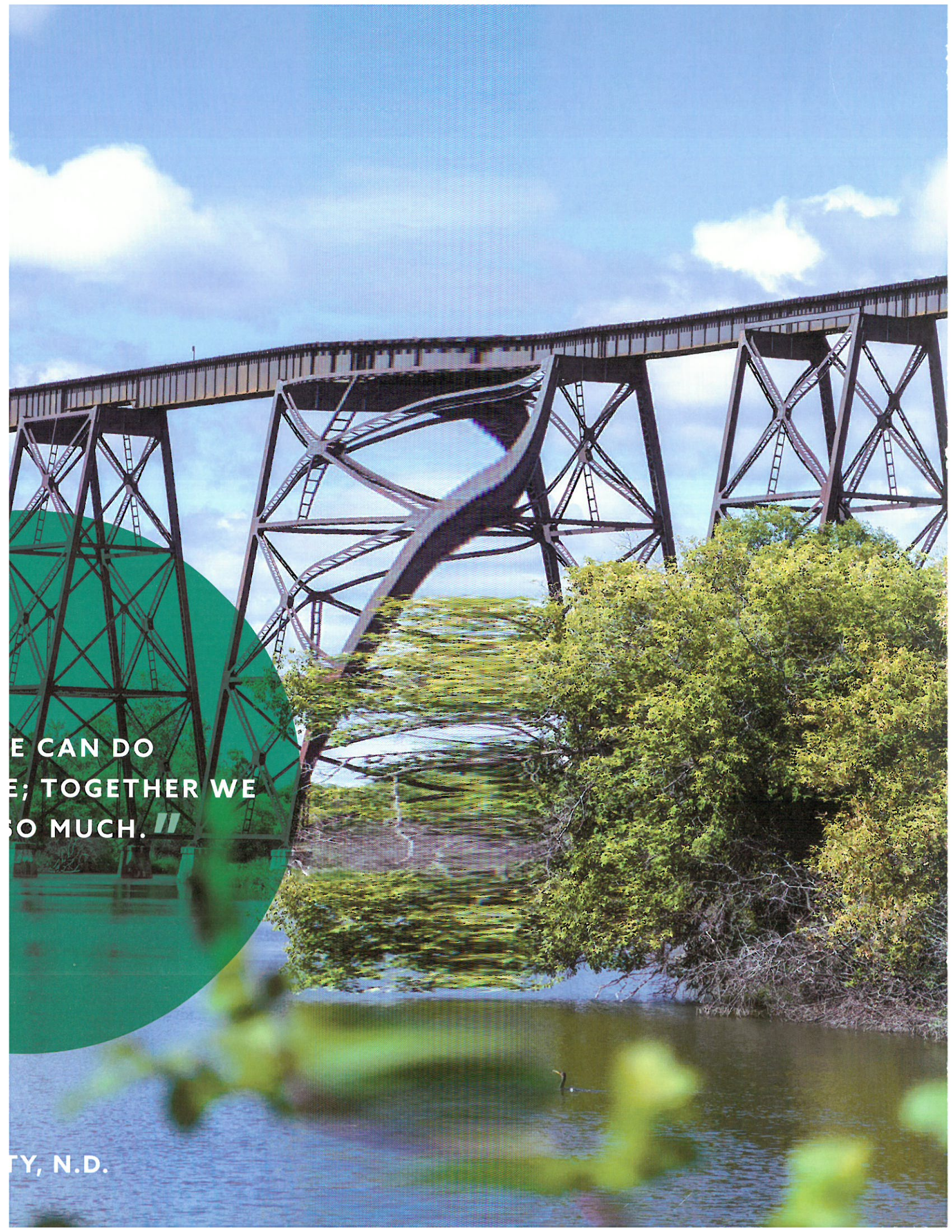




2019 ANNUAL REPORT

PROGRESS THROUGH PARTNERSHIPS



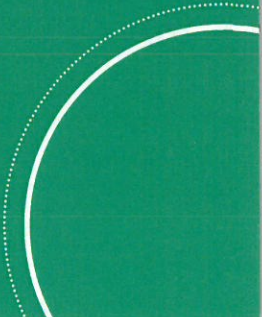
WE CAN DO
E; TOGETHER WE
SO MUCH. //

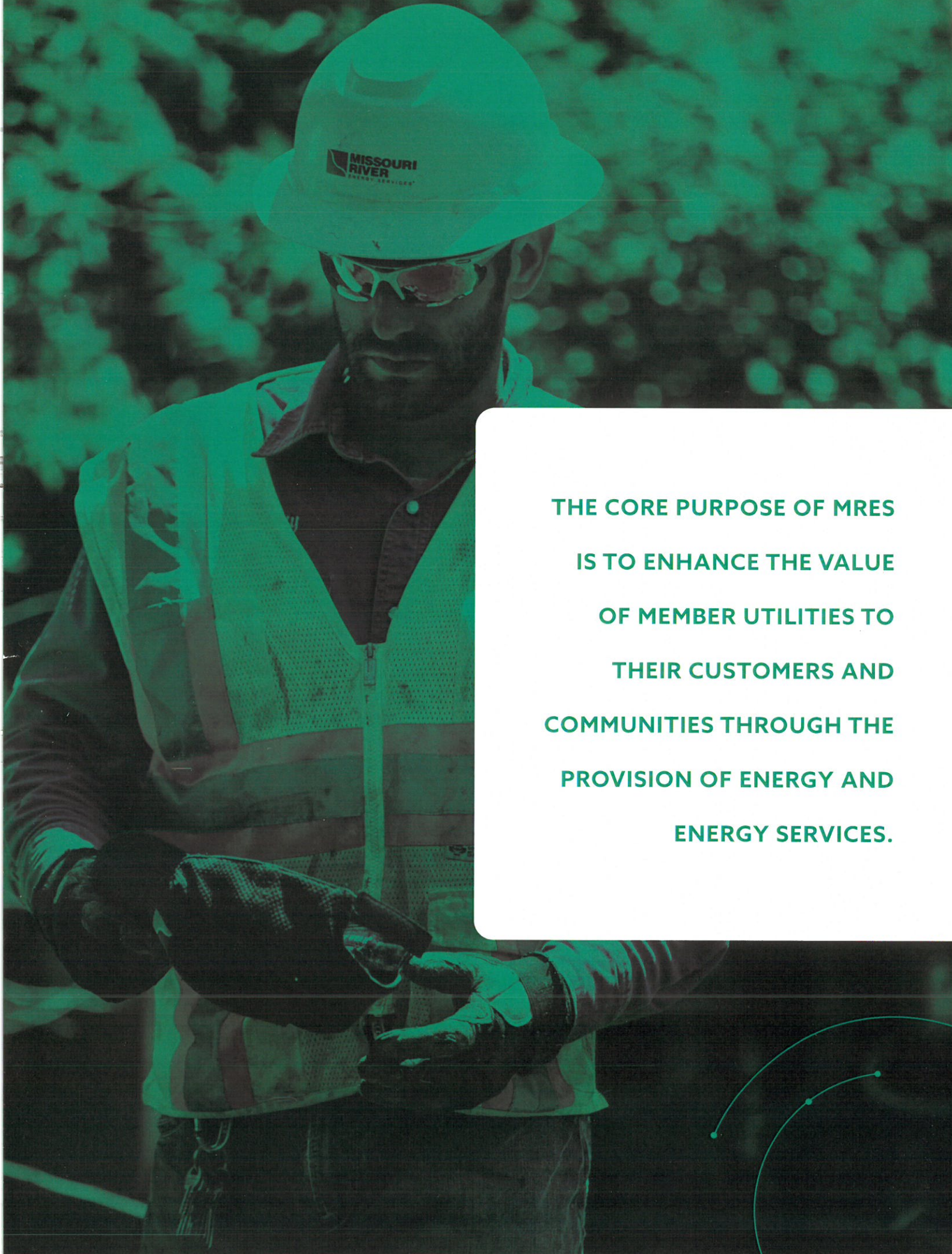
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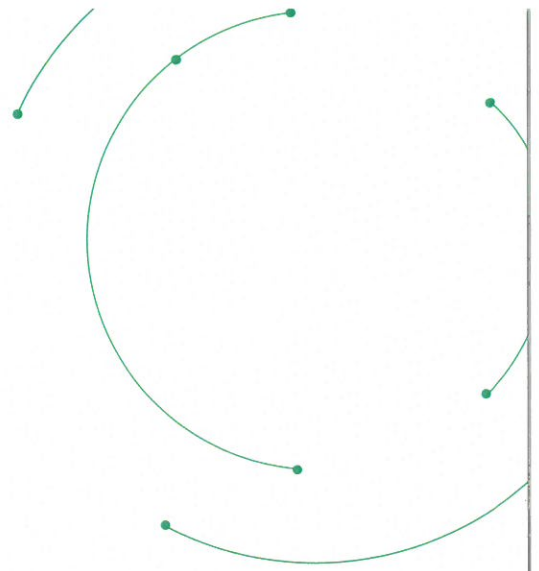
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This report and combined financial statements and notes are available at mrenergy.com®.
Visit mrenergy.com for more information about MRES, our programs, and our services.





THE CORE PURPOSE OF MRES
IS TO ENHANCE THE VALUE
OF MEMBER UTILITIES TO
THEIR CUSTOMERS AND
COMMUNITIES THROUGH THE
PROVISION OF ENERGY AND
ENERGY SERVICES.



ABOUT US

Missouri River Energy Services (MRES) provides electricity and other energy-related services to 61 municipal electric utilities in four states. We serve 18 municipal electric utilities in Iowa, 25 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 170,000 customers and have a population of approximately 320,000.

For 55 years, MRES has worked together with our members to meet the needs of their customers and to help those communities thrive and prosper. In 2019, we supplied more than 60 percent of our members' 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 (Board) elected by and from the ranks of our member communities.

Western Minnesota Municipal Power Agency (WMMPA) finances the construction and acquisition of generation and transmission facilities for MRES. MRES performs all required administrative services on behalf of WMMPA under an administrative services agreement.

WMMPA is governed by a seven-member Board that serves on behalf of the 24 WMMPA members from Minnesota.



OUR MISSION

MRES is dedicated to supplying its members with reliable, cost-effective, long-term energy and energy services in a fiscally responsible and environmentally sensitive manner. MRES is an extension of its members, and through joint action, members will remain competitive while enhancing their relationships with their customers.

OUR VISION

To be the preferred provider of energy and energy services that adds value to member organizations.

OUR CORE VALUES

MRES is an organization where excellence of work and integrity of character are daily expectations for all employees, Board members, and others associated with MRES on a professional basis. The following Core Values describe those expectations in greater detail:



RELIABILITY

We are there when you need us.



ACCOUNTABILITY

We can be counted on to do what we say we will.



HONESTY

We will give our members the whole story — bad news along with the good.



COMPETENCE

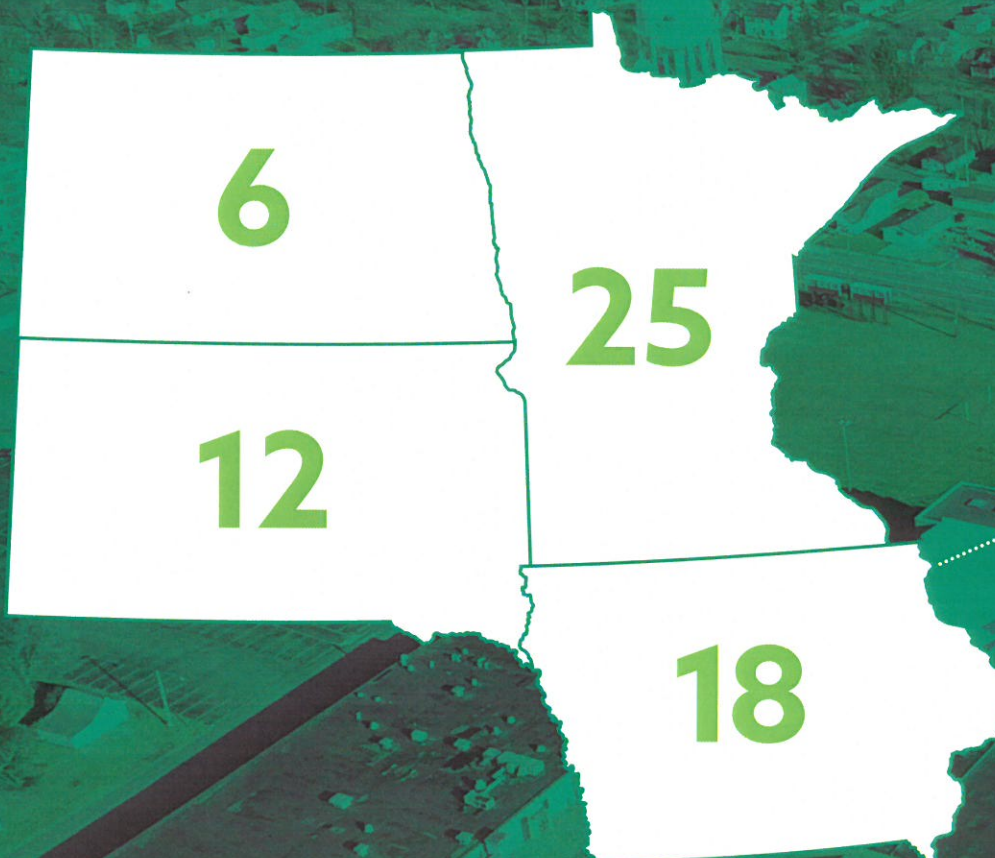
Excellence in work product and performance will be the objective of every MRES employee with the end result being the achievement of the MRES corporate goals consistent with member expectations.



CREATIVITY

We will recognize problems that limit the success of our members and strive to solve them. Creative solutions are encouraged, and failure will be viewed as a temporary setback to be learned from for future problem-solving efforts.

MEMBER MAP



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



61

OWNED BY 61 MUNICIPAL
ELECTRIC UTILITIES, WHICH SERVE
APPROXIMATELY

320,000 people

MINNESOTA

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

IOWA

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



MESSAGE FROM THE PRESIDENT & CEO AND CHAIR OF THE BOARD

Progress through Partnerships.

Missouri River Energy Services has always put its members first. We are committed to building and maintaining partnerships that collectively benefit and empower our members. When we were formed in the early 1960s, our mission was to help municipalities that operated their own electric systems to work together in planning for future power supply needs and solving other mutual problems. We have not wavered from this mission.

We are proud of all we have accomplished in 2019. We have explored ways to be even better by maintaining a strong financial foundation, maintaining competitive rates, continuing to build our hydroelectric power plant, and adding new technologies and methods that continue to sharpen our performance.

MRES takes our partnership with our members and their communities to heart. From energy efficiency to school programs to college scholarships to workshops that can enhance the skills of our members' employees, we're invested in our core purpose of enhancing the value of member utilities to their customers and communities.

We again proved the value of our financial position as demonstrated by our strong credit ratings from Fitch Ratings (Fitch) and Moody's Investors Service (Moody's). Fitch rates WMMPA at AA- with a stable outlook and Moody's rates WMMPA at Aa3 with a stable outlook. These high bond ratings mean WMMPA is well situated to obtain favorable interest rates for the future, which helps MRES maintain competitive rates.

Solid credit ratings help us when refinancing bonds, and ultimately save our members money through lower interest rates. In October, WMMPA closed on more than \$322 million in taxable power supply refunding bonds. The total savings to MRES members will exceed \$50 million over the 26-year term of the bonds.

We reduced our power supply rates by 3.2 percent for all members in 2019. The average rate is expected to remain the same through 2023. In 2023 we plan to change our rate structure to include time-of-use (TOU) energy rates.

The savings realized by MRES and WMMPA through these actions, and others, have resulted in reserves that are in excess of our target levels. We plan to use the excess funds to pay off debt early and fund future capital improvements.

Work continued at the Red Rock Hydroelectric Project (RRHP) despite flooding in early 2019. Construction workers installed the generator rotor

on the second unit, completed the access road to the intake structure, energized the substation, and successfully cored through the Red Rock Dam. Final equipment installation, verification, and equipment checks have been completed on the downstream side of the dam. We expect RRHP to start generating electricity this fall.

We are excited about the addition of this new renewable and carbon-free resource to our power supply mix. This new generation resource will help us transition to a cleaner energy future by reducing our overall emissions. Since 2005, we've reduced our carbon intensity by 72 percent as the result of increased energy sales, increased use of clean energy resources, and decreased reliance on carbon-emitting resources.

As technologies have evolved, we have taken steps to help our members meet their customers' demand for more options. We began offering incentives for equipment that will help MRES and its members grow electric loads in an efficient and environmentally friendly way.

We also laid the foundation for Smart Grid technologies that can help our members reduce their risks, better monitor their distribution systems, improve reliability and security, and provide tools

to help members' customers better manage their electric usage. Our Board plans to consider offering MRES-sponsored customer information/billing systems, and cyber security services for our members in the near future.

We continued to advocate on behalf of our members as we worked with policymakers, regulators, and other organizations on tax-exempt financing, protection of the federal power program, grid security, and clean energy standards. In addition, we have partnered with our members to promote the value of public power.

We know that we could not succeed without our talented and dedicated employees. We've implemented several recommendations from our employee engagement survey, such as adopting a culture statement, and continued to develop our succession planning. We also equipped our employees with the necessary training and workshops to help them excel in their careers.

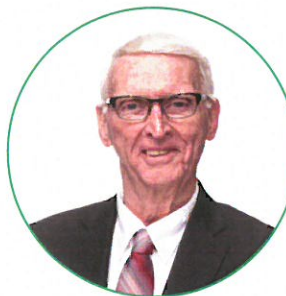
The accomplishments highlighted in this report reflect our mission to provide affordable, reliable, and clean power for our members and the customers they serve. We're here to help our members, and that's how we can achieve progress through partnerships. Thank you for your continued support of MRES and WMMPA.



THOMAS J. HELLER

President & CEO, MRES

A handwritten signature in black ink that reads "Thomas J. Heller".



HAROLD SCHIEBOUT

Chair of the Board, MRES

A handwritten signature in black ink that reads "Harold Schiebout".

BOARD OF DIRECTORS

MISSOURI RIVER ENERGY SERVICES



HAROLD SCHIEBOUT

Chair

44 years of service
Sioux Center Municipal Utilities,
Sioux Center, Iowa



DONALD JOHNSTON

First Vice Chair

43 years of service
Flandreau Municipal Utilities,
Flandreau, S.D.



BILL SCHWANDT

Second Vice Chair

28 years of service
Moorhead Public Service,
Moorhead, Minn.



JAMES HOYE

Third Vice Chair

20 years of service
Rock Rapids Municipal Utilities,
Rock Rapids, Iowa



DAVID SCHELKOPH

Fourth Vice Chair

3 years of service
Valley City Public Works,
Valley City, N.D.



BRAD ROOS

Secretary/Treasurer

32 years of service
Marshall Municipal Utilities,
Marshall, Minn.



SCOTT HAIN

Director

9 years of service
Worthington Public Utilities,
Worthington, Minn.



STEVE LEHNER

Director

12 years of service
Watertown Municipal Utilities Department,
Watertown, S.D.



STEVE MEYER

Director

14 years of service
Brookings Municipal Utilities,
Brookings, S.D.



