Public Power Generation Agency

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

Public Power Generation Agency
December 31, 2020 and 2019

Contents

Independent Auditor's Report

Board of Directors
Public Power Generation Agency
Hastings, Nebraska

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Power Generation Agency as of December 31, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The schedules of billings to members as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of billings to members have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Lincoln, Nebraska
April 1, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis on the following pages summarizes the financial highlights and focuses on factors that had a material effect on the financial condition of Public Power Generation Agency (the Agency or PPGA) and the results of operations for 2020, 2019 and 2018. This discussion should be read in conjunction with the accompanying financial highlights, the basic financial statements and notes to the financial statements.

Nature of Operations

PPGA was created in 2005 as a joint entity pursuant to the Interlocal Cooperation Act of the State of Nebraska. The Members of PPGA are Municipal Energy Agency of Nebraska, Heartland Consumers Power District, Hastings Utilities, Grand Island Utilities and Nebraska City Utilities.

PPGA was created solely for the purpose of owning, financing, acquiring, constructing and operating the Whelan Energy Center Unit 2 Plant (WEC 2 or the "Plant"). The Plant was intended to provide long-term, baseload electric power supply for the Members. PPGA participates in the Southwest Power Pool Integrated Marketplace, which launched in March 2014. This participation allows the output from the Plant to be economically dispatched into the market.

WEC 2 is a nominally rated 220 MW pulverized coal-fired sub-critical generating unit built at Whelan Energy Center near Hastings, Nebraska. WEC 2 began commercial operation on May 1, 2011. PPGA is the sole owner of the plant.

Project Operating History

The net generation, equivalent availability factor, forced outage rate, net capacity factor, net output factor and net heat rate of the Plant are shown below.

Calendar Year	Net Generation (GWH)	Equivalent Availability Factor (1)	Forced Outage Rate (2)	Net Capacity Factor (3)	Net Output Factor (4)	Net Heat Rate (5)
2018	1,062.23	79.82	17.03	53.65	66.52	10,482
2019	1,123.99	86.31	0.21	56.44	65.01	10,431
2020	712.18	85.35	4.04	35.50	64.24	10,550

(1) The Equivalent Availability Factor incorporates the effect of deratings (losses in MW capability) and is essentially "equivalent to" the percentage of a period during which the generating unit was available for maximum net capability operation.
(2) The Forced Outage Rate is the ratio of hours in the period that the generating unit is not capable of operating due to forced outages to the number of hours in the period.
(3) The Net Capacity Factor is the ratio of the average annual load on the generating unit to the capacity rating of the unit.
(4) The Net Output Factor is the ratio of the net energy generated to the net capability of the generating unit times the hours in the period, and reflects the unit availability as well as the actual need for power produced by the unit.
(5) The Net Heat Rate is a measure of the efficiency of the generating unit and shows the amount of thermal energy in BTUs necessary to produce 1.0 net kWh. The smaller the number, the more efficient the unit.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about PPGA's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of PPGA based on currently known facts, decisions or conditions.

Balance Sheets – provides a summary of the assets, deferred outflows of resources, liabilities and deferred inflows of resources.

Statements of Revenues and Expenses – presents the operating results of PPGA into various categories of operating revenues and expenses and nonoperating revenues and expenses.

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

Notes to the Financial Statements – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Analysis

The following comparative condensed financial statements (in thousands) summarize PPGA's financial position and operating results for the years ended December 31, 2020, 2019 and 2018.

Condensed Balance Sheets (in thousands)

	December 31, 2020	December 31, 2019	December 31, 2018	Change From 2019 to 2020	Change From 2018 to 2019
Current assets	$ 59,610	$ 55,890	$ 60,208	$ 3,720	$ (4,318)
Net utility plant	422,623	443,527	463,602	(20,904)	(20,075)
Net costs to be recovered from billings to members	95,960	93,781	90,965	2,179	2,816
Other noncurrent assets	53,719	58,056	52,955	(4,337)	5,101
Deferred loss on refunding	2,517	2,769	3,020	(252)	(251)
Total assets and deferred outflows of resources	$ 634,429	$ 654,023	$ 670,750	$ (19,594)	$ (16,727)
Current liabilities	$ 34,096	$ 34,925	$ 34,435	$ (829)	$ 490
Noncurrent liabilities	596,435	615,005	632,028	(18,570)	(17,023)
Deferred gain on refunding	3,898	4,093	4,287	(195)	(194)
Total liabilities and deferred inflows of resources	$ 634,429	$ 654,023	$ 670,750	$ (19,594)	$ (16,727)

Assets

Current assets increased in 2020 primarily due to the increase in cash and cash equivalents and investments offset by lower account receivables at December 31st. In 2019, current assets decreased primarily due to the decrease in cash and cash equivalents and investments offset by higher coal inventory.

Net utility plant consists primarily of the WEC 2 plant which began operations in 2011. The decrease in 2020 and 2019 was due to the depreciation expense for the Plant being higher than the capital additions in each year.

The net costs to be recovered from billings to members increased in 2020 and 2019 primarily due to depreciation and amortization expense, which is not currently billable to the members. This noncurrent asset represents the net deferred expenses that will be recovered in future periods as they become power costs and are included in the members' future billings. See Notes 1 and 4 for further explanation and details of the components making up this noncurrent asset.

