WPPI Energy

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2022 and 2021

WPPI Energy

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December 31, 2022 and 2021

Independent Auditors' Report

To the Board of Directors of
WPPI Energy

Opinion

We have audited the accompanying financial statements of WPPI Energy (entity), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of entity as of December 31, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Baker Tilly US, LLP

Madison, Wisconsin
February 21, 2023

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, 2022 and 2021. 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 2022 and 2021. The following is a description of these events and their impact on WPPI's financial statements and the accompanying notes.

2022

Wholesale Power Costs to Members
In 2022, WPPI passed higher power costs on to its members through its wholesale rate, including the power cost adjustment clause. The higher wholesale rate paid by members combined with higher megawatt hour (MWh) energy sales to members resulted in higher revenue from energy sales to members in 2022. The increase in WPPI's power costs in 2022 was impacted by market conditions, as described below. WPPI's MWh energy sales to members were 1.7% higher in 2022 compared to 2021. WPPI's average power cost to members was 9.4% higher in 2022 compared to 2021.

Market Conditions
Higher natural gas prices and market energy prices in the Midcontinent Independent System Operator, Inc. (MISO) wholesale energy market experienced during the second half of 2021 continued into 2022, and were significantly higher during the six month period of April through September compared to the same period in 2021. WPPI experienced an increase in both operating revenues and operating expenses in 2022 compared to 2021 as a result of (i) higher wholesale market energy prices, (ii) higher energy true-ups paid under certain purchased power agreements and (iii) impacts from certain unplanned outages at WPPI's owned generating units, as described below.

Reserve Funds
WPPI maintains several reserve funds for the purpose of stabilizing future rates, meeting future capital requirements and smoothing out the impact of long-term maintenance projects. Through the designation of earnings and use of regulatory accounting to collect expected maintenance activities through rates, WPPI accumulates monies in the renewal and replacement fund for use in funding future planned capital and maintenance projects at WPPI's owned generating units. WPPI used $15.1 million of the renewal and replacement funds for several capital and maintenance projects at its owned generating units in 2022. Among the projects, (i) repaired bearing failure at Boswell Unit 4 and Island Street Peaking Plant (ISPP), (ii) repaired steam piping at Elm Road Generating Station (ERGS) Units 1 and 2, (iii) replaced a defective turbine steam chest at ERGS Unit 2 and (iv) completed a gas turbine overhaul at South Fond du Lac (SFDL) Unit 1.

Unplanned outages at Boswell Unit 4 and ERGS Units 1 and 2 during high market energy prices in June were partially offset by using $3.5 million in rate stabilization fund monies. WPPI also maintains a self-insurance fund to primarily cover potential uninsured losses or substantial deductibles under property and boiler and machinery insurance policies at its owned generating units. In June, a major compressor surge event occurred at SFDL Unit 1. WPPI recognized a $3.5 million decrease in its self-insurance reserve in 2022 relating to the deductible.

As a result, WPPI's unrestricted cash and investments decreased and the production at these owned generating units was impacted by the outages needed to perform these projects.

2021

Market Conditions

The second half of 2021 saw sustained increases in natural gas prices and market energy prices in the MISO wholesale energy market. As a result of these higher prices in the wholesale energy market, along with higher MWh energy sales to members, WPPI experienced an increase in both operating revenues and operating expenses in 2021 compared to 2020. Higher operating expenses were primarily the result of (i) higher wholesale market energy prices, (ii) higher energy true-ups paid under certain purchased power agreements and (iii) increases in fuel and operation and maintenance expenses associated with WPPI's owned generating units overall increased production in 2021 compared to 2020.

In February 2021, a winter weather event caused extreme and sustained cold temperatures throughout the central portion of the United States that impacted demand for electricity and disrupted electrical generation performance and fuel availability, particularly in Texas and surrounding areas. The resulting spike in natural gas prices drove MISO market energy prices higher for which WPPI pays and receives for its load and power supply resources respectively. WPPI's power supply resources performed well throughout this event, and as a result, WPPI's average revenue collected from members during February was very close to the expected level.

WPPI's MWh energy sales to members were 3.2% higher in 2021 compared to 2020, returning closer to pre-COVID-19 levels experienced in 2019 with improved industrial and commercial activity. In addition, summer weather was slightly warmer in 2021 compared to 2020. Higher market energy prices also contributed to higher dispatch of WPPI's owned generating units and higher revenue from sales to others in 2021 compared to 2020. The application of certain refunds in 2020, as described below, also impacted the increase in WPPI's power costs in 2021.

Power Supply Updates

Effective September 13, 2021, WPPI began purchasing all the output from the Point Beach Solar Energy Center under a purchase power agreement with NextEra. Point Beach Solar Energy Center is a 100 MW photovoltaic solar energy generating facility located in Manitowoc County, Wisconsin. The initial term runs through May 31, 2042.

WPPI used $8.4 million of the renewal and replacement funds for several planned capital and maintenance projects at its owned generating units in 2021. Among the projects, (i) a steam turbine overhaul and hot reheat piping replacement was completed at Boswell Unit 4, (ii) a steam generator overhaul and other work was completed at ERGS Unit 1 and (iii) a gas turbine overhaul was in progress at SFDL Unit 1. As a result, WPPI's unrestricted cash and investments decreased and the production at these owned generating units was impacted by the outages needed to perform these projects.

Refunds
As a result of proceedings related to return on equity (ROE) complaints at the Federal Energy Regulatory Commission (FERC), WPPI received $1.4 million in refunds, including interest, for certain transmission service charges previously paid. The regulatory asset recorded at the end of 2020 in the amount of $1.3 million was extinguished and WPPI's unrestricted cash and investments increased. WPPI applied $0.1 million of refunds in excess of the $3.1 million already applied in 2020 to reduce recoverable costs to members in 2022.

Condensed Statements of Net Position
(in millions)

	2022	2021	2020	2022-2021 Change	2021-2020 Change
Assets					
Current assets	$ 147.0	$ 150.8	$ 139.9	$ (3.8)	$ 10.9
Non-current assets	257.7	267.5	272.1	(9.8)	(4.6)
Capital assets, net	346.6	354.1	361.5	(7.5)	(7.4)
Total assets	751.3	772.4	773.5	(21.1)	(1.1)
Deferred Outflows of Resources	23.1	20.4	20.1	2.7	0.3
Liabilities					
Current liabilities	56.9	58.6	51.2	(1.7)	7.4
Non-current liabilities	9.9	9.9	10.1	0.0	(0.2)
Long-term debt, including unamortized premium	284.0	303.8	324.5	(19.8)	(20.7)
Total liabilities	350.8	372.3	385.8	(21.5)	(13.5)
Deferred Inflows of Resources	86.5	92.0	90.2	(5.5)	1.8
Net Position	337.1	328.5	317.6	8.6	10.9

Assets & Deferred Outflows of Resources

Total assets at the end of 2022 were $751.3 million which was a decrease of $21.1 million from 2021. Total assets at the end of 2021 were $772.4 million which was a decrease of $1.1 million from 2020.

