Minnesota Municipal Power Agency | Annual Report

2016

The Power of Your Hometown

Anoka | Arlington | Brownton | Buffalo | Chaska | East Grand Forks | Elk River | Le Sueur | North St. Paul | Olivia | Shakopee | Winthrop
MMPA's mission is to provide reliable, competitively-priced energy to its members and to create value for both the Agency and its members.

On behalf of everyone at the Minnesota Municipal Power Agency (MMPA), we're excited to share our 2016 Annual Report with you. This report highlights many of our successes during the past year and outlines how we are well positioned for future success.

First and foremost, we continued to deliver on our mission of providing reliable, competitively-priced power to our members, while also creating value for the Agency and our members. As in prior years, our rates were lower than a comparable municipal power agency, generation and transmission cooperative, and investor owned utility in Minnesota. We've done this by being forward-looking, strategic, and customer-focused.

We've made exciting new additions to both our renewable and conventional resource portfolios over the past year. In December, we began taking power from the Black Oak Getty Wind Farm – a 78 MW wind project located in Stearns County. MMPA has a twenty-year contract with Sempra U.S. Gas & Power for all of the facility’s output, which is projected to be approximately 300,000 MWh per year. During the year, we also constructed Shakopee Energy Park (SEP) – a 46 MW generating facility located in our member community of Shakopee. SEP is a highly efficient, quick-starting natural gas facility that is connected directly to Shakopee Public Utilities distribution system.

MMPA also introduced a new Clean Energy Choice program to provide alternatives to retail customers in our member communities. Our base power supply is currently 17% renewable. For a small fixed monthly additional fee, our members’ residential customers can elect to have 50%, 75%, or 100% of their power supply from renewable resources. We believe this program represents a simple and meaningful way for customers to support renewable energy and the environment. This program has been received well by residential customers. We are also developing a Clean Energy Choice program for businesses in our member communities.

We are committed to supporting the member communities we serve. One aspect of this commitment is MMPA’s Energy Education Program, which provides educational opportunities to fourth graders in our member communities through tours of our Faribault Energy Park facility and in-school assemblies. This year, the program celebrated the milestone of reaching more than 10,000 students. Also in 2016, the first Hometown Solar grant installations were completed at educational and community facilities in Brownton, Olivia, and Winthrop.

As we look ahead, we recognize that the electric utility industry continues to be complex and dynamic, with changes in regulation, commodity prices, technology, and customer preferences. We are confident that MMPA has assembled a resource portfolio and management team that positions us well for continued success in the future.

Sincerely,

John Crooks  Derick O. Dahlen
Chairman, MMPA Board of Directors  Executive Manager, MMPA
President and CEO, Avant Energy, Inc.
Our Mission
The Minnesota Municipal Power Agency’s mission is to provide reliable, competitively-priced energy to its members and to create value for both the Agency and its Minnesota member municipal utilities. In 2016, the Agency delivered on its mission by being strategic, well-managed, and financially conservative. MMPA is committed to supporting the communities we serve. Our members compete to attract new customers and retain existing customers based on price, reliability, and customer service. MMPA’s objective is to provide energy and other services to enable our members to compete successfully.

Our Members
MMPA is comprised of 12 member municipal utilities. Our communities include Anoka, Arlington, Brownton, Buffalo, Chaska, East Grand Forks, Elk River, Le Sueur, North St. Paul, Olivia, Shakopee, and Winthrop.
MMPA provides electricity to its municipal utility members who then deliver and sell that electricity to customers in their communities. Our members are growing – MMPA member cities are seeing increases in both residential and business customers. The Agency’s members have a combined population of nearly 150,000 and provide power to 72,330 homes and businesses across Minnesota.

Member Rates
MMPA’s core focus is delivering power to our members at competitive and stable rates. Our average power supply rate to members during 2016 was $71.46 per MWh – an increase of 2.6% from 2015’s average rate. Our rates are competitive with other regional utilities – as in prior years, our 2016 average power supply rate was lower than those of a comparable municipal power agency, generation and transmission cooperative, and investor owned utility in Minnesota.
MMPA Board of Directors

MMPA is governed by a Board of Directors. The Board provides our member communities with a voice in decisions impacting their energy future. The Board is responsible for setting policy, for approving investments in new plants, and for overseeing management. Each MMPA member has a representative and an alternate representative on MMPA’s Board.