The change in other noncurrent assets in 2020 resulted from the investments in the Renewal and Contingency Fund shifting to current assets. In 2019, other noncurrent assets increased due to an increase in the restricted cash and cash equivalents and investments offset by a decrease related to the payment of the remainder of the deferred outage costs for the High and Intermediate Pressure (HIP) Turbine outage which was billed to members. Restricted cash and cash equivalents increased in 2019 offset by a decrease in restricted investments due to certain debt service investments maturing near year end.

Deferred outflows of resources consist of deferred costs of refunded debt resulting from refunding transactions.

Liabilities

Current liabilities decreased in 2020 and increased in 2019 primarily due to the timing of when services were performed and the related timing of vendor invoicing and payment at year end (shifts in accounts payable) and an increase in the current portion of long-term debt offset by a decrease in accrued interest payable.

Noncurrent liabilities decreased in 2020 and 2019 primarily due to the scheduled debt service payments and the amortization of the bond premiums.

Deferred inflows of resources consist of the deferred gain on refunded debt resulting from refunding transactions.

Debt Activity

PPGA did not issue any debt during 2020 and 2019.

PPGA made scheduled principal payments in 2020 of $14,885,000 and in 2019 of $14,185,000.

The Whelan Energy Center Unit 2 Revenue Bonds 2009 Series B were issued as bonds designated as "Build America Bonds" under the provision of the American Recovery and Reinvestment Act of 2009, which allows the Agency to receive a U.S. Treasury subsidy equal to a portion of the amount of interest payable on those bonds. Subsidy payments are contingent on federal regulations and are subject to change as discussed in Note 5.

Condensed Statements of Revenues and Expenses (in thousands)

	2020	Year Ended December 31, 2019	2018	Change From 2019 to 2020	Change From 2018 to 2019
Power sales (MWh)	712,177	1,123,985	1,062,229	(411,808)	61,756
Operating revenues	$ 62,566	$ 69,361	$ 68,834	$ (6,795)	$ 527
Operating expenses					
Production expenses	18,497	25,127	25,169	(6,630)	(42)
HIP Turbine outage costs	-	500	2,437	(500)	(1,937)
Administration and general	1,851	1,554	1,420	297	134
Depreciation and amortization	22,147	21,967	22,067	180	(100)
Total operating expenses	42,495	49,148	51,093	(6,653)	(1,945)
Operating income	20,071	20,213	17,741	(142)	2,472
Total nonoperating expenses, net	(22,250)	(23,029)	(24,474)	779	1,445
Change in net costs to be recovered from billings to members	$ (2,179)	$ (2,816)	$ (6,733)	$ 637	$ 3,917

Power Sales Volumes

Power sales volumes in 2020 decreased 37% compared to 2019. Power sales volumes in 2019 increased 5.8% compared to 2018. The difference in power sales is primarily due to the plant's net generation which was dictated by the power market.

Operating Revenues

Operating revenues consist of billings to members and fluctuate annually based on the energy charges, debt service requirements and capital expenditures. The decrease in 2020 and increase in 2019 were due primarily to the MWh generated each year by WEC 2 and additional billings to members for capital expenditures.

Operating Expenses

Production expenses vary from year to year due to costs of fuel and other production costs. The decrease in operating expenses is primarily due to the changes in MWh generated in 2020. In 2019, the decrease was due to the cost incurred during 2019 and 2018 related to the HIP Turbine outage, totaling $500,000 and $2,437,310 respectively.

Net Nonoperating Expenses

This category nets all nonoperating expenses with all nonoperating revenues. The decrease in 2020 and 2019 relates to the reduced interest expense in each year, and the increased fly ash sales in 2020 and investment return in 2019.

General Trends and Significant Events

For 2019, the Spring outage occurred between May 17 and June 1. The outage consisted of routine inspections and maintenance as well as a condensate pump rebuild. There were a few minor welding repairs needed in the boiler, as well as an erosion hole repair needed in the air heater leakage section. The Fall outage occurred between October 11 and November 8. The Unit was put into Market Status, was called up on November 12, and online on November 13. The outage consisted of routine inspections and maintenance. The second layer of catalyst was replaced which had been in service since initial operation. A layer of air cannons was also installed on the second layer of catalyst. Thermal drain lines for the retractable sootblowers were reconfigured for better flow, and an ammonia line was repaired.

For 2020, the Spring outage occurred from May 1 to May 17. The outage consisted of routine maintenance and inspections. The roll wheels and floor segments were replaced in pulverizer A, condensate pump B was rebuilt, and air heater radial seals were replaced. The fall outage occurred from October 16 to November 16. The outage also consisted of routine maintenance and inspections. The roll wheels and floor segments were replaced in pulverizer C, the Voith drive for boiler feed pump A was rebuilt, tube shields were installed in the boiler, and the air heater was inspected.

PPGA continues to monitor the development and implementation of new or modified environmental regulations. See Note 8 for additional information.

WEC 2 is located adjacent to an existing coal-fired generation facility known as the Whelan Energy Center Unit 1 (WEC 1), which is owned and operated solely by Hastings Utilities. WEC 1 and WEC 2 are fueled by low-sulfur coal from the Powder River Basin in Wyoming, which is delivered to WEC by rail. Hastings Utilities, as Project Operating Agent, currently purchases approximately one million tons of coal each year for the combined operation of WEC 1 and WEC 2. Hastings Utilities solicits multiple suppliers in order to provide a competitive fuel price. Approximately 55% of WEC's coal supply is currently supplied under a two-year coal purchase agreement with Peabody Energy that expires on December 31, 2021. The remainder of WEC's coal supply is purchased under short-term contracts and spot purchases based upon prevailing market conditions. Rail facilities at WEC can accommodate two trains of 140 cars each. Rail services are currently provided pursuant to a contract with Burlington Northern Santa Fe (BNSF) that expires on December 31, 2021.