Current assets decreased $3.8 million in 2022 due primarily to payment of certain capital costs and lower receivables from sales to members. This was partially offset by increases in fuel inventory. Current assets increased $10.9 million in 2021 due primarily to higher receivables from sales to members and non-members.

Non-current assets decreased $9.8 million in 2022 and $4.6 million in 2021 as a result of using the renewal and replacement fund for certain capital and maintenance projects at WPPI's owned generating units. The change in non-current assets in 2022 was also impacted by aforementioned use of the rate stabilization fund and self-insurance fund. This was partially offset by increases in WPPI's investment in ATC and increases in its proportionate share of the net pension asset of the WRS. WPPI made capital contributions to ATC to meet voluntary capital calls of $5.0 million in 2022. There were no voluntary capital calls in 2021.

Capital assets net of accumulated depreciation decreased $7.5 million in 2022 and $7.4 million in 2021 as a result of annual depreciation exceeding capital additions. Construction work in progress decreased $3.1 million in 2022 and increased $3.3 million in 2021, impacted by various capital projects at Boswell Unit 4 and ERGS Units 1 and 2.

Deferred outflows of resources increased $2.7 million in 2022 and $0.3 million in 2021 due primarily to higher pension-related amounts associated with the WRS offset by ongoing amortization of loss on reacquired debt and asset retirement obligations.

Liabilities & Deferred Inflows of Resources

Total liabilities at the end of 2022 were $350.8 million which was a decrease of $21.5 million from 2021. Total liabilities at the end of 2021 were $372.3 million which was a decrease of $13.5 million from 2020.

Current liabilities decreased $1.7 million in 2022 due primarily to lower payables from purchased power and lower current maturities of long-term debt. Current liabilities increased $7.4 million in 2021 due primarily to higher payables from purchased power and higher current maturities of long-term debt.

Non-current liabilities did not change in 2022 and decreased $0.2 million in 2021.

Long-term debt including unamortized premium decreased $19.8 million in 2022 and $20.7 million in 2021 due to the reclassification of certain long-term debt to current maturities and the amortization of premium.

Deferred inflows of resources decreased $5.5 million in 2022 due primarily to aforementioned use of the renewal and replacement fund, rate stabilization fund and self-insurance fund. This was partially offset by higher future recoverable costs and pension-related amounts associated with the WRS. Deferred inflows of resources increased $1.8 million in 2021 due primarily to higher future recoverable costs and pension-related amounts associated with the WRS. This was partially offset by use of the renewal and replacement fund. Higher future recoverable costs in 2022 and 2021 resulted from principal amounts recovered in rates exceeding the related depreciation and amortization recognized.

Net Position

Net position was $337.1 million at the end of 2022 and $328.5 million at the end of 2021. 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.

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

	2022	2021	2020	2022-2021 Change	2021-2020 Change
Operating revenues	$ 552.4	$ 472.4	$ 411.8	$ 80.0	$ 60.6
Operating expenses	541.3	462.1	401.4	79.2	60.7
Operating income	11.1	10.3	10.4	0.8	(0.1)
Non-operating revenues (expenses), net	(0.7)	1.7	5.4	(2.4)	(3.7)
Future recoverable costs	(1.8)	(1.1)	(2.0)	(0.7)	0.9
Change in net position	8.6	10.9	13.8	(2.3)	(2.9)
Net position, beginning of year	328.5	317.6	303.8	10.9	13.8
Net position, end of year	$ 337.1	$ 328.5	$ 317.6	$ 8.6	$ 10.9

Operating Revenues

Operating revenues in 2022 were $552.4 million which was an increase of $80.0 million from 2021. Operating revenues in 2021 were $472.4 million which was an increase of $60.6 million from 2020. Higher operating revenues in 2022 and 2021 were due to higher revenue from sales to members from both increases in revenue per MWh energy sold and total MWh energy sold to members, along with higher revenue from sales to others.

Revenue from energy sales to members increased $40.7 million in 2022 and $32.0 million in 2021 due primarily to passing higher power costs on to members through WPPI's wholesale rate, including the power cost adjustment clause, and higher MWh energy sales to members.

Average Power Cost and Energy Sales to Members

	2022	2021	2020	% Change 2022-2021	% Change 2021-2020
Avereage power cost ($/MWh)	$ 82.50	$ 75.42	$ 71.25	9.4%	5.9%
Energy sales (MWh)	5,007,624	4,924,645	4,772,322	1.7%	3.2%

WPPI's MWh energy sales to members was lower in 2020 compared to 2022 and 2021 due primarily from the impacts of COVID-19.

Revenue from sales to others increased $35.5 million in 2022 and $28.3 million in 2021. The change in revenue from sales to others in 2022 and 2021 was due primarily to the relative level of market energy prices 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 $2.7 million in 2022 and $2.8 million in 2021.

Operating Expenses

Operating expenses were $541.3 million in 2022 which was an increase of $79.2 million from 2021. Operating expenses were $462.1 million in 2021 which was an increase of $60.7 million from 2020. The change in operating expenses in 2022 was due primarily to increases in purchased power expense. The change in operating expenses in 2021 was due primarily to increases in purchased power, transmission and fuel expense.

Purchased power expense increased $74.7 million in 2022 and $46.2 million in 2021 due primarily to higher market energy costs and higher MWh sales to members.

Transmission expense increased by $1.0 million in 2022 and $8.0 million in 2021. The change in transmission expense was due primarily to higher transmission service charges in 2021 and recognizing certain refunds in 2020 of transmission service charges previously paid.

Fuel expense increased $1.9 million in 2022 and $5.2 million in 2021 due primarily to higher fuel prices and changes in total production at WPPI's owned generating units.

Owned Generation Production by Unit (MWh)

	2022	2021	2020	% Change 2022-2021	% Change 2021-2020
Boswell Unit 4	600,507	594,881	529,895	0.9%	12.3%
ERGS Unit 1	304,266	292,162	369,250	4.1%	-20.9%
ERGS Unit 2	192,838	351,957	277,407	-45.2%	26.9%
SFDL Units 1 and 4	24,306	28,899	13,492	-15.9%	114.2%
ISPP	11,760	12,815	2,693	-8.2%	375.9%
Total	1,133,677	1,280,714	1,192,737	-11.5%	7.4%

The production at Boswell Unit 4 was higher in 2022 and 2021 compared to 2020 due primarily to lower dispatch as a result of lower market energy prices in 2020.

The production at ERGS Unit 1 was lower in 2022 and 2021 compared to 2020 due primarily to higher outage hours. ERGS Unit 1 was offline for approximately eleven and half weeks during the fourth quarter of 2021 for a planned outage for a major steam turbine generator overhaul and other work.