VERNELL ROBERTS

Director

5 years of service
Detroit Lakes Public Utilities,
Detroit Lakes, Minn.



LEON SCHOCHENMAIER

Director

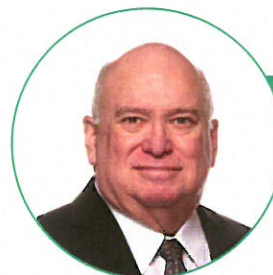
12 years of service
Pierre Municipal Utilities,
Pierre, S.D.



RORY WEIS

Director

3 years of service
Denison Municipal Utilities,
Denison, Iowa



ROB WOLFINGTON

Director

2 years of service
Benson Municipal Utilities,
Benson, Minn.

BOARD OF DIRECTORS

WESTERN MINNESOTA MUNICIPAL POWER AGENCY



BILL SCHWANDT

President

27 years of service
Moorhead Public Service,
Moorhead, Minn.



BRAD ROOS

Vice President

14 years of service
Marshall Municipal Utilities,
Marshall, Minn.



SCOTT HAIN

Secretary

14 years of service
Worthington Public Utilities,
Worthington, Minn.



VERNELL ROBERTS

Treasurer

12 years of service
Detroit Lakes Public Utilities,
Detroit Lakes, Minn.



TED CASH

Director

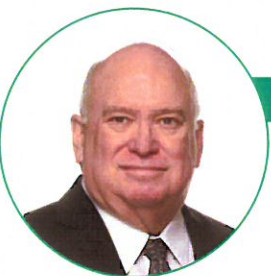
2 years of service
ALP Utilities,
Alexandria, Minn.



GUY SWENSON

Director

5 years of service
Barnesville Municipal Utilities,
Barnesville, Minn.



ROB WOLFINGTON

Director

7 years of service
Benson Municipal Utilities,
Benson, Minn.

SENIOR MANAGEMENT

MISSOURI RIVER ENERGY SERVICES



THOMAS J. HELLER

President & CEO
28 years of service



DEB BIRGEN

Vice President of Legislative & Governmental Relations
18 years of service



DAN HARMELINK

General Counsel & Director of Legal
2 years of service



JONI LIVINGSTON

Vice President of Member Services & Communications
21 years of service



JEFF PETERS

Vice President of Federal & Distributed Power Programs
29 years of service



MERLIN SAWYER

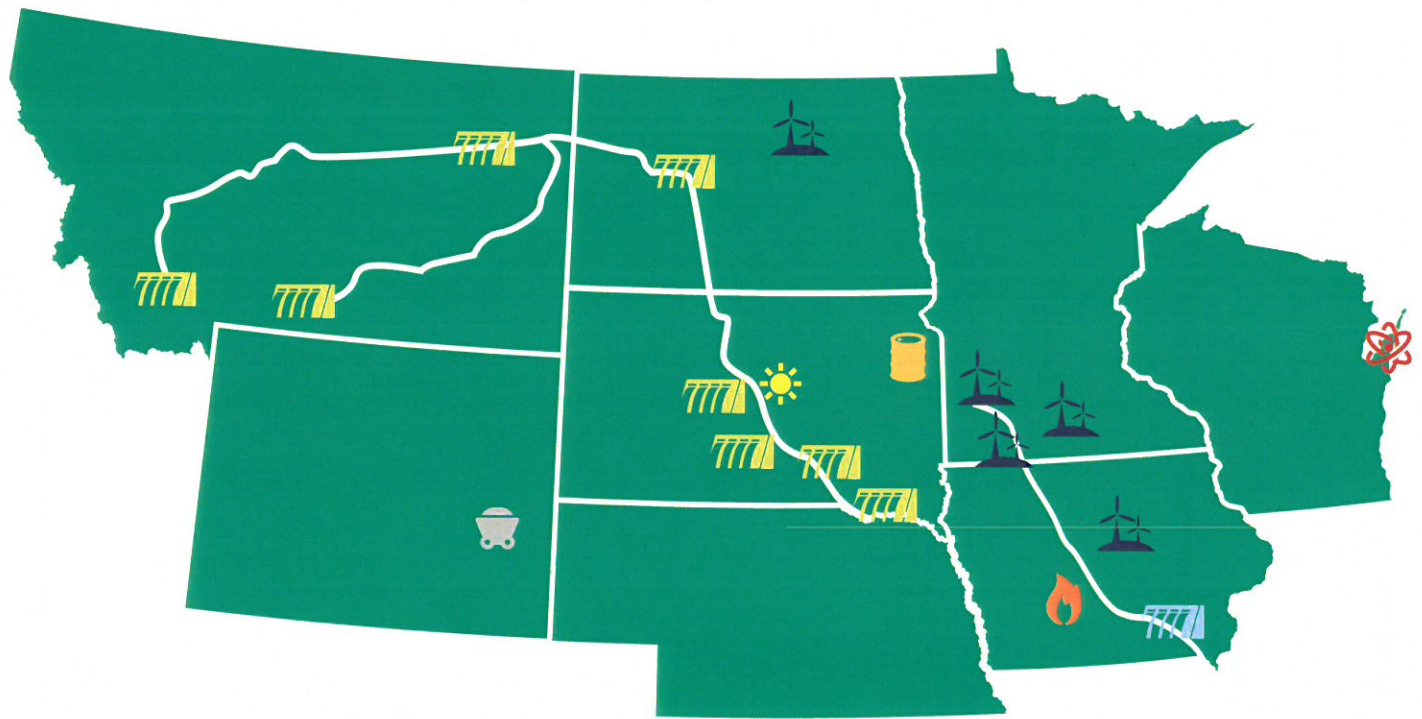
Senior Vice President & CFO
33 years of service



RAY WAHLE

Senior Vice President of Power Supply & Operations
41 years of service

GENERATION FACILITIES



WAPA Federal
Hydroelectric Resource



2020 MRES
Hydroelectric Resource



Nuclear Resource



Natural Gas Resource



Wind Energy Resource



Coal Resource



Diesel Resource
(Excludes Municipal Capacity)



Solar Resource

COMPARATIVE HIGHLIGHTS

	2019	2018	2014
FINANCIAL:			
Operating Revenues (millions)	\$249	\$269	\$198
Operating Revenues, including WAPA Member Revenue (millions)	\$293	\$313	\$259
Operating Expenses (millions)	\$192	\$197	\$170
Net Operating Income (millions)	\$56	\$73	\$28
Plant in Service (millions)	\$558	\$521	\$462
Unrestricted Cash and Investments (millions)	\$227	\$195	\$101
Days Cash on Hand (Days of Operating Expenses)	453	380	227
Total Assets (millions)	\$1,116	\$1,070	\$915
Net Position (millions)	\$334	\$299	\$149
Debt Outstanding (millions)	\$661	\$661	\$629
Average Cost of Debt	3.7%	3.8%	4.1%
Debt Service Coverage	166%	226%	150%
Debt as Percent of Capitalization	66%	69%	81%
Equity Percent of Capitalization	34%	31%	19%
MEMBER ENERGY REQUIREMENTS (GWh):			
Energy Provided by MRES	3,017	3,120	2,645
Energy from WAPA	1,903	1,869	1,860
MRES & WAPA Energy Requirements	4,920	4,989	4,505
MEMBER RESOURCE MIX:			
Energy from Coal	14%	24%	44%
Energy from Natural Gas	2%	2%	<1.0%
Energy from Fuel Oil	<0.1%	<0.1%	<0.1%
Energy from Nuclear	6%	6%	5%
Energy from Hydro	39%	38%	42%
Energy from Wind	4%	4%	6%
Energy from Solar	<0.1%	<0.1%	-
Energy from Market Purchases	35%	26%	3%
POWER SUPPLY MEMBER PEAK DEMAND (MW):			
MRES Peak Demand	554	541	490
Total Member Peak Demand	981	940	923
MEMBER WHOLESALE RATES (CENTS PER kWh):			
Average MRES Power Supply and Transmission Rate	6.9	6.9	6.3
Average Blended Cost of Energy Supplied by MRES & WAPA	5.2	5.2	5.1

POWER SUPPLY & OPERATIONS

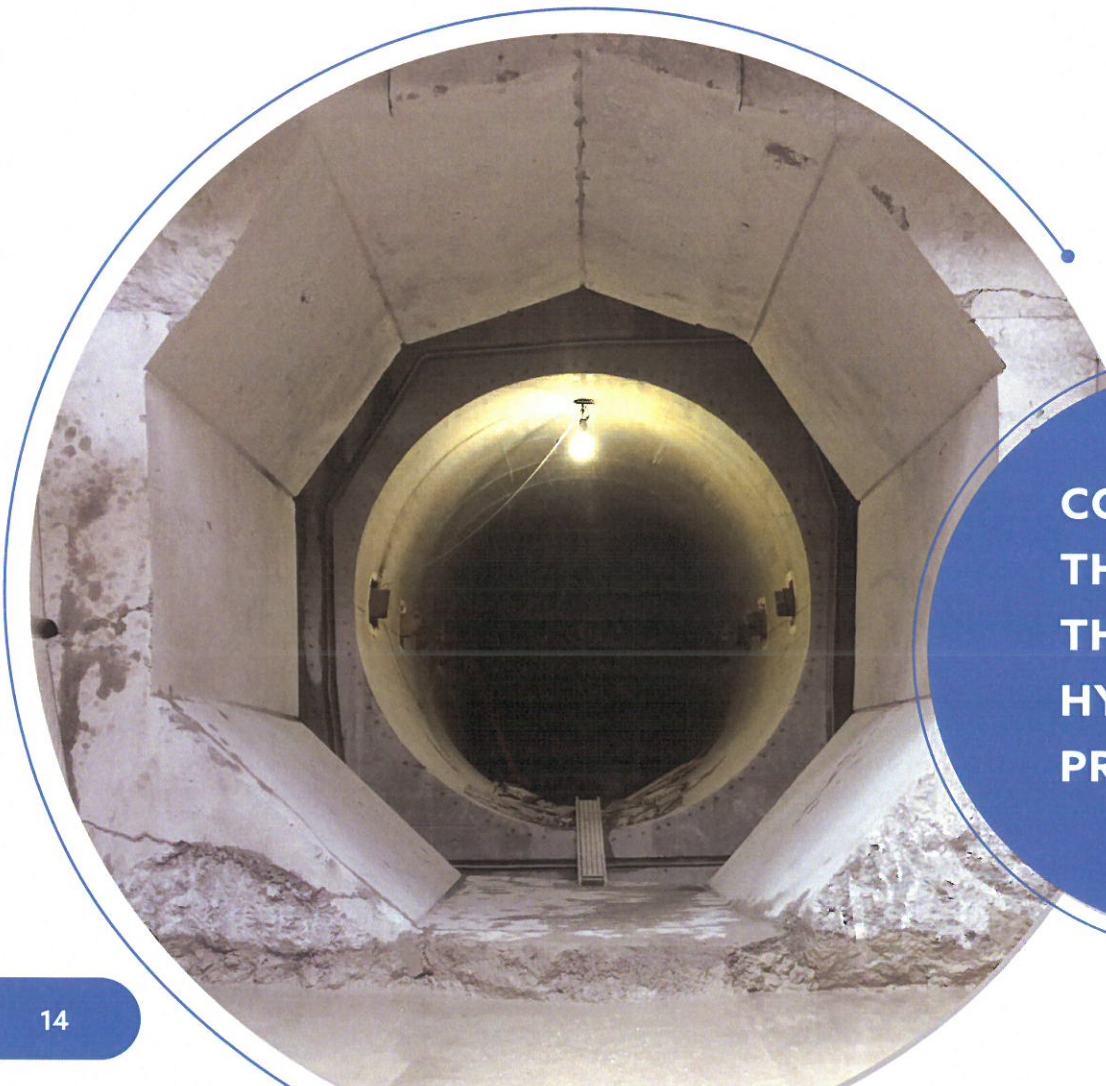
MRES achieved many things in 2019 as part of our mission to provide members with reliable and cost-effective power supply. A key component of our power supply efforts is RRHP, which is located at the existing U.S. Army Corps of Engineers Red Rock Dam on the Des Moines River.

RED ROCK HYDROELECTRIC PROJECT

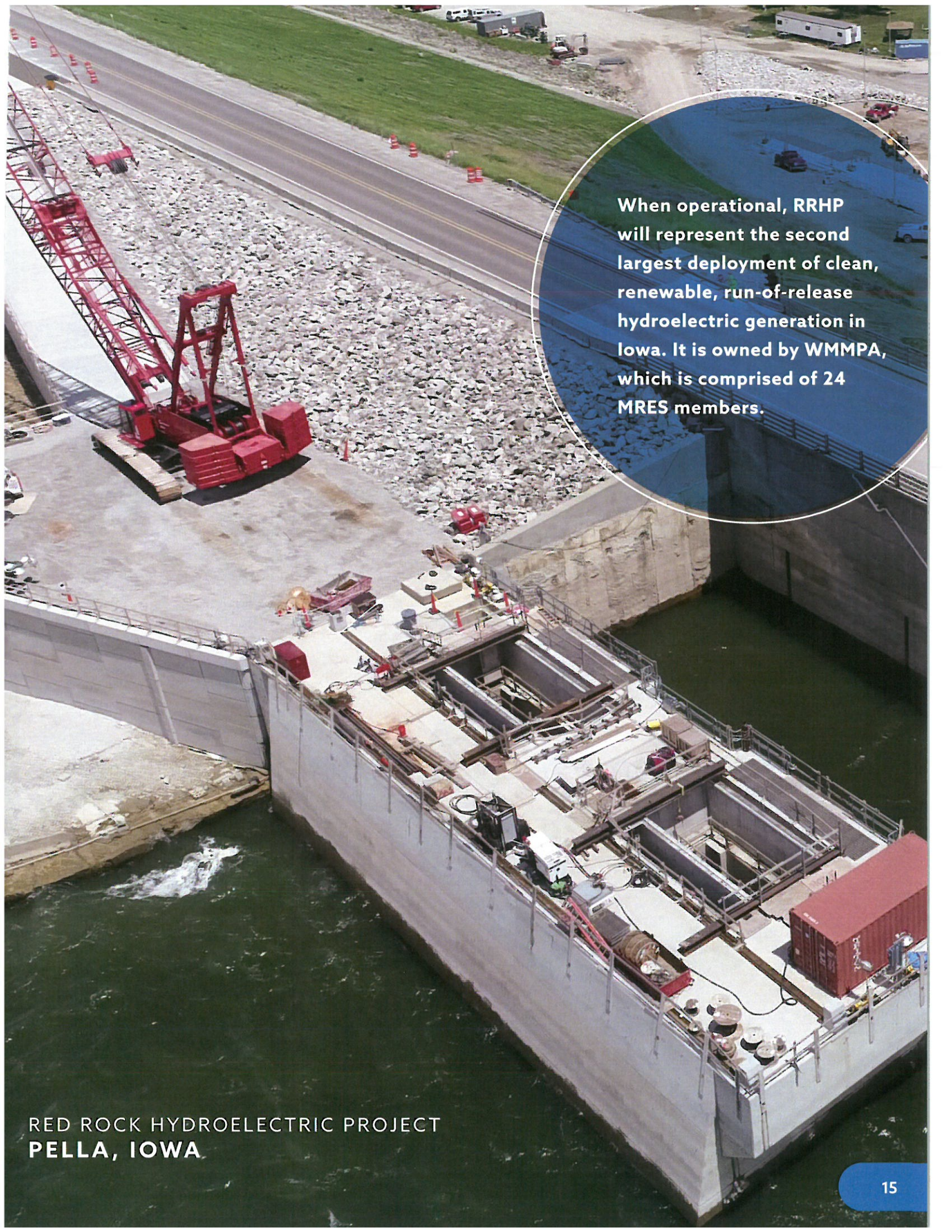
RRHP finished out 2019 with 96 percent completion. Construction crews reached a significant milestone at the project's site when they successfully cored through the Red Rock Dam in October. RRHP will

include two generating units and have a total rated capacity of 36.4 megawatts (MW), which is enough power to serve the needs of about 18,000 homes. However, when water levels are high, it will be capable of providing up to 55 MW of clean, carbon-free, renewable power.

MRES members also receive hydroelectricity from federally owned facilities along the Missouri River. In total, 43 percent of our members' electric energy was provided by clean, renewable sources, including hydro, wind, and solar.



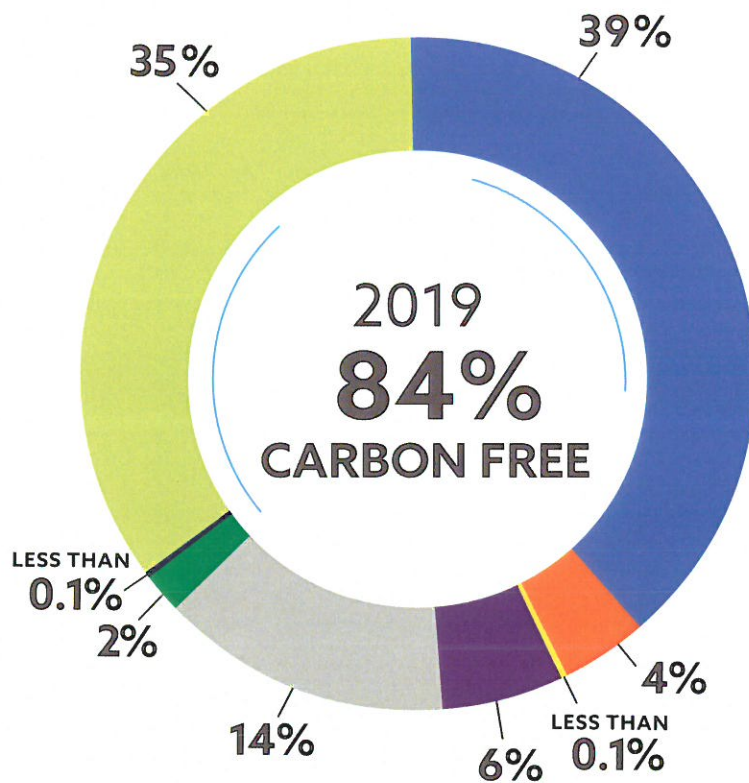
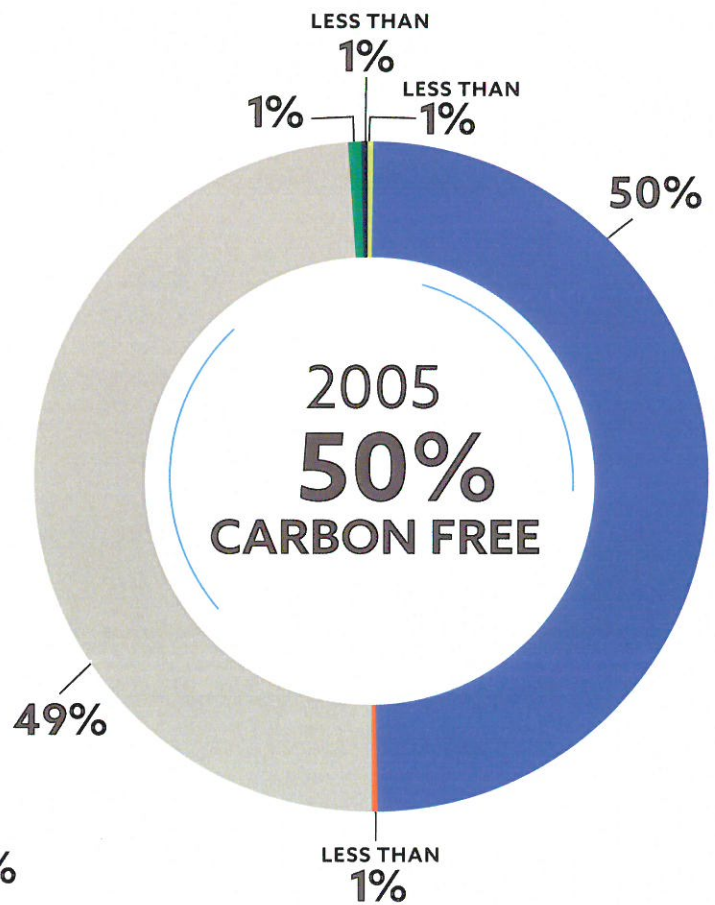
CORING OF THE DAM AT THE RED ROCK HYDROELECTRIC PROJECT



When operational, RRHP will represent the second largest deployment of clean, renewable, run-of-release hydroelectric generation in Iowa. It is owned by WMPMA, which is comprised of 24 MRES members.

