



809 Centennial Way  
Lansing, Michigan 48917

## FINANCIAL STATEMENTS

December 31, 2020

# MICHIGAN PUBLIC POWER AGENCY

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# MICHIGAN PUBLIC POWER AGENCY

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## **Independent Auditors' Report**

To the Board of Commissioners  
Michigan Public Power Agency

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, and each major fund of the Michigan Public Power Agency, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Michigan Public Power Agency's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Michigan Public Power Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Michigan Public Power Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Michigan Public Power Agency as of December 31, 2020 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 13 to the financial statements, net position as of January 1, 2020 has been restated to correct a material misstatement related to coal inventory valuation and recognition of capital contributions. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Michigan Public Power Agency's basic financial statements. The other supplemental information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

### *Prior Year Comparative Information*

We have previously audited the Michigan Public Power Agency's 2019 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and each major fund in our report dated April 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived as restated to reflect the transactions discussed in Note 13.

*Baker Tilly US, LLP*

Madison, Wisconsin  
April 5, 2021

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)**

# MICHIGAN PUBLIC POWER AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2020

The management of the Michigan Public Power Agency (MPPA) offers all persons interested in the financial position of MPPA this narrative, overview and analysis of MPPA's financial performance during the years ended December 31, 2020 and 2019. It should be read in conjunction with MPPA's financial statements and the accompanying notes.

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### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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This annual report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. MPPA is a self-supporting entity and follows proprietary fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund statements offer financial information about the activities and operations of MPPA.

The financial statements are designed to provide readers with a broad overview of MPPA's finances, in a manner similar to a private sector business.

MPPA's operations consist of seven power related projects:

- Campbell No. 3
- Belle River
- Combustion Turbine #1
- Energy Services
- Transmission
- Landfill Renewable Energy
- AMP Fremont Energy Center (AFEC)

MPPA members share in the administrative and general costs incurred to operate these projects.

Due to contractual arrangements, which are the basis of each power project, no monies can be shared between projects. The cash flow of one power project cannot and should not be considered available for any other project.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how MPPA's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods

The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

**MICHIGAN PUBLIC POWER AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2020

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**OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)**

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The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 16 of this report.

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**MPPA FINANCIAL ANALYSIS**

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An analysis of MPPA's financial position begins with a review of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information. These two statements report MPPA's net position and changes therein. Great care must be taken when evaluating MPPA's financial position and results of operations when using the financial presentations due to the legal separation that must be maintained between projects. However, broad patterns and trends may be observed at this level that should lead the reader to study carefully the financial statements of each project.

A summary of MPPA's Statement of Net Position is presented below in Table 1. The Statement of Revenues, Expenses and Changes in Net Position is summarized in Table 2.

MPPA uses fund accounting, Federal Energy Regulatory Commission accounting and special utility industry terminology to ensure and demonstrate compliance with finance-related legal requirements.



**MICHIGAN PUBLIC POWER AGENCY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2020

**MPPA FINANCIAL ANALYSIS (cont.)**

**Table 1  
Statement of Net Position**

	<u>2020</u>	<u>2019 (restated)</u>
Current Assets	\$ 80,746,064	\$ 66,824,394
Non-Current Assets		
Capital assets	203,825,833	212,688,611
Other assets	<u>25,635,682</u>	<u>44,330,688</u>
Total Assets	<u>310,207,579</u>	<u>323,843,690</u>
Deferred Outflows of Resources	<u>1,247,061</u>	<u>1,480,074</u>
Current Liabilities		
Accrued Interest Payable	770,422	1,219,324
Revenue Bonds Payable - Current	4,780,000	6,290,000
Other Current Liabilities	<u>20,270,779</u>	<u>17,950,202</u>
Total Current Liabilities	25,821,201	25,459,523
Non-Current Liabilities		
Liabilities payable from restricted assets		
Member Deposits	20,142,148	15,618,691
Asset Retirement Obligation	1,390,022	1,251,294
Revenue bonds payable, less current portion	<u>42,899,556</u>	<u>49,995,301</u>
Total Non-Current Liabilities	<u>64,431,727</u>	<u>66,865,286</u>
Total Liabilities	<u>90,252,927</u>	<u>92,324,809</u>
Deferred Inflows of Resources	<u>222,813</u>	<u>-</u>
Net Position		
Net investment in capital assets	155,923,464	156,748,867
Restricted	7,024,734	8,533,257
Unrestricted	<u>58,030,702</u>	<u>67,716,831</u>
Total Net Position	<u>\$ 220,978,900</u>	<u>\$ 232,998,954</u>

## MICHIGAN PUBLIC POWER AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2020

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#### **MPPA FINANCIAL ANALYSIS (cont.)**

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**Table 2**

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

	<u>2020</u>	<u>2019 (restated)</u>
Gross Operating Revenues	\$ 174,506,453	\$ 161,153,046
Non-Operating Revenues	1,131,966	2,197,790
Total Revenues	<u>175,638,419</u>	<u>163,350,836</u>
Depreciation Expense	21,305,571	19,192,149
Other Operating Expenses	164,134,956	150,140,944
Non-Operating Expenses	2,217,944	2,302,206
Total Expenses	<u>187,658,471</u>	<u>171,635,300</u>
Change in Net Position before Adjustments	\$ (12,020,052)	\$ (8,284,466)
Prior Period Adjustments	-	9,150,212
Change in Net Position	\$ (12,020,052)	865,746
Beginning Net Position	<u>232,998,954</u>	<u>232,133,210</u>
Ending Net Position	<u>\$ 220,978,900</u>	<u>\$ 232,998,954</u>

#### **Campbell No. 3 Project**

MPPA jointly owns the Campbell Unit No. 3 electric generation facility with Consumer's Energy. Ten of MPPA's members participate in this project, consisting of a 4.8% undivided ownership interest in the coal-fired generating plant in Ottawa County, Michigan. MPPA's 2020 share of the plant generation was 297,381 MWH compared with 2019's generation of 270,669 MWH. The total operating costs for the plant were \$48.08/MWH vs \$51.66/MWH in 2019. Plant availability and capacity factor in 2020 was 85.4% and 84.1% respectively compared to 78.5% availability and a 71.6% capacity factor in 2019.

#### **Belle River Project**

With eleven of the member communities participating in this project, MPPA jointly owns the Belle River Power Plant with Detroit Edison. MPPA has a 37.22% ownership interest in Belle River Unit No.1, a coal-fired electric generating unit located in St. Clair County, Michigan. MPPA's 2020 share of the plant generation was 784,963 MWH compared with 2019's generation of 1,011,959 MWH. The total operating costs for the plant were \$50.15/MWH vs \$42.14/MWH in 2019. Plant availability and capacity factor in 2020 for the plant was 55.0% and 38.5 % respectively compared to 62.7% availability and 49.8% capacity factor in 2019. MPPA's bond debt was fully paid on January 2, 2018.

# MICHIGAN PUBLIC POWER AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2020

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### **MPPA FINANCIAL ANALYSIS (cont.)**

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#### **Combustion Turbine #1 Project**

MPPA owns and operates the Combustion Turbine #1 Project (CT Project) for the benefit of five of its members. The natural gas-fired plant serves as a peaking power plant and generation will vary from year to year. MPPA's 2020 share of the plant generation was 21,632 MWH compared with 2019's generation of 25,356 MWH. Plant availability and capacity factor in 2020 for the plant was 99.9% and 5.0% respectively compared to 97.2% availability and 5.3% capacity factor in 2019.

#### **Energy Services Project**

The Energy Services Project facilitates the purchase of capacity and energy from third parties for sale to twenty-one of MPPA's member municipalities. During 2020, the Energy Services Project provided 1,814,743 MWHs of energy to its members at an average energy cost of \$35.89/MWH compared to 1,427,012 MWHs at an average energy cost of \$37.76/MWH in 2019.

#### **Landfill Renewable Energy Project**

Fourteen members of MPPA participate in this project which was created to assist members in meeting renewable energy requirements for compliance with Michigan Public Act 295. The members began taking landfill gas energy in 2010 from Energy Developments Ltd (formerly Granger). In 2012, MPPA contracted with and began taking energy from North American Natural Resources (NANR). In 2020, MPPA purchased a total of 151,103 MWHs of renewable energy for the benefit of its members.

#### **Transmission Project**

The Transmission Project was created to purchase an undivided ownership interest in the METC transmission system with the objective of reducing transmission costs to MPPA and its thirteen members.

#### **AMP Fremont Energy Center Project (AFEC)**

MPPA owns a 5.16% interest in a natural gas fired intermediate plant located in Fremont, Sandusky County, Ohio. American Municipal Power (AMP) is the majority owner of this power plant and serves as the operator. Thirteen of MPPA's municipal members committed to power purchases under the AFEC Project. MPPA's 2020 share of the plant generation was 174,940 MWH compared with 2019's generation of 182,131 MWH. The total operating costs for the plant were \$55.48/MWH vs \$58.52/MWH in 2019. Plant availability and capacity factor in 2020 for the plant was 78.61% and 58.1% respectively compared to 74.7% availability and 58.3% capacity factor in 2019.

#### **General Office Operations**

Through this fund, MPPA accounts for the general office operations that cannot be attributed to any one specific project. Member dues are based on the annual budgeted operating costs, with a portion of the operating costs allocated to each project as overhead. Net revenues are used to fund capital improvements to the office building and equipment.

**MICHIGAN PUBLIC POWER AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2020

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**MPPA FINANCIAL ANALYSIS (cont.)**

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**General Office Operations (cont.)**

The General Office Operations fund also includes revenue and expenses from numerous service committees. The service committees provide a venue for municipal utilities that are not MPPA members to participate in activities that do not require financing or the acquisition of assets while also exploring and studying potential new projects. The service committees are treated as separate sub-accounts under the General Office Operations for accounting purposes.

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**CAPITAL ASSETS**

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MPPA's investment in capital assets as of December 31, 2020 amounts to \$203,825,833 (net of accumulated depreciation). This investment in capital assets includes investment in plants, transmission systems, land, buildings, improvements, machinery and equipment. See Note 5 for additional details.

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**LONG-TERM DEBT**

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At December 31, 2020, MPPA had a total of \$90,252,927 in total outstanding liabilities. Of this amount, the following represents bond payments payable:

Long Term Debt- Bonds

Campbell #3 Project	\$	6,170,000
Combustion Turbine #1 Project		12,305,000
AMP Fremont Energy Center Project (AFEC)		<u>29,204,556</u>
	\$	47,679,556

See Note 6 for additional details.

## MICHIGAN PUBLIC POWER AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2020

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#### **FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY**

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The electric utility industry has been and, in the future, may be affected by a number of factors which could impact the financial condition and competitiveness of electric utilities and joint action agencies, such as MPPA. Such factors include, among others: 1) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, 2) changes resulting from energy efficiency and demand side management programs on the timing and use of electric energy, 3) other federal and state legislative and regulatory changes, 4) increased competition from independent power producers, marketers and brokers, 5) issues relating to the ability to issue tax exempt obligations, 6) changes from projected future load requirements, 7) increases in costs, shifts in the availability and relative costs of different fuels, 8) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy, fuel and transmission capacity, 9) climate change and the potential contributions made to climate change by coal fired and other fossil fueled generating units, and 10) issues relating to cyber security at MPPA's facilities. Any of these general factors as well as other factors may have an effect on the financial condition of MPPA and its municipal members.

The operations of all generating electric utilities, including some of the Members and joint owners of generating units such as MPPA, are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of these operations are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance the electric generating units in operation, or contemplated, will remain subject to the regulation currently in effect, will always maintain compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of individual electric generating units not in compliance with those environmental standards.

