WPPI Energy

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2020 and 2019

WPPI Energy

TABLE OF CONTENTS

December 31, 2020 and 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
WPPI Energy
Sun Prairie, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of WPPI Energy as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise WPPI Energy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WPPI Energy as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
February 25, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

This discussion and analysis of WPPI Energy's (WPPI) condensed financial statements provides an overview of WPPI's activities for the years ended December 31, 2020 and 2019. The information presented should be read in conjunction with WPPI's financial statements and the accompanying notes.

WPPI follows authoritative sources of U. S. generally accepted accounting principles (GAAP) under the provisions of Governmental Accounting Standards Board (GASB) 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. WPPI complies with all applicable GASB pronouncements, including the application of GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62).

WPPI's financial statements include the following: The Statements of Net Position provides information about the nature and amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources of WPPI as of the end of the year. The Statements of Revenues, Expenses, and Changes in Net Position reports and classifies revenues, expenses and outflows and inflows of resources for the year. The Statements of Cash Flows reports and classifies cash receipts, cash payments and net changes in cash for the year. The notes to the financial statements provide additional information.

Significant Events

WPPI had several significant events occur in 2020 and 2019. The following is a description of these events and their impact on WPPI's financial statements and the accompanying notes.

2020

COVID-19 Impacts
In March 2020, the World Health Organization characterized a novel coronavirus, known as COVID-19, as a global pandemic. WPPI developed a response plan and implemented various measures including performing work from home to the extent possible. WPPI's operations have continued uninterrupted through the pandemic with no material change in service.

WPPI's megawatt hour (MWh) energy sales to members were 3.5% lower in 2020 compared to 2019. The change in MWh energy sales to members was impacted from the effects of COVID-19 and warmer summer weather experienced in 2020 compared to 2019. In response to projected COVID-19 impacts, WPPI's Board of Directors approved application of anticipated transmission-related refunds, as described below, to flow through to members and their customers through the power cost adjustment clauses to provide timely rate relief during the summer of 2020.

In addition, members approved use of excess WPPI funds to assist local organizations in their communities in addressing the local health and economic impacts of COVID-19. The COVID-19 Community Recharge initiative established by WPPI provided $0.5 million to support relief efforts across the WPPI membership in 2020.

Refunds
WPPI applied $3.1 million of anticipated transmission-related refunds to reduce recoverable costs to members in 2020. This lowered transmission expense and provided rate relief to members and their customers in offsetting higher demand charges during the months of July and August. As a result of ongoing proceedings related to return on equity (ROE) complaints at the Federal Energy Regulatory Commission (FERC), WPPI received $1.8 million in refunds, including interest, for certain transmission service charges previously paid. WPPI recorded a regulatory asset of $1.3 million to reflect the difference between the $3.1 million returned to members and the $1.8 million received in 2020, which decreased WPPI's unrestricted cash and investments.

Market Conditions
Overall weather conditions remained mild in 2020 with warmer summer weather compared to 2019. The low market conditions that occurred in 2019 were driven further lower in 2020 by lower natural gas prices, higher wind output and lower peak and average load across the Midcontinent Independent System Operator, Inc. footprint impacted by COVID-19.

Lower MWh energy sales to members, as described above, resulted in lower revenue from member sales in 2020 compared to 2019. Lower market energy prices also contributed to lower dispatch of WPPI's generating units and lower revenue from sales to others in 2020 compared to 2019. While lower market conditions resulted in lower operating revenue for WPPI, it also contributed to lower operating expenses through lower market and contract energy costs along with decreases in fuel expense and operation and maintenance associated with WPPI's generating units overall production in 2020 compared to 2019.

WPPI also realized decreases in administrative & general costs in 2020 due primarily to lower pension expense associated with the Wisconsin Retirement System (WRS) and performing work from home through lower meeting, travel and other related expenses. Lastly, lower debt service, as described below, also impacted the WPPI's power costs in 2020.

2019

Wholesale Power Cost to Members
In 2019, WPPI passed lower power costs on to its members through its wholesale rate, including the power cost adjustment clause. The lower wholesale rate paid by members combined with lower megawatt hour (MWh) sales to members resulted in lower revenue from energy sales to members in 2019. The decrease in WPPI's power costs in 2019, particularly in purchased power, was due primarily to lower market prices as a result of lower natural gas prices and mild weather, including cooler summer weather in 2019 compared to 2018. The application of certain refunds and lower debt service, as described below, also impacted the decrease in WPPI's power costs in 2019.

Refunds
WPPI applied $4.0 million of refunds received but not recognized in 2018 to recoverable costs to members in 2019, as planned. This amount had been reported as a regulatory credit under deferred inflows of resources at the end of 2018 and its application in 2019 lowered purchased power and transmission expense to members in the amount of $1.5 million and $2.5 million, respectively, and decreased WPPI's unrestricted cash and investments.

Debt Service
Debt service was lower in 2019 as a result of the early principal payments made in 2018 on the Power Supply System Revenue Bonds, Series 2008 A bonds (2008 A bonds), maturing on July 1, 2019 and July 1, 2020.

Condensed Statements of Net Position
(in millions)

	2020	2019	2018	2020-2019 Change	2019-2018 Change
Assets					
Current assets	$ 139.9	$ 140.7	$ 148.8	$ (0.8)	$ (8.1)
Non-current assets	272.1	261.7	249.6	10.4	12.1
Capital assets, net	361.5	373.4	387.0	(11.9)	(13.6)
Total assets	773.5	775.8	785.4	(2.3)	(9.6)
Deferred Outflows of Resources	20.1	23.7	19.8	(3.6)	3.9
Liabilities					
Current liabilities	51.2	55.7	56.0	(4.5)	(0.3)
Non-current liabilities	10.1	12.6	8.1	(2.5)	4.5
Long-term debt, including unamortized premium	324.5	343.3	366.4	(18.8)	(23.1)
Total liabilities	385.8	411.6	430.5	(25.8)	(18.9)
Deferred Inflows of Resources	90.2	84.1	83.0	6.1	1.1
Net Position	317.6	303.8	291.7	13.8	12.1

Assets & Deferred Outflows of Resources

Total assets at the end of 2020 were $773.5 million which was a decrease of $2.3 million from 2019. Total assets at the end of 2019 were $775.8 million, which was a decrease of $9.6 million from 2018.

Current assets decreased $0.8 million in 2020 and $8.1 million in 2019 due primarily to applying certain refunds to recoverable costs to members in 2020 and 2019, respectively. The change in current assets in 2020 and 2019 was also impacted by reclassification to non-current assets for certain monies moved to the renewal and replacement fund, continued construction fund spend and voluntary capital calls made to ATC.

Non-current assets increased $10.4 million in 2020 and $12.1 million in 2019 due primarily to increases in WPPI's investment in ATC, reserve funds and aforementioned regulatory assets. WPPI made capital contributions to ATC to meet voluntary capital calls of $2.4 million in 2020 and $5.7 million in 2019. Contributions to the renewal and replacement fund, net of usage, was $1.5 million in 2020 and $4.5 million in 2019. Usage in 2020 and 2019 was primarily for capital additions at Boswell Unit 4 and Elm Road Generating Station (ERGS) Units 1 and 2. The change in non-current assets was also impacted by WPPI's proportionate share of the net pension amount of the WRS. Initially recognized as a net pension asset in 2018, this item was subsequently recognized as a net pension liability in 2019 before returning to a net pension asset in 2020.

Capital assets net of accumulated depreciation decreased $11.9 million in 2020 and $13.6 million in 2019 as a result of annual depreciation exceeding capital additions. Construction work in progress increased $2.2 million in 2020, and consisted primarily of various capital projects at Boswell Unit 4.

Deferred outflows of resources decreased $3.6 million in 2020 due primarily to ongoing amortization of loss on reacquired debt and asset retirement obligations along with lower pension-related amounts associated with the WRS. Deferred outflows of resources increased $3.9 million in 2019 due primarily to higher pension-related amounts associated with the WRS and amounts related to asset retirement obligations as a result of WPPI's adoption of GASB 83, *Certain Asset Retirement Obligations* (GASB 83). This was partially offset by ongoing amortization of loss on reacquired debt.

Liabilities & Deferred Inflows of Resources

Current liabilities decreased $4.5 million in 2020 and $0.3 million in 2019. The change in current liabilities in 2020 was due primarily to lower current maturities of long-term debt.

Non-current liabilities decreased $2.5 million in 2020 and increased $4.5 million in 2019. The change in non-current liabilities was due primarily to the change in classification in 2020 and 2019 of WPPI's aforementioned proportionate share of the net pension amount of the WRS. In 2020, WPPI's asset retirement obligations decreased due primarily to an updated asset retirement study at Boswell Unit 4, which was offset in part by an increase in WPPI's other postemployment benefits liability. In 2019, WPPI's asset retirement obligations increased resulting from WPPI's adoption of GASB 83.

Long-term debt including unamortized premium decreased $18.8 million in 2020 and $23.1 million in 2019 due to the reclassification of certain long-term debt to current maturities.

Deferred inflows of resources increased $6.1 million in 2020 due primarily to higher future recoverable costs and pension-related amounts associated with the WRS. Deferred inflows of resources increased $1.1 million in 2019 due primarily to the change in regulatory credits with higher future recoverable costs offset by certain refunds that were returned to members in 2019. Higher future recoverable costs in 2020 and 2019 resulted from principal amounts recovered in rates exceeding the related depreciation and amortization recognized.

Net Position

Net position was $317.6 million at the end of 2020 and $303.8 million at the end of 2019. The change in net position results primarily from margin collected through WPPI's wholesale rates to its members and WPPI's share of ATC earnings that are retained by ATC. In 2019, net position was also impacted by a cumulative effect of change in accounting principle. WPPI recognized a $1.3 million decrease to net position in 2019 as result of recently adopted accounting pronouncements.