RED ROCK HYDROELECTRIC PROJECT
PELLA, IOWA

LEADING THE TRANSITION TO A CLEANER ENERGY FUTURE



MRES MEMBER SOURCES OF ENERGY

- HYDRO
- WIND
- SOLAR
- NUCLEAR
- COAL
- NATURAL GAS
- FUEL OIL
- MARKET PURCHASES



72%

Since 2005, we've reduced our carbon intensity (or the amount of CO₂ emissions per kWh) by 72 percent as the result of increased energy sales, increased use of clean energy resources, and decreased use of carbon-emitting resources.

Creating a cleaner energy future is a strategic priority for MRES and our members, and we are delivering affordable, reliable, and ever-increasing clean energy to our members and their customers. In 2005, our baseline year for tracking carbon dioxide (CO₂) emissions, the MRES member power supply resource mix was 50 percent carbon-free, largely due to members' allocations of hydropower. In 2019, MRES members achieved an 84 percent carbon-free energy mix through the addition of renewable and carbon-free resources, along with the reduced operation of our coal-fired power plant.

THE MRES MEMBER RESOURCE MIX includes member allocations of WAPA hydropower, which is considered both renewable and carbon-free. The renewable and carbon-free percentages also include the environmental emissions and attributes of all energy produced by WMPA-owned resources, as well as all resources attained through purchase power agreements, whether used to serve member load or sold as surplus. Conversely, market purchases used to serve member load are assumed to be carbon-free because the generators of this power have already accounted for their emissions or have received credit for the renewable attributes.

POWER SUPPLY & OPERATIONS

CAPACITY PURCHASE AGREEMENTS

In 2019, MRES executed two capacity purchase agreements in the Midcontinent Independent System Operator, Inc., (MISO) market for varying quantities and terms. The purchases were the least-cost option to meet MISO resource adequacy requirements. MRES resource planners evaluated alternatives in making this decision, and it was much less expensive to buy capacity than it was to build a gas-fired power plant, which the Board considered as an alternative.

MRES became registered as a North American Electric Reliability Corporation (NERC) Transmission Planner (TP) for facilities in the Southwest Power Pool (SPP) owned by Moorhead (Minn.), Pierre (S.D.), and WMMPA in 2019. A TP is responsible for planning the Bulk Electric System (BES) facilities according to NERC and local standards and criteria. MRES accomplishes this in close collaboration with

WAPA, Basin Electric Power Cooperative, and other utilities in the region. The main activities are focused on an annual assessment of the reliability of the BES transmission system in the near term and forecasting for the next 10 years. In 2020, MRES expects to also assume the NERC TP registration for WMMPA and MRES member facilities in the MISO footprint.

DISTRIBUTION MAINTENANCE

In 2019, two Minnesota member communities, Barnesville and Lakefield, contracted for the MRES Distribution System Operations and Maintenance Program. Four other members and one associate also use the service. As part of the program, MRES crews operate and maintain a community's electric distribution system and other related services. MRES also began providing project-based assistance on an as-needed basis for Hillsboro, N.D. MRES provides similar supplemental distribution system maintenance services to two other members and one associate.



NEW TECHNOLOGIES

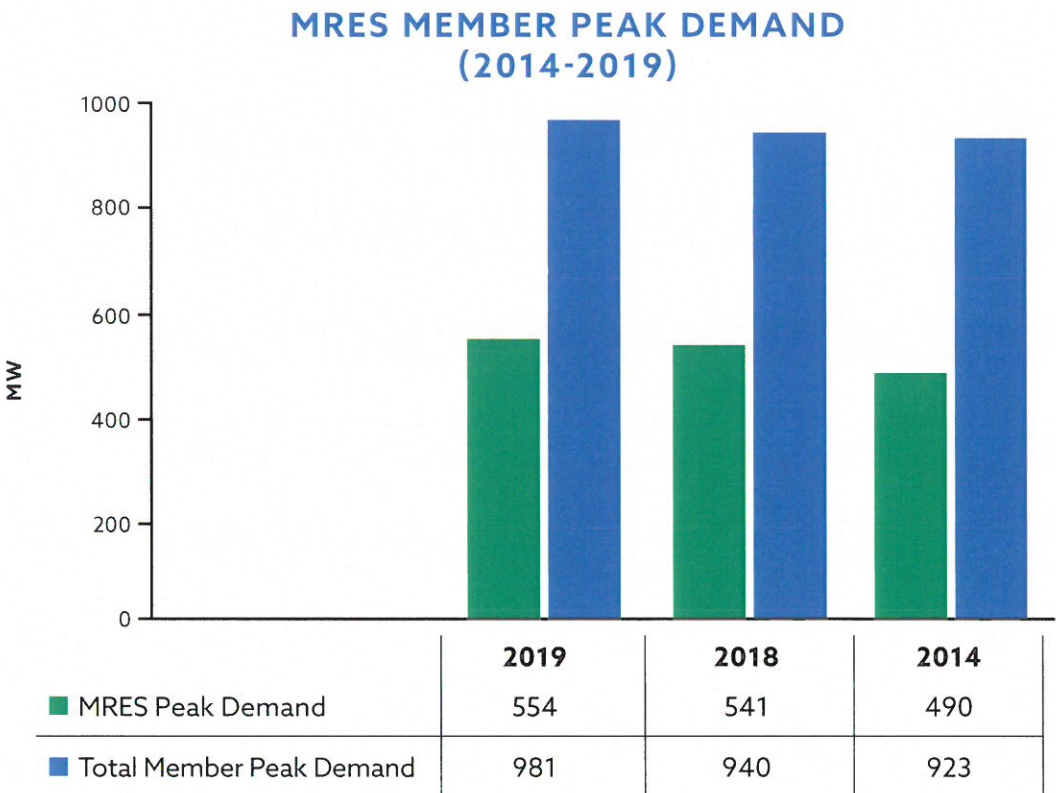
Many of our members are taking steps to position their utilities for the future by investing in technologies that benefit them and their customers. Throughout 2019, MRES worked with its members on a technology roadmap that has enabled members to install and take advantage of the benefits of Advanced Metering Infrastructure (AMI), Coordinated Demand Response (CDR), Meter-Data Management (MDM), and other Smart Grid technologies. Working together, MRES and our members will enable a future that includes greater reliability, greater system efficiency, and more customer information, access, and options. In 2019, MRES:

- Added two member communities to each of our hosted CDR and AMI programs. That brings the CDR program up to 14 members and the AMI program at nine members. MRES also provides these hosted services for two Southern Minnesota Municipal Power Agency members.

- Began offering members Smart Grid Technology (SGT) services through a third-party vendor. Melrose, Minn., and Valley City, N.D., signed on for these services.

As part of the SGT program, Melrose and Valley City will be receiving the MDM system, customer portals through the Residential Energy Manager and the Commercial and Industrial Energy Manager, and the HealthMap, which provides outage management light and data analytics for distribution system efficiency.

All of these features will allow Melrose and Valley City to provide more detailed information to their customers, along with giving city employees more functionality to track outages, transformer loading, and many other features. As 2019 ended, Melrose had completed a majority of the integrations to these services.



POWER SUPPLY & OPERATIONS

INFORMATION TECHNOLOGY

In a continuing effort to enhance cyber security, our IT staff has been implementing cyber security policies and system upgrades that will protect against cyber risks. MRES conducted penetration testing on the MRES network and performed regular vulnerability assessments on our computer systems. And, in a continuing effort to raise awareness and monitor cyber security, IT staff provided ongoing cyber security awareness training for MRES employees. MRES also participated in a tabletop exercise organized by the Electricity Information

Sharing and Analysis Center (E-ISAC) and NERC. Every other year NERC conducts a nation-wide exercise to test how the utility industry would react to a coordinated cyber and physical attack on the North American electric grid. NERC's Grid Security Exercise (GridEx) is an opportunity for utilities to demonstrate how they would respond to and recover from simulated coordinated cyber and physical security threats and incidents, strengthen their crisis communications relationships, and provide input for lessons learned.





FEDERAL & DISTRIBUTED POWER PROGRAMS

WESTERN AREA POWER ADMINISTRATION

WAPA, MRES, and our members began signing new Administrative Services Agreements (ASAs) starting in October 2019. The existing ASA expires Dec. 31, 2020. The new ASA aligns with the term of the new WAPA Firm Electric Services (FES) power supply contract, which goes into effect Jan. 1, 2021, and continues through Dec. 31, 2050. Among other things, this agreement allows MRES to administer payment of the member's WAPA electric service bills under FES contracts between WAPA and the

municipality. This is important because it facilitates the repayment of MRES advances to Western States Power Corporation (WSPC) to fund capital projects for the federal hydropower agencies.

MRES members represent approximately 25 percent of WAPA's load in the Upper Great Plains Region. Power supply rates for our members in the Pick-Sloan Missouri Basin - Eastern Division remained stable in 2019 after experiencing a 15 percent decrease in 2018. WAPA's rates remain unchanged for 2020.

WAPA has long-term contracts through 2050 with 59 of our 61 members, and supplies, on average, approximately 40 percent of the power purchased and distributed by MRES members. The agency is one of four power marketing administrations (PMAs) located throughout the U.S. with the responsibility to market electric power, primarily from multi-purpose water projects operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation, to millions of Americans served by public power and rural electric cooperative utilities. Since the agency's inception, WAPA has used cost-based rates to recover the government's investment, which helps keep rates in rural areas affordable and helps our communities attract and retain business.

The PMAs play a crucial part in the country's electricity infrastructure, and will continue to do so as America transitions to a clean energy economy. For this reason, we support the continuation of non-profit ownership of the federal hydro generation and transmission system in the region, and we continue to protect the interests of our members who are existing PMA customers.

WESTERN STATES POWER CORPORATION

In 2019, we provided funding of nearly \$18 million to WSPC, which is comprised of 23 utilities representing members from 10 different states. MRES is a member of WSPC. The organization advances the monies to WAPA to help fund capital projects, such as timely replacements and repairs to their facilities for the six main stem dams along the Missouri River.

These advances are returned within two months in the form of bill credits to MRES.

Since 2001, WSPC has advanced more than \$504 million to the federal hydropower agencies in the Upper Great Plains region with MRES contributing more than \$138 million of that total.

SINCE JOINING
WSPC IN 2001,
MRES HAS ADVANCED

**\$138
MILLION**

MEMBER SERVICES & COMMUNICATIONS

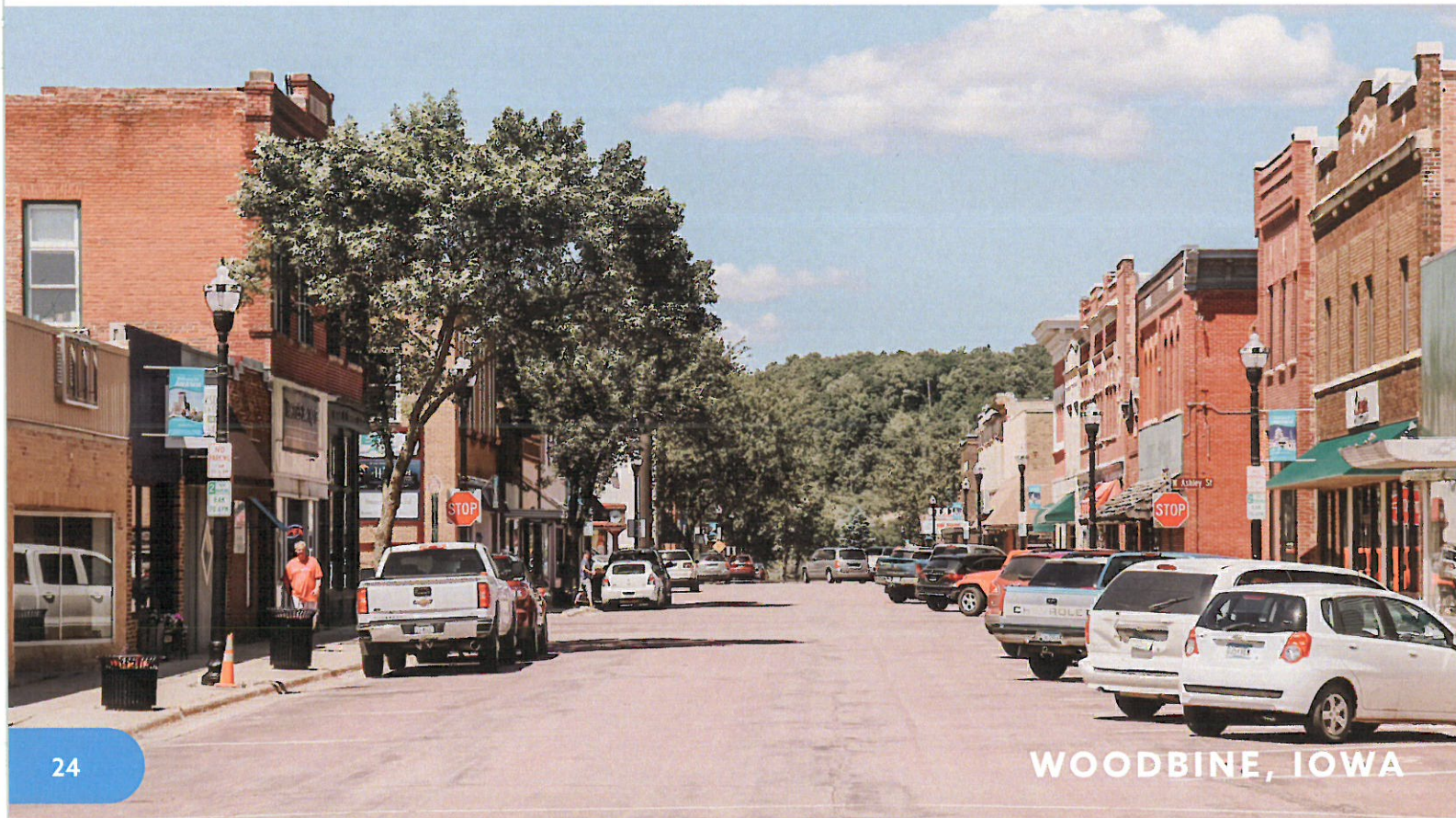
BRIGHT ENERGY SOLUTIONS®

Last year, our Bright Energy Solutions (BES) team helped survey 50 of the members' top retail customers about renewable and carbon reduction goals, distributed generation, green energy rates, electric vehicles, expansion plans, electrification opportunities, energy-tracking software, and new technologies. Based on the survey results, MRES began developing a number of programs that can help serve the economic and environmental needs of our members and their customers for years to come.



BENEFICIAL ELECTRIFICATION

Beneficial electrification means the adoption of end-use technologies that use electricity, rather than energy from fossil fuels, in a way that reduces overall carbon dioxide levels and energy usage. MRES began offering new electrification incentives on July 1 to members and their customers under the BES energy-efficiency program. Beneficial electrification has the potential to grow our load while still controlling peak demand, and thereby makes the most efficient use of generation, transmission, and distribution systems. The new incentives added in 2019 include rebates for electric forklifts and high efficiency air-source heat pumps.



ELECTRIC VEHICLES

In an effort to encourage the adoption of electric vehicles (EVs) and move toward a more sustainable future, the Board approved an EV program. As part of the program, MRES offers monetary incentives to residential and business customers who install EV chargers. MRES also is providing incentives for member utilities that install public charging stations.

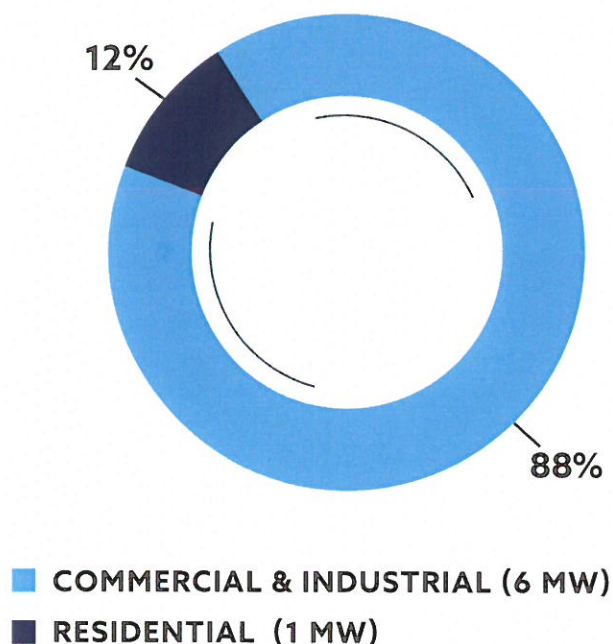
BRIGHT ENERGY CHOICES

The Bright Energy Choices green pricing program allows participating members and their customers to offset part or the entire portion of their energy consumption that comes from non-renewable sources. Under the program, MRES will purchase Renewable Energy Certificates (RECs) on behalf of participating business and residential customers. The RECs are proof that electricity was generated by qualifying renewable facilities, such as wind and solar farms, and fed into the electric grid.

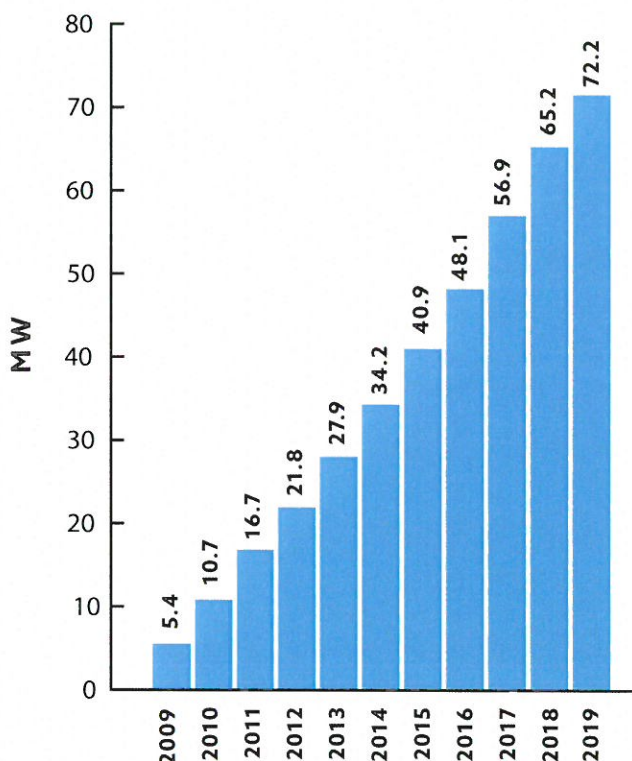
Bright Energy Choices replaces the RiverWindsSM program that we introduced in 2002 to support development of wind energy in our region and to meet state obligations. The new program takes effect in 2020.