The production at ERGS Unit 2 was lower in 2022 compared to 2021 and 2020 due primarily to higher outage hours and limitations on unit output. ERGS Unit 2 was offline for approximately 13 weeks beginning in September 2022 to replace a defective turbine steam chest, which had limited unit output during 2022. ERGS Unit 2 was offline during an extension of a planned outage from five to twelve weeks to replace all four turbine control valve seats in 2020.

The production at 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 MISO. SFDL Unit 1 was taken offline near the end of the third quarter of 2021 for a planned outage for a gas turbine overhaul, returning at the end of May 2022. In June 2022, a major compressor surge occurred at SFDL Unit 1. Also in June 2022, a power turbine bearing failed at ISPP, which limited the unit to 50% operation until the end of September 2022.

Non-Operating Revenues (Expenses), Net

Net non-operating revenues decreased $2.4 million in 2022 and $3.7 million in 2021 primarily to lower investment income and net decreases in the fair market value of investments. This was partially offset by lower interest expense. Investment income includes ATC earnings distributed as cash dividends that were used to lower the wholesale rate paid by members.

Interest expense decreased $0.8 million in 2022 and $0.8 million in 2021 as WPPI's outstanding debt decreased in both years.

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 $(1.8) million in 2022, a change of $(0.7) million from 2021. Future recoverable costs equaled $(1.1) million in 2021, a change of $0.9 million from 2020.

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

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WPPI Energy
Statements of Net Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Unrestricted cash and investments	$ 72,439,014	$ 76,094,052
Restricted cash and investments	14,901,597	15,632,597
Receivables	42,193,798	44,256,518
Inventories	14,260,682	11,277,041
Regulatory assets	150,808	-
Prepayments and other assets	3,075,413	3,583,733
Total current assets	147,021,312	150,843,941
Non-current assets		
Unrestricted cash and investments	65,046,231	82,796,068
Restricted cash and investments	25,657,458	25,579,714
Investment in ATC	156,585,587	148,260,274
Receivables	3,075,209	3,108,045
Regulatory assets	1,584,909	3,142,492
Prepayments and other assets	328,267	493,410
Restricted net pension asset	5,446,778	4,166,180
Total non-current assets	257,724,439	267,546,183
Capital assets		
Electric plant and equipment	588,086,518	578,484,976
Accumulated depreciation and amortization	(249,059,721)	(234,996,082)
Electric plant and equipment, net	339,026,797	343,488,894
Land	1,359,840	1,349,703
Construction work in progress	6,168,067	9,251,754
Total capital assets	346,554,704	354,090,351
Total assets	**751,300,455**	**772,480,475**
Deferred Outflows of Resources		
Unamortized loss on reacquired debt	9,725,547	11,112,270
Other postemployment benefits	852,253	708,770
Pension	10,631,465	6,937,626
Asset retirement obligation	1,911,967	1,639,180
Total deferred outflows of resources	**23,121,232**	**20,397,846**

WPPI Energy
Statements of Net Position (cont'd)
December 31, 2022 and 2021

	2022	2021
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 33,854,297	$ 34,497,457
Restricted current maturities of long-term debt	16,325,000	16,940,000
Restricted accrued interest	6,739,097	7,162,597
Total current liabilities	56,918,394	58,600,054
Non-current liabilities		
Asset retirement obligations	6,506,199	6,322,606
Other postemployment benefits	2,838,263	2,812,957
Other benefits liabilities	501,757	791,727
Total non-current liabilities	9,846,219	9,927,290
Long-term debt		
Revenue bonds, net of unamortized premium	284,030,264	303,846,599
Total liabilities	**350,794,877**	**372,373,943**
Deferred Inflows of Resources		
Rate stabilization	43,475,539	47,000,936
Pension	12,835,719	9,378,632
Other postemployment benefits	411,105	78,469
Regulatory credits	29,809,025	35,510,815
Total deferred inflows of resources	**86,531,388**	**91,968,852**
Net Position		
Net investment in capital assets	51,003,696	39,720,809
Restricted		
Debt service	8,162,500	8,470,000
Debt service reserve	25,026,028	25,578,692
Net pension asset	5,446,778	4,166,180
Other	631,430	1,022
Unrestricted	246,824,990	250,598,823
Total net position	**337,095,422**	**328,535,526**

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WPPI Energy
Statements of Revenue, Expenses, and Changes in Net Position
For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenues		
Sales to members	$ 414,607,519	$ 373,911,610
Sales to others	131,353,888	95,878,044
Rate stabilization	3,525,396	-
Other income	2,889,635	2,637,473
Total operating revenues	552,376,438	472,427,127
Operating expenses		
Purchased power	379,776,813	305,114,278
Transmission	71,039,306	70,217,066
Fuel expense	30,912,206	29,055,143
Operation and maintenance	16,890,319	16,247,756
Customer service and administrative and general	18,952,663	18,067,679
Depreciation and amortization	17,641,281	17,037,106
Taxes	6,114,871	6,338,485
Total operating expenses	541,327,459	462,077,513
Operating income	11,048,979	10,349,614
Non-operating revenues (expenses)		
Investment income	10,726,173	11,105,760
Equity in earnings of ATC	3,283,122	3,540,245
Net decrease in fair value of investments	(4,926,845)	(1,857,009)
Gain on sale of allowances	2,298,207	1,768,005
Interest expense	(13,925,041)	(14,703,505)
Amortization of debt-related costs	1,922,020	2,016,925
Other	(53,241)	(124,083)
Total non-operating revenues (expenses), net	(675,605)	1,746,338
Future recoverable costs	(1,813,478)	(1,126,547)
Change in net position	8,559,896	10,969,405
Net position, beginning of year	328,535,526	317,566,121
Net position, end of year	$ 337,095,422	$ 328,535,526

WPPI Energy
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows provided by operating activities		
Cash receipts from members and others	$ 553,565,611	$ 464,116,344
Cash payments for purchased power	(451,800,311)	(371,099,975)
Cash payments for fuel	(32,903,145)	(27,762,816)
Cash payments for operations and maintenance	(16,793,162)	(14,852,038)
Cash payments for payroll and ad valorem taxes	(6,114,931)	(6,338,474)
Cash payments to employees	(12,453,878)	(11,796,492)
Cash payments for customer service & adm. and general	(11,252,969)	(10,314,934)
Net cash provided by operating activities	22,247,215	21,951,615
Cash flows provided by non-capital financing activities		
Cash receipts from outside parties	977,894	1,352,496
Cash payments to outside parties	(827,693)	(1,319,139)
Net cash provided by non-capital financing activities	150,201	33,357
Cash flows provided by investing activities		
Investments purchased	(55,957,004)	(79,087,051)
Investment in ATC	(5,042,191)	-
Investments sold	60,049,683	84,462,845
Investment income	1,906,695	2,129,136
Cash distributions received from ATC	8,478,784	9,322,120
Net cash provided by investing activities	9,435,967	16,827,050
Cash flows used in capital and related financing activities		
Acquisition and construction of capital assets	(13,415,216)	(9,772,699)
Debt costs	(140,107)	-
Principal paid	(16,940,000)	(14,855,000)
Interest paid	(14,348,542)	(15,074,880)
Net cash used in capital and related financing activities	(44,843,865)	(39,702,579)
Change in cash and cash equivalents	(13,010,482)	(890,557)
Cash and cash equivalents, beginning of year	93,124,542	94,015,099
Cash and cash equivalents, end of year	$ 80,114,060	$ 93,124,542

