049</td>
<td>8,674</td>
<td>32,723</td>
<td>34,900</td>
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<tr>
<td>16 Interest on Long-Term Debt</td>
<td>575,563</td>
<td>918,356</td>
<td>1,493,920</td>
<td>1,633,284</td>
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<tr>
<td>17 Interest Charged to Construction-Credit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>18 Interest Expense-Other*</td>
<td>23,111</td>
<td>49,002</td>
<td>21,639</td>
<td>112,000</td>
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<tr>
<td>19 Other Deductions</td>
<td>(104,386)</td>
<td>-</td>
<td>(104,386)</td>
<td>(104,370)</td>
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<tr>
<td>20 Total Cost of Electric Service (16 thru 23)</td>
<td>$ 23,359,451</td>
<td>$ 6,294,917</td>
<td>$ 29,603,894</td>
<td>$ 29,206,832</td>
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<td>21 Patronage Capital &amp; Operating Margins (3 minus 24)</td>
<td>$ 2,391,140</td>
<td>$ 922,314</td>
<td>$ 3,363,299</td>
<td>$ 1,504,260</td>
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<td>22 Non Operating Margins-Interest*</td>
<td>116,948</td>
<td>-</td>
<td>66,474</td>
<td>57,250</td>
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<tr>
<td>23 Allowance for Funds Used During Construction</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
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<tr>
<td>24 Income (Loss) from Equity Investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>25 Non Operating Margins-Other</td>
<td>35,978</td>
<td>9,020</td>
<td>44,998</td>
<td>-</td>
<td></td>
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<tr>
<td>26 Generation and Transmission Capital Credits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
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<tr>
<td>27 Other Capital Credits and Patronage Dividends</td>
<td>215,101</td>
<td>-</td>
<td>215,101</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>28 Extraordinary Items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
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<tr>
<td>29 Patronage Capital or Margins (21 thru 28)</td>
<td>$ 2,759,168</td>
<td>$ 931,334</td>
<td>$ 3,690,502</td>
<td>$ 1,561,510</td>
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### DATA ON TRANSMISSION AND DISTRIBUTION

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

**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.

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**Signature of Chief Financial Officer**

**Date**

---

**Signature of President and CEO**

**Date**

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### Statement of Operations - Consolidated