2019 BES DEMAND SAVINGS

2019 PEAK DEMAND SAVINGS BY CUSTOMER CLASS



BES CUMULATIVE MW SAVED



REMPSEN
BASEBALL PARK
THELEN
1964 MEMORIAL FIELD 1987

REMPSEN, IOWA

BRIGHT ENERGY SOLUTIONS POWER TEAMSM

MRES is proud to partner with our member utilities to promote energy efficiency education for grades 4-5 in their communities. The BES Power Team program offers classroom training for teachers and student take-home kits that focus on electricity, power supply, renewable energy, and careers in the utility field. The program also helps students understand how energy efficiency can translate into practical applications in their homes.

Fifth graders at Remsen's middle schools worked on different projects from the BES Power Team kit provided by Remsen Municipal Utilities and MRES. Some of the projects in the unit included workbooks, awards,



Photo courtesy of the Remsen Bell

and creating solar-powered ovens to make s'mores. Melanie Swanson, a math teacher at one of Remsen's middle schools, stated, "The program was a wonderful opportunity for our students. They really enjoyed the hands-on learning experiences that the program provided. The students learned about different energy sources and ways we can conserve the different types of energy. They received kits to bring home and tried different conservation techniques/items in their own homes."

VALUE OF PUBLIC POWER

Throughout 2019, MRES and its members communicated about the benefits of public power through the Value of Public Power campaign. MRES staff created customizable quarterly marketing packages that included bill stuffers, videos, social media content, press releases, and more. Under the tagline "Empowering Our Community," we continued with our key messaging that focused on reliability, affordability, community ownership, safety, local control, and environmental responsibility.

STRATEGIC PLANNING

Careful strategic planning can help public power utilities address the challenges facing the utility in the future. Some of those challenges are technology and innovation, changing energy mix, increased customer expectations, and an aging workforce. MRES created a guided strategic planning program that will help public power managers and governing officials envision a desired future for the utility and translate this vision into strategic priorities with measurable goals. The pilot program started with nine members in 2019, and will fully launch in 2020.

In 2019, MRES completed a Member Satisfaction Survey. The survey showed that 100 percent of our members are satisfied or very satisfied with the overall value of their membership. MRES conducts the survey every other year to ensure we are meeting the needs of our members. Member satisfaction is a key performance indicator for MRES.

// Our strategic planning session helped Elbow Lake Municipal Power create a vision of where we as a utility want to go. It helped us identify our strengths and how to leverage them and also helped us identify some of our weaknesses and helped us create a road map on how to strengthen those areas. //

**Darin Grosz,
Elbow Lake Municipal Power**



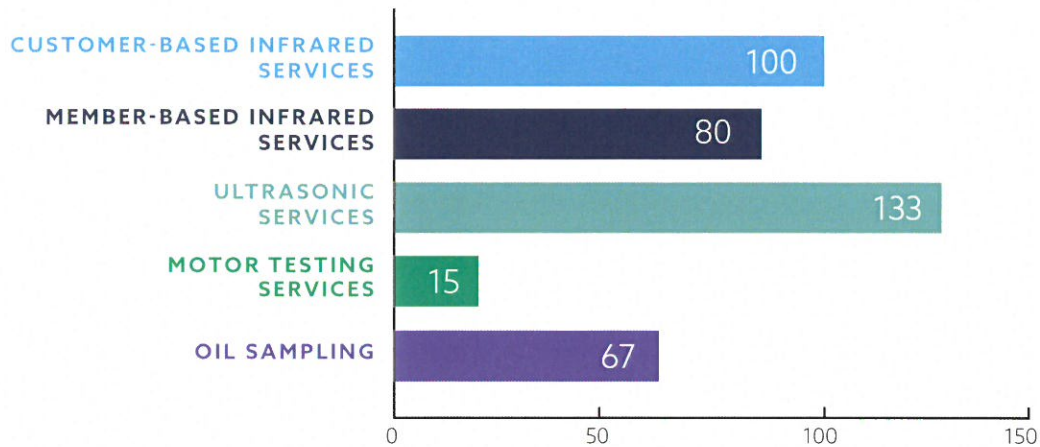
MEMBER SERVICES & COMMUNICATIONS

MRES, the Electric Power Research Institute, South Dakota State University (SDSU), and the Children's Museum of South Dakota collaborated on a high-tech "farm-in-a-box" built entirely inside a specialized 40-foot container. The farm-in-a-box is part of a study to grow plants vertically indoors without soil. The container is expected to yield up to 110 pounds of produce a week.

Graduate students from SDSU's Department of Agronomy, Horticulture & Plant Science are working on the plant production. Food grown in the container will be donated to the Children's Museum's Café Coteau and any excess produce will be donated to other local missions. The project is being co-funded by MRES and a grant from the American Public Power Association's (APPA) Demonstration of Energy Efficiency Developments, or DEED, program.



2019 PROACTIVE MAINTENANCE PROGRAMS, BY NUMBER OF SERVICES



WORKSHOPS AND TRAINING

MRES continued offering training sessions for our member utility employees throughout the four states we serve. Our meetings and workshops help provide and enhance the necessary skills and knowledge employees need to perform their jobs in their communities. More than 400 employees and policymakers from our member communities attended one or more of the following programs:

- MRES Annual Meeting
- MRES Legal Workshop
- FiSH! Philosophy customer service training
- Cyber Security Workshop
- MRES 101 for new utility staff and policymakers
- Municipal Power Leadership Academy
- Laramie River Station and Dry Fork Mine tour in Wyoming
- Technology Days
- MRES Area Meetings

PROACTIVE MAINTENANCE

Proactive maintenance is all about keeping equipment failure from happening in the first place. Regularly scheduled maintenance saves companies countless dollars in emergency repairs and downtime. In 2019, our technicians provided nearly 400 digital infrared, ultrasonic leak detection, motor testing, and oil sampling services to members and their customers.

MRES also added a new service that provides diagnostic oil sampling and testing of Vacuum Fault Interrupter switchgear and a visual inspection of the control panel.

LEGAL & REGULATORY

ENVIRONMENTAL REGULATORY RULES

The MRES Legal staff spent a considerable amount of effort in 2019 monitoring and commenting on numerous regulatory activities of the Environmental Protection Agency (EPA). Among other things, the federal agency in June issued the final Affordable Clean Energy (ACE) rule. The ACE rule is designed to replace the Clean Power Plan with revised emissions guidelines that states must use in setting performance standards for limiting CO₂ emissions from existing fossil-fueled power plants. The State of Wyoming is beginning efforts to implement the ACE rule, which would apply to the Missouri Basin Power Project (MBPP). In November, the EPA also proposed to amend the Coal Combustion Residuals (CCR) rule for the safe disposal of CCRs from coal-fired power plants, including revising the regulations to specify that all unlined surface impoundments are required to retrofit or close. MRES is working with other participants in the MBPP on potential corrective action required for the project to comply with ACE and CCR rules.

MRES MEMBERSHIP AGREEMENT AND BYLAWS

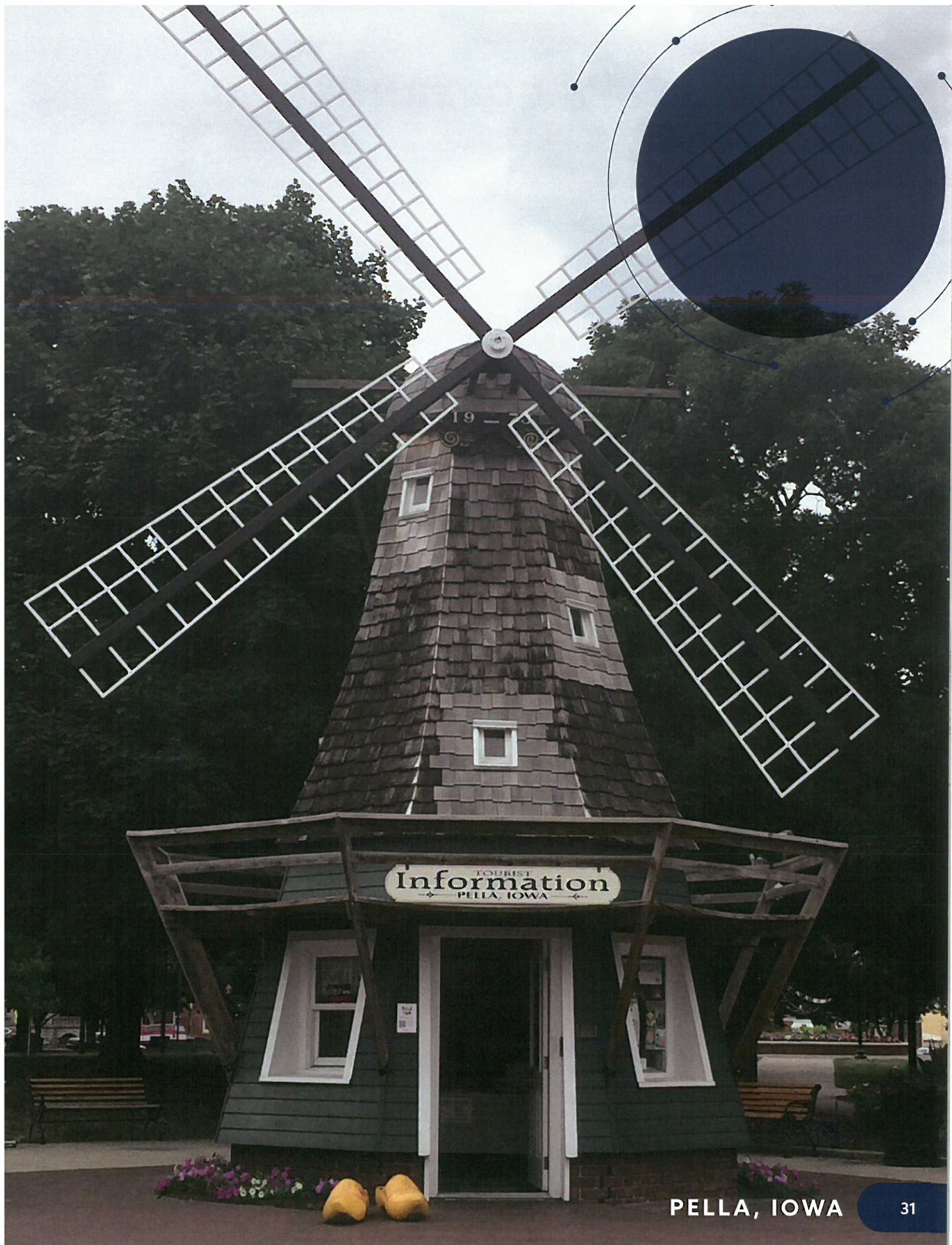
MRES, upon the unanimous vote of its members, amended the MRES Membership Agreement and Bylaws in 2019. The amended Membership Agreement and Bylaws now more clearly reflect current law and practice.

PURPA REGULATIONS

MRES is working with APPA and other stakeholders in response to the Federal Energy Regulatory Commission's (FERC) Notice of Proposed Rulemaking (NOPR) to modernize its regulations implementing the Public Utility Regulatory Policies Act of 1978 (PURPA). Congress enacted PURPA following the national energy crisis of the 1970s to encourage the development of cogeneration and renewable resources and promote competition for electric generation. FERC's proposed updates to the PURPA regulations represent the first comprehensive review of these regulations since their initial adoption. In December, MRES filed comments with FERC supporting its proposed updates to its regulations implementing PURPA. Of particular importance, the NOPR proposes to provide states and locally regulated utilities more flexibility in setting the avoided cost rates that utilities must pay to qualifying facilities under PURPA.

EV CHARGING STATIONS

MRES is working with its state associations in response to state actions related to EVs and charging infrastructure. MRES worked closely with the Iowa Association of Municipal Utilities to actively engage in the Iowa Utilities Board's rulemaking relating to the regulation of per kilowatt-hour (kWh) sales of electricity by public EV charging stations.



TOURIST
Information
PELLA, IOWA

PELLA, IOWA

LEGISLATIVE & GOVERNMENTAL RELATIONS

Our coordinated legislative efforts are key to advocating public power issues both at the state and the federal levels. MRES has developed a solid and effective government relations strategy that has helped build awareness and support for public power issues that impact MRES and our members.

Energy-related issues continue to be the focus at our members' state capitals. MRES staff and lobbyists closely monitor pending legislation relevant to MRES and its members, and advocate for members on issues of concern to municipal utilities. During

state legislative sessions, MRES provides a weekly legislative newsletter called the *MRES Legislative Line* to keep members up-to-date on the status of energy-related bills that are under consideration.

MRES participates in state association legislative committees and legislative receptions, as well as association conferences. We also host the annual MRES Power Lunch at the South Dakota Capitol and numerous regional meetings with legislators and municipal electric utility representatives.

MRES STAFF AND MEMBERS CONTACTED

83%

OF LEGISLATORS
WHO HOLD KEY
POSITIONS ON KEY
COMMITTEES

AND

84%

OF LEGISLATORS
WHO REPRESENT
OUR MEMBER
COMMUNITIES



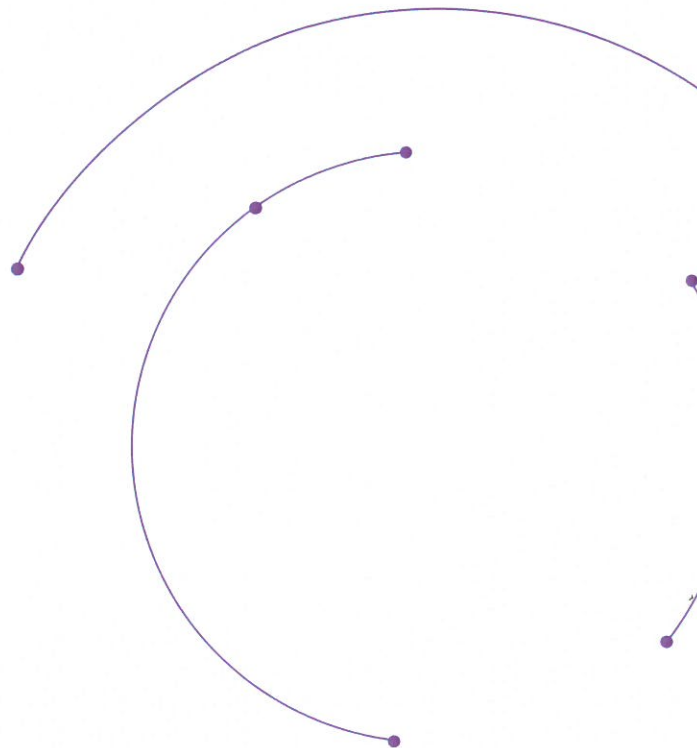
LEGISLATIVE & GOVERNMENTAL RELATIONS

At the state level, there were a variety of issues that MRES staff worked on or monitored:

- **IOWA:** MRES assisted in staving off a Right of First Refusal bill, which would have given transmission rights to certain incumbents without allowing impacted municipalities an opportunity to invest to hedge costs. We also monitored legislation that created a “gas tax” for EVs.
- **MINNESOTA:** MRES worked to educate legislators on the need to focus on “clean” energy instead of renewable energy mandates. We also worked with other stakeholders to defeat a bill that would have required utilities to provide third parties with customer data without the customer’s permission or knowledge. MRES worked with the Minnesota Department of Commerce Division of Energy Resources stakeholders group through ongoing discussions on fuel switching and energy efficiency.
- **NORTH DAKOTA:** MRES supported legislation that limited railroad crossing fees for utilities, and also supported legislation that would exempt cyber and physical security records from public records laws. MRES continued to monitor the evolution of the new Ethics Commission in North Dakota.
- **SOUTH DAKOTA:** MRES worked closely with Heartland Consumers Power District and the South Dakota Municipal Electric Association to stave off a rural electric cooperative attempt to freeze service territory in South Dakota. The matter went to a summer study in which MRES and its members participated.

In 2019, at the federal level, MRES staff enhanced the organization’s political presence by attending numerous events to advance the agenda of public power:

- MRES participated in APPA’s Legislative Rally along with 10 member communities and eight associate communities to discuss municipal tax issues, wireless pole attachments, the federal power program, grid reliability, and regulatory certainty on carbon emissions.
- MRES staff continued participation in federal association legislative committees including the Transmission Access Policy Study Group, the National Hydropower Association, the Freight Rail Customer Alliance, and APPA.
- MRES staff attended the APPA Policy Makers Fly-in in Washington, D.C., in July with members.





Representatives from MRES member communities traveled to Washington, D.C., to participate in the 2019 APPA Legislative Rally in February. The annual rally is an opportunity for municipal electric system representatives to meet with lawmakers to discuss issues that affect public power and their customers.

ADMINISTRATION & FINANCE

A strong financial position, low interest rates, and collaboration among WMMPA's trusted financial partners and MRES staff resulted in a debt refinancing that provided significant debt service savings for the members.

In October 2019, WMMPA sold \$322 million in taxable power supply refunding bonds. The issuance advance refinanced tax-exempt bonds that WMMPA issued in 2014 primarily to finance construction of RRHP. This \$322 million issuance had an all-in true cost of 3.13 percent, which is the lowest in WMMPA's history with a similar maturity. The advance refunding was required to utilize taxable debt due to the inability to advance refund the debt with tax-exempt debt, which was eliminated in the Tax Cuts and Jobs Act of 2017. The debt service savings to MRES members will be approximately \$50 million or approximately \$2 million per year for each of the next 26 years.

// Market conditions for this sale were very favorable at the time of issue, and the ability to get to market so quickly is a tribute to the MRES staff and consultants. WMMPA bonds are viewed favorably by ratings agencies and investors due to low-cost power supply, sound financial policies, debt-service coverage, diverse membership and their financial strength, and diversified generation mix. //

Merlin Sawyer, MRES Senior Vice President & CFO

At the end of 2019, MRES and WMMPA recorded a net surplus of \$35 million, \$15 million higher than budget. The 2019 net surplus was \$16 million lower than the 2018 net surplus of \$51 million, and the 2018 net surplus was the highest in the history of MRES. Part of the reduced net surplus in 2019 compared to 2018 was attributable to a 3.2 percent power supply rate reduction to the members.

MRES achieved a debt service coverage (DSC) of 166 percent in 2019, compared to 226 percent in 2018. The 166 percent DSC for 2019 was significantly higher than the Board-established minimum DSC target of 140 percent. The DSC for 2019 would have been even higher if the interest on the 2014 Bonds refunded in October would have been paid in January 2020 as originally planned instead of in October 2019 with the refunding. The five-year DSC average is 171 percent.

