



THE  
**VALUE**  
OF WORKING TOGETHER

2022 ANNUAL REPORT



"Coming together is a **beginning**;  
keeping together is **progress**;  
working together is **success.**"

- HENRY FORD







# TABLE OF CONTENTS

About Us	2
MRES Members	6
Message from the Chair of the Board and President & CEO	8
Boards of Directors	10
Generation Facilities	14
Comparative Highlights	17
Annual Report	18
Audited Financial Statements	35

## THANK YOU

We'd like to thank MRES President & CEO **Tom Heller**, Vice President of Member Services & Communications **Joni Livingston** and Vice President of Federal & Distributed Power Programs **Jeff Peters** for their many years of leadership, service and dedication to MRES, to our members and to our public power communities. We wish them a happy and rewarding retirement.



## 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 member 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 electric distribution system. Collectively, the 61 members serve approximately 174,000 customers and have a population of approximately 332,000.

For 58 years, MRES has worked together with our members to meet the needs of their customers and to help those communities thrive and prosper. In 2022, we supplied nearly 58% of our members' total energy needs. The remaining energy is hydropower provided by Western Area Power Administration (WAPA) and other sources.

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 meets to make decisions on behalf of the 24 WMMPA members from Minnesota.

# HELPING COMMUNITIES THRIVE AND PROSPER FOR **58 YEARS**



Oahe Dam in South Dakota  
Photo courtesy of the South Dakota Department of Tourism

# 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.

## 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 — good news or bad.



### COMPETENCE

Excellence in product and performance will be the objective of every MRES employee, with the end result being the achievement of the MRES corporate goals that are 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.





**ACCOUNTABILITY:  
WE CAN BE COUNTED ON TO DO  
WHAT WE SAY WE WILL.**

## 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.

# MRES MEMBERS

## NORTH DAKOTA

Cavalier	Northwood
Hillsboro	Riverdale
Lakota	Valley City

## MINNESOTA

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

## IOWA

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



## SOUTH DAKOTA

Beresford	Fort Pierre
Big Stone City	Pickstown
Brookings	Pierre
Burke	Vermillion
Faith	Watertown
Flandreau	Winner



OWNED BY **61** MUNICIPAL ELECTRIC UTILITIES **SERVING** 332,000 **APPROXIMATELY**  **PEOPLE**





**Vernell Roberts**  
Chair of the Board

## A MESSAGE FROM THE **CHAIR OF THE BOARD and PRESIDENT & CEO**

**Providing value to our members and their communities means offering something that is meaningful, helpful and relevant to their needs and expectations. And working together for the common good is key to the success and growth of our public power communities.**



**Thomas J. Heller**  
President & CEO

When our joint action agency was first established in 1965, our mission was to help municipalities that operated their own electric systems work together in planning for future power supply needs and solving other mutual problems. Since then, we've expanded our services, but our primary mission remains the same — ensuring reliable, affordable and sustainable energy for our member communities.

We take advantage of economies of scale by sharing expertise, experience and mutual-aid support. Investments in power supply and transmission projects help our members provide reliable, resilient and affordable electricity to their customers. The MRES® Distribution Maintenance (DM) program continues to flourish as more members recognize the value of sharing expertise and even equipment.

Other mutually beneficial services and opt-in services, such as rate studies, communication materials, workshops and webinars, energy efficiency programs, smart grid technology programs, and strategic planning are shining examples of what we do every day to make an impact.

Regulatory and government relations advocacy and continued commitment to protecting our members' hydropower allocations ensure that policymakers and other key leaders are informed about our initiatives and issues.



Our strong financial position allowed us to lower our members' wholesale power supply rates by 5%, and we transitioned to a time-of-use energy rate structure starting in 2023.

A strong financial foundation also plays a crucial role in improving our credit opinions. In 2022, Moody's Investors Service (Moody's) upgraded WMMPA's power supply revenue bonds to a rating of Aa2 from Aa3 with a stable outlook, and Fitch Ratings (Fitch) reaffirmed WMMPA's AA- rating with a stable outlook.

Our employees are at the heart of our success, and we remain committed to creating a positive work environment that fosters growth and development, and a culture characterized by excellence and accountability. That focus has helped ensure that we have the right people in the right place to deliver value to our members.

Looking forward, we'll continue to focus on our key priorities of maintaining financial



stability, creating a cleaner energy future, leveraging new technology, retaining and attracting employees, and preserving the MRES membership.

Thank you to our members, boards of directors and employees for their continued support and commitment to public power. We look forward to another successful year ahead.

*Vernell Roberts* *Thomas J. Keller*

**"Alone we can do so little;  
together we can do so much."**

**- HELEN KELLER**



# BOARD OF DIRECTORS

## MISSOURI RIVER ENERGY SERVICES



**Vernell Roberts**  
CHAIR

8 years of service  
Detroit Lakes Public Utilities  
Detroit Lakes, Minnesota



**James Hoyer**  
FIRST VICE CHAIR

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



**Steve Meyer**  
SECOND VICE CHAIR

17 years of service  
Brookings Municipal Utilities  
Brookings, South Dakota



**Scott Hain**  
THIRD VICE CHAIR

12 years of service  
Worthington Public Utilities  
Worthington, Minnesota



**Dave Carlsrud**  
FOURTH VICE CHAIR

3 years of service  
Valley City Public Works  
Valley City, North Dakota



**Steve Lehner**  
SECRETARY/TREASURER

15 years of service  
Watertown Municipal Utilities  
Watertown, South Dakota



**Ted Cash**  
DIRECTOR

3 years of service  
ALP Utilities  
Alexandria, Minnesota



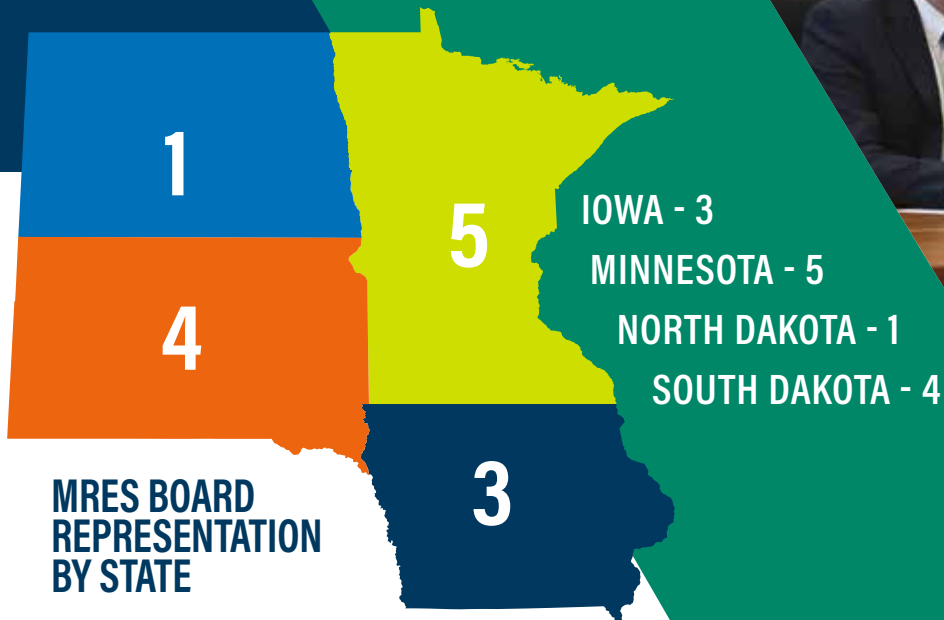
**Murray Hulstein**  
DIRECTOR

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



**Brad Palmer**  
DIRECTOR

2 years of service  
Pierre Municipal Utilities  
Pierre, South Dakota



**John Prescott**  
DIRECTOR  
2 years of service  
City of Vermillion  
Vermillion, South Dakota



**Guy Swenson**  
DIRECTOR  
3 years of service  
Barnesville Municipal Utilities  
Barnesville, Minnesota



**Rory Weis**  
DIRECTOR  
6 years of service  
Denison Municipal Utilities  
Denison, Iowa



**Rob Wolfington**  
DIRECTOR  
5 years of service  
Benson Municipal Utilities  
Benson, Minnesota

# BOARD OF DIRECTORS

## WESTERN MINNESOTA MUNICIPAL POWER AGENCY

24  
MEMBERS



**Scott Hain**  
PRESIDENT

17 years of service  
Worthington Public Utilities  
Worthington, Minnesota



**Guy Swenson**  
VICE PRESIDENT

8 years of service  
Barnesville Municipal Utilities  
Barnesville, Minnesota



**Ted Cash**  
SECRETARY

5 years of service  
ALP Utilities  
Alexandria, Minnesota



**Rob Wolfington**  
TREASURER

10 years of service  
Benson Municipal Utilities  
Benson, Minnesota



**David Schelkoph**  
DIRECTOR

3 years of service  
Marshall Municipal Utilities  
Marshall, Minnesota



**Travis Schmidt**  
DIRECTOR

3 years of service  
Moorhead Public Service  
Moorhead, Minnesota



**Vernell Roberts**  
DIRECTOR

15 years of service  
Detroit Lakes Public Utilities  
Detroit Lakes, Minnesota



# SENIOR MANAGEMENT

## MISSOURI RIVER ENERGY SERVICES



**Thomas J. Heller**  
PRESIDENT & CEO  
31 years of service  
*Retiring June 2023*



**Deb Birgen**  
VICE PRESIDENT OF  
GOVERNMENT RELATIONS  
21 years of service



**Tim Blodgett**  
VICE PRESIDENT OF  
MEMBER SUPPORT  
1 year of service



**Dan Harmelink**  
GENERAL COUNSEL  
& DIRECTOR OF LEGAL  
5 years of service



**Tammie Krumm**  
VICE PRESIDENT OF  
HUMAN RESOURCES  
& ADMINISTRATION  
5 years of service



**Rich Kruthoff**  
VICE PRESIDENT & CHIEF  
INFORMATION OFFICER  
22 years of service



**Joni Livingston**  
VICE PRESIDENT OF  
MEMBER SERVICES &  
COMMUNICATIONS  
24 years of service  
*Retiring June 2023*



**Chris Olson**  
VICE PRESIDENT & CFO  
1 year of service



**Jeff Peters**  
VICE PRESIDENT OF FEDERAL  
& DISTRIBUTED POWER  
PROGRAMS  
32 years of service  
*Retired January 2023*



**Terry Wolf**  
VICE PRESIDENT OF POWER  
SUPPLY & OPERATIONS  
22 years of service

# GENERATION FACILITIES



Western Area  
Power Administration's  
Hydroelectric Facilities  
**348 MW**



Laramie River  
Station  
**280 MW**  
Coal-fired



Exira Station  
**140 MW**  
Natural gas/  
Fuel oil



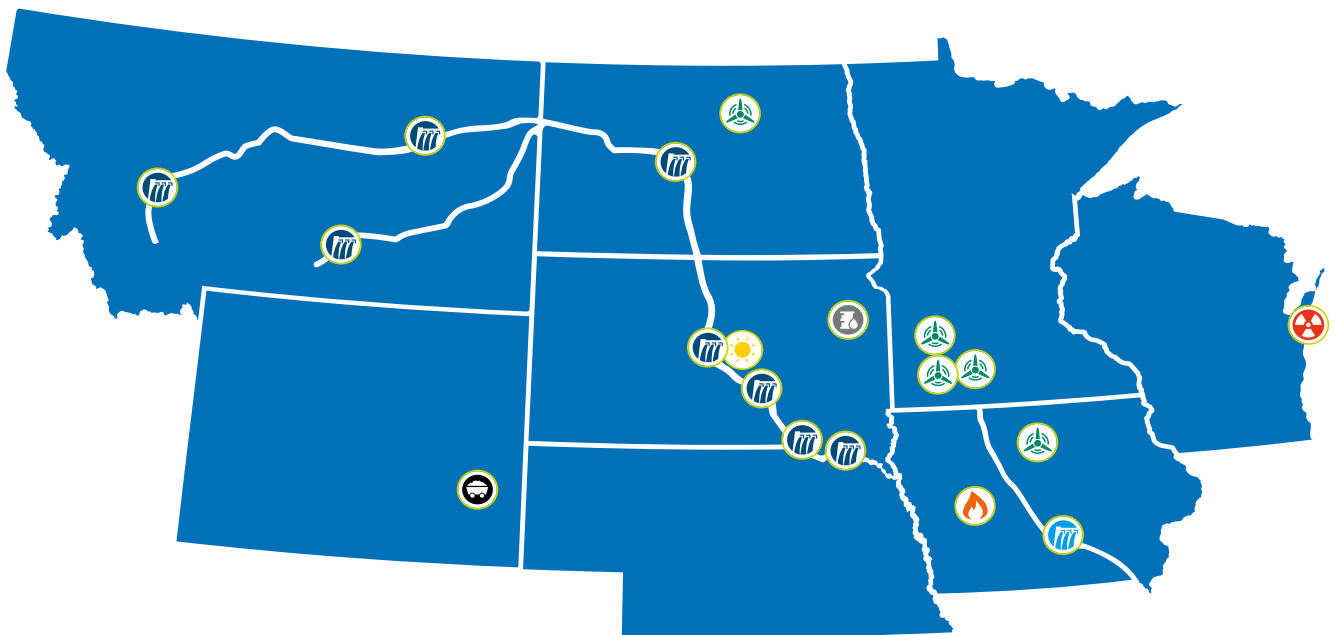
Watertown  
Power Plant  
**45 MW**  
Fuel oil



Red Rock  
Hydroelectric  
Project  
**43.1 MW**



Rugby Wind  
Project  
**40 MW**



Pierre Solar  
Project  
**1 MW**



Worthington  
Wind Project  
**3.7 MW**



Hancock Wind  
Project  
**3.3 MW**



Marshall  
Wind Farm  
**18.9 MW**



Odin Wind  
Project  
**21 MW**



Point Beach  
Nuclear Plant  
**33.8 MW**



Reserved Capacity Agreements with various members: **141.5 MW**

TOTAL GENERATION CAPACITY  
SERVING MEMBERS **APPROXIMATELY 1,140<sup>MW</sup>**



Fort Randall Dam in South Dakota

**APPROXIMATELY 45%** OF OUR MEMBERS' POWER COMES FROM  
**RENEWABLE RESOURCES**





**Our value shows up in our commitments to member communities and all the behind-the-scenes things that keep our main streets and neighborhoods up and running.**