Anoka
Ed Evans
Utility Advisory Board Member

Arlington
Liza Donabauer
MMPA Secretary
City Administrator
Lisa Tesch
Deputy Clerk

Brownton
Curt Carrigan
Council Member
Brian Dresel
Council Member

Buffalo
Merton Auger
City Administrator
Joseph Steffel
Utilities Director

Chaska
Matt Podhradsky
MMPA Vice Chairman
City Administrator
Greg Boe
Council Member

East Grand Forks
Keith Mykleseth
Utilities General Manager
Jeff Olson
Distribution Superintendent

Elk River
Troy Adams
MMPA Treasurer
Utilities General Manager
Allan Nadeau
Utilities Commissioner

Le Sueur
Newell Krogmann
Council Member
Jasper Kruggel
Council Member

North St. Paul
Brian Frandle
Director of Electric Utilities
Jesse Ziemer
City Manager

Olivia
Bernard Johnson
Council Member
Dan Coughlin
Utilities Commissioner

Shakopee
John Crooks
MMPA Chairman
Utilities Manager
Joe Helkamp
Utilities Commissioner

Winthrop
Peter Machaik
Alderman
Jenny Hazelton
City Administrator

*M Alternate

Our Management

MMPA is managed by Avant Energy, Inc., a Minneapolis-based provider of energy management and consulting services. In the late 1980s and early 1990s, Avant performed the consulting studies that led to MMPA’s formation. Since then, Avant has partnered with MMPA, transitioning from consultants to management over the past twenty-plus years. Today, Avant performs all of MMPA’s management and operations functions, including long-term power supply planning, daily energy market operations, development of new generation facilities, accounting and finance, energy trading, and regulatory services.

Avant’s management team has a broad range of skills, including management, planning, engineering, development, operations, energy regulation, and finance. Avant seeks innovative approaches in complex and changing energy markets to create value for MMPA.

MMPA and Avant Energy have a unique partnership that has spanned more than two decades. Thanks to the leadership and vision of Avant, the Agency has consistently delivered on its mission in the past and is well-positioned to continue doing so for many years to come.

John Crooks,
Chairman, MMPA Board of Directors
MMPA Honors Board Members with Years of Service Awards

Steve Schmidt / Anoka

The MMPA Board honored outgoing Chairman Steve Schmidt with its “Years of Service” award, recognizing Mr. Schmidt’s seven years as an MMPA Board member from Anoka, including four years as Chairman. During his tenure as Chair, Mr. Schmidt led MMPA through the completion of the Hometown BioEnergy facility and the Agency’s first investment in transmission. The Agency also expanded its renewable portfolio. In addition, he supported the expansion of the Agency’s energy education program to include on-site generation and solar grants that helped connect MMPA more closely to its communities and the next generation of electricity consumers.

The award recognized Mr. Schmidt’s “dedication, thoughtfulness, and leadership” to the Board, while recognizing the important role he played in shaping the Agency and guiding its development as an organization.

“Steve and Dan provided many years of leadership and invaluable insight as MMPA Board members and officers. They will be missed.”

Dan Boyce / East Grand Forks

The MMPA Board honored outgoing East Grand Forks Board member Dan Boyce with its “Years of Service” award. In addition to his role as East Grand Forks’ Board representative for twelve years, Mr. Boyce also served as the Agency’s Secretary for seven years.

The award recognized Mr. Boyce’s “commitment and dedication to MMPA,” noting that, while having the longest commute by far of any Board member, Mr. Boyce also consistently had one of the best Board meeting attendance records. It also recognized that Mr. Boyce “brought a unique perspective to Board meetings because of East Grand Forks’ combination of location, transmission interconnection, and large industrial customer presence.”

BUSINESS ENVIRONMENT

MMPA is well positioned for the future

The business environment in the electric utility industry is dynamic and complex. MMPA has assembled a resource portfolio that gives the Agency flexibility to respond to changes in this environment while positioning it to be successful in the future.

Regulatory Uncertainties
The electric utility industry is currently facing significant uncertainty regarding energy policy and regulation. The Midcontinent Independent System Operator (MISO) – the entity responsible for wholesale electric markets in Minnesota – is frequently revising and changing its rules and market constructs. Utilities such as MMPA must constantly stay on top of regulatory and market changes to ensure that good decisions are being made to position the Agency well for the future.