MRES members realized a 3.2 percent power supply rate decrease in 2019. The reduction was possible due to a combination of factors, including continued low market prices and losses, energy hedges executed to reduce exposure to the market, and the addition of sales to Willmar, Minn., which began in June 2019. No power supply rate increases are projected until at least 2024.

Long-term power sales revenue for 2019 was approximately \$177 million compared to \$183 million in 2018. The 2019 long-term power sales revenue was 4 percent lower than in 2018, primarily due to the power supply rate decrease in 2019 and decreased demand and energy sales. The average



Representatives from MRES and WMMPA met with Fitch in early October to discuss the 2019 WMMPA bond rating. Pictured are (from left): Andrew DeStefano, director, U.S. Public Finance at Fitch; Dennis Pidherny, managing director, Public Finance, Sector Head-U.S. Public Power at Fitch; Leon Schochenmaier, MRES Board of Directors; Tom Heller, MRES president & CEO; Merlin Sawyer, MRES senior vice president & CFO; and Bill Schwandt, president of the WMMPA Board of Directors.

WMMPA's revenue bonds, including the 2019 bond issue, maintained a rating of Aa3 with a stable outlook from Moody's, and a rating of AA- with a stable outlook from Fitch. These agencies consistently point to our low-cost power supply, sound financial policies, debt service coverage, diverse membership and their financial strength, and diversified generation mix. WMMPA is one of just a handful of joint action agencies in the country, and the only one in the Midwest, with ratings in the AA category from both Moody's and Fitch.

AA- by Fitch with a stable outlook
Aa3 by Moody's with a stable outlook

ADMINISTRATION & FINANCE

rate for long-term power sales was approximately 5.8 cents per kWh in 2019 compared to 5.9 cents per kWh in 2018. The average rate to members, including transmission, was 6.9 cents in both 2019 and 2018. Total revenue, including member WAPA allocations, totaled \$223 million in 2019 and \$227 million in 2018.

MRES sold approximately 3 million megawatt-hours (MWh) to its members in 2019. The 2019 MWh sales were comparable to 2018.

The MRES and WMMPA Boards approved an economic development rate discount that was effective Jan. 1, 2019. The new rate assists members with local economic development in their communities by providing a tool to help attract new retail customers or encourage the expansion of facilities by existing customers.

At Dec. 31, 2019, MRES and WMMPA had unrestricted/discretionary cash and investments of \$227 million, \$75 million higher than the discretionary funds target levels. The unrestricted cash and investments of MRES and WMMPA represents over 14 months of operating expenses. The Dec. 31, 2019, unrestricted/discretionary cash and investments is an increase of \$32 million compared to the year-end 2018 totals. The MRES and WMMPA Boards have earmarked funds in excess of target levels to pay cash for capital additions (instead of issuing debt) or to redeem debt early, when economically feasible. These unrestricted funds help ensure financial stability by establishing and maintaining reserves for operating capital, rate stability, emergency expenditures, and capital improvements for MRES power supply and transmission facilities.

Along with achieving strong financial results, MRES maintained competitive rates that were 5 percent lower than the regional utility average in 2019. The rate difference would be even larger if MRES and WMMPA had lower DSC, similar to the regional utilities.

Maintaining competitive rates is consistent with MRES's mission of providing its members with reliable, cost-effective, long-term energy and energy services.

RATES

In 2019, staff completed 20 retail rate studies. Since MRES established its retail rate study program in 1998, 275 studies have been completed for electric, water, and wastewater utilities. These rate studies help members ensure they are receiving the appropriate revenues based on the costs to serve each customer class. The rate studies also demonstrated that MRES members have very competitive retail rates. The low-cost power from WAPA and MRES allow the members to have rates that are typically lower than surrounding utilities.

MRES and our members are closely attuned to rate designs that focus on customer costs and meeting system needs. That's why the MRES Board and staff started development of TOU retail rate pilot programs for a few member participants.

These varying rate structures could potentially reduce the costs of MRES, members, and retail customers through greater usage of lower cost, off-peak power, which could mean significant savings for both customers and utilities.

MRES is planning to implement wholesale TOU energy rates in 2023.

THE TRUE VALUE OF PUBLIC POWER UTILITIES

As a joint action agency, we can help our member utilities conduct valuations that highlight the benefits of their public power utility to their customers and communities. The MRES Municipal Power Advantage® (MPA) program helps our members communicate the economic value of all the benefits the local electric utility provides to the community. Some of these benefits include local governance and policy setting, access to tax-exempt financing, a high level of reliability, operational efficiencies through integrated utility operations, local customer service, energy efficiency incentives, key account programs for commercial customers, and others.

MPA also educates policy makers, utility staff, and customers about the utility's immense value and benefits that go beyond keeping the lights on and the power affordable.

HUMAN RESOURCES

The most important asset at MRES has always been our employees. They work hard to deliver the services and programs to help our members thrive in an environment filled with constant challenges. In 2019, MRES:

- Recorded no lost-time or Occupational Safety and Health Administration recordable incidents.
- Continued succession planning and employee development workshops focused on Medicare, Protecting Culture, Preventing Harassment, and Internal Communications.



CAPX2020 TRANSMISSION LINE NEAR
ALEXANDRIA, MINN.



MRES POWER AWARDS are given annually for outstanding achievements by employees. 2019 POWER Award recipients are, from left: Exira Station Plant Manager Ed Jackson, for his work that led to Exira Station being named as one of 12 plants receiving the “Best Practices Award for Aeroderivative Plants” for 2019 by Combined Cycle Journal; and Director of Risk Kristina Sipma and Director of Investment & Credit Jan Schmitz for their work on the 2019 bond refinancing. Distribution Maintenance Superintendent Jeff Bechthold, shown left, earned his award for helping Lakefield (Minn.) pursue and receive a Minnesota Department of Employment and Economic Development grant for electric distribution infrastructure.

AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Boards 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 (MRES) and Western Minnesota Municipal Power Agency (WMMPA) as of and for the years ended December 31, 2019 and 2018, 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 Auditing 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's 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's 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.

AUDITORS' REPORT

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, 2019 and 2018, 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.

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 WMMPA Statements of Net Position, and WMMPA Statements 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 3, 2020 on our consideration of MRES's 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, including those systems applicable to MRES and WMMPA. 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's and WMMPA's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 3, 2020

Management's Discussion and Analysis

(Unaudited - See Independent Auditors' Report)

The discussion and analysis on the following pages summarize 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 (WMPMA) and the results of operations during 2019 and 2018. 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's Discussion and Analysis, which provide an objective and easily readable analysis of the financial activities of MRES and WMPMA based on currently known facts, decisions, and conditions.
- The Combined Statements of Net Position, which provide 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 Statements of Revenues, Expenses, and Changes in Net Position, which provide the operating results of MRES and WMPMA in various categories of operating revenues and expenses and non-operating revenues and expenses.
- The Combined Statements of Cash Flow, which report 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, which 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 \$)

	2019	2018	2017	2019 Dollar Change	2018 Dollar Change
Current Assets	\$ 260	\$ 244	\$ 248	\$ 16	\$ (4)
Non-current Assets:					
Net Capital Assets	670	643	577	27	66
Other Non-current Assets	166	182	106	(16)	76
Total Assets	1,097	1,069	931	28	138
Deferred Outflows of Resources:					
Unamortized loss on reacquired debt	19	1	1	18	-
Total Assets and Deferred Outflows of Resources	\$ 1,116	\$ 1,070	\$ 932	\$ 46	\$ 138
Current Liabilities	\$ 72	\$ 71	\$ 70	\$ 1	\$ 1
Non-current Liabilities:					
Revenue Bonds, Net of Current Maturities	651	651	570	-	81
Asset retirement obligation	6	4	-	2	4
Revenues collected for future costs	52	44	38	8	6
Other non-current liabilities	1	1	1	-	-
Total Liabilities	781	771	679	10	92
Deferred Inflows of Resources:					
Unearned Revenue	-	-	5	-	(5)
Net Position:					
Net Investment in Capital Assets	7	(32)	(17)	39	(15)
Restricted Net Position	116	154	129	(38)	25
Unrestricted Net Position	212	177	136	35	41
Total Net Position	334	299	248	35	51
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,116	\$ 1,070	\$ 932	\$ 46	\$ 138
Totals may not foot due to rounding.					

Assets and Deferred Outflows of Resources

The total assets and deferred outflows of resources of MRES and WMMPA at December 31, 2019, increased by \$46 million or 4 percent compared to December 31, 2018. The largest variance was a \$27 million increase in net capital assets, from \$643 million to \$670 million. Other significant variances included an increase of \$18 million in deferred outflows of resources, from \$1 million to \$19 million.

The total assets and deferred outflows of resources of MRES and WMMPA at December 31, 2018, increased by \$138 million or 15 percent compared to December 31, 2017. The largest variance was a \$77 million increase in net cash and investments, from \$296 million to \$373 million. Other significant variances included an increase of \$66 million in net capital assets, from \$577 million to \$643 million.

The largest asset of MRES and WMMPA at December 31, 2019, was net capital assets. Net capital assets totaled \$670 million or 60 percent of total assets and deferred outflows of resources at December 31, 2019, an increase of \$27 million compared to December 31, 2018. The \$27 million change in net capital assets during 2019 was mainly due to the \$37 million increase in utility plant in service. The increase in plant in service is largely due to the Selective Catalytic Reduction equipment (SCR) at the Laramie River Station (LRS) being reclassified from Construction Work in Progress (CWIP) to plant in service.

Net capital assets totaled \$643 million or 60 percent of total assets and deferred outflows of resources at December 31, 2018, an increase of \$66 million compared to December 31, 2017. The \$66 million change in net capital assets during 2018 was mainly due to the \$60 million increase in CWIP. The increase in CWIP is largely due to the additional work completed on the Red Rock Hydroelectric Project (RRHP).

Cash and investments were the second largest assets and deferred outflows of resources for MRES and WMMPA at December 31, 2019. Cash and investments totaled \$370 million or 33 percent of total assets and deferred outflows of resources at December 31, 2019, a decrease of \$3 million compared to December 31, 2018. Of the \$370 million, approximately \$143 million was restricted for debt service, capital projects, and other Bond Resolution related requirements and increased by \$36 million compared to December 31, 2018. The decrease in restricted cash and investments is largely due to capital additions paid from construction funds. The remaining \$227 million of total cash and investments are unrestricted and increased by \$32 million compared to December 31, 2018. The \$227 million of unrestricted cash and investments represent over 14 months of the 2019 cash operating expenses of \$183 million.

Cash and investments were the second largest assets and deferred outflows of resources for MRES and WMMPA at December 31, 2018. Cash and investments totaled \$373 million or 35 percent of total assets and deferred outflows of resources at December 31, 2018, an increase of \$77 million compared to December 31, 2017. The increase in cash and investments during 2018 is largely due to the debt issuance in July 2018 and the change in net position, offset by expenditures for RRHP and other capital projects. At December 31, 2018, approximately \$180 million of total cash and investments were restricted for debt service, capital projects, and other Bond Resolution related requirements and increased by \$30 million compared to December 31, 2017. The remaining \$193 million of total cash and investments are unrestricted and increased by \$47 million compared to December 31, 2017. The \$193 million of unrestricted cash and investments represent over twelve months of the 2018 cash operating expenses of \$188 million.

All other assets and deferred outflows of resources of MRES and WMMPA totaled \$75 million at December 31, 2019, \$22 million higher than at December 31, 2018. The largest increase from December 31, 2018 included a \$17 million increase in unamortized loss on reacquired debt and a \$3 million increase in fuel inventory at Missouri Basin Power Project (MBPP). The increase in deferred outflows was due to the unamortized loss on reacquired debt due to an economic refunding of certain 2014 Series A Revenue Bonds (2014 Bonds).

All other assets and deferred outflows of resources of MRES and WMMPA totaled \$53 million at December 31, 2018, \$6 million lower than at December 31, 2017. The largest reduction from December 31, 2017 included a \$3 million decrease in MBPP prepayments and \$1 million decrease in fuel inventory at the natural gas-fired Exira Station (Exira).

Liabilities, Deferred Inflows of Resources, and Net Position

The total liabilities, deferred inflows of resources, and net position of MRES and WMMPA at December 31, 2019, increased by \$46 million or 4 percent compared to December 31, 2018. Significant variances included a \$35 million increase in net position and an \$8 million increase in revenues collected for future costs.

The total liabilities, deferred inflows of resources, and net position of MRES and WMMPA at December 31, 2018, increased by \$138 million or 15 percent compared to December 31, 2017. Significant variances included an \$81 million increase in revenue bonds and a \$51 million increase in net position.

The largest liability of MRES and WMMPA is long-term debt including current maturities, which totaled \$661 million or 59 percent of total liabilities, deferred inflows of resources, and net position at December 31, 2019. Total long-term debt remained unchanged compared to December 31, 2018. While the total long-term debt remained unchanged during 2019, there was a partial refunding of the 2014 Bonds which resulted in significant debt service savings. The change during 2019 also included the scheduled principal payment of \$10 million and amortization of debt premium.

Long-term debt, including current maturities at December 31, 2018, totaled \$661 million or 62 percent of total liabilities, deferred inflows of resources, and net position, an increase of \$81 million from the prior year. The increase in 2018 was due to the issuance of the 2018 Bonds offset by the scheduled principal payments and amortization of debt premium.

Net position totaled \$334 million at December 31, 2019, or 30 percent of the total liabilities, deferred inflows of resources, and net position compared to \$299 million or 28 percent of total liabilities, deferred inflows of resources, and net position at December 31, 2018. During 2019 and 2018, the net position increased by \$35 million and \$51 million, respectively, which was the MRES and WMMPA change in net position.

Revenues collected for future costs of \$51 and \$43 million at December 31, 2019 and 2018, respectively, represent 5 and 4 percent of total liabilities, deferred inflows of resources, and net position, respectively. The increase in revenues collected for future costs is due to increase in the amortization of debt premium and an increase in unrealized gains on investments.

Other non-current liabilities increased by \$2 million at December 31, 2019, compared to December 31, 2018. The increase is largely due to the asset retirement obligation for Worthington Wind Project, Watertown Power Project, and MBPP, which conforms to Governmental Accounting Standards Board (GASB) 83, *Certain Asset Retirement Obligations*. Other non-current liabilities increased by \$4 million at December 31, 2018, compared to December 31, 2017, due to the asset retirement obligation for MBPP.

The \$5 million reduction in unearned revenues from December 31, 2017 to December 31, 2018, was due to 2018 being the final year of amortizing the reparations payment received from the BNSF Railway Company (BNSF) for rail overcharges resulting from a ruling from the Surface Transportation Board. The MRES Board of Directors approved recognizing the unearned revenue over four years, beginning in 2015 and ending in 2018.

Current liabilities, excluding the current portion of long-term debt totaled \$62 and \$60 million (6 percent) of total liabilities, deferred inflows of resources, and net position at December 31, 2019 and 2018, respectively.

Debt Activity

During 2019, WMMPA refinanced \$285 million of the 2014 Bonds with \$322 million of taxable 2019 Series A Bonds. The taxable refunding of the 2014 Bonds resulted in annual savings of approximately \$2 million for the next 26 years. During 2019, WMMPA made scheduled principal payments of \$10 million.

During 2018, WMMPA issued \$82 million of 2018 Series A Bonds and made scheduled principal payments of \$10 million. The 2018 Bonds will be used to fund the remaining development of RRHP and capital additions to existing transmission facilities. No proceeds from the 2018 Bonds will be used for capital improvements for existing generating facilities.

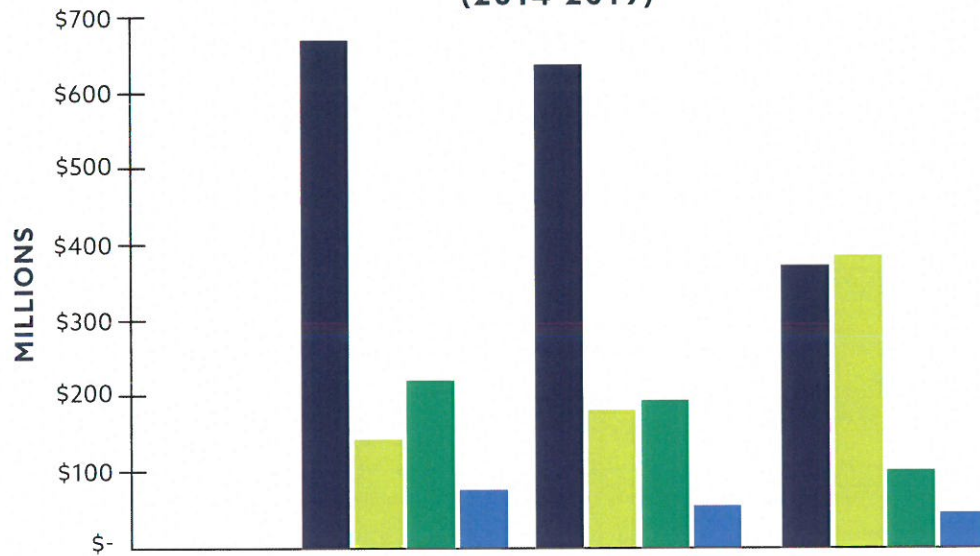
Debt Ratings

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

FitchRatings (Fitch)	AA- (stable outlook)
Moody's Investors Services (Moody's)	Aa3 (stable outlook)

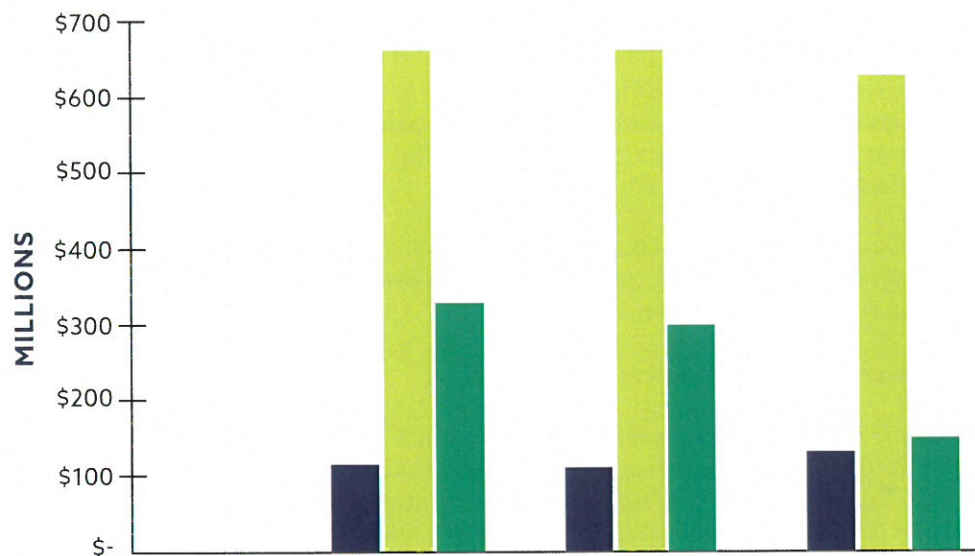
The WMMPA revenue bonds have maintained a rating of AA- from Fitch since 2003 and a rating of Aa3 from Moody's since 2012.