Marshall Solar Plus Project  
Marshall, Minnesota

# COMPARATIVE HIGHLIGHTS

	2022	2021	2017
<b>FINANCIAL:</b>			
Operating Revenues (millions)	\$287	\$287	\$256
Operating Revenues, including WAPA Member Revenue (millions)	\$332	\$332	\$300
Operating Expenses (millions)	\$236	\$232	\$191
Net Operating Income (millions)	\$52	\$55	\$65
Plant in Service (millions)	\$985	\$978	\$507
Unrestricted Cash and Investments (millions)	\$286	\$293	\$147
Days Cash on Hand (Days of Operating Expenses)	485	497	294
Total Assets (millions)	\$1,163	\$1,177	\$932
Net Position (millions)	\$429	\$397	\$248
Debt Outstanding (millions)	\$612	\$633	\$580
Average Cost of Debt	3.6%	3.5%	3.8%
Debt Service Coverage	180%	201%	193%
Debt as Percent of Capitalization	59%	61%	70%
Equity Percent of Capitalization	41%	39%	30%
<b>MEMBER ENERGY REQUIREMENTS (GWh):</b>			
Energy Provided by MRES	3,058	2,963	2,970
Energy from WAPA	1,902	1,900	1,867
Energy Provided by Others	357	366	145
Total Member Energy Requirements	5,316	5,229	4,981
<b>MEMBER RESOURCE MIX:</b>			
Energy from Coal	24%	23%	28%
Energy from Natural Gas	3%	3%	1%
Energy from Fuel Oil	<0.1%	<0.1%	0%
Energy from Nuclear	6%	6%	6%
Energy from Hydro	40%	39%	39%
Energy from Wind	5%	4%	5%
Energy from Solar	<0.1%	<0.1%	0%
Energy from Market Purchases	22%	25%	21%
<b>POWER SUPPLY MEMBER PEAK DEMAND (MW):</b>			
MRES Peak Demand	576	598	527
Total Member Peak Demand	1,003	1,026	925
<b>MEMBER WHOLESALE RATES (CENTS PER kWh):</b>			
Average MRES Power Supply and Transmission Rate	6.6	6.9	7.0
Average Blended Cost of Energy Supplied by MRES & WAPA	5.2	5.3	5.5

# THE VALUE OF WORKING TOGETHER

**“Without our MRES  
membership, we  
simply wouldn’t  
be able to offer the  
range and depth of  
incentives we have.”**

JOHN PRESCOTT, CITY MANAGER,  
CITY OF VERMILLION

At MRES, “value” means a lot of things. First and foremost, we work to deliver value to both our member utilities and their customers. That value comes in the form of safe, reliable and affordable electricity and energy services. Value also shows up in our commitments to MRES communities and all the behind-the-scenes things that keep our main streets and neighborhoods up and running. That value is how we define success.

True success only happens with collaboration. In the pages ahead, we are excited to highlight some of our membership success stories — and how many parties worked together to not only solve challenges, but also save money, build and reinforce infrastructure and bring parties together to deliver the forward-thinking strategy that is the very lifeblood of our communities.

These success stories are real world examples of putting our collective values first now — in the interest of our collective success for years to come. We thank our MRES members for sharing.





“The success of MRES  
is ultimately based upon  
the success of its members,  
so, as a utility, we know  
they have our best  
interests on the forefront.”

SCOTT HAIN, GENERAL MANAGER,  
WORTHINGTON PUBLIC UTILITIES



WORTHINGTON, MINNESOTA

# Turning a Project Need — Into a Regional Plan

## HOW WORTHINGTON PUBLIC UTILITIES AND MRES TURNED A LOCAL ENERGY NEED INTO A REGIONAL SOLUTION

Sometimes looking to solve a specific challenge leads to bigger and better results. Such was the case with Worthington Public Utilities (WPU) as they looked to accommodate their largest customer.

JBS Foods (JBS) of Worthington was planning a large freezer expansion that would dramatically increase their energy load. As WPU set out to build a standalone substation to meet the demand, they entered discussions with MRES.

"MRES saw a need for an even larger substation in the area and essentially developed the plan and acquired the land to do so," said Scott Hain, general manager of WPU.

"We knew we needed additional substation capacity as we looked at building our own. But with Missouri River's contribution, it morphed into a larger project that worked out great for us."

The Lorain substation was the result of multiple partners and collaborations, including Minnesota-based Great River Energy. Today, the substation not only serves WPU and JBS, but it also significantly improves transmission and redundancy for others in the area — including a neighboring rural electric cooperative.

"Missouri River's involvement was key to having conversations with regional transmission providers and bringing in another feed from the east," said Hain. "It was critical to have the MRES team's expertise on transmission and have the ability to speak that language to the other providers we worked with."

"We're one of the larger MRES members, but even at that, we're still a relatively small utility," said Hain. "We don't have the staff and expertise to keep up on all of the things required for a project of this scale. Missouri River's ability to enhance our service goals is a critical component of being a member."







**“The world has gotten really complicated in regard to energy and regulations. So, for MRES to stay on top of that, help understand it and navigate it for its members is absolutely critical.”**

SCOTT HAIN, GENERAL MANAGER,  
WORTHINGTON PUBLIC UTILITIES

Hain credits the MRES engineering staff and their ability to understand the complexities of the bulk system and the planning process, which contributed to the success of the project.

“The world has gotten really complicated in regard to energy and regulations,” said Hain. “So, for MRES to stay on top of that, help understand it and navigate it for its members is absolutely critical.”

“We had numerous meetings with all parties to coordinate the engineering and construction. One of our big concerns was with three utilities doing work, and we wanted to make sure we weren’t working

on top of each other,” said Brian Zavesky, senior transmission engineer at MRES.

“These projects are very capital intensive and the more we can work with other utilities, the more efficiently and reliably we can serve customers and deliver electricity.”

“The success of MRES is ultimately based upon the success of its members, so as a utility, we know they have our best interests on the forefront,” added Hain.


And those best interests are now serving Southwest Minnesota.



DETROIT LAKES, MINNESOTA

# Having Someone In Your Corner — When You're Turning a Corner

DETROIT LAKES PUBLIC UTILITIES LAUNCHES NEW BILLING AND  
INFORMATION SYSTEM WITH MRES SUPPORT AND INFLUENCE



“Typically in  
business, the  
largest customers  
get the most attention.  
So, by MRES pulling  
together a solution  
for the greater membership,  
we have a large enough  
customer base and  
meter volume for a  
vendor to be more  
responsive.”

VERNELL ROBERTS, GENERAL MANAGER,  
DETROIT LAKES PUBLIC UTILITIES

When you're a smaller utility, it's always good to have someone in your corner. That's never truer than when going through a massive billing system change.

“Any time you go through a change in technology or systems, people understandably get apprehensive about it,” said Vernell Roberts, general manager of Detroit Lakes Public Utilities.

MRES recently partnered with Tyler Technologies, Inc. to offer Tyler's Incode software as the preferred enterprise resource planning software to MRES member utilities. This was negotiated at a preferred price with the backing of MRES' technical and customer support.

The change offers utilities like Detroit Lakes and their customers a full suite of customer information and new billing solutions such as the electronic transfer of funds, credit card payments, budget billing and other options. But a transition of such scale wouldn't be possible without the strength in numbers provided by MRES.



“Having MRES in our corner helps leverage our relationship and keep new vendors on-task and on-schedule,” said Roberts. And while he acknowledges that any system change comes with challenges, it helps to be part of a larger membership with shared interests.

“Typically in business, the largest customers get the most attention. So, by MRES pulling together a solution for the greater membership, we have a large enough customer base and meter volume for a vendor to be more responsive. Pooling us all together to represent a bigger volume made us a more substantial client. And that really does help.”

Another way MRES helps members is to lay out a plan with the most viable and feasible path to making

system and technology changes. This can be an anxious time for utilities and for their customers, too — especially with limited local staff to service and support them.

“MRES has a lot of expertise and depth to offer technical support and knowledge that a lot of us just don’t have in-house,” said Roberts. “They help us navigate the challenges and make it a lot less painful to get initiatives like this done.”





“MRES has great planners. A few days before the storms hit, they called us up and told us to be ready. Our energy was going to be needed.”

TERRY SCHROER, ELECTRIC SUPERINTENDENT,  
FORT PIERRE MUNICIPAL UTILITIES





FORT PIERRE, SOUTH DAKOTA

# Building for When Capacity is Needed — Here and There

HOW THE CITY OF FORT PIERRE AND MRES COLLABORATED TO BETTER SERVE THE CITY — AND HELP OUT MUCH OF THE COUNTRY

South Dakota has never been a stranger to weather extremes. And while every season poses transmission challenges, the collaboration of Fort Pierre Municipal Utilities and MRES helped navigate the storm, even helping others across the country.

MRES has structured reserved capacity agreements (RCAs) with 19 of its members. Under the RCAs, locally owned municipal generators not only support the member's reliability needs, but they can also be called upon to supply energy to the regional electric grid during times of need.

During the 2021 polar vortex, six MRES members were called on to generate electricity to help keep the lights

on in their communities and throughout the region and across the country. One of those members was Fort Pierre.

The utility's electric superintendent, Terry Schroer, said, "MRES has great planners. A few days before the storms hit, they called us up and told us to be ready. Our energy was going to be needed." The utility ran its generators for 82 hours straight during Winter Storm Uri to help support and stabilize the regional grid.

Schroer cites the city's own energy challenges through the years: a windstorm that took out the transmission line into the city and concerns with a former electric line that ran under the bridge to neighboring Pierre.

All of these challenges underscored a need for their own smaller generation station as a backup to their existing substation. Building a generator was essential to Fort Pierre's power requirements — and essential to providing the redundancy required for additional needs in times of crisis.

"MRES really stepped up on helping us make that possible," said Schroer. "It's been a godsend for the city."

As it turns out, it's been quite a godsend for others, too.



VERMILLION, SOUTH DAKOTA

# Good for Energy Efficiency — Good for Business

## CITY OF VERMILLION USES BRIGHT ENERGY SOLUTIONS® TO FORGE ITS BUSINESS AND CUSTOMER RELATIONSHIPS

When MRES rolled out Bright Energy Solutions (BES) in 2008, it not only helped businesses and residences with energy efficiency and savings, but it also helped communities like Vermillion recruit, retain and encourage business development.

The BES portfolio offers a wide range of incentives and rebates to help lower the costs of energy and equipment for customers. But in a greater sense, it also provided the City of Vermillion an opportunity to reconnect with their customers in a positive way.

"It really helped us have a dialogue with our customers and talk about something that can help them out," said John Prescott, Vermillion's city manager. "Programs like Bright Energy Solutions are a tool to build those relationships in a way that helps them save money when improvements are made."

Eligible companies and residential customers can take advantage of BES by meeting the requirements for specific incentive programs. "For most businesses, it's a matter of bottom-line numbers," said Prescott. "If we can help them save in this area of capital investment, they are more likely to prioritize energy and efficiency over other expenditures."

Polaris, the city's largest square footage operation, reaped BES rebates this past year by fully converting to LED lighting in 2022. It resulted in annual energy reduction of over 300,000 kilowatt-hours (kWh), plus a rebate of \$23,821.



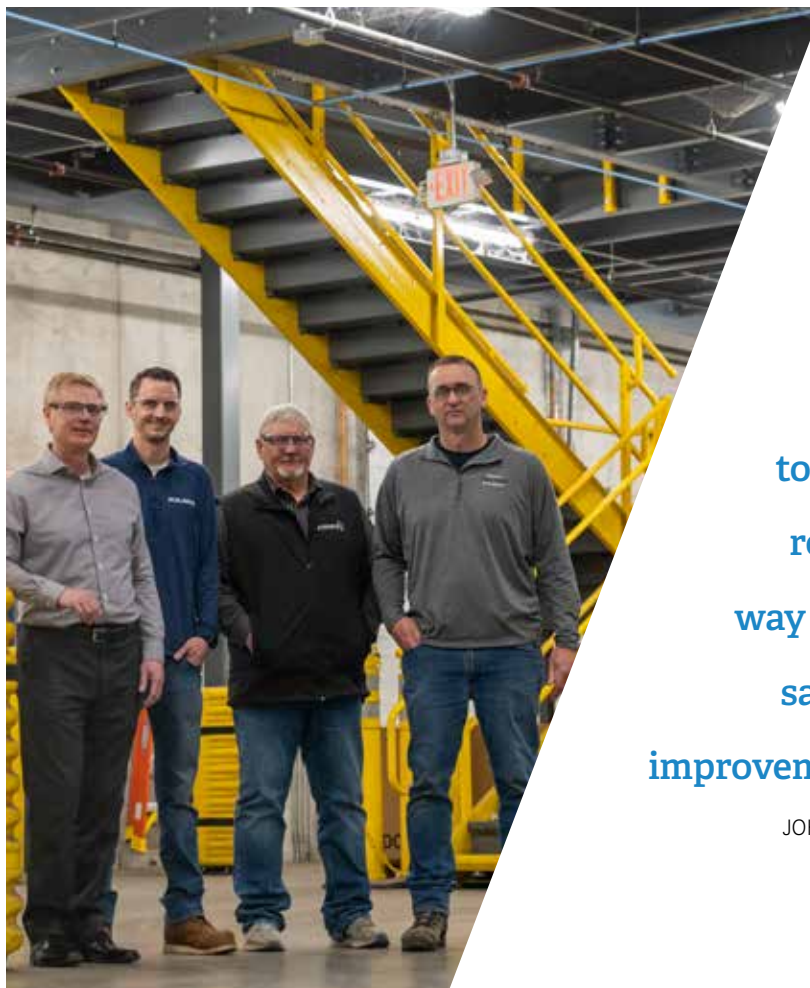
Savings is only one side of it. Reliability plays a role, too. When energy systems are operating effectively, it also frees up companies from operational obstacles and down time. What's more, Polaris estimates an avoidance of 439 tons of greenhouse gases annually.

"The program helps Polaris execute one of our strategic pillars we call 'Geared for Good,'" says Curt Nelson, senior engineering manager at Polaris. "It focuses our efforts to elevate our employees, our industries, communities and quality of life for everyone and everything relative to our corporate ecosystem."

BES staff and the City of Vermillion helped with financial decisions as well. "It helps us stretch our capital dollars further and allows us to get more things done with our budget," said Nelson.

"Energy efficiency improvements can also lessen some of the concerns on the maintenance side," says Monty





**“Programs like  
Bright Energy  
Solutions are a  
tool to build those  
relationships in a  
way that helps them  
save money when  
improvements are made.”**

JOHN PRESCOTT, CITY MANAGER,  
CITY OF VERMILLION

Munkvold, electrical superintendent for the City of Vermillion. “By putting fewer hours into maintaining lighting and equipment, companies can concentrate more on their core business.”