Low Natural Gas Prices
After setting record highs last decade, natural gas prices have remained low for the last few years. MMPA has benefited from these low natural gas prices, as our conventional generation resources are natural gas-fired. In addition to being economic and efficient, our natural gas generation portfolio positions the Agency well compared to coal should future regulation seek to place a direct cost on carbon dioxide production.

Increased Renewable Requirements
In 2016, the State of Minnesota’s renewable energy standard increased. Now, 17% of all energy provided to customers in Minnesota must come from renewable sources – up from 12% in prior years. This requirement steps up in future years – to 20% in 2020 and 25% in 2025.

Recently, legislation has been proposed to increase the renewable energy standard as high as 50% in 2030.

MMPA’s investments in renewable energy go beyond what is required for compliance purposes. We’ve added renewable resources to reduce our exposure to commodity price fluctuations and help provide stable electric rates to our members.

Agency Load Growth
In a business environment where many utilities are experiencing flat or declining loads, MMPA’s load is growing. Our member cities are seeing increases in both residential and business customers – including new data centers and distribution facilities for large national corporations. MMPA supports its member communities by providing competitive power rates, which helps our members attract new business customers.
INTRODUCING MMPA’S NEWEST POWER GENERATION ASSET
SHAKOPEE ENERGY PARK | SHAKOPEE, MN
MMPA takes a long-term approach to power supply planning that includes assembling a diversified portfolio of owned and purchased generation containing both conventional and renewable resources. This approach allows the Agency to maintain flexibility in the rapidly-changing electric utility industry and positions the Agency well for the future.

Shakopee Energy Park
MMPA’s Shakopee Energy Park (SEP) entered commercial operation in February 2017. The 46-megawatt facility, located in Shakopee, Minnesota, uses fast-start, fuel-efficient reciprocating engines to generate local, reliable power from clean-burning natural gas. Built on a model of innovation, SEP uses liquefied natural gas (LNG) as its back-up fuel source. This unique approach allows the Agency more flexibility in its operations strategy. As part of MMPA’s commitment to sustainable energy practices, the SEP facility utilizes efficient heat recovery technology. Waste heat captured from the facility’s five electric generators supports vaporizing the LNG to natural gas, heating incoming natural gas, and heating basic building systems. In addition, recovered heat can be supplied to local businesses, further supporting our members’ economic and sustainability goals. Like other MMPA facilities, SEP goes beyond power generation. Located in the heart of the Shakopee community, significant effort was put forth into designing an attractive facility that will be a long-term asset for many years to come. In addition to power supply, SEP supports the Agency’s Energy Education program for students and area residents.

“The facility is a great addition to our growing community. Shakopee Energy Park provides our residents and businesses with long-term efficient, competitive, and reliable electrical supply, which is delivered by Shakopee Public Utilities. In turn, our community’s future economic development and sustainability goals are supported.”

Bill Mars,
Shakopee Mayor

Faribault Energy Park
Faribault Energy Park (FEP) is the flagship of MMPA’s power generation resource portfolio. The 300 MW combined-cycle facility, located in Faribault, Minnesota, provides clean, efficient power for the Agency.

The facility produces electricity primarily from natural gas but also uses fuel oil as backup fuel. FEP is a peaking facility and provides approximately 70% of the Agency’s capacity requirements.

FEP is a community asset that in addition to power supply, provides education, recreation, and aesthetic beauty. Students and area residents are welcomed to visit the facility’s 35 acres of park-like wetlands and walking trails. While on site, guests are able to view the control room and the steam turbine from an observation area. In addition, visitors can also view educational displays, a wind turbine, and a solar array, and can even drop a fishing line into one of the ponds.

Minnesota River Station
The Minnesota River Station is a 49 MW power plant that provides local, reliable, peaking power for the Agency. The simple-cycle facility entered service in 2001. The plant is located in, and owned by, the member community of Chaska. The Agency has a long-term lease with the City of Chaska for the facility through 2031.
MMPA EXPANDS ITS RENEWABLE ENERGY PORTFOLIO
BLACK OAK GETTY WIND FARM | SAUK CENTRE, MN
MMPA adds 78 MW of wind power—continuing our commitment to renewable energy

Black Oak Getty Wind Farm
In 2016, MMPA expanded its portfolio of renewable resources to include power from the Black Oak Getty Wind Farm. The 78-megawatt (MW) wind farm, located in Stearns County, Minnesota, further demonstrates the Agency’s commitment to renewable energy.