Report Purpose and Contact Information

This financial report is designed to provide PPGA's Members and creditors with a general overview of PPGA's financial status for 2020, 2019 and 2018. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Project Operating Agent at Public Power Generation Agency, 1228 N. Denver Avenue, P.O. Box 398, Hastings, Nebraska 68902-0398 or phone (402) 462-3508.

Public Power Generation Agency

Balance Sheets

December 31, 2020 and 2019

	2020	2019
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 12,161,910	$ 11,004,959
Restricted cash and cash equivalents	33,523,680	32,605,536
Investments	7,845,846	3,327,326
Accounts receivable	2,665,834	6,450,552
Inventories	3,110,195	2,250,587
Interest receivable	33,492	70,042
Prepaid expenses	269,455	180,612
Total current assets	59,610,412	55,889,614
Utility Plant		
Utility plant in service	621,894,394	621,549,909
Construction in progress	141,566	271,715
Total utility plant	622,035,960	621,821,624
Less: accumulated depreciation	(199,412,965)	(178,294,964)
Net utility plant	422,622,995	443,526,660
Investments and Other Noncurrent Assets		
Restricted cash and cash equivalents	388,585	25,973,303
Investments	6,806,576	11,349,342
Restricted investments	44,961,934	18,862,081
Net costs to be recovered from billings to members	95,960,263	93,781,255
Other	1,561,863	1,872,085
Total investments and other noncurrent assets	149,679,221	151,838,066
Deferred Outflows of Resources		
Deferred loss on refunding	2,516,886	2,768,574
Total assets and deferred outflows of resources	$ 634,429,514	$ 654,022,914
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Current maturities of long-term debt	$ 16,245,000	$ 14,885,000
Accounts payable	1,710,473	3,427,300
Accrued expenses	80,160	124,707
Accrued interest payable	15,524,672	15,951,222
Unearned revenue	536,059	537,436
Total current liabilities	34,096,364	34,925,665
Noncurrent Liabilities		
Long-term debt, net	594,645,196	613,310,524
Other	1,790,292	1,694,180
Total noncurrent liabilities	596,435,488	615,004,704
Deferred Inflows of Resources		
Deferred gain on refunding	3,897,662	4,092,545
Total liabilities and deferred inflows of resources	$ 634,429,514	$ 654,022,914

Public Power Generation Agency
Statements of Revenues and Expenses
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
Billings to members, net	$ 62,565,752	$ 69,360,731
Total operating revenues	62,565,752	69,360,731
Operating Expenses		
Fuel and other variable production	12,153,954	19,149,515
Other production	6,343,261	5,977,790
HIP Turbine outage costs	-	500,000
Administrative and general	1,850,532	1,554,270
Depreciation and amortization	22,147,004	21,966,834
Total operating expenses	42,494,751	49,148,409
Operating Income	20,071,001	20,212,322
Nonoperating Revenues (Expenses)		
Interest expense	(28,685,823)	(29,538,922)
Investment return	1,853,981	2,149,181
Federal subsidy - Build America Bonds	4,207,501	4,299,529
Other	374,332	61,755
Total nonoperating expenses, net	(22,250,009)	(23,028,457)
Change in Net Costs to be Recovered from Billings to Members	$ (2,179,008)	$ (2,816,135)

Public Power Generation Agency
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Receipts from members	$ 66,349,093	$ 69,318,181
Payments to suppliers	(22,699,035)	(26,967,283)
Net cash provided by operating activities	43,650,058	42,350,898
Noncapital Financing Activities		
Other miscellaneous receipts	374,332	61,755
Capital and Related Financing Activities		
Principal payments on revenue bonds	(14,885,000)	(14,185,000)
Interest paid	(31,744,297)	(32,577,428)
Interest subsidy received	4,207,501	4,299,529
Capital expenditures for utility plant	(927,141)	(1,505,834)
Net cash used in capital and related financing activities	(43,348,937)	(43,968,733)
Investing Activities		
Interest received on investment securities	1,890,531	2,149,817
Net (purchases) and sales of investments	(26,075,607)	24,166,816
Net cash provided by (used in) investing activities	(24,185,076)	26,316,633
Change in Cash and Cash Equivalents	(23,509,623)	24,760,553
Cash and Cash Equivalents, Beginning of Year	69,583,798	44,823,245
Cash and Cash Equivalents, End of Year	$ 46,074,175	$ 69,583,798
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 12,161,910	$ 11,004,959
Restricted cash and cash equivalents	33,912,265	58,578,839
Total cash and cash equivalents	$ 46,074,175	$ 69,583,798

Public Power Generation Agency

Statements of Cash Flows - Continued

Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	$ 20,071,001	$ 20,212,322
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	22,147,004	21,966,834
Changes in operating assets and liabilities		
Accounts receivable	3,784,718	(48,310)
Inventories	(859,608)	(947,995)
Prepaid expenses	(88,843)	(39,801)
Other noncurrent assets	310,222	845,723
Accounts payable	(1,764,624)	158,017
Accrued expenses	51,565	198,348
Unearned revenue	(1,377)	5,760
Net Cash Provided By Operating Activities	$ 43,650,058	$ 42,350,898
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	$ 218,450	$ 170,653

Public Power Generation Agency
Notes to Financial Statements
December 31, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Public Power Generation Agency (PPGA or the Agency) was created in 2005 as a joint entity pursuant to the Interlocal Cooperation Act of the State of Nebraska. PPGA was created solely for the purpose of owning, financing, acquiring, constructing and operating the Whelan Energy Center Unit 2 (WEC 2) Plant (the “Plant”). WEC 2 is a nominally rated 220 MW pulverized coal-fired sub-critical generating unit built at the existing Whelan Energy Center near Hastings, Nebraska. WEC 2 began commercial operation in May 2011. PPGA is the sole owner of the Plant. The Plant was intended to provide long-term, baseload electric power supply for the Members. PPGA participates in the Southwest Power Pool Integrated Marketplace, which launched in March 2014. This participation allows the Plant to be economically dispatched into the market.