MRES & WMPA ASSETS (2014-2019)



	2019	2018	2014
Net Plant	\$670	\$643	\$376
Restricted Cash and Investments	\$143	\$179	\$385
Unrestricted Cash and Investments	\$227	\$195	\$101
Other Assets	\$75	\$52	\$46

MRES & WMPA LIABILITIES (2014-2019)



	2019	2018	2014
Other Liabilities	\$120	\$109	\$130
Long-term Debt	\$661	\$661	\$629
Net Position	\$334	\$299	\$149

Results of Operations

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

	2019	2018	2017	2019 Dollar Change	2018 Dollar Change
Operating Revenues	\$ 249	\$ 269	\$ 256	\$ (20)	\$ 13
Operating Expenses	192	197	191	(5)	6
Operating Income	56	73	65	(17)	8
Investment and Other Income	15	13	10	2	3
Interest Expense	(31)	(30)	(28)	(1)	(2)
Other Non-operating (Expenses) Income	3	1	1	2	-
Net costs recoverable in (for) future years	(8)	(6)	(1)	(2)	(5)
Change in Net Position	35	51	47	(16)	4
Ending Net Position	\$ 334	\$ 299	\$ 248	\$ 35	\$ 51
Totals may not foot due to rounding.					

Operating Revenues

Long-term power sales revenue for 2019 was approximately \$177 million compared to \$183 million and \$176 million in 2018 and 2017, respectively. The 2019 long-term power sales revenue was 4 percent lower than in 2018, due to decreased demand and energy sales and a 3 percent power supply rate decrease in 2019. The 2018 long-term power sales revenue was 4 percent higher than in 2017, largely due to increased demand and energy sales. The average rate for long-term power sales was approximately 5.8 cents per kilowatt-hour (kWh) in 2019 compared to 5.9 cents per kWh in 2018 and 2017. The power supply rates for 2018 were unchanged from 2017.

The 2019 short-term power sales revenue of \$14 million was \$10 million lower than the \$24 million in 2018. The decreased revenue is due to lower capacity and energy sales due to LRS being down due to the scheduled installation of the SCR and reduced generation at LRS due to low market prices. The SCR was installed pursuant to a settlement agreement with the Environmental Protection Agency. The 2018 short-term power sales revenue of \$24 million was \$10 million higher than the \$14 million in 2017. The increased revenue in 2018 compared to 2017 was due to higher capacity and energy sales.

The revenue received for transmission services was \$58 million in 2019, compared to \$57 million in 2018. The revenue received for transmission services decreased by \$3 million (6 percent) in 2018 compared to 2017. The decreased revenue in 2018 was due to the pass through of lower transmission costs paid to others in the Southwest Power Pool (SPP) and Midcontinent Independent System Operator, Inc. (MISO).

Other operating income in 2019 was \$94,000 compared to \$5 million in 2018 and 2017. The reduction in 2019 of other operating revenue compared to 2018 and 2017 was due to 2018 being the final year for the amortization of the reparations payment received from BNSF for rail overcharges.

Operating Expenses and Net Operating Income

Fuel expense for 2019 of \$12 million was 27 percent lower than in 2018 (\$17 million) and 5 percent lower in 2018 compared to 2017 (\$18 million). The 2019 generation at LRS was approximately 672,000 Megawatt hours (MWh) compared to 1.2 million MWh in 2018 and 1.4 million MWh in 2017. The decrease in the 2019 generation was due to the scheduled installation of the SCR and lower generation due to low market prices. The scheduled tri-annual maintenance outage occurred in 2018 for LRS unit 1, resulting in 2018 being slightly lower than 2017. The average fuel cost for LRS was 9 percent higher in 2019 than in 2018 and 6 percent higher in 2018 than in 2017. The generation at Exira was approximately 104,000 MWh, 83,000 MWh, and 45,000 MWh in 2019, 2018, and 2017, respectively. The higher generation at Exira in 2019 and 2018 was due to selling Exira into the SPP market more frequently.

Purchased power and other power supply operation and maintenance (O&M) expense for 2019 of \$112 million was 4 percent lower than in 2018 (\$116 million) and 9 percent higher in 2018 compared to 2017 (\$106 million). The decreased 2019 purchased power and other power supply O&M expenses compared to 2018 was largely due to lower market purchased power expense, and decreased O&M expenses for MBPP. The increased 2018 purchased power and other power supply O&M expense compared to 2017 was largely due to higher MWh market purchases offset by lower market prices.

All other operating expenses totaled \$68 million in 2019, \$64 million in 2018, and \$67 million in 2017. The increase in 2019 was largely due to an increase in transmission O&M expenses. The increase in transmission O&M expenses is due to adding the transmission expenses for Willmar, Minnesota and increased SPP and MISO transmission expense, which was passed through to members. The decrease in 2018 was largely due to a decrease in transmission O&M expense. The lower transmission O&M expense in 2018 was largely due to lower corporate income taxes resulting from the Tax Cuts and Jobs Act of 2017.

Net operating income was \$56 million in 2019 compared to \$73 million and \$65 million in 2018 and 2017, respectively.

Non-operating Revenues and Expenses

For the year ended December 31, 2019, non-operating expenses exceeded non-operating revenues by \$21 million, compared to \$22 million and \$18 million in 2018 and 2017, respectively. The lower net non-operating expense for 2019 was largely due to higher investment income offset by higher interest expense. The increased investment income is due to higher interest rates and additional funds available to invest. The higher interest expense is due to a full year of interest on the 2018 Bonds. The variance from 2017 to 2018 was largely due to higher interest expense related to the issuance of the 2018 Bonds and 2017 being the final year for amortizing reserves previously collected offset by higher investment income.

Investment income totaled \$8 million in 2019 compared to \$6 million in 2018 and \$3 million in 2017. The variance in investment income from the 2017 through 2019 timeframe was an increase in investment yields and an increase in cash and investments. The increase in cash and investments was due to increased unrestricted funds and unspent funds from the 2018 Bonds.

Interest expense was \$31 million in 2019, \$30 million in 2018, and \$28 million in 2017. The increase in 2019 is due to an entire year of interest on the 2018 Bonds compared to approximately one-half of a year of interest expense in 2018. The increase in 2018 interest expense compared to 2017 was due to approximately six months of interest on the 2018 Bonds. Debt principal requirements plus amortization of debt-related costs and premium exceeded depreciation and amortization expense by \$5 million in 2019, 2018 and 2017. The difference between debt principal requirements plus amortization of debt-related costs and premium, 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 following the provisions of Government Accounting Standards Board (GASB) No. 62 *Regulated Operations*, which conforms to Accounting Standards Codification No. 980, *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.

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.

Missouri Basin Municipal Power Agency dba Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statements of Net Position

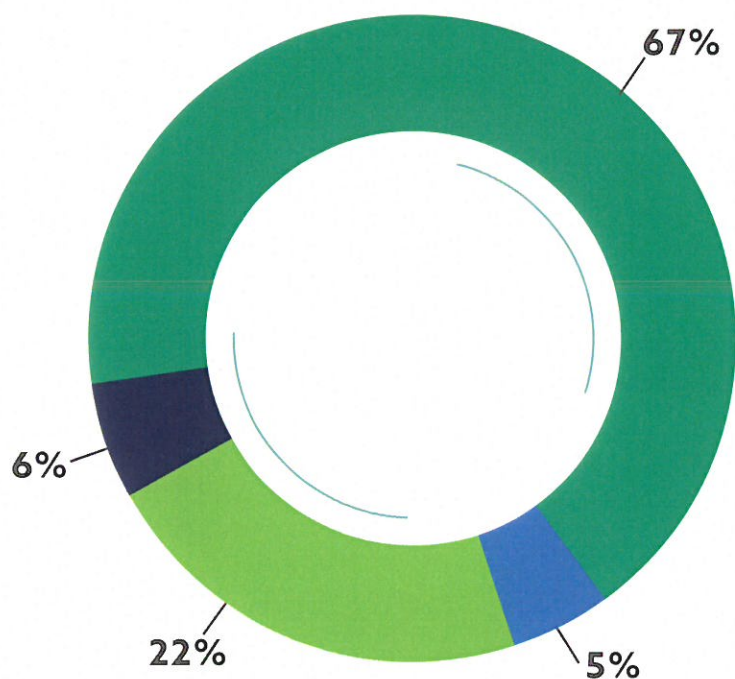
	December 31	
	<u>2019</u>	<u>2018</u>
	(thousands of dollars)	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
Current Assets:		
Cash and cash equivalents (Note 5):		
Restricted	\$ 61,869	\$ 53,471
Unrestricted	21,631	15,604
Total cash and cash equivalents	<u>83,500</u>	<u>69,075</u>
Short-term investments (Note 5):		
Restricted	51,259	63,887
Unrestricted	75,981	66,019
Total short-term investments	<u>127,240</u>	<u>129,906</u>
Accounts receivable	22,980	21,555
Advances to Missouri Basin Power Project (MBPP) (Note 6)	5,056	5,351
Fuel stock	8,343	5,667
Materials and supplies	4,778	4,432
Prepayments and other current assets	8,389	7,975
Total Current Assets	<u>260,286</u>	<u>243,961</u>
Non-Current Assets:		
Long-term investments (Note 5):		
Restricted	29,785	61,203
Unrestricted	129,387	113,374
Total long-term investments	<u>159,172</u>	<u>174,577</u>
Capital assets (Note 7):		
Utility plant in service	558,449	520,512
Less-accumulated depreciation	<u>(260,362)</u>	<u>(253,522)</u>
Net utility plant in service	298,087	266,990
Construction work in progress	372,348	376,248
Net capital assets	670,435	643,238
Advances for mine development (Note 6)	1,525	1,472
Unamortized debt expense - regulatory asset	3,908	3,842
Other non-current assets	1,316	1,551
Total Assets	1,096,642	1,068,640
Deferred Outflows of Resources:		
Asset Retirement Obligations	1,413	-
Unamortized loss on reacquired debt	17,461	939
Total Deferred Outflows of Resources	<u>18,874</u>	<u>939</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,115,516</u>	<u>\$ 1,069,580</u>

Missouri Basin Municipal Power Agency dba Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statements of Net Position

	December 31	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:	2019	2018
	(thousands of dollars)	
Current Liabilities:		
Accounts payable - unrestricted	\$ 7,175	\$ 13,570
Accrued taxes	3,325	3,438
Current liabilities payable from restricted assets:		
Accounts payable - restricted	40,847	27,396
Current maturities of revenue bonds (Note 8)	10,240	9,850
Accrued interest	10,360	15,795
Total Current Liabilities	<u>71,947</u>	<u>70,049</u>
Non-Current Liabilities:		
Revenue bonds:		
Principal outstanding	628,865	602,615
Unamortized debt premium	21,831	48,796
Revenue Bonds, excluding current maturities (Note 8)	650,696	651,411
Asset retirement obligation (Note 2)	5,768	4,203
Other non-current liabilities	1,257	1,196
Total Non-Current Liabilities	<u>657,721</u>	<u>656,810</u>
Total Liabilities	<u>729,668</u>	<u>726,859</u>
Deferred Inflows of Resources:		
Revenues collected for future costs - regulatory credit	51,724	43,412
Total Deferred Inflows of Resources	<u>51,724</u>	<u>43,412</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>781,392</u>	<u>770,271</u>
Net Position:		
Net investment in capital assets	6,707	(31,792)
Restricted:		
Debt service	50,105	52,082
Capital additions	51,120	85,438
Other	14,642	16,399
Total Restricted	115,867	153,919
Unrestricted	211,550	177,182
Total Net Position	<u>334,124</u>	<u>299,309</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,115,516</u>	<u>\$ 1,069,580</u>

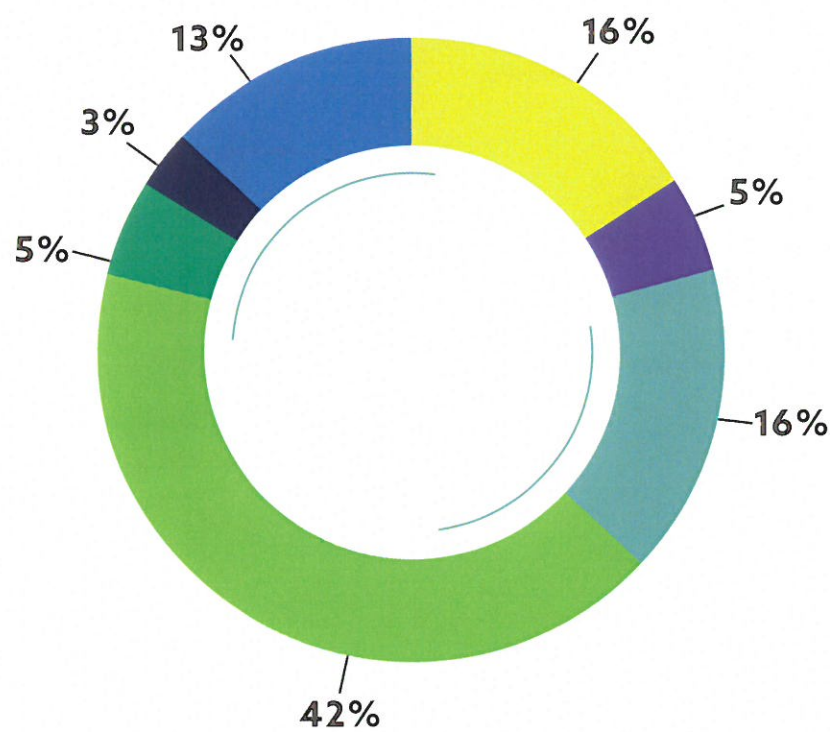
Missouri Basin Municipal Power Agency dba Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31

	<u>2019</u>	<u>2018</u>
Operating Revenues (Notes 3 and 9):		
Long-term power sales	\$ 176,520	\$ 183,424
Short-term power sales	13,948	23,624
Transmission services	57,949	57,411
Other operating income	94	4,974
Total Operating Revenues	<u>248,511</u>	<u>269,434</u>
Operating Expenses:		
Fuel	12,271	16,814
Purchased power and other power supply operation and maintenance	111,570	116,001
Depreciation and amortization	9,307	8,946
Transmission operation and maintenance	42,284	38,402
Customer information and collections	214	244
Administrative and general	12,991	12,440
Property taxes	3,666	3,741
Total Operating Expenses	<u>192,303</u>	<u>196,590</u>
Operating Income	<u>56,208</u>	<u>72,844</u>
Non-Operating Revenues (Expenses):		
Investment income	8,351	5,855
Other income	6,583	6,744
Other expense	(4,195)	(3,641)
Interest expense	(30,731)	(29,645)
Amortization of financing related costs and premium	3,754	3,975
Unrealized gain (loss) on investments	3,157	484
Net costs recoverable in (for) future years:		
Principal in excess of depreciation and amortization	(5,156)	(5,300)
Other costs recoverable in (for) future years	(3,157)	(484)
Total Non-Operating Expenses	<u>(21,394)</u>	<u>(22,011)</u>
Change in Net Position	34,814	50,832
Net Position:		
Beginning of year	299,310	248,478
End of year	<u>\$ 334,124</u>	<u>\$ 299,310</u>



2019 SOURCES OF REVENUE

- LONG-TERM POWER SALES
- SURPLUS SALES
- TRANSMISSION SALES
- OTHER



2019 USES OF REVENUE

- DEBT SERVICE
- FUEL
- TRANSMISSION
- PURCHASED POWER & POWER SUPPLY O&M
- ADMINISTRATIVE & GENERAL
- OTHER
- CHANGE IN NET POSITION

Missouri Basin Municipal Power Agency dba Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statement of Cash Flow
Years Ended December 31

	<u>2019</u>	<u>2018</u>
	(thousands of dollars)	
Cash Flows From (Used For) Operating Activities:		
Received from members and others	\$ 253,669	\$ 277,496
Paid to suppliers for goods and services	(177,362)	(182,172)
Paid to employees for operating payroll	(10,681)	(10,458)
Net Cash Flows From Operating Activities	<u>65,626</u>	<u>84,865</u>
Cash Flows From (Used For) Capital and Related Financing Activities:		
Net additions to utility plant	(30,562)	(71,152)
Net proceeds from issuance of revenue bonds	322,020	95,733
Bond issuance costs	(1,738)	(738)
Bonds defeased	(285,530)	-
Deposits to escrow account in excess of bonds defeased	(38,061)	-
Advances for mine development	(1,003)	(294)
Mine development repayments	890	454
Net advances for solar project	62	62
Revenue bond payments	(9,850)	(10,120)
Interest paid on revenue bonds	(36,166)	(27,893)
Other	(867)	800
Net Cash Flows Used For Capital and Related Financing Activities	<u>(80,805)</u>	<u>(13,148)</u>
Cash Flows From (Used For) Investing Activities:		
Proceeds from maturity and sale of investment securities	169,601	229,285
Purchase of investment securities	(148,372)	(306,201)
Purchase of other investments	-	(168)
Investment income received	8,375	5,190
Net Cash Flows From (Used For) Investing Activities	<u>29,604</u>	<u>(71,893)</u>
Net Change in Cash and Cash Equivalents	<u>14,425</u>	<u>(176)</u>
Cash and Cash Equivalents, Beginning of Year	<u>69,075</u>	<u>69,251</u>
Cash and Cash Equivalents, End of Year	<u>\$ 83,500</u>	<u>\$ 69,075</u>

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

Missouri Basin Municipal Power Agency dba Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statement of Cash Flow (Continued)
Years Ended December 31

	<u>2019</u>	<u>2018</u>
	(thousands of dollars)	
Reconciliation of Operating Income to Net Cash Flows From Operating Activities:		
Operating income	\$ 56,208	\$ 72,844
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation and amortization	9,307	8,946
Amortization of proceeds previously received from Surface Transportation Board decision	-	(4,869)
Write-off of deferred charges and other investments	861	78
Member assessments and miscellaneous income	6,583	6,744
Other expenses	(4,195)	(3,641)
Changes in assets and liabilities:		
Accounts receivable	(1,425)	1,318
Advances to MBPP	355	(227)
Fuel stock	(2,676)	1,134
Materials and supplies	(346)	50
Prepayments and other current assets	(438)	3,471
Accounts payable and other non-current liabilities	1,505	(918)
Accrued taxes	(113)	(65)
Net Cash Flow From Operating Activities	<u>\$ 65,626</u>	<u>\$ 84,865</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position:		
Cash and Cash Equivalents		
Restricted - Cash and cash equivalents	\$ 61,869	\$ 53,471
Unrestricted - Cash and cash equivalents	21,631	15,604
Short-term Investments		
Restricted - Short-term investments	51,259	63,887
Unrestricted - Short-term investments	75,981	66,019
Long-term Investments:		
Restricted - Long-term investments	29,785	61,203
Unrestricted - Long-term investments	<u>129,387</u>	<u>113,374</u>
Total Cash and Investments	<u>369,912</u>	<u>373,558</u>
Less: Noncash Equivalents	<u>(286,412)</u>	<u>(304,483)</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 83,500</u>	<u>\$ 69,075</u>
Supplemental disclosure of non-cash capital and related financing activities		
Capital asset acquisition included in accounts payable	<u>\$ 5,611</u>	<u>\$ 3</u>

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

Missouri Basin Municipal Power Agency dba Missouri River Energy Services and Western Minnesota Municipal Power Agency 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 24 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, 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 (WWP), four wind turbines with a total capacity of 3.7 MW; (5) the Red Rock Hydroelectric Project (RRHP), a 36.4 MW hydroelectric, generating facility currently under construction; (6) a headquarters building; and (7) varying ownership interests in transmission facilities.