Oak Glen Wind Farm
Oak Glen Wind Farm (OGWF) is a 44 MW wind project located near Blooming Prairie, Minnesota. OGWF is comprised of 24 turbines that produce renewable energy for the Agency. OGWF entered service in 2011 and has consistently performed at a high level of reliability. The wind farm produces approximately 150,000 MWh of renewable energy annually.

Hometown WindPower
In 2010, MMPA placed a 160 kW wind turbine in each member community, as well as at our Faribault Energy Park facility. This innovative Hometown WindPower program made MMPA the first municipal power agency in the country to have a wind turbine in each member community. These turbines are a resource to help community members learn about the benefits and operating characteristics of wind power, while also demonstrating the Agency’s commitment to renewable energy.

Renewable Energy Credits
MMPA purchases renewable energy credits (RECs) from a variety of renewable facilities in Minnesota and throughout the Midwest. These RECs are sourced from a variety of renewable technologies and supplement the Agency’s owned renewable generation. REC purchases support the Agency’s commitment to renewables and meeting the State of Minnesota’s Renewable Energy Standard requirements.

Hometown BioEnergy
Hometown BioEnergy (HTBE) is an 8 MW biomass facility located in the MMPA member community of Le Sueur. The facility provides the Agency with local, dispatchable, on-peak, renewable energy.

HTBE uses anaerobic digestion technology to produce biogas from agricultural and food processing sources from local suppliers. The biogas serves as fuel for the reciprocating engines, which produce electricity. Unique compared to other forms of renewable generation, the plant has significant gas storage, allowing the Agency to generate electricity during on-peak hours when energy is more valuable. The facility also creates valuable by-products, including a liquid by-product used as fertilizer by local farmers.

Renewable Energy Standard

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
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<tbody>
<tr>
<td>2007</td>
<td>Minnesota legislation creates Renewable Energy Standard, requiring utilities to supply 25% of energy from renewables by 2025</td>
</tr>
<tr>
<td>2010</td>
<td>MMPA Places Hometown WindPower Turbines in each member community and FEP</td>
</tr>
<tr>
<td>2011</td>
<td>Oak Glen Wind Farm completed—adding 44 MW of wind energy to MMPA’s portfolio</td>
</tr>
<tr>
<td>2012</td>
<td>Minnesota Renewable Energy Standard requires 12% of energy to be from renewables</td>
</tr>
<tr>
<td>2013</td>
<td>Hometown BioEnergy enters service—adding 8 MW of dispatchable, renewable energy to MMPA’s portfolio</td>
</tr>
<tr>
<td>2015</td>
<td>Agency completes first Hometown Solar installation at FEP to support Energy Education Program</td>
</tr>
<tr>
<td>2016</td>
<td>Black Oak Getty Wind Farm enters commercial operation—adding 78 MW of wind energy to MMPA’s portfolio</td>
</tr>
<tr>
<td>2016</td>
<td>Minnesota Renewable Energy Standard increases to 17%</td>
</tr>
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</table>
MMPA’s future power supply plans are for a mix of clean, efficient natural gas generation combined with a growing portfolio of renewable resources.

**Our Future Plans**
We plan to continue to invest in both renewable energy projects and clean, efficient, quick-starting natural gas generation projects to meet our future energy and capacity needs. We believe that this approach positions MMPA well under a variety of potential commodity price and energy regulation scenarios.

**Forward Market Purchases**
MMPA makes forward purchases of both natural gas and electricity to reduce our exposure to energy market volatility. This activity supports our goal of providing stable rates to members. We also purchase capacity on a forward basis from other utilities. This helps us make new resource additions in an economic manner.

**Resource Hedging**
In addition to our shorter-term hedging activities, MMPA’s wind and bioenergy assets provide long-term energy price hedges for the Agency. These resources lock in energy costs for many years and reduce the Agency’s exposure to commodity price volatility.

**Energy Price Cap**
Our conventional natural gas resources represent a cap on energy market prices for the Agency. If energy market prices exceed our cost of generation, we run the units to help offset energy acquisition costs.

MMPA introduced the Clean Energy Choice program in 2016 to provide our members’ residential customers with more choices regarding their electricity supply. The program gives residential customers a simple and affordable way to support renewable energy and the environment.

Our base energy supply to members includes 17% renewable energy from sources such as wind, solar, bioenergy, and hydropower. For a small monthly additional cost ($1, $2, or $3), residential customers can elect to have 50%, 75%, or 100% of their electricity from environmentally friendly, renewable sources. The Clean Energy Choice program provides residential customers with four choices about their electricity mix.