MRES and BES are about doing just that — providing solutions for businesses like Polaris, and cities like

Vermillion and their residents. “Without our MRES membership,” says Prescott, “we simply wouldn’t be able to offer the range and depth of incentives we have.”

KIMBALLTON, IOWA

# Acknowledging a Past — to Secure a Future

## KIMBALLTON GOING TO GREAT LENGTHS TO BRING ITS LOCAL CITY POWER STRUCTURE UP TO THE MODERN AGE

Sometimes when you're trying to write a success story, the first chapter is acknowledging the problems you have.

Such is the case for Kimballton, a bedroom community of 280 people, providing its own city with energy through a system that is one ice storm away from weeks of potential outages.

It's a reality that Peggy Mortensen and Carol Hartvigsen are each addressing in their respective roles as city council member and mayor of Kimballton.

"In the 1930s, our little town had the foresight to get on board and build our own Kimballton Public Utilities system, which was a huge undertaking as a small town," said Hartvigsen.

While the system was ahead of its time nearly 100 years ago, it has since fallen behind in terms of equipment, upkeep and financial long-term viability. "Today, we're just trying to catch up, maintain code and keep our system from failing," said Hartvigsen.

Kimballton was one of the earliest members of MRES and today they are leaning on the resources of that membership more than ever.

"We were not afraid to say 'we need help,'" says Mortensen. "A representative from MRES came and conducted an audit of our system and we quickly learned we had a working museum. The news was more bad than good."







But despite the challenges, Mortensen and Hartvigsen are encouraged they are now pointing the ship in the right direction.

With the help of MRES, the City of Kimballton made arrangements with Atlantic Municipal Utilities, a neighboring public power utility and a member of MRES, for immediate system needs. Kimballton also is looking ahead at funding solutions and various partnerships to make its system viable for the long haul.

"The system has operated at status quo for a long time, and unfortunately, we need to now address the things that have gone unattended for a long time," said Hartvigsen.

**"MRES has been our literal extension cord, and now that we know what to do, we're not going backward. Change takes time, but we hope to talk to you in 2025 and share the success story of the work we're putting in now."**

CAROL HARTVIGSON, MAYOR OF KIMBALLTON

That's been no small undertaking in a city where new leadership is difficult to find, and civic leaders like Mortensen and Hartvigsen run businesses and wear many hats of their own.

Mortensen acknowledges they have been much more active in their MRES membership in recent years, taking advantage of a number of resources: be it strategic planning, compliance, funding guidance and just getting up to speed on the electrical industry.

"We have used MRES to help understand what we don't know," said Mortensen. "And they have been exceptionally responsive. They have been instrumental in helping us determine what we need and continue to look out for us and our best interests."

The City of Kimballton remains steadfast in its commitment to provide its own power to the community, as it's not only a great revenue source, but it also is a point of pride as well.

"MRES has been our literal extension cord," said Hartvigsen. "And now that we know what to do, we're not going backward. Change takes time, but we hope to talk to you in 2025 and share the success story of the work we're putting in now."

# A YEAR OF PROGRESS

- ▶ **Strengthened efforts to build up the member generation program** by increasing the rate paid to the 19 members currently participating in the RCA program to better align with the value of local generation.
- ▶ **Developed an alternate operations site** in eastern Sioux Falls to mirror generation, energy market and operations activities, enhancing security and reliability.
- ▶ **Advanced approximately \$18 million** to Western States Power Corporation, which advances monies to WAPA to help fund capital projects for the six mainstem dams on the Missouri River throughout WAPA's Upper Great Plains Region. These advances are returned within two months as bill credits to MRES members. Since 2001, WSPC has contributed more than \$720 million to WAPA and other agencies.
- ▶ **Started development on the proposed Big Stone South to Alexandria transmission project** that will improve reliability, increase resiliency to extreme weather conditions, decrease transmission congestion and increase access to renewable energy in the region. **WMPMA will own 60% of the project** and it is expected to be completed in 2030.
- ▶ **Helped members keep their customers' rates affordable and electricity reliable** by promoting smart grid technologies, such as demand response.
- ▶ **Expanded security awareness training** by offering cybersecurity assessment services to members.
- ▶ **Expanded the DM program** by providing on-call support activities to two additional members and completed distribution assessments for three additional communities. Now in its 25th year, the **program currently supports 20 members and two associates** through full-time or supplemental services.
- ▶ **Partnered with MidAmerican Energy Company** to study the feasibility of a **pumped-storage hydroelectric project** along Lake Francis Case on the Missouri River in Gregory County, South Dakota. If built, the project would store energy during periods of high wind / solar production, and release the stored hydropower to fill in the gap when intermittent renewable resources are not available.
- ▶ **Approved the development of two solar projects near Marshall, Minnesota, and Brookings, South Dakota**, both MRES member communities. The Marshall Solar Plus project is a 10-megawatt (MW) capacity solar farm and includes a 5-MW battery-storage facility. The proposed Brookings project is expected to be a 5-MW behind-the-meter solar project that will eventually connect to the Brookings Municipal Utilities distribution system.
- ▶ **Created a new Ambassador Program** to raise awareness of public power and the value of membership in MRES.



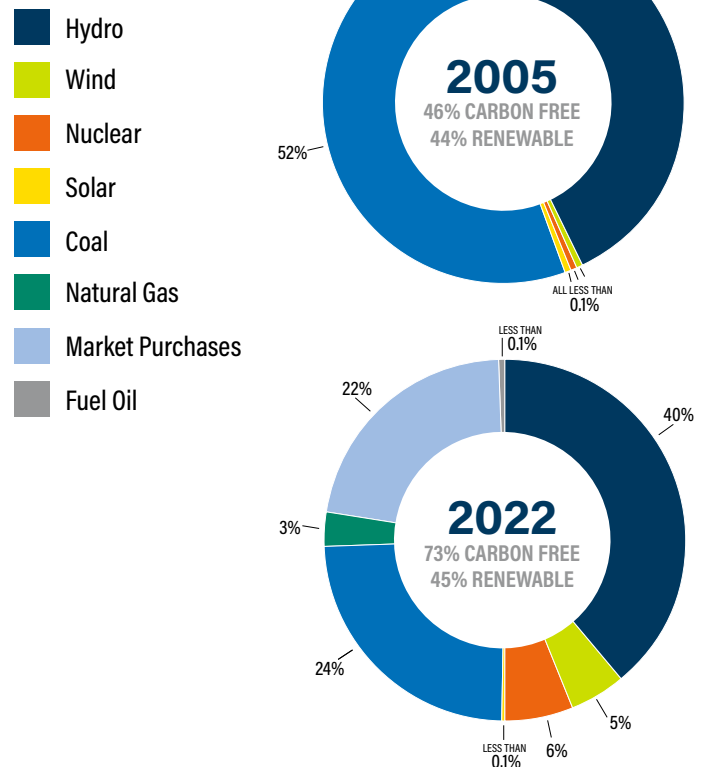


## Creating a **CLEANER**, more resilient **FUTURE**

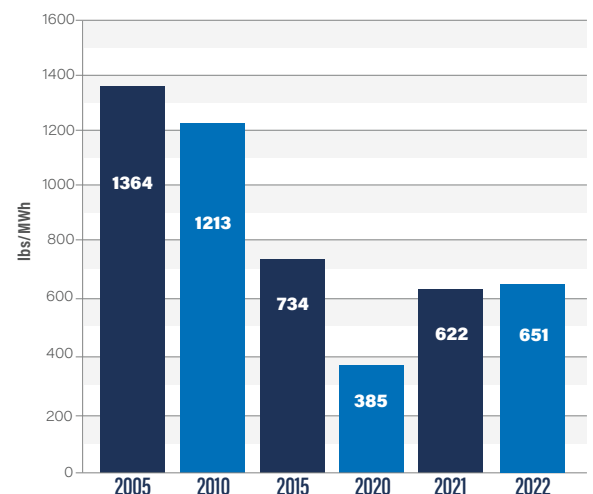
- ▶ **Eliminated about 5.2 MW from the peak load** of MRES, which is up 16% from 2021. Since the BES program started in 2008, MRES has processed almost **53,000 rebate applications**, which, in turn, has **reduced electric demand by over 80 MW** and resulted in **nearly \$26 million** in rebates.
- ▶ **Committed to developing a skilled workforce** for the energy industry by awarding scholarships to graduating high school seniors and offering internships and temporary positions in the summer.
- ▶ **Facilitated strategic planning sessions** that help member communities keep pace with the rapidly changing utility environment. Since 2019, the MRES strategic planning staff has completed 30 engagements for 24 entities.
- ▶ **Reported zero work-related incidents** and **no lost-time accidents** in 2022.
- ▶ **Received national recognition for safe operating practices** in 2022 from the American Public Power Association for utilities with 30,000 to nearly 60,000 worker-hours of exposure.

Creating a clean and resilient energy future is a top priority for MRES and our members, and we are delivering affordable, reliable, and ever-increasing clean energy to our members and their customers.

### MRES POWER SUPPLY MIX



### REDUCING CARBON INTENSITY [2005-2022]



# BUILDING FINANCIAL VALUE

## Bond Ratings and Debt

- MRES and WMMPA achieved debt service coverage (DSC) of 180% in 2022. DSC for the five years ended Dec. 31, 2022, has averaged 193%. DSC is an important factor in determining bond ratings.
- In late September, Moody's upgraded WMMPA's power supply revenue bonds to a rating of Aa2 from Aa3 with a stable outlook. At the same time, Fitch reaffirmed WMMPA's AA- rating with a stable outlook. Moody's upgraded rating recognized WMMPA's history of sound financial policies, which have resulted in consistent strong liquidity and DSC, the diversity and overall credit quality of the 61 utility system members, and conservative financial policies. The rating also considered the steps taken to ensure future capacity and improve resource diversity, including completing the Red Rock Hydroelectric Project (RRHP).
- During 2022, WMMPA refinanced \$49 million of the 2012 Series A Bonds with \$43 million of 2022 Series A Bonds (2022 Bonds). The 2022 Bonds resulted in savings of approximately \$6.6 million. Net present-value savings are over \$5.7 million, or nearly 12% of the refunded bonds.
- Nearly \$4.2 million of the savings is attributable to the termination of an interest rate swap executed in 2020, which was an integral part of the refunding process.

## Strong Balance Sheet

- At Dec. 31, 2022, MRES and WMMPA had unrestricted cash and investments of \$286 million, approximately \$137 million higher than the discretionary funds minimum target level. The unrestricted cash and investments of MRES and WMMPA represents over 16 months of the 2022 operating expenses, excluding depreciation.
- At Dec. 31, 2022, the MRES and WMMPA capitalization was approximately 59% debt and 41% equity, slightly better than the board-targeted 60% debt and 40% equity structure. WMMPA's debt as a percent of total capitalization is low compared to most joint action agencies.



## Rates

- The average rate for long-term power sales to members was approximately 5.6 cents per kWh in 2022 compared to 5.9 cents per kWh in 2021. The reason for the decrease is due to the 5% decrease to wholesale power supply rates that took effect Jan. 1, 2022. The average 2022 MRES wholesale power and transmission rate of 6.6 cents was 15% lower than the average of 12 other regional wholesale power providers without WAPA allocations.
- The MRES board approved implementation of a wholesale time-of-use (TOU) energy rate structure effective Jan. 1, 2023. The goal of TOU rates is to reduce the costs of MRES, our members and retail customers, through increased use of lower-cost, off-peak energy.

## Transmission Cost Recovery

- Every year, MRES files Attachments O and H on behalf of the organization and members. The attachments are a cost-recovery mechanism that provides payments from the regional transmission organizations for MRES- and member-owned transmission in those areas. In 2022, we completed filings for 17 members in the Midcontinent Independent System Operator (MISO) and Southwest Power Pool (SPP) markets. The annual revenue received by those members is approximately \$16 million.
- MRES receives approximately \$20 million annually for cost recovery of its transmission assets in MISO and SPP from the completion of Attachment O and Attachment H.

## Member Rate Studies

- MRES offers rate studies that review members' historical costs and potential opportunities to ensure their rates are aligned with the cost to serve customers. Our rate studies have found that members have competitive retail rates. We completed 16 cost-of-service studies in 2022, bringing the total to nearly 320 studies since the program began in 1998.

# 2022 POWER AWARDS

Six employees were recognized with POWER Awards. Given once a year, the POWER Award is Missouri River's highest form of employee recognition.



The 2022 POWER Award winners are Jody Peck, Wendy Solheim, Brent Moeller and Clinton Storm.



Alex Klovstad (left) and Wes Pfaff also earned POWER Awards in 2022.

- ▶ Operations Supervisor **Wendy Solheim** was awarded for training new energy schedulers and filling extra shifts to cover for several resignations and retirements in the scheduling area. The award also recognized Solheim's work to help implement a new MRES alternate operations site.
- ▶ Energy Scheduler **Clinton Storm** was awarded for optimizing generation at RRHP, as well as for training new staff and covering for resignations and retirements in the scheduling area.
- ▶ Director of Generation Resources **Brent Moeller** was recognized for serving as project manager for, and supporting the completion of, the Preliminary Application Document for the Gregory County Pumped Storage Project.
- ▶ Member Services Representative **Jody Peck** received the award for leading the development of the new Omni member information database.
- ▶ Journey Lineworker **Alex Klovstad**, who works on the DM line crew in Barnesville, Minnesota, was recognized for his volunteer work providing mutual aid in Florida in the wake of Hurricane Ian, as well as for supporting three members with supplemental DM services.
- ▶ Transmission Engineer III **Wes Pfaff** was presented the award for developing a process to more accurately account for distribution transformer losses. Pfaff's work saved members approximately \$170,000 on energy losses in member-owned transmission.





# 2022 FINANCIALS

# AUDITORS' REPORT

## Independent Auditors' Report

To the Board of Directors of  
Missouri Basin Municipal Power Agency  
d/b/a Missouri River Energy Services and  
Western Minnesota Municipal Power Agency

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying combined financial statements of Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services and Western Minnesota Municipal Power Agency (MRES and WMMPA), as of and for the years ended December 31, 2022 and 2021 and the related notes to the combined financial statements, which collectively comprise MRES and WMMPA's basic financial statements as listed in the table of contents.