On June 19, 2019, the U.S. Environmental Protection Agency (EPA) issued the final Affordable Clean Energy (ACE) rule – replacing the prior administration's Clean Power Plan (CPP). President Trump's Executive Order 13873 - Promoting Energy Independence and Economic Growth, called for a thorough review of the CPP which ultimately led to the ACE. The CPP had also been challenged by a large number of states, trade associations, rural electric co-ops, and labor unions who argued that the "CPP exceeded the EPA's authority under the Clean Air Act", and it received an unprecedented stay by the U.S. Supreme Court in 2016.

On January 19, 2021 the U.S. Court of Appeals for the D.C. circuit vacated the ACE rule and deemed it "legally flawed." President Biden has promised to pursue climate action and this decision allows him to move more quickly to do so as he now has a clean slate to craft new regulations related to power plant emissions. President Biden has pledged to institute a standard of 100 percent clean electricity by 2035.

In 2016, with the utility industry facing planned retirements of coal plants and a unique hybrid retail market in Michigan, electric reliability was called into question. This resulted in the Michigan Legislature passing Public Acts 341 and 342. These Acts went into effect on April 20, 2017.

## MICHIGAN PUBLIC POWER AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2020

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#### **MICHIGAN LEGISLATION**

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The major impact to MPPA members and the electric utility industry, is a requirement to demonstrate that utilities own or contract for sufficient capacity resources to meet projected electric demand for four years forward. MPPA members recently made their fourth resource adequacy filing with the MPSC to demonstrate compliance with PA 341.

Act 342 contains a 35% clean energy goal. Utilities can meet this goal thru a combination of renewable energy and energy waste reduction.

The Renewable Energy Standard ramps up from 10% to 12.5% in 2019 and 2020, then to 15% in 2021. After 2021 the governing body of a municipal utility has the authority to determine the proper renewable energy standard for their utility.

A municipal utility's Energy Waste Reduction standard continues to be equivalent to 1.0% of the total annual retail electricity sales in megawatt hours from the preceding year. After 2020 the governing body of the municipal utility has the authority to determine how their utility will address Energy Waste Reduction.

PA 342 does require that each electric utility offer a voluntary green pricing program. Under this program a customer may specify the amount of renewable electricity they desire to purchase. The governing body of a municipal utility has the authority to design the program, and any additional costs incurred may be charged to the customer.

At the end of 2018, the Michigan Municipal Electric Association (MMEA) supported a bill to allow Joint Action Agencies in Michigan to accept members located outside of Michigan, including those located in Canada, if their joining was allowed by the State or Province in which they are located.

In addition, three other bills passed in the lame-duck session that would prevent member retail customers from switching electric providers. This applies to all customers located in the contiguous townships where members serve. Inside the municipality, members protect existing load by simply refusing to grant a franchise to other electric providers.

In 2019 and into 2020, the Michigan legislature was primarily focused on the budget and road funding, taking the spotlight off energy. When the COVID-19 pandemic struck in early 2020, the focus shifted to ensuring customers had access to electricity, water, and utility bill payment assistance. While there was no Executive or Legislative order prohibiting electric utility shut-offs in Michigan, all forty of Michigan's municipal utilities voluntarily suspended shut-offs during the height of the pandemic. In 2021, there will be continued legislative focus on state-wide carbon emissions reductions, distributed energy resources, energy waste reduction, and transmission.

**MICHIGAN PUBLIC POWER AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2020

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**CORONAVIRUS (COVID-19)**

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In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The impact on MPPA's overall financial position has been minimal. While MPPA's 22 municipal members all experienced a reduction in energy demand related to closures of commercial and industrial customers in the early months of the pandemic, most of those closures were temporary in nature and the municipalities had sufficient cash reserves to sustain those challenges. Accordingly, while experiencing reduced revenues in some projects of the Agency, MPPA's expenses were reduced in kind resulting in net incomes and cash flow unencumbered by the effects of COVID-19.

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**CONTACTING MPPA'S FINANCIAL MANAGEMENT**

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This financial report is designed to provide our members, investors and creditors with a general overview of MPPA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Amy L. DeLeeuw, Chief Financial Officer and Treasurer, Michigan Public Power Agency, [adeleeuw@mpower.org](mailto:adeleeuw@mpower.org).

**MICHIGAN PUBLIC POWER AGENCY**  
STATEMENT OF NET POSITION  
December 31, 2020  
(With Comparative Totals for December 31, 2019)

	CAMPBELL NO. 3	BELLE RIVER	CT PROJECT	TRANSMISSION PROJECT	LANDFILL PROJECT	AFEC PROJECT	ENERGY SVCS PROJECT	GENERAL OFFICE	TOTALS	
									2020	2019 (restated)
<b>CURRENT ASSETS</b>										
Cash & Cash Equivalents										
Operation & Maintenance Account	\$ 1,536,718	\$ 8,616,183	\$ 659,729	\$ 522,741	\$ 787,723	\$ 1,692,783	\$ 3,331,913	\$ -	\$ 17,147,790	\$ 13,553,288
Project Account	1,791,237	3,458,952	3,380,481	-	-	5,586,515	-	-	14,217,185	12,055,581
Working Capital/Other	-	-	-	-	133,505	-	11,199,411	2,356,744	13,689,660	7,772,316
<b>Total Cash and Cash Equivalents</b>	<b>3,327,955</b>	<b>12,075,135</b>	<b>4,040,210</b>	<b>522,741</b>	<b>921,228</b>	<b>7,279,298</b>	<b>14,531,324</b>	<b>2,356,744</b>	<b>45,054,636</b>	<b>33,381,185</b>
Restricted Cash- Escrow										
Restricted Cash- Debt Service	2,095,736	-	-	-	-	1,385,387	-	-	3,481,123	5,505,491
Investments- Unrestricted	501,753	-	-	-	-	-	1,541,068	25,519	2,068,340	-
Accrued Interest Receivable	26,586	21,400	4,399	1,138	1,401	49	569	2,311	57,853	124,868
Accounts Receivable	1,797,607	8,458,776	658,776	346,137	399,802	339,889	4,164,820	86,440	16,252,247	14,069,581
Fuel Inventory	892,817	9,376,189	15,482	-	-	-	-	-	10,284,488	10,413,745
Materials and Supplies Inventory	-	3,465,758	81,619	-	-	-	-	-	3,547,377	3,329,524
<b>Total Current Assets</b>	<b>8,642,455</b>	<b>33,397,258</b>	<b>4,800,486</b>	<b>870,016</b>	<b>1,322,431</b>	<b>9,004,623</b>	<b>20,237,781</b>	<b>2,471,014</b>	<b>80,746,064</b>	<b>66,824,394</b>
<b>NON-CURRENT ASSETS</b>										
Capital Assets										
Utility Plant	94,102,845	539,115,085	30,941,573	3,335,511	-	32,042,272	-	-	699,537,286	729,598,943
Building and Land	244,547	154,027	48,500	-	-	703,329	-	1,726,822	2,877,225	2,892,643
Depreciation	(53,827,618)	(418,496,221)	(17,569,962)	(373,799)	-	(7,073,276)	-	(1,247,802)	(498,588,678)	(519,802,975)
<b>Net Property &amp; Equipment</b>	<b>40,519,774</b>	<b>120,772,891</b>	<b>13,420,111</b>	<b>2,961,712</b>	<b>-</b>	<b>25,672,325</b>	<b>-</b>	<b>479,020</b>	<b>203,825,833</b>	<b>212,688,611</b>
Other Assets										
Prepaid Bond Issuance Costs	-	-	-	-	-	-	-	-	-	47,527
Prepaid Expenses & Deposits	760,145	3,430,000	-	-	-	771,120	-	179,617	5,140,882	5,757,099
O & M / Fuel Reserve	1,050,000	-	-	-	-	-	-	-	1,050,000	1,050,000
Investments- Unrestricted	6,264,951	2,207,391	1,037,846	139,217	324,460	1,950,769	2,615,408	590,725	15,130,767	33,228,972
<b>Restricted Cash</b>	<b>-</b>	<b>-</b>	<b>1,779,833</b>	<b>-</b>	<b>-</b>	<b>2,249,590</b>	<b>-</b>	<b>-</b>	<b>4,029,423</b>	<b>2,299,480</b>
Debt Service Reserve	-	-	1,779,833	-	-	2,249,590	-	-	4,029,423	2,299,480
Other	-	-	-	-	-	284,610	-	-	284,610	284,610
<b>Total Restricted Cash</b>	<b>-</b>	<b>-</b>	<b>1,779,833</b>	<b>-</b>	<b>-</b>	<b>2,534,200</b>	<b>-</b>	<b>-</b>	<b>4,314,033</b>	<b>2,584,090</b>
Restricted Investments	-	-	-	-	-	-	-	-	-	1,663,000
Debt Service Reserve	-	-	-	-	-	-	-	-	-	1,663,000
<b>Total Non-Current Assets</b>	<b>48,594,870</b>	<b>126,410,282</b>	<b>16,237,790</b>	<b>3,100,929</b>	<b>324,460</b>	<b>30,928,414</b>	<b>2,615,408</b>	<b>1,249,362</b>	<b>229,461,515</b>	<b>257,019,299</b>
<b>TOTAL ASSETS</b>	<b>57,237,327</b>	<b>159,807,540</b>	<b>21,038,277</b>	<b>3,970,944</b>	<b>1,646,891</b>	<b>39,933,036</b>	<b>22,853,189</b>	<b>3,720,375</b>	<b>310,207,579</b>	<b>323,843,690</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>										
Loss on Refunding	-	-	-	-	-	-	-	-	-	298,030
Asset Retirement Obligations	1,122,650	124,411	-	-	-	-	-	-	1,247,061	1,182,044



**MICHIGAN PUBLIC POWER AGENCY**  
STATEMENT OF NET POSITION  
December 31, 2020  
(With Comparative Totals for December 31, 2019)

	CAMPBELL NO. 3	BELLE RIVER	CT PROJECT	TRANSMISSION PROJECT	LANDFILL PROJECT	AFEC PROJECT	ENERGY SVCS PROJECT	GENERAL OFFICE	TOTALS 2020	TOTALS 2019 (restated)
<b>CURRENT LIABILITIES</b>										
Accounts payable and Accrued Exp.	764,153	9,176,578	233,448	655,302	1,418,862	415,897	6,783,649	646,486	20,094,375	17,770,202
Liabilities payable from Restricted Assets										
Accrued interest payable	70,647	-	-	-	-	699,775	-	-	770,422	1,219,324
Member Deposits/Security Deposits	-	-	-	-	-	-	-	176,404	176,404	180,000
Revenue Bonds Payable- Current	4,095,000	-	-	-	-	685,000	-	-	4,780,000	6,290,000
<b>Total Current Liabilities</b>	<b>4,929,800</b>	<b>9,176,578</b>	<b>233,448</b>	<b>655,302</b>	<b>1,418,862</b>	<b>1,800,672</b>	<b>6,783,649</b>	<b>822,890</b>	<b>25,821,201</b>	<b>25,459,523</b>
<b>NON-CURRENT LIABILITIES</b>										
Member Deposits	760,145	3,430,000	-	-	133,505	-	15,260,471	558,027	20,142,148	15,618,691
Revenue Bonds Payable less current portion	2,075,000	-	12,305,000	-	-	28,519,556	-	-	42,899,556	49,995,301
Asset Retirement Obligation	1,236,926	153,096	-	-	-	-	-	-	1,390,022	1,251,294
<b>Total Non-Current Liabilities</b>	<b>4,072,071</b>	<b>3,583,096</b>	<b>12,305,000</b>	<b>-</b>	<b>133,505</b>	<b>28,519,556</b>	<b>15,260,471</b>	<b>558,027</b>	<b>64,431,727</b>	<b>66,865,286</b>
<b>TOTAL LIABILITIES</b>	<b>9,001,871</b>	<b>12,759,674</b>	<b>12,538,448</b>	<b>655,302</b>	<b>1,552,368</b>	<b>30,320,228</b>	<b>22,044,120</b>	<b>1,380,917</b>	<b>90,252,927</b>	<b>92,324,810</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Gain on Refunding	-	-	222,813	-	-	-	-	-	222,813	-
<b>NET POSITION</b>										
Net Investment in Capital Assets	34,349,774	120,772,891	892,298	2,961,712	-	(3,532,231)	-	479,020	155,923,464	156,748,867
Restricted- Debt Service	2,025,089	-	-	-	-	685,612	-	-	2,710,701	4,286,167
Restricted- Debt Service Reserve	-	-	1,779,833	-	-	2,249,590	-	-	4,029,423	3,962,480
Restricted- Reserve & Contingency	-	-	-	-	-	284,610	-	-	284,610	284,610
Unrestricted (Deficit)	12,983,241	26,399,386	5,604,884	353,930	94,523	9,925,227	809,069	1,860,438	58,030,702	67,716,831
<b>TOTAL NET POSITION</b>	<b>\$ 49,358,105</b>	<b>\$ 147,172,277</b>	<b>\$ 8,277,015</b>	<b>\$ 3,315,642</b>	<b>\$ 94,523</b>	<b>\$ 9,612,808</b>	<b>\$ 809,069</b>	<b>\$ 2,339,458</b>	<b>\$ 220,978,900</b>	<b>\$ 232,998,954</b>