WPPI Energy
Statements of Cash Flows (cont'd)
Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 11,048,979	$ 10,349,614
Depreciation and amortization	17,641,281	17,037,106
Other non-operating revenues (expenses), net	2,194,457	1,676,275
Changes in assets, liabilities, deferred outflows and inflows of resources		
Receivables	2,351,135	(10,104,677)
Inventories	(2,983,641)	1,312,448
Prepayments and other assets	59,169	(398,906)
Regulatory asset	1,813,443	(397,993)
Non-current prepayments and other assets	(1,115,456)	(1,873,526)
Pension	(380,235)	486,398
Accounts payable and accrued liabilities	(830,083)	5,587,009
Other postemployment benefits	357,942	304,625
Other benefits liabilities	(289,971)	(56,809)
Rate stabilization	(3,525,396)	-
Regulatory credits	(4,094,409)	(1,969,949)
Net cash provided by operating activities	$ 22,247,215	$ 21,951,615
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current assets		
Unrestricted cash and investments	$ 72,439,014	$ 76,094,052
Restricted cash and investments	14,901,597	15,632,597
Non-current assets		
Unrestricted cash and investments	65,046,231	82,796,068
Restricted cash and investments	25,657,458	25,579,714
Total cash and investments	178,044,300	200,102,431
Less: long-term investments	97,930,240	106,977,889
Total cash and cash equivalents	$ 80,114,060	$ 93,124,542

WPPI Energy
Statements of Cash Flows (cont'd)
Years Ended December 31, 2022 and 2021

Noncash investing, capital and related-financing activities

During 2022 and 2021, WPPI Energy recognized $3,283,122 and $3,540,245 of equity earnings in ATC. During 2022 and 2021, WPPI Energy recognized a decrease in fair market value of investments of $4,926,846 and $1,857,010.

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 help member utilities accomplish more by working together for reliable, affordable, responsible electricity, forward-thinking services and effective advocacy. 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, 2022 and 2021, respectively.

WPPI sells wholesale electricity to its members under long-term contracts. As of December 31, 2022, 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(o), Note 1(v) and Note 11, respectively. WPPI also receives operating revenues from sales of capacity, energy and other products to 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:

	2022	2021
Sales, members	$ 34,204,204	$ 35,496,855
Sales, non-members	4,159,265	5,214,019
Notes, members	773,108	881,437
ATC dividends	2,537,907	2,384,038
Unrestricted interest	488,913	252,571
Restricted interest	30,401	27,598
	$ 42,193,798	$ 44,256,518

(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 and classifications were as follows at December 31:

	2022	2021
Capacity contract	$ 476,491	$ 632,764
Other general operating costs	2,910,270	3,401,217
Solar purchases	16,919	43,162
	$ 3,403,680	$ 4,077,143
Current	$ 3,075,413	$ 3,583,733
Non-current	328,267	493,410
	$ 3,403,680	$ 4,077,143

(l) Regulatory Assets

Regulatory assets are for i) unamortized bond issuance costs to be recovered over the repayment period of the related bond issues, ii) certain capacity revenue recognized through rates in 2022 that was received in January 2023 and iii) refunds recovered through rates and returned to a member in 2022. 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:

	2022	2021
Unamortized bond issuance costs	$ 1,584,909	$ 1,627,393
Revenue recognized not yet received	150,808	-
Refunds recoverable through future rates	-	1,515,099
	$ 1,735,717	$ 3,142,492
Current	$ 150,808	$ -
Non-current	1,584,909	3,142,492
	$ 1,735,717	$ 3,142,492

(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) Leases

WPPI follows GASB 87, *Leases* (GASB 87), which establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. Where WPPI is the lessee or lessor, leases with an initial total contract value greater than $25,000 are considered under GASB 87. If there is no stated rate (or if the stated rate is not the rate the lessor charges the lessee), WPPI will use an estimate of its own incremental borrowing rate as the discount rate. In 2022 and 2021, leases were not considered material; therefore, no leases were recorded.

(o) Owned Generation

WPPI had owned generation of approximately 431 MW at December 31, 2022 and 2021, 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.

(p) 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:

		2022		2021
Electric plant and equipment	$	15,339,079	$	15,348,275
Accumulated depreciation and amortization		(2,908,844)		(2,529,739)
Electric plant and equipment, net	$	12,430,235	$	12,818,536

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:

		2022		2021
Electric plant and equipment	$	7,285,108	$	7,172,480
Accumulated depreciation and amortization		(736,199)		(569,284)
Electric plant and equipment, net	$	6,548,909	$	6,603,196

(q) 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.

(r) Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability (asset) and total OPEB liability, related deferred outflows of resources and deferred inflows of resources, and related expense, information about fiduciary net position 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 and the WPPI Post-Employment Benefit Plan, respectively. Benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms.

(s) 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, 2022 and 2021. 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.

(t) 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) refunds received in 2021 returned to members in 2022 iii) self-insurance reserve, iv) long-term maintenance reserve and v) 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:

	2022	2021
CapX 2020 La Crosse & Badger-Coulee projects	$ 7,212	$ 6,722
Refunds received not yet returned	-	83,754
Self-insurance reserve	1,790,994	5,211,853
Long-term maintenance reserve	5,904,402	9,915,547
Future recoverable costs	22,106,417	20,292,939
	$ 29,809,025	$ 35,510,815

(u) Vacation and Sick Leave

Employees are allowed to carry over up to 80 hours of unused vacation at the end of each calendar year. In 2022 and 2021, accrued vacation was not considered material; therefore, no liability was recorded.

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.

(v) Purchased Power

WPPI has major purchase power agreements, as further described below, of approximately 617 MW and 640 MW at December 31, 2022 and 2021, 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, 2020, 2021 and 2022, respectively. WPPI has nominated to purchase 0 MW for the contract years commencing June 1, 2023 and 2024, 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 was obligated to purchase 50 MW under a second purchase that terminated on June 1, 2021.

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 pays formula-based average embedded cost rates under two purchases with an initial term that runs through May 31, 2023 and May 31, 2029, respectively. WPPI purchased 150 MW, 125 MW and 100 MW for the contract years commencing June 1, 2020, 2021 and 2022, respectively. WPPI will purchase 75 MW, 50 MW and 50 MW for the contract years commencing June 1, 2023, 2024 and 2025, respectively. WPPI may change its purchased amount, subject to contractual restrictions.

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.

Point Beach Solar Energy Center. Effective September 13, 2021, WPPI began purchasing all the output from the Point Beach Solar Energy Center under a purchase power agreement with NextEra dated January 12, 2017. Point Beach Solar Energy Center is a 100 MW photovoltaic solar energy generating facility located in Manitowoc County, Wisconsin. The initial term runs through May 31, 2042.