<table>
<thead>
<tr>
<th>Item</th>
<th>Last Year (a)</th>
<th>This Year (b)</th>
<th>Budget (c)</th>
<th>This Month (d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>$30,709,731</td>
<td>$22,967,823</td>
<td>$30,711,092</td>
<td>$3,387,978</td>
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<td>Power Production Expense</td>
<td>64,354</td>
<td>53,313</td>
<td>79,540</td>
<td>9,812</td>
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<tr>
<td>Cost of Purchased Power &amp; Gas</td>
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<td>18,741,026</td>
<td>18,017,611</td>
<td>1,577,991</td>
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<td>Transmission Operation &amp; Maintenance</td>
<td>445,315</td>
<td>353,418</td>
<td>476,935</td>
<td>33,650</td>
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<tr>
<td>Regional Market Expense</td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Distribution Operation Expense</td>
<td>2,105,890</td>
<td>2,124,981</td>
<td>1,927,571</td>
<td>357,905</td>
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<tr>
<td>Distribution Maintenance Expense</td>
<td>641,571</td>
<td>809,170</td>
<td>841,723</td>
<td>117,266</td>
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<tr>
<td>Consumer Accounts Expense</td>
<td>536,060</td>
<td>535,114</td>
<td>519,582</td>
<td>60,568</td>
</tr>
<tr>
<td>Customer Service and Informational Expense</td>
<td>257,029</td>
<td>285,273</td>
<td>281,540</td>
<td>(27,902)</td>
</tr>
<tr>
<td>Sales Expense</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Administrative and General Expense</td>
<td>1,552,253</td>
<td>1,508,205</td>
<td>1,695,226</td>
<td>227,789</td>
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<tr>
<td>Total Operation &amp; Maintenance Expense (2 thru 11)</td>
<td>$22,572,539</td>
<td>$24,401,500</td>
<td>$23,839,728</td>
<td>$2,357,080</td>
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<tr>
<td>Depreciation and Amortization Expense</td>
<td>3,164,233</td>
<td>3,388,199</td>
<td>3,321,010</td>
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<tr>
<td>Tax Expense-Property</td>
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<td>Tax Expense-Other</td>
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<td>32,723</td>
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<td>Interest on Long-Term Debt</td>
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<td>1,493,920</td>
<td>1,633,284</td>
<td>175,087</td>
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<td>Interest Charged to Construction-Credit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest Expense-Other*</td>
<td>177,272</td>
<td>21,639</td>
<td>112,000</td>
<td>(6,159)</td>
</tr>
<tr>
<td>Other Deductions</td>
<td>(104,386)</td>
<td>(104,386)</td>
<td>(104,370)</td>
<td>(14,912)</td>
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<tr>
<td>Total Cost of Electric Service (16 thru 23)</td>
<td>$27,708,558</td>
<td>$29,603,894</td>
<td>$29,206,832</td>
<td>$3,053,264</td>
</tr>
<tr>
<td>Patronage Capital &amp; Operating Margins (3 minus 24)</td>
<td>$3,001,173</td>
<td>$3,363,929</td>
<td>$1,504,260</td>
<td>$334,714</td>
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<tr>
<td>Non Operating Margins-Interest*</td>
<td>171,892</td>
<td>66,474</td>
<td>57,250</td>
<td>3,708</td>
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<tr>
<td>Allowance for Funds Used During Construction</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Income (Loss) from Equity Investments</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non Operating Margins-Other</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Generation and Transmission Capital Credits</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Other Capital Credits and Patronage Dividends</td>
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<td>215,101</td>
<td>-</td>
<td>192,289</td>
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<tr>
<td>Extraordinary Items</td>
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<td>-</td>
</tr>
<tr>
<td>Patronage Capital or Margins (21 thru 28)</td>
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<td>-</td>
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### Data on Transmission and Distribution

<table>
<thead>
<tr>
<th>Item</th>
<th>Year-to-Date</th>
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<tbody>
<tr>
<td>Last Year (a)</td>
<td>This Year (b)</td>
</tr>
<tr>
<td>1. New Services Connected</td>
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</tr>
<tr>
<td>2. Services Retired</td>
<td>258</td>
</tr>
<tr>
<td>3. Total Services in Place</td>
<td>30,437</td>
</tr>
<tr>
<td>4. Idle Services (Exclude Seasonal)</td>
<td>247</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Year-to-Date</th>
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<tbody>
<tr>
<td>Last Year (a)</td>
<td>This Year (b)</td>
</tr>
<tr>
<td>1. New Services Connected</td>
<td>149</td>
</tr>
<tr>
<td>2. Services Retired</td>
<td>258</td>
</tr>
<tr>
<td>3. Total Services in Place</td>
<td>30,437</td>
</tr>
<tr>
<td>4. Idle Services (Exclude Seasonal)</td>
<td>247</td>
</tr>
<tr>
<td>5. Miles Trans.</td>
<td>285</td>
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<tr>
<td>6. Miles Dist. - OH</td>
<td>947</td>
</tr>
<tr>
<td>7. Miles Dist. - UG</td>
<td>1,637</td>
</tr>
<tr>
<td>8. Total Miles (5 + 6 + 7)</td>
<td>2,869</td>
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LOWER VALLEY ENERGY, INC.  
BALANCE SHEET  
As of  
July 31, 2014  