Clean Energy Choice is available to all our members’ residential customers—whether they own a home or rent. It also provides a way to support renewable power for customers whose homes may not be suited for solar power or who can’t afford the upfront cost of a solar installation.

The program is simple—customers can sign up online or by contacting their local utility. It’s also flexible—participants can cancel at any time—no minimum commitment is required. The program website—www.cleanenergychoice.com—also has a frequently asked questions page to help customers better understand the program.

We’re currently developing a Clean Energy Choice for Business program to give our members’ commercial and industrial customers a renewable power supply option as well.

MMPA’s approach to power supply planning is to assemble a portfolio of renewable and conventional resources that positions the Agency to perform well under a wide range of future scenarios.

“Today, 17% of your home’s electricity comes from renewable energy, as required by the State of Minnesota. Residential customers now have a choice of increasing their renewable energy mix to 50, 75 or 100% from renewable energy sources for only a few extra dollars per month.”

—Oncu Er, Vice President Planning—Avant Energy
SUPPORTING OUR MEMBER COMMUNITIES

Educational solar arrays energized in MMPA communities

MMPA supports the communities we serve. Our Hometown Solar Grant Program offers our members a unique, local learning opportunity to educate and familiarize members’ customers with solar power.

Hometown Solar
Hometown Solar is an extension of MMPA’s Energy Education Program. The purpose of the grant program is to provide an educational asset to our member communities and to help teach local youth first-hand how sunlight is converted into electricity, as well as the unique characteristics of solar power. Hometown Solar provides schools and other educational facilities in our member communities the opportunity to apply for a 5 kW solar installation.

In 2016, MMPA completed Hometown Solar installations in its member communities of Brownton, Olivia, and Winthrop. Brownton City Offices, Bird Island-Olivia-Lake Lillian (BOLD) High School, and Gibbon-Fairfax-Winthrop (GFW) High School are the first to receive installations under the Agency’s program. Sibley East Middle/High School in Arlington was also awarded a grant in 2016. The installation in Arlington is expected to be complete in 2018. MMPA completed its first Hometown Solar installation at Faribault Energy Park (FEP) in spring 2015. The FEP installation supports educational tours at the Faribault facility and our Energy Education Program.

Conservation
MMPA offers a Conservation Improvement Program (CIP) to our member communities. The program provides a variety of rebates and other conservation measures for both residential and business customers. Seven MMPA communities currently participate in the Agency’s program.

Our 2016 program met its 1.5% CIP spending requirement and achieved energy savings of over 1.4% average kWh sales. We seek to provide conservation program offerings to customers that provide the highest level of energy savings per dollar spent. Lighting rebates continue to be one of the most cost-effective ways for our members’ customers to save energy cost effectively.

In a continuing effort to educate customers on the benefits of LED lighting, some of our members offered free conservation kits and light bulbs to residential customers. For example, Brownton partnered with a local hardware store to offer coupons for free LED light bulbs. The program was so successful, it is being offered again in 2017.

Another 2016 program highlight involved Winthrop partnering with GFW High School to provide the school a lighting rebate that totaled over $22,000, achieving energy savings at a cost of $0.07 per kilowatt-hour.

We are glad that the City of Winthrop was able to support the lighting project at GFW High School. In addition to providing a rebate to GFW, we see long-term value in being able to support reducing the school’s overall energy usage going forward.”

Jenny Hazelton
Winthrop City Administrator & MMPA Board Member

Gibbon-Fairfax-Winthrop (GFW) High School, Winthrop, MN
Brownton City Offices, Brownton, MN
EDUCATING MUNICIPAL UTILITIES’ NEXT GENERATION OF CUSTOMERS

MMPA's Energy Education Program
MMPA’s Energy Education Program
reaches more than 10,000 students

MMPA’s Energy Education Program demonstrates the Agency’s commitment to provide value to our members’ customers. Through this unique educational experience, students learn about the power of their hometown.

Energy Education

In 2016, MMPA achieved a major milestone – reaching more than 10,000 fourth grade students through our Energy Education Program since the program’s inception in 2010. The Energy Education program is part of MMPA’s commitment to support our member communities and project host communities. The program aligns with Minnesota’s fourth grade science standards and teaches students about power generation, energy conservation, and their local utility.