Member Generation under Contract. Member generation under contract to WPPI consists of a number of small generating units, totaling approximately 41 MW and 39 MW of capacity in 2022 and 2021, respectively.

(w) 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.

(x) 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.

(y) 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, 2022 and 2021, WPPI's Board of Directors approved rates that were expected to yield net revenues 1.30 and 1.275 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, 2022 and 2021, no revenues were deferred. WPPI utilized $3,525,396 and $0 of the Rate Stabilization Fund in 2022 and 2021, respectively, to mitigate a portion of the impact of certain unplanned outages at WPPI's owned generating units in June 2022.

(z) Recently Issued Accounting Pronouncements

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

(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.

	2022	2021
Current		
Unrestricted cash and investments		
Working capital	72,145,223	75,514,143
Post retirement medical fund	293,791	579,909
Total unrestricted cash and investments	72,439,014	76,094,052
Restricted cash and investments		
Debt service funds	14,901,597	15,632,597
Total current restricted cash and investments	14,901,597	15,632,597
Total current	87,340,611	91,726,649
Non-current		
Unrestricted cash and investments		
Renewal and replacement fund	15,040,636	25,000,545
Self-insurance fund	2,858,547	5,203,253
Rate stabilization fund	41,497,578	46,717,152
Decommissioning fund	5,123,470	5,570,118
Post retirement medical fund	526,000	305,000
Total non-current unrestricted cash and investments	65,046,231	82,796,068
Restricted cash & investments		
Debt service reserve funds	25,026,028	25,578,692
Collateral accounts	631,430	1,022
Total non-current restricted cash and investments	25,657,458	25,579,714
Investment in ATC	156,585,587	148,260,274
Total non-current	247,289,276	256,636,056
Total cash and investments	$ 334,629,887	$ 348,362,705
Current & non-current cash and investments	$ 178,044,300	$ 200,102,431
Investment in ATC	156,585,587	148,260,274
Total cash and investments	$ 334,629,887	$ 348,362,705

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 $1,558,954 ($1,464,850 in book balances) and $465,376 ($330,787 in book balances) at December 31, 2022 and 2021, respectively. WPPI held $630,901 and $500 in a collateral account with MISO at December 31, 2022 and 2021, respectively. WPPI also held $530 and $522 in a collateral account with PJM at December 31, 2022 and 2021, respectively. With the exception of WPPI’s investment in the LGIP, all cash and investments held as of December 31, 2022 and 2021 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 $8,677 and $6,932,148 in the LGIP which is included within WPPI’s cash and investments as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 at the time of purchase.

	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	2022	2021
Money market mutual funds	AAAm	Aaa-mf	$ 75,771,856	$ 80,629,748
U.S. treasury/agency securities	AA+	Aaa	69,048,267	76,551,980
Municipal bonds	AAA	Aaa	24,413	473,770
Municipal bonds	AAA	N/A	662,317	1,092,056
Municipal bonds	AA+	N/A	944,306	1,257,169
Municipal bonds	AA	Aa2	-	421,991
Municipal bonds	AA-	Aa3	192,386	199,658
Municipal bonds	NR	Aa1	289,551	-
Municipal bonds	NR	Aa2	208,239	723,073
Corporate bonds	AA+	Aaa	698,978	673,426
Corporate bonds	AA+	Aa3	195,642	-
Corporate bonds	AA	Aa2	366,285	178,682
Corporate bonds	AA	Aa3	672,185	-
Corporate bonds	AA	A1	122,447	1,103,855
Corporate bonds	AA-	Aa2	291,696	1,485,684
Corporate bonds	AA-	Aa3	3,797,963	2,030,228
Corporate bonds	AA-	A1	599,432	-
Corporate bonds	AA-	A3	9,617	-
Corporate bonds	A+	Aa2	493,168	261,343
Corporate bonds	A+	Aa3	1,025,596	855,647
Corporate bonds	A+	A1	2,145,260	2,785,444
Corporate bonds	A+	A2	732,736	532,668
Corporate bonds	A+	A3	139,863	267,848
Corporate bonds	A	A1	3,527,859	1,863,572
Corporate bonds	A	A2	3,011,647	3,821,270
Corporate bonds	A-	A1	170,956	429,040
Corporate bonds	A-	A2	3,447,413	2,999,491
Corporate bonds	A-	A3	2,678,777	2,088,645
Corporate bonds	BBB+	A1	1,006,955	950,043
Corporate bonds	BBB+	A2	770,055	1,055,712
Corporate bonds	BBB+	A3	858,080	1,095,342
Bank deposits, certificates of deposit, commercial paper & LGIP	n/a	n/a	4,140,355	14,275,046
			$ 178,044,300	$ 200,102,431

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, 2022 and 2021. 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	2022	2021
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, 2022, 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	$ 75,771,856	$ 75,771,856	$ -	$ -
U.S. treasury/agency securities	69,048,267	27,501,703	41,212,108	334,456
Municpal bonds	2,321,212	1,167,807	1,153,405	-
Corporate bonds	26,762,610	2,999,909	23,762,701	-
Bank deposits, certificates of deposit, commercial paper & LGIP	4,140,355	3,065,155	1,075,200	-
	$ 178,044,300	$ 110,506,430	$ 67,203,414	$ 334,456

As of December 31, 2021, 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	$ 80,629,748	$ 80,629,748	$ -	$ -
U.S. treasury/agency securities	76,551,980	10,436,478	65,513,234	602,268
Municpal bonds	4,167,717	1,369,105	2,798,612	-
Corporate bonds	24,477,940	3,914,828	20,563,112	-
Bank deposits, certificates of deposit, commercial paper & LGIP	14,275,046	13,620,657	654,389	-
	$ 200,102,431	$ 109,970,816	$ 89,529,347	$ 602,268

- **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, 2022, 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	$ 75,771,856	$ -	$ 75,771,856	$ -
U.S. treasury securities	52,793,414	52,793,414	-	-
U.S. agency securities	16,254,853	-	16,254,853	-
Municipal bonds	2,321,212	-	2,321,212	-
Corporate bonds	26,762,610	-	26,762,610	-
Negotiable certificates of deposit	1,314,224	-	1,314,224	-
Commercial paper	-	-	-	-
Total investments at fair value	$ 175,218,169	$ 52,793,414	$ 122,424,755	$ -

As of December 31, 2021, 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	$ 80,629,748	$ -	$ 80,629,748	$ -
U.S. treasury securities	46,872,092	46,872,092	-	-
U.S. agency securities	29,679,888	-	29,679,888	-
Municipal bonds	4,167,717	-	4,167,717	-
Corporate bonds	24,477,940	-	24,477,940	-
Negotiable certificates of deposit	4,005,253	-	4,005,253	-
Commercial paper	2,120,926	-	2,120,926	-
Total investments at fair value	$ 191,953,564	$ 46,872,092	$ 145,081,472	$ -

(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, 2022 and 2021. 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, 2022, WPPI had outstanding commitments to fund ATC of $672,840. The amount was paid in January, 2023.