CONSOLIDATED  

ASSETS AND OTHER DEBITS  

<table>
<thead>
<tr>
<th>Current Year</th>
<th>Prior Year</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>1. Total Utility Plant in Service</td>
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<td>$ 195,730,961</td>
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<tr>
<td>2. Construction Work in Progress</td>
<td>6,357,157</td>
<td>6,313,090</td>
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<tr>
<td>3. Total Utility Plant</td>
<td>208,069,335</td>
<td>202,044,951</td>
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<td>4. Accum. Provision for Depreciation and Amort</td>
<td>88,057,666</td>
<td>82,786,435</td>
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<tr>
<td>5. Net Utility Plant</td>
<td>120,011,669</td>
<td>119,258,516</td>
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<td>6. Nonutility Property - Net</td>
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</tr>
<tr>
<td>7. Investments in Subsidiary Companies</td>
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<tr>
<td>8. Invest. in Assoc. Org. - Patronage Capital</td>
<td>1,740,683</td>
<td>1,558,643</td>
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<tr>
<td>9. Invest. in Assoc. Org.-Other-General Funds</td>
<td>6,685</td>
<td>11,685</td>
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<tr>
<td>10. Invest. in Assoc. Org.-Other-Nongeneral Funds</td>
<td>2,128,281</td>
<td>2,631,017</td>
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<tr>
<td>11. Investments in Economic Development Projects</td>
<td>2,093</td>
<td>2,093</td>
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<td>12. Other Investments</td>
<td>723,010</td>
<td>97,768</td>
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<td>13. Special Funds</td>
<td>-</td>
<td>-</td>
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<tr>
<td>14. Total Other Property &amp; Investments</td>
<td>4,600,752</td>
<td>4,701,206</td>
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<td>15. Cash-General Funds</td>
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<td>874,778</td>
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<td>16. Cash-Construction Funds-Trustee</td>
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<td>-</td>
</tr>
<tr>
<td>17. Special Deposits</td>
<td>1,205,295</td>
<td>1,354,873</td>
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<td>18. Temporary Investments</td>
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<td>-</td>
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<tr>
<td>19. Notes Receivable-Net</td>
<td>235,006</td>
<td>165,701</td>
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<tr>
<td>20. Accounts Receivable-Net Sales of Energy</td>
<td>2,754,930</td>
<td>2,282,677</td>
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<tr>
<td>21. Accounts Receivable-Net Other</td>
<td>317,829</td>
<td>489,595</td>
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<td>22. Renewable Energy Credits</td>
<td>2,158,612</td>
<td>1,855,816</td>
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<tr>
<td>23. Materials &amp; Supplies-Electric and Other</td>
<td>7,394,321</td>
<td>465,042</td>
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<td>24. Prepayments (inc. current portion of BPA prepay)</td>
<td>1,390,595</td>
<td>1,170,342</td>
</tr>
<tr>
<td>25. Other Current &amp; Accrued Assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>26. Total Current &amp; Accrued Assets</td>
<td>15,817,335</td>
<td>8,568,623</td>
</tr>
<tr>
<td>27. Regulatory Assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>28. Other Deferred Debits</td>
<td>10,054,212</td>
<td>9,437,210</td>
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<tr>
<td>29. Non-current Assets-BPA Power Prepayment</td>
<td>136,701,250</td>
<td>150,915,958</td>
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<tr>
<td>30. Total Assets &amp; Other Debits</td>
<td>$ 287,185,118</td>
<td>$ 292,974,541</td>
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LIABILITIES AND OTHER CREDITS  