Pursuant to a power supply contract, MRES purchases and WMMPA sells the WMMPA entitlement in its generation and transmission facilities. MRES in turn utilizes the output and capacity of these facilities and other resources to provide power supply and transmission services to members under terms of separate Long-term Power Sale 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. In March 2018, the administrative services agreement was extended to January 1, 2057, to coincide with the term of 59 of the 61 Power Sale Agreements. The agreement may be terminated thereafter by either party upon two years written notice. MRES and WMMPA are two separate entities reported as a combined enterprise. The entities coexist on an equal basis with both entities together providing holistic services to their members. WMMPA owns the assets and provides financing, while MRES operates the assets and provides services. Neither entity is subordinate to the other. Therefore, the financial statements of WMMPA and MRES are combined to provide fair and accurate representation of the entities.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Method

The combined financial statements of MRES and WMMPA follow authoritative sources of United States (U.S.) generally accepted accounting principles under the provisions of Governmental Accounting Standards Board (GASB) 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. MRES and WMMPA comply with all applicable GASB pronouncements, including the application of GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62). MRES and WMMPA utilize the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts.

Under GASB 62, MRES and WMMPA defer revenues and expenses for future recognition as they are recovered or returned through the rate-making process.

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) or other contract requirements.
- *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 2018, the GASB issued statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This standard was implemented January 1, 2019.

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 transmitting electric power and energy. The principal operating revenues of MRES are revenues from members and others for the generation, purchase, and transmission of electric power and energy.

Operating expenses for MRES and WMMPA include the cost of generating, purchasing, and transmitting 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. The other non-operating revenues include income from providing distribution maintenance services for six of the MRES member communities and one associate, income received from the U.S. Treasury for the Build America Bonds, and revenue from hosting a refined coal project at Laramie River Station (LRS).

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. If interest during construction is recorded, it is recorded in accordance with GASB 62. 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 and WMMPA Boards of Directors (Boards) have approved collecting interest during construction 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.

E. Asset Retirement and Environmental Obligation

WMMPA adopted GASB 83, *Certain Asset Retirement Obligations (GASB 83)* effective January 1, 2019 for the retirement of WWP and WPP. As a minority owner of MBPP, WMMPA had previously adopted Accounting Standards Codification (ASC) Section 410 *Asset Retirement and Environmental Obligations (ASC 410) for MBPP*. WMMPA has recorded an ARO liability for MBPP prior to January 1, 2019. Due to the immateriality of the estimated WWP and WPP ARO, previous reported balances were not restated for the ARO for these assets.

The asset retirement obligations (ARO) under GASB 83 for the closure of the WWP and WPP are contractual obligations, with ARO based on internal estimates. The estimated remaining useful lives for WWP and WPP at December 31, 2019 were 5 and 16 years, respectively. There is no required funding for the AROs for either asset.

The ARO under ASC 410 for MBPP includes the estimated cost for the reclamation of wells, landfills, and coal ash ponds at LRS. The estimated cost was provided by the Operating Agent for MBPP, Basin Electric Power Cooperative (BEPC). The ARO for all owners of LRS was \$26 million at both December 31, 2019 and 2018. WMMPA's portion of the total is approximately \$4 million.

WMMPA's asset retirement obligations activities for the respective years ended December 31 are summarized below:

	<u>2019</u>	<u>2018</u>
	(thousands of dollars)	
Balance, beginning of year	\$4,203	\$ 381
Additional obligations	1,412	3,809
Accretion	171	18
Liabilities settled	<u>(18)</u>	<u>(5)</u>
Balance, end of year	<u>\$5,768</u>	<u>\$4,203</u>

The significant 2019 addition was recording an ARO for WPP and WWP.

The significant 2018 additional obligation was for LRS and largely attributable to a US Court of Appeals for the District of Columbia Court ruling that struck down provisions in the Disposal of Coal Combustion Residuals for Electric Utilities that allowed unlined and clay-lined impoundments to receive coal ash.

F. 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 plants, 40 to 60 years for transmission plants, 52 years for intangible plants, and 5 to 50 years for general plants. Depreciation expense, expressed as a percent of depreciable utility plant in service, was 1.7 and 1.8 percent for 2019 and 2018, respectively.

G. Inventories

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

H. Prepayments and Other Assets

Prepayments and other assets include unamortized costs of expenses paid in advance for which the future benefits have yet to be realized. MRES and WMMPA recognize an expense or asset when such benefit is realized. Prepayments and other assets are for (1) collateral for participating energy markets; (2) WMMPA's portion of prepayments and other assets recorded on MBPP financial statements; (3) interest receivable for investments; (4) other prepaid operating costs, such as insurance; and (5) prepayment for a solar project.

I. Investments

Investment securities are stated at market value based on quoted market prices or other observable inputs. Gains or losses on the sale of investment securities are recognized using the specific identification method. Unrealized gains or losses are deferred pursuant to GASB 62.

J. Restricted Assets

Restricted assets consist of cash and investments required to be maintained or restricted by the Bond Resolution; the Assignment and Pledge Agreement among MRES, WMMPA, and the Agent Bank (Assignment and Pledge Agreement); and advances from others for specific projects. Current liabilities payable from these restricted assets are also classified as restricted. WMMPA is in compliance with all Bond Resolution funding requirements.

K. Deferred Outflow and Inflow of Resources

Under GASB 65, *Items Previously Reported as Assets and Liabilities*, (GASB 65), 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) until that future time. A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

L. Amortization

Under GASB 65, bond issuance costs are to be expensed in the period incurred. However, WMMPA unamortized debt-issuance costs and premium are amortized over the term of the bonds for rate-making purposes. A regulatory asset is established under GASB 62 to recognize unamortized bond issuance costs. 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 as allowed through the application of the provisions of GASB 65. WMMPA amortizes these amounts based on the straight-line method on each maturity, which approximates the effective interest rate method.

M. Compensated Absences

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

N. Deferred Inflow of Resources

The deferred inflow of resources, established pursuant to GASB 62, includes (1) the difference between debt principal collected in rates and depreciation expense; (2) unrealized gain or loss on investments; and (3) amortization of financing-related costs and premium.

O. 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.

P. 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 U.S. Actual results could differ from the estimates. MRES participates in the Midcontinent Independent System Operator, Inc. (MISO) and the Southwest Power Pool (SPP) energy markets. MISO and SPP may true-up revenues and expenses from prior years. 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.

Q. Subsequent Events

MRES and WMMPA considered events for recognition or disclosure in the financial statements that occurred subsequent to December 31, 2019, through April 3, 2020, the date the financial statements were available for issuance.

On March 19, 2020, WMMPA executed two interest rate swaps to lock in today's interest rates for the future potential bond refunding. The two swaps were 1) a \$51 million swap for the 2012 Series A Bonds with an effective date of January 25, 2023 and 2) a \$35.0 million swap for the 2015 Series A Bonds with an effective date of January 21, 2026. The effective dates for the swaps approximate the closing dates for refunding bonds, if refunding bonds are issued.

On March 31, 2020, WMMPA acquired ownership of the Marshall Wind Farm, an 18.9 MW wind-energy generation facility located near Marshall, Minnesota (Wind Farm). Prior to WMMPA acquiring ownership of the Wind Farm, MRES purchased the output of the Wind Farm pursuant to long-term power purchase agreements (PPAs) with independent third parties. Effective March 31, 2020, WMMPA will be responsible for all operations, maintenance and capital costs of the Wind Farm, which are expected to be lower than the costs of the PPAs.

R. Recently Issued Accounting Pronouncements

GASB has approved GASB Statement No. 87, *Leases*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 91, *Conduit Debt Obligations and Statement No. 92, Omnibus 2020*. When they become effective, application of these standards may require restatement of portions of these financial statements.

S. Reclassifications

Certain prior year amounts 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 61 members (Power Supply Members). Fifty-eight 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 members must take and pay for all electric power and energy made available under these agreements. Fifty-seven of the 58 S-1 Agreements provide for MRES to supply, to the extent it has power and energy available, to such MRES S-1 Members their respective Supplemental Power requirements above that supplied by Western Area Power Administration (WAPA). The electric power and energy sold to the other MRES S-1 Member, Willmar, Minnesota (Willmar), began June 1, 2019, and is supplemental to WAPA and certain existing power supply agreements. These power supply agreements expire at various times between December 2026 and March 2033. As the power supply agreements expire, MRES will provide the electric power and energy previously provided by these agreements. Effective March 2033, the power and energy sold to Willmar will be all power and energy supplemental to WAPA.

The term of the S-1 Agreements currently extends to January 1, 2057. MRES S-1 Members have an option every five years to cap their purchases from MRES at the level of service provided by MRES on the first day of the summer season following the second year following exercise of the option. No S-1 Member has elected to cap their purchases from MRES. The next option date for capping purchases from MRES is 2027.

MRES provides 100 percent of the demand and energy requirements to one MRES member under a Non S-1 Power Sale Agreement. This agreement expires January 1, 2057. The sale of power and energy under one of the other Non S-1 Agreements expires January 1, 2046, and is based on a 100 percent load factor, i.e., the same level of power and energy every hour. The remaining agreement extends to January 1, 2040 and requires the member to purchase all of its electric power requirements over and above purchases from WAPA and generation owned by the member. 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 and all other revenue requirements.

MRES has contracted to collect payments for WAPA power and energy purchased by the S-1 Members and to remit 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 power and energy purchased by the S-1 Members that MRES was responsible for collecting and remitting to WAPA totaled approximately \$44 million for the 12 months ended December 31, 2019 and December 31, 2018.

The revenue requirements of the Long-term Power Sale Agreements expiring January 1, 2057 and January 1, 2040, include all expenses for transmission of electric power and energy to these members. These expenses totaled \$39 million and \$35 million during 2019 and 2018, respectively.

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

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. In March 2018, the Power Supply Contract was extended to January 1, 2057, to coincide with the term of 59 of the 61 Long-term Power Sale Agreements.

B. Purchase Power Agreements

MRES has long-term Purchase Power Agreements (PPA) with various third parties to receive the output of approximately 79 MW of wind generation, 33 MW of nuclear generation, and 1 MW of solar generation. The wind generation PPAs expire at various times between 2024 and 2029; the nuclear generation PPA expires in 2033, and the solar generation PPA expires in 2041.

5. INVESTMENTS

The investments for MRES and WMMPA are in accordance with the Bond Resolution; the Assignment and Pledge Agreement; 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 U.S. 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 2019 and 2018. State law and MRES and WMMPA Investment Policies require collateralization of all deposits above the FDIC limit. At December 31, 2019 and 2018, all MRES and WMMPA deposits were entirely insured or collateralized. MRES holds a collateral account with MISO which totaled \$1.8 million at both December 31, 2019 and December 31, 2018. MRES also holds a collateral account with SPP which totaled \$366,360 and \$358,627 at December 31, 2019 and December 31, 2018, respectively.

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 Wells Fargo Bank, National Association, as Trustee for WMMPA. MRES investments are held in the book entry system of the Fifth Third Bank 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, 2019 and 2018, are summarized as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Amortized</u>	<u>Estimated</u>	<u>Amortized</u>	<u>Estimated</u>
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
		<u>Value</u>		<u>Value</u>
		(thousands of dollars)		
Cash and Cash Equivalents:	\$ 83,500	\$ 83,500	\$ 69,075	\$ 69,075
Investment Securities:				
Securities issued by U.S. Government	66,618	66,756	76,244	75,948
Securities issued by U.S. Government Agencies and Instrumentalities	<u>217,366</u>	<u>219,656</u>	<u>228,969</u>	<u>228,535</u>
Total Funds	<u>\$ 367,484</u>	<u>\$ 369,912</u>	<u>\$ 374,288</u>	<u>\$ 373,558</u>

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 estimated market value of cash and cash equivalents and investment securities, by contractual maturity, is shown under Fair Value Measurement. Expected maturities may 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.

FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity that are significant to the fair value of the assets or liabilities.

The tables displayed below present the fair value measurements of MRES and WMMPA assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at year-end. Securities issued by the U.S. Government are classified in Level 1 of the fair value hierarchy and valued using prices quoted in active markets for those securities. Securities issued by U.S. Government Agencies and Instrumentalities were valued on institutional bond quotes and/or evaluations based on various market and industry inputs and are classified in Level 2. Cash and Cash Equivalents are valued at outstanding balance, and thus, are not included within the fair value hierarchy.

At December 31, 2019, the MRES and WMMPA investments were as follows:

<u>Investment Type</u>	<u>Estimated Market Value</u>	<u>Maturity (Years)</u>		<u>Level of Fair Value Hierarchy</u>
		<u>Less than One</u>	<u>One through Five</u>	
		<u>(thousands of dollars)</u>		
Cash and Cash Equivalents	\$ 83,500	\$ 83,500	\$ -	
Securities issued by U.S. Government	66,756	32,674	34,082	Level 1
Securities issued by U.S. Government Agencies and Instrumentalities	<u>219,656</u>	<u>94,566</u>	<u>125,090</u>	Level 2
Total	<u>\$369,912</u>	<u>\$ 210,740</u>	<u>\$ 159,172</u>	

At December 31, 2018, the MRES and WMMPA investments were as follows:

<u>Investment Type</u>	<u>Estimate Market Value</u>	<u>Maturity (Years)</u>		<u>Level of Fair Value Hierarchy</u>
		<u>Less than One</u>	<u>One through Five</u>	
		<u>(thousands of dollars)</u>		
Cash and Cash Equivalents	\$ 69,075	\$ 69,075	\$ -	
Securities issued by U.S. Government	75,948	61,156	14,792	Level 1
Securities issued by U.S. Government Agencies and Instrumentalities	<u>228,535</u>	<u>68,750</u>	<u>159,785</u>	Level 2
Total	<u>\$ 373,558</u>	<u>\$198,981</u>	<u>\$174,577</u>	

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 and its Agencies and Instrumentalities had AA+ ratings from Standard & Poor's (S&P) and/or AAA ratings from Fitch Ratings and/or Aaa ratings from Moody's Investors Service (Moody's). The money market mutual funds included in cash and cash investments had ratings of AAAM from S&P and Aaa-mf ratings from Moody's. 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 totaling 5 percent or more of the total portfolio were concentrated as follows:

<u>Issuer</u>	<u>% of Portfolio at December 31</u>	
	<u>2019</u>	<u>2018</u>
Federal Home Loan Bank	33	40
U.S. Government	18	25
Federal Farm Credit Bank	12	8
Federal National Mortgage Association	10	12
Federal Home Loan Mortgage Corporation	5	16

The MRES and WMMPA Investment Policies do not limit the amount of the portfolio that can be invested in securities issued by the U.S. Government or agencies of the U.S. Government. The MRES Investment Policy and state law restrict investments of commercial paper by percentage of portfolio as well as by the 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.

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 12 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 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. The average prices of MBPP coal purchases were approximately \$18.25 and \$17.72 per ton in 2019 and 2018, respectively. MBPP purchased approximately 6 million tons of coal during both 2019 and 2018. Minimum coal purchase requirements over the next five years of the contracts for all MBPP participants are as follows:

<u>Year</u>	<u>Tons</u>
2020	5,800,000
2021	5,700,000
2022	5,700,000
2023	2,700,000
2024	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, 2019 and 2018, the balance of advances owed to WMMPA approximated \$2.0 million and \$1.9 million, respectively. These advances are expected to be fully repaid in 2029.

C. Operating Expenses

Costs of MBPP are allocated to WMMPA based on its 16.47 percent undivided ownership interest, except for energy-related costs, which 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

WMPA advances to the MBPP operating agent, for working capital purposes totaled approximately \$5 million at both December 31, 2019 and 2018.

7. UTILITY PLANT

Utility plant at December 31, 2019 and 2018, consisted of:

	<u>2019</u>			<u>2018</u>		
	<u>Gross Plant</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>	<u>Gross Plant</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
	(thousands of dollars)					
Generation	\$355,674	\$189,360	\$166,314	\$319,379	\$186,805	\$132,574
Transmission	175,309	52,205	123,104	174,838	48,724	126,114
General	18,192	10,649	7,543	17,021	10,020	7,001
Intangible	<u>9,274</u>	<u>8,148</u>	<u>1,126</u>	<u>9,274</u>	<u>7,973</u>	<u>1,301</u>
Utility Plant in Service	558,449	260,362	298,087	520,512	253,522	266,990
CWIP	<u>372,348</u>	<u>-</u>	<u>372,348</u>	<u>376,248</u>	<u>-</u>	<u>376,248</u>
Total Utility Plant	<u>\$930,797</u>	<u>\$260,362</u>	<u>\$670,435</u>	<u>\$896,760</u>	<u>\$253,522</u>	<u>\$643,238</u>

Utility plant activity for the years ended December 31, 2019 and 2018, was:

	<u>January 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>December 31, 2019</u>
Non-depreciable Utility Plant	(thousands of dollars)				
Land	\$ 2,387	\$ -	\$ -	\$ -	\$ 2,387
CWIP	<u>376,248</u>	<u>34,462</u>	<u>-</u>	<u>(38,362)</u>	<u>372,348</u>
Total Non-depreciable Utility Plant	<u>378,635</u>	<u>34,462</u>	<u>-</u>	<u>(38,362)</u>	<u>374,735</u>
Depreciable Utility Plant					
Depreciable Utility Plant in Service	518,125	1,864	(2,289)	38,362	556,062
Accumulated Depreciation	<u>(253,522)</u>	<u>(9,306)</u>	<u>2,466</u>	<u>-</u>	<u>(260,362)</u>
Net Depreciable Utility Plant in Service	<u>264,603</u>	<u>(7,442)</u>	<u>177</u>	<u>38,362</u>	<u>295,700</u>
Net Utility Plant	<u>\$ 643,238</u>	<u>\$ 27,020</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ 670,435</u>
	<u>January 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>December 31, 2018</u>
Non-depreciable Utility Plant	(thousands of dollars)				
Land	\$ 2,387	\$ -	\$ -	\$ -	\$ 2,387
CWIP	<u>316,432</u>	<u>72,897</u>	<u>-</u>	<u>(13,081)</u>	<u>376,248</u>
Total Non-depreciable Utility Plant	<u>318,819</u>	<u>72,897</u>	<u>-</u>	<u>(13,081)</u>	<u>378,635</u>
Depreciable Utility Plant					
Depreciable Utility Plant in Service	504,156	2,080	(1,192)	13,081	518,125
Accumulated Depreciation	<u>(245,779)</u>	<u>(8,946)</u>	<u>1,203</u>	<u>-</u>	<u>(253,522)</u>
Net Depreciable Utility Plant in Service	<u>258,377</u>	<u>(6,866)</u>	<u>11</u>	<u>13,081</u>	<u>264,603</u>
Net Utility Plant	<u>\$ 577,196</u>	<u>\$ 66,031</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 643,238</u>

8. FINANCING**Power Supply Revenue Bonds**

The Power Supply Revenue Bonds (Revenue Bonds) were issued to finance the ownership interest of WMPA in generation, transmission, and general plant facilities.