The Members of PPGA are:

	Megawatt (MW) Allocation	Entitlement Share
Municipal Energy Agency of Nebraska (MEAN)	80 MW	36.36%
Heartland Consumers Power District (HCPD)	80 MW	36.36%
Hastings Utilities (HU)	35 MW	15.91%
Grand Island Utilities (GIU)	15 MW	6.82%
Nebraska City Utilities (NCU)	10 MW	4.55%

Each of the Members has entered into an Amended and Restated Participation Agreement, dated October 5, 2006, with PPGA. Under the agreements, PPGA has agreed to sell to each Member, and each Member has agreed to purchase from PPGA, such Member’s respective share of the net capacity and related energy of the Plant’s output. Each Member’s share of the output is referred to as their entitlement share. The agreements allocate to the Members all of the Plant’s output, bond-related costs and other project costs based upon their respective entitlement shares, and all energy-related costs based upon energy produced and scheduled by each Member. The term of the agreements extend at least to the date as of which any project bonds remain outstanding.

Reporting Entity

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency’s ability to appoint a voting majority of another entity’s governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency, and (3) the entity’s fiscal dependency on the Agency. Based on the above criteria, PPGA has determined that it has no reportable component units.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Basis of Accounting and Presentation

The financial statements of PPGA have been prepared on the accrual basis of accounting using the economic resources measurement focus. The Agency's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and Licenses prescribed by the Federal Energy Regulatory Commission (FERC). PPGA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

PPGA's accounting policies also follow the provisions of GASB Codification Section Re10, *Regulated Operations*, which permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers. This method includes the philosophy that debt service requirements, as opposed to depreciation or amortization, are a cost for rate making purposes.

Use of Estimates

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

Cash Equivalents

PPGA considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted of money market funds and repurchase agreements.

Investments and Investment Return

Investments are held in various debt service and reserve accounts that are prescribed by bond indenture. These accounts are invested in money market mutual funds, U.S. Treasury securities, U.S. Agency obligations and repurchase agreements. Investments in money market mutual funds and repurchase agreements are carried at cost, which approximates fair value. Investments in U.S. Treasury securities and U.S. Agency obligations are carried at fair value. Fair value is determined using quoted market prices.

Investment return consists of interest income, realized gains and losses on investments and the net change for the year in the fair value of investments carried at fair value.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Accounts Receivable

Accounts receivable are stated at the amount billed to Members. Accounts receivable are ordinarily due 60 days after the issuance of the invoice. Delinquent receivables are charged off as they are deemed uncollectible. Management does not believe an allowance for doubtful accounts is necessary at December 31, 2020 or 2019, as there were no delinquent accounts.

Inventories

Inventories consist of coal and diesel fuel. Inventories are stated at the lower of average cost or market.

Utility Plant

Utility plant is stated at cost which represents the actual direct cost of labor, materials, and indirect costs, including construction period interest and other overhead expenses. Depreciation of utility plant is computed using the straight-line method over the estimated useful life of the different categories of the Plant, which is generally 30 years. Included within the Plant are some minor equipment and furniture categories with estimated useful lives ranging from 3 to 15 years.

Net Costs to be Recovered from Billings to Members

Billings to Members are designed to recover power costs as set forth by the PPGA Participation Agreement, which principally include current operating expenses, scheduled debt principal and interest and capital expenditures. Pursuant to the provisions of GASB Codification Section Re10, *Regulated Operations*, expenses determined in accordance with accounting principles generally accepted in the United States of America (GAAP) that are not currently billable as power costs are recorded as other assets in the accompanying balance sheets. These costs will be recovered in future periods as they become power costs and are included in future Member billings (see Note 4). Over the life of the PPGA Participation Agreement, aggregate expenses are expected to equal aggregate billable power costs.

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Agency has one item that qualifies for reporting in this category, the deferred loss on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Deferred Outflows/Inflows of Resources - Continued

In addition to liabilities, the balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category, the deferred gain on refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Classification of Revenues and Expenses

Operating revenues and expenses generally result from providing energy in connection with PPGA's ongoing operations. The principal operating revenues are billings to Members for energy charges, debt service requirements and capital expenditures. Operating expenses include fuel, purchased power, other production expenses, administrative and general expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Income Taxes

In accordance with certain provisions of the Interlocal Cooperation Act and non-profit corporation statutes of Nebraska and related governing laws and regulations, PPGA is exempt from federal and state income taxes.

Note 2: Deposits and Investments

Deposits

State statutes require banks either to give bond or to pledge government securities to the Agency in the amount of the Agency's deposits. The Agency's cash deposits, including certificates of deposit, are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the $250,000 FDIC limits are covered by collateral held in a Federal Reserve Bank pledge account or by an agent for the Agency and thus, no custodial risk exists. No legal opinion has been obtained regarding the enforceability of any collateral arrangements.