Condensed Statements of Revenues, Expenses, and Changes in Net Position
(in millions)

	2020	2019	2018	2020-2019 Change	2019-2018 Change
Operating revenues	$411.8	$429.5	$451.5	$ (17.7)	$ (22.0)
Operating expenses	401.4	418.8	431.9	(17.4)	(13.1)
Operating income	10.4	10.7	19.6	(0.3)	(8.9)
Non-operating revenues (expenses), net	5.4	6.3	(1.2)	(0.9)	7.5
Future recoverable costs	(2.0)	(3.6)	(6.0)	1.6	2.4
Change in net position	13.8	13.4	12.4	0.4	1.0
Net position, beginning of year	303.8	291.7	279.0	12.1	12.7
Cumulative effect of change				-	-
in accounting principle	-	(1.3)	0.3	1.3	(1.6)
Net position, end of year	$317.6	$303.8	$291.7	$ 13.8	$ 12.1

Operating Revenues

Total operating revenues in 2020 were $411.8 million, which was a decrease of $17.7 million from 2019. Total operating revenues in 2019 were $429.5 million, which was a decrease of $22.0 million from 2018. Lower total operating revenues in 2020 and 2019 were due to lower revenue from sales to others along with lower MWh energy sales to members and associated revenue.

Revenue from energy sales to members decreased $7.4 million in 2020 and $13.0 million in 2019 due primarily to lower MWh energy sales and passing lower power costs on to its members through WPPI's wholesale rate, including the power cost adjustment clause.

Energy Sales to Members (MWh)

	2020	2019	2018	% Change 2020-2019	% Change 2019-2018
Energy sales to members	4,772,322	4,942,894	5,084,754	-3.5%	-2.8%

WPPI's MWh energy sales to members decreased 3.5% in 2020 and 2.8% in 2019. In 2020, the change in MWh energy sales to members was impacted from the effects of COVID-19 and warmer summer weather experienced in 2020 compared to 2019. In 2020 and 2019, lower MWh energy sales to members was also impacted by increased offsets to load as a result of higher member hydro production and self-generation at a large customer.

Revenue from sales to others decreased $11.4 million in 2020 and $8.3 million in 2019 as a result of lower market energy costs and the availability and dispatch of WPPI's power supply resources. Revenue from sales to others includes revenue from WPPI's owned transmission, consisting of the CapX 2020 La Crosse project and the Badger-Coulee project, which was $3.0 million in 2020 and $2.8 million in 2019.

Operating Expenses

Operating expenses were $401.4 million in 2020, which was a decrease of $17.4 million from 2019. Operating expenses were $418.8 million in 2019, which was a decrease of $13.1 million from 2018. The decrease in operating expenses in 2020 and 2019 was due primarily to lower purchased power, transmission and fuel expense.

Purchased power expense decreased $9.6 million in 2020 and $5.7 million in 2019 due primarily to lower market energy costs and lower MWh sales to members. Lower contract energy costs and the application of certain refunds of purchased power costs previously paid also impacted the decrease in purchased power expense in 2020 and 2019, respectively. In 2019, the decrease in purchased power expense was partially offset by increases associated with purchasing a full year of output from Bishop Hill III Wind Energy Center.

Transmission expense decreased by $0.5 million in 2020 and $2.5 million in 2019. The change in transmission expense was due primarily to recognizing certain refunds in 2020 and 2019 of transmission service charges previously paid.

Fuel expense decreased $5.0 million in 2020 and $5.5 million in 2019 due primarily to the corresponding change in total production at WPPI's owned generating units.

Owned Generation Production by Unit (MWh)

	2020	2019	2018	% Change 2020-2019	% Change 2019-2018
Boswell Unit 4	529,895	650,971	833,135	-18.6%	-21.9%
ERGS Unit 1	369,250	364,791	337,253	1.2%	8.2%
ERGS Unit 2	277,407	333,424	371,208	-16.8%	-10.2%
SFDL Units 1 and 4	13,492	12,438	31,576	8.5%	-60.6%
ISPP	2,693	7,921	12,378	-66.0%	-36.0%
Total	1,192,737	1,369,545	1,585,550	-12.9%	-13.6%

The production at Boswell Unit 4 was lower in 2020 and 2019 compared to 2018 due primarily to higher outage hours and dispatch patterns as a result of lower market energy prices. Boswell Unit 4 was offline for approximately six and a half weeks during the first quarter of 2019 for an unplanned outage to repair numerous leaks in the hot reheat steam piping.

The production at ERGS Unit 2 was lower in 2020 compared to 2019 and 2018 due primarily to higher outage hours, including extension of a planned outage from 5 weeks to 12 weeks to replace all four turbine control valve seats. ERGS Unit 2 was offline for approximately six and a half weeks during the second quarter of 2019 for a planned turbine valve outage.

The production at South Fond du Lac (SFDL) Units 1 and 4 and ISPP has varied the last several years due to changes in generation dispatch patterns in the market footprint of the Midcontinent Independent System Operator, Inc.

Non-Operating Revenues (Expenses), Net

The change in net non-operating revenues (expenses) was $(0.9) million in 2020, and due primarily to lower investment income and related fair value along with funds provided by WPPI's COVID-19 Community Recharge initiative. This was offset in part by lower interest expense. The change in net non-operating revenues (expenses) was $7.5 million in 2019, and due primarily to higher investment income and related fair value along with lower interest expense. Investment income includes ATC earnings distributed as cash dividends which increased in 2020 and 2019 and were used to lower the wholesale rate paid by members.

Interest expense decreased $1.0 million in 2020 and $1.5 million in 2019 as a result of i) scheduled annual payments of principal, ii) refunding existing debt through the issuance of the 2018 A bonds and 2016 A bonds and iii) early principal payments on the 2008 A bonds, maturing July 1, 2019 and July 1, 2020.

Future Recoverable Costs

As allowed through the application of GASB 62, future recoverable costs represent the difference between depreciation and amortization expenses for assets that are financed with bond proceeds and the related principal collected from rates in the present period. Future recoverable costs equaled $(2.0) million in 2020, a change of $1.6 million from 2019. Future recoverable costs equaled $(3.6) million in 2019, a change of $2.4 million from 2018.

Contact Information

This financial report is designed to provide a general overview of WPPI's finances. Questions or requests for additional information should be addressed to:

WPPI Energy
Attn: CFO
1425 Corporate Center Drive
Sun Prairie, Wisconsin 53590

THIS PAGE IS INTENTIONALLY LEFT BLANK

WPPI Energy
Statements of Net Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Unrestricted cash and investments	$ 74,846,829	$ 73,310,816
Restricted cash and investments	14,961,472	18,576,213
Receivables	34,476,143	34,218,185
Inventories	12,589,490	11,554,367
Prepayments and other assets	3,030,670	3,024,051
Total current assets	139,904,604	140,683,632
Non-current assets		
Unrestricted cash and investments	91,854,127	89,255,621
Restricted cash and investments	26,705,098	27,734,667
Investment in ATC	144,720,029	138,674,116
Receivables from members	2,993,182	3,141,597
Regulatory assets	3,090,277	2,020,510
Prepayments and other assets	675,926	867,488
Restricted net pension asset	2,110,138	-
Total non-current assets	272,148,777	261,693,999
Capital assets		
Electric plant and equipment	575,416,372	579,158,041
Accumulated depreciation and amortization	(221,257,628)	(210,820,958)
Electric plant and equipment, net	354,158,744	368,337,083
Land	1,351,215	1,346,871
Construction work in progress	5,962,642	3,762,108
Total capital assets	361,472,601	373,446,062
Total assets	**773,525,982**	**775,823,693**
Deferred Outflows of Resources		
Unamortized loss on reacquired debt	12,609,771	14,256,793
Other postemployment benefits	643,322	93,081
Pension	4,943,492	6,380,233
Asset retirement obligation	1,858,803	3,012,092
Total deferred outflows of resources	**20,055,388**	**23,742,199**

WPPI Energy

Statements of Net Position (cont'd)

December 31, 2020 and 2019

	2020	2019
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 28,796,189	$ 28,769,184
Restricted current maturities of long-term debt	14,855,000	18,930,000
Restricted accrued interest	7,533,972	8,007,222
Total current liabilities	51,185,161	55,706,406
Non-current liabilities		
Asset retirement obligations	6,758,476	7,717,630
Benefits liabilities	3,348,582	4,877,089
Total non-current liabilities	10,107,058	12,594,719
Long-term debt		
Revenue bonds, net of unamortized premium	324,492,646	343,291,533
Total liabilities	**385,784,865**	**411,592,658**
Deferred Inflows of Resources		
Rate stabilization	47,000,936	47,000,936
Pension	6,832,652	4,017,869
Other postemployment benefits	86,755	95,041
Regulatory credits	36,310,041	33,069,401
Total deferred inflows of resources	**90,230,384**	**84,183,247**
Net Position		
Net investment in capital assets	29,795,264	20,888,193
Restricted		
Debt service	7,427,500	9,465,000
Debt service reserve	26,704,076	27,733,645
Net pension asset	2,110,138	-
Other	1,022	1,022
Unrestricted	251,528,121	245,702,127
Total net position	**317,566,121**	**303,789,987**

THIS PAGE IS INTENTIONALLY LEFT BLANK

WPPI Energy

Statements of Revenue, Expenses, and Changes in Net Position

For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating revenues		
Sales to members	$ 341,903,199	$ 349,325,980
Sales to others	67,604,220	79,025,993
Rate Stabilization	-	(841,792)
Other income	2,292,329	2,020,241
Total operating revenues	411,799,748	429,530,422
Operating expenses		
Purchased power	258,873,521	268,494,053
Transmission	62,211,898	62,664,459
Fuel expense	23,876,720	28,949,035
Operation and maintenance	14,406,765	15,448,593
Customer service and administrative and general	18,662,785	19,648,800
Depreciation and amortization	16,822,046	16,708,370
Taxes	6,545,886	6,906,117
Total operating expenses	401,399,621	418,819,427
Operating income	10,400,127	10,710,995
Non-operating revenues (expenses)		
Investment income	12,850,541	13,757,520
Equity in earnings of ATC	3,693,110	3,481,905
Allowance for funds used during construction	-	70,226
Net increase (decrease) in fair value of investments	1,241,862	1,828,362
Gain on sale of allowances	1,623,157	1,587,659
Interest expense	(15,533,898)	(16,493,738)
Amortization of debt-related costs	2,095,369	2,164,337
Other	(557,783)	(130,575)
Total non-operating revenues (expenses), net	5,412,358	6,265,696
Future recoverable costs	(2,036,351)	(3,567,866)
Change in net position	13,776,134	13,408,825
Net position, beginning of year	303,789,987	291,651,041
Cumulative effect of change in accounting principle	-	(1,269,879)
Net position, end of year	$ 317,566,121	$ 303,789,987