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, 2022 and 2021 and the changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MRES and WMMPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MRES and WMMPA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 and WMMPA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MRES and WMMPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, Management's Discussion and Analysis, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the 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 financial statements and other knowledge we obtained during our audit of the 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 audit was conducted for the purpose of forming opinions on the 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 supplementary information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated in all material respects, in relation to the financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2023 on our consideration of MRES and WMMPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of MRES and WMMPA's 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 and WMMPA's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Madison, Wisconsin  
April 4, 2023



## 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 (WMMPA) and the results of operations during 2022 and 2021. 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 provides an objective and easily readable analysis of the financial activities of MRES and WMMPA 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 WMMPA 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 \$)

	2022	2021	2020	2022 Dollar Change	2021 Dollar Change
Current Assets	\$ 191	\$ 198	\$ 196	\$ (7)	\$ 2
Non-current Assets:				-	-
Net Capital Assets	699	703	713	(4)	(10)
Other Non-current Assets	261	258	204	3	54
Total Assets	<u>1,151</u>	<u>1,158</u>	<u>1,113</u>	<u>(7)</u>	<u>46</u>
Deferred Outflows of Resources	12	18	20	(6)	(2)
Total Assets and Deferred Outflows of Resources	<u>\$ 1,163</u>	<u>\$ 1,177</u>	<u>\$ 1,133</u>	<u>\$ (13)</u>	<u>\$ 44</u>
Current Liabilities	\$ 53	\$ 55	\$ 70	\$ (2)	\$ (14)
Non-current Liabilities:					
Revenue Bonds, Net of Current Maturities	598	620	636	(22)	(16)
Asset Retirement Obligation	10	9	9	1	-
Other Non-current Liabilities	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total Liabilities	662	686	716	(23)	(30)
Deferred Inflows of Resources	72	94	56	(22)	38
Net Position:					
Net Investment in Capital Assets	99	87	70	12	17
Restricted Net Position	68	76	87	(8)	(11)
Unrestricted Net Position	<u>262</u>	<u>233</u>	<u>204</u>	<u>29</u>	<u>29</u>
Total Net Position	<u>429</u>	<u>397</u>	<u>361</u>	<u>32</u>	<u>35</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,163</u>	<u>\$ 1,177</u>	<u>\$ 1,133</u>	<u>\$ (13)</u>	<u>\$ 43</u>
Totals may not foot due to rounding.					

See accompanying independent auditors' report.

## **Assets and Deferred Outflows of Resources**

The total assets and deferred outflows of resources of MRES and WMMPA at December 31, 2022, decreased by \$13 million or 1 percent compared to December 31, 2021. The largest variance was a \$7 million decrease in other current assets, from \$198 million to \$191 million. The deferred outflows of resources decreased by \$6 million, from \$18 million to \$12 million.

The total assets and deferred outflows of resources of MRES and WMMPA at December 31, 2021, increased by \$44 million or 4 percent compared to December 31, 2020. The largest variance was a \$54 million increase in other non-current assets, from \$204 million to \$258 million. The largest variance in other non-current assets is due to a \$51 million increase in unrestricted long-term investments, from \$198 million to \$249 million.

The largest assets of MRES and WMMPA at December 31, 2022, were net capital assets. Net capital assets totaled \$699 million or 60 percent of total assets and deferred outflows of resources at December 31, 2022, a decrease of \$4 million compared to December 31, 2021. The \$4 million decrease in net capital assets during 2022 was primarily due to an increase in accumulated depreciation offset by an increase in utility plant.

Net capital assets totaled \$703 million or 60 percent of total assets and deferred outflows of resources at December 31, 2021, a decrease of \$10 million compared to December 31, 2020. The \$10 million decrease in net capital assets during 2021 was primarily due to an increase in accumulated depreciation offset by an increase in utility plant.

Cash and investments were the second largest assets and deferred outflows of resources for MRES and WMMPA at December 31, 2022. Cash and investments totaled \$381 million or 33 percent of total assets and deferred outflows of resources at December 31, 2022, a decrease of \$12 million compared to December 31, 2021. Of the \$381 million, approximately \$95 million was restricted for debt service, capital projects, and other Bond Resolution-related requirements and decreased by \$6 million compared to December 31, 2021. The decrease in restricted cash and investments is largely due to capital additions paid from construction funds. The remaining \$286 million of total cash and investments are unrestricted and decreased by \$7 million compared to December 31, 2021. The \$286 million of unrestricted cash and investments represent approximately 16 months of the 2022 cash operating expenses.

Cash and investments were the second largest assets and deferred outflows of resources for MRES and WMMPA at December 31, 2021. Cash and investments totaled \$394 million or 33 percent of total assets and deferred outflows of resources at December 31, 2021, an increase of \$46 million compared to December 31, 2020. Of the \$394 million, approximately \$101 million was restricted for debt service, capital projects, and other Bond Resolution-related requirements and decreased by \$18 million compared to December 31, 2020. The decrease in restricted cash and investments is largely due to capital additions paid from construction funds. The remaining \$293 million of total cash and investments are unrestricted and increased by \$64 million compared to December 31, 2020. The \$293 million of unrestricted cash and investments represent over 16 months of the 2021 cash operating expenses.

All other assets and deferred outflows of resources of MRES and WMMPA totaled \$82 million at December 31, 2022, \$2 million higher than at December 31, 2021. The prepayments and other current assets increased by \$4 million and other non-current assets increased by \$4 million from December 31, 2021, the increases were offset by a \$7 million decrease in unamortized loss on reacquired debt.

All other assets and deferred outflows of resources of MRES and WMMPA totaled \$80 million at December 31, 2021, \$8 million higher than at December 31, 2020. The largest increase from December 31, 2020, including a \$5 million increase in prepayments and other current assets, was largely due to increased prepaid expenses.

## **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, 2022, decreased by \$13 million or 1 percent compared to December 31, 2021. Significant variances included a \$22 million decrease in long-term debt and a \$23 million decrease in revenues collected for future costs, offset by a \$32 million increase in net position.

The total liabilities, deferred inflows of resources, and net position of MRES and WMMPA at December 31, 2021, increased by \$44 million or 4 percent compared to December 31, 2020. Significant variances included a \$36 million increase in net position and a \$36 million increase in revenues collected for future costs, offset by a \$14 million decrease in long-term debt and a \$15 million decrease in current liabilities.

See accompanying independent auditors' report.

The largest liability of MRES and WMMPA is long-term debt including current maturities, which totaled \$612 million or 53 percent of total liabilities, deferred inflows of resources, and net position at December 31, 2022. Long-term debt decreased by approximately \$22 million during 2022. The decrease in 2022 was due to the refinancing of the 2012 debt and the scheduled principal payment and amortization of debt premium.

Long-term debt, including current maturities at December 31, 2021, totaled \$634 million or 54 percent of total liabilities, deferred inflows of resources, and net position. Total long-term debt decreased by approximately \$14 million during 2021. The decrease in 2021 was due to the scheduled principal payment and amortization of debt premium.

Net position totaled \$429 million at December 31, 2022, or 37 percent of the total liabilities, deferred inflows of resources, and net position compared to \$397 million or 34 percent of total liabilities, deferred inflows of resources, and net position at December 31, 2021. During 2022 and 2021, the net position increased by \$32 million and \$36 million, respectively.

Revenues collected for future costs totaled \$68 million (6 percent) and \$92 million (8 percent) of total liabilities, deferred inflows of resources, and net position at December 31, 2022 and 2021, respectively. The decrease is due to unrealized loss on investments offset by the revenue recognized from the revenue deferral. Revenues collected for future costs totaled \$92 million (8 percent) and \$55 million (5 percent) of total liabilities, deferred inflows of resources, and net position at December 31, 2021 and 2020, respectively. The \$36 million increase in revenues collected for future costs is largely due to the deferral of \$42 million of revenue resulting from favorable operating results compared to budget and offset by unrealized loss on investments. The revenue deferral was possible due to favorable operating results during the entire year, including during the winter 2021 polar vortex.

Current liabilities, excluding the current portion of long-term debt, totaled \$39 million (3 percent) and \$41 million (4 percent) of total liabilities, deferred inflows of resources, and net position at December 31, 2022 and 2021, respectively. During 2022, current liabilities decreased by \$2 million, primarily due to lower accounts payable.

### **Debt Activity**

During 2022, WMMPA refinanced \$49 million of the 2012 Series A Bonds with \$43 million of 2022 Series A Bonds (2022 Bonds). The 2022 Bonds resulted in annual savings of approximately \$823,000 through 2030, or nearly \$6.6 million total. Net present-value savings are over \$5.7 million, or 11.6 percent of the refunded bonds. Nearly \$4.2 million of the savings is attributable to the termination of an interest rate swap executed in 2020, which was an integral part of the refunding process. See additional detail in Note 9 for debt and Note 10 for the interest rate swaps to the Combined Financial Statements.

During 2021, WMMPA made scheduled principal payments of \$11 million. WMMPA did not issue any additional debt during 2021 but did amend the two interest rate swaps executed in 2020 to hedge the interest rate risk for planned future refunding of outstanding debt. See additional detail in Note 9 for debt and Note 10 for the interest rate swaps to the Combined Financial Statements.

### **Debt Ratings**

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

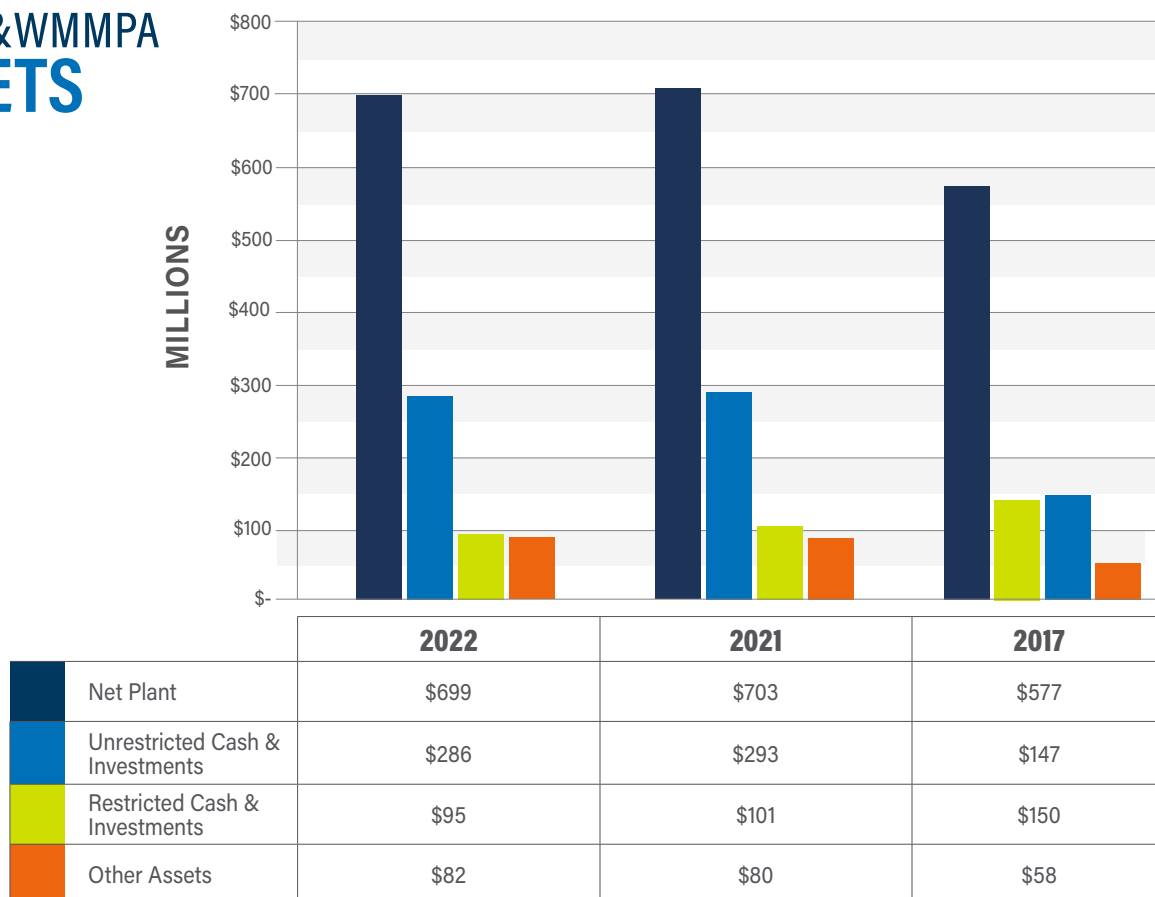
FitchRatings (Fitch)	AA- (stable outlook)
Moody's Investors Services (Moody's)	Aa2 (stable outlook)

The WMMPA revenue bonds have maintained a rating of AA- from Fitch since 2003 and were upgraded to a rating of Aa2 from Moody's in 2022.

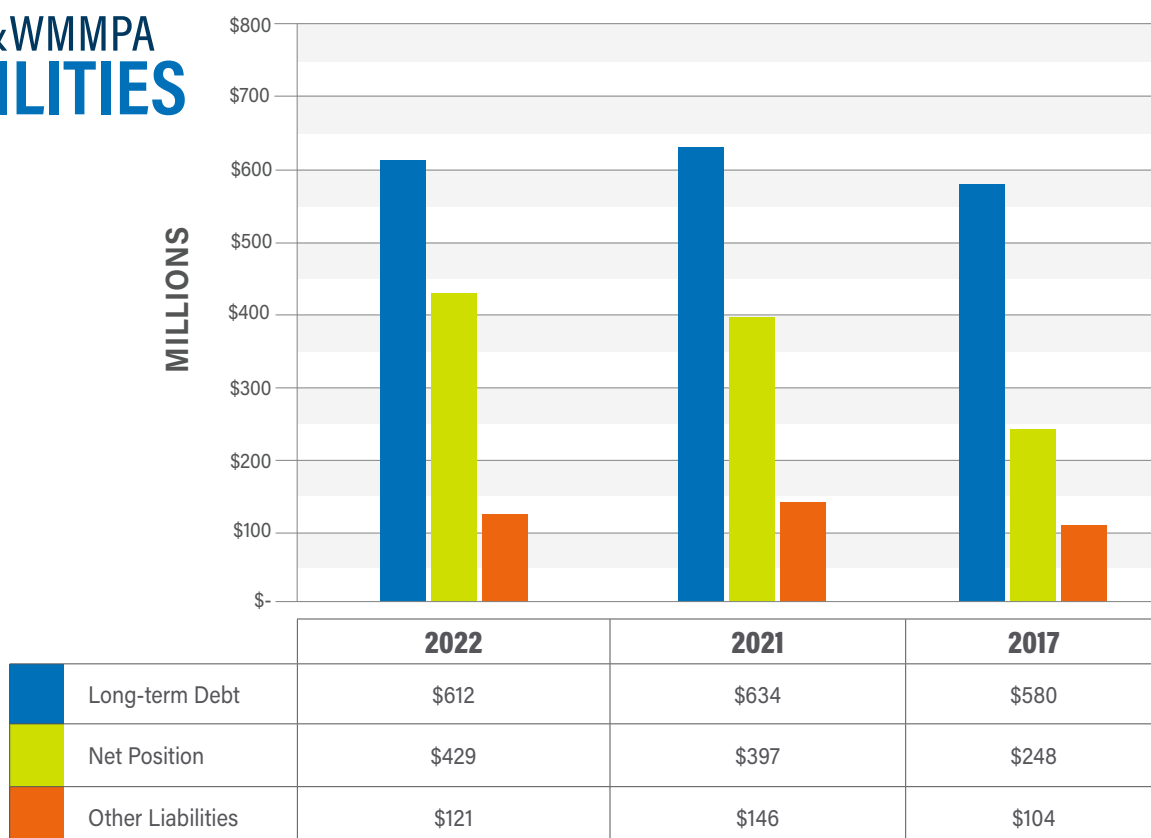
See accompanying independent auditors' report.