Note 2: Deposits and Investments - Continued

Investments

PPGA's qualified investments are defined in the bond indentures for the revenue bond issuances described in Note 5. The bond indentures identify qualified investments as direct obligations of the United States government or any of its agencies, obligations guaranteed by the United States government or any of its agencies, money market mutual funds and repurchase agreements.

At December 31, 2020 and 2019, PPGA had the following investments, maturities and credit ratings:

		Maturities in Years		
	Carrying Value	Less Than 1	1 - 5	Credit Rating Moody's/S&P
December 31, 2020				
Money market mutual funds	$ 32,506,485	$ 32,506,485	$ -	Aaa / AAAm
U.S. Treasury securities	30,964,824	11,262,063	19,702,761	Aaa / AAA
U.S. Agency obligations	28,649,533	413,983	28,235,550	Aaa / AA+
Repurchase agreements	13,566,689	13,566,689	-	Not Rated
	$ 105,687,531	$ 57,749,220	$ 47,938,311	
December 31, 2019				
Money market mutual funds	$ 57,266,738	$ 57,266,738	$ -	Aaa / AAAm
U.S. Treasury securities	30,484,278	21,091,850	9,392,428	Aaa / AAA
U.S. Agency obligations	3,054,471	1,097,558	1,956,913	Aaa / AA+
Repurchase agreements	12,316,059	12,316,059	-	Not Rated
	$ 103,121,546	$ 91,772,205	$ 11,349,341	

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets at December 31, 2020 and 2019 as follows:

	2020	2019
Carrying Value		
Deposits	$ 1,000	$ 1,001
Investments	105,687,531	103,121,546
	$ 105,688,531	$ 103,122,547

Note 2: Deposits and Investments - Continued

Summary of Carrying Values - Continued

Included in the following balance sheet captions:

	2020	2019
Current Assets		
Cash and cash equivalents		
Operating funds	$ 12,026,124	$ 10,903,779
Renewal and contingency fund	70,737	56,177
Rate stabilization fund	65,049	45,003
Total	12,161,910	11,004,959
Restricted cash and cash equivalents		
Closure / post-closure care account	1,541,565	1,413,281
Letter of credit support fund	208,651	207,683
Debt service funds	31,773,464	30,984,572
Total	33,523,680	32,605,536
Short-term investments		
Renewal and contingency fund	4,009,382	-
Rate stabilization fund	3,836,464	3,327,326
Total	7,845,846	3,327,326
Noncurrent Assets		
Restricted cash and cash equivalents		
Debt reserve funds	388,585	25,973,303
Total	388,585	25,973,303
Investments		
Rate stabilization fund	6,806,576	7,348,018
Renewal and contingency fund	-	4,001,324
Total	6,806,576	11,349,342
Restricted investments		
Debt reserve funds	44,961,934	18,862,081
	$ 105,688,531	$ 103,122,547

Note 2: Deposits and Investments - Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The money market mutual funds and repurchase agreements are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The bond indenture requires all money market mutual funds to have credit ratings of AAAm or better by S&P. The bond indenture does not require any minimum ratings for the securities of the approved United States government agencies which are not explicitly guaranteed by the United States government.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, PPGA would not be able to recover the value of its investment securities that are in the possession of an outside party.

The repurchase agreements require cash or securities to be pledged as collateral. Cash is pledged at 100% of the repurchase agreement carrying value while the fair value of securities are required to be maintained at a minimum of 104% of the carrying value.

Concentration of Credit Risk

Concentration of credit is the risk associated with the amount of investments PPGA has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government are excluded from this requirement. PPGA and the bond indenture place no limit on the amount that may be invested in any one issuer. At December 31, 2020 and 2019, PPGA had the following investment concentrations:

	Portfolio Composition December 31,	
	2020	2019
Wells Fargo Government Money Market	30.70 %	55.53 %
Repurchase agreement - Heritage Bank	12.84	11.94

Note 2: Deposits and Investments - Continued

Investment Return

Investment return for the years ended December 31, 2020 and 2019 of $1,853,981 and $2,149,181, respectively consisted of interest income, realized gains and losses on the sale of investments and the net increase in fair value of investments carried at fair value.

Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The Agency’s investments in money market mutual funds and repurchase agreements are carried at cost and thus are not included within the fair value hierarchy.

The Agency’s investments in U.S. Treasury securities and U.S. Agency obligations are measured at fair value on a recurring basis, and are classified within Level 2 of the fair value hierarchy at December 31, 2020 and 2019.

Note 3: Utility Plant

Utility plant activity for the years ended December 31, 2020 and 2019 was:

	2020				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Electric plant in service	$ 581,057,161	$ 194,120	$ (693,644)	$ 690,796	$ 581,248,433
Transmission	22,556,229	-	-	-	22,556,229
Shared facilities	17,936,519	-	(66,958)	220,171	18,089,732
Construction in progress	271,715	780,818	-	(910,967)	141,566
Total utility plant	621,821,624	974,938	(760,602)	-	622,035,960
Less accumulated depreciation	(178,294,964)	(21,878,603)	760,602	-	(199,412,965)
Utility plant, net	$ 443,526,660	$ (20,903,665)	$ -	$ -	$ 422,622,995