WPPI Energy
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows provided by operating activities		
Cash receipts from members and others	$ 412,471,807	$ 431,596,033
Cash payments for purchased power	(322,284,736)	(334,647,911)
Cash payments for fuel	(24,308,362)	(29,438,755)
Cash payments for operations and maintenance	(10,974,262)	(11,437,632)
Cash payments for payroll and ad valorem taxes	(6,556,071)	(6,899,100)
Cash payments to employees	(11,463,097)	(11,391,944)
Cash payments for customer service & adm. and general	(10,202,911)	(10,372,617)
Net cash provided by operating activities	26,682,368	27,408,074
Cash flows provided by non-capital financing activities		
Cash receipts from outside parties	1,056,760	1,082,271
Cash payments to outside parties	(856,771)	(799,172)
Net cash provided by non-capital financing activities	199,989	283,099
Cash flows provided by investing activities		
Investments purchased	(75,771,132)	(94,633,684)
Investment in ATC	(2,352,803)	(5,683,692)
Investments sold	79,567,316	87,632,919
Investment income	3,432,592	4,333,719
Cash distributions received from ATC	10,201,597	8,574,774
Net cash provided by investing activities	15,077,570	224,036
Cash flows used in capital and related financing activities		
Acquisition and construction of capital assets	(4,973,938)	(5,331,438)
Principal paid	(18,930,000)	(18,150,000)
Interest paid	(16,007,148)	(16,947,488)
Net cash used in capital and related financing activities	(39,911,086)	(40,428,926)
Change in cash and cash equivalents	2,048,841	(12,513,717)
Cash and cash equivalents, beginning of year	91,966,258	104,479,975
Cash and cash equivalents, end of year	$ 94,015,099	$ 91,966,258

WPPI Energy
Statements of Cash Flows (cont'd)
Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 10,400,127	$ 10,710,995
Depreciation and amortization	16,822,046	16,708,370
Other non-operating revenues (expenses), net	1,037,710	2,172,875
Changes in assets, liabilities, deferred outflows and inflows of resources		
Receivables	(996,597)	(380,093)
Inventories	(1,035,123)	80,962
Prepayments and other assets	268,849	(152,999)
Regulatory asset	(1,546,731)	274,696
Non-current prepayments and other assets	(1,918,576)	201,293
Pension	886,500	(12,143)
Accounts payable and accrued liabilities	375,129	(632,586)
Benefits liabilities	1,277,990	157,535
Rate Stabilization	-	841,792
Regulatory credits	1,111,044	(2,562,623)
Net cash provided by operating activities	$ 26,682,368	$ 27,408,074
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current assets		
Unrestricted cash and investments	$ 74,846,829	$ 73,310,816
Restricted cash and investments	14,961,472	18,576,213
Non-current assets		
Unrestricted cash and investments	91,854,127	89,255,621
Restricted cash and investments	26,705,098	27,734,667
Total cash and investments	208,367,526	208,877,317
Less: long-term investments	114,352,427	116,911,059
Total cash and cash equivalents	$ 94,015,099	$ 91,966,258

WPPI Energy
Statements of Cash Flows (cont'd)
Years Ended December 31, 2020 and 2019

Noncash investing, capital and related-financing activities

During 2020 and 2019, WPPI Energy recognized $3,693,110 and $3,481,905 of equity earnings in ATC.
During 2020 and 2019, WPPI Energy recognized an increase in fair market value of investments of $1,241,862 and $1,828,362.

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

(a) Organization and Operations

WPPI Energy (WPPI) is a municipal electric company and political subdivision of the State of Wisconsin, formed in 1980. It is WPPI's mission to provide member utilities with reliable, low-cost electricity, best-in-class services and effective advocacy, making its member communities better places to live, work and play. WPPI sells wholesale power to its 41 Wisconsin municipal members and 9 non-Wisconsin municipal members. WPPI also sells wholesale electricity under a long-term contract to a Michigan electric cooperative association. Including the Michigan electric cooperative association, WPPI served 51 customer-owned electric utilities (the "members") as of December 31, 2020 and 2019, respectively.

WPPI sells wholesale electricity to its members under long-term contracts. As of December 31, 2020, 50 members, representing approximately 99.8% of WPPI's existing load, have long-term contracts through December 31, 2055. The remaining member has a long-term contract through December 31, 2037. Under the long-term contracts, WPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for all of its electric power requirements, with certain exceptions related to existing member-owned hydroelectric facilities and other specified generation. WPPI supplies the electric power requirements of its members from a mix of resources, including owned generation and purchased power from other entities including the Midcontinent Independent System Operator, Inc. (MISO) and PJM Interconnection, LLC (PJM) markets and as described in Note 1(n), Note 1(u) and Note 11, respectively. WPPI also receives operating revenues from sales of capacity and energy to other entities including sales in the MISO and PJM markets.

WPPI offers various member utility services and customer programs, including, but not limited to: advanced metering, customer information system, retail billing and tariff compliance, electric rate studies and financial modeling, customer engagement, program marketing, website development, distribution system support, shared meter technician, lineman construction maintenance, cyber security and network support, joint purchasing of electric materials, government relations and advocacy, communications, incentives and loans, education, and community outreach.

(b) Basis of Accounting

WPPI follows authoritative sources of U.S. generally accepted accounting principles (GAAP) under the provisions of Governmental Accounting Standards Board (GASB) 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. WPPI complies with all applicable GASB pronouncements, including the application of GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62).

Under GASB 62, WPPI defers revenues and expenses for future recognition as they are recovered or returned through the rate-making process. Where applicable, the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts is used.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows and inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and outflows and inflows of resources during the reporting period. Actual results could differ from those estimates.

(d) Fair Value Measurements

WPPI follows GASB 72, *Fair Value Measurement and Applications* for measuring fair value and reporting assets and liabilities measured at fair value within the fair value hierarchy.

(e) Cash and Investments

Cash and investments of WPPI's funds are governed by (i) Section 66.0825 of the Wisconsin Statutes, which states that notwithstanding the provision of any other law, WPPI may invest any funds held in reserve or sinking funds, or any funds not required for immediate disbursement in obligations, securities and other investments that it deems proper, and (ii) WPPI's bond resolution, which provides that such investments shall mature not later than such times as necessary to provide moneys when needed for payments from such funds.

(f) Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, cash and cash equivalents are cash and investments maturing in three months or less.

(g) Restricted Cash and Investments

WPPI's bond resolution requires the segregation of bond proceeds and prescribes the application of WPPI's revenues. Amounts classified as restricted cash and investments on the Statements of Net Position represent cash and investments whose use is restricted by the bond resolution. It is WPPI's practice to use restricted funds on hand for their designated purpose, when available, before using unrestricted funds for such purpose.

(h) Current Receivables

Current receivables include sales accounts receivable, representing power sales to members and non-members for the period between the last billing date and the end of the reporting period, and are accrued in the period sold. Current receivable balances were as follows at December 31:

	2020	2019
Sales, members	$ 26,895,684	$ 25,022,145
Sales, non-members	3,727,010	4,604,925
Notes, members	1,016,456	1,049,111
ATC dividends	2,339,582	2,815,490
Unrestricted interest	469,530	674,411
Restricted interest	27,881	52,103
	$ 34,476,143	$ 34,218,185

(i) Non-Current Receivables

The non-current receivables balance includes amounts not due within the next year associated with member energy efficiency and renewable energy project loans.

(j) Inventories

Inventories include fuel and repair spare parts and are charged to plant or operation and maintenance expense at average cost when used. Inventories are valued at the lower of average cost or fair value.

(k) Prepayments and Other Assets

Prepayments and other assets include unamortized costs of expenses paid in advance for which the future benefits have yet to be realized. WPPI recognizes an expense or asset when such benefit is realized. Prepayments and other assets are for i) a member generation contract entered into in 2016, ii) other prepaid general operating costs, such as insurance and iii) upfront payments for community-based renewable energy purchased from members and their customers.

Prepayment and other asset balances were as follows at December 31:

	2020	2019
Capacity contract	$ 797,523	$ 971,230
Other general operating costs	2,839,108	2,822,759
Solar purchases	69,965	97,550
	$ 3,706,596	$ 3,891,539

For purposes of the Statements of Net Position, prepayments and other assets anticipated to be realized within one year are classified as current assets. Classification of prepayments and other assets was as follows on December 31:

	2020	2019
Current	$ 3,030,670	$ 3,024,051
Non-current	675,926	867,488
	$ 3,706,596	$ 3,891,539

(l) Regulatory Assets

Regulatory assets are for i) unamortized bond issuance costs to be recovered over the repayment period of the related bond issues and ii) the difference between the amount of refunds returned to members through rates in 2020 and the amount WPPI ultimately received in refunds in 2020 (see Note 11). Under GASB 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), bond issuance costs are to be expensed in the period incurred. However, WPPI borrows for and systematically spreads the costs associated with issuing bonds over the life of the related bond issue for rate-making purposes using a method that approximates the effective-interest method. Regulatory asset balances were as follows at December 31:

	2020	2019
Unamortized bond issuance costs	$ 1,819,015	$ 2,020,510
Refunds returned not yet received	1,271,262	-
	$ 3,090,277	$ 2,020,510

(m) Capital Assets

Additions to and replacements of capital assets are recorded at original cost, including allowance for borrowed funds. Assets with an initial cost greater than $5,000 and a useful life of two years or more are capitalized. Depreciation is recorded using the straight-line method using service lives of 2 to 45 years.

(n) Owned Generation

WPPI had owned generation of approximately 431 MW at December 31, 2020 and 2019, respectively, from Boswell Unit 4, Elm Road Generating Station (ERGS) Units 1 and 2, South Fond du Lac (SFDL) Units 1 and 4, the Island Street Peaking Plant (ISPP) and other small generation. Generally, WPPI's share of the assets and the cost to operate and maintain its owned generation is included in the accompanying financial statements.

Boswell Unit 4. WPPI has a 20% undivided interest (approximately 117 MW) in the 585 MW Boswell Unit 4, a coal-fired steam unit near Grand Rapids, Minnesota. Minnesota Power owns the remaining interest in Boswell Unit 4 and is the operating agent responsible for operation and maintenance of the unit.

Elm Road Generating Station Units 1 and 2. WPPI has an 8.33% undivided interest (approximately 53 MW in each unit) in ERGS Units 1 and 2, two 634 MW supercritical coal-fired steam units near Oak Creek, Wisconsin. WEC Energy Group and MGE Energy, both through wholly owned subsidiaries, own the remaining 83.34% and 8.33% of ERGS Units 1 and 2, respectively. Wisconsin Electric Power Company (WEPCO) is the operating agent responsible for operation and maintenance of the units.