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

	2022	2021
Operating revenues	$ 751.2	$ 754.8
Operating expenses	(381.5)	(376.2)
Other income, net	1.1	1.1
Interest expense, net	(124.1)	(115.0)
Earnings before members' income taxes	$ 246.7	$ 264.7
Current assets	$ 89.6	$ 89.8
Net property, plant and equipment	5,964.3	5,618.9
Regulatory and other assets	33.5	9.2
Total assets	$ 6,087.4	$ 5,717.9
Current liabilities	$ 511.9	$ 436.9
Long-term debt	2,613.0	2,513.0
Regulatory and other liabilities	485.8	422.0
Members' equity	2,476.7	2,346.0
Total liabilities and capitalization	$ 6,087.4	$ 5,717.9

(4) Capital Assets

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

2022	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets					
Electric plant and equipment	$ 578,484,976	$ 687,721	$ (3,363,307)	$ 12,277,128	$ 588,086,518
Accumulated depreciation and amortization	(234,996,082)	(17,408,260)	3,344,621	-	(249,059,721)
Electric plant and equipment, net	343,488,894	(16,720,539)	(18,686)	12,277,128	339,026,797
Nondepreciable assets					
Land	1,349,703	-	-	10,137	1,359,840
Construction work in progress	9,251,754	9,203,578	-	(12,287,265)	6,168,067
Total capital assets	$ 354,090,351	$ (7,516,961)	$ (18,686)	$ -	$ 346,554,704

2021	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets					
Electric plant and equipment	$ 575,416,372	$ 97,739	$ (3,133,119)	$ 6,103,984	$ 578,484,976
Accumulated depreciation and amortization	(221,257,628)	(16,839,219)	3,100,765	-	(234,996,082)
Electric plant and equipment, net	354,158,744	(16,741,480)	(32,354)	6,103,984	343,488,894
Nondepreciable assets					
Land	1,351,215	-	-	(1,512)	1,349,703
Construction work in progress	5,962,642	9,391,584	-	(6,102,472)	9,251,754
Total capital assets	$ 361,472,601	$ (7,349,896)	$ (32,354)	$ -	$ 354,090,351

At December 31, 2022 and 2021, the balance in construction work in progress consisted primarily of various capital projects at Boswell Unit 4 and ERGS Units 1 and 2.

(5) Asset Retirement Obligations

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, 2022 and 2021, respectively. WPPI used information from Minnesota Power, WEPCO, WPL and MRES, as applicable, to estimate certain outlays expected to be incurred. See Note 1(o) 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:

2022	Description	Date of Measurement (Year)	Estimated Remaining Useful Life (Years)	ARO
Boswell Unit 4	Plant, common, coal pile, ash ponds (1)	2020	14	$ 5,004,511
ERGS Unit 1	Plant (2)	2010	34	680,861
ERGS Unit 2	Plant (2)	2011	34	135,361
SFDL Unit 1	Diesel storage tanks (3)	2005	12	89,724
SFDL Unit 4	Diesel storage tanks (3)	2005	12	89,724
ISPP	Diesel storage tanks (3)	2019	12	153,221
Worthington Wind	Plant (2)	2020	1	352,797
Total				$ 6,506,199

2021	Description	Date of Measurement (Year)	Estimated Remaining Useful Life (Years)	ARO
Boswell Unit 4	Plant, common, coal pile, ash ponds (1)	2020	15	$ 4,932,154
ERGS Unit 1	Plant (2)	2010	35	630,427
ERGS Unit 2	Plant (2)	2011	35	125,334
SFDL Unit 1	Diesel storage tanks (3)	2005	13	83,078
SFDL Unit 4	Diesel storage tanks (3)	2005	13	83,078
ISPP	Diesel storage tanks (3)	2019	13	141,871
Worthington Wind	Plant (2)	2020	2	326,664
Total				$ 6,322,606

(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:

	2022	2021
2013 Series A 4.00% to 5.00%		
Due July 1, 2021 - 2037	$ 122,460,000	$ 132,260,000
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, 2021 - 2037	46,970,000	51,105,000
2018 Series A 5.00%		
Due July 1, 2021 - 2037	37,735,000	40,740,000
Total revenue bonds outstanding	273,575,000	290,515,000
Current maturities	(16,325,000)	(16,940,000)
Unamortized premium	26,780,264	30,271,599
Revenue bonds, net of unamortized premium	$ 284,030,264	$ 303,846,599

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
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	16,755,000	11,054,694	27,809,694
2027	17,770,000	10,281,894	28,051,894
2028-2032	92,940,000	37,895,469	130,835,469
2033-2037	97,640,000	13,624,368	111,264,368
Total	$ 273,575,000	$ 110,858,507	$ 384,433,507

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

2022	Beginning Balance	Additions	Reductions	Ending Balance
Long-term debt				
Total bonds outstanding	$ 290,515,000	$ -	$ (16,940,000)	$ 273,575,000
Less: current maturities	16,940,000	16,325,000	(16,940,000)	16,325,000
Add: unamortized premium	30,271,599	-	(3,491,335)	26,780,264
Revenue bonds, net of unamortized premium	$ 303,846,599	$ (16,325,000)	$ (3,491,335)	$ 284,030,264
Non-current liabilities				
Asset retirement obligations	$ 6,322,606	$ 505,809	$ (322,216)	$ 6,506,199
Other postemployment benefits	2,812,957	78,747	(53,441)	2,838,263
Other benefits liabilities	791,727	394,905	(684,875)	501,757
Total non-current liabilities	$ 9,927,290	$ 979,461	$ (1,060,532)	$ 9,846,219

2021	Beginning Balance	Additions	Reductions	Ending Balance
Long-term debt				
Total bonds outstanding	$ 305,370,000	$ -	$ (14,855,000)	$ 290,515,000
Less: current maturities	14,855,000	16,940,000	(14,855,000)	16,940,000
Add: unamortized premium	33,977,646	-	(3,706,047)	30,271,599
Revenue bonds, net of unamortized premium	$ 324,492,646	$ (16,940,000)	$ (3,706,047)	$ 303,846,599
Non-current liabilities				
Asset retirement obligations	$ 6,758,476	$ 62,417	$ (498,287)	$ 6,322,606
Other postemployment benefits	2,500,046	372,477	(59,566)	2,812,957
Other benefits liabilities	848,536	335,620	(392,429)	791,727
Total non-current liabilities	$ 10,107,058	$ 770,514	$ (950,282)	$ 9,927,290

(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 SOFR Rate plus 125 basis points.