**MICHIGAN PUBLIC POWER AGENCY**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended December 31, 2020  
(With Comparative Totals for December 31, 2019)

	Campbell No. 3 Project	Belle River Project	Combustion Turbine No.1	Transmission Project	Landfill Project	AFEC Project	Energy Services Project	General Office Operation	Totals	
									2020	Restated 2019
<b>OPERATING REVENUES</b>										
Gross Sales	\$ 14,297,264	\$ 39,369,505	\$ 5,540,154	\$ 1,089,661	\$ 13,923,395	\$ 9,706,412	\$ 87,693,181	\$ -	\$ 171,619,572	\$ 158,148,254
Jt Zone Transmission Revenue	-	-	-	4,217,122	-	-	-	-	4,217,122	3,689,135
Jt Zone Transmission Distribution	-	-	-	(4,173,659)	-	-	-	-	(4,173,659)	(3,645,129)
Other	-	-	-	-	-	-	-	2,843,418	2,843,418	2,960,786
<b>Total Gross Revenue</b>	<b>14,297,264</b>	<b>39,369,505</b>	<b>5,540,154</b>	<b>1,133,124</b>	<b>13,923,395</b>	<b>9,706,412</b>	<b>87,693,181</b>	<b>2,843,418</b>	<b>174,506,453</b>	<b>161,153,046</b>
<b>OPERATING EXPENSES</b>										
Cost of Energy - produced	7,851,088	29,684,708	973,481	-	-	5,922,906	-	-	44,432,184	49,741,357
Cost of Energy & Capacity - purchased	-	-	-	-	14,803,346	583,012	69,637,165	-	85,023,523	71,063,182
Energy Market Overhead Fees	36,635	194,152	4,361	-	-	-	364,096	-	599,245	1,049,993
REC Disbursements	-	-	-	-	(1,013,146)	-	197,566	-	(815,581)	(221,257)
Transmission	1,206,834	5,316,727	1,103,445	1,027,148	-	388,941	16,192,081	-	25,235,177	18,029,313
General and administrative	563,170	3,673,917	753,617	105,976	133,195	389,063	1,302,272	2,739,197	9,660,408	10,478,356
Depreciation	3,068,783	16,302,591	973,239	60,039	-	849,314	-	51,606	21,305,571	19,192,149
<b>Total Operating Expenses</b>	<b>12,726,510</b>	<b>55,172,095</b>	<b>3,808,143</b>	<b>1,193,163</b>	<b>13,923,395</b>	<b>8,133,236</b>	<b>87,693,181</b>	<b>2,790,803</b>	<b>185,440,528</b>	<b>169,333,093</b>
<b>Operating Income (Loss)</b>	<b>1,570,754</b>	<b>(15,802,591)</b>	<b>1,732,011</b>	<b>(60,039)</b>	<b>-</b>	<b>1,573,176</b>	<b>(0)</b>	<b>52,615</b>	<b>(10,934,075)</b>	<b>(8,180,047)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>										
Interest cost incurred	(164,537)	-0-	(695,250)	-	-	(1,399,550)	-	-	(2,259,337)	(2,461,318)
Amortization of financing-related costs	-	-	69,132	-	-	80,211	-	-	149,343	159,112
Bond Issuance expense	-	-	(107,950)	-	-	-	-	-	(107,950)	-
Investment income	210,077	213,909	65,165	6,672	14,796	111,859	159,772	31,257	813,507	1,512,394
Net change in fair value of investments	103,685	29,052	14,096	1,382	3,071	24,239	66,461	10,293	252,279	299,860
Prepaid Lease Income	-	-	-	-	-	-	-	66,180	66,180	66,168
Miscellaneous	-	-	-	-	-	-	-	-	-	319,364
<b>Total Nonoperating Revenues (Expenses)</b>	<b>149,225</b>	<b>242,961</b>	<b>(654,807)</b>	<b>8,053</b>	<b>17,867</b>	<b>(1,183,241)</b>	<b>226,234</b>	<b>107,730</b>	<b>(1,085,978)</b>	<b>(104,420)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,719,979</b>	<b>\$ (15,559,630)</b>	<b>\$ 1,077,204</b>	<b>\$ (51,986)</b>	<b>\$ 17,867</b>	<b>\$ 389,934</b>	<b>\$ 226,233</b>	<b>\$ 160,346</b>	<b>\$ (12,020,052)</b>	<b>\$ (8,284,467)</b>
NET POSITION - Beginning of Year, as restated	47,638,127	162,731,907	7,199,812	3,367,628	76,657	9,222,875	582,836	2,179,113	232,998,954	232,133,210
Adjustment to Net Position	-	-	-	-	-	-	-	-	-	9,150,212
<b>NET POSITION - END OF YEAR</b>	<b>\$ 49,358,108</b>	<b>\$ 147,172,277</b>	<b>\$ 8,277,016</b>	<b>\$ 3,315,642</b>	<b>\$ 94,523</b>	<b>\$ 9,612,808</b>	<b>\$ 809,069</b>	<b>\$ 2,339,459</b>	<b>\$ 220,978,900</b>	<b>\$ 232,998,954</b>

MICHIGAN PUBLIC POWER AGENCY

STATEMENTS OF CASH FLOWS  
Year Ended December 31, 2020  
(With Comparative Totals for December 31, 2019)

	Campbell No. 3 Project	Belle River Project	Combustion Turbine #1	Transmission Project	Landfill Project	AFEC Project	Energy Services Project	General Office Operation	Totals	
									2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Received from customers	\$ 14,107,695	\$ 37,938,782	\$ 5,503,957	\$ 1,079,542	\$ 14,561,702	\$ 10,208,378	\$ 86,845,818	\$ 2,863,460	\$ 173,109,334	\$ 163,537,927
Paid to suppliers for goods and services	(9,641,778)	(38,343,090)	(2,587,978)	(982,200)	(14,862,297)	(7,094,181)	(85,099,859)	(2,726,693)	(161,338,077)	(150,458,576)
Paid to employees for services	(162,218)	(236,796)	(154,651)	(51,103)	(63,899)	(129,722)	(532,444)	(239,246)	(1,570,078)	(1,573,865)
Net Cash Flows From (Used in) Operating Activities:	4,303,699	(641,104)	2,761,328	46,239	(364,494)	2,984,475	1,213,515	(102,478)	10,201,179	11,505,485
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>										
Acquisition and construction of utility plant	(941,160)	(10,755,975)	(51,997)	-	-	(371,248)	-	-	(12,120,379)	(12,076,434)
Net Proceeds from Sale of Bonds	-	-	(1,705,982)	-	-	-	-	-	(1,705,982)	-
Capital contributions of (distributions to) participating members	-	-	-	-	-	-	5,035,668	97,448	5,133,116	1,878,898
Development Security Escrow	-	-	-	-	-	-	-	-	-	(2,406,914)
Principal payment on revenue bonds	(4,010,000)	-	(1,625,000)	-	-	(655,000)	-	-	(6,290,000)	(6,095,000)
Interest paid on revenue bonds	(210,451)	-	(1,083,500)	-	-	(1,414,288)	-	-	(2,708,239)	(2,559,070)
Other	-	-	-	-	-	-	-	43,666	43,666	346,966
Net Cash Flows From (Used in) Capital and Related Financing Activities	(5,161,611)	(10,755,975)	(4,466,479)	-	-	(2,440,535)	5,035,668	141,114	(17,647,818)	(20,911,554)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Long-term investments purchased	(1,332,807)	(2,207,391)	(343,846)	(139,217)	(324,460)	(981,769)	(4,156,476)	(616,244)	(10,102,210)	(27,374,755)
Long-term investments sold	2,329,292	13,628,735	1,720,082	304,470	734,670	3,571,381	4,859,653	646,792	27,795,074	9,640,216
Investment income	319,691	286,907	81,613	8,498	18,713	140,597	233,927	42,854	1,132,798	1,753,238
Net Cash Flows From Investing Activities	1,316,176	11,708,251	1,457,848	173,750	428,923	2,730,208	937,104	73,402	18,825,662	(15,981,302)
<b>Net Change in Cash and Cash Equivalents</b>	458,264	311,172	(247,303)	219,989	64,429	3,274,148	7,186,287	112,037	11,379,023	(25,387,370)
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	6,015,428	11,763,963	6,067,346	302,752	856,799	7,924,736	7,345,036	2,244,707	42,520,764	67,908,137
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 6,473,692	\$ 12,075,134	\$ 5,820,043	\$ 522,741	\$ 921,228	\$ 11,198,884	\$ 14,531,324	\$ 2,356,744	\$ 53,899,790	\$ 42,520,764
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Operating income (loss)	1,570,754	(15,802,591)	1,732,011	(60,039)	-	1,573,175	-	52,616	(10,934,074)	(8,180,047)
Adjustments to reconcile operating income (loss) to net cash										
provided by (used in) operating activities										
Depreciation	3,068,783	16,302,591	973,239	60,039	-	849,314	-	51,606	21,305,571	19,192,149
Changes in assets and liabilities										
Accounts receivable	(189,568)	(1,430,723)	(36,198)	(53,582)	(374,839)	501,966	(619,767)	20,041	(2,182,670)	2,200,975
Fuel inventory	62,200	-	67,055	-	-	-	-	-	129,256	46,767
Materials and supplies inventory	-	(222,483)	4,630	-	-	-	-	-	(217,853)	(47,539)
Prepaid items and deposits	-	-	-	-	-	-	-	2,962	2,962	43,343
Deferred Inflows of resources	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued expense	(208,469)	512,101	20,590	99,821	10,345	60,020	1,833,282	(229,704)	2,097,986	(1,750,162)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	4,303,699	(641,104)	2,761,328	46,239	(364,494)	2,984,475	1,213,515	(102,478)	10,201,179	11,505,485
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>										
Current Assets	4,377,956	12,075,135	4,040,210	522,741	921,228	7,279,298	14,531,324	2,356,744	46,104,636	33,381,185
Restricted Assets	2,095,736	-	1,779,833	-	-	3,919,586	-	-	7,795,156	9,139,580
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	\$ 6,473,692	\$ 12,075,134	\$ 5,820,043	\$ 522,741	\$ 921,228	\$ 11,198,884	\$ 14,531,324	\$ 2,356,744	\$ 53,899,790	\$ 42,520,764

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# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### **NOTE 1 – NATURE OF OPERATIONS**

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Michigan Public Power Agency (MPPA) is a public body politic and corporate of the State of Michigan created in 1978 under Act 448 of the Public Acts of Michigan, 1976, as amended. MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for the present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. Of MPPA's twenty-two members, ten are participants in the Campbell No. 3 Project, eleven are participants in the Belle River Project, five are participants in the Combustion Turbine No.1 Project, thirteen participate in the Transmission Project, twenty-one are participants in the Energy Services Project, thirteen participate in the AFEC Project and fourteen participate in the Landfill Renewable Energy Project.

The financial statements of the utility are presented in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units.

GASB has issued Statement No. 87, *Leases*, Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Pay Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Application of these recently issued accounting pronouncements, when effective, may restate portions of these financial statements.

#### **Basis of Presentation**

The financial activities of MPPA are recorded in separate proprietary funds described as follows:

##### *Enterprise Funds*

The Campbell No. 3, Belle River, Combustion Turbine No. 1, Energy Services, Landfill Renewable Energy, AFEC and Transmission Funds account for the financing and operation of MPPA's interest in the respective projects, whereby costs are recovered through participant charges. The accounts of these Funds are maintained in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission. Enterprise funds are accounted for on an accruals basis with a flow of economic resources measurement focus.

##### *General Office Operations Fund*

The General Office Operations Fund accounts for financing, through participant charges, the general and administrative activities of MPPA not related to any specific electric power supply project

##### *Net Position*

As required by GASB Statement No. 34, net position is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### **NOTE 1 – NATURE OF OPERATIONS (cont.)**

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*Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, obligations, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. 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 placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for use, it is MPPA’s policy to use restricted resources first, then unrestricted resources as they are needed.

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MPPA’s financial statements for the year ended December 31, 2019, from which the summarized information was derived.

#### **Budgetary Accounting**

The Board of Commissioners of MPPA adopts an operating budget each year for all funds, on the same basis of accounting used to reflect actual revenues and expenses in the financial statements. The CEO & General Manager exercises budgetary control.

#### **Use of Estimates**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### **Operating Revenues**

MPPA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods with MPPA’s principal ongoing operations. The principal operating revenues of MPPA are derived from charges to members for sales and services. Operating expenses for MPPA include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### NOTE 1 – NATURE OF OPERATIONS (cont.)

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#### Prepaid Expenses and Deposits

Prepayments include costs of expenses paid in advance for which the future benefits have yet to be realized. Prepayments and Deposits are for a) working capital advances to MPPA's majority owner operators of its power plants, b) advances MISO for transmission upgrade study costs and c) other general and administrative operating costs.

Prepaid Expenses and deposit balance were as follows at December 31:

	<u>2020</u>
Majority Owner Operator	\$4,961,265
MISO Transmission Study	\$176,404
Other General Operating Items	<u>\$3,213</u>
	\$5,140,882

#### Accounts Receivable

Accounts receivable are stated at the net invoice amount billed to MPPA's members. Any outstanding receivables are generally collected in full within 15 days of being invoiced. As such, there has been no allowance for doubtful accounts recorded.

#### Accounts Payable and Accrued Expenses

MPPA pays its plant operators and other third party energy suppliers according to the terms stated within the individual contracts. Accrued expenses are those expenses related to compensation and benefits that have been earned but not yet paid and are reflected within the balances of the General Office Fund.

#### Utility Plant

Additions to and replacements of utility plant are recorded at original cost including any capitalized interest for borrowed funds used to construct the facilities. The Agency will align with the majority owner depreciation schedules when it makes sense to do so. Otherwise, depreciation is recorded using the straight-line method with service lives of 3 to 54 years. The agency generally capitalizes assets with a cost greater than \$500.

Interest is capitalized on utility property acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### **NOTE 1 – NATURE OF OPERATIONS (cont.)**

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#### **Inventories**

Fuel inventories for the Campbell No. 3 Project and the Combustion Turbine No. 1 Project are stated at average cost. As a result of updated information from the operator (DTE Energy), the Belle River fuel inventory has been adjusted to its original cost of acquisition. The materials and supplies inventory for the Belle River Project is controlled by the operator and is stated at average cost. For the Combustion Turbine Project, the materials and supplies inventory is stated at actual cost.

#### **Cash Equivalents**

For purposes of the Statement of Cash Flows, cash equivalents are cash and investments having an initial maturity of three months or less.

#### **Unamortized Premiums and Discounts**

Bond premiums and discounts are amortized over the life of the bonds based on the effective interest method. Unamortized premiums and discounts are reported net with Revenue Bonds Payable.

#### **Deferred Outflows of Resources**

Losses on advance refundings are classified as deferred outflows of resources and amortized using the effective interest method over the repayment period of the related debt. In accordance with GASB 83, MPPA will also report certain asset retirement obligations as deferred outflows of resources and amortize those obligations over the remaining life of the related assets. See Note 12 for additional information about Asset Retirement Obligations.

#### **Deferred Inflows of Resources**

Gains on advance refundings are classified as deferred inflows of resources and amortized using the effective interest rate method over the repayment period of the affiliated debt.

#### **Taxes**

MPPA is exempt from state and federal income taxes.

#### **Compensated Absences**

Under terms of employment, employees earn personal leave according to years of service. Employees can accumulate up to thirty days of personal leave. Employees are paid for unused personal leave upon separation of service. MPPA self-funds short-term disability benefits from the 11th to the 30th day of a covered absence. A separate disability insurance policy compensates employees for covered absences that extend beyond the 30th day. These benefits are reported as accrued expenses under the General Office Fund on the Statement of Net Position.



# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### **NOTE 1 – NATURE OF OPERATIONS (cont.)**

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#### **Comparative Data**

Certain amounts presented in the prior year comparative data may have been reclassified in order to be consistent with the current year's presentation.

#### **Member Deposits**

Members provide cash to the individual projects to meet working capital and collateral requirements per their contracts. Such amounts are recognized as revenue when used and are otherwise due back to members at the end of the contracts.

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### **NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS**

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#### **Campbell Unit No. 3**

MPPA and Consumers Energy Company (Consumers) entered into the following agreements dated October 1, 1979, as amended, relating to Consumers' Campbell Unit No. 3 steam-electric generating unit, which went into commercial operation in September 1980:

The Campbell Ownership Agreement provides for MPPA to own a 4.8% undivided interest in Campbell Unit No. 3, for Consumers to operate Campbell Unit No. 3, for the sale of surplus electric capacity to Consumers, for operating costs of Campbell Unit No. 3 to be shared on a pro rata basis, and for MPPA to purchase an undivided ownership interest in the fuel supply for Campbell Unit No. 3.

The Campbell Transmission Agreement provides for MPPA to purchase a 58.06% undivided ownership interest in Consumers' (now METC) 345 kV transmission line, the method of determining certain charges for utilization of the METC/(Consumers) transmission system, for the sale to METC/(Consumers) of planned available transmission capacity in excess of MPPA's need, if available, and for sharing transmission line operating expenses.

The Campbell Back-Up Agreement provides for Consumers to make backup electric capacity and energy available to MPPA from its electric system reserves in the event of total or partial unavailability of capacity and energy from Campbell Unit No. 3, and for determination of the associated backup electric capacity and energy charges to MPPA.

MPPA entered into a Power Sales Contract and a Project Support Contract with each of the ten members who elected to participate in the Campbell No. 3 Project. These contracts provide for the participant to purchase from MPPA the participant's entitlement share, as defined, of the generation and transmission of the Project. Each participant also shares proportionately in the proceeds from MPPA's sale of excess generating and transmission capacity to METC and/or Consumers. Each participant is obligated to pay its share of the operating and debt service costs of the Project.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### **NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS (cont.)**

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On January 30, 2013, MPPA completed financing via a private placement bond through BMO Harris Bank N.A. in the amount of \$23,500,000. The funds were used to finance capital improvements to the Campbell 3 power plant and the installation of necessary environmental controls.

#### **Belle River Unit No. 1**

On December 1, 1982, MPPA and Detroit Edison Company (Edison) entered into the following agreements, as amended, relating to Edison's Belle River Unit No. 1 steam-electric generating unit, part of a two-unit generating station, which went into commercial operation in August 1984:

The Belle River Participation Agreement provides for MPPA to purchase a 37.22% undivided ownership interest in Belle River Unit No. 1 and an undivided ownership interest in certain common and joint facilities associated with Belle River Unit No. 1, for MPPA to purchase an undivided ownership interest in the fuel supply stockpile, for Edison to operate Belle River Units No. 1 and 2, for the sharing of operating costs of both units, for the sale of surplus electric capacity and energy to Edison, and for backup electric capacity and energy from Edison's electric system reserves to be available in the event of total or partial unavailability of power and energy from Belle River. Pursuant to the reliability exchange provisions in the Agreement, MPPA is entitled to 18.61% of the electric capacity and energy from each of the Belle River Units No. 1 and 2.

The Belle River Transmission Ownership and Operating Agreement with Edison (now ITC) provides for MPPA to purchase a 50.41% undivided ownership interest in Edison's 345 kV Transmission Line, for ITC to operate the transmission lines, for the sharing of operating costs, and for the sale of planned excess transmission capacity to ITC, if any.

MPPA entered into the Belle River Transmission Ownership and Operating Agreement with Consumers Energy (now METC), dated December 1, 1982, as amended, which provides MPPA with a 90% undivided ownership interest in certain METC designated transmission lines, for METC to operate the transmission lines, for the sharing of operating costs, and for the sale to METC of planned excess transmission capacity, if any.

MPPA entered into a Power Sales Contract and a Project Support Contract with each of the eleven members who elected to participate in the Belle River Project. These contracts provide for the participants to purchase from MPPA their entitlement share, as defined, of generation and transmission of the Project. Each participant also shares proportionately in MPPA's sale of excess generating and transmission capacity. Each participant is obligated to pay its share of power, transmission, backup, debt service, and other project-related costs.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### **NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS (cont.)**

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#### **Combustion Turbine Project No. 1**

In 2002, MPPA completed construction of a 50 MW (nominal nameplate rating) simple-cycle combustion turbine generating unit fueled with natural gas (the CT Project No. 1). The unit is located in Kalkaska County, Michigan. The project included construction of natural gas pipeline and metering equipment to connect to natural gas facilities, a 69kV electrical line tap and associated equipment to deliver the output of the CT Project No. 1 to the transmission system, and an undivided ownership interest in certain transmission lines on the METC transmission system.

In late 2012, MPPA entered into a long-term supply agreement with ANR Pipeline Company (ANR). ANR owns and operates an existing interstate natural gas pipeline system which transports natural gas to markets located in Michigan near the plant. MPPA has established an interconnection

between its facilities at the plant and the natural gas pipeline facilities of ANR to provide for the transportation of natural gas necessary to operation of the plant.

#### **Transmission Project**

In 2005, the MPPA members contributed capital for the purchase of transmission rights in the bulk transmission system. In 2006, MPPA purchased an undivided ownership in certain 345kV transmission lines in the METC system giving rights to use of the bulk transmission system. Thirteen members participate in this Project.

#### **AMP Fremont Energy Center Project (AFEC)**

In June 2012, MPPA completed its purchase of a 5.16% interest in a natural gas fired electric facility located in Fremont, Sandusky County, Ohio. American Municipal Power, Inc. is the majority owner of this power plant and serves as the operator. Thirteen of MPPA's municipal members committed to power purchases under the AFEC project. MPPA issued \$32,520,000 in revenue bonds to finance the purchase.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### NOTE 3 – CASH AND INVESTMENTS

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MPPA adopted an investment policy, in accordance with the bond resolutions, that allows it to invest in U.S. Treasury obligations, certain federal agency securities, bonds, direct and general obligations of any state, certificates of deposit with qualified United States institutions, repurchase agreements with qualified institutions, municipal obligations, time deposits, bankers' acceptances, commercial paper, and pooled investment funds.

MPPA's investment in US Government and Agency debt obligations, Municipal Bonds and other permitted investments at year end consists of:

	Book Value		Bank Value
Cash and Cash Equivalents			
Checking	\$ 1,514,216	\$	1,514,216
Money Market Funds	52,385,574		52,385,574
Total Cash and Cash Equivalents	<u>53,899,790</u>		<u>53,899,790</u>
Unrestricted Assets Invested			
U.S. Treasury Notes	9,153,061		9,153,061
Agency Notes	7,510,245		7,510,245
Pooled Investments	-		-
Local Government Bonds	535,804		535,804
	<u>17,199,109</u>		<u>17,199,109</u>
Total Cash & Investments	<u>\$ 71,098,899</u>	<u>\$</u>	<u>71,098,899</u>

#### Fair Value Measurement

MPPA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances, whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. MPPA's assessment of the significance of particular inputs to these fair value measurements required judgement and considers factors specific to each asset or liability.

As of December 31, 2020, the following investments are recorded at fair value using the Matrix Pricing Technique:

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### NOTE 3 – CASH AND INVESTMENTS (cont.)

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<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Notes	\$ -	\$ 9,153,061	\$ -	\$ 9,153,061
Federal Home Loan Mortgage Association Notes	-	730,637	-	730,637
Federal Farm Credit Bank Notes	-	156,340	-	156,340
Fannie Mae Mortgage Association Notes	-	4,073,413	-	4,073,413
Freddie Mac Mortgage Backed Securities	-	2,549,855	-	2,549,855
Local Government Bonds	-	535,804	-	535,804
Total Investments by Fair Value Level	\$ -	\$ 17,199,109	\$ -	\$ 17,199,109

#### Custodial Credit Risk

##### Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, MPPA's deposits may not be returned to MPPA. Deposits in banks are insured by the FDIC in the amount of \$250,000 for all interest-bearing accounts.

At December 31, 2020, MPPA had \$46,124,125 in uninsured and uncollateralized deposits. MPPA's investment policy does not require collateralization of deposits but rather restricts the financial institutions that can be used based on the equity and market ratings of the financial institution's debt.

##### Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MPPA will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2020, MPPA had \$17,199,109 in investments subject to custodial credit risk. All other investments are investments held in trust on behalf of MPPA and therefore, not subject to custodial credit risk. MPPA's policy is to have all investment securities held by its agent in MPPA's name.

##### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2020, MPPA's investments were rated as follows:

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### NOTE 3 – CASH AND INVESTMENTS (cont.)

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<u>Investment Type</u>	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
US Treasury Bonds	AA+	Aaa
US Agency Notes	AA+	Aaa
Local Government Bonds	AA	Aa1
Money Market Funds	AAA	Aaa

MPPA's investment policy requires that all investments be rated in highest or second highest category by Moody's or S&P.

#### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of MPPA's investment in a single issuer.

MPPA's investment policy does not limit the amount of the portfolio that can be invested in U.S. government agency securities or any one issuer of such investments. MPPA limits its investment in a single issuer of state and local debt to 33% of its total portfolio. Investments in a single issuer of money market funds are limited to 75% of its total portfolio. All other types of approved investments in a single issuer are limited to 50% of MPPA's total portfolio. Nearly 6% of MPPA's total portfolio is invested in Fannie Mae Mortgage Association. This investment represents 23.7% of the MPPA's total investments and is permissible under MPPA's investment policy.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MPPA's investment policy restricts operational funds to maturities of one year or less, reserve and contingency funds to five years or less, and debt service reserve funds to ten years or less.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### NOTE 3 – CASH AND INVESTMENTS (cont.)

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At December 31, 2020, MPPA's investments were as follows:

Investment Type	Fair Value	Maturity in years	
		Less than 1 year	1-5 years
US Treasury	\$ 9,153,061	\$ 2,028,239	\$ 7,124,822
Agency Notes	7,510,245	40,101	7,470,144
Local Government Bonds	535,804	-	535,804
	<u>\$ 17,199,109</u>	<u>\$ 2,068,340</u>	<u>\$ 15,130,770</u>

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### NOTE 4 – RESTRICTED ASSETS

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MPPA's bond resolutions require the segregation of bond proceeds, establishment of various funds, and prescribe the application of MPPA's revenues. Also, it defines what type of securities MPPA may invest in. The funds established by the resolution are detailed in the Statement of Net Position. MPPA is compliant with all bond resolution funding requirements.

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### NOTE 5 – CHANGES IN CAPITAL ASSETS

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A summary of changes in capital assets is as follows:

	Balance 01/01/2020	Additions & Reclasses	Deletions & Reclasses	Balance 12/31/2020
Capital assets being depreciated:				
Building & Land	\$ 2,892,643	\$ 22,514	\$ (37,933)	\$ 2,877,225
Utility Plant in Service	729,598,943	423,245	(30,484,901)	699,537,286
Construction Work in Progress	-	-	-	-
Less: Accumulated Depreciation	(519,802,975)	21,007,092	207,204	(498,588,678)
Net Utility Plant	<u>\$ 212,688,613</u>	<u>\$ 21,452,851</u>	<u>\$ (30,315,630)</u>	<u>\$ 203,825,833</u>

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

### **NOTE 6 – NON-CURRENT LIABILITIES**

#### ***CAMPBELL NO. 3 PROJECT REVENUE BONDS***

The following bonds have been issued by MPPA:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Jan 30, 2013	Finance Cost of Improvements	1/1/2022	2.29%	\$ 23,500,000

The following obligations are outstanding at 12/31/2020:

2013 Series A Bonds	6,170,000
Unamortized premium on bonds	-
	<u>6,170,000</u>
Less: Current Portion	<u>(4,095,000)</u>
Total \$	2,075,000

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected in the remaining years following December 31, 2020 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	4,095,000	118,107	4,213,107
2022	2,075,000	23,759	2,098,759
	<u>\$ 6,170,000</u>	<u>\$ 141,866</u>	<u>\$ 6,311,866</u>



# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### NOTE 6 – NON-CURRENT LIABILITIES (CONT.)

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#### **CAMPBELL NO. 3 PROJECT REVENUE BONDS (CONT.)**

*Non-Current Liabilities as of December 31, 2020:*

	01/01/2020		12/31/2020	
	Balance	Additions	Reductions	Balance
Revenue Bonds	\$ 10,180,000	\$ -	\$ (4,010,000)	\$ 6,170,000
Unamortized Premium on Bonds	-	-	-	-
Current Maturities	(4,010,000)	(4,095,000)	4,010,000	(4,095,000)
Asset Retirement Obligations	1,103,825	133,101		1,236,926
Member Deposits	909,804	(149,659)		760,145
Total Non-Current Liabilities	<u>\$ 8,183,629</u>	<u>\$ (4,111,557)</u>	<u>\$ -</u>	<u>\$ 4,072,071</u>

#### *Direct Placement Debt*

MPPA's Campbell Project 2013 Series A Revenue Bond covenants related to business activities of the Campbell #3 power plant contain event of default provisions with possible finance-related consequences. The outstanding bonds in the amount of \$6,170,000 contain a provision that in an event of default, any delinquent payment amount is subject to a penalty based on the greatest of i) the Bank's Prime Rate in effect at such time, (ii) the Federal Funds Rate in effect at such time plus one and one-half percent (1.5%), (iii) Adjusted LIBOR plus three and one-half percent (3.5%), and (iv) six percent (6%); the result of which is then added by an additional three percent (3%) for the total Default Rate.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

### **NOTE 6 – NON-CURRENT LIABILITIES (CONT.)**

#### ***AFEC Project Revenue Bonds***

The following bonds have been issued by MPPA:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>
6/19/2012	Combined Cycle Plant Purchase	1/1/2043	3.5%-5.0%	\$ 32,520,000

The following obligations are outstanding at 12/31/2020:

2012 A Bonds	\$ 28,150,000
Unamortized Premium on bonds	<u>1,054,556</u>
	29,204,556
Less: Current Portion	<u>(685,000)</u>
Total	<u>\$ 28,519,556</u>

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected during each of the five years following December 31, 2020, and in five-year increments thereafter to maturity, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	685,000	1,399,550	2,084,550
2022	720,000	1,365,300	2,085,300
2023	755,000	1,329,300	2,084,300
2024	795,000	1,291,550	2,086,550
2025	825,000	1,259,750	2,084,750
2026-2030	4,790,000	5,637,250	10,427,250
2031-2035	6,110,000	4,314,000	10,424,000
2036-2040	7,795,000	2,626,250	10,421,250
2041-2043	5,675,000	576,750	6,251,750
	<u>\$ 28,150,000</u>	<u>\$ 19,799,700</u>	<u>\$ 47,949,700</u>

**MICHIGAN PUBLIC POWER AGENCY**

Notes to Financial Statements

December 31, 2020

**NOTE 6 – NON-CURRENT LIABILITIES (CONT.)**

***AFEC Project Revenue Bonds (CONT.)***

*Non-Current Liabilities as of December 31, 2020:*

	01/01/2020			12/31/2020
	Balance	Additions	Reductions	Balance
Revenue Bonds	\$ 28,805,000	\$ -	\$ (655,000)	\$ 28,150,000
Unamortized Premium on Bonds	1,134,767		(80,211)	1,054,556
Current Maturities	(655,000)	(685,000)	655,000	(685,000)
<b>Total Non-Current Liabilities</b>	<b>\$ 29,284,767</b>	<b>\$ (685,000)</b>	<b>\$ (80,211)</b>	<b>\$ 28,519,556</b>

***Combustion Turbine No. 1 Project Revenue Bonds***

The following bonds have been issued by MPPA:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>
October 30, 2020	Refinancing of 2011 bonds	1/1/2027	1.33%	\$ 12,305,000

The following obligations are outstanding at 12/31/2020:

2020 Series A Bonds	\$ 12,305,000
Less: Current Portion	-
<b>Total</b>	<b>\$ 12,305,000</b>

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

### NOTE 6 – NON-CURRENT LIABILITIES (cont.)

#### **Combustion Turbine No. 1 Project Revenue Bonds** (cont.)

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected during each of the remaining seven years following December 31, 2020 are as follows:

Year Ending December 31	Principal	Interest	Total
2021	-	-	-
2022	1,965,000	191,387	2,156,387
2023	2,010,000	137,522	2,147,522
2024	2,040,000	110,789	2,150,789
2025	2,070,000	83,657	2,153,657
2026-2027	4,220,000	84,389	4,304,389
	<b>\$ 12,305,000</b>	<b>\$ 607,744</b>	<b>\$ 12,912,744</b>

#### *Non-Current Liabilities as of December 31, 2020:*

	01/01/2020 Balance	Additions	Reductions	12/31/2020 Balance
Revenue Bonds	\$ 15,530,000	\$ 12,305,000	\$ (15,530,000)	\$ 12,305,000
Unamortized Premium on Bonds	635,534	-	(635,534)	-
Current Maturities	(1,625,000)	-	1,625,000	-
<b>Total Non-Current Liabilities</b>	<b>\$ 14,540,534</b>	<b>\$ 12,305,000</b>	<b>\$ (14,540,534)</b>	<b>\$ 12,305,000</b>

#### *Current Refunding*

On October 30, 2020, MPPA issued \$12,305,000 in bonds (new bonds) at a rate of 1.33% to refund \$19,222,750 (Principal & Interest) in outstanding bonds (old bonds) with a maximum interest rate of 5.0%. The net proceeds along with additional cash on hand in the amount of \$2,057,625, less issuance costs of \$107,950 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered to be defeased and the liability for the old bonds has been removed from the Statement of Net Position.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

### **NOTE 6 – NON-CURRENT LIABILITIES (cont.)**

#### *Current Refunding (cont.)*

The refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new bonds) of \$1,780,044.

#### *Direct Placement*

MPPA entered into a direct placement of its debt for the Combustion Turbine 2020 Series A Refunding Revenue bonds in the amount of \$12,305,000. The bonds are subject to the terms and conditions of the original bond resolution. There are no additional covenants associated with the direct placement debt or additional finance related consequences related to significant events of default, termination events or subjective acceleration clauses.

#### ***Belle River Project***

*Non-current Liabilities as of December 31, 2020:*

	01/01/2020 Balance	Additions	Reductions	12/31/2020 Balance
Asset Retirement Obligation	147,470		5,627	153,096
Member Deposits	3,890,000	-	(460,000)	3,430,000
Total Non-Current Liabilities	\$ 4,037,470	\$ -	\$ (454,373)	\$ 3,583,096

#### ***Energy Services Project***

*Non-current Liabilities as of December 31, 2020:*

	01/01/2020 Balance	Additions	Reductions	12/31/2020 Balance
Member Deposits	10,224,803	5,035,668	-	15,260,471
Total Non-Current Liabilities	\$ 10,224,803	\$ 5,035,668	\$ -	\$ 15,260,471

#### ***Landfill Renewable Energy Project***

*Non-current Liabilities as of December 31, 2020:*

	01/01/2020 Balance	Additions	Reductions	12/31/2020 Balance
Member Deposits	133,505	-	-	133,505
Total Non-Current Liabilities	\$ 133,505	\$ -	\$ -	\$ 133,505

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### NOTE 6 – NON-CURRENT LIABILITIES (cont.)

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#### **General Office- Service Committees**

*Non-current Liabilities as of December 31, 2020:*

	01/01/2020			12/31/2020
	Balance	Additions	Reductions	Balance
Member Deposits	460,579	97,448		558,027
Total Non-Current Liabilities	\$ 460,579	\$ 97,448	\$ -	\$ 558,027

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### NOTE 7 – EMPLOYEE RETIREMENT PLAN

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MPPA employees are covered by a defined contribution retirement pension plan, the Michigan Public Power Agency Plan (the plan), which is administered by ICMA Retirement Corporation. MPPA makes an annual contribution based on a percentage of employee earnings on behalf of each employee. The plan follows the Standard 401(a) plan offered by the ICMA-RC. Required contributions by MPPA are 15% of employee salaries. Employees do not make contributions to the plan. The contribution requirements are established and can be amended by the MPPA Board of Commissioners. Total contributions to the plan by MPPA for the years ended December 31, 2020, 2019, and 2018 were approximately \$341,000, \$345,000, and \$304,000, respectively.

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### NOTE 8 – CONTRACTS AND COMMITMENTS

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#### **Contract with Consumers Energy**

MPPA contracted with Consumers to purchase fuel coal to maintain a stockpile level of 13,482 wet tons for the Campbell Unit No. 3 plant for the 2020 calendar year. The coal is purchased at the prevailing market price at the time of delivery. MPPA also purchased an additional stockpile of coal as a substitute for its proportionate interest in the materials and supply inventory at Campbell Unit No. 3. This stockpile is maintained at a level to approximate MPPA's ownership interest in the materials and supply inventory at the Campbell plant.

#### **Future Energy Contracts**

The Agency has entered into long-term contracts for the purchase of capacity and energy to meet the anticipated load requirements of its members. As of year-end, the power commitments for the period from January 1, 2021 – Dec 31, 2047 total \$881,490,940.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### **NOTE 9 – RISK MANAGEMENT**

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MPPA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles.

There have been no claims in any of the past three years. MPPA is committed to maintaining adequate amounts of coverage to insure against these risks.

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### **NOTE 10 – CONCENTRATION OF RISK**

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Credit risk represents the risk of loss that would occur if customers do not meet their financial obligations to MPPA. Concentration of risk occurs when significant customers possess similar characteristics that would cause their ability to meet contractual obligations to be affected by the same events.

MPPA has three members who are considered significant customers that accounted for \$77.4 million (44.2%) of MPPA gross revenues in 2020.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### NOTE 11 – BOND COVENANT DISCLOSURES

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#### Campbell No. 3 Project

#### Compliance with Funding Requirements

##### *Debt Service Coverage*

	<u>2020</u>
Gross operating revenues	\$ 14,297,264
Other revenues	313,762
	<hr/> 14,611,026
Operating expenses	12,726,510
Less: Depreciation	(3,068,783)
	<hr/> 9,657,727
Net revenues	<hr/> \$ 4,953,299
Debt service (principal & interest)	4,220,451
Required revenues (1.1x debt service)	4,642,496
Revenues in Excess of Coverage Requirements	<hr/> \$ 310,803

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.



# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### NOTE 11 – BOND COVENANT DISCLOSURES (cont.)

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#### Combustion Turbine No. 1 Project

#### Compliance with Funding Requirements

##### *Debt Service Coverage*

	<u>2020</u>
Gross operating revenues	\$ 5,540,154
Other revenues	79,261
	<hr/> 5,619,415
Operating expenses	3,808,143
Less: Depreciation	(973,239)
	<hr/> 2,834,905
Net revenues	<hr/> \$ 2,784,511
Debt service (principal, interest, reserve contribution)	2,401,500
Required revenues (1.1x debt service)	2,641,650
Revenues in Excess of Coverage Requirements	<hr/> \$ 142,861

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

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### NOTE 11 – BOND COVENANT DISCLOSURES (cont.)

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#### AFEC Project

#### Compliance with Funding Requirements

##### *Debt Service Coverage*

	<u>2020</u>
Gross operating revenues	\$ 9,706,412
Other revenues	136,098
	<hr/> 9,842,510
Operating expenses	8,133,236
Less: Depreciation	(849,314)
	<hr/> 7,283,923
Net revenues	<hr/> \$ 2,558,587
Debt service (principal & interest)	2,054,550
Required revenues (1.1x debt service)	2,260,005
Revenues in Excess of Coverage Requirements	<hr/> \$ 298,582

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.

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### NOTE 12 – ASSET RETIREMENT OBLIGATIONS

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MPPA follows GASB Statement 83 *Certain Asset Retirement Obligations*, which addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets that are incurred upon the acquisition, construction, development or normal operation of the assets. MPPA's asset retirement obligations consist primarily of costs associated with the closure of ash and scrubber ponds at MPPA's jointly-owned plants, of which, MPPA owns a minority share. Per GASB 83, asset retirement obligations are recognized in the period in which they are incurred, if a reasonable estimate of fair value can be made. The asset retirement obligations are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over their useful life. MPPA uses information from DTE and Consumers Energy to estimate the cash flows to determine the obligation.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2020

### NOTE 12 – ASSET RETIREMENT OBLIGATIONS (cont.)

Balances as of 12.31.20 are as follows:

<u>Asset Retirement Obligations</u>	<u>Belle River</u>	<u>Campbell #3</u>	<u>Total</u>
Opening Balance	\$147,470	\$1,103,825	\$1,251,294
Accretion	\$5,627	\$133,101	\$138,728
Ending Balance	\$153,096	\$1,236,926	\$1,390,022

MPPA's ownership percentage in the Belle River Project and Campbell #3 Project is 18.61% and 4.8%, respectively.

### NOTE 13 – RESTATEMENT OF NET POSITION

During the year, the Agency corrected several items due to changes in accounting treatment for certain transmission assets and updated information from MPPA's owner operator related to fuel supply at its Belle River plant. These changes required an adjustment of prior periods and a restatement of net position for 2019. MPPA has restated amounts of the affected balances within the financial statements for the period ended December 31, 2019 as follows:

	Statement of Net Position					
	<u>Belle River Project</u>		<u>Transmission Project</u>		<u>MPPA Consolidated (all Projects)</u>	
	<u>2019 (restated)</u>	2019 (as previously reported)	<u>2019 (restated)</u>	2019 (as previously reported)	<u>2019 (restated)</u>	2019 (as previously reported)
<b>Current Assets</b>						
Fuel Inventory	\$ 9,376,189	\$ 3,561,488	\$ -	\$ -	\$ 10,413,745	\$ 4,599,044
Total Current Assets	<u>\$ 9,376,189</u>	<u>\$ 3,561,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,413,745</u>	<u>\$ 4,599,044</u>
<b>Non-Current Liabilities</b>						
Member Deposits/Cap. Contributions	\$ 3,890,000	\$ 3,890,000	\$ -	\$ 3,335,511	\$ 15,618,691	\$ 18,954,202
Total Non-Current Liabilities	<u>\$ 3,890,000</u>	<u>\$ 3,890,000</u>	<u>\$ -</u>	<u>\$ 3,335,511</u>	<u>\$ 15,618,691</u>	<u>\$ 18,954,202</u>
<b>Net Position</b>						
Beginning net position	176,250,079	170,435,378	3,374,939	39,428	241,283,420	232,133,210
Ending net position	162,731,907	156,917,207	3,367,628	32,117	232,998,954	223,848,744

**OTHER SUPPLEMENTAL INFORMATION**

## MICHIGAN PUBLIC POWER AGENCY

### SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE CAMPBELL NO. 3 PROJECT REVENUE BOND RESOLUTION Year Ended December 31, 2020

	Revenue Account	Operation and Maintenance Account	Operation and Maintenance Reserve Account	Fuel Reserve Account	Debt Service Account	Project Account	Construction Account	Totals
Cash and investments at January 1, 2020	\$ -	\$ 1,912,868	\$ 250,000	\$ 800,000	\$ 2,096,875	\$ 8,718,873	\$ -	\$ 13,778,617
Transfers in	-	10,054,127	-	-	4,214,500	2,168,360	-	16,436,987
Receipts	14,107,695	-	-	-	-	-	-	14,107,695
Investment receipts	-	314,879	-	-	4,812	-	-	319,691
Proceeds from Bonds	-	-	-	-	-	-	-	-
Payment of interest on bonds	-	-	-	-	(210,451)	-	-	(210,451)
Payment of bond principal	-	-	-	-	(4,010,000)	-	-	(4,010,000)
Capital disbursements	-	(941,160)	-	-	-	-	-	(941,160)
Disbursements	-	(9,803,996)	-	-	-	-	-	(9,803,996)
Transfer out	(14,107,695)	-	-	-	-	(2,329,292)	-	(16,436,987)
Cash and Investments at December 31,2020	<u>\$ -</u>	<u>\$ 1,536,718</u>	<u>\$ 250,000</u>	<u>\$ 800,000</u>	<u>\$ 2,095,736</u>	<u>\$ 8,557,942</u>	<u>\$ -</u>	<u>\$ 13,240,396</u>

## MICHIGAN PUBLIC POWER AGENCY

### SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE AFEC PROJECT REVENUE BOND RESOLUTION Year Ended December 31, 2020

	<u>Revenue Account</u>	<u>Operation and Maintenance Account</u>	<u>Debt Service Account</u>	<u>Debt Service Reserve Account</u>	<u>Reserve &amp; Contingency Account</u>	<u>Project Account</u>	<u>Totals</u>
Cash and investments at January 1, 2020	\$ -	\$ 1,083,052	\$ 1,378,412	\$ 2,235,247	\$ 284,610	\$ 7,483,797	\$ 12,465,117
Transfers in	-	8,226,160	2,072,841	-	-	3,892,536	14,191,537
Receipts	10,208,378	-	-	-	-	-	10,208,378
Investment receipts	-	(21,279)	3,422	14,343.05	-	144,111	140,597
Proceeds from bonds	-	-	-	-	-	-	-
Payment of interest on bonds	-	-	(1,414,288)	-	-	-	(1,414,288)
Payment of bond principal	-	-	(655,000)	-	-	-	(655,000)
Capital disbursements	-	(371,248)	-	-	-	-	(371,248)
Disbursements	-	(7,223,903)	-	-	-	-	(7,223,903)
Transfers out	<u>(10,208,378)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,983,159)</u>	<u>(14,191,537)</u>
Cash and Investments at December 31, 2020	<u>\$ -</u>	<u>\$ 1,692,783</u>	<u>\$ 1,385,387</u>	<u>\$ 2,249,590</u>	<u>\$ 284,610</u>	<u>\$ 7,537,284</u>	<u>\$ 13,149,653</u>

## MICHIGAN PUBLIC POWER AGENCY

### SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE COMBUSTION TURBINE PROJECT REVENUE BOND RESOLUTION Year Ended December 31, 2020

	Revenue Account	Operation and Maintenance Account	Debt Service Account	Debt Service Reserve Account	Project Account	Totals
Cash and investments at January 1, 2020	\$ -	\$ 607,186	\$ 2,030,204	\$ 1,727,233	\$ 4,116,806	\$ 8,481,428
Transfers in	-	2,507,522	2,004,378	-	2,332,381	6,844,282
Receipts	5,503,957	-	-	-	-	5,503,957
Investment receipts	-	(51,915)	4,162	52,601	76,766	81,613
Payment of interest on bonds	-	-	(1,083,500)	-	-	(1,083,500)
Payment of bond principal	-	-	(1,625,000)	-	-	(1,625,000)
Capital disbursements	-	339,564	379,757	-	(387,543)	331,778
Disbursements	-	(2,742,629)	(1,710,000)	-	-	(4,452,629)
Transfers out	<u>(5,503,957)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,720,082)</u>	<u>(7,224,039)</u>
Cash and Investments at December 31, 2020	<u>\$ -</u>	<u>\$ 659,729</u>	<u>\$ (0)</u>	<u>\$ 1,779,833</u>	<u>\$ 4,418,328</u>	<u>\$ 6,857,890</u>

**MICHIGAN PUBLIC POWER AGENCY  
CAMPBELL #3 PROJECT  
Statement of Revenues, Expenses and Changes in Net Position  
12 MONTHS ENDED 12/31/2020 AND 2019**

	2020 ACTUAL	UNAUDITED 2020 BUDGET	OVER (UNDER) 2020 BUDGET	2019 ACTUAL
<b>OPERATING REVENUE</b>				
Energy	\$ 6,744,603	\$ 7,207,349	\$ (462,746)	\$ 6,724,532
Transmission	1,206,834	1,187,298	19,536	1,091,319
Fuel	6,345,827	6,318,023	27,804	6,166,453
<b>TOTAL OPERATING REVENUE</b>	<b>14,297,264</b>	<b>14,712,670</b>	<b>(415,406)</b>	<b>13,982,304</b>
<b>OPERATING EXPENSE</b>				
<b>Production</b>				
Fuel	6,345,827	6,318,023	27,804	6,166,453
Operations & Maintenance	1,505,261	1,717,000	(211,739)	1,471,520
MISO Market OH Fee	36,635	40,000	(3,365)	33,240
<b>Total Operating &amp; Maintenance Expense</b>	<b>7,887,723</b>	<b>8,075,023</b>	<b>(187,300)</b>	<b>7,671,213</b>
<b>TRANSMISSION</b>				
Operations & Maintenance	384,752	327,500	57,252	336,194
Utilization Charge	822,082	859,798	(37,716)	755,124
<b>Total Transmission Expense</b>	<b>1,206,834</b>	<b>1,187,298</b>	<b>19,536</b>	<b>1,091,319</b>
<b>ADMINISTRATIVE &amp; GENERAL</b>				
CECo	214,473	445,000	(230,527)	239,371
<b>MPPA</b>				
Salaries and Benefits	232,128	222,802	9,326	221,436
Outside Services	63,179	85,460	(22,281)	62,108
All Other A & G	53,390	57,550	(4,160)	61,063
<b>Total A&amp;G expense</b>	<b>563,170</b>	<b>810,812</b>	<b>(247,642)</b>	<b>583,979</b>
Depreciation	3,068,783	3,036,969	31,814	3,052,342
<b>TOTAL OPERATING EXPENSE</b>	<b>12,726,510</b>	<b>13,110,102</b>	<b>(383,592)</b>	<b>12,398,853</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,570,754</b>	<b>1,602,568</b>	<b>(31,814)</b>	<b>1,583,451</b>
<b>OTHER EXPENSE</b>				
Interest expense	164,537	164,537	(1)	255,793
<b>TOTAL OTHER EXPENSE</b>	<b>164,537</b>	<b>164,537</b>	<b>(1)</b>	<b>255,793</b>
<b>OTHER REVENUE</b>				
Interest income	210,077	185,000	25,077	269,580
Net Change in Fair Value of Investments	103,685	-	103,685	109,360
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXP)</b>	<b>313,762</b>	<b>185,000</b>	<b>128,762</b>	<b>378,940</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,719,979</b>	<b>\$ 1,623,031</b>	<b>\$ 96,948</b>	<b>\$ 1,706,598</b>



**MICHIGAN PUBLIC POWER AGENCY**  
**BELLE RIVER PROJECT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**12 MONTHS ENDED 12/31/2020 AND 2019**

	2020 ACTUAL	UNAUDITED 2020 BUDGET	OVER (UNDER) 2020 BUDGET	2019 ACTUAL
<b>OPERATING REVENUE</b>				
Energy	\$ 14,762,700	\$ 14,579,859	\$ 182,841	\$ 14,117,286
Transmission	5,632,065	3,144,158	2,487,907	4,299,017
Fuel	18,974,740	22,748,745	(3,774,005)	24,231,154
<b>TOTAL OPERATING REVENUE</b>	<b>39,369,505</b>	<b>40,472,762</b>	<b>(1,103,257)</b>	<b>42,647,456</b>
<b>OPERATING EXPENSE</b>				
<b>Production</b>				
Fuel	18,974,740	22,748,745	(3,774,005)	24,231,154
Operations & Maintenance	10,709,968	9,802,918	907,050	10,328,401
MISO Market OH Fee	194,152	190,000	4,152	175,701
<b>Total Operating &amp; Maintenance Expense</b>	<b>29,878,860</b>	<b>32,741,663</b>	<b>(2,862,803)</b>	<b>34,735,256</b>
<b>TRANSMISSION</b>				
Operations & Maintenance	2,452,937	2,327,582	125,355	2,333,340
Utilization Charge	5,300,881	5,447,424	(146,543)	4,969,405
ITC Revenue Distribution	(2,437,091)	(4,630,848)	2,193,757	(3,428,940)
<b>Total Transmission Expense</b>	<b>5,316,727</b>	<b>3,144,158</b>	<b>2,172,569</b>	<b>3,873,804</b>
<b>ADMINISTRATIVE &amp; GENERAL</b>				
DECo	2,748,606	3,014,753	(266,147)	3,000,681
ITC	313,939	449,200	(135,261)	425,646
<b>MPPA</b>				
Salaries & Benefits	339,471	342,765	(3,294)	373,889
Outside Services	193,162	195,403	(2,241)	151,591
All Other A & G	78,739	84,820	(6,081)	86,588
<b>Total A&amp;G expense</b>	<b>3,673,917</b>	<b>4,086,941</b>	<b>(413,024)</b>	<b>4,038,396</b>
Depreciation	16,302,591	14,412,050	1,890,541	14,191,193
<b>TOTAL OPERATING EXPENSE</b>	<b>55,172,095</b>	<b>54,384,812</b>	<b>787,283</b>	<b>56,838,649</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(15,802,591)</b>	<b>(13,912,050)</b>	<b>(1,890,541)</b>	<b>(14,191,193)</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest income	213,909	330,000	(116,091)	623,234
Net Change in Fair Value of Investments	29,052	-	29,052	49,786
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXP)</b>	<b>242,961</b>	<b>330,000</b>	<b>(87,039)</b>	<b>673,020</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (15,559,630)</b>	<b>\$ (13,582,050)</b>	<b>\$ (1,977,580)</b>	<b>\$ (13,518,173)</b>

**MICHIGAN PUBLIC POWER AGENCY**  
**AFEC PROJECT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**12 MONTHS ENDED 12/31/2020 AND 2019**

	2020 ACTUAL	UNAUDITED 2020 BUDGET	OVER (UNDER) 2020 BUDGET	2019 ACTUAL
<b>OPERATING REVENUE</b>				
Energy & Capacity	\$ 9,706,412	\$ 10,122,600	\$ (416,188)	\$ 10,659,037
<b>TOTAL OPERATING REVENUE</b>	<b>9,706,412</b>	<b>10,122,600</b>	<b>(416,188)</b>	<b>10,659,037</b>
<b>OPERATING EXPENSE</b>				
<b>Production</b>				
Fuel	3,837,814	4,385,301	(547,487)	4,157,567
Fixed O & M	1,813,935	1,815,561	(1,626)	1,814,235
Variable O & M	271,158	285,504	(14,346)	282,308
PJM Replacement Pwr	88,586	150,000	(61,414)	248,292
Reactive Revenue Distribution	(110,159)	(110,159)	(0)	(110,159)
Capacity Credit	(956,196)	(955,584)	(612)	(1,341,485)
MISO Capacity Purchase	1,560,780	1,560,780	-	1,454,640
<b>Total Operating &amp; Maintenance Expense</b>	<b>6,505,918</b>	<b>7,131,403</b>	<b>(625,485)</b>	<b>6,505,399</b>
<b>TRANSMISSION</b>				
LMP Price Differential	388,941	306,282	82,659	202,855
<b>ADMINISTRATIVE &amp; GENERAL</b>				
AMP	101,465	106,834	(5,369)	105,636
<b>MPPA</b>				
Salaries and Benefits	188,253	185,664	2,589	182,695
Outside Services	56,766	49,204	7,562	52,255
All Other A & G	42,579	48,663	(6,084)	50,877
<b>Total A&amp;G expense</b>	<b>389,063</b>	<b>390,365</b>	<b>(1,302)</b>	<b>391,463</b>
Depreciation	849,314	856,878	(7,564)	839,724
<b>TOTAL OPERATING EXPENSE</b>	<b>8,133,236</b>	<b>8,684,928</b>	<b>(551,692)</b>	<b>7,939,441</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,573,175</b>	<b>1,437,672</b>	<b>135,503</b>	<b>2,719,596</b>
<b>OTHER EXPENSE</b>				
Amortization	(80,211)	(80,211)	-	(81,901)
Interest expense	1,399,550	1,399,550	0	1,429,025
<b>TOTAL OTHER EXPENSE</b>	<b>1,319,339</b>	<b>1,319,339</b>	<b>0</b>	<b>1,347,124</b>
<b>OTHER REVENUE</b>				
Interest income	111,859	120,000	(8,141)	205,389
Net Change in Fair Value of Investments	24,239	-	24,239	48,851
Miscellaneous	-	-	-	319,364
<b>TOTAL OTHER REVENUE</b>	<b>136,098</b>	<b>120,000</b>	<b>16,098</b>	<b>573,604</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 389,934</b>	<b>\$ 238,333</b>	<b>\$ 151,601</b>	<b>\$ 1,946,076</b>

**MICHIGAN PUBLIC POWER AGENCY  
COMBUSTION TURBINE PROJECT  
Statement of Revenues, Expenses and Changes in Net Position  
12 MONTHS ENDED 12/31/2020 AND 2019**

	2020 ACTUAL	UNAUDITED 2020 BUDGET	OVER (UNDER) 2020 BUDGET	2019 ACTUAL
<b>OPERATING REVENUE</b>				
Energy	\$ 3,634,290	\$ 3,888,191	\$ (253,901)	\$ 3,740,175
Transmission	1,483,767	1,381,322	102,445	1,363,975
Fuel	422,098	549,856	(127,758)	679,102
<b>TOTAL OPERATING REVENUE</b>	<b>5,540,154</b>	<b>5,819,369</b>	<b>(279,215)</b>	<b>5,783,252</b>
<b>OPERATING EXPENSE</b>				
<b>Production</b>				
Fuel	422,098	549,856	(127,758)	679,102
Operations & Maintenance	551,383	596,408	(45,025)	610,618
MISO Market OH Fee	4,361	13,000	(8,639)	6,997
<b>Total Operating &amp; Maintenance Expense</b>	<b>977,842</b>	<b>1,159,264</b>	<b>(181,422)</b>	<b>1,296,716</b>
<b>TRANSMISSION</b>				
Operations & Maintenance	1,103,445	1,001,000	102,445	977,256
<b>ADMINISTRATIVE &amp; GENERAL</b>				
Traverse City	318,304	412,500	(94,196)	339,719
<b>MPPA</b>				
Salaries & Benefits	223,683	251,361	(27,678)	186,316
Outside Services	26,428	106,570	(80,142)	90,130
All Other A & G	185,202	183,424	1,778	191,615
<b>Total A&amp;G expense</b>	<b>753,617</b>	<b>953,855</b>	<b>(200,238)</b>	<b>807,780</b>
Depreciation	973,239	1,040,460	(67,221)	1,038,854
<b>TOTAL OPERATING EXPENSE</b>	<b>3,808,143</b>	<b>4,154,579</b>	<b>(346,436)</b>	<b>4,120,606</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,732,011</b>	<b>1,664,790</b>	<b>67,221</b>	<b>1,662,646</b>
<b>OTHER EXPENSE</b>				
Amortization	(69,132)	(69,132)	-	(77,211)
Bond Issuance Expense	107,950	-	107,950	-
Interest expense	695,250	695,250	-	776,500
<b>TOTAL OTHER EXPENSE</b>	<b>734,068</b>	<b>626,118</b>	<b>107,950</b>	<b>699,289</b>
<b>OTHER REVENUE</b>				
Interest income	65,165	110,000	(44,835)	135,186
Net Change in Fair Value of Investments	14,096	-	14,096	28,979
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXP)</b>	<b>79,261</b>	<b>110,000</b>	<b>(30,739)</b>	<b>164,165</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,077,205</b>	<b>\$ 1,148,672</b>	<b>\$ (71,467)</b>	<b>\$ 1,127,522</b>

**MICHIGAN PUBLIC POWER AGENCY  
ENERGY SERVICES PROJECT  
Statement of Revenues, Expenses and Changes in Net Position  
12 MONTHS ENDED 12/31/2020 AND 2019**

	2020 ACTUAL	UNAUDITED 2020 BUDGET	OVER (UNDER) 2020 BUDGET	2019 ACTUAL
<b>OPERATING REVENUE</b>				
Energy & Capacity	\$ 49,623,084	\$ 61,913,799	\$ (12,290,715)	\$ 45,398,182
Transmission	16,192,081	17,870,093	(1,678,012)	10,972,861
MISO Energy Market Sales	21,878,016	10,875,001	11,003,015	14,710,433
<b>TOTAL OPERATING REVENUE</b>	<b>87,693,181</b>	<b>90,658,893</b>	<b>(2,965,712)</b>	<b>71,081,476</b>
<b>OPERATING EXPENSE</b>				
Purchased Power				
Energy & Capacity	58,669,210	60,061,839	(1,392,629)	49,441,315
Energy Market OH Fee	364,096	605,938	(241,842)	834,056
Energy Market Purch	10,967,955	10,875,001	92,954	8,508,024
REC Purchases	197,566	-	197,566	-
<b>Total Purchased Power Expense</b>	<b>70,198,827</b>	<b>71,542,778</b>	<b>(1,343,951)</b>	<b>58,783,395</b>
<b>TRANSMISSION</b>				
Operations & Maintenance	14,355,764	14,932,129	(576,365)	9,221,425
Transmission transfer to TSC	1,836,317	2,937,964	(1,101,647)	1,751,436
<b>Total Transmission Expense</b>	<b>16,192,081</b>	<b>17,870,093</b>	<b>(1,678,012)</b>	<b>10,972,861</b>
<b>ADMINISTRATIVE &amp; GENERAL</b>				
MPPA				
Salaries & Benefits	774,745	742,664	32,081	826,191
Outside Services	358,377	321,370	37,007	290,150
All Other A & G	169,151	181,988	(12,837)	208,879
<b>Total A&amp;G expense</b>	<b>1,302,272</b>	<b>1,246,022</b>	<b>56,250</b>	<b>1,325,220</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>87,693,181</b>	<b>90,658,893</b>	<b>(2,965,712)</b>	<b>71,081,476</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest/Investment income	159,772	160,000	(228)	206,762
Net Change in Fair Value of Investments	66,461	-	66,461	47,190
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXP)</b>	<b>226,234</b>	<b>160,000</b>	<b>66,234</b>	<b>253,951</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 226,234</b>	<b>\$ 160,000</b>	<b>\$ 66,234</b>	<b>\$ 253,951</b>

**MICHIGAN PUBLIC POWER AGENCY  
LANDFILL PROJECT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**12 MONTHS ENDED 12/31/2020 AND 2019**

	2020 ACTUAL	UNAUDITED 2020 BUDGET	OVER (UNDER) 2020 BUDGET	2019 ACTUAL
<b>OPERATING REVENUE</b>				
Energy	\$ 14,936,542	\$ 13,969,842	\$ 966,700	\$ 13,003,284
Sale of RECs	(1,013,146)	-	(1,013,146)	(221,257)
<b>TOTAL OPERATING REVENUE</b>	<b>13,923,395</b>	<b>13,969,842</b>	<b>(46,447)</b>	<b>12,782,027</b>
<b>OPERATING EXPENSE</b>				
Purchased Power				
Energy	14,803,346	13,829,744	973,602	12,862,553
REC Disbursement	(1,013,146)	-	(1,013,146)	(221,257)
<b>Total Purchased Power</b>	<b>13,790,200</b>	<b>13,829,744</b>	<b>(39,544)</b>	<b>12,641,296</b>
<b>ADMINISTRATIVE &amp; GENERAL</b>				
MPPA				
Salaries & Benefits	92,604	99,971	(7,367)	96,140
Outside Services	12,373	14,978	(2,605)	17,112
All Other A & G	28,218	25,149	3,069	27,478
<b>Total A&amp;G expense</b>	<b>133,195</b>	<b>140,098</b>	<b>(6,903)</b>	<b>140,730</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>13,923,395</b>	<b>13,969,842</b>	<b>(46,447)</b>	<b>12,782,027</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest income	14,796	12,000	2,796	32,581
Net Change in Fair Value of Investments	3,071	-	3,071	6,721
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXP)</b>	<b>17,867</b>	<b>12,000</b>	<b>5,867</b>	<b>39,302</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 17,867</b>	<b>\$ 12,000</b>	<b>\$ 5,867</b>	<b>\$ 39,302</b>

**MICHIGAN PUBLIC POWER AGENCY  
TRANSMISSION PROJECT  
Statement of Revenues, Expenses and Changes in Net Position  
12 MONTHS ENDED 12/31/2020 AND 2019**

	2020 ACTUAL	UNAUDITED 2020 BUDGET	OVER (UNDER) 2020 BUDGET	2019 ACTUAL
<b>OPERATING REVENUE</b>				
Transmission Revenue	\$ 1,089,661	\$ 938,809	\$ 150,852	\$ 991,446
Jt Zone Transmission Revenue	4,217,122	3,749,652	467,470	3,689,135
Jt Zone Transmission Distribution	(4,173,659)	(3,706,272)	(467,387)	(3,645,129)
<b>TOTAL OPERATING REVENUE</b>	<b>1,133,124</b>	<b>982,189</b>	<b>150,935</b>	<b>1,035,452</b>
<b>OPERATING EXPENSE</b>				
<b>TRANSMISSION</b>				
Operations & Maintenance	995,948	823,581	172,367	880,018
Operation Joint Zone	31,200	31,200	-	31,200
Utilization Charge (Credit)	-	-	-	-
<b>Total Transmission Expense</b>	<b>1,027,148</b>	<b>854,781</b>	<b>172,367</b>	<b>911,218</b>
<b>ADMINISTRATIVE &amp; GENERAL</b>				
<b>MPPA</b>				
Salaries & Benefits	74,017	74,269	(253)	72,865
Outside Services	12,788	31,757	(18,969)	30,682
All Other A & G	19,172	21,382	(2,210)	20,686
<b>Total A&amp;G expense</b>	<b>105,976</b>	<b>127,408</b>	<b>(21,432)</b>	<b>124,234</b>
Depreciation	60,039	22,680	37,359	22,681
<b>TOTAL OPERATING EXPENSE</b>	<b>1,193,163</b>	<b>1,004,869</b>	<b>188,294</b>	<b>1,058,133</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(60,039)</b>	<b>(22,680)</b>	<b>(37,359)</b>	<b>(22,681)</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest income	6,672	9,500	(2,828)	12,522
Net Change in Fair Value of Investments	1,382	-	1,382	2,848
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXP)</b>	<b>8,053</b>	<b>9,500</b>	<b>(1,447)</b>	<b>15,371</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (51,986)</b>	<b>\$ (13,180)</b>	<b>\$ (38,806)</b>	<b>\$ (7,311)</b>

**MICHIGAN PUBLIC POWER AGENCY**  
**GENERAL FUND INCOME STATEMENT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**12 MONTHS ENDED 12/31/2020 AND 2019**

	2020 ACTUAL	2020 BUDGET	OVER (UNDER) 2020 BUDGET	2019 ACTUAL
<b>OPERATING REVENUE</b>				
Participant Dues & Assessments	\$ 848,935	\$ 843,134	\$ 5,801	\$ 833,753
Charges for Services:			-	
Allocated expenses (Projects)	132,492	132,492	-	132,516
MMEA charges	345,563	321,362	24,201	486,460
Total Committee Revenues	1,516,428	1,681,665	(165,237)	1,686,474
Miscellaneous	-	42,500	(42,500)	42,840
<b>TOTAL OPERATING REVENUE</b>	<b>2,843,418</b>	<b>3,021,153</b>	<b>(177,735)</b>	<b>3,182,043</b>
<b>OPERATING EXPENSE</b>				
<b>Administrative &amp; General</b>				
MMEA- direct expenses	297,563	273,362	24,201	438,460
Service Committee- direct expenses	1,424,619	1,567,113	(142,494)	1,601,476
Salaries & Benefits	350,529	360,257	(9,728)	318,770
Office supplies & expense	21,548	24,264	(2,716)	23,514
Insurance	51,320	37,530	13,790	34,062
Outside Services	63,840	175,108	(111,268)	124,674
Meeting & Travel	9,194	28,000	(18,806)	26,593
Rent & Building Maint.	32,543	38,436	(5,893)	28,450
Miscellaneous	6,150	6,150	-	6,150
Dues & Assessments	481,891	479,847	2,044	464,405
<b>Total A&amp;G expense</b>	<b>2,739,197</b>	<b>2,990,067</b>	<b>(250,870)</b>	<b>3,066,554</b>
Depreciation - Office Equip	24,184	19,452	4,732	20,199
Depreciation - Building	27,422	26,100	1,322	27,154
<b>TOTAL OPERATING EXPENSE</b>	<b>2,790,803</b>	<b>3,035,619</b>	<b>(244,816)</b>	<b>3,113,907</b>
<b>OTHER INCOME</b>				
Interest income	31,257	25,000	6,257	27,140
Net Change in Fair Value of Investments	10,293	-	10,293	6,125
Recognized Bldg Lease Income	66,180	66,193	(13)	66,168
	<b>107,730</b>	<b>91,193</b>	<b>16,537</b>	<b>99,433</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 160,346</b>	<b>\$ 76,727</b>	<b>\$ 83,619</b>	<b>\$ 167,569</b>