South Fond du Lac Units 1 and 4. WPPI owns two 77 MW combustion turbine units near Fond du Lac, Wisconsin. SFDL Units 1 and 4 are two of four combustion turbine units located on a site owned by Wisconsin Power & Light (WPL). WPL owns the other two units on the site and operates and maintains the units owned by WPPI.

Island Street Peaking Plant. WPPI owns a 52 MW combustion turbine unit in Kaukauna, Wisconsin. Kaukauna Utilities operates and maintains the unit.

(o) Owned Transmission

WPPI's transmission ownership consists of the CapX 2020 La Crosse project and the Badger-Coulee project. Generally, WPPI's share of the assets and cost to operate and maintain these transmission projects, along with associated transmission service revenue, is included in the accompanying financial statements (see Note 11). In addition, WPPI owns an equity interest in ATC Management Inc. and American Transmission Company LLC (collectively ATC) (see Note 3 and Note 11). WPPI takes service for all of its transmission requirements under contracts and tariffs approved by FERC.

CapX 2020 La Crosse project. WPPI has a 3% interest in the total CapX 2020 La Crosse project. However, WPPI's physical ownership of transmission consists only of facilities physically located in Wisconsin and amounts to approximately 9.5% of such facilities. The CapX 2020 La Crosse project is an approximate 125 mile 345 kV transmission line from Red Wing, Minnesota to the La Crosse, Wisconsin area. Five other utilities own the remaining interest in the CapX 2020 La Crosse project, including Xcel Energy, the operating agent responsible for operation and maintenance of the project. Electric plant and equipment, net balances for the CapX 2020 La Crosse project were as follows at December 31:

		2020		2019
Electric plant and equipment	$	15,348,275	$	15,348,275
Accumulated depreciation and amortization		(2,141,298)		(1,752,858)
Electric plant and equipment, net	$	13,206,977	$	13,595,417

Badger-Coulee project. WPPI has a 1.5% interest in the Badger-Coulee project. The Badger-Coulee project is a 345 kV transmission line that begins north of La Crosse where it interconnects with the CapX 2020 La Crosse project and runs approximately 180 miles to northern Dane County, also in Wisconsin. Four other utilities own the remaining interest in the Badger-Coulee project, including ATC and Xcel Energy, the operating agents responsible for operation and maintenance of the project. Electric plant and equipment, net balances for the Badger-Coulee project were as follows at December 31:

		2020		2019
Electric plant and equipment	$	7,189,274	$	7,141,008
Accumulated depreciation and amortization		(403,581)		(238,264)
Electric plant and equipment, net	$	6,785,693	$	6,902,744

(p) Deferred Outflows and Inflows of Resources

WPPI follows GASB 65 which reclassify as deferred outflows of resources or deferred inflows of resources or recognize outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

(q) Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Wisconsin Retirement System and additions to/deductions from its respective fiduciary net position have been determined on the same basis as they are reported by the Wisconsin Retirement System. Benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms.

(r) Derivative Instruments

WPPI follows GASB 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53) to recognize, measure and disclose information regarding its derivative instruments. WPPI may enter into derivative instruments to stabilize power costs to its members, consisting primarily of natural gas and electricity financial contracts. Under GASB 62, a regulatory asset or credit may be recorded as an offset to the net fair value of the hedging derivative instrument until settlement month is reached. WPPI did not hold any potential hedging derivatives at December 31, 2020 and 2019. All other power contracts fall under the normal purchases and sales exception within GASB 53, or are contracts where WPPI expects to take physical delivery of the power.

(s) Regulatory Credits

Regulatory credits are for i) amounts subject to refund in future periods for WPPI's share of the CapX 2020 La Crosse project and Badger-Coulee project (see Note 11), ii) self-insurance reserve, iii) long-term maintenance reserve and iv) future recoverable costs.

WPPI maintains assets in the Self-Insurance Fund and Renewal and Replacement Fund (see Note 2).

Revenues from members include amounts to pay bond principal and interest. For financial reporting purposes, WPPI recognizes depreciation and amortization pertaining to fixed assets and other assets financed with bond principal. As allowed through the application of GASB 62, future recoverable costs represent the difference between depreciation and amortization of assets financed with bond proceeds and the related principal recovered in rates in the present period. When the depreciation and amortization recognized exceeds the related principal amounts recovered in rates, these costs will be recovered in future periods. When the principal amounts recovered in rates exceed the related depreciation and amortization recognized, these costs will be returned in future periods.

Regulatory credit balances were as follows at December 31:

	2020	2019
CapX 2020 La Crosse & Badger-Coulee projects	$ 65,904	$ 135,959
Self-insurance reserve	5,167,677	5,074,432
Long-term maintenance reserve	11,910,067	10,728,968
Future recoverable costs	19,166,393	17,130,042
	$ 36,310,041	$ 33,069,401

(t) ***Vacation and Sick Leave***

Under terms of employment, full time employees are granted one day of sick leave per month. Full time employees are paid annually for any sick leave accrued in excess of 960 hours at one-half their hourly rate. Accrued sick leave is not paid to employees when they leave employment.

As of December 31, 2019, employees were allowed to carry over up to 40 hours of unused vacation. Effective January 1, 2020, employees are allowed to carry over up to 80 hours of unused vacation. In 2020 and 2019, accrued vacation was not considered material; therefore, no liability was recorded.

(u) ***Purchased Power***

WPPI has major purchase power agreements, as further described below, of approximately 616 MW and 615 MW at December 31, 2020 and 2019, respectively.

WEPCO Market Based Rate Tariff Agreements. WPPI makes two separate purchases from WEPCO under its market rate tariff, FERC electric tariff volume no. 8 dated October 11, 2012. WPPI pays formula-based average embedded cost rates under the first purchase with an initial term that runs through April 30, 2025. WPPI purchased 0 MW for the contract years commencing June 1, 2018, 2019 and 2020, respectively. WPPI has nominated to purchase 0 MW for the contract years commencing June 1, 2021, 2022 and 2023, respectively. WPPI may change its nomination from year to year, subject to contractual restrictions, but may not exceed 305 MW. WPPI is permitted but not obligated to schedule energy up to the nominated demand.

WPPI is obligated to purchase 50 MW under a second purchase through May 31, 2021. WPPI is permitted but not obligated to schedule energy up to the nominated demand.

WPS Long-Term Power Sale and Purchase Agreement. WPPI purchases firm partial requirements service from WPS under a long-term power sale and purchase agreement dated May 1, 2006. WPPI purchases 150 MW and pays formula-based average embedded cost rates. The initial term for the 100 MW portion runs through May 31, 2021 with the 50 MW portion having an initial term running through May 31, 2029. WPPI will purchase 125 MW, 100 MW and 75 MW for the contract years commencing June 1, 2021, 2022 and 2023, respectively.

Point Beach Nuclear Plant. WPPI purchases approximately 167 MW (117 MW net of sales below) of unit contingent capacity and energy from the Point Beach Nuclear Plant near Two Rivers, Wisconsin under a purchase power agreement with NextEra dated May 20, 2011. The aggregate generating capacity of the Point Beach Nuclear Plant is approximately 1,185 MW. The term extends through the term of the current Nuclear Regulatory Commission operating license for each unit, which is October 5, 2030 for Unit 1 and March 8, 2033 for Unit 2.

WPPI sells 20% of its share of unit contingent capacity and energy for the life of WPPI's purchase power agreement with NextEra under a purchase power agreement with Missouri River Energy Services (MRES) dated July 13, 2011.

WPPI sells 10% of its share of unit contingent capacity and energy for the life of WPPI's purchase power agreement with NextEra under a purchase power agreement with Central Minnesota Power Agency and Services dated August 8, 2012.

Nelson Energy Center. WPPI purchases 15.6% (approximately 47 MW in each unit) of unit contingent capacity and energy from Nelson Energy Center Units 1 and 2 (Nelson Energy Center) under a purchase power agreement with Invenergy dated March 12, 2014. Nelson Energy Center is a 600 MW gas-fired combined-cycle plant located near Rock Falls, Illinois. The initial term runs through May 31, 2037.

Bishop Hill III Wind Energy Center. WPPI purchases all of the output from the Bishop Hill III Wind Energy Center in Henry County, Illinois under a purchase power agreement with Bishop Hill Energy III LLC dated July 13, 2017. Bishop Hill III Wind Energy Center has an installed capacity of 132 MW, although the maximum output will not exceed 119 MW due to transmission interconnection rights limitations. The initial term runs through May 31, 2040.

Member Generation under Contract. Member generation under contract to WPPI consists of a number of small generating units, totaling approximately 40 MW and 39 MW of capacity in 2020 and 2019, respectively.

(v) Operating Revenues and Expenses

Operating revenues result from exchange transactions associated with the principal activity of WPPI, the sale of electricity and the provision of other services. Reported operating revenues are affected by the contributions to or distributions from the Rate Stabilization Fund. Operating expenses are defined as expenses directly related to, or incurred in support of, the provision of electricity and other services. All other expenses are classified as non-operating expenses.

(w) Taxes

WPPI is exempt from Federal, Wisconsin, and Minnesota income taxes as a political subdivision of the State of Wisconsin. Tax expense includes Minnesota property taxes, Wisconsin payments in lieu of ad valorem taxes, payroll-related taxes and emission fees.

(x) Rates to Members

Rates to members are reviewed and adopted by WPPI's Board of Directors annually. Under WPPI's bond resolution, WPPI's rates for wholesale power sales to members are set at levels expected to yield net revenues for an annual period equal to at least 1.10 times the aggregate debt service for that period. These rates are not subject to state or federal regulation. For the years ended December 31, 2020 and 2019, WPPI's Board of Directors approved rates that were expected to yield net revenues 1.25 times aggregate debt service, respectively.

WPPI's Board of Directors may annually determine whether revenues that provide margin above 1.10 times debt service coverage shall be deferred and deposited to the Rate Stabilization Fund. As allowed through the application of the provisions of GASB 62, the margin may be deposited in the Rate Stabilization Fund and reported as a deferred inflow of resources on the accompanying Statements of Net Position to be distributed in future years to cover costs that otherwise would be recovered through rates to members and reported as operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position. For the years ended December 31, 2020 and 2019, WPPI did not utilize the Rate Stabilization Fund and deferred revenues of $0 and $841,792, respectively.

(y) Recently Issued Accounting Pronouncements

GASB has issued Statement No. 87, *Leases*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates* and Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements* and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Application of these recently issued accounting pronouncements, when effective, may restate portions of these financial statements.