As of December 31, 2022, 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, 2022 and 2021, 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 $75,841,322 and 64,288,485, or approximately 13.7% and 13.6%, of total operating revenues for the years ended December 31, 2022 and 2021, 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 2027. 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, 2022 and 2021 were $394,904 and $335,620, 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
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%
2020	1.7%	21.0%
2021	5.1%	13.0%

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, 2021 and 2020, the WRS recognized $782,407 and $777,084, respectively, in contributions from WPPI. Contribution rates for the employee and employer were 6.75% and 6.75% as of December 31, 2021 and 2020, respectively.

At December 31, 2022, WPPI recognized an asset of $5,446,778 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021.

At December 31, 2021, WPPI recognized an asset of $4,166,180 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020.

No material changes in actuarial assumptions used to develop the total pension liability or benefit terms occurred between the respective actuarial valuation dates and the measurement dates. 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, 2021, WPPI's proportion was 0.06757635%, which was an increase of 0.00084421% from its proportion measured as of December 31, 2020. At December 31, 2020, WPPI's proportion was 0.06673214%, which was an increase of 0.00129045% from its proportion measured as of December 31, 2019. For the years ended December 31, 2022 and 2021, WPPI recognized pension expense of $(722,738) and $(722,736), respectively.

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

2022	Deferred Outlfows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,798,996	$ 634,504
Net difference between projected and actual earnings on pension plan investments	-	12,184,895
Changes in assumptions	1,016,182	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,337	16,320
Employer contributions subsequent to the measurement date	797,950	-
Total	$ 10,631,465	$ 12,835,719

2021	Deferred Outlfows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,029,743	$ 1,298,796
Net difference between projected and actual earnings on pension plan investments	-	7,821,664
Changes in assumptions	94,497	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,429	258,172
Employer contributions subsequent to the measurement date	786,957	-
Total	$ 6,937,626	$ 9,378,632

During 2022 and 2021, WPPI provided additional voluntary employer contributions of $304,765 and $298,389, 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 $797,950 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, 2023. 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:

2023	$	(252,084)
2024		(1,474,003)
2025		(650,487)
2026		(625,630)
2027		-
Thereafter		-
Total	$	(3,002,204)

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

	2022	2021
Actuarial valuation date	12/31/2020*	12/31/2019**
Measurement date	12/31/2021	12/31/2020
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair Value	Fair Value
Long-term expected rate of return	6.8%	7.0%
Discount rate	6.8%	7.0%
Salary increases - inflation	3.0%	3.0%
Salary increases - seniority/merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	2020 WRS Exp. Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments***	1.7%	1.9%

*Actuarial assumptions are based upon an experience study conducted in 2021 using experience from 2018 through 2020.

**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 geometric real rates of return for each major asset class are summarized as follows as of December 31:

	2022			2021		
	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	52.0%	6.8%	4.2%	51.0%	7.2%	4.7%
Fixed income	25.0%	4.3%	1.8%	25.0%	3.2%	0.8%
Inflation sensitive	19.0%	2.7%	0.2%	16.0%	2.0%	-0.4%
Real estate	7.0%	5.6%	3.0%	8.0%	5.6%	3.1%
Private equity/debt	12.0%	9.7%	7.0%	11.0%	10.2%	7.6%
Multi-asset	0.0%	0.0%	0.0%	4.0%	5.8%	3.3%
Total core fund	115.0%	6.6%	4.0%	115.0%	6.6%	4.1%
Variable Fund Asset Class						
U.S. equitities	70.0%	6.3%	3.7%	70.0%	6.6%	4.1%
International equitities	30.0%	7.2%	4.6%	30.0%	7.4%	4.9%
Total variable fund	100.0%	6.8%	4.2%	100.0%	7.1%	4.6%

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast:
2.50% (2022) and 2.40% (2021)

Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%.

A single discount rate of 6.80% 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 6.80% and a municipal bond rate of 1.84% compared to 7.00% and 2.00%, 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 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:

	2022	2021
One percentage point lower (5.80%, 6.00%)	$ 3,864,875	$ 3,965,626
Current discount rate (6.80%, 7.00%)	(5,446,778)	(4,166,180)
One percentage point higher (7.80%, 8.00%)	(12,149,436)	(10,138,931)

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements at:

https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements.

WPPI had a payable of $174,360 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2022. The amount was paid in January, 2023.

(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, 2022, there were 112 eligible active participants, 1 ineligible active participant, 1 eligible inactive participant and 6 retirees and surviving spouses. At December 31, 2021, there were 114 eligible active participants, 1 ineligible active participant, 1 eligible inactive participant and 5 retirees and surviving spouses.

WPPI's Board of Directors did not designate earnings to be held for the purpose of funding future OPEB obligations in 2022 or 2021. 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:

	2022	2021
Balance, beginning of year	$ 2,812,957	$ 2,500,046
Service cost	185,179	159,246
Interest on total OPEB liability	60,121	69,758
Differences between expected and actual experience	(378,803)	-
Changes of assumptions	204,975	143,473
Benefit payments	(46,166)	(59,566)
Balance, end of year	$ 2,838,263	$ 2,812,957

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:

	2022	2021
Actuarial valuation date	12/31/2022	12/31/2020
Measurement date	12/31/2021	12/31/2020
Actuarial cost method	Entry Age	Entry Age
Discount rate	2.00%	2.12%
Inflation rate	2.0%	3.0%
Salary increases including inflation	3.4% - 6.5%	3.1% - 8.6%
Mortality	Pub-2010 Mortality Table with MP-2021 GIS	Wisconsin 2018 Mortality Table with MP-2018 GIS

Medical trend rates have been chosen based on a review of historical health care increase rates, projected health care increase rates and projected health care expenditures as a percentage of gross domestic product. Medical trend rate pre 65 was 6.50% as of December 31, 2022 grading to 5.00% over 6 years and then to 4.00% over the next 48 years. Medical trend rate post 65 was 4.00% as of December 31, 2022. Healthcare cost trend rates as of December 31, 2020, 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:

	2022	2021
One percentage point lower (1.00%, 1.12%)	$ 3,077,946	$ 3,060,816
Current discount rate (2.00%, 2.12%)	2,838,263	2,812,957
One percentage point higher (3.00%, 3.12%)	2,617,317	2,585,290

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:

	2022	2021
One percentage point lower	$ 2,558,499	$ 2,486,245
Current annual medical trend rates	2,838,263	2,812,957
One percentage point higher	3,165,396	3,202,479

For the years ended December 31, 2022 and 2021, WPPI recognized OPEB expense of $284,256 and $285,343, respectively. Components of OPEB expense and deferred outflows and inflows of resources related to OPEB were as follows at December 31:

2022	Original Amount	Date Established	Recognized in OPEB Expense	Balance of Deferred Outflows of Resources	Balance of Deferred Inflows of Resources
Service cost (1)	$ 185,179	12/31/2022	$ 185,179	$ -	$ -
Interest on total OPEB liability (1)	60,121	12/31/2022	60,121	-	-
Differences between expected and actual experience (2)	(378,803)	12/31/2022	(37,881)	-	340,922
Differences between expected and actual experience (2)	45,515	12/31/2020	3,737	34,304	-
Changes of assumptions (2)	204,975	12/31/2022	20,498	184,477	-
Changes of assumptions (2)	143,473	12/31/2021	11,779	119,915	-
Changes of assumptions (2)	547,881	12/31/2020	44,982	412,935	-
Changes of assumptions (2)	(103,327)	12/31/2019	(8,286)	-	70,183
Changes of assumptions (2)	51,460	12/31/2018	4,127	30,825	-
Contributions made subsequent to measurement date	69,797	12/31/2022	-	69,797	-
Total	$ 826,271		$ 284,256	$ 852,253	$ 411,105

2021	Original Amount	Date Established	Recognized in OPEB Expense	Balance of Deferred Outflows of Resources	Balance of Deferred Inflows of Resources
Service cost (1)	$ 159,246	12/31/2021	$ 159,246	$ -	$ -
Interest on total OPEB liability (1)	69,758	12/31/2021	69,758	-	-
Differences between expected and actual experience (2)	45,515	12/31/2020	3,737	38,041	-
Changes of assumptions (2)	143,473	12/31/2021	11,779	131,694	-
Changes of assumptions (2)	547,881	12/31/2020	44,982	457,917	-
Changes of assumptions (2)	(103,327)	12/31/2019	(8,286)	-	78,469
Changes of assumptions (2)	51,460	12/31/2018	4,127	34,952	-
Contributions made subsequent to measurement date	46,166	12/31/2021	-	46,166	-
Total	$ 960,172		$ 285,343	$ 708,770	$ 78,469

(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 $69,797 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, 2023. 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:

2023	$	38,956
2024		38,956
2025		38,956
2026		38,956
2027		38,956
Thereafter		176,571
Total	$	371,351

(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 2022 and 2021, 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(v), WPPI has purchase power agreements from other wind, run of river hydro, landfill gas and solar resources with name plate capacity totaling approximately 168 MW at December 31, 2022 and 2021, respectively. WPPI also has agreements to purchase blocks of monthly on peak energy for certain times periods out to 2027.

On May 31, 2022, WPPI entered into a forward delivery agreement with DNT Asset Trust, a Delaware business trust and a wholly-owned subsidiary of JPMorgan with respect to the issuance and delivery, on or about April 6, 2023, of $107,500,000 aggregate principal amount of its Power Supply System Revenue Bonds, 2023 Series A. The 2023 Series A bonds are to be issued for the purpose of defeasing certain maturities of WPPI's Power Supply System Revenue Bonds, 2013 Series A and paying certain costs of issuance of the 2023 Series A bonds.

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 separate complaints with FERC seeking, among other things, to lower the MISO-wide base return on equity (ROE) of 12.38% of MISO TOs, including ATC. 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. FERC subsequently issued various orders (Opinion Nos. 551, 569, 569-A and 569-B). Through these proceedings, FERC ultimately approved a new ROE methodology, resulting in a MISO-wide base ROE of 10.02% and refunds for the period of the first complaint but not the second complaint. The parties to the complaint proceeded with appeals to the U.S. Court of Appeals for the D.C. Circuit. On August 9, 2022, the U.S. Court of Appeals for the D.C. Circuit vacated FERC's related orders and remanded the case back to FERC for further proceedings, which remain pending. WPPI is unable to predict the outcome of any legal challenges or FERC proceedings.

On April 15, 2021, FERC issued a supplemental Notice of Proposed Rulemaking (NOPR) that would, among other things, require utilties receiving the 50 basis point ROE adder to eliminate it after three years. The NOPR is still oustanding. The rate of return WPPI would receive for its share of the CapX 2020 La Crosse project and the Badger-Coulee project, and its investment in ATC, would decrease as a result of a lower or elimination of the 50 basis point ROE adder. WPPI's overall transmission costs to serve its members would also reflect the lower rate of return. WPPI is unable to predict the outcome of any legal challenges or FERC proceedings.

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. 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. On June 30, 2022, the U.S. Supreme Court reversed the U.S. Court of Appeals for the D.C. Circuit ruling.

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.

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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)
12/31/22	0.06757635%	$ (5,446,778)	$ 11,591,237	-46.99%	106.02%
12/31/21	0.06673214%	(4,166,180)	11,512,360	-36.19%	105.26%
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
12/31/22	$ 797,950	$ 797,950	$ -	$ 12,276,154	6.50%
12/31/21	782,407	782,407	-	11,591,237	6.75%
12/31/20	777,084	777,084	-	11,512,360	6.75%
12/31/19	697,818	697,818	-	10,653,423	6.55%
12/31/18	664,364	664,364	-	9,915,877	6.70%
12/31/17	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

	2022	2021	2020	2019
Balance, beginning of year	$ 2,812,957	$ 2,500,046	$ 1,774,816	$ 1,764,760
Service cost	185,179	159,246	108,641	116,626
Interest on total OPEB liability	60,121	69,758	73,069	61,328
Economic/demographic (gains) or	(378,803)	-	45,515	-
Assumption changes or inputs	204,975	143,473	547,881	(103,327)
Benefit payments	(46,166)	(59,566)	(49,876)	(64,571)
Balance, end of year	$ 2,838,263	$ 2,812,957	$ 2,500,046	$ 1,774,816
Covered payroll	$ 12,471,398	$ 11,871,000	$ 11,507,516	$ 10,982,675
Total OPEB liability as percentage of covered payroll	22.76%	23.70%	21.73%	16.16%
Actuarial valuation date	12/31/2022	12/31/2020	12/31/2020	12/31/2018
Measurement date	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Discount rate	2.00%	2.12%	2.74%	4.10%
Inflation rate	2.0%	3.0%	3.0%	3.0%
Salary increases including inflation	3.4% - 6.5%	3.1% - 8.6%	3.1% - 8.6%	3.1% - 8.6%
Mortality	Pub-2010	WI 2018	WI 2018	WI 2012
Pre 65 - initial, ultimate	6.5%, 4.0%	6.0%, 3.7%	6.0%, 3.7%	8.2%, 3.9%
Post 65 - initial, ultimate	4.0%	5.8%, 3.7%	5.8%, 3.7%	5.7%, 3.8%
Part B premium - initial, ultimate	n/a	6.2%, 3.7%	6.2%, 3.7%	1.1%, 3.9%

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
Schedule of Changes in the Employer's Total OPEB Liability and Related Ratios (cont'd)
Year Ended December 31

2018
$ 1,545,914
106,135
61,251
-
51,460
-
$ 1,764,760
$ 10,161,638
17.37%
12/31/2018
12/31/2017
Entry Age
3.44%
3.2%
3.4% - 8.8%
WI 2012
8.2%, 3.9%
5.7%, 3.8%
1.1%, 3.9%

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
12/31/22	6.8%	6.8%	3.0%, 0.1% - 5.6%	2020 WRS Exp.	1.7%
12/31/21	7.0%	7.0%	3.0%, 0.1% - 5.6%	Wisconsin 2018	1.9%
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.