<table>
<thead>
<tr>
<th>Current Year</th>
<th>Prior Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>30. Memberships</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>31. Patronage Capital</td>
<td>55,729,034</td>
<td>54,253,241</td>
</tr>
<tr>
<td>32. Operating Margins-Previous Years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>33. Operating Margins-Current Year</td>
<td>3,313,435</td>
<td>3,001,173</td>
</tr>
<tr>
<td>34. Non-Operating Margins</td>
<td>377,347</td>
<td>171,892</td>
</tr>
<tr>
<td>35. Other Margins and Equities</td>
<td>15,427,485</td>
<td>14,277,175</td>
</tr>
<tr>
<td>36. Total Margins &amp; Equities</td>
<td>74,847,625</td>
<td>71,705,478</td>
</tr>
<tr>
<td>37. Long-Term Debt - RUS (Net)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>38. Long-Term Debt - FFB - RUS Guaranteed</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>39. Long-Term Debt - Other - RUS Guaranteed</td>
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<td>-</td>
</tr>
<tr>
<td>40. Long-Term Debt-Other (Net)</td>
<td>49,359,257</td>
<td>57,697,533</td>
</tr>
<tr>
<td>41. Long-Term Debt-Other (BPA Power Prepayment)</td>
<td>143,763,596</td>
<td>151,356,428</td>
</tr>
<tr>
<td>42. Long-Term Debt - WY SEO (Net)</td>
<td>1,000,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>43. Payments - Unpaid</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>44. Total Long-Term Debt</td>
<td>194,622,355</td>
<td>210,553,951</td>
</tr>
<tr>
<td>45. Obligations under Capital Leases</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>46. Accrued Operating Provisions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>47. Total Other Noncurrent Liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>48. Non-Current Liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>49. Accounts Payable</td>
<td>2,218,360</td>
<td>5,793,210</td>
</tr>
<tr>
<td>50. Customers Deposits</td>
<td>527,914</td>
<td>576,335</td>
</tr>
<tr>
<td>51. Current Maturities Long-Term Debt</td>
<td>10,007,357</td>
<td>-</td>
</tr>
<tr>
<td>52. Current Maturities Long-Term Debt - Econ. Devel.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>53. Current Maturities Capital Leases</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>54. Total Current &amp; Accrued Liabilities</td>
<td>1,096,008</td>
<td>9,673,318</td>
</tr>
<tr>
<td>55. Regulatory Liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>56. Deferred Credits</td>
<td>1,772,270</td>
<td>1,043,765</td>
</tr>
<tr>
<td>57. Total Liabilities &amp; Other Credits</td>
<td>$ 287,185,118</td>
<td>$ 292,974,541</td>
</tr>
</tbody>
</table>

ESTIMATED CONTRIBUTIONS-IN- AID-OF-CONSTRUCTION  

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Beginning of Year (1978 Thru 2012)</td>
<td>$52,420,426</td>
<td>$50,999,089</td>
</tr>
<tr>
<td>Amounts Received This Year (Net)</td>
<td>1,045,915</td>
<td>76,527</td>
</tr>
<tr>
<td>TOTAL CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION</td>
<td>$53,466,341</td>
<td>$51,765,616</td>
</tr>
</tbody>
</table>

NOTES TO FINANCIAL STATEMENTS  

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

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Current Assets/Liabilities</td>
<td>0.97</td>
</tr>
<tr>
<td>2. Equity</td>
<td>25.56%</td>
</tr>
<tr>
<td>2a. Equity excluding BPA Power Prepayment</td>
<td>50.76%</td>
</tr>
<tr>
<td>3. Long Term Debt as a % of Plant</td>
<td>99.06%</td>
</tr>
<tr>
<td>4. Debt Service Coverage</td>
<td>1.26</td>
</tr>
<tr>
<td>5. Inventory Turnover - Electric (Dist &amp; Trans) Dollar Value</td>
<td>0.56</td>
</tr>
<tr>
<td>Quantity</td>
<td>1.05</td>
</tr>
<tr>
<td>6. Intercompany Receivables (Payables) : Electric Division</td>
<td>3,044,859</td>
</tr>
<tr>
<td>Combined Gas Division</td>
<td>(3,044,859)</td>
</tr>
<tr>
<td>7. Total Shared Overhead-Gas Division</td>
<td>164,997</td>
</tr>
<tr>
<td>8. Material Inventory: Material Special Equip</td>
<td>2,109,365</td>
</tr>
<tr>
<td>Total Materials</td>
<td>2,208,671</td>
</tr>
<tr>
<td>9. Inventory Carrying Cost (YTD)</td>
<td>4,810,036</td>
</tr>
<tr>
<td>10. Aged Accounts Receivable (Over 60 Days)</td>
<td>78,896</td>
</tr>
<tr>
<td>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 $ - 1st Bank line of credit balance is:</td>
<td>-</td>
</tr>
<tr>
<td>Total lines of credit</td>
<td>756,569</td>
</tr>
</tbody>
</table>

* 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.