(2) Cash and Investments

WPPI's bond resolution requires the segregation of bond proceeds and maintenance of various funds, and prescribes the application of WPPI's revenues. WPPI has an internal investment policy with guidelines to help ensure safety of principal, liquidity and diversification of its investment portfolio. Investments permitted are defined by the internal investment policy within the limits of WPPI's bond resolution and Section 66.0825 of the Wisconsin Statutes. Funds principally consist of and/or investments generally include cash and deposits, money market mutual funds, certificates of deposit, guaranteed investment contracts, U.S. treasury securities, U.S. agency securities, commercial paper, corporate bonds, investment in the State of Wisconsin Local Government Investment Pool (LGIP) and investment in ATC. The funds' purposes and balances were as follows at December 31:

Fund	Held by	Purpose
Construction*	WPPI	To provide for the acqusition and construction of the power supply system.
Debt Service*	Trustee	To accumulate principal and interest associated with each bond series.
Debt Service Reserve*	Trustee	To establish a reserve for the payment of principal and interest. The level of reserve is defined in the Supplemental Resolution for each bond issuance.
Revenue	WPPI	To accumulate revenues and to provide for the payment of expenses and for disposition of revenues to various funds.
Renewal & Replacement**	WPPI	To provide a reserve to be applied to the payment of the costs of renewals, replacements and repairs to the power supply system.
Self-Insurance**	WPPI	To provide a reserve to be applied to the payment of claims and losses arising from hazards and risks to the extent that the insurance required to be maintained does not cover such claims or losses.
Rate Stabilization**	WPPI	To accumulate revenues which will be used to reduce rates in a future period.
Decommissioning**	WPPI	To accumulate funds to pay for the eventual costs of decommissioning, retirement or disposal of major facilities.
General Reserve	WPPI	To be used for any lawful purpose not otherwise prohibited by WPPI's bond resolution.

*Fund balances are restricted for the purposes above.

**Fund balances have been board designated for the purposes above, but could be used for other purposes subject to approval by WPPI's Board of Directors.

	2020	2019
Current		
Unrestricted cash and investments		
Petty cash	$ 10	$ 10
Working capital	74,243,790	72,692,076
Post retirement medical fund	603,029	618,730
Total unrestricted cash and investments	74,846,829	73,310,816
Restricted cash and investments		
Construction funds	-	1,103,991
Debt service funds	14,961,472	17,472,222
Total current restricted cash and investments	14,961,472	18,576,213
Total current	89,808,301	91,887,029
Non-current		
Unrestricted cash and investments		
Renewal and replacement fund	32,888,226	31,339,823
Self-insurance fund	5,216,191	5,036,386
Rate stabilization fund	47,780,435	47,001,638
Decommissioning fund	5,644,275	5,527,774
Post retirement medical fund	325,000	350,000
Total non-current unrestricted cash and investments	91,854,127	89,255,621
Restricted cash & investments		
Debt service reserve funds	26,704,076	27,733,645
Collateral accounts	1,022	1,022
Total non-current restricted cash and investments	26,705,098	27,734,667
Investment in ATC	144,720,029	138,674,116
Total non-current	263,279,254	255,664,404
Total cash and investments	$ 353,087,555	$ 347,551,433
Current & non-current cash and investments	$ 208,367,526	$ 208,877,317
Investment in ATC	144,720,029	138,674,116
Total cash and investments	$ 353,087,555	$ 347,551,433

WPPI's cash and investments are subject to various potential risks, including the following:

- **Custodial credit risk** – The risk that in the event of a failure of the counterparty to an investment transaction (typically a brokerage firm or financial institution), WPPI would not be able to recover the value of the investment or collateral securities.

  Cash and investments in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $250,000.

  WPPI held in deposit accounts $423,776 ($260,224 in book balances) at December 31, 2020. WPPI also held $500 and $522 in collateral accounts with MISO and PJM, respectively, at December 31, 2020. With the exception of WPPI's investment in the LGIP, all cash and investments held as of December 31, 2020 and 2019 were held in custody on behalf of and in WPPI's name.

  The FDIC insures the pro rata share of certificates of deposit held by the LGIP up to $250,000, and the State of Wisconsin appropriation for losses on public deposits protects a depositing municipality up to $400,000, subject to the total amount available of the State of Wisconsin Public Deposit Guarantee Fund.

  The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission as an investment company, but operates under the statutory authority in accordance with Chapter 25 of the Wisconsin Statutes. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. WPPI held $7,927,795 and $15,760,883 in the LGIP which is included within WPPI's cash and investments as of December 31, 2020 and 2019, respectively.

- **Concentration risk** – Investing 5% or more of WPPI's portfolio in the securities of a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments issued and guaranteed by U.S. agencies, investments in mutual funds, external investment pools and other pooled investments are excluded. There were no investments of 5% or more in a single-issuer security, excluding such aforementioned exceptions, in WPPI's portfolio at December 31, 2020 and 2019, respectively.

- **Credit risk** – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. WPPI's investments must meet the following minimum credit standards, and must be rated in the rating category indicated below (or higher) by at least two of the Nationally Recognized Statistical Rating Organizations.

	Standard & Poor's	Moody's	Fitch
Minimum short-term rating	A-1	P-1	F-1
Minimum long-term rating	A-	A3	A-

WPPI's cash and investments were rated as follows at December 31:

	Standard & Poor's	Moody's	2020	2019
Money market mutual funds	AAAm	Aaa-mf	$ 81,336,390	$ 70,264,759
U.S. treasury/agency securities	AA+	Aaa	76,881,787	81,510,667
Municipal bonds	AAA	Aaa	752,758	-
Municipal bonds	AAA	Aa1	-	200,168
Municipal bonds	AAA	N/A	422,268	-
Municipal bonds	AA+	Aaa	503,613	-
Municipal bonds	AA+	N/A	1,449,881	-
Municipal bonds	AA	Aa1	-	417,866
Municipal bonds	AA	Aa2	838,524	-
Municipal bonds	AA-	Aa2	246,521	1,078,802
Municipal bonds	AA-	Aa3	201,222	-
Municipal bonds	A+	Aa3	319,694	-
Municipal bonds	NR	Aa1	-	329,976
Municipal bonds	NR	Aa2	1,606,290	-
Corporate bonds	AAA	Aaa	-	80,142
Corporate bonds	AA+	Aaa	-	297,166
Corporate bonds	AA+	Aa1	563,042	339,500
Corporate bonds	AA	Aa1	652,580	-
Corporate bonds	AA	Aa2	1,101,708	194,062
Corporate bonds	AA	A1	-	403,996
Corporate bonds	AA-	Aa1	100,119	507,976
Corporate bonds	AA-	Aa2	587,874	885,538
Corporate bonds	AA-	Aa3	949,087	1,867,731
Corporate bonds	AA-	A1	409,164	1,331,188
Corporate bonds	AA-	A2	472,363	-
Corporate bonds	A+	Aa3	202,332	643,297
Corporate bonds	A+	A1	3,209,363	2,249,652
Corporate bonds	A+	A2	1,193,763	759,944
Corporate bonds	A+	A3	-	260,814
Corporate bonds	A	Aa3	793,975	525,504
Corporate bonds	A	A1	1,249,441	1,870,211
Corporate bonds	A	A2	3,651,232	5,136,443
Corporate bonds	A	A3	701,939	856,783
Corporate bonds	A-	A1	879,973	982,806
Corporate bonds	A-	A2	3,764,787	3,764,102
Corporate bonds	A-	A3	1,982,652	1,418,963
Corporate bonds	A-	WR	40,000	-
Corporate bonds	BBB+	A2	1,939,468	-
Corporate bonds	BBB+	A3	1,916,235	3,090,262
Corporate bonds	BBB+	Baa1	-	314,805
Bank deposits, certificates of deposit, commercial paper & LGIP	n/a	n/a	17,447,481	27,294,194
			$ 208,367,526	$ 208,877,317

WPPI has entered into forward delivery agreements to provide a fixed rate of return for a portion of its debt service reserve funds. The provider delivers a short-term security that matures prior to WPPI's next bond payment. After the bond payment is made a new security is delivered under the forward delivery agreements. The securities delivered under the forward delivery agreements are included within WPPI's investments as of December 31, 2020 and 2019. WPPI is exposed to risk of nonperformance if the counterparties default or if the forward delivery agreements are terminated.

Forward delivery agreements held by WPPI were as follows at December 31:

	Interest Rate	Termination Date	2020	2019
Bank of America, N.A.	4.875%	7/1/2037	$ 4,973,763	$ 4,973,763
Bank of America, N.A.	4.980%	7/1/2037	3,119,000	3,119,000
			$ 8,092,763	$ 8,092,763

- **Interest rate risk** – The risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). Investments of greater than 39 months must be authorized by WPPI's CEO and approved by WPPI's Finance and Audit and Executive Committees, respectively.

As of December 31, 2020, WPPI's cash and investments were classified by maturity as follows:

		Maturity in Years		
	Total	Less than 1	1-5	Over 5
Money market mutual funds	$ 81,336,390	$ 81,336,390	$ -	$ -
U.S. treasury/agency securities	76,881,787	16,526,772	59,483,670	871,345
Municpal bonds	6,340,771	870,054	5,470,717	-
Corporate bonds	26,361,097	3,687,421	22,673,676	-
Bank deposits, certificates of deposit, commercial paper & LGIP	17,447,481	13,468,103	3,979,378	-
	$208,367,526	$115,888,740	$ 91,607,441	$ 871,345

As of December 31, 2019, WPPI's cash and investments were classified by maturity as follows:

		Maturity in Years		
	Total	Less than 1	1-5	Over 5
Money market mutual funds	$ 70,264,759	$ 70,264,759	$ -	$ -
U.S. treasury/agency securities	81,510,667	10,890,812	69,031,801	1,588,054
Municpal bonds	2,026,812	200,168	1,826,644	-
Corporate bonds	27,780,885	3,706,121	24,074,764	-
Bank deposits, certificates of deposit, commercial paper & LGIP	27,294,194	24,178,926	3,115,268	-
	$208,877,317	$109,240,786	$ 98,048,477	$ 1,588,054

- **Fair value measurements** – WPPI categorizes its fair value measurements within the fair value hierarchy. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 1 of the fair value hierarchy were valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy were valued using institutional bond quotes and/or evaluations based on various market and industry inputs with the exception of money market mutual funds, which were valued using one dollar per share.

As of December 31, 2020, WPPI's recurring fair value measurements by level were as follows:

		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Investments at fair value				
Debt securities				
Money market mutual funds	$ 81,336,390	$ -	$ 81,336,390	$ -
U.S. treasury securities	39,733,850	39,733,850	-	-
U.S. agency securities	37,147,937	-	37,147,937	-
Municipal bonds	6,340,771	-	6,340,771	-
Corporate bonds	26,361,097	-	26,361,097	-
Negotiable certificates of deposit	6,259,618	-	6,259,618	-
Commercial paper	2,070,783	-	2,070,783	-
Total investments at fair value	$199,250,446	$ 39,733,850	$159,516,596	$ -

As of December 31, 2019, WPPI's recurring fair value measurements by level were as follows:

		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Investments at fair value				
Debt securities				
Money market mutual funds	$ 70,264,759	$ -	$ 70,264,759	$ -
U.S. treasury securities	62,050,368	62,050,368	-	-
U.S. agency securities	19,460,299	-	19,460,299	-
Municipal bonds	2,026,812	-	2,026,812	-
Corporate bonds	27,780,885	-	27,780,885	-
Negotiable certificates of deposit	8,288,734	-	8,288,734	-
Commercial paper	1,976,570	-	1,976,570	-
Total investments at fair value	$191,848,427	$ 62,050,368	$129,798,059	$ -

(3) Investment in ATC

WPPI owns an equity interest in ATC. ATC is a for-profit, transmission only company. It owns, plans, maintains, monitors and operates electric transmission assets in portions of Wisconsin, Michigan, Illinois and Minnesota. ATC is a transmission-owning member of MISO and service over ATC's transmission system is currently provided under the MISO tariff. ATC began operations on January 1, 2001. WPPI's equity interest in ATC was approximately 6.7% at December 31, 2020 and 2019. WPPI's investment in ATC qualifies for the equity method of accounting.

Under the terms of the ownership agreement with ATC, WPPI has the right, but not the obligation, to purchase additional member units in ATC through participation in voluntary additional capital calls. At December 31, 2020, WPPI had no outstanding commitments to fund ATC.

Condensed financial information (in millions) of ATC was as follows as of and for the years ended December 31:

	2020	2019
Operating revenues	$ 758.1	$ 744.4
Operating expenses	(372.5)	(373.5)
Other income, net	1.9	-
Interest expense, net	(112.9)	(110.5)
Earnings before members' income taxes	$ 274.6	$ 260.4
Current assets	$ 92.7	$ 84.6
Net property, plant and equipment	5,389.6	5,232.2
Regulatory and other assets	11.0	12.0
Total assets	$ 5,493.3	$ 5,328.8
Current liabilities	$ 310.8	$ 502.6
Long-term debt	2,512.2	2,312.8
Regulatory and other liabilities	378.2	298.8
Members' equity	2,292.1	2,214.6
Total liabilities and capitalization	$ 5,493.3	$ 5,328.8

(4) Capital Assets

Capital asset activity was as follows for the years ended December 31:

2020	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets					
Electric plant and equipment	$ 579,158,041	$ 446,508	$ (6,202,421)	$ 2,014,244	$ 575,416,372
Accumulated depreciation and amortization	(210,820,958)	(16,627,910)	6,191,240	-	(221,257,628)
Electric plant and equipment, net	368,337,083	(16,181,402)	(11,181)	2,014,244	354,158,744
Nondepreciable assets					
Land	1,346,871	290	-	4,054	1,351,215
Construction work in progress	3,762,108	4,218,832	-	(2,018,298)	5,962,642
Total capital assets	$ 373,446,062	$ (11,962,280)	$ (11,181)	$ -	$ 361,472,601

2019	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets					
Electric plant and equipment	$ 579,369,337	$ 475,909	$ (4,922,946)	$ 4,235,741	$ 579,158,041
Accumulated depreciation and amortization	(196,758,266)	(16,671,481)	2,608,789	-	(210,820,958)
Electric plant and equipment, net	382,611,071	(16,195,572)	(2,314,157)	4,235,741	368,337,083
Nondepreciable assets					
Land	1,317,182	-	-	29,690	1,346,871
Construction work in progress	3,033,425	4,993,388	-	(4,264,705)	3,762,108
Total capital assets	$ 386,961,678	$ (11,202,184)	$ (2,314,157)	$ 726	$ 373,446,062

At December 31, 2020 and 2019, the balance in construction work in progress consisted primarily of various capital projects at Boswell Unit 4.

(5) Asset Retirement Obligations

Effective January, 1, 2019, WPPI adopted GASB 83, *Certain Asset Retirement Obligations* (GASB 83). Prior to GASB 83, WPPI followed Financial Accounting Standards Board Accounting Standards Codification 410, *Asset Retirement and Environmental Obligations*. WPPI recognized a cumulative effect of change in accounting principle which resulted in a $1,269,879 decrease to net position as of January 1, 2019. WPPI's asset retirement obligation (ARO) liability was measured based on the best estimate of the current value of outlays expected to be incurred as of December 31, 2020 and 2019, respectively. WPPI used information from Minnesota Power, WEPCO, WPL and MRES, as applicable, to estimate certain outlays expected to be incurred. See Note 1(n) for ownership information and operating agent responsibility. WPPI maintains assets in the Decommissioning Fund (see Note 2).

WPPI's AROs was comprised of the following at December 31:

2020	Description	Date of Measurement (Year)	Estimated Remaining Useful Life (Years)	ARO
Boswell Unit 4	Plant, common, coal pile, ash ponds (1)	2019	16	$ 5,430,441
ERGS Unit 1	Plant (2)	2010	36	602,127
ERGS Unit 2	Plant (2)	2011	36	119,708
SFDL Unit 1	Diesel storage tanks (3)	2005	14	79,349
SFDL Unit 4	Diesel storage tanks (3)	2005	14	79,349
ISPP	Diesel storage tanks (3)	2019	14	135,502
Worthington Wind	Plant (2)	2020	3	312,000
Total				$ 6,758,476

2019	Description	Date of Measurement (Year)	Estimated Remaining Useful Life (Years)	ARO
Boswell Unit 4	Plant, common, coal pile, ash ponds (1)	2015	17	$ 6,711,934
ERGS Unit 1	Plant (2)	2010	37	596,156
ERGS Unit 2	Plant (2)	2011	37	118,521
SFDL Unit 1	Diesel storage tanks (3)	2005	15	78,562
SFDL Unit 4	Diesel storage tanks (3)	2005	15	78,562
ISPP	Diesel storage tanks (3)	2019	15	133,895
Total				$ 7,717,630

(1) Source of obligations; contracts (plant, common), federal laws (coal pile, ash ponds)
(2) Source of obligations; contracts
(3) Source of obligations; state laws

(6) Long-Term Debt

The following outstanding Power Supply System Revenue Bonds were issued to finance WPPI's acquisition and construction of electric plant and equipment:

	2020	2019
2013 Series A 4.00% to 5.00%		
Due July 1, 2019 - 2037	$ 141,715,000	$ 150,615,000
2014 Series A 5.00%		
Due July 1, 2025 - 2037	66,410,000	66,410,000
2016 Series A 3.00% to 5.00%		
Due July 1, 2019 - 2037	55,905,000	65,935,000
2018 Series A 5.00%		
Due July 1, 2021 - 2037	41,340,000	41,340,000
Total revenue bonds outstanding	305,370,000	324,300,000
Current maturities	(14,855,000)	(18,930,000)
Unamortized premium	33,977,646	37,921,533
Revenue bonds, net of unamortized premium	$ 324,492,646	$ 343,291,533

The Power Supply System Revenue Bonds contain provisions that apply in the event of default and are generally secured by all funds and revenues of WPPI derived from the ownership and operation of its power supply system. The unamortized premium is amortized over the terms of the related bond issues using a method that approximates the effective-interest method.

Debt service payments on WPPI's outstanding bonds are as follows:

Year	Principal	Interest	Total
2021	$ 14,855,000	$ 15,067,944	$ 29,922,944
2022	16,940,000	14,325,194	31,265,194
2023	16,325,000	13,478,194	29,803,194
2024	16,000,000	12,661,944	28,661,944
2025	16,145,000	11,861,944	28,006,944
2026-2030	88,420,000	46,791,769	135,211,769
2031-2035	100,480,000	23,607,569	124,087,569
2036-2037	36,205,000	2,457,088	38,662,088
Total	$ 305,370,000	$ 140,251,646	$ 445,621,646

Long-term debt and non-current liability activity was as follows for the years ended December 31:

2020	Beginning Balance	Additions	Reductions	Ending Balance
Long-term debt				
Total bonds outstanding	$ 324,300,000	$ -	$ (18,930,000)	$ 305,370,000
Less: current maturities	18,930,000	14,855,000	(18,930,000)	14,855,000
Add: unamortized premium	37,921,533	-	(3,943,887)	33,977,646
Revenue bonds, net of unamortized premium	$ 343,291,533	$ (14,855,000)	$ (3,943,887)	$ 324,492,646
Non-current liabilities				
Asset retirement obligations	$ 7,717,630	$ 312,000	$ (1,271,154)	$ 6,758,476
Benefits liabilities	4,877,089	-	(1,528,507)	3,348,582
Total non-current liabilities	$ 12,594,719	$ 312,000	$ (2,799,661)	$ 10,107,058

2019	Beginning Balance	Additions	Reductions	Ending Balance
Long-term debt				
Total bonds outstanding	$ 342,450,000	$ -	$ (18,150,000)	$ 324,300,000
Less: current maturities	18,150,000	18,930,000	(18,150,000)	$ 18,930,000
Add: unamortized premium	42,131,567	-	(4,210,034)	$ 37,921,533
Revenue bonds, net of unamortized premium	$ 366,431,567	$ (18,930,000)	$ (4,210,034)	$ 343,291,533
Non-current liabilities				
Asset retirement obligations	$ 5,669,593	$ 2,048,037	$ -	$ 7,717,630
Benefits liabilities	2,444,366	2,432,723	-	$ 4,877,089
Total non-current liabilities	$ 8,113,959	$ 4,480,760	$ -	$ 12,594,719

(7) Available Financing

WPPI has a credit agreement and letter of credit commitment with JPMorgan Chase Bank, N.A. (JPMorgan) through January 31, 2025. The terms permit borrowing of up to $40,000,000 less any outstanding letters of credit issued, with interest accruing on the unpaid amount outstanding at a rate per annum equal to applicable LIBO Rate plus 115 basis points.

As of December 31, 2020, JPMorgan has issued a $3,000,000 letter of credit on behalf of WPPI for the benefit of MISO as collateral for WPPI's participation in MISO's financial transmission rights market.

At December 31, 2020 and 2019, there was no outstanding balance on the revolving line of credit.

(8) Significant Members

On a combined basis, two significant members of WPPI accounted for $58,586,053 and $61,433,978, or approximately 14.2% and 14.3%, of total operating revenues for the years ended December 31, 2020 and 2019, respectively, and have long-term contracts through December 31, 2055 (see Note 1(a)).

(9) Employee Benefits

(a) Retention Plan

WPPI maintains an employee retention plan with payment obligations out until 2023. The plan will make payments to specific employees who complete defined years of continuing employment. Plan benefit expenses accrued for the years ended December 31, 2020 and 2019 were $293,787 and $292,386, respectively.

(b) Pension

All eligible employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are in accordance with Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The WRS provides coverage to all eligible State of Wisconsin, local government and other public employees and is administered by the Wisconsin Department of Employee Trust Funds (ETF). As a municipal electric company, all eligible employees of WPPI are classified in the WRS under the general employee category. For reporting purposes, the following WRS participating terms are based on the general employee category classification only.

All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Employees who retire at or after age 65 are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are (i) final average earnings, (ii) years of creditable service and (iii) a formula factor. Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category. Employees may retire at age 55 and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

The EFT's Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with Section 40.27 of the Wisconsin Statutes. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the WRS' consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2009	-2.1%	-42.0%
2010	-1.3%	22.0%
2011	-1.2%	11.0%
2012	-7.0%	-7.0%
2013	-9.6%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	-5.0%
2017	2.0%	4.0%
2018	2.4%	17.0%
2019	0.0%	-10.0%

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. For the reporting period ending December 31, 2019 and 2018, the WRS recognized $697,818 and $664,364, respectively, in contributions from WPPI. Contribution rates for the employee and employer were each 6.55% and 6.7% as of December 31, 2019 and 2018, respectively.

At December 31, 2020, WPPI recognized an asset of $2,110,138 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019.

At December 31, 2019, WPPI recognized a liability of $2,358,846 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018.

Changes in the actuarial assumptions used to develop the total pension liability occurred between the respective actuarial valuation dates and the measurement dates, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates, as presented below. There were no material changes in benefit terms. WPPI’s proportion of the net pension liability (asset) was based on its share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, WPPI’s proportion was 0.06544169%, which was a decrease of 0.0009% from its proportion of 0.06630282% measured as of December 31, 2018. For the years ended December 31, 2020 and 2019, WPPI recognized pension expense of $528,959 and $1,336,843, respectively.

A schedule of deferred outflows and inflows of resources related to pension is as follows at December 31:

2020	Deferred Outlfows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,005,525	$ 2,004,497
Net difference between projected and actual earnings on pension plan investments	-	4,313,874
Changes in assumptions	164,435	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,749	514,281
Employer contributions subsequent to the measurement date	761,783	-
Total	$ 4,943,492	$ 6,832,652

2019	Deferred Outlfows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,837,184	$ 3,247,480
Net difference between projected and actual earnings on pension plan investments	3,444,933	-
Changes in assumptions	397,615	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	770,389
Employer contributions subsequent to the measurement date	700,501	-
Total	$ 6,380,233	$ 4,017,869

During 2020 and 2019, WPPI provided additional voluntary employer contributions of $299,027 and $280,460, respectively, to the WRS on behalf of certain employees, which does not impact WPPI's proportionate share of the net pension liability nor its pension expense.

WPPI reported $761,783 as deferred outflows of resources related to pension resulting from its contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2021. Other net balances reported as deferred outflows (inflows) of resources related to pension will be recognized in pension expense as follows for the years ending December 31:

2021	$	(890,739)
2022		(728,540)
2023		75,811
2024		(1,107,475)
2025		-
Thereafter		-
Total	$	(2,650,943)

The total pension liability in the respective actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Actuarial valuation date	12/31/2018*	12/31/2017*
Measurement date	12/31/2019	12/31/2018
Actuarial cost method	Entry Age	Entry Age
Asset valuation method	Fair Value	Fair Value
Long-term expected rate of return	7.0%	7.0%
Discount rate	7.0%	7.0%
Salary increases - inflation	3.0%	3.0%
Salary increases - seniority/merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments**	1.9%	1.9%

*Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 through 2017.

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. The assumed annual adjustment is based on the investment return assumption and post-retirement discount rate.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows as of December 31:

	2020			2019		
	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class						
Global equities	49.0%	8.0%	5.1%	49.0%	8.1%	5.5%
Fixed income	24.5%	4.9%	2.1%	24.5%	4.0%	1.5%
Inflation sensitive assets	15.5%	4.0%	1.2%	15.5%	3.8%	1.3%
Real estate	9.0%	6.3%	3.5%	9.0%	6.5%	3.9%
Private equity/debt	8.0%	10.6%	7.6%	8.0%	9.4%	6.7%
Multi-asset	4.0%	6.9%	4.0%	4.0%	6.7%	4.1%
Total core fund	110.0%	7.5%	4.6%	110.0%	7.3%	4.7%
Variable Fund Asset Class						
U.S. equitities	70.0%	7.5%	4.6%	70.0%	7.6%	5.0%
International equitities	30.0%	8.2%	5.3%	30.0%	8.5%	5.9%
Total variable fund	100.0%	7.8%	4.9%	100.0%	8.0%	5.4%

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast:
2.75% (2020) and 2.5% (2019)
Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

A single discount rate of 7.00% was used to measure the total pension liability compared to a single discount rate of 7.00% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 2.75% compared to 7.00% and 3.71%, respectively, from the prior year. Because of the unique structure of the WRS, the expected rates of return imply that the dividend will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset) for the years presented.

The following presents WPPI's proportionate share of the net pension liability (asset) calculated using the current discount rate, as well as what the its proportionate share of the net pension liability (asset) would be if it were calculated using discount rates that are one percentage point lower and one percentage point higher than the current discount rate was as follows at December 31:

	2020	2019
One percentage point lower (6.00%)	$ 5,433,984	$ 9,374,303
Current discount rate (7.00%)	(2,110,138)	2,358,846
One percentage point higher (8.00%)	(7,750,238)	(2,857,689)

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements at http://etf.wi.gov/publications/cafr.htm.

WPPI had a payable of $160,737 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2020. The amount was paid in January, 2021.

(c) Other Postemployment Benefits (OPEB)

The WPPI Post-Employment Benefit Plan (Plan) is a single-employer defined benefit plan that provides limited postemployment health benefits for eligible employees. An employee who reaches age 60 and has ten years of service with WPPI qualifies for retiree benefits. For each full year worked past ten, the employee receives one year of benefit credit. An employee can earn up to a maximum of five years of benefit credits. For each year of benefit credit, WPPI will reimburse the employee for a portion of the cost of health insurance. Full-time employees qualify for 50% reimbursement and part-time employees will receive a pro rata portion. Upon eligibility for Medicare, full-time employees may be reimbursed up to 100% and part-time employees a pro rata portion of the cost of a Medicare supplemental policy, subject to certain caps. Separate arrangements provide health insurance premium payments for life for one retired participant and one retired participant and spouse. WPPI administers the Plan and does not charge for services. WPPI's Executive Committee approves amendments to the Plan. At December 31, 2020, there were 110 eligible active participants and 5 retirees and surviving spouses. At December 31, 2019, there were 110 eligible active participants, 1 ineligible active participant and 4 retired participants.

WPPI's Board of Directors did not designate earnings to be held for the purpose of funding future OPEB obligations in 2020 or 2019. Since inception, $1,365,000 has been designated for the purpose of funding future OPEB obligations. For these designations to be recognized toward funding future OPEB obligations under GASB 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (GASB 75), they would need to be administered through a qualifying trust. WPPI holds the dollars in a segregated account, but the dollars remain under WPPI's control. There are no standalone financial statements for the Plan. Additional schedules are presented in the Required Supplementary Information section.

Components of and changes in WPPI's total OPEB liability were as follows at December 31:

	2020	2019
Balance, beginning of year	$ 1,774,816	$ 1,764,760
Service cost	108,641	116,626
Interest on total OPEB liability	73,069	61,328
Economic/demographic (gains) or losses	45,515	-
Assumption changes or inputs	547,881	(103,327)
Benefit payments	(49,876)	(64,571)
Balance, end of year	$ 2,500,046	$ 1,774,816

The total OPEB liability was determined by an actuarial valuation as of the measurement date, calculated based on the discount rate and actuarial assumptions, and where consistent with the terms of the Plan, utilized assumptions provided in the WRS actuarial valuation reports at December 31, 2019. Key actuarial assumptions were as follows at December 31:

	2020	2019
Actuarial valuation date	12/31/2020	12/31/2018
Measurement date	12/31/2019	12/31/2018
Actuarial cost method	Entry Age	Entry Age
Discount rate	2.74%	4.10%
Salary increases - inflation	3.0%	3.2%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table

Healthcare cost trend rates, based on the Getzen Model of Long-Run Medical Cost Trends published by the Society of Actuaries, begin in 2021 and transition to an ultimate in 2074 and were as follows:

	Pre 65	Post 65	Part B Premium
Initial	6.00%	5.80%	6.20%
Ultimate	3.70%	3.70%	3.70%

Under GASB 75, employers not accumulating assets through a qualifying trust are required to select a discount rate based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate selected by WPPI was based on the 20-year Bond Buyer GO Index rate published closest to, but not later than, the measurement date.