## MRES & WMPMA ASSETS



## MRES & WMPMA LIABILITIES



## Results of Operations

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

	2022	2021	2020	2022 Dollar Change	2021 Dollar Change
Operating Revenues	\$ 287	\$ 287	\$ 245	\$ -	\$ 42
Operating Expenses	236	232	182	4	50
Operating Income	51	55	63	(4)	(8)
Investment and Other Income	10	9	13	1	(4)
Interest Expense	(25)	(26)	(27)	1	1
Other Non-operating (Expenses) Income	(22)	(9)	(19)	(13)	10
Net costs recoverable in (for) future years	18	6	(4)	12	10
Change in Net Position	32	36	27	(4)	9
Ending Net Position	<u>\$ 429</u>	<u>\$ 397</u>	<u>\$ 361</u>	<u>\$ 32</u>	<u>\$ 35</u>
Totals may not foot due to rounding.					

### Operating Revenues

Long-term power sales revenue for 2022 was \$182 million compared to \$184 million and \$175 million in 2021 and 2020, respectively. The 2022 long-term power sales revenue was less than a percent lower than in 2021, due to a 5 percent decrease in rates, offset by an increase in demand and energy sales. The 2021 long-term power sales revenue was 5 percent higher than in 2020, largely due to an increase in demand sales. The demand sales increased in 2021 compared to 2020 due to warmer than normal summer weather and the easing of COVID-19 impacts. The average rate for long-term power sales to members was approximately 5.6 cents per kilowatt-hour (kWh) in 2022 compared to 5.9 and 5.8 cents per kWh in 2021 and 2020, respectively.

The 2022 short-term power sales revenue was \$43 million in both 2022 and 2021. In 2022, MRES recognized \$6 million of the deferred revenue; without that recognition, short-term power revenues would have decreased by \$6 million. The decrease in revenue is due to a decrease in market prices offset by an increase in energy sales. The 2021 short-term power sales revenue of \$43 million was \$32 million higher than the \$11 million in 2020 primarily due to increased market prices and energy sales.

The revenue received for transmission services was \$61 million in 2022 compared to \$59 million and \$58 million in 2021 and 2020, respectively.

Other operating income in 2022 was \$0.1 million compared to \$1.2 million in 2021 and \$0.8 million in 2020. The decrease in other operating revenue in 2022 was due to tax credits for refined coal received from Missouri Basin Power Project (MBPP) being discontinued during 2021. The increase in other operating revenue in 2021 and 2020 was due to higher other operating revenue received from MBPP for the tax credits for refined coal.

### Operating Expenses and Net Operating Income

Fuel expense for 2022 was \$31 million compared to the \$24 million and \$11 million in 2021 and 2020, respectively. The higher fuel expense in 2022 compared to 2021 and 2020 was largely due to increased generation at Laramie River Station (LRS) and Exira Station (Exira). The increased generation was due to market prices being higher than the cost of generation for more hours in 2022 than in 2021 and 2020. The average fuel cost for LRS remained the same in 2022 and 2021, and 8 percent higher in 2021 compared to 2020. The generation at LRS was approximately 1.2 million Megawatt hours (MWh) compared to 1.1 million and 0.7 million MWh in 2021 and 2020, respectively. The average cost of fuel for Exira increased by 41 percent in 2022 compared to 2021, the increase is due to the increase in natural gas costs. The generation at Exira was approximately 157,000 MWh, 125,000 MWh, and 80,000 MWh in 2022, 2021, and 2020, respectively.

Purchased power expense for 2022 of \$93 million was 6 percent lower than in 2021 (\$99 million) and 22 percent higher in 2021 compared to 2020 (\$81 million). The decreased 2022 purchased power expense compared to 2021 was due to lower market prices. The increased 2021 purchased power expenses compared to 2020 were largely due to higher market prices.

See accompanying independent auditors' report.

The other power supply operation and maintenance (O&M) expense was \$26 million, compared to the 2021 expense of \$34 million and the 2020 expense of \$22 million. The decreased 2022 other power supply O&M expense was due to lower fixed O&M expenses for Marshall Wind Farm (MWF) and an increase in socialization received from MBPP, offset by an increase in natural gas costs. The increased 2021 other power supply O&M expense was largely due to higher fixed O&M expenses for MBPP and MWF.

All other operating expenses totaled \$86 million in 2022 and \$75 million and \$68 million in 2021 and 2020, respectively. The increase in 2022 was due to an increase in depreciation and amortization expenses and an increase in administrative and general expenses. The increase in depreciation and amortization expenses is largely due to the Red Rock Hydroelectric Project being fully operational in June 2021. The increase in administrative and general expenses is largely due to the administration fees for MBPP.

Net operating income was \$52 million in 2022 compared to \$55 million and \$63 million in 2021 and 2020, respectively.

### **Non-operating Revenues and Expenses**

For the years ended December 31, 2022 and 2021, non-operating expenses exceeded non-operating revenues by \$19 million, compared to \$36 million in 2020. The lower net non-operating expense for 2021 compared to 2020 was largely due to a \$17 million power supply refund to members in December 2020.

Investment income totaled \$4 million in 2022 compared to \$3 million in 2021 and \$7 million in 2020. The increase in investment income for 2022 compared to 2021 was an increase in investment yields offset by a decrease in cash and investments.

Other expense totaled \$9 million in 2022 compared to \$5 million in 2021 and \$22 million in 2020. The increase in other expense for 2022 compared to 2021 was due to a refund to the Northern Cities Group members of \$4.2 million. The reason for the decrease in 2021 compared to 2020 is due to the refund of \$17 million to members.

Interest expense was \$26 million in both 2022 and 2021, and \$27 million in 2020. The decrease in 2021 compared to 2020 was due to scheduled principal payments and no additional debt being issued. During 2022, depreciation and amortization expense exceeded debt principal requirements plus amortization of debt-related costs and premium for related assets by approximately \$4 million. During 2021, depreciation and amortization expense exceeded debt principal requirements plus amortization of debt-related costs and premium for related assets by \$0.8 million. During 2020, debt principal requirements plus amortization of debt-related costs and premium exceeded depreciation and amortization expense by \$2.6 million. 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. The unrealized loss on investments totaled \$14 million in 2022 compared to \$5 million in 2021 and \$5 million in 2020. The increase in unrealized loss in 2022 is due to the volatile market.

### **Change in Net Position**

The change in net position was \$32 million, \$36 million, and \$27 million in 2022, 2021, and 2020, respectively. The 2022 change in net position was \$12 million higher than budget. The favorable variance compared to budget is due to higher long-term power sales, higher other power sales, higher operating revenues and lower fixed O&M expenses offset by higher fuel and purchase power expenses.

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.

See accompanying independent auditors' report.



# Missouri Basin Municipal Power Agency dba Missouri River Energy Services and Western Minnesota Municipal Power Agency

## Combined Statements of Net Position

	<b>DECEMBER 31</b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
	(thousands of dollars)	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (Note 5):		
Restricted	\$ 52,061	\$ 52,382
Unrestricted	12,450	16,671
Total cash and cash equivalents	<u>64,511</u>	<u>69,053</u>
Short-term investments (Note 5):		
Restricted	17,468	10,757
Unrestricted	51,127	65,281
Total short-term investments	<u>68,595</u>	<u>76,038</u>
Accounts receivable	24,579	22,539
Advances to Missouri Basin Power Project (MBPP) (Note 7)	4,805	5,191
Fuel stock	6,170	8,436
Materials and supplies	5,972	4,911
Prepayments and other current assets (Note 2)	15,667	11,526
<b>Total Current Assets</b>	<u>190,299</u>	<u>197,694</u>
<b>Non-Current Assets:</b>		
Long-term investments (Note 5):		
Restricted	25,484	37,462
Unrestricted	222,792	211,294
Total long-term investments	<u>248,276</u>	<u>248,756</u>
Capital assets (Note 8):		
Utility plant in service	985,153	978,232
Less-accumulated depreciation	(303,145)	(285,783)
Net utility plant in service	<u>682,008</u>	<u>692,449</u>
Construction work in progress	17,362	10,457
Net capital assets	<u>699,370</u>	<u>702,906</u>
Advances for mine development (Note 7)	677	790
Unamortized debt expense - regulatory asset	3,386	3,288
Other non-current assets (Note 9)	9,008	4,869
<b>Total Assets</b>	<u>1,151,016</u>	<u>1,158,303</u>
<b>Deferred Outflows of Resources:</b>		
Asset Retirement Obligations	3,769	3,443
Unamortized loss on reacquired debt	8,062	15,053
<b>Total Deferred Outflows of Resources</b>	<u>11,831</u>	<u>18,496</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,162,847</u>	<u>\$ 1,176,799</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  
Combined Statements of Net Position**

	<b>DECEMBER 31</b>	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:</b>	<b><u>2022</u></b>	<b><u>2021</u></b>
	(thousands of dollars)	
<b>Current Liabilities:</b>		
Accounts payable - unrestricted	\$ 8,994	\$ 13,958
Accrued taxes	2,975	3,233
Current liabilities payable from restricted assets:		
Accounts payable - restricted	14,594	11,191
Current maturities of revenue bonds (Note 10)	14,255	13,645
Accrued interest	12,029	13,057
<b>Total Current Liabilities</b>	<u>52,847</u>	<u>55,084</u>
<b>Non-Current Liabilities:</b>		
Revenue bonds:		
Principal outstanding	583,265	603,800
Unamortized debt premium	14,656	16,416
Revenue Bonds, excluding current maturities (Note 10)	597,921	620,216
Asset retirement obligation (Note 2)	9,597	9,393
Other non-current liabilities	732	901
<b>Total Non-Current Liabilities</b>	<u>608,250</u>	<u>630,510</u>
<b>Total Liabilities</b>	<u>661,097</u>	<u>685,594</u>
<b>Deferred Inflows of Resources:</b>		
Revenues collected for future costs - regulatory credit	68,130	91,601
Accumulated change in fair value of hedging derivatives	4,301	2,514
<b>Total Deferred Inflows of Resources</b>	<u>72,431</u>	<u>94,115</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>733,528</u>	<u>779,709</u>
<b>Net Position:</b>		
Net investment in capital assets	98,642	87,386
Restricted:		
Debt service	54,365	53,325
Capital additions	205	4,542
Other	13,820	18,486
<b>Total Restricted</b>	<u>68,390</u>	<u>76,353</u>
Unrestricted	262,287	233,351
<b>Total Net Position</b>	<u>429,319</u>	<u>397,090</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 1,162,847</u>	<u>\$ 1,176,799</u>

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

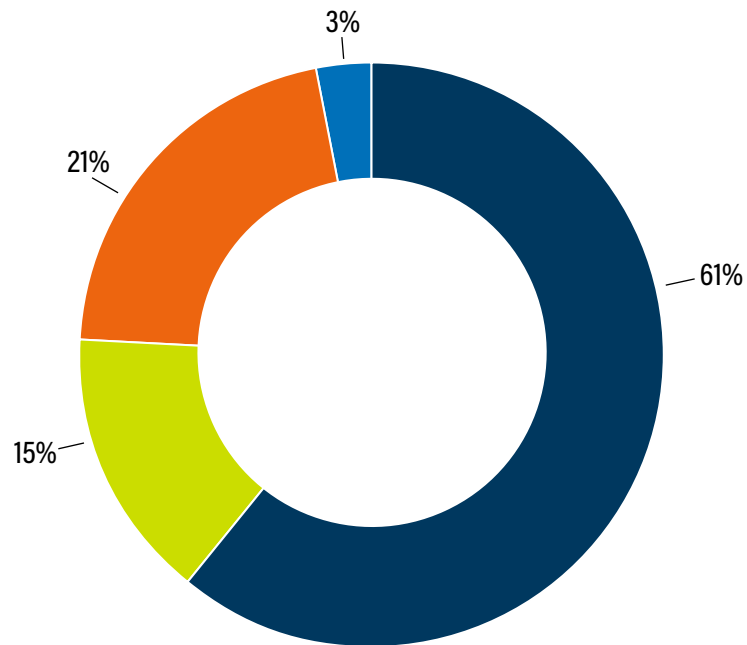
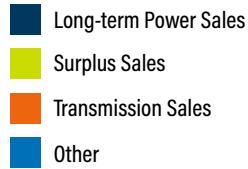
**Missouri Basin Municipal Power Agency dba Missouri River Energy Services  
and Western Minnesota Municipal Power Agency  
Combined Statements of Revenues, Expenses and Changes in Net Position**

	<b><u>YEARS ENDED DECEMBER 31</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Operating Revenues (Notes 3 and 12):</b>		
Long-term power sales	\$ 182,202	\$ 183,712
Short-term power sales	43,366	42,940
Transmission services	61,393	59,135
Other operating income	104	1,152
<b>Total Operating Revenues</b>	<b>287,065</b>	<b>286,939</b>
<b>Operating Expenses:</b>		
Fuel	31,176	24,172
Purchased power	92,677	98,767
Other power supply operation and maintenance	25,825	33,731
Depreciation and amortization	19,530	15,985
Transmission operation and maintenance	43,616	41,117
Customer information and collections	202	216
Administrative and general	19,028	14,029
Property taxes	3,469	3,540
<b>Total Operating Expenses</b>	<b>235,523</b>	<b>231,557</b>
<b>Operating Income</b>	<b>51,542</b>	<b>55,382</b>
<b>Non-Operating Revenues (Expenses):</b>		
Investment income	3,953	3,155
Other income	6,382	6,290
Other expense	(8,885)	(4,624)
Interest expense	(25,548)	(26,115)
Amortization of financing related costs and premium	1,102	1,055
Unrealized loss on investments	(13,787)	(5,049)
Net costs recoverable in (for) future years:		
Depreciation and amortization in excess of (lower than) principal and amortization of debt related costs and premium	3,682	798
Unrealized gain (loss) on investments	13,788	5,049
<b>Total Non-Operating Expenses</b>	<b>(19,313)</b>	<b>(19,441)</b>
<b>Change in Net Position</b>	<b>32,229</b>	<b>35,941</b>
<b>Net Position:</b>		
Beginning of year	397,090	361,149
End of year	<b>\$ 429,319</b>	<b>\$ 397,090</b>