	2019				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Electric plant in service	$ 580,639,373	$ -	$ (819,746)	$ 1,237,534	$ 581,057,161
Transmission	22,556,229	-	-	-	22,556,229
Shared facilities	17,729,101	-	-	207,418	17,936,519
Construction in progress	93,535	1,623,132	-	(1,444,952)	271,715
Total utility plant	621,018,238	1,623,132	(819,746)	-	621,821,624
Less accumulated depreciation	(157,416,277)	(21,698,433)	819,746	-	(178,294,964)
Utility plant, net	$ 463,601,961	$ (20,075,301)	$ -	$ -	$ 443,526,660

Under the terms of the Facility Sharing and Lease Agreement entered into between PPGA and Hastings Utilities (HU), as Operating Agent, ownership of certain PPGA assets were conveyed to HU to allow for the utilization of these assets for the benefit of the Plant. In addition, PPGA financed the construction of transmission facilities and equipment to facilitate the distribution of power to the Members. Although ownership of these facilities and equipment rests with other governmental entities responsible for the transmission and distribution of energy, PPGA has elected to defer these costs and amortize them over a period of 30 years, as a component of utility plant.

Note 4: Net Costs to be Recovered from Billings to Members

Net costs to be recovered from billings to Members for the years ended December 31, 2020 and 2019, and the accumulated totals as of December 31, 2020 and 2019, consisted of the following:

	For the Years Ended December 31,		Accumulated Totals as of December 31,	
	2020	2019	2020	2019
Items in accordance with GAAP not currently billable to Members under the participation agreement:				
Depreciation and amortization expense	$ 21,878,603	$ 21,698,433	$ 204,538,005	$ 182,659,402
Amortization of Spring 2012 outage charges	-	-	1,201,925	1,201,925
Amortization of Fall 2017 outage charges	268,401	268,401	805,203	536,802
Amortization of deferred gain/loss on refunding, net	56,806	56,806	482,970	426,164
Bond issue costs paid with bond proceeds	-	-	10,464,169	10,464,169
Loss on disposition of utility plant	-	-	73,260	73,260
Accrued interest included in bond refunding	-	-	1,451,790	1,451,790
Accretion of bond discount (premium), net	(2,420,328)	(2,420,328)	(17,713,712)	(15,293,384)
SO2 emissions expense	27,937	41,851	404,530	376,593
Unrealized gain (loss) on investments	(483,979)	(352,853)	(583,499)	(99,520)
Portion of federal subsidy not credited on Member billings	-	-	(1,291,488)	(1,291,488)
Administrative costs incurred prior to commercial operation	-	-	1,566,261	1,566,261
Restricted interest income not credited to Members	(943,863)	(915,117)	(4,274,685)	(3,330,822)
Ash disposal costs not yet billable to Members	(32,172)	110,001	248,727	280,899
Cost of lime silo cleanup not yet billable to Members	-	242,463	242,463	242,463
Other	(12,461)	(12,780)	28,259	40,720
Amounts billed to Members under the bond resolution and participation agreement				
Bond principal less credits received for principal	(15,373,339)	(14,255,904)	(98,762,975)	(83,389,636)
Capital asset expenditures billed to participants	(786,597)	(1,644,838)	(2,920,940)	(2,134,343)
Net costs to be recovered from billings to Members	$ 2,179,008	$ 2,816,135	$ 95,960,263	$ 93,781,255

Note 5: Long-term Debt

Long-term debt at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Revenue bonds		
Whelan Energy Center Unit 2 Revenue Bonds 2009 Series B (taxable), 7.242% with sinking fund installments beginning January 1, 2019 and a lump sum payment due January 1, 2041, callable at anytime	$ 175,695,000	$ 180,550,000
Whelan Energy Center Unit 2 Revenue Refunding Bonds 2015 Series A (tax-exempt), 5.00%, due annually beginning on January 1, 2018 with a final payment due January 1, 2031, callable beginning in 2025	158,670,000	168,700,000
Whelan Energy Center Unit 2 Revenue Bonds 2015 Series B (tax-exempt), 4.00% with sinking fund installments beginning January 1, 2032, and lump sum term payments of $27,780,000 and $77,650,000 due January 1, 2037 and January 1, 2041, respectively, noncallable	105,430,000	105,430,000
Whelan Energy Center Unit 2 Revenue Refunding Bonds 2016 Series A (tax-exempt), 3.00 - 5.00%, due annually beginning January 1, 2032 with a final payment due January 1, 2041, callable beginning in 2026	140,610,000	140,610,000
Total revenue bonds outstanding	580,405,000	595,290,000
Issuance premiums	31,153,995	33,607,763
Issuance discount	(668,799)	(702,239)
Current maturities of long-term debt	(16,245,000)	(14,885,000)
Long-term debt, net	$ 594,645,196	$ 613,310,524

Note 5: Long-term Debt - Continued

Long term debt activity for 2020 and 2019 is summarized below:

	January 1,	Additions	Reductions	December 31,	Due Within One Year
2020					
Revenue bonds	$ 595,290,000	$ -	$ (14,885,000)	$ 580,405,000	$ 16,245,000
Premiums	33,607,763	-	(2,453,768)	31,153,995	-
Discounts	(702,239)	-	33,440	(668,799)	-
Total long-term debt, net	$ 628,195,524	$ -	$ (17,305,328)	$ 610,890,196	$ 16,245,000
2019					
Revenue bonds	$ 609,475,000	$ -	$ (14,185,000)	$ 595,290,000	$ 14,885,000
Premiums	36,061,531	-	(2,453,768)	33,607,763	-
Discounts	(735,679)	-	33,440	(702,239)	-
Total long-term debt, net	$ 644,800,852	$ -	$ (16,605,328)	$ 628,195,524	$ 14,885,000

The 2009 Series B bonds were issued as bonds designated as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009, which allows the Agency to receive a U.S. Treasury subsidy equal to 35% of the amount of interest payable on those bonds. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments to certain state and local government filers claiming refundable credits under section 6341 of the Internal Revenue Code applicable to certain qualified bonds are subject to sequestration. The refund payments processed on or after October 1, 2018 and on or before September 30, 2019 were reduced by the fiscal year 2019 sequestration rate of 6.2%; the refund payments processed on or after October 1, 2019 and on or before September 30, 2020 were be reduced by the fiscal year 2020 sequestration rate of 5.9%; the refund payments processed on or after October 1, 2020 and on or before September 30, 2021 will be reduced by the fiscal year 2021 sequestration rate of 5.7%. Any future subsidy payments are contingent on federal regulations and are subject to change. The subsidy is not reflected in the table on the following page.

The revenue bonds are equally and ratably secured under the Bond Resolution and are payable on parity with one another. The bonds are special obligations of PPGA, payable from and secured by a pledge of the revenues, PPGA’s rights, title and interest under the Participation Agreements and certain funds established under the Resolution.

Note 5: Long-term Debt - Continued

Future principal and interest payments required to be made in accordance with the bond documents and private voluntary debt exchange agreement at December 31, 2020, are as follows:

Year Ending December 31,	Principal	Interest
2021	$ 16,245,000	$ 30,586,273
2022	17,050,000	29,637,314
2023	17,880,000	28,641,987
2024	18,765,000	27,598,012
2025	19,685,000	26,502,859
2026-2030	113,915,000	114,120,729
2031-2035	131,450,000	81,408,118
2036-2040	194,785,000	41,218,463
2041-2045	50,630,000	2,967,434
	$ 580,405,000	$ 382,681,189

Note 6: Closure and Post-Closure Care Costs

As a result of coal ash produced at the WEC 2 plant site, the Agency has created an ash disposal area, including an ash pond. In accordance with regulations promulgated by the Nebraska Department of Environmental Quality (NDEQ), the Agency has calculated an estimate of the costs of closing the site, at the end of the plant's useful life, and properly disposing of the ash, and also of post-closure monitoring of the ash disposal area. These costs are currently estimated at approximately $3,800,000 and $3,700,000 at December 31, 2020 and 2019, respectively, and will be recognized in each period based on the estimated disposal area capacity used as of each balance sheet date. These costs were estimated based on historical experience at similar ash disposal areas and in accordance with the permit obtained from NDEQ. The estimated costs of closure and post-closure care are subject to changes including the effects of inflation, revision of laws, changes in technology, actual sequence of landfill development and closure and other variables.

The Agency has established a Closure/Post-Closure Care Account to accumulate sufficient funds for the costs of closure and post-closure of the ash disposal area. Funds are deposited into this account at a rate of $3.00 and $2.50 per ton of ash placed into the disposal area for the years ended December 31, 2020 and 2019, respectively. The funds in this account totaled $1,541,565 and $1,413,281 at December 31, 2020 and 2019, respectively. The use of these funds is restricted to the costs of closure and post-closure care of the ash disposal area by NDEQ regulations.

In the event of a pre-mature closure of the facilities, including the ash pond, the Agency would be required to immediately excavate, haul and properly dispose of all pond ash and scrubber ash remaining at that time. A study completed during 2016 by an outside engineering firm estimated these costs to be approximately $8,600,000 for the Agency. The Agency has not recorded a liability for these pre-mature closure costs as of December 31, 2020 and 2019, as the costs are contingent on the occurrence of a pre-mature closure of the facilities, which is deemed to be remote by the Agency.

Note 7: Related Party Transactions

PPGA has an executed agreement for MEAN to serve as the Managing Agent of PPGA. In connection with this agreement, PPGA shall pay MEAN a monthly administrative fee for time and expense reimbursement. MEAN was paid $39,462 and $22,241 during 2020 and 2019, respectively, and amounts of $2,490 and $3,546 owed to MEAN were included in accounts payable at December 31, 2020 and 2019, respectively, in relation to this agreement.

In accordance with the PPGA Participation Agreement, effective October 5, 2006, Hastings Utilities (HU) is to serve as the Project Operating Agent of PPGA. In connection with this agreement, HU incurs certain administrative, general and other expenses on PPGA's behalf and PPGA shall reimburse HU for these expenses, including an allocation of indirect expenses as determined in accordance with the memorandum of understanding entered into between PPGA and HU. HU was paid $8,066,017 and $7,434,065 during 2020 and 2019, respectively, and amounts of $1,324,889 and $2,103,128 owed to HU were included in accounts payable at December 31, 2020 and 2019, respectively, in relation to the participation agreement.

PPGA also entered into a Facility Sharing and Lease Agreement with HU, effective January 1, 2008, for the lease of real estate and sharing of facilities for the construction and operation of WEC 2. In connection with this agreement, PPGA shall pay HU lease payments for real estate and shared facilities reimbursement until the end of the operational life of WEC 2, but in no event later than 100 years following the effective date of the agreement. Additionally, under this agreement, HU is to pay PPGA for certain shared facilities owned by PPGA. Payments under this agreement are included in the payments discussed above and are included in operating expenses on the statement of revenues and expenses, net of amounts received from HU under the agreement.

Additionally, all of the coal used at WEC 2 is obtained by HU through various short and long-term contracts and spot purchases based on market conditions.

Note 8: Risk Management and Contingencies

Risk Management

PPGA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; injuries and illnesses and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Claims have not exceeded this commercial coverage in any of the three preceding years.

PPGA is subject to claims that arise primarily in the ordinary course of the operation of the plant. It is the opinion of management that the disposition or ultimate resolution of such claims will not have a material effect on the financial position, results of operations and cash flows of PPGA.

Proposed Environmental Standards

Any changes in the environmental regulatory requirements imposed by Federal or state law, which are applicable to generating stations, could result in increased capital and operating costs being incurred by PPGA. Until such changes are finalized and implemented, management is unable to predict when pending changes will be made to current environmental regulatory requirements and how the changes may impact PPGA.

Note 9: Subsequent Events

In February 2021, a polar vortex brought prolonged frigid temperatures to the midwestern United States. These prolonged frigid temperatures created a significant increase in energy demand while also posing some operating challenges to certain generating facilities. These challenges created considerable volatility in the energy markets resulting in rapid and often substantial fluctuations in the price of energy purchased and sold by numerous utilities. PPGA is still evaluating the effects of the polar vortex and the overall impact on the financial statements cannot be reasonably estimated at this time.

Other Information

Public Power Generation Agency
Schedule of Billings to Members
Year Ended December 31, 2020

	MEAN	HCPD	HU	GIU	NCU	Total
Operating expenses - variable	$ 4,422,695	$ 4,419,895	$ 1,933,647	$ 828,894	$ 553,058	$ 12,158,189
Station power expenses	76,669	76,669	33,543	14,376	9,584	210,841
Operating expenses - other	2,887,277	2,887,277	1,263,182	541,364	360,909	7,940,009
Indirect overhead expenses	142,482	142,482	62,335	26,715	17,810	391,824
Less: credit from investment income	(154,960)	(154,960)	(67,795)	(29,055)	(19,370)	(426,140)
Less: credit from excess debt service reserve funds	(316,968)	(316,968)	(138,673)	(59,431)	(39,621)	(871,661)
Less: credit from federal subsidy receipts	(1,530,000)	(1,530,000)	(669,375)	(286,875)	(191,251)	(4,207,501)
Less: credit from shared facilities revenue from HU	(122,334)	(122,334)	(53,521)	(22,938)	(15,291)	(336,418)
Less: credit from dry flyash revenue	(135,358)	(135,272)	(59,182)	(25,368)	(16,927)	(372,107)
Less: credit from equipment use revenue from HU	(809)	(809)	(354)	(152)	(101)	(2,225)
Net operation and maintenance billings	5,268,694	5,265,980	2,303,807	987,530	658,800	14,484,811
Capital asset / outage expenditures	286,035	286,035	125,141	53,632	35,754	786,597
Debt service billings, net	17,197,943	17,197,943	7,524,101	3,224,614	2,149,743	47,294,344
Total member billings	$ 22,752,672	$ 22,749,958	$ 9,953,049	$ 4,265,776	$ 2,844,297	$ 62,565,752

Note: The amount of billings to members is based on each Member's respective entitlement share, as detailed in Note 1. Additionally, billings to Members are designed to recover power costs as set forth by the PPGA Participation Agreement, which principally include operating expenses, scheduled debt principal and interest and capital expenditures (see Notes 1 and 4 for further discussion).

Public Power Generation Agency
Schedule of Billings to Members
Year Ended December 31, 2019

	MEAN	HCPD	HU	GIU	NCU	Total
Operating expenses - variable	$ 6,714,796	$ 6,638,916	$ 3,274,806	$ 1,277,974	$ 839,350	$ 18,745,842
Station power expenses	35,094	35,094	15,353	6,580	4,387	96,508
Operating expenses - other	2,863,812	2,863,812	1,252,918	536,965	357,976	7,875,483
Indirect overhead expenses	163,416	163,416	71,495	30,641	20,427	449,395
Less: credit from investment income	(320,440)	(320,440)	(140,193)	(60,083)	(40,055)	(881,211)
Less: credit from excess debt service reserve funds	(228,762)	(228,762)	(100,084)	(42,893)	(28,595)	(629,096)
Less: credit from federal subsidy receipts	(1,563,465)	(1,563,465)	(684,016)	(293,150)	(195,433)	(4,299,529)
Less: credit from shared facilities revenue from HU	(133,523)	(133,523)	(58,416)	(25,036)	(16,690)	(367,188)
Less: credit from scrubber ash sales	(1,510)	(1,536)	(673)	(288)	(189)	(4,196)
Less: credit from dry flyash revenue	(19,560)	(19,374)	(9,511)	(3,725)	(2,445)	(54,615)
Less: credit from equipment use revenue from HU	(1,070)	(1,070)	(469)	(201)	(134)	(2,944)
Net operation and maintenance billings	7,508,788	7,433,068	3,621,210	1,426,784	938,599	20,928,449
Capital asset / outage expenditures	598,123	598,123	261,679	112,148	74,765	1,644,838
Debt service billings, net	17,013,616	17,013,616	7,443,457	3,190,053	2,126,702	46,787,444
Total member billings	$ 25,120,527	$ 25,044,807	$ 11,326,346	$ 4,728,985	$ 3,140,066	$ 69,360,731

Note: The amount of billings to members is based on each Member's respective entitlement share, as detailed in Note 1. Additionally, billings to Members are designed to recover power costs as set forth by the PPGA Participation Agreement, which principally include operating expenses, scheduled debt principal and interest and capital expenditures (see Notes 1 and 4 for further discussion).