Spring tours to Faribault Energy Park helped meet the milestone. In addition to the Faribault tours, we host in-school assemblies for communities not within convenient reach of the power plant. These educational events help bring interactive energy learning opportunities to more students throughout our member communities.

Tours at Faribault Energy Park offer a unique learning opportunity for students from our member and project host communities. While touring the facility, students learn how the energy park’s three power sources generate electricity. From the observation room, they learn how the combined-cycle turbines generate electricity from clean burning natural gas and steam. From there, students travel to educational stations in the wetlands park to learn how FEP’s wind turbine and solar array produce renewable power. In addition, students learn how electricity is transmitted over power lines and delivered to their homes. The 2016 tours expanded to include hands-on activities and tips for conserving energy from the Science Museum of Minnesota.
MMPA’s financial strength supports the Agency’s ability to provide stable and competitive rates

Rating Outlook Improved
MMPA issued bonds in 2016 to finance the Shakopee Energy Park project. The bonds were issued at a time of low interest rates—the yield to maturity for the 31-year bonds was 3.37%. Both Moody’s and Standard & Poor’s affirmed our A2 bond rating while improving the rating outlook from “Stable” to “Positive.”

Rate Stabilization Fund
MMPA maintains a rate stabilization fund to promote our goal of providing competitive and stable rates to members based on long-term energy price expectations—not short-term commodity price movements. As of the end of 2016, our rate stabilization fund balance was $33.1 million.

Energy Adjustment Clause
MMPA uses a forward-looking energy adjustment clause (EAC) to help match the timing of revenues and expenses. At the start of each month, MMPA reviews projected costs and sets rates accordingly.

Debt Service Coverage
Our Board of Directors has a policy of approving an annual budget with debt service coverage of at least 1.20 times debt service. This coverage policy is higher than the 1.15 times debt service required by our bond indenture. The policy results in stronger financial performance for the Agency and gives us flexibility to adjust to unexpected events. In 2016, thanks to exceptionally strong financial performance, MMPA exceeded its debt service coverage target with a coverage ratio of 1.41 times debt service.

Debt Service Coverage Ratio

Rating Outlook Improved
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Debt Service Coverage Ratio

Year-Ending Rate Stabilization Balance in thousands of dollars

- $30,450
- $29,450
- $27,071
- 2014
- 2015
- 2016

Debt Service Coverage Ratio

- 1.27
- 1.27
- 1.41
- 2014
- 2015
- 2016

Minneapolis Municipal Power Agency
Statements of Net Position

<table>
<thead>
<tr>
<th>Assets</th>
<th>December 31</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2015</td>
<td></td>
</tr>
</tbody>
</table>

Current assets:
- Cash and cash equivalents $43,761,074 $21,329,356
- Restricted cash and cash equivalents 6,595,034 5,363,890
- Short-term investments 1,000,000 1,000,000
- Accounts receivable 170,527 169,253
- Power sales and other receivables 8,918,683 8,409,122
- Fuel inventory 1,507,433 1,354,777
- Plant inventory—spares 2,226,958 1,981,104
- Prepaid expenses 1,309,331 1,005,845
- Derivative instruments—futures 392,240 0
- Total current assets 65,881,280 40,613,347

Noncurrent assets:
- Capital assets:
  - Electric generation assets 352,628,784 352,063,732
  - Land 7,066,719 6,116,062
- Less accumulated depreciation (99,384,108) (87,446,358)
- Property and equipment, net 260,311,395 270,733,436
- Construction in progress 62,298,194 6,741,563
- Total capital assets, net 322,609,589 277,474,999

Investments 1,000,000
- Restricted cash, cash equivalents, and investments 45,253,790 20,083,836
- Prepaid expenses 613,279 530,538
- Future recoverable costs 40,928,273 37,242,644
- Total noncurrent assets 409,404,931 336,332,017

Total assets 475,286,211 376,945,364

Deferred Outflows
- Deferred inflows of resources 33,071,000 30,450,000
- Deferred inflows of resources—other 16,199,020 7,545,438
- Total liabilities and deferred inflows of resources 406,625,211 379,304,373

Total liabilities and deferred inflows of resources

Net Position
- Net investment in capital assets 38,487,165 32,099,907
- Restricted for debt service 6,595,034 5,363,890
- Unrestricted 24,713,330 20,645,582
- Total net position 69,795,529 58,109,379
- Total liabilities and deferred inflