



809 Centennial Way  
Lansing, Michigan 48917

## FINANCIAL STATEMENTS

December 31, 2022

# MICHIGAN PUBLIC POWER AGENCY

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# MICHIGAN PUBLIC POWER AGENCY

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## **Independent Auditors' Report**

To the Board of Commissioners of  
Michigan Public Power Agency

### **Opinions**

We have audited the financial statements of the business-type activities and each major fund of the Michigan Public Power Agency (Agency), as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Agency as of December 31, 2022 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter**

As discussed in Note 13 to the financial statements, the statement of net position as of December 31, 2021 has been restated to correct a material misstatement that only affected the balance of capital assets and related accumulated depreciation and did not impact net position. Our opinions are not modified with respect to this matter.

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

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

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



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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 basic financial statements as a whole. The supplementary information as listed in the table of contents is 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 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 supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

## **Prior Year Comparative Information**

We have previously audited the Agency's 2021 financial statements prior to the restatement 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 4, 2022. As part of the audit of the December 31, 2022 financial statements, we also audited the adjustment described in Noted 13 that was applied to restate the December 31, 2021 financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is present fairly, in all material respects.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin  
April 6, 2023

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

## **MICHIGAN PUBLIC POWER AGENCY**

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

December 31, 2022

The management of 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, 2022, and 2021. 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 municipal power joint action agency 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 like a private sector business.

MPPA owns and administers eight Projects. Seven Projects provide power supply resources and services and one, the General Fund, invests in and manages the infrastructure and systems to operate the General Agency. These Projects are:

- Campbell #3
- Belle River
- Combustion Turbine
- Energy Services
- Transmission
- Landfill Renewable Energy
- AMP Fremont Energy Center (AFEC)
- General Fund

MPPA has different participating members in each Project who are each responsible for their share of all administrative, debt service, and operating expenses.

Each Project is financially independent from one another, supported entirely by the participating members. No monies can be shared between Projects.

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.

## **MICHIGAN PUBLIC POWER AGENCY**

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

December 31, 2022

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

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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.

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. Consideration 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 carefully study 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 (FERC) 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, 2022

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**MPPA FINANCIAL ANALYSIS (cont.)**

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**Table 1**  
**Statement of Net Position**

	<u>2022</u>	<u>2021 (Restated)</u>
Current Assets	\$ 105,964,578	\$ 90,163,071
Non-Current Assets		
Capital assets	192,432,408	192,307,663
Other assets	<u>23,461,489</u>	<u>21,726,742</u>
<b>Total Assets</b>	<b><u>321,858,475</u></b>	<b><u>304,197,476</u></b>
Deferred Outflows of Resources	<u>4,689,849</u>	<u>2,703,774</u>
Current Liabilities		
Accrued Interest Payable	263,180	197,396
Revenue Bonds Payable	4,300,000	4,040,000
Other Current Liabilities	<u>31,612,137</u>	<u>25,959,152</u>
<b>Total Current Liabilities</b>	<b><u>36,175,317</u></b>	<b><u>30,196,548</u></b>
Non-Current Liabilities		
Liabilities Payable from Restricted Assets		
Member Deposits	26,018,728	19,862,930
Asset Retirement Obligation	5,330,115	3,035,676
Revenue Bonds Payable	<u>30,650,000</u>	<u>34,950,000</u>
<b>Total Non-Current Liabilities</b>	<b><u>61,998,843</u></b>	<b><u>57,848,606</u></b>
<b>Total Liabilities</b>	<b><u>98,174,160</u></b>	<b><u>88,045,154</u></b>
Deferred Inflows of Resources	<u>888,196</u>	<u>1,108,422</u>
Net Position		
Net Investment in Capital Assets	156,594,212	152,209,241
Restricted	4,596,092	4,324,758
Unrestricted	<u>66,295,664</u>	<u>61,213,676</u>
<b>Total Net Position</b>	<b><u>\$ 227,485,968</u></b>	<b><u>\$ 217,747,675</u></b>

# MICHIGAN PUBLIC POWER AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2022

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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><b>2022</b></u>	<u><b>2021</b></u>
Gross Operating Revenues	\$ 299,552,671	\$ 231,849,122
Non-Operating Revenues	853,252	582,535
<b>Total Revenues</b>	<u><b>300,405,923</b></u>	<u><b>232,431,656</b></u>
Depreciation Expense	17,348,882	21,576,016
Other Operating Expenses	271,601,233	209,996,511
Non-Operating Expenses	1,717,514	2,310,397
<b>Total Expenses</b>	<u><b>290,667,630</b></u>	<u><b>233,882,925</b></u>
Change in Net Position before Distributions	\$ 9,738,293	\$ (1,451,269)
Distributions to Members	-	(1,779,961)
<b>Change in Net Position</b>	<u><b>\$ 9,738,293</b></u>	<u><b>(3,231,226)</b></u>
<b>Beginning Net Position</b>	<u><b>217,747,675</b></u>	<u><b>220,978,900</b></u>
<b>Ending Net Position</b>	<u><u><b>\$ 227,485,968</b></u></u>	<u><u><b>\$ 217,747,675</b></u></u>

### **Campbell #3 Project**

MPPA has a 4.8% undivided ownership share in J.H Campbell Unit #3, a coal-fired electric generation resource located in Ottawa County, Michigan. Consumers Energy, a regulated operating subsidiary of CMS Energy Corporation, and Wolverine Power Supply Cooperative own the remaining shares of the facility. 10 of MPPA's members participate in this Project. MPPA's 2022 share of the Project's generation was 255,451 MWhs compared with 2021's generation of 261,373 MWhs. The total Project cost, including capital collections, was \$46.33/MWh vs \$54.91/MWh in 2021. Project availability and capacity factor in 2022 was 74.4% and 72.1% respectively compared to 75.6% and 73.8% in 2021.

### **Belle River Project**

MPPA has a 18.61% undivided ownership share in Belle River Power Plant, a coal-fired electric generation resource in St. Clair County, Michigan. DTE Electric, a regulated operating subsidiary of DTE Energy, owns the remaining share of the facility. 11 of MPPA's members participate in this Project. MPPA's 2022 share of the Project's generation was 1,243,961 MWhs compared with 2021's generation of 1,312,641 MWhs. The total Project cost, including capital collections, was \$71.24/MWh vs \$47.67/MWh in 2021. Project availability and capacity factor in 2022 was 76.9% and 61.2% respectively compared to 82.2% and 64.5% in 2021.

## **MICHIGAN PUBLIC POWER AGENCY**

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

December 31, 2022

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

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

MPPA owns 100% of the Combustion Turbine Project (CT Project), a natural gas fired electric generation resource located in Kalkaska County, MI. Five of MPPA's members participate in this Project. Project generation in 2022 was 43,487 MWhs compared with 2021's generation of 52,940 MWhs. Project availability and capacity factor in 2022 was 86.0% and 9.1% respectively compared to 99.2% and 11.1% in 2021.

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

MPPA owns 100% of the Energy Services Project (ESP). ESP is a contracted power project that executes power purchase agreements with wholesale market participants and developers. ESP also provides market operation services interfacing participating member load and supply resources in wholesale power markets. 21 of MPPA's members participate in this Project. During 2022, the ESP provided 2,038,917 MWhs of energy to its members at an average energy cost of \$59.85/MWh compared to 1,943,466 MWhs at an average energy cost of \$42.39/MWh in 2021.

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

MPPA owns 100% of the Landfill Renewable Energy Project. This is a contracted power project where MPPA purchases all power supply and renewable energy attributes produced by designated landfill gas fueled power generation resources. 14 of MPPA's members participate in this Project. During 2022, MPPA purchased a total of 132,721 MWhs at an average energy cost of \$96.15/MWh compared to 137,667 MWhs at an average energy cost of \$92.58/MWh in 2021.

##### **Transmission Project**

MPPA has varying percentages of undivided ownership in designated high voltage electric transmission facilities in Michigan. 13 of MPPA's members participate in this Project.

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

MPPA has a 5.16% undivided ownership share in the Fremont Energy Center, a natural gas fired combined cycle electric power generation resource located in Sandusky County, Ohio. American Municipal Power (AMP) owns the remaining share of the Project. 13 of MPPA's members participate in this Project. MPPA's 2022 share of the Project's generation was 220,150 MWhs compared with 2021's generation of 188,786 MWhs. The total operating costs for the plant were \$68.22/MWh vs \$59.16/MWh in 2021. Project availability and capacity factor in 2022 was 92.7% and 66.8% respectively compared to 90.4% and 61.3% in 2021.

##### **General Fund**

MPPA's General Fund manages Agency activities that are not directly tied to a specific project. Member dues are based on the annual budgeted operating expenses and capital requirements.



## MICHIGAN PUBLIC POWER AGENCY

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

December 31, 2022

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

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##### **General Fund (cont.)**

The General Fund also includes an overhead contribution from MPPA's service committees, MMEA and Associate Member dues. The service committees provide a venue for MPPA Members and municipal utilities that are not MPPA members to participate in activities that do not require financing or the acquisition of assets, including power supply exploration, regulatory compliance, and member operations. The service committees are treated as separate sub-accounts under the General Fund for accounting purposes.

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#### **CAPITAL ASSETS**

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MPPA's investment in capital assets as of December 31, 2022, amounts to \$192,432,408 (net of accumulated depreciation). This investment in capital assets includes investment in plants, transmission systems, land, buildings, improvements, machinery, and equipment. See Note 6 for additional details.

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#### **LONG-TERM DEBT**

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On December 31, 2022, MPPA had a total of \$98,174,160 in total outstanding liabilities. Of this amount, the following represents bond payments payable:

##### **Long Term Debt - Bonds**

Combustion Turbine Project	\$ 10,340,000
AMP Fremont Energy Center Project (AFEC)	24,610,000
<b>Total Long Term Debt - Bonds</b>	<b><u>\$ 34,950,000</u></b>

See Note 7 for additional details.

## MICHIGAN PUBLIC POWER AGENCY

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

December 31, 2022

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

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The electric utility industry is undergoing a significant transformation. The forces of decarbonization, decentralization, and consumerization are driven by technological innovation that is rapidly changing how electricity is produced, delivered, and consumed. Public Policy and Law changes at the State and Federal level, along with consumer preferences, are driving significant investment in clean energy and related technologies. Public power utilities and municipal power joint action agencies like MPPA face several risk factors driven by this transformation as well as traditional risks of operating in the electric utility industry. These factors include, but are not limited to: 1) meeting future reliability requirements with rapidly changing power supply resource technologies, 2) end-use customer preferences to own and/or control power supply decisions, 3) potential changes to federal and state energy laws and/or regulatory compliance that could impact the operation of the electric generating units we own or contract supply from, 4) increased competition from independent power producers, distributed generation, and energy marketers, 5) issues relating to the ability to issue tax exempt obligations, 6) load forecasting uncertainty due to economic factors, energy efficiency, or customer control technologies, 7) volatility of the pricing and/or availability of fuel used to produce power, 8) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy, capacity, fuel, and transmission, and 9) issues relating to cyber security failures. Any of these risk factors, as well as other factors, may influence the financial condition of MPPA and/or its municipal members.

The Infrastructure Investment and Jobs Act passed in November 2021 and the Inflation Reduction Act passed in August of 2022 are having a significant impact on the electric utility industry. The two different federal laws are designed, among other objectives, to modernize energy infrastructure and transition to a clean energy economy. MPPA and its members must navigate implementation of these laws to ensure equal treatment and participation compared to other electric utilities and market participants.

## **MICHIGAN PUBLIC POWER AGENCY**

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

December 31, 2022

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#### **MICHIGAN LEGISLATION**

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In 2016 the Michigan Legislature passed Public Act 341 and 342. These state energy laws address electric reliability and clean energy requirements.

Public Act 341 requires all electric utilities in the State to demonstrate each calendar year, in a filing to the Michigan Public Service Commission (MPSC), that they own or have contracted with enough electric capacity to meet their forecasted peak demand plus reserves four years into the future. MPPA, on behalf of its members, complies with this law through a filing with the MPSC each February.

Public Act 342 modified the Renewable Energy Standard from 10% in 2015 to 12.5% in 2019 and 2020 to 15% in 2021. After 2021, the governing body of a municipal utility has the authority to determine the proper amount of renewable energy in its supply portfolio.

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, most of the 40 Michigan municipal utilities voluntarily suspended shut-offs during the height of the pandemic. In 2023, there will be continued legislative focus on state-wide carbon emissions reductions, distributed energy resources, energy waste reduction, and transmission.

In 2022, the Michigan Municipal Electric Association (MMEA) spent considerable time pushing for legislation that would give Michigan's municipal power Joint Action Agencies more flexibility in how they conduct their meetings while staying in compliance with the Open Meetings Act. This work will continue in 2023. MMEA also spent time educating its members on the numerous funding opportunities coming to them via the American Rescue Plan and Infrastructure Investment & Jobs Act (IIJA), signed into law by President Biden in November 2021. In early 2023, MMEA will submit an application to the Department of Energy (DOE) under the IIJA on behalf of several members that would provide millions of dollars for investment in Automated Meter Infrastructure (AMI) technology. MMEA plans to continue to assist its members with more funding opportunities in 2023 and the coming years. Finally, the recently passed Inflation Reduction Act in August 2022 is being evaluated for financial mechanisms that would encourage tax-exempt entities to invest in clean energy resources, infrastructure, and technologies.

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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 Yvonne Newborn, Controller, Michigan Public Power Agency, [ynewborn@mpower.org](mailto:ynewborn@mpower.org).

**MICHIGAN PUBLIC POWER AGENCY**  
**STATEMENT OF NET POSITION**  
**December 31, 2022**  
**(With Comparative Totals for December 31, 2021)**

	CAMPBELL # 3	BELLE RIVER	COMBUSTION TURBINE	TRANSMISSION PROJECT	LANDFILL PROJECT	AFEC PROJECT	ENERGY SVCS PROJECT	GENERAL FUND	TOTALS	
									2022	2021 (Restated)
<b>CURRENT ASSETS</b>										
Cash & Cash Equivalents										
Operation & Maintenance Account	\$ 1,560,376	\$ 11,545,701	\$ 365,125	\$ 421,183	\$ 657,557	\$ 733,850	\$ 6,148,155	\$ -	\$ 21,431,947	\$ 19,859,158
Project Account	1,142,889	2,733,853	1,328,065	-	-	4,396,606	-	-	9,601,413	14,980,692
Working Capital / Other	-	-	-	-	133,505	-	9,915,416	1,185,727	11,234,648	14,266,345
Total Cash and Cash Equivalents	2,703,265	14,279,554	1,693,190	421,183	791,062	5,130,456	16,063,571	1,185,727	42,268,008	49,106,195
Restricted Cash - Debt Service	-	-	2,084,018	-	-	2,490,644	-	-	4,574,662	4,237,544
Investments - Unrestricted	2,831,471	4,855,304	834,683	180,894	521,555	2,096,176	6,165,869	978,263	18,464,215	1,385,399
Accrued Interest Receivable	26,220	39,614	6,810	1,476	4,255	17,102	50,307	7,982	153,766	44,178
Accounts Receivable	1,453,265	12,295,150	1,146,651	476,831	-	2,335,974	7,589,794	144,235	25,441,900	21,522,704
Fuel Inventory	985,379	9,376,189	14,306	-	-	-	-	-	10,375,874	10,259,484
Materials & Supplies Inventory	-	4,597,277	88,876	-	-	-	-	-	4,686,153	3,607,567
<b>Total Current Assets</b>	<b>7,999,600</b>	<b>45,443,088</b>	<b>5,868,534</b>	<b>1,080,384</b>	<b>1,316,872</b>	<b>12,070,352</b>	<b>29,869,541</b>	<b>2,316,207</b>	<b>105,964,578</b>	<b>90,163,071</b>
<b>NON-CURRENT ASSETS</b>										
Capital Assets										
Utility Plant	86,070,758	491,603,740	33,043,265	3,335,511	-	32,942,380	-	-	646,995,654	629,196,003
Building & Land	244,547	154,027	48,500	-	-	27,598	-	1,779,228	2,253,900	2,905,550
Accumulated Depreciation	(49,712,821)	(376,370,308)	(19,549,373)	(497,214)	-	(9,333,090)	-	(1,354,340)	(456,817,146)	(439,793,890)
Net Property & Equipment	36,602,484	115,387,459	13,542,392	2,838,297	-	23,636,888	-	424,888	192,432,408	192,307,663
Designated Cash										
Prepaid Expenses & Deposits	760,145	3,270,000	-	-	-	771,120	-	360,687	5,161,952	4,526,830
O & M / Fuel Reserve	1,050,000	-	-	-	-	-	-	-	1,050,000	1,050,000
Investments - Unrestricted	4,652,850	3,823,953	657,382	142,469	410,767	1,650,912	4,856,131	770,463	16,964,927	15,865,302
Restricted Cash - Other	-	-	-	-	-	284,610	-	-	284,610	284,610
<b>Total Non-Current Assets</b>	<b>43,065,479</b>	<b>122,481,412</b>	<b>14,199,774</b>	<b>2,980,766</b>	<b>410,767</b>	<b>26,343,530</b>	<b>4,856,131</b>	<b>1,556,038</b>	<b>215,893,897</b>	<b>214,034,405</b>
<b>TOTAL ASSETS</b>	<b>51,065,079</b>	<b>167,924,500</b>	<b>20,068,308</b>	<b>4,061,150</b>	<b>1,727,639</b>	<b>38,413,882</b>	<b>34,725,672</b>	<b>3,872,245</b>	<b>321,858,475</b>	<b>304,197,477</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>										
Asset Retirement Obligations	4,085,910	603,939	-	-	-	-	-	-	4,689,849	2,703,774

**MICHIGAN PUBLIC POWER AGENCY**  
**STATEMENT OF NET POSITION**  
December 31, 2022  
(With Comparative Totals for December 31, 2021)

	CAMPBELL # 3	BELLE RIVER	COMBUSTION TURBINE	TRANSMISSION PROJECT	LANDFILL PROJECT	AFEC PROJECT	ENERGY SVCS PROJECT	GENERAL FUND	TOTALS	
									2022	2021 (Restated)
<b>CURRENT LIABILITIES</b>										
Accounts Payable and Accrued Expense	710,097	12,860,819	492,191	872,884	1,515,658	1,469,537	12,824,581	866,370	31,612,137	25,959,152
Liabilities Payable from Restricted Assets										
Accrued Interest Payable	-	-	68,761	-	-	194,419	-	-	263,180	197,396
Revenue Bonds Payable - Current	-	-	2,010,000	-	-	2,290,000	-	-	4,300,000	4,040,000
<b>Total Current Liabilities</b>	<b>710,097</b>	<b>12,860,819</b>	<b>2,570,952</b>	<b>872,884</b>	<b>1,515,658</b>	<b>3,953,956</b>	<b>12,824,581</b>	<b>866,370</b>	<b>36,175,317</b>	<b>30,196,548</b>
<b>NON-CURRENT LIABILITIES</b>										
Member Deposits	760,145	3,270,000	-	-	133,505	-	21,277,011	578,067	26,018,728	19,862,930
Revenue Bonds Payable	-	-	8,330,000	-	-	22,320,000	-	-	30,650,000	34,950,000
Asset Retirement Obligation	4,586,626	743,489	-	-	-	-	-	-	5,330,115	3,035,676
<b>Total Non-Current Liabilities</b>	<b>5,346,771</b>	<b>4,013,489</b>	<b>8,330,000</b>	<b>-</b>	<b>133,505</b>	<b>22,320,000</b>	<b>21,277,011</b>	<b>578,067</b>	<b>61,998,843</b>	<b>57,848,606</b>
<b>TOTAL LIABILITIES</b>	<b>6,056,868</b>	<b>16,874,308</b>	<b>10,900,952</b>	<b>872,884</b>	<b>1,649,163</b>	<b>26,273,956</b>	<b>34,101,592</b>	<b>1,444,437</b>	<b>98,174,160</b>	<b>88,045,154</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Gain on Refunding	-	-	102,227	-	-	785,969	-	-	888,196	1,108,422
<b>NET POSITION</b>										
Net Investment in Capital Assets	36,602,484	115,387,459	3,100,165	2,838,297	-	(1,759,081)	-	424,888	156,594,212	152,209,241
Restricted - Debt Service	-	-	2,015,257	-	-	2,296,225	-	-	4,311,482	4,040,148
Restricted - Reserve & Contingency	-	-	-	-	-	284,610	-	-	284,610	284,610
Unrestricted (Deficit)	12,491,637	36,266,672	3,949,707	349,969	78,476	10,532,203	624,080	2,002,920	66,295,664	61,213,676
<b>TOTAL NET POSITION</b>	<b>\$ 49,094,121</b>	<b>\$ 151,654,131</b>	<b>\$ 9,065,129</b>	<b>\$ 3,188,266</b>	<b>\$ 78,476</b>	<b>\$ 11,353,957</b>	<b>\$ 624,080</b>	<b>\$ 2,427,808</b>	<b>\$ 227,485,968</b>	<b>\$ 217,747,675</b>

**MICHIGAN PUBLIC POWER AGENCY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
December 31, 2022  
(With Comparative Totals for December 31, 2021)

	CAMPBELL # 3	BELLE RIVER	COMBUSTION TURBINE	TRANSMISSION PROJECT	LANDFILL PROJECT	AFEC PROJECT	ENERGY SVCS PROJECT	GENERAL FUND	Totals	
									2022	2021
<b>OPERATING REVENUES</b>										
Gross Sales	\$ 11,834,276	\$ 88,615,127	\$ 8,380,059	\$ 1,260,257	\$ 12,925,099	\$ 15,018,990	\$ 158,380,944	\$ -	\$ 296,414,752	\$ 228,932,092
Jt Zone Transmission Revenue	-	-	-	5,810,239	-	-	-	-	5,810,239	5,150,246
Jt Zone Transmission Distribution	-	-	-	(5,766,331)	-	-	-	-	(5,766,331)	(5,106,052)
Other	-	-	-	-	-	-	-	3,094,011	3,094,011	2,872,834
<b>Total Operating Revenues</b>	<b>11,834,276</b>	<b>88,615,127</b>	<b>8,380,059</b>	<b>1,304,165</b>	<b>12,925,099</b>	<b>15,018,990</b>	<b>158,380,944</b>	<b>3,094,011</b>	<b>299,552,671</b>	<b>231,849,120</b>
<b>OPERATING EXPENSES</b>										
Cost of Energy - Produced	8,542,431	56,865,463	3,687,066	-	-	10,689,941	-	-	79,784,901	58,767,396
Cost of Energy & Capacity - Purchased	-	-	-	-	13,664,471	692,247	128,021,474	-	142,378,192	105,027,844
Energy Market Overhead Fees	42,689	209,184	14,058	-	-	-	1,151,698	-	1,417,629	1,461,766
REC Disbursements	-	-	-	-	(902,957)	-	(275,593)	-	(1,178,550)	(942,878)
Transmission	1,527,847	5,735,438	1,279,134	1,182,419	-	176,330	27,713,545	-	37,614,713	35,040,135
Administrative & General	521,308	4,405,042	1,022,280	121,746	163,585	509,765	1,769,820	3,070,802	11,584,348	10,642,245
Depreciation	2,521,025	12,306,248	1,003,956	63,375	-	1,400,592	-	53,686	17,348,882	21,576,016
<b>Total Operating Expenses</b>	<b>13,155,300</b>	<b>79,521,375</b>	<b>7,006,494</b>	<b>1,367,540</b>	<b>12,925,099</b>	<b>13,468,875</b>	<b>158,380,944</b>	<b>3,124,488</b>	<b>288,950,115</b>	<b>231,572,524</b>
<b>Operating Income (Loss)</b>	<b>(1,321,024)</b>	<b>9,093,752</b>	<b>1,373,565</b>	<b>(63,375)</b>	<b>-</b>	<b>1,550,115</b>	<b>-</b>	<b>(30,477)</b>	<b>10,602,556</b>	<b>276,596</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>										
Interest Cost Incurred	-	-	(137,522)	-	-	(388,838)	-	-	(526,360)	(1,719,715)
Amortization of Financing-Related Costs	-	-	50,419	-	-	169,807	-	-	220,226	168,947
Bond Issuance Expense	-	-	-	-	-	-	-	-	-	(114,350)
Investment Income	97,081	123,640	47,838	5,983	12,580	84,886	167,577	27,249	566,834	347,407
Net Change in Fair Value of Investments	(385,189)	(250,404)	(41,631)	(9,248)	(26,468)	(106,813)	(320,681)	(50,720)	(1,191,154)	(476,335)
Prepaid Rent Income	-	-	-	-	-	-	-	66,192	66,192	66,180
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(288,108)</b>	<b>(126,764)</b>	<b>(80,896)</b>	<b>(3,265)</b>	<b>(13,888)</b>	<b>(240,958)</b>	<b>(153,104)</b>	<b>42,721</b>	<b>(864,262)</b>	<b>(1,727,866)</b>
<b>CHANGE IN NET POSITION BEFORE DISTRIBUTIONS</b>	<b>\$ (1,609,132)</b>	<b>\$ 8,966,988</b>	<b>\$ 1,292,669</b>	<b>\$ (66,640)</b>	<b>\$ (13,888)</b>	<b>\$ 1,309,157</b>	<b>\$ (153,104)</b>	<b>\$ 12,244</b>	<b>\$ 9,738,294</b>	<b>\$ (1,451,271)</b>
Distributions to Members	-	-	-	-	-	-	-	-	-	(1,779,959)
<b>CHANGE IN NET POSITION</b>	<b>(1,609,132)</b>	<b>8,966,988</b>	<b>1,292,669</b>	<b>(66,640)</b>	<b>(13,888)</b>	<b>1,309,157</b>	<b>(153,104)</b>	<b>12,244</b>	<b>9,738,294</b>	<b>(3,231,230)</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>50,703,253</b>	<b>142,687,143</b>	<b>7,772,460</b>	<b>3,254,906</b>	<b>92,364</b>	<b>10,044,800</b>	<b>777,184</b>	<b>2,415,564</b>	<b>217,747,674</b>	<b>220,978,900</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 49,094,121</b>	<b>\$ 151,654,131</b>	<b>\$ 9,065,129</b>	<b>\$ 3,188,266</b>	<b>\$ 78,476</b>	<b>\$ 11,353,957</b>	<b>\$ 624,080</b>	<b>\$ 2,427,808</b>	<b>\$ 227,485,968</b>	<b>\$ 217,747,675</b>



**MICHIGAN PUBLIC POWER AGENCY**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2022  
(With Comparative Totals for December 31, 2021)

	CAMPBELL # 3	BELLE RIVER	COMBUSTION TURBINE	TRANSMISSION PROJECT	LANDFILL PROJECT	AFEC PROJECT	ENERGY SVCS PROJECT	GENERAL FUND	Totals	
									2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Received from Customers	\$ 12,434,047	\$ 88,291,537	\$ 8,064,165	\$ 1,243,976	\$ 13,828,056	\$ 13,553,470	\$ 156,281,094	\$ 3,346,078	\$ 297,042,423	\$ 223,936,425
Paid to Suppliers for Goods and Services	(10,833,940)	(69,791,416)	(5,664,666)	(1,162,150)	(13,652,753)	(11,246,960)	(152,655,311)	(3,038,730)	(268,045,927)	(199,118,908)
Paid to Employees for Services	(197,186)	(283,954)	(175,310)	(53,057)	(76,371)	(175,043)	(632,499)	(327,285)	(1,920,705)	(1,850,880)
<b>Net Cash Flows From (Used in) Operating Activities</b>	<b>1,402,921</b>	<b>18,216,167</b>	<b>2,224,189</b>	<b>28,769</b>	<b>98,932</b>	<b>2,131,466</b>	<b>2,993,284</b>	<b>(19,936)</b>	<b>27,075,791</b>	<b>22,966,637</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>										
Acquisition and Construction of Utility Plant	(562,190)	(13,442,137)	(2,009,867)	-	-	(67,654)	-	-	(16,081,848)	(10,397,820)
Net Proceeds from Sale of Bonds	-	-	-	-	-	-	-	-	-	712
Capital Contributions of (Distributions to) Participating Members	-	-	-	-	-	-	-	-	-	(1,779,956)
Principal Payment on Revenue Bonds	(2,075,000)	-	(1,965,000)	-	-	-	-	-	(4,040,000)	(5,500,000)
Interest Paid on Revenue Bonds	(23,759)	-	(150,589)	-	-	(286,228)	-	-	(460,576)	(2,292,741)
Other	-	-	-	-	-	-	-	42,111	42,111	(2,212,207)
<b>Net Cash Flows From (Used in) Capital and Related Financing Activities</b>	<b>(2,660,949)</b>	<b>(13,442,137)</b>	<b>(4,125,457)</b>	<b>-</b>	<b>-</b>	<b>(353,882)</b>	<b>-</b>	<b>42,111</b>	<b>(20,540,313)</b>	<b>(22,182,012)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>										
Working Capital Contributions	-	-	-	-	-	-	5,955,297	(79,499)	5,875,798	160,782
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Investments Purchased	(2,262,535)	(8,679,257)	(1,492,065)	(323,363)	(932,322)	(3,747,088)	(11,022,000)	(1,748,726)	(30,207,356)	(11,554,388)
Investments Sold	1,282,512	3,313,889	895,907	142,270	455,047	1,728,702	3,604,704	605,884	12,028,915	11,518,372
Investment Income	88,182	92,321	43,272	4,863	9,464	72,111	126,253	20,783	457,250	361,083
<b>Net Cash Flows From Investing Activities</b>	<b>(891,841)</b>	<b>(5,273,047)</b>	<b>(552,886)</b>	<b>(176,229)</b>	<b>(467,811)</b>	<b>(1,946,275)</b>	<b>(7,291,043)</b>	<b>(1,122,059)</b>	<b>(17,721,191)</b>	<b>325,067</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(2,149,869)</b>	<b>(499,016)</b>	<b>(2,454,154)</b>	<b>(147,461)</b>	<b>(368,879)</b>	<b>(168,691)</b>	<b>1,657,538</b>	<b>(1,179,383)</b>	<b>(5,309,915)</b>	<b>1,270,474</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>6,288,323</b>	<b>15,028,974</b>	<b>6,272,993</b>	<b>577,892</b>	<b>1,186,410</b>	<b>8,181,214</b>	<b>14,726,714</b>	<b>2,415,830</b>	<b>54,678,347</b>	<b>53,899,788</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 4,138,454</b>	<b>\$ 14,529,958</b>	<b>\$ 3,818,839</b>	<b>\$ 430,431</b>	<b>\$ 817,530</b>	<b>\$ 8,012,523</b>	<b>\$ 16,384,252</b>	<b>\$ 1,236,447</b>	<b>\$ 49,368,434</b>	<b>\$ 54,693,928</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Operating Income (Loss)	(1,321,025)	9,093,751	1,373,565	(63,375)	-	1,550,115	-	(30,476)	10,602,555	276,596
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities										
Depreciation	2,521,025	12,306,248	1,003,956	63,375	-	1,400,592	-	53,686	17,348,882	21,576,016
Changes in Assets and Liabilities										
Accounts Receivable	599,771	(829,575)	(315,894)	(60,188)	-	(1,465,520)	(2,099,851)	252,066	(3,919,191)	(5,270,455)
Fuel Inventory	(102,664)	-	(13,726)	-	-	-	-	-	(116,390)	25,005
Materials and Supplies Inventory	-	(1,079,537)	951	-	-	-	-	-	(1,078,586)	(60,191)
Prepaid Items and Deposits	-	-	-	-	-	-	-	(355,122)	(355,122)	(2,352)
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-
Accounts Payable and Accrued Expense	(294,186)	(1,274,720)	175,336	88,957	98,932	646,280	5,093,135	59,909	4,593,643	6,422,017
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,402,921</b>	<b>18,216,167</b>	<b>2,224,189</b>	<b>28,769</b>	<b>98,932</b>	<b>2,131,466</b>	<b>2,993,284</b>	<b>(19,936)</b>	<b>27,075,791</b>	<b>22,966,637</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>										
Current Assets	3,088,454	14,529,958	1,734,821	430,431	817,530	5,237,269	16,384,252	1,236,447	43,459,162	49,121,773
Other Cash Reserves	1,050,000	-	-	-	-	-	-	-	1,050,000	1,050,000
Restricted Assets	-	-	2,084,018	-	-	2,775,254	-	-	4,859,273	4,522,155
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 4,138,454</b>	<b>\$ 14,529,958</b>	<b>\$ 3,818,839</b>	<b>\$ 430,431</b>	<b>\$ 817,530</b>	<b>\$ 8,012,523</b>	<b>\$ 16,384,252</b>	<b>\$ 1,236,447</b>	<b>\$ 49,368,434</b>	<b>\$ 54,693,928</b>
<b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>										
Proceeds from Bond Refunding Placed into Escrow	-	-	-	-	-	-	-	-	-	\$ 24,610,000
Net Change in Fair Value of Investments	\$ (385,189)	\$ (250,404)	\$ (41,631)	\$ (9,248)	\$ (26,468)	\$ (106,813)	\$ (320,681)	\$ (50,720)	\$ (1,191,154)	(476,335)

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# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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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 22 members, 10 are participants in the Campbell #3 Project, 11 are participants in the Belle River Project, five are participants in the Combustion Turbine Project, 13 participate in the Transmission Project, 21 are participants in the Energy Services Project, 13 participate in the AFEC Project and 14 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.

#### **Basis of Presentation**

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

##### *Project Funds*

The Campbell #3, Belle River, Combustion Turbine, 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 accrual's basis with a flow of economic resources measurement focus.

##### *General Fund*

The General 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:

- *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.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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

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- *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, 2021, 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.

#### **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 and b) other general and administrative operating costs.

**Prepaid Expenses and deposit balances were as follows on December 31:**

	<u>2022</u>
Majority Owner Operator	\$4,801,265
Other General Operating Items	<u>360,687</u>
<b>Total Prepaid and Deposits</b>	<b><u>\$5,161,952</u></b>

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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

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#### **Accounts Receivable**

Accounts receivables 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 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.

#### **Inventories**

Fuel inventories for the Campbell #3 Project and the Combustion Turbine 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.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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

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#### 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 Fund on the Statement of Net Position.

#### 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 contract.

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### NOTE 2 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

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GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, 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*, Statement No. 99, *Omnibus 2022*, Statement No. 100, *Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62*, and Statement No. 101, *Compensated Absences*. Application of these recently issued accounting pronouncements, when effective, may restate portions of these financial statements.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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### NOTE 3 – JOINT PROJECT OWNERSHIP AGREEMENTS

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#### **Campbell Unit #3**

MPPA and Consumers Energy Company (Consumers) entered into the following agreements dated October 1, 1979, as amended, relating to Consumers' Campbell Unit #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 #3, for Consumers to operate Campbell Unit #3, for the sale of surplus electric capacity to Consumers, for operating costs of Campbell Unit #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 #3.

The Campbell Transmission Agreement provides for MPPA to purchase a 58.06% undivided ownership interest in certain Consumers' (now METC) 345 kV transmission lines, 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 more than 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 #3, and for determination of the associated backup electric capacity and energy charges to MPPA.

MPPA entered a Power Sales Contract and a Project Support Contract with each of the 10 members who elected to participate in the Campbell #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.

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. This bond was paid in full on January 1, 2022.

#### **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.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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### NOTE 3 – JOINT PROJECT OWNERSHIP AGREEMENTS (cont.)

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

The Belle River Transmission Ownership and Operating Agreement with Edison (now ITC) provided for MPPA to purchase a 50.41% undivided ownership interest in certain 345 kV Transmission Lines, 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.

MPPA entered a Power Sales Contract and a Project Support Contract with each of the 11 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.

#### **Combustion Turbine Project**

In 2002, MPPA completed construction of a 60.5 MW (nominal nameplate rating) simple-cycle combustion turbine generating unit fueled with natural gas (the CT Project). 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 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 2006, MPPA purchased an undivided ownership in certain 345kV transmission lines in the METC system. 13 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 combined cycle natural gas fired electric generation facility located in Fremont, Sandusky County, Ohio. American Municipal Power, Inc. is the majority owner of this power plant and serves as the operator. 13 of MPPA's municipal members committed to power purchases under the AFEC Project.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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### NOTE 4 – 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:

	<u>Bank Value</u>
Cash and Cash Equivalents	
Checking	\$ 7,281,840
Money Market Funds	40,895,440
<b>Total Cash and Cash Equivalents</b>	<u>48,177,280</u>
Unrestricted Investments	
U.S. Treasury Notes	30,320,922
Agency Notes	4,613,162
Local Government Bonds	495,058
<b>Total Unrestricted Investments</b>	<u>35,429,142</u>
<b>Total Cash &amp; Investments</b>	<u><u>\$ 83,606,422</u></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 inputs to these fair value measurements required judgement and considers factors specific to each asset or liability.

As of December 31, 2022, the following investments are recorded at fair value using the Matrix Pricing Technique:

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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### NOTE 4 – 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	\$ -	\$ 30,320,922	\$ -	\$ 30,320,922
Freddie Mac Notes	-	1,564,111	-	1,564,111
Federal Farm Credit Bank Notes	-	251,484	-	251,484
Federal Home Loan Bank Bonds	-	188,198	-	188,198
Fannie Mae Mortgage Association Notes	-	2,299,591	-	2,299,591
Freddie Mac Multifamily Structured Certificates	-	309,778	-	309,778
Local Government Bonds	-	495,058	-	495,058
Total Investments by Fair Value Level	<u>\$ -</u>	<u>\$ 35,429,142</u>	<u>\$ -</u>	<u>\$ 35,429,142</u>

### 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.

On December 31, 2022, MPPA had \$47,677,280 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. On December 31, 2022, MPPA had \$35,429,142 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.



# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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### NOTE 4 – CASH AND INVESTMENTS (cont.)

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#### 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, 2022, MPPA's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
US Treasury Bonds	AA+	Aaa
US Agency Securities	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 Standard & Poor's.

#### 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. MPPA does not have any investments exceeding 5% of its total portfolio.

#### 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 10 years or less.

On December 31, 2022, MPPA's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity in years</u>	
		<u>Less than 1 year</u>	<u>1-5 years</u>
US Treasury	\$ 30,320,922	16,432,126	\$ 13,888,796
Agency Notes	4,613,162	1,888,286	2,724,876
Local Government Bonds	495,058	143,803	351,255
<b>Total Investments</b>	<b>\$ 35,429,142</b>	<b>\$ 18,464,215</b>	<b>\$ 16,964,927</b>

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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### NOTE 5 – 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 6 – CHANGES IN CAPITAL ASSETS

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A summary of changes in capital assets is as follows:

	Balance 01/01/2022 Restated	Additions & Reclasses	Deletions & Reclasses	Balance 12/31/2022
Capital Assets Being Depreciated:				
Building & Land	\$ 2,905,550	\$ 24,080	\$ (675,731)	\$ 2,253,900
Utility Plant in Service	629,196,003	17,799,651	-	646,995,654
Less: Accumulated Depreciation	(439,793,890)	(17,023,256)	-	(456,817,146)
<b>Net Utility Plant</b>	<b>\$ 192,307,663</b>	<b>\$ 800,475</b>	<b>\$ (675,731)</b>	<b>\$ 192,432,408</b>

### Campbell #3 Project

Consumers Energy ("CE") obtained regulatory approval of a settlement agreement from the Michigan Public Service Commission ("MPSC Order") on June 23, 2022. The Order was appealed by Wolverine Power Supply Cooperative. The appeal was denied by the Court of Appeals on March 23, 2023. The MPSC Order approved, among other things, accelerating the retirement by 15 years of the J.H. Campbell facility (Units 1, 2 and 3) to a date to occur on or before May 31, 2025. The authorization to early retire J.H. Campbell was tied to several other provisions but two key provisions related to replacement of the lost power supply and accounting regulatory treatment of the undepreciated rate base of the J.H. Campbell facility:

1. Authorization granted to CE to purchase, and rate base the New Cover Generation Station (1,000 MW CCGT)
2. Permission for CE to recover the unrecovered book balance of J.H. Campbell facility through the Company's proposed regulatory asset treatment, with a return on capital equal to the Company's weighted average cost of capital ("WACC") through 2039.

MPPA considers this a temporary impairment in accordance with GASB 43, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and has continued to depreciate the asset on the same useful life as CE (see #2 above...CE will depreciate through 2039) and when the plant is officially retired, MPPA will recognize an impairment loss.

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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### NOTE 7 – NON-CURRENT LIABILITIES

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#### ***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>
October 6, 2021	Refinancing of 2012 Bonds	1/1/2032	1.58%	\$ 24,610,000

The following obligations are outstanding at 12/31/2022:

2021 Series A Bonds	\$ 24,610,000
Less: Current Portion	(2,290,000)
<b>Total</b>	<b><u>\$ 22,320,000</u></b>

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, 2022, and in five-year increments thereafter to maturity, are as follows:

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	2,290,000	388,838	2,678,838
2024	2,330,000	352,656	2,682,656
2025	2,365,000	315,842	2,680,842
2026	2,400,000	278,475	2,678,475
2027	2,440,000	240,555	2,680,555
2028-2032	12,785,000	612,250	13,397,250
<b>Total</b>	<b><u>\$ 24,610,000</u></b>	<b><u>\$ 2,188,616</u></b>	<b><u>\$ 26,798,616</u></b>

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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### NOTE 7 – NON-CURRENT LIABILITIES (cont.)

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#### ***AFEC Project Revenue Bonds*** (cont.)

*Non-Current Liabilities as of December 31, 2022:*

	01/01/2022			12/31/2022
	Balance	Additions	Reductions	Balance
Revenue Bonds	\$ 24,610,000	\$ -	\$ -	\$ 24,610,000
Current Maturities	\$ -	\$ (2,290,000)		(2,290,000)
<b>Liabilities</b>	<b>\$ 24,610,000</b>	<b>\$ (2,290,000)</b>	<b>\$ -</b>	<b>\$ 22,320,000</b>

#### *Direct Placement*

MPPA entered a direct placement of its debt for the AFEC 2021 Series A Refunding Revenue bonds in the amount of \$24,610,000. The bonds are subject to the terms and conditions of the original bond resolution. As a covenant of the refunding, MPPA agrees to maintain \$3 million in unrestricted funds in an account with the purchasing bank of the direct placement. 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.

#### ***Combustion Turbine 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 12/31/2022:

2020 Series A Bonds	\$ 10,340,000
Less: Current Portion	(2,010,000)
<b>Total</b>	<b><u>\$ 8,330,000</u></b>

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

### NOTE 7 – NON-CURRENT LIABILITIES (cont.)

#### **Combustion Turbine 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 six years following December 31, 2022, are as follows:

Year Ending December 31	Principal	Interest	Total
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	2,095,000	56,126	2,151,126
2027	2,125,000	28,263	2,153,263
<b>Total</b>	<b>\$ 10,340,000</b>	<b>\$ 416,357</b>	<b>\$ 10,756,357</b>

#### *Non-Current Liabilities as of December 31, 2022:*

	01/01/2022 Balance	Additions	Reductions	12/31/2022 Balance
Revenue Bonds	\$ 12,305,000	\$ -	(1,965,000)	\$ 10,340,000
Current Maturities	(1,965,000)	(45,000)		(2,010,000)
<b>Total Non-Current Liabilities</b>	<b>\$ 10,340,000</b>	<b>\$ (45,000)</b>	<b>\$ (1,965,000)</b>	<b>\$ 8,330,000</b>

#### *Direct Placement*

MPPA entered 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. As a covenant of the refunding, MPPA agrees to maintain \$1 million in unrestricted funds in an account with the purchasing bank of the direct placement. 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.

#### **Campbell #3 Project**

#### *Non-current Liabilities as of December 31, 2022:*

	01/01/2022 Balance	Additions	Reductions	12/31/2022 Balance
Asset Retirement Obligation	2,421,019	2,183,485	(17,878)	4,586,626
Member Deposits	760,145	-	-	760,145
<b>Total Non-Current Liabilities</b>	<b>\$ 3,181,164</b>	<b>\$ 2,183,485</b>	<b>\$ (17,878)</b>	<b>\$ 5,346,771</b>

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

### NOTE 7 – NON-CURRENT LIABILITIES (cont.)

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

*Non-current Liabilities as of December 31, 2022:*

	01/01/2022 Balance	Additions	Reductions	12/31/2022 Balance
Asset Retirement Obligation	614,657	128,832	-	743,489
Member Deposits	2,990,000	280,000	-	3,270,000
<b>Total Non-Current Liabilities</b>	<b>\$ 3,604,657</b>	<b>\$ 408,832</b>	<b>\$ -</b>	<b>\$ 4,013,489</b>

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

*Non-current Liabilities as of December 31, 2022:*

	01/01/2022 Balance	Additions	Reductions	12/31/2022 Balance
Member Deposits	15,321,714	5,955,297	-	21,277,011
<b>Total Non-Current Liabilities</b>	<b>\$ 15,321,714</b>	<b>\$ 5,955,297</b>	<b>\$ -</b>	<b>\$ 21,277,011</b>

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

*Non-current Liabilities as of December 31, 2022:*

	01/01/2022 Balance	Additions	Reductions	12/31/2022 Balance
Member Deposits	133,505	-	-	133,505
<b>Total Non-Current Liabilities</b>	<b>\$ 133,505</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 133,505</b>

#### ***General Fund***

*Non-current Liabilities as of December 31, 2022:*

	01/01/2022 Balance	Additions	Reductions	12/31/2022 Balance
Member Deposits	657,566	31,779	(111,278)	578,067
<b>Total Non-Current Liabilities</b>	<b>\$ 657,566</b>	<b>\$ 31,779</b>	<b>\$ (111,278)</b>	<b>\$ 578,067</b>

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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### NOTE 8 – 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 Mission Square. 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 Mission Square. 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, 2022, 2021, and 2020 were approximately \$402,399, \$379,500, and \$341,000, respectively.

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### NOTE 9 – 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 12,287 wet tons for the Campbell Unit #3 plant for the 2022 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 #3. This stockpile is maintained at a level to approximate MPPA’s ownership interest in the materials and supply inventory at the Campbell plant.

#### Power Purchase Agreements

The Agency has entered into long-term contracts for the purchase of capacity and energy to meet the anticipated load requirements of its members.

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### NOTE 10 – 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 two years. MPPA is committed to maintaining adequate amounts of coverage to insure against these risks.



# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

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### NOTE 11 – 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 one member who is considered a significant customer that accounted for \$73.1 million (24.3%) of MPPA gross revenues in 2022.

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### NOTE 12 – BOND COVENANT DISCLOSURES

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#### Combustion Turbine Project

#### Compliance with Funding Requirements

#### *Debt Service Coverage*

	<u>2022</u>
Gross Operating Revenues	\$ 8,380,059
Investment Income	47,838
Gross Defined Revenues	<u>8,427,897</u>
Operating Expenses	7,006,494
Less: Depreciation	<u>(1,003,956)</u>
Gross Defined Expenses	6,002,538
Net Defined Earnings	<u>\$ 2,425,359</u>
Debt Service (Principal, Interest, Reserve Contribution)	2,147,522
Required Revenues (1.1x Debt Service)	2,362,274
Revenues in Excess of Coverage Requirements	<u><u>\$ 63,085</u></u>

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, 2022

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### NOTE 12 – BOND COVENANT DISCLOSURES (cont.)

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#### AFEC Project

#### Compliance with Funding Requirements

##### *Debt Service Coverage*

	<u>2022</u>
Gross Operating Revenues	\$ 15,018,990
Other Revenues	84,886
Gross Defined Revenues	<u>15,103,876</u>
Operating Expenses	13,468,875
Less: Depreciation	<u>(1,400,592)</u>
Gross Defined Expenses	12,068,283
Net Defined Earnings	<u>\$ 3,035,593</u>
Debt Service (Principal, Interest, Reserve Contribution)	2,678,838
Required Revenues (1.1x Debt Service)	2,946,722
Revenues in Excess of Coverage Requirements	<u><u>\$ 88,871</u></u>

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, 2022

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### NOTE 13 – ASSET RETIREMENT OBLIGATIONS (cont.)

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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.

Balances as of December 31, 2022, are as follows:

<u>Asset Retirement Obligations</u>	<u>Belle River</u>	<u>Campbell #3</u>	<u>Total</u>
Opening Balance	\$614,657	\$2,421,019	\$3,035,676
Accretion and Adjustments	\$128,832	\$2,165,607	\$2,294,439
Ending Balance	<u>\$743,489</u>	<u>\$4,586,626</u>	<u>\$5,330,115</u>

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

# MICHIGAN PUBLIC POWER AGENCY

## Notes to Financial Statements

December 31, 2022

### NOTE 14 – RESTATEMENT OF NET POSITION

During the year, MPPA corrected several items to align the value of assets with the joint owners of the Belle River and Campbell #3 Projects. These changes required an adjustment of prior periods. MPPA has restated amounts of the affected balances within the Statement of Net Position for the period ended December 31, 2021, as follows:

#### STATEMENT OF NET POSITION

	CAMPBELL #3			BELLE RIVER			MPPA Consolidated (all Projects)		
	2021 (restated)	Adjustment	2021 (as previously reported)	2021 (restated)	Adjustment	2021 (as previously reported)	2021 (restated)	Adjustment	2021 (as previously reported)
<b>NON-CURRENT ASSETS</b>									
Capital Assets									
Utility Plant	\$ 85,562,043	\$ (9,363,938)	\$ 94,925,981	\$ 477,066,054	\$ (70,797,446)	\$ 547,863,500	\$ 629,196,003	\$ (80,161,384)	\$ 709,357,387
Building and Land	244,547	-	244,547	154,027	-	154,027	2,905,550	-	2,905,550
Depreciation	(47,474,097)	9,363,938	(56,838,035)	(364,107,390)	70,797,446	(434,904,836)	(439,793,890)	80,161,384	(519,955,274)
<b>Total Non-Current Liabilities</b>	<b>\$ 38,332,493</b>	<b>\$ -</b>	<b>\$ 38,332,493</b>	<b>\$ 113,112,691</b>	<b>\$ -</b>	<b>\$ 113,112,691</b>	<b>\$ 192,307,663</b>	<b>\$ -</b>	<b>\$ 192,307,663</b>

## **S U P P L E M E N T A L   I N F O R M A T I O N**

**MICHIGAN PUBLIC POWER AGENCY**  
**SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE AFEC PROJECT REVENUE BOND RESOLUTION**  
**DECEMBER 31, 2022**

	<u>Revenue Account</u>	<u>Operation and Maintenance Account</u>	<u>Debt Service Account</u>	<u>Reserve &amp; Contingency Account</u>	<u>Project Account</u>	<u>Totals</u>
Cash and investments at January 1, 2022	\$ -	\$ 1,566,236	\$ 91,877	\$ 284,610	\$ 7,967,192	\$ 9,909,916
Transfers In	-	10,596,969	2,664,550	-	2,077,603	15,339,121
Receipts	13,553,470	-	-	-	-	13,553,470
Investment Receipts	-	60,302	20,444	-	(115,450)	(34,703)
Proceeds from Bonds	-	-	-	-	-	-
Payment of Interest on Bonds	-	-	(286,228)	-	-	(286,228)
Payment of Bond Principal	-	-	-	-	-	-
Capital Disbursements	-	(67,654)	-	-	-	(67,654)
Disbursements	-	(11,422,003)	-	-	-	(11,422,003)
Transfers out	<u>(13,553,470)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,785,652)</u>	<u>(15,339,121)</u>
Cash and Investments on December 31, 2022	<u>\$ -</u>	<u>\$ 733,849</u>	<u>\$ 2,490,644</u>	<u>\$ 284,610</u>	<u>\$ 8,143,694</u>	<u>\$ 11,652,797</u>

**MICHIGAN PUBLIC POWER AGENCY**  
**SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE COMBUSTION TURBINE PROJECT REVENUE BOND RESOLUTION**  
**DECEMBER 31, 2022**

	<u>Revenue Account</u>	<u>Operation &amp; Maintenance Account</u>	<u>Debt Service Account</u>	<u>Project Account</u>	<u>Totals</u>
Cash and Investments at January 1, 2022	\$ -	\$ 579,842	\$ 2,046,869	\$ 4,542,189	\$ 7,168,899
Transfers in	-	5,646,939	2,135,500	1,177,633	8,960,072
Receipts	8,064,165	-	-	-	8,064,165
Investment Receipts	-	30,374	17,238	(45,972)	1,640
Payment of Interest on Bonds	-	-	(150,589)	-	(150,589)
Payment of Bond Principal	-	-	(1,965,000)	-	(1,965,000)
Capital Disbursements	-	(52,053)	-	(1,957,814)	(2,009,866)
Disbursements	-	(5,839,976)	-	-	(5,839,976)
Transfers Out	<u>(8,064,165)</u>	<u>-</u>	<u>-</u>	<u>(895,907)</u>	<u>(8,960,072)</u>
<b>Cash and Investments on December 31, 2022</b>	<b><u>\$ -</u></b>	<b><u>\$ 365,125</u></b>	<b><u>\$ 2,084,018</u></b>	<b><u>\$ 2,820,130</u></b>	<b><u>\$ 5,269,273</u></b>

**MICHIGAN PUBLIC POWER AGENCY  
CAMPBELL #3 PROJECT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
DECEMBER 31, 2022 AND 2021**

	2022 ACTUAL	UNAUDITED 2022 BUDGET	OVER (UNDER) 2022 BUDGET	2021 ACTUAL
<b>OPERATING REVENUE</b>				
Energy	\$ 3,800,458	\$ 3,570,449	\$ 230,009	\$ 7,288,628
Transmission	1,527,847	1,366,752	161,095	1,303,011
Fuel	6,505,971	6,156,795	349,176	5,760,238
<b>TOTAL OPERATING REVENUE</b>	<b>11,834,276</b>	<b>11,093,996</b>	<b>740,280</b>	<b>14,351,877</b>
<b>OPERATING EXPENSE</b>				
<b>PRODUCTION</b>				
Fuel	6,505,971	6,156,795	349,176	5,760,238
Operations & Maintenance	2,036,460	1,655,065	381,395	2,016,952
MISO Market Overhead Fee	42,689	40,000	2,689	34,229
Total Operations & Maintenance Expense	8,585,120	7,851,860	733,260	7,811,419
<b>TRANSMISSION</b>				
Operations & Maintenance	502,728	441,814	60,914	430,543
Utilization Charge	1,025,119	924,938	100,181	872,468
Total Transmission Expense	1,527,847	1,366,752	161,095	1,303,011
<b>ADMINISTRATIVE &amp; GENERAL</b>				
CECo	78,901	250,335	(171,434)	200,537
MPPA				
Salaries and Benefits	293,819	268,144	25,675	256,510
Outside Services	76,435	82,711	(6,276)	88,036
All Other A & G	72,153	74,195	(2,042)	56,144
Total Administrative & General Expense	521,308	675,385	(154,077)	601,227
<b>DEPRECIATION</b>	<b>2,521,025</b>	<b>3,097,095</b>	<b>(576,070)</b>	<b>3,152,304</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>13,155,300</b>	<b>12,991,092</b>	<b>164,208</b>	<b>12,867,961</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,321,024)</b>	<b>(1,897,096)</b>	<b>576,072</b>	<b>1,483,916</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest Income	97,081	58,200	38,881	122,728
Interest Expense	-	-	-	(71,219)
Net Change in Fair Value of Investments	(385,189)	-	(385,189)	(190,276)
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXPENSE)</b>	<b>(288,108)</b>	<b>58,200</b>	<b>(346,308)</b>	<b>(138,767)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (1,609,132)</b>	<b>\$ (1,838,896)</b>	<b>\$ 229,764</b>	<b>\$ 1,345,149</b>



**MICHIGAN PUBLIC POWER AGENCY  
BELLE RIVER PROJECT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
DECEMBER 31, 2022 AND 2021**

	2022 ACTUAL	UNAUDITED 2022 BUDGET	OVER (UNDER) 2022 BUDGET	2021 ACTUAL
<b>OPERATING REVENUE</b>				
Energy	\$ 47,346,852	\$ 46,708,714	\$ 638,138	\$ 25,052,380
Transmission	6,043,019	6,611,680	(568,661)	6,273,859
Fuel	35,225,256	34,168,962	1,056,294	31,243,416
<b>TOTAL OPERATING REVENUE</b>	<b>88,615,127</b>	<b>87,489,356</b>	<b>1,125,771</b>	<b>62,569,655</b>
<b>OPERATING EXPENSE</b>				
<b>PRODUCTION</b>				
Fuel	35,225,256	34,168,962	1,056,294	31,243,416
Operations & Maintenance	22,146,192	21,503,588	642,604	9,435,062
Reactive Revenue Distribution	(505,985)	(490,000)	(15,985)	(370,984)
MISO Market Overhead Fee	209,184	200,000	9,184	178,967
Total Operations & Maintenance Expense	57,074,647	55,382,550	1,692,097	40,486,461
<b>TRANSMISSION</b>				
Operations & Maintenance	2,842,630	2,948,090	(105,460)	2,697,997
Utilization Charge	6,638,490	5,935,207	703,283	5,622,838
ITC Revenue Distribution	(3,745,682)	(2,668,617)	(1,077,065)	(2,357,982)
Total Transmission Expense	5,735,438	6,214,680	(479,242)	5,962,853
<b>ADMINISTRATIVE &amp; GENERAL</b>				
DECo	3,389,087	3,414,765	(25,678)	3,163,621
ITC	304,242	397,000	(92,758)	312,935
MPPA				
Salaries & Benefits	424,206	387,159	37,047	422,601
Outside Services	186,201	188,796	(2,595)	140,372
All Other A & G	101,306	104,405	(3,099)	80,815
Total Administrative & General Expense	4,405,042	4,492,125	(87,083)	4,120,344
<b>DEPRECIATION</b>	<b>12,306,248</b>	<b>20,855,606</b>	<b>(8,549,358)</b>	<b>16,476,149</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>79,521,375</b>	<b>86,944,961</b>	<b>(7,423,586)</b>	<b>67,045,807</b>
<b>OPERATING INCOME (LOSS)</b>	<b>9,093,752</b>	<b>544,395</b>	<b>8,549,357</b>	<b>(4,476,152)</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest Income	123,640	68,846	54,794	56,071
Net Change in Fair Value of Investments	(250,404)	-	(250,404)	(65,055)
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXPENSE)</b>	<b>(126,764)</b>	<b>68,846</b>	<b>(195,610)</b>	<b>(8,984)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 8,966,988</b>	<b>\$ 613,241</b>	<b>\$ 8,353,747</b>	<b>\$ (4,485,136)</b>



**MICHIGAN PUBLIC POWER AGENCY  
AFEC PROJECT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
DECEMBER 31, 2022 AND 2021**

	2022 ACTUAL	UNAUDITED 2022 BUDGET	OVER (UNDER) 2022 BUDGET	2021 ACTUAL
<b>OPERATING REVENUE</b>				
Energy & Capacity	\$ 15,018,990	\$ 10,534,407	\$ 4,484,583	\$ 11,169,020
<b>TOTAL OPERATING REVENUE</b>	<b>15,018,990</b>	<b>10,534,407</b>	<b>4,484,583</b>	<b>11,169,020</b>
<b>OPERATING EXPENSE</b>				
<b>PRODUCTION</b>				
Fuel	8,727,650	4,416,738	4,310,912	5,648,112
Fixed Operations & Maintenance	1,544,006	1,569,098	(25,092)	1,731,178
Variable Operations & Maintenance	418,285	286,075	132,210	300,170
PJM Replacement Power	536,325	150,000	386,325	64,229
Reactive Revenue Distribution	(110,159)	(110,159)	-	(110,159)
Capacity Credit	(1,256,419)	(1,265,663)	9,244	(1,640,038)
MISO Capacity Purchase	1,522,500	1,522,744	(244)	1,496,748
Total Operations & Maintenance Expense	11,382,188	6,568,833	4,813,355	7,490,240
<b>TRANSMISSION</b>				
LMP Price Differential	176,330	539,764	(363,434)	393,467
<b>ADMINISTRATIVE &amp; GENERAL</b>				
AMP	127,687	104,354	23,333	109,496
MPPA				
Salaries and Benefits	261,113	257,090	4,023	275,405
Outside Services	53,644	44,880	8,764	66,727
All Other A & G	67,321	69,487	(2,166)	55,713
Total Administrative & General Expense	509,765	475,811	33,954	507,341
<b>DEPRECIATION</b>	1,400,592	859,606	540,986	859,222
<b>TOTAL OPERATING EXPENSE</b>	<b>13,468,875</b>	<b>8,444,014</b>	<b>5,024,861</b>	<b>9,250,270</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,550,115</b>	<b>2,090,393</b>	<b>(540,278)</b>	<b>1,918,750</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest Income	84,886	40,500	44,386	38,205
Amortization	169,807	169,807	-	98,780
Bond Issuance Cost	-	-	-	(114,350)
Interest Expense	(388,838)	(388,838)	-	(1,457,109)
Net Change in Fair Value of Investments	(106,813)	-	(106,813)	(52,284)
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXPENSE)</b>	<b>(240,958)</b>	<b>(178,531)</b>	<b>(62,427)</b>	<b>(1,486,758)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,309,157</b>	<b>\$ 1,911,862</b>	<b>\$ (602,705)</b>	<b>\$ 431,992</b>

**MICHIGAN PUBLIC POWER AGENCY  
COMBUSTION TURBINE PROJECT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
DECEMBER 31, 2022 AND 2021**

	UNAUDITED OVER (UNDER)			
	2022 ACTUAL	2022 BUDGET	2022 BUDGET	2021 ACTUAL
<b>OPERATING REVENUE</b>				
Energy	\$ 3,806,773	\$ 3,686,336	\$ 120,437	\$ 3,614,090
Transmission	1,609,925	1,586,945	22,980	1,549,992
Fuel	2,963,361	1,776,108	1,187,253	2,382,065
<b>TOTAL OPERATING REVENUE</b>	<b>8,380,059</b>	<b>7,049,389</b>	<b>1,330,670</b>	<b>7,546,147</b>
<b>OPERATING EXPENSE</b>				
Production				
Fuel	2,963,361	1,776,108	1,187,253	2,382,065
Operations & Maintenance	723,705	654,461	69,244	621,188
MISO Market Overhead Fee	14,058	15,000	(942)	32,116
Total Operations & Maintenance Expense	3,701,124	2,445,569	1,255,555	3,035,369
TRANSMISSION				
Operations & Maintenance	1,279,134	1,254,829	24,305	1,217,070
ADMINISTRATIVE & GENERAL				
Traverse City	462,501	432,000	30,501	373,103
MPPA				
Salaries & Benefits	261,584	247,119	14,465	254,500
Outside Services	90,094	79,148	10,946	60,721
All Other A & G	208,101	213,202	(5,101)	228,996
Total Administrative & General Expense	1,022,280	971,469	50,811	917,320
DEPRECIATION	1,003,956	989,515	14,441	975,453
<b>TOTAL OPERATING EXPENSE</b>	<b>7,006,494</b>	<b>5,661,382</b>	<b>1,345,112</b>	<b>6,145,212</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,373,565</b>	<b>1,388,007</b>	<b>(14,442)</b>	<b>1,400,935</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest Income	47,838	23,400	24,438	23,399
Amortization	50,419	50,419	-	70,167
Interest Expense	(137,522)	(137,522)	-	(191,387)
Net Change in Fair Value of Investments	(41,631)	-	(41,631)	(27,713)
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXPENSE)</b>	<b>(80,896)</b>	<b>(63,703)</b>	<b>(17,193)</b>	<b>(125,534)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,292,669</b>	<b>\$ 1,324,304</b>	<b>\$ (31,635)</b>	<b>\$ 1,275,401</b>

**MICHIGAN PUBLIC POWER AGENCY  
ENERGY SERVICES PROJECT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
DECEMBER 31, 2022 AND 2021**

	2022 ACTUAL	UNAUDITED 2022 BUDGET	OVER (UNDER) 2022 BUDGET	2021 ACTUAL
<b>OPERATING REVENUE</b>				
Energy & Capacity	\$ 63,220,280	\$ 65,560,339	\$ (2,340,059)	\$ 57,568,599
Transmission	27,713,544	29,189,022	(1,475,478)	25,036,705
MISO Energy Market Sales	67,447,120	39,554,852	27,892,268	36,565,826
<b>TOTAL OPERATING REVENUE</b>	<b>158,380,944</b>	<b>134,304,213</b>	<b>24,076,731</b>	<b>119,171,130</b>
<b>OPERATING EXPENSE</b>				
Purchased Power				
Energy & Capacity	77,815,500	62,944,129	14,871,371	68,550,667
Energy Market Overhead Fee	1,151,698	1,120,000	31,698	1,216,454
Energy Market Purchases	50,646,562	39,554,852	11,091,710	22,851,556
Reactive Revenue Distribution	(440,588)	-	(440,588)	-
REC Purchases	(275,593)	-	(275,593)	126,286
Total Purchased Power Expense	128,897,579	103,618,981	25,278,598	92,744,963
TRANSMISSION				
Operations & Maintenance	24,045,878	25,646,978	(1,601,100)	23,431,396
Transmission Transfer to TSC	3,667,667	3,542,044	125,623	1,605,309
Total Transmission Expense	27,713,545	29,189,022	(1,475,477)	25,036,705
ADMINISTRATIVE & GENERAL				
MPPA				
Salaries & Benefits	940,070	868,362	71,708	855,449
Outside Services	589,300	391,971	197,329	377,519
All Other A & G	240,450	235,877	4,573	156,494
Total Administrative & General Expense	1,769,820	1,496,210	273,610	1,389,462
<b>TOTAL OPERATING EXPENSE</b>	<b>158,380,944</b>	<b>134,304,213</b>	<b>24,076,732</b>	<b>119,171,130</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest Income	167,577	86,209	81,368	79,107
Net Change in Fair Value of Investments	(320,681)	-	(320,681)	(110,993)
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXPENSE)</b>	<b>(153,104)</b>	<b>86,209</b>	<b>(239,313)</b>	<b>(31,886)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (153,104)</b>	<b>\$ 86,209</b>	<b>\$ (239,314)</b>	<b>\$ (31,886)</b>



**MICHIGAN PUBLIC POWER AGENCY  
LANDFILL PROJECT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
DECEMBER 31, 2022 AND 2021**

	2022 ACTUAL	UNAUDITED 2022 BUDGET	OVER (UNDER) 2022 BUDGET	2021 ACTUAL
<b>OPERATING REVENUE</b>				
Energy	\$ 13,828,056	\$ 14,995,328	\$ (1,167,272)	\$ 13,972,902
Sale of RECs	(902,957)	(1,117,974)	215,017	(1,069,164)
<b>TOTAL OPERATING REVENUE</b>	<b>12,925,099</b>	<b>13,877,354</b>	<b>(952,255)</b>	<b>12,903,738</b>
<b>OPERATING EXPENSE</b>				
<b>PURCHASED POWER</b>				
Energy	13,664,471	14,840,335	(1,175,864)	13,814,842
REC Disbursement	(902,957)	(1,117,974)	215,017	(1,069,164)
Total Purchased Power	12,761,514	13,722,361	(960,847)	12,745,678
<b>ADMINISTRATIVE &amp; GENERAL</b>				
<b>MPPA</b>				
Salaries & Benefits	114,807	106,085	8,722	116,983
Outside Services	19,320	19,517	(197)	15,325
All Other A & G	29,458	29,392	66	25,753
Total Administrative & General Expense	163,585	154,994	8,591	158,061
<b>TOTAL OPERATING EXPENSE</b>	<b>12,925,099</b>	<b>13,877,355</b>	<b>(952,256)</b>	<b>12,903,739</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest Income	12,580	7,375	5,205	7,264
Net Change in Fair Value of Investments	(26,468)	-	(26,468)	(9,423)
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXPENSE)</b>	<b>(13,888)</b>	<b>7,375</b>	<b>(21,263)</b>	<b>(2,159)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (13,888)</b>	<b>\$ 7,374</b>	<b>\$ (21,262)</b>	<b>\$ (2,160)</b>

**MICHIGAN PUBLIC POWER AGENCY  
TRANSMISSION PROJECT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
DECEMBER 31, 2022 AND 2021**

	2022 ACTUAL	UNAUDITED 2022 BUDGET	OVER (UNDER) 2022 BUDGET	2021 ACTUAL
<b>OPERATING REVENUE</b>				
Transmission Revenue	\$ 1,260,257	\$ 1,250,456	\$ 9,801	\$ 1,220,526
Joint Zone Transmission Revenue	5,810,239	5,190,874	619,365	5,150,246
Joint Zone Transmission Distribution	(5,766,331)	(5,146,964)	(619,367)	(5,106,052)
<b>TOTAL OPERATING REVENUE</b>	<b>1,304,165</b>	<b>1,294,366</b>	<b>9,799</b>	<b>1,264,720</b>
<b>OPERATING EXPENSE</b>				
<b>TRANSMISSION</b>				
Operations & Maintenance	1,151,219	1,129,259	21,960	1,095,830
Joint Zone Operations & Maintenance	31,200	31,200	-	31,200
Total Transmission Expense	1,182,419	1,160,459	21,960	1,127,030
<b>ADMINISTRATIVE &amp; GENERAL</b>				
<b>MPPA</b>				
Salaries & Benefits	79,718	77,935	1,783	101,068
Outside Services	17,366	31,102	(13,736)	14,437
All Other A & G	24,662	24,870	(208)	22,185
Total Administrative & General Expense	121,746	133,907	(12,161)	137,690
<b>DEPRECIATION</b>	<b>63,375</b>	<b>63,375</b>	<b>-</b>	<b>60,039</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>1,367,540</b>	<b>1,357,741</b>	<b>9,799</b>	<b>1,324,759</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(63,375)</b>	<b>(63,375)</b>	<b>-</b>	<b>(60,039)</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest Income	5,983	3,125	2,858	3,116
Net Change in Fair Value of Investments	(9,248)	-	(9,248)	(3,813)
Miscellaneous	-	-	-	-
<b>TOTAL OTHER REVENUE (EXPENSE)</b>	<b>(3,265)</b>	<b>3,125</b>	<b>(6,390)</b>	<b>(697)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (66,640)</b>	<b>\$ (60,250)</b>	<b>\$ (6,390)</b>	<b>\$ (60,736)</b>

**MICHIGAN PUBLIC POWER AGENCY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
DECEMBER 31, 2022 AND 2021**

	OVER (UNDER)			
	2022 ACTUAL	2022 BUDGET	2022 BUDGET	2021 ACTUAL
<b>OPERATING REVENUE</b>				
Participant Dues & Assessments	\$ 973,106	\$ 958,359	\$ 14,747	\$ 903,895
Charges for Services:				
Allocated Expenses (Projects)	171,752	171,750	2	150,000
MMEA Charges	449,872	418,307	31,565	399,365
Total Committee Revenues	1,484,781	2,761,023	(1,276,242)	1,419,574
Miscellaneous	14,500	-	14,500	-
<b>TOTAL OPERATING REVENUE</b>	<b>3,094,011</b>	<b>4,309,439</b>	<b>(1,215,428)</b>	<b>2,872,834</b>
<b>OPERATING EXPENSE</b>				
<b>ADMINISTRATIVE &amp; GENERAL</b>				
MMEA - Direct Expenses	401,872	370,307	31,565	351,365
Service Committee - Direct Expenses	1,404,159	2,664,362	(1,260,203)	1,364,079
Salaries & Benefits	502,204	459,087	43,118	416,750
Office Supplies & Expense	32,608	29,114	3,494	17,237
Insurance	71,184	54,096	17,088	42,778
Outside Services	123,355	171,260	(47,905)	85,317
Meeting & Travel	24,742	32,424	(7,682)	11,722
Rent & Building Maintenance	31,952	37,534	(5,582)	31,155
Miscellaneous	6,150	6,150	-	6,150
Dues & Assessments	472,577	464,241	8,335	484,246
Total Administrative & General Expense	3,070,802	4,288,574	(1,217,772)	2,810,800
<b>DEPRECIATION</b>	<b>53,686</b>	<b>51,302</b>	<b>2,384</b>	<b>52,849</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>3,124,488</b>	<b>4,339,876</b>	<b>(1,215,388)</b>	<b>2,863,650</b>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest Income	27,249	14,000	13,249	17,518
Net Change in Fair Value of Investments	(50,720)	-	(50,720)	(16,776)
Recognized Building Lease Income	66,192	66,192	-	66,180
<b>TOTAL OTHER REVENUE (EXPENSE)</b>	<b>42,721</b>	<b>80,192</b>	<b>(37,472)</b>	<b>66,922</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 12,244</b>	<b>\$ 49,754</b>	<b>\$ (37,511)</b>	<b>\$ 76,106</b>