Revenue Bond activity for the years ended December 31, 2019 and 2018, was as follows:

	<u>January 1, 2019</u>	<u>Debt Issued</u>	<u>Debt Refunded</u>	<u>Payments or Amortization</u>	<u>December 31, 2019</u>	<u>Amount Due within One Year</u>
Revenue Bonds	\$ 612,465	\$ 322,020	\$(285,530)	\$ (9,850)	\$ 639,105	\$ 10,240
Unamortized Debt Premium	<u>48,796</u>	<u>-</u>	<u>(22,669)</u>	<u>(4,296)</u>	<u>21,831</u>	<u>-</u>
Revenue Bonds, Net of Unamortized Premium	<u>\$ 661,261</u>	<u>\$ 322,020</u>	<u>\$(308,199)</u>	<u>\$ (14,146)</u>	<u>\$ 660,936</u>	<u>\$ 10,240</u>

	<u>January 1, 2018</u>	<u>Debt Issued</u>	<u>Debt Refunded</u>	<u>Payments or Amortization</u>	<u>December 31, 2018</u>	<u>Amount Due within One Year</u>
Revenue Bonds	\$ 540,160	\$ 82,425	\$ -	\$ (10,120)	\$ 612,465	\$ 9,850
Unamortized Debt Premium	<u>39,788</u>	<u>13,308</u>	<u>-</u>	<u>(4,300)</u>	<u>48,796</u>	<u>-</u>
Revenue Bonds, Net of Unamortized Premium	<u>\$ 579,948</u>	<u>\$ 95,733</u>	<u>\$ -</u>	<u>\$ (14,420)</u>	<u>\$ 661,261</u>	<u>\$ 9,850</u>

The original issue amount and the outstanding amount of the Revenue Bonds, net of unamortized debt premium, at December 31, 2019 and 2018, are as follows:

	<u>Original Issue Amount</u>	<u>Amount Outstanding 2019</u>	<u>Amount Outstanding 2018</u>
2010 Series C Bonds: Term Bonds (Build America Bonds): 6.77% with annual sinking fund requirements beginning in 2031, due 2046	\$ 99,915	\$ 99,915	\$ 99,915
2012 Series A Bonds: Serial Bonds: 3.00%-5.00% due 2024 through 2030	49,440	49,440	49,440
2014 Series A Bonds: Serial Bonds: 3.00%-5.00% due 2018 through 2046	351,255	50,470	345,850
2015 Series A Bonds: Serial Bonds: 5% due 2031 through 2036	34,835	34,835	34,835
2018 Series A Bonds: Serial Bonds: 5% due 2025 through 2029	30,035	30,035	30,035
2018 Series A Bonds: Term Bonds: 5% due 2047 through 2049	52,390	52,390	52,390
2019 Series A Bonds: Serial Bonds: 1.988% to 2.795% due 2021 through 2034	97,310	97,310	-
2019 Series A Bonds: Term Bonds: 3.16%-3.23% due 2039 through 2046	<u>224,710</u>	<u>224,710</u>	<u>-</u>
Principal Outstanding		639,105	612,465
Unamortized debt premium		<u>21,831</u>	<u>48,796</u>
Revenue Bonds, including unamortized debt premium		660,936	661,261
Less current maturities		<u>10,240</u>	<u>9,850</u>
Revenue Bonds, including unamortized debt premium and excluding current maturities		<u>\$ 650,696</u>	<u>\$ 651,411</u>

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

Year Ending December 31	Principal	Interest	Total	Payments expected to be received from U.S. Treasury
(thousands of dollars)				
2020	\$ 10,240	\$ 23,733	\$ 33,973	\$ 2,228
2021	11,420	26,390	37,810	2,228
2022	13,645	25,810	39,455	2,228
2023	14,255	25,184	39,439	2,228
2024	14,900	24,529	39,429	2,228
2025-2029	85,165	111,850	197,015	11,139
2030-2034	101,780	94,372	196,152	11,049
2035-2039	121,930	73,631	195,561	9,991
2040-2044	146,815	44,556	191,371	5,373
2045-2049	<u>118,955</u>	<u>12,238</u>	<u>131,193</u>	<u>514</u>
Totals	<u>\$ 639,105</u>	<u>\$ 462,293</u>	<u>\$ 1,101,398</u>	<u>\$ 49,206</u>

The 2012 Series A, 2015 Series A and 2018 Series A, are subject to redemption at par beginning in 2023, 2026, and 2029, respectively, at the option of WMMPA. The 2010 Series C Bonds and 2019 Series A 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 and 2019 Series A 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 and 2019 Series A Bonds. The outstanding bonds are secured by a pledge and assignment of and security interest in (1) the proceeds of the Revenue Bonds; (2) all funds established under the Bond Resolution; (3) all revenues received by MRES under the Power Sale Agreements; and (4) all revenues received from regional transmission organizations, except for revenues received by MRES for member-owned transmission assets. Principal and interest for the current year and total revenue pledged were approximately \$46 million and \$260 million, respectively.

The outstanding bonds contain a provision that in an event of default which has not been remedied, WMMPA will, upon demand of the Trustee, pay over or cause to be paid over to the Trustee all funds held by WMMPA in any fund other than funds in the Debt Service Reserve Account and all revenues when received. The Trustee will apply all funds received during the continuance of the event of default in the following order: (1) for payment of the reasonable and proper charges, expenses and liabilities of the Trustee, (2) for payment of operating expenses, and (3) for payment of interest and principal or the redemption Bonds and the interest and principal components of Parity Hedging Contract Obligations. Parity Reimbursement Obligations shall not include any payments related to Subordinated Reimbursement Obligations.

During 2019, WMMPA issued \$322 million of Taxable Power Supply Revenue Bonds, 2019 Series A Bonds, to advance refund a portion of the 2014 Series A Bonds. The cash flow requirements on the 2014 Series A Bonds refunded was \$553 million from January 2020 through January 2046. The cash flow requirements on the 2019 Series A Bonds total \$501 million for the same period. The net present value savings resulting from the advance refunding was approximately \$33 million.

During 2018, WMMPA issued \$82 million of Power Supply Revenue Bonds 2018 Series A Bonds (2018 Bonds). The proceeds from the 2018 Bonds will be used to finance the construction of RRHP, fund capital additions for existing transmission projects, and pay the cost of issuance for the 2018 Bonds.

WMMPA has irrevocably escrowed funds to make the remaining principal and interest payments on previously issued Revenue Bonds (Escrowed Bonds). Escrowed Bonds outstanding and considered defeased totaled \$286 million at December 31, 2019. There were no Escrowed Bonds outstanding at December 31, 2018.

9. RATE MATTERS

As part of a plan to stabilize the cost of electrical energy to its members, the MRES Board has a policy to approve rates under the Long-term Power Sale Agreements that may include the use of the prior year's 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 2019 or 2018.

10. RETIREMENT PLANS

MRES has a 401(k) defined contribution retirement plan covering substantially all of its employees that have more than one year of service. MRES contributes 10 percent of eligible payroll after one year of service, to the plan. Three percent of the MRES contributions is immediately vested and the remaining 7 percent vests at the rate of 20 percent per year with full vesting after six years of service. Employer contributions totaled approximately \$1.0 million for both 2019 and 2018 or approximately 10 percent of covered payroll. Covered payroll was 93 and 91 percent of total payroll for 2019 and 2018, respectively. Upon an employee's date of hire, the employee may contribute, on a voluntary basis, up to the maximum allowed by law. Employee contributions to the plan totaled approximately \$1.1 million and \$1.0 million in 2019 and 2018, respectively, or approximately 11 and 9 percent of covered payroll for 2019 and 2018, respectively.

In 2019, MRES established a 457(b) defined contribution retirement covering substantially all of its employees. All contributions to the plan are voluntary employee contributions. MRES does not make any contributions to the plan. Employee contribution to the plan totaled approximately \$190,000 in 2019, or approximately two percent of covered payroll for 2019.

MRES acts as plan administrator for both plans, and all plan changes are approved by the MRES Board. Employees are responsible for directing which funds offered in the plans their balance is invested.

11. CONTINGENCIES, COMMITMENTS, AND LITIGATION GENERAL

MRES and WMMPA are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees and others; and healthcare of MRES employees. 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. No claims have been filed or judgments awarded during the years ended December 31, 2019 and 2018. The coverages and deductibles in effect were substantially the same for both 2019 and 2018. MRES and WMMPA are unaware of any claims pending at December 31, 2019.

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 legislative, regulatory, and judicial action taken in response to public safety and environmental concerns. Compliance with such laws and regulations could result in increased operating costs and reduced operation levels. An inability to comply with certain laws and regulations could result in the complete shutdown of generating units and transmission facilities. At December 31, 2019, MRES and WMMPA believe they are in material compliance with all environmental, health, and safety regulations.

MRES has intervened in several dockets at FERC. The outcome of these dockets is currently indeterminable. If the MRES position is accepted by FERC in these dockets, there could be a significant monetary refund to MRES. If the MRES position is not accepted by FERC, the impact on the financial statements is expected to be immaterial.

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, 2019, the remaining obligation on these contract commitments totaled approximately \$27 million.

LRS RAIL TRANSPORTATION COSTS

In October 2004, Western Fuels and 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.

In February 2009, the STB ordered BNSF to immediately reduce rates and refund nearly \$120 million for excessive rates paid between 2004 and 2009. In May 2015, after a series of appeals, BEPC, Western Fuels, and BNSF signed a confidential settlement agreement. The WMMPA share of the initial award was about \$19 million. The unamortized amount WMMPA originally received from BNSF for overcharges, net of its obligation under the settlement, was reflected as unearned income. The balance was amortized to income over a 4-year period beginning in 2015 and ending in 2018.

CLEAN AIR ACT

Regional Haze: The Regional Haze provisions of the Clean Air Act (CAA) require facilities that commenced construction between 1962 and 1977 to identify and apply Best Available Retrofit Technology (BART) to control sulfur dioxide (SO₂) and nitrogen oxides (NO_x) if their emission rates for those pollutants exceed certain threshold levels. LRS has installed over-fire air technology and low-NO_x burners for all three units to address the BART requirements.

In January 2014, the U. S. Environmental Protection Agency (EPA) published a final rule disapproving the Wyoming State Implementation Plan (SIP) for NO_x controls at LRS. The EPA's Federal Implementation Plan (FIP) required installation of Selective Catalytic Reduction (SCR) equipment on all three LRS units by March 2019. In response to the final rule, the MBPP Participants appealed EPA's decision to the United States Circuit Court of Appeals for the Tenth Circuit (10th Circuit). BEPC, as Operating Agent for MBPP, the State of Wyoming, and the EPA negotiated a settlement agreement, published in the *Federal Register* on December 30, 2016. In the settlement, MBPP agreed to install SCR equipment on Unit 1 by July 1, 2019, and selective non-catalytic reduction equipment on Unit 2 and Unit 3 by December 31, 2018. This work has now been completed at a cost to WMMPA of approximately \$38 million. On May 20, 2019, the EPA promulgated a final rule approving revisions to the Wyoming SIP and finalizing revisions to the FIP as it relates to LRS. The settlement is now final, and the case in the 10th Circuit is concluded.

CAA 111(d) Carbon Pollution Emission Guidelines for Existing Stationary Sources: In October 2015, the EPA published final performance standards for regulating carbon dioxide (CO₂) emissions from existing power plants under Section 111(d) of the CAA (commonly referred to as the "Clean Power Plan" or "CPP"). Following numerous legal challenges to CPP, the U.S. Supreme Court issued a stay of the CPP on February 9, 2016. In August 2018, the EPA promulgated a proposed rule known as the Affordable Clean Energy Rule (ACE Rule) to replace the CPP. On June 19, 2019, the EPA issued the final ACE Rule, replacing the CPP with a rule that establishes emission guidelines for states to use when developing plans to limit CO₂ emissions at existing coal-fired power plants. On September 17, 2019, the D.C. Circuit Court of Appeals (D.C. Circuit) dismissed the CPP litigation as moot due to the CPP being replaced by the ACE Rule. Like the CPP, the ACE Rule is being litigated before the D.C. Circuit. While the ACE Rule would appear to be less costly than the CPP, it is difficult or impossible to provide an accurate estimate of the cost of compliance if the ACE Rule survives judicial scrutiny. The ultimate nature of CO₂ regulation for the power industry is unknown, and this issue is likely to remain unsettled for a number of years. Thus, it is not possible to predict the estimated financial or operational impact of any future regulations. It is clear that utilities will continue to face significant regulatory uncertainty in this area and could be subject to CO₂ regulations imposed by states seeking to enact their own CO₂ reduction plans.

CCR Rule: The 2015 Coal Combustion Residuals Rule (CCR Rule) mandated closure of unlined surface impoundments upon a specified triggering event. If, after multiple levels of monitoring and an alternate source demonstration, a statistically significant level of contamination could not be attributed to another source, an owner was required to retrofit or close an unlined surface impoundment. BEPC, as Operating Agent for MBPP, undertook detection monitoring of its unlined surface impoundments in 2016 and 2017. The monitoring indicated a statistically significant increase (SSI) in a station ash pond, and it could not be determined whether the SSI could be attributed to an alternate source. BEPC concluded the CCR Rule may require corrective action for the pond and proceeded with applicable design and engineering work. On August 21, 2018, the D.C. Circuit vacated provisions of the CCR Rule that allowed for continued operation of unlined coal ash surface impoundments. On November 4, 2019, the EPA proposed to amend the CCR Rule, including revising the regulations to specify that all unlined surface impoundments are required to retrofit or close. On February 19, 2020, the EPA proposed to further amend the CCR Rule to, among other things, establish alternative demonstrations for unlined impoundments that could potentially allow impoundments that present no current risk to groundwater, human health, or the environment to continue to operate instead of close down.

The specific corrective action requirements and timeline are not known at this time but will likely include retrofit or closure of the LRS unlined surface impoundments. The cost to close and retrofit the five impoundments at LRS is estimated at \$36 million, which would result in costs of \$6 million to WMMPA.

EPA Section 114(a) Request: In September 2011, LRS became the subject of a "Section 114" information request regarding all capital projects started after 1995 that exceeded \$100,000, which asked for detailed operating information for each calendar month beginning January 1, 1995. In July 2018, BEPC and EPA agreed to an administrative settlement, implemented through a consent agreement and final order. The settlement required MBPP to pay a \$200,000 penalty, operate its existing emission control equipment to further reduce SO₂ emissions from Unit 3, and retire some of Unit 3's SO₂ allowances for the reduced emissions. WMMPA's portion of the settlement penalty was approximately \$33,000. The investigation is now closed.

Western Minnesota Municipal Power Agency
Statements of Net Position

	December 31	
	2019	2018
	(thousands of dollars)	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
Current Assets:		
Cash and cash equivalents:		
Restricted	\$ 36,246	\$ 41,565
Unrestricted	10,338	8,394
Total cash and cash equivalents	46,584	49,959
Short-term investments:		
Restricted	51,259	58,385
Unrestricted	31,929	11,517
Total short-term investments	83,188	69,902
Advances to MBPP	5,056	5,351
Fuel stock	8,343	5,667
Materials and supplies	4,778	4,432
Interest receivable	696	719
Prepayments and other current assets	4,527	4,323
Total Current Assets	153,172	140,353
Non-Current Assets:		
Long-term investments:		
Restricted	29,785	61,203
Unrestricted	31,010	60,552
Total long-term investments	60,795	121,755
Capital Assets:		
Utility plant in service	552,446	515,142
Less-accumulated depreciation	(255,670)	(249,164)
Net utility plant in service	296,776	265,977
Construction work in progress	372,348	376,248
Net Capital Assets	669,124	642,225
Advances for mine development	1,525	1,472
Unamortized debt expense - regulatory asset	3,908	3,842
Other non-current assets	101	270
Total Assets	888,625	909,916
Deferred Outflows of Resources:		
Asset Retirement Obligation	1,413	-
Unamortized loss on reacquired debt	17,461	939
Total Deferred Outflows of Resources	18,874	939
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 907,499	\$ 910,856

Western Minnesota Municipal Power Agency
Statements of Net Position

	December 31	
	2019	2018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:		
Current Liabilities:		
	(thousands of dollars)	
Accounts payable - unrestricted	\$ 13,156	\$ 15,323
Accrued taxes	3,325	3,438
Current liabilities payable from restricted assets:		
Accounts payable - restricted	19,259	23,165
Current maturities of revenue bonds	10,240	9,850
Accrued interest	10,360	15,795
Total Current Liabilities	<u>56,340</u>	<u>67,570</u>
Non-Current Liabilities:		
Revenue bonds:		
Principal outstanding	628,865	602,615
Unamortized debt premium	21,831	48,796
Revenue bonds, excluding current maturities	650,696	651,411
Asset retirement obligation	5,768	4,203
Note Payable to MRES	86,279	86,279
Total Non-Current Liabilities	<u>742,743</u>	<u>741,893</u>
Total Liabilities	<u>799,083</u>	<u>809,463</u>
Deferred Inflows of Resources:		
Revenues collected for future costs - regulatory credit	50,896	43,872
Total Deferred Inflows of Resources	<u>50,896</u>	<u>43,872</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>849,979</u>	<u>853,335</u>
Net Position:		
Net investment in capital assets	5,206	(33,018)
Restricted:		
Debt service	50,105	52,082
Capital additions	51,120	85,438
Other	10,797	3,436
Total Restricted	112,022	140,957
Unrestricted	(59,708)	(50,419)
Total Net Position	<u>57,520</u>	<u>57,520</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND RESOURCES AND NET POSITION	<u>\$ 907,499</u>	<u>\$ 910,856</u>

Western Minnesota Municipal Power Agency
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31

	<u>2019</u>	<u>2018</u>
	(thousands of dollars)	
Operating Revenues:		
Revenues billed MRES	\$ 72,152	\$ 80,48
Other operating income	<u>1</u>	<u>4,870</u>
Total Operating Revenues	<u>72,153</u>	<u>85,359</u>
 Operating Expenses:		
Fuel	12,271	16,814
Purchased power and other power supply operation and maintenance	17,385	21,056
Depreciation and amortization	8,838	8,526
Transmission operation and maintenance	2,847	2,644
Administrative and general	2,931	3,256
Property taxes	<u>3,666</u>	<u>3,741</u>
Total Operating Expenses	<u>47,938</u>	<u>56,037</u>
Operating Income	<u>24,215</u>	<u>29,322</u>
 Non-Operating Revenues (Expenses):		
Investment income	5,231	3,192
Other income	2,980	3,539
Other expense	(293)	(216)
Interest expense	(30,731)	(29,645)
Amortization of financing related costs and premium	3,754	3,975
Unrealized gain (loss) on investments	1,867	345
Net costs recoverable in (for) future years:		
Principal in excess of depreciation and amortization	(5,156)	(5,300)
Other costs recoverable in (for) future years	<u>(1,867)</u>	<u>(345)</u>
Total Non-Operating Expenses	<u>(24,215)</u>	<u>(24,454)</u>
Change in Net Position	-	4,869
 Net Position:		
Beginning of year	<u>57,520</u>	<u>52,652</u>
End of year	<u>\$ 57,520</u>	<u>\$ 57,520</u>





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