The total OPEB liability, calculated using the current discount rate, as well as what the total OPEB liability would be if it were calculated using discount rates that are one percentage point lower and one percentage point higher than the current discount rate was as follows at December 31:

	2020	2019
One percentage point lower (1.74%, 3.10%)	$ 2,726,403	$ 1,934,035
Current discount rate (2.74%, 4.10%)	2,500,046	1,774,816
One percentage point higher (3.74%, 5.10%)	2,293,189	1,630,586

The total OPEB liability, calculated using the annual medical trend rates above as well as what the total OPEB liability would be if it were calculated using annual medical trend rates that are one percentage point lower and one percentage point higher than the current annual medical trend rates was as follows at December 31:

	2020	2019
One percentage point lower	$ 2,230,123	$ 1,654,129
Current annual medical trend rates	2,500,046	1,774,816
One percentage point higher	2,819,034	1,917,622

For the years ended December 31, 2020 and 2019, WPPI recognized OPEB expense of $226,270 and $173,795, respectively. Components of OPEB expense and deferred outflows and inflows of resources related to OPEB were as follows at December 31:

2020	Original Amount	Date Established	Recognized in OPEB Expense	Balance of Deferred Outflows of Resources	Balance of Deferred Inflows of Resources
Service cost (1)	$ 108,641	12/31/2020	$ 108,641	$ -	$ -
Interest on total OPEB liability (1)	73,069	12/31/2020	73,069	-	-
Economic/demographic (gains) or losses (2)	45,515	12/31/2020	3,737	41,778	-
Assumption changes/other inputs(2)	547,881	12/31/2020	44,982	502,899	-
Assumption changes/other inputs(2)	(103,327)	12/31/2019	(8,286)	-	86,755
Assumption changes/other inputs(2)	51,460	12/31/2018	4,127	39,079	-
Contributions made subsequent to measurement date	59,566	12/31/2020	-	59,566	-
Total	$ 782,805		$ 226,270	$ 643,322	$ 86,755

2019	Original Amount	Date Established	Recognized in OPEB Expense	Balance of Deferred Outflows of Resources	Balance of Deferred Inflows of Resources
Service cost (1)	$ 116,626	12/31/2019	$ 116,626	$ -	$ -
Interest on total OPEB liability (1)	61,328	12/31/2019	61,328	-	-
Assumption changes/other inputs(2)	(103,327)	12/31/2019	(8,286)	-	95,041
Assumption changes/other inputs(2)	51,460	12/31/2018	4,127	43,206	-
Contributions made subsequent to measurement date	49,875	12/31/2019	-	49,875	-
Total	$ 175,962		$ 173,795	$ 93,081	$ 95,041

(1) WPPI recognized in OPEB expense, the original amount associated with these components in the year presented (the period of the change).

(2) WPPI recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of active and inactive participants that are provided benefits through the Plan, beginning with the year ended that corresponds to the date established.

WPPI reported $59,566 as deferred outflows of resources related to OPEB resulting from its contributions subsequent to the measurement date, which will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2021. Other net balances reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows for the years ending December 31:

2021	$	44,560
2022		44,560
2023		44,560
2024		44,560
2025		44,560
Thereafter		274,201
Total	$	497,001

(10) Risk Management

WPPI 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. The generating units are covered by insurance, including property and boiler and machinery policies. WPPI is responsible for deductibles under the policies. Other risks are covered through the purchase of commercial insurance, with minimal deductibles. For 2020 and 2019, there were no settlements exceeding coverage.

(11) Commitments and Contingencies

WPPI follows GASB 62, which addresses financial accounting and disclosure requirements for loss and gain contingencies. A liability associated with a loss contingency is recognized only if the available information indicates that it is probable and can be reasonably estimated. Gain contingencies are not recognized until realized.

WPPI has a mix of purchase power agreements of varying durations with a number of suppliers used to meet a portion of the electric power requirements of its members. In addition to the major purchase power agreements described in Note 1(u), WPPI has purchase power agreements from other wind, run of river hydro, landfill gas and solar resources with name plate capacity totaling approximately 169 MW and 176 MW at December 31, 2020 and 2019, respectively.

In January 2017, WPPI entered into a purchase power agreement to buy the electricity from the planned Point Beach Solar Energy Center through May 31, 2042. Point Beach Solar LLC plans to develop and construct the Point Beach Solar Energy Center on a site adjacent to Point Beach Nuclear Plant (see Note 1(u)). It is expected that the Point Beach Solar Energy Center will have an installed capacity of 100 MW and begin commercial operation in 2021.

WPPI participates in the MISO market. MISO routinely trues-up revenues and expenses for up to 105 days. Under special circumstances, MISO has trued-up revenues and expenses for longer durations. WPPI accrues items that are known at the time of closing, but since there is such a large window of true-ups, actual results may differ from the estimates.

A group of organizations filed two complaints with FERC seeking, among other things, to lower the MISO-wide base return on equity (ROE) of 12.38%. The first complaint was filed on November 12, 2013 and covered the period through February 11, 2015. The second complaint was filed on February 12, 2015 and covered the period through May 11, 2016.

On September 28, 2016, FERC issued Opinion No. 551 that established the MISO-wide base ROE of 10.32%. Opinion No. 551 further ordered MISO and its transmission owners, including ATC, to refund, with interest, the difference between the revenues collected and the lower amount authorized from November 12, 2013 through February 11, 2015, the period of the first complaint. Following subsequent extensions, refunds were completed by June 16, 2017.

On November 21, 2019, FERC issued Opinion No. 569 that adopted a new methodology for determing whether a jurisdictional public utility's ROE is just and reasonable under section 206 of the Federal Power Act. Applying the new methodology in the two previously filed complaints, FERC determined the MISO-wide base ROE of 12.38% to be unjust and unreasonable and revised the new MISO-wide base ROE from 10.32% to 9.88%. Opinion No. 569 further ordered MISO and its transmission owners, including ATC, to refund, with interest, the difference between the revenues collected and the lower authorized amount for the period of the first complaint and for the period from September 28, 2016 through November 21, 2019. This order also dismissed the second complaint for the period of February 12, 2015 through May 11, 2016.

On December 18, 2019, FERC granted the request by MISO and its transmission owners, including ATC, for an extension of time until December 23, 2020 to make the refunds ordered by Opinion No. 569. On January 21, 2020, FERC issued an order granting rehearing for further consideration.

On May 21, 2020, FERC issued Opinion No. 569-A that revised the new methodology established by Opinion No. 569, and upon application, further revised the MISO-wide base ROE from 9.88% to 10.02%. Opinion No. 569-A further ordered MISO and its transmission owners, including ATC, to provide refunds, with interest, by December 23, 2020 based on the revised MISO-wide ROE of 10.02% for the period related to the first complaint and for the period from September 28, 2016 through May 21, 2020. This order also denied rehearing on its dismissal of the second complaint.

On October 8, 2020, FERC granted the request by MISO and its transmission owners, including ATC, for an extension of time until September 23, 2021 to make the refunds, including interest, ordered by Opinion No. 569-A.

On November 19, 2020, FERC issued Opinion No. 569-B that reaffirmed the revised methodology and the MISO-wide base ROE of 10.02% adopted in Opinion No. 569-A. Opinion No. 569-B further ordered MISO and its transmission owners, including ATC, to provide refunds, with interest, by September 23, 2021 based on the MISO-wide ROE of 10.02% for the period related to the first complaint and for the period from September 28, 2016 through November 19, 2020.

Due to the nature, timing and complexity of the refund periods, subsequent resettlements, and prospective implementations, MISO and its transmission owners, including ATC, have refunded and resettled some but not all dollars ordered under these FERC proceedings. As a result, WPPI received refunds, including interest, for certain transmission service charges previously paid totaling $1.8 million and $5.0 million during 2020 and 2017, respectively. As of December 31, 2020, WPPI recorded a regulatory asset of $1.3 million to reflect the difference between the amount refunds returned to members through rates in 2020 and the amount WPPI ultimately received in refunds in 2020 (see Note 1(l)).

On July 8, 2019, the U.S. Environmental Protection Agency (EPA) published the final Affordable Clean Energy (ACE) rule, which repealed the Clean Power Plan, effective September 6, 2019. The final rule establishes emissions guidelines for states to use when developing plans to limit greenhouse gas emissions at existing coal-fired power plants under the Clean Air Act, and is subject to legal challenges. On January 19, 2021, the U.S. Court of Appeals for the D.C. Circuit vacated the ACE rule and remanded it back to the U.S. EPA. WPPI is unable to predict the outcome of any legal challenges or the potential impact on the final form and timing of these regulations.

WPPI's electric utility operations are subject to continuing environmental regulation and federal, state, regional and local standards and procedures that regulate the environmental impact of WPPI's system, and the systems of utilities from which WPPI purchases power, and are subject to change. Any such changes may arise from legislative, regulatory or judicial actions.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

WPPI Energy

Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset)

Wisconsin Retirement System

Fiscal Year End	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/20	0.06544169%	$ (2,110,138)	$ 10,653,423	-19.81%	102.96%
12/31/19	0.06630282%	$ 2,358,846	$ 9,915,877	23.79%	96.45%
12/31/18	0.06747679%	(2,003,465)	9,691,520	-20.67%	102.93%

Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

See independent auditors' report and accompanying notes to required supplementary information.

WPPI Energy
Schedule of Employer Contributions
Wisconsin Retirement System

Fiscal Year End	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/20	$ 697,818	$ 697,818	$ -	$ 10,653,423	6.55%
12/31/19	664,364	664,364	-	9,915,877	6.70%
12/31/18	659,021	659,021	-	9,691,520	6.80%

Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

See independent auditors' report and accompanying notes to required supplementary information.

WPPI Energy
Schedule of Changes in the Employer's Total OPEB Liability and Related Ratios
Year Ended December 31

	2020	2019	2018
Balance, beginning of year	$ 1,774,816	$ 1,764,760	$ 1,545,914
Service cost	108,641	116,626	106,135
Interest on total OPEB liability	73,069	61,328	61,251
Economic/demographic (gains) or losses	45,515	-	-
Assumption changes or inputs	547,881	(103,327)	51,460
Benefit payments	(49,876)	(64,571)	-
Balance, end of year	$ 2,500,046	$ 1,774,816	$ 1,764,760
Covered payroll	$ 11,507,516	$ 10,982,675	$ 10,161,638
Total OPEB liability as percentage of covered payroll	21.73%	16.16%	17.37%

Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.
Schedule uses the optional format of combining the required schedules.
Assets are not accumulated in a qualifying trust to pay related benefits.

WPPI Energy
Notes to Required Supplementary Information
Wisconsin Retirement System

Changes in benefit terms. There were no changes in benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in assumptions.

Fiscal Year End	Long-Term Expected Rate of Return	Discount Rate	Salarly Increases (Inflation, Seniority/Merit)	Mortality Table	Post-Retirement Adjustments
12/31/20	7.0%	7.0%	3.0%, 0.1% - 5.6%	Wisconsin 2018	1.9%
12/31/19	7.0%	7.0%	3.0%, 0.1% - 5.6%	Wisconsin 2018	1.9%
12/31/18	7.2%	7.2%	3.2%, 0.2% - 5.6%	Wisconsin 2012	2.1%

Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.