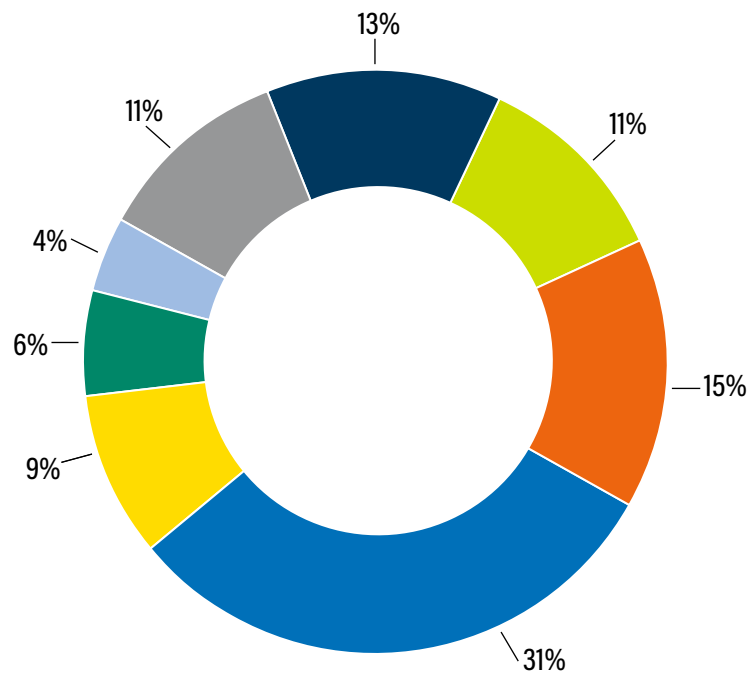
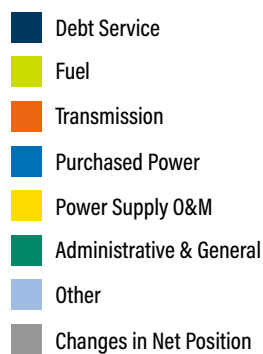
The accompanying notes to the combined financial statements are an integral part of these statements.



## 2022 SOURCES OF REVENUE



## 2022 USES OF REVENUE



**Missouri Basin Municipal Power Agency dba Missouri River Energy Services  
and Western Minnesota Municipal Power Agency  
Combined Statements of Cash Flow**

	<b><u>YEARS ENDED DECEMBER 31</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Cash Flows From (Used For) Operating Activities:</b>	(thousands of dollars)	
Received from members and others	\$ 285,407	\$ 332,798
Paid to suppliers for goods and services	(219,306)	(206,593)
Paid to employees for operating payroll	(13,108)	(12,251)
<b>Net Cash Flows From Operating Activities</b>	<b>52,993</b>	<b>113,954</b>
<b>Cash Flows From (Used For) Capital and Related Financing Activities:</b>		
Net additions to utility plant	(13,075)	(28,395)
Bond issuance costs	(630)	-
Deposits to escrow account lower than bonds defeased	586	-
Advances for mine development	(114)	-
Mine development repayments	321	420
Net advances for solar project	61	61
Revenue bond payments	(13,645)	(11,420)
Interest paid on revenue bonds	(26,576)	(26,391)
Other	(2,075)	(677)
<b>Net Cash Flows Used For Capital and Related Financing Activities</b>	<b>(55,147)</b>	<b>(66,402)</b>
<b>Cash Flows From (Used For) Investing Activities:</b>		
Proceeds from maturity and sale of investment securities	156,239	134,395
Purchase of investment securities	(162,103)	(180,254)
Investment income received	3,476	3,424
<b>Net Cash Flows Used For Investing Activities</b>	<b>(2,388)</b>	<b>(42,435)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(4,542)</b>	<b>5,117</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>69,053</b>	<b>63,936</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 64,511</b>	<b>\$ 69,053</b>

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

## Combined Statements of Cash Flow

	<b><u>YEARS ENDED DECEMBER 31</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
	(thousands of dollars)	
<b>Reconciliation of Operating Income to Net Cash Flows From Operating Activities:</b>		
Operating income	\$ 51,542	\$ 55,382
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation and amortization	19,530	15,985
Advance funds to Southwest Power Pool	(2,705)	(2,350)
Purchase of renewable energy credits	(663)	(561)
Member assessments and miscellaneous income	6,382	6,289
Other expenses	(8,885)	(4,624)
Changes in assets and liabilities:		
Accounts receivable	(2,040)	(2,430)
Advances to MBPP	292	(10)
Fuel stock	2,266	281
Materials and supplies	(1,061)	341
Prepayments and other current assets	(960)	(3,039)
Accounts payable and other non-current liabilities	(4,447)	6,585
Revenue collected for future periods	-	42,000
Recognition of revenue collected for future periods	(6,000)	-
Accrued taxes	(258)	105
<b>Net Cash Flow From Operating Activities</b>	<b>\$ 52,993</b>	<b>\$ 113,954</b>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Position:</b>		
Cash and Cash Equivalents		
Restricted - Cash and cash equivalents	\$ 52,061	\$ 52,382
Unrestricted - Cash and cash equivalents	12,450	16,671
Short-term Investments		
Restricted - Short-term investments	17,468	10,757
Unrestricted - Short-term investments	51,127	65,281
Long-term Investments:		
Restricted - Long-term investments	25,484	37,462
Unrestricted - Long-term investments	222,792	211,294
<b>Total Cash and Investments</b>	<b>381,382</b>	<b>393,847</b>
<b>Less: Noncash Equivalents</b>	<b>(316,871)</b>	<b>(324,794)</b>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 64,511</b>	<b>\$ 69,053</b>
<b>Supplemental disclosure of non-cash capital and related financing activities</b>		
Change in capital asset acquisition included in accounts payable	\$ 2,714	\$ (24,068)
Change in fair market value of derivatives	\$ 1,787	\$ 2,328
Gain on termination of interest rate swap	\$ 4,168	\$ -
Bond proceeds deposited into an escrow account for purposes of refunding:		
Revenue Bonds	\$ 6,280	\$ -

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 dba 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 various coal-fired, natural gas-fired, oil-fired, hydroelectric, and wind generating facilities. WMMPA also owns varying interests in transmission facilities and a headquarters building. 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. The administrative services agreement expires January 1, 2057, to coincide with 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 MRES and WMMPA 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 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *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.

### 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 revenues and expenses. 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 full-time distribution maintenance services for six MRES, member communities and one associate, income received from the U.S. Treasury for the Build America Bonds, and in 2021 revenue from hosting a refined coal project at Laramie River Station (LRS). The other non-operating expenses include expenses from providing full-time distribution maintenance services for six MRES member communities and one associate and a \$4.2 million refund to Northern Cities Group members for transmission costs in April 2022. The \$4.2 million is a one-time refund based on the percent of revenue received from each NCG member.

### 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 Missouri Basin Power Project (MBPP) assets, which are capitalized in excess of \$10,000.

In 2021, MRES and WMMPA implemented GASB Statement No 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which eliminated the requirement to capitalize interest. 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. Construction work in progress (CWIP) mainly consists of transmission plant being constructed.

#### E. Asset Retirement and Environmental Obligation

WMMPA adopted GASB 83, *Certain Asset Retirement Obligations (GASB 83)* effective January 1, 2019, for the retirement of all generating facilities except for MBPP. 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 recorded an Asset Retirement Obligations liability (ARO) for MBPP prior to January 1, 2019.

The ARO under GASB 83 is for the closure of the Worthington Wind Project (WWP), Watertown Power Plant (WPP), and Marshal Wind Farm (MWF), to comply with contractual obligations, and are based on internal estimates. The estimated remaining useful lives for WWP, WPP, and MWF at December 31, 2022, were 2, 13, and 16 years, respectively. There is no required funding for the AROs for any of these assets.

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 \$29 million and \$32 million at December 31, 2022 and 2021, respectively. WMMPA's portion of the total was approximately \$5 million at the end of both December 31, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
	(thousands of dollars)	
Balance, beginning of year	\$ 9,393	\$ 8,672
Additional obligations	1,544	701
Accretion	205	195
Liabilities settled	<u>(1,545)</u>	<u>(175)</u>
Balance, end of year	<u>\$ 9,597</u>	<u>\$ 9,393</u>

#### F. Depreciation

MRES and WMMPA 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 2.0 percent for both 2022 and 2021.

#### G. Inventories

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

#### H. Prepayments and Other Current Assets

Prepayments and other current 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 current assets consist of:

	<u>2022</u>	<u>2021</u>
	(thousands of dollars)	
Collateral for energy market participation	\$ 7,355	\$ 4,650
Prepaid capacity purchases	1,821	250
MBPP prepayment and other assets	4,354	4,970
Interest receivable	1,012	535
Prepaid expenses, i.e., insurance, inventory, and other expenses	844	745
Current portion of solar project prepayment	60	61
Current portion of MBPP mine development note receivable	221	315
Total prepayment and other current assets	<u>\$ 15,667</u>	<u>\$ 11,526</u>

#### I. Investments

Investment securities are stated at fair 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. Derivative Instrument

Under GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, the fair value of derivative instruments is to be reported in the financial statements. The derivative instruments recorded on WMMPA financial statements in other non-current assets are for interest rate swaps executed by WMMPA in 2020 and amended in 2021, to

hedge the interest rate risk for future refunding of outstanding bonds. WMMPA terminated the interest rate swap related to the 2012 A Bonds when the 2022 A Bonds were issued. WMMPA implemented GASB 93, *Replacement of Interbank Offered Rates*, during 2021, which did not have a material impact on the financial statements. See note 11 for further information.

**K. 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.

**L. Deferred Outflow of Resources**

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. The deferred outflows of resources include (1) AROs, and (2) the unamortized gain or loss on reacquired debt, which includes the unamortized gain on the interest rate swap.

**M. Amortization**

WMMPA unamortized debt-issuance costs and premiums are amortized over the term of the bonds. A regulatory asset is established under GASB 62 to recognize unamortized bond issuance costs for rate-making purposes. 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. WMMPA amortizes these amounts based on the straight-line method on each maturity, which approximates the effective interest rate method.

**N. 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. Compensated absences of \$2.2 million and \$2.4 million were recorded in accounts payable at the end of December 31, 2022 and 2021, respectively.

**O. Deferred Inflow of Resources**

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. The deferred inflow of resources includes (1) the difference between debt principal collected in rates and depreciation expense (which is considered a regulatory credit under GASB 62); (2) unrealized gain or loss on investments; (3) amortization of financing-related costs and premium; (4) the estimated fair value of hedge derivative financial instruments and (5) deferred revenue.

**P. Statements of Cash Flows**

All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

**Q. 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 or estimated at the time of closing, but since there is such a long window for true-ups, actual results may differ from estimates.

**R. Subsequent Events**

MRES and WMMPA considered events for recognition or disclosure in the financial statements that occurred subsequent to December 31, 2022, through April 4, 2023, the date the financial statements were available for issuance.

**S. Recently Issued Accounting Pronouncements**

GASB has approved GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-based Information Technology Arrangements*, Statement 99, *Omnibus 2022*, Statement No. 100, *Accounting Changes and Error Corrections*, and Statement No. 101, *Compensated Absences*. Management is in the process of evaluating the GASB statements and their impact. When they become effective, application of these standards may require restatement of portions of these financial statements.

**T. Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation.

**3. SALE AGREEMENTS**

**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 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 this S-1 Member 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 ever elected to cap its 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 from MRES. 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 members with WAPA allocations and to remit these payments to WAPA. Since MRES is only acting as agent for these 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 these members that MRES was responsible for collecting and remitting to WAPA totaled approximately \$45 million for the 12 months ended December 31, 2022 and December 31, 2021.

The revenue requirements of the Long-term Power Sale Agreements expiring January 1, 2057 and January 1, 2040, include all expenses for the transmission of electric power and energy to these members. These expenses totaled \$41 million and \$38 million during 2022 and 2021, 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 the sale of generating capacity on a long-term basis is classified in the accompanying statements as “Long-term power sales.” Revenues associated with the sale of wholesale power and energy in MISO and SPP on short-term firm and non-firm bases 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. The Power Supply Contract expires January 1, 2057, to coincide with the term of 59 of the 61 Long-term Power Sale Agreements.

##### **B. Power Purchase Agreements**

MRES has long-term power purchase agreements (PPA) with various third parties to receive the output of approximately 79 megawatts (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. WMMPA acquired the Marshall Wind Farm, LLC (MWF, LLC) assets in March 2020. MWF represents 19 of the 79 MW of wind generation PPAs. See note 6 for additional details.

#### **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 2022 and 2021. State law and MRES and WMMPA Investment Policies require collateralization of all deposits above the FDIC limit. At December 31, 2022 and 2021, all MRES and WMMPA deposits were entirely insured or collateralized. MRES holds a collateral account with MISO, which totaled \$6.3 million and \$3.8 million at December 31, 2022 and December 31, 2021, respectively. MRES also holds a collateral account with SPP, which totaled \$1.1 million and \$0.9 million at December 31, 2022 and December 31, 2021, 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 Computershare Trust Company, N.A., 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, 2022 and 2021, are summarized as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amortized</u>	<u>Fair Value</u>	<u>Amortized</u>	<u>Fair Value</u>
	<u>Cost</u>	<u>(thousands of dollars)</u>	<u>Cost</u>	<u>(thousands of dollars)</u>
<b>Cash and Cash Equivalents:</b>	\$ 64,511	\$ 64,511	\$ 69,053	\$ 69,053
<b>Investment Securities:</b>				
Securities issued by U.S. Government	188,231	178,205	163,061	162,005
Securities issued by U.S. Government				
Agencies and Instrumentalities	139,037	133,866	162,010	161,540
Securities issued by State and Local				
Governments	4,919	4,800	1,250	1,249
<b>Total Funds</b>	<u>\$ 396,698</u>	<u>\$ 381,382</u>	<u>\$ 395,374</u>	<u>\$ 393,847</u>

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. The estimated fair 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 as well as securities issued by state and local governments were valued on institutional bond quotes and/or evaluations based on various market and industry inputs and are classified in Level 2. Certain cash and cash equivalents are valued at their outstanding balance, and thus, are not included within the fair value hierarchy.

At December 31, 2022, the MRES and WMMPA investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>		<u>Level of Fair Value Hierarchy</u>
		<u>Less than One</u>	<u>Over One</u>	
		<u>(thousands of dollars)</u>		
Cash and Cash Equivalents – Other	\$ 5,247	\$ 5,247	\$ -	
Cash and Cash Equivalents – Money				
Market Mutual Funds	59,264	59,264	-	Level 1
Securities issued by U.S. Government	178,205	25,198	153,007	Level 1
Securities issued by U.S. Government				
Agencies and Instrumentalities	133,866	42,147	91,719	Level 2
Securities issued by State and Local				
Governments	4,800	1,250	3,550	Level 2
<b>Total</b>	<u>\$ 381,382</u>	<u>\$ 133,106</u>	<u>248,276</u>	

At December 31, 2021, the MRES and WMMPA investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>		<u>Level of Fair Value Hierarchy</u>
		<u>Less than One</u>	<u>Over One</u>	
		<u>(thousands of dollars)</u>		
Cash and Cash Equivalents – Other	\$ 4,384	\$ 4,384	\$ -	
Cash and Cash Equivalents – Money				
Market Mutual Funds	64,669	64,669	-	Level 1
Securities issued by U.S. Government	162,005	30,963	131,042	Level 1
Securities issued by U.S. Government				
Agencies and Instrumentalities	161,540	45,075	116,465	Level 2
Securities issued by State and Local				
Governments	1,249	-	1,249	Level 2
Total	<u>\$ 393,847</u>	<u>\$ 145,091</u>	<u>248,756</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, and State and Local Governments had AA+ ratings from Standard & Poor's (S&P) and/or AAA ratings from FitchRatings (Fitch) 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>2022</u>	<u>2021</u>
U.S Government	47%	41%
Federal Farm Credit Bank	12	9
Federal Home Loan Mortgage Corporation	9	13
Federal Home Loan Bank	8	12
Federal National Mortgage Association	7	6

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 fair 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. INVESTMENT IN MARSHALL WIND FARM, LLC**

WMMPA purchased MWF, LLC in March 2020. MWF, LLC owns nine wind turbines located near Marshall, Minnesota, and is capable of generating 19 MW of power. WMMPA provides financing for the operations of MWF, and it is accounted for as a blended component unit of WMMPA. The revenues and expenses of MWF, LLC were eliminated upon consolidation with WMMPA. MWF, LLC's summary financial information as of December 31, 2022 and 2021, and for the years then ended is as follows:

### Statement of Net Position

	<u>2022</u>	<u>2021</u>
	(in thousands)	
<b>Assets</b>		
Current assets	\$ 14	\$ 13
Net Plant	12,020	12,962
Total Assets	12,034	12,975
<b>Deferred Outflows of Resources</b>	2,185	1,975
Total Assets and Deferred Outflows of Resources	\$ 14,219	\$ 14,950
<b>Liabilities</b>		
Current liabilities	\$ 204	\$ 163
Other non-current liabilities	2,607	2,314
Total Liabilities	2,811	2,477
Net Position	11,408	12,473
Total Liabilities and Net Position	\$ 14,219	\$ 14,950

### Statement of Revenues, Expenses, and Changes in Net Position

	<u>2022</u>	<u>2021</u>
	(in thousands)	
<b>Revenues and Expenses</b>		
<b>Operating revenues</b>	\$ 1,406	\$ 954
<b>Operating expenses</b>		
Depreciation and amortization	1,065	1,065
Operation and maintenance	1,491	2,733
Administration and general	1	101
Total operating expenses	2,557	3,899
Operating Loss	(1,151)	(2,945)
Transfer from (to) WMMPA	86	1,880
Change in Net Position	(1,065)	(1,065)
<b>Net Position</b>		
Net Position, Beginning of year	12,473	13,538
Net Acquisition of Assets	-	-
Net Position, End of year	\$ 11,408	\$ 12,473

### Statement of Cash Flow

	<u>2022</u>	<u>2021</u>
	(in thousands)	
<b>Cash Flows</b>		
Net cash flow for noncapital financing activities	\$ (211)	\$ (1,719)
Net cash flow from operating activities	211	1,719
Net Change in Cash	\$ -	\$ -
Cash, Beginning of year	-	-
Cash, End of year	\$ -	\$ -

## 7. 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 \$20.54 and \$19.88 per ton in 2022 and 2021, respectively. MBPP purchased approximately 5 million tons of coal during both 2022 and 2021. 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>
2023	5,200,000
2024	3,300,000
2025	2,800,000
2026	2,000,000
2027	1,800,000

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, 2022 and 2021, the balance of advances owed to WMMPA approximated \$0.9 million and \$1.1 million, respectively. These advances are expected to be fully repaid by 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**

WMMPA advances to the MBPP operating agent for working capital purposes totaled approximately \$5 million at both December 31, 2022 and 2021.

**8. UTILITY PLANT**

Utility plant at December 31, 2022 and 2021, consisted of:

	<u>2022</u>			<u>2021</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	\$ 774,753	\$ 218,673	\$ 556,080	\$ 771,834	\$ 205,800	\$ 566,034
Transmission	178,488	62,681	115,807	175,592	59,158	116,434
General	22,638	13,364	9,274	21,532	12,490	9,042
Intangible	9,274	8,427	847	9,274	8,335	939
Utility Plant in Service	985,153	303,145	682,008	978,232	285,783	692,449
CWIP	17,362	-	17,362	10,457	-	10,457
Total Utility Plant	<u>\$ 1,002,515</u>	<u>\$ 303,145</u>	<u>\$ 699,370</u>	<u>\$ 988,689</u>	<u>\$ 285,783</u>	<u>\$ 702,906</u>

Utility plant activity for the years ended December 31, 2022 and 2021, was:

	<u>January 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>December 31, 2022</u>
Non-depreciable Utility Plant	(thousands of dollars)				
Land	\$ 3,568	\$ -	\$ -	\$ -	\$ 3,568
CWIP	10,457	13,089	-	(6,184)	17,362
Total Non-depreciable Utility Plant	14,025	13,089	-	(6,184)	20,930
Depreciable Utility Plant					
Depreciable Utility Plant in Service	974,664	2,431	(1,694)	6,184	981,585
Accumulated Depreciation	(285,783)	(19,160)	1,798	-	(303,145)
Net Depreciable Utility Plant in Service	688,881	(16,729)	104	6,184	678,440
Net Utility Plant	<u>\$ 702,906</u>	<u>\$ (3,640)</u>	<u>\$ 104</u>	<u>\$ -</u>	<u>\$ 699,370</u>

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>December 31, 2021</u>
	(thousands of dollars)				
Non-depreciable Utility Plant					
Land	\$ 3,568	\$ -	\$ -	\$ -	\$ 3,568
CWIP	<u>403,030</u>	<u>4,404</u>	<u>-</u>	<u>(396,977)</u>	<u>10,457</u>
Total Non-depreciable Utility Plant	<u>406,598</u>	<u>4,404</u>	<u>-</u>	<u>(396,977)</u>	<u>14,025</u>
Depreciable Utility Plant					
Depreciable Utility Plant in Service	577,170	645	(128)	396,977	974,664
Accumulated Depreciation	<u>(270,385)</u>	<u>(15,616)</u>	<u>218</u>	<u>-</u>	<u>(285,783)</u>
Net Depreciable Utility Plant in Service	<u>306,785</u>	<u>(14,971)</u>	<u>90</u>	<u>396,977</u>	<u>688,881</u>
Net Utility Plant	<u>\$ 713,383</u>	<u>\$ (10,567)</u>	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ 702,906</u>

## 9. OTHER NON-CURRENT ASSETS

	<u>2022</u>	<u>2021</u>
	(thousands of dollars)	
Other non-current assets consisted of:		
Accumulated change in fair value of hedging derivatives	\$ 4,301	\$ 2,514
Pierre Solar Project Prepayment	1,033	1,094
Renewable Energy Credits	1,282	618
Other Non-Current Assets	<u>2,392</u>	<u>643</u>
Total other non-current assets	<u>\$ 9,008</u>	<u>\$ 4,869</u>

## 10. FINANCING

### Power Supply Revenue Bonds

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

Revenue Bond activity for the years ended December 31, 2022 and 2021, was as follows:

	<u>January 1, 2022</u>	<u>Debt Issued</u>	<u>Debt Refunded</u>	<u>Payments or Amortization</u>	<u>December 31, 2022</u>	<u>Amount Due within One Year</u>
Revenue Bonds	\$ 617,445	\$ 43,160	\$ (49,440)	\$ (13,645)	\$ 597,520	\$ 14,255
Unamortized Debt Premium	<u>16,416</u>	<u>2,763</u>	<u>(2,302)</u>	<u>(2,221)</u>	<u>14,656</u>	<u>-</u>
Revenue Bonds, Net of Unamortized Premium	<u>\$ 633,861</u>	<u>\$ 45,923</u>	<u>\$ (51,742)</u>	<u>\$ (15,866)</u>	<u>\$ 612,176</u>	<u>\$ 14,255</u>

	<u>January 1, 2021</u>	<u>Debt Issued</u>	<u>Debt Refunded</u>	<u>Payments or Amortization</u>	<u>December 31, 2021</u>	<u>Amount Due within One Year</u>
Revenue Bonds	\$ 628,865	\$ -	\$ -	\$ (11,420)	\$ 617,445	\$ 13,645
Unamortized Debt Premium	<u>18,964</u>	<u>-</u>	<u>-</u>	<u>(2,548)</u>	<u>16,416</u>	<u>-</u>
Revenue Bonds, Net of Unamortized Premium	<u>\$ 647,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,968)</u>	<u>\$ 633,861</u>	<u>\$ 13,645</u>

The original issue amount and the outstanding amount of the Revenue Bonds, net of unamortized debt premium, at December 31, 2022 and 2021, are as follows:

	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>	
		<u>2022</u>	<u>2021</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
2014 Series A Bonds: Serial Bonds: 5.00% due 2021 through 2046	351,255	18,185	29,475
2015 Series A Bonds: Serial Bonds: 5.00% due 2031 through 2036	34,835	34,835	34,835
2018 Series A Bonds: Serial Bonds: 5.00% due 2025 through 2029	30,035	30,035	30,035
2018 Series A Bonds: Term Bonds: 5.00% due 2047 through 2049	52,390	52,390	52,390
2019 Series A Bonds: Serial Bonds: 1.988%-2.795% due 2021 through 2034	97,310	94,290	96,645
2019 Series A Bonds: Term Bonds: 3.156%-3.226% due 2039 through 2046	224,710	224,710	224,710
2022 Series A Bonds: Serial Bonds: 5.00% due 2024 through 2030	43,160	43,160	-
Principal Outstanding		597,520	617,445
Unamortized debt premium		14,656	16,416
Revenue Bonds, including unamortized debt premium		612,176	633,861
Less current maturities		14,255	13,645
Revenue Bonds, including unamortized debt premium and excluding current maturities		<u>\$ 597,921</u>	<u>\$ 620,216</u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Payments expected to be received from U.S. Treasury</u>
2023	\$ 14,255	\$ 24,390	\$ 38,645	\$ 2,233
2024	13,730	24,416	38,146	2,233
2025	14,765	23,773	38,538	2,233
2026	15,435	23,086	38,521	2,233
2027	16,145	22,363	38,508	2,233
2028-2032	92,865	101,195	194,060	11,141
2033-2037	112,810	82,909	195,719	10,815
2038-2042	136,640	57,007	193,647	7,488
2043-2047	145,105	24,341	169,446	2,006
2048-2049	35,770	1,810	37,580	-
	<u>\$ 597,520</u>	<u>\$ 385,290</u>	<u>\$ 982,810</u>	<u>\$ 42,615</u>

2015 Series A Bonds and 2018 Series A Bonds are subject to redemption at par beginning in 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 2022 Series A Bonds are not subject to redemption prior to maturity.

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 \$40 million and \$294 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 2022, WMMPA issued \$43 million of Power Supply Revenue Refunding Bonds, 2022 Series A Bonds, to advance refund the 2012 Series A Bonds. The cash flow requirements on the 2012 Series A Bonds refunded was \$60 million from January 2023 through January 2030. The cash flow requirements on the 2022 Series A Bonds total \$53 million for the same period. In conjunction with the refunding, WMMPA terminated the interest rate swap associated with the 2012 Series A

Bonds. The net present value savings resulting from the advance refunding and termination of the interest rate swap was approximately \$6 million.

Escrowed Bonds outstanding and considered defeased total \$335 million and \$286 million at December 31, 2022 and 2021, respectively.

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

On March 11, 2021, WMMPA executed two interest rate swap amendments related to the executed interest rates swaps. 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 million swap for the 2015 Series A Bonds with an effective date of January 21, 2026. The amendments replaced the taxable interest rate approved in the two rate swaps executed in March 2020 with a tax-exempt rate, which should more closely mirror the rate that WMMPA would expect to pay on refunding bonds when issued. WMMPA executed the interest rate swap agreements with Citibank, N.A. (Citi) to manage various risks associated with WMMPA's debt programs.

On October 19, 2022, WMMPA terminated the interest rate swap associated with the 2012 Series A Bonds. A gain of \$4 million was realized upon the termination of the interest rate swap. The gain is included in the unamortized loss on refunding and is being amortized over the remaining maturity of the bond.

The interest rate swaps are a contractual agreement entered into between WMMPA and Citi under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as an adjustment to interest expense. Interest rate swaps determined to be hedging derivatives are designated as cash flow hedges. The specific objectives for each category of effective hedges are summarized as:

- **Pay-Fixed, Receive-Variable Interest Rate Swaps** – WMMPA will pay a fixed rate and receive a variable rate on these swaps. On or about the effective date of the swap, WMMPA plans to issue fixed rate debt and either make or receive a termination payment, which would hedge the change in interest rates between the trade date of the swaps and the effective date of the swaps.

### **SIGNIFICANT TERMS, CHANGE IN FAIR VALUE, AND CREDIT RATINGS**

The significant terms and credit ratings of WMMPA's hedging derivatives as of December 31, 2022 and 2021, are shown in the following tables. The variable rates are quoted in terms of the Securities Industry and Financial Markets Association (SIFMA) Swap Index. S&P, Moody's, and Fitch ratings are disclosed for each swap and forward contract.

Associated Bond Issue	Initial Notional Amount	Effective Date	Maturity Date	Terms	Change in Fair Value (12/31/2022)	Fair Value (12/31/2022)
(in thousands)						
<b>Pay-Fixed, Receive-Variable Interest Rate Swaps</b>						
2015 Series A Bonds	\$ 35,000	1/21/2026	1/1/2036	Pay 0.955%; receive SIFMA Swap Index	\$ 2,770	\$ 4,301

Associated Bond Issue	Initial Notional Amount	Effective Date	Maturity Date	Terms	Change in Fair Value (12/31/2021)	Fair Value (12/31/2021)
(in thousands)						
<b>Pay-Fixed, Receive-Variable Interest Rate Swaps</b>						
2012 Series A Bonds	\$ 50,530	1/25/2023	1/1/2030	Pay 0.738%; receive SIFMA Swap Index	\$ 1,420	\$ 984
2015 Series A Bonds	\$ 35,000	1/21/2026	1/1/2036	Pay 0.955%; receive SIFMA Swap Index	\$ 909	\$ 1,530

Associated Bond Issue	Level	Counterparty Credit Ratings		
<b>Pay-Fixed, Receive-Variable Interest Rate Swaps</b>		<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
2015 Series A Bonds	Level 2	Aa3	A+	A+
Fair Value Measurements:				
Level 1 – Quoted Prices in Active Markets for Identical Assets				
Level 2 – Significant Observable Inputs				
Level 3 – Significant Unobservable Inputs				



WMMPA classified its derivative instruments in **Level 2** of the fair value hierarchy as they are valued using a market approach that considers benchmark interest rates and forward curves.

### **DEBT SERVICE PAYMENTS ON UNDERLYING BOND ISSUES**

Current debt service requirements on the 2015 Series A Bonds are as follows (in thousands):

<u>Year Ending December 31,</u>	<u>Debt Service</u>
2023	\$ 1,742
2024	1,742
2025	1,742
2026	1,742
2027	1,742
2028-2032	18,690
2033-2036	26,843
Totals	<u>\$ 54,243</u>

The above debt service table does not include the impact of the swap payments, because the effective date of the swap is in 2026. The amounts that any swap payments would increase or decrease these totals would be based on the interest rates during the term of the swaps.

### **RISKS**

**Credit Risk** – WMMPA is exposed to credit risk if the counterparty to an interest rate swap fails to meet the terms and obligations of its contracts.

WMMPA mitigates the credit risk associated with its swaps by entering into transactions with highly-rated counterparties. The interest rate swap agreements also contain varying collateral requirements in the event of a credit rating downgrade. Swap contracts with a negative fair value do not expose WMMPA to credit risk. As of December 31, 2022 and 2021, WMMPA was not exposed to credit risk due to the swaps being recorded in the positive position. The aggregate fair value of hedging derivative instruments in asset (positive) positions was \$4.3 million and \$2.5 million as of December 31, 2022 and 2021, respectively.

**Interest Rate Risk** – WMMPA is not exposed to interest rate risk on its interest rate swaps. The pay-fixed, receive-variable interest rate swaps, WMMPA's net payment on the swap, increases as SIFMA swap index decreases.

**Basis Risk** – WMMPA is not exposed to basis risk due to participating in the pay-fixed, receive-variable interest rate swaps.

**Termination Risk** – Termination risk is the risk that the swap may be terminated prior to its scheduled maturity date as a result of certain specified events. The swaps associated with the 2015 Series A Bonds provide Citi and WMMPA with the option to terminate either swap under certain conditions at any time.

WMMPA or Citi may terminate any of the swaps if the other party fails to perform under the terms of the respective swap agreements. If any of the swaps are terminated, the associated variable-rate bonds would no longer have a synthetic fixed rate, and WMMPA would be subject to interest rate risk to the extent that the variable-rate bonds were not hedged with another swap or with variable-rate assets. Unless there is a termination option exercised by Citi, WMMPA would owe Citi a termination payment equal to the swap's negative fair value.

The swap agreements include optional early termination provisions granting WMMPA the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date or after the breach of certain counterparty credit ratings.

**Rollover Risk** – Rollover risk is the risk caused by a mismatch between the amortization of a derivative contract and the underlying hedged bonds.

None of WMMPA's effective interest rate swaps are subject to rollover risk, because the maturity dates of the swaps extend to the maturity dates of the related bonds.

**Market-access Risk** – Each swap associated with underlying variable rate debt subject to tender at the option of the bondholder is subject to market access risk.

If an early termination event occurs, WMMPA could be required to pay or to receive a substantial termination payment.

## **12. RATE MATTERS**

As part of a plan to stabilize the cost of electrical energy to its members, the MRES Board of Directors (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 2021. In 2021, the MRES Board approved deferring \$42 million of short-term power sales revenue that will be available to be utilized in subsequent years to stabilize rates. In 2022, the MRES Board approved recognizing \$6 million of the deferred revenue to stabilize rates.

### 13. 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 contribution 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 \$1.1 million and \$1.2 million for 2022 and 2021, respectively, or approximately 9 percent of covered payroll. Covered payroll was 86 and 94 percent of total payroll for 2022 and 2021, 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 \$1.4 million in both 2022 and 2021, or approximately 10 and 11 percent of covered payroll for 2022 and 2021, respectively.

MRES has established a 457(b) defined contribution retirement plan 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 \$0.4 million and \$0.3 million in 2022 and 2021, respectively, or approximately 3 percent of covered payroll for both 2022 and 2021.

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

### 14. 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. In May 2022, a tornado caused damage to the Elbow Lake Substation and transmission lines. The transmission lines that were damaged qualify to receive funds from the Federal Emergency Management Agency (FEMA). WMMPA expects to receive \$1.3 million from FEMA. There was a property insurance claim filed for the damage to the substation, the repair work has not been completed, the estimated amount of the claim is \$0.5 million. No claims have been filed or judgments awarded during the year ended December 31, 2021. The coverages and deductibles in effect were substantially the same for both 2022 and 2021.

Effective January 1, 2021, MRES switched from a fully insured health insurance plan to a self-funded health insurance plan. MRES mitigated some of the risk of higher than normal claims with stop loss coverage. During 2021 and 2022, the health costs incurred under the self-insured plan were less than the premiums that would have been paid under a fully funded plan. 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, 2022, MRES and WMMPA believe they are in material compliance with all environmental, health, and safety regulations.

#### **CONTRACT COMMITMENTS**

WMMPA has entered into various contracts for the construction of various transmission projects. As of December 31, 2022, the remaining obligation on these contract commitments totaled approximately \$5.3 million.

#### **CLEAN AIR ACT**

##### **CAA 111(d) Carbon Pollution Emission Guidelines for Existing Stationary Sources:**

In the past, the Environmental Protection Agency (EPA) has published various emission guidelines for states to use in establishing performance standards for regulating carbon dioxide (CO<sub>2</sub>) emissions from existing power plants under Section 111(d) of the Clean Air Act (CAA). These guidelines have been struck down by various courts, and there are currently no final guidelines in effect.

The EPA is expected to issue a proposed rule in 2023 setting forth new emission guidelines to regulate CO<sub>2</sub> emissions from existing power plants. The ultimate nature of CO<sub>2</sub> regulation for the power industry is unknown, and this issue is likely to remain unsettled for many 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 CO<sub>2</sub> regulations imposed by states seeking to enact their own CO<sub>2</sub> reduction plans.

**CCR Rule:** The 2015 Coal Combustion Residuals (CCR) Rule (CCR Rule) mandated closure of unlined surface impoundments upon a specified triggering event. In December 2019, EPA published proposed amendments to the CCR Rule that included new deadlines to cease waste receipt and initiate closure for unlined surface impoundments. The proposed amendments indicated all five unlined surface impoundments at LRS would be required to cease accepting CCR waste streams. On July 29, 2020, EPA released a final rule, which established April 11, 2021, as the cease waste receipt deadline for unlined surface impoundments.

BEPC, as Operating Agent for MBPP, is in the process of implementing a long-term compliance plan for the surface impoundments to meet the CCR Rule. Four surface impoundments have been retrofitted and are in compliance with the CCR Rule. The remaining surface impoundments stopped receiving waste by the April 2021 deadline and are in the process of closure activities, which are scheduled to be complete by December of 2025. The cost to close and retrofit the five surface impoundments at LRS is estimated at \$45.8 million (with \$33.4 million spent to date), which would result in costs of \$7.5 million to WMMPA.

***Ozone Transport Rule:*** On April 6, 2022, EPA issued a proposed rule known as the Ozone Transport Rule to address the interstate transport of air pollution from several states pursuant to the “Good Neighbor” provision of the 2015 Ozone National Ambient Air Quality Standard (NAAQS). If finalized as proposed, the Ozone Transport Rule would impose new requirements for reducing Nitrogen Oxide (NO<sub>x</sub>) emissions from power plants located in 25 upwind states, including Wyoming. The proposed reductions in NO<sub>x</sub> emissions is intended to prevent power plants in the covered states from significantly contributing to nonattainment or interfering with maintenance of the 2015 ozone NAAQS in other states. The Ozone Transport Rule would increase the stringency of EPA’s current ozone-season NO<sub>x</sub> trading program. EPA is expected to issue a final Ozone Transport Rule in 2023. If the rule is finalized as proposed, LRS Units 2 and 3 would be required to install selective catalytic reduction equipment or maintain adequate allowances to cover their NO<sub>x</sub> emissions. Either result could be at significant expense to the owners of LRS.

# Western Minnesota Municipal Power Agency

## Statements of Net Position

	DECEMBER 31	
	2022	2021
	(thousands of dollars)	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents:		
Restricted	\$ 32,011	\$ 36,847
Unrestricted	4,868	7,737
Total cash and cash equivalents	36,879	44,584
Short-term investments:		
Restricted	16,704	3,881
Unrestricted	20,044	23,410
Total short-term investments	36,748	27,291
Accounts receivable	1,189	73
Advances to MBPP	4,805	5,191
Fuel stock	6,170	8,436
Materials and supplies	5,972	4,911
Interest receivable	420	256
Prepayments and other current assets	5,223	5,826
<b>Total Current Assets</b>	<b>97,406</b>	<b>96,568</b>
<b>Non-Current Assets:</b>		
Long-term investments:		
Restricted	25,484	37,462
Unrestricted	49,452	59,708
Total long-term investments	74,936	97,170
Capital Assets:		
Utility plant in service	977,718	971,465
Less-accumulated depreciation	(297,091)	(280,159)
Net utility plant in service	680,627	691,306
Construction work in progress	17,362	10,457
Net Capital Assets	697,989	701,763
Advances for mine development	677	790
Unamortized debt expense - regulatory asset	3,386	3,288
Other non-current assets	6,323	3,091
<b>Total Assets</b>	<b>880,717</b>	<b>902,670</b>
<b>Deferred Outflows of Resources:</b>		
Asset Retirement Obligation	3,769	3,443
Unamortized loss on reacquired debt	8,062	15,053
<b>Total Deferred Outflows of Resources</b>	<b>11,831</b>	<b>18,496</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 892,548</b>	<b>\$ 921,166</b>

See accompanying independent auditors' report.



# Western Minnesota Municipal Power Agency

## Statements of Net Position

	DECEMBER 31	
	2022	2021
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:</b>		
<b>Current Liabilities:</b>	(thousands of dollars)	
Accounts payable - unrestricted	\$ 4,365	\$ 13,169
Accrued taxes	2,975	3,233
Current liabilities payable from restricted assets:		
Accounts payable - restricted	2,692	1,829
Current maturities of revenue bonds	14,255	13,645
Accrued interest	12,029	13,057
<b>Total Current Liabilities</b>	<u>46,316</u>	<u>44,933</u>
<b>Non-Current Liabilities:</b>		
Revenue bonds:		
Principal outstanding	583,265	603,800
Unamortized debt premium	14,656	16,416
Revenue bonds, excluding current maturities	<u>597,921</u>	<u>620,216</u>
Asset retirement obligation	9,597	9,393
Note Payable to MRES	<u>136,279</u>	<u>136,279</u>
<b>Total Non-Current Liabilities</b>	<u>743,797</u>	<u>765,888</u>
<b>Total Liabilities</b>	<u>790,113</u>	<u>810,821</u>
<b>Deferred Inflows of Resources:</b>		
Revenues collected for future costs - regulatory credit	40,614	50,311
Accumulated change in fair value of hedging derivatives	<u>4,301</u>	<u>2,514</u>
<b>Total Deferred Inflows of Resources</b>	<u>44,915</u>	<u>52,825</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>835,028</u>	<u>863,646</u>
<b>Net Position:</b>		
Net investment in capital assets	94,363	86,221
Restricted:		
Debt service	54,365	53,325
Capital additions	205	4,542
Other	<u>7,806</u>	<u>5,459</u>
Total Restricted	<u>62,376</u>	<u>63,326</u>
Unrestricted	<u>(99,219)</u>	<u>(92,027)</u>
<b>Total Net Position</b>	<u>57,520</u>	<u>57,520</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND RESOURCES AND NET POSITION</b>	<u>\$ 892,548</u>	<u>\$ 921,166</u>

See accompanying independent auditors' report.

# Western Minnesota Municipal Power Agency

## Statements of Revenues, Expenses and Changes in Net Position

	<u>YEARS ENDED DECEMBER 31</u>	
	<u>2022</u>	<u>2021</u>
	(thousands of dollars)	
<b>Operating Revenues:</b>		
Revenues billed MRES	\$ 94,950	\$ 88,917
Other operating income	1,409	2,038
<b>Total Operating Revenues</b>	96,359	90,955
<b>Operating Expenses:</b>		
Fuel	31,176	24,172
Purchased power and other power supply operation and maintenance	17,197	22,005
Depreciation and amortization	19,039	15,499
Transmission operation and maintenance	2,082	1,948
Administrative and general	6,510	3,163
Property taxes	3,469	3,540
<b>Total Operating Expenses</b>	79,473	70,327
<b>Operating Income</b>	16,886	20,628
<b>Non-Operating Revenues (Expenses):</b>		
Investment income	1,829	1,581
Other income	2,254	2,248
Other expense	(205)	(195)
Interest expense	(25,548)	(26,115)
Amortization of financing related costs and premium	1,102	1,055
Unrealized gain (loss) on investments	(6,015)	(2,702)
Net costs recoverable in (for) future years:		
Depreciation and amortization in excess of (lower than) principal and amortization of debt related costs and premium	3,682	798
Unrealized gain (loss) on investments	6,015	2,702
<b>Total Non-Operating Expenses</b>	(16,886)	(20,628)
<b>Change in Net Position</b>	-	-
<b>Net Position:</b>		
Beginning of year	57,520	57,520
End of year	\$ 57,520	\$ 57,520

See accompanying independent auditors' report.

“We have used MRES to help understand what we don’t know. They have been exceptionally responsive. They have been instrumental in helping us determine what we need and continue to look out for us and our best interest.”

PEGGY MORTENSEN, CITY COUNCIL MEMBER,  
KIMBALLTON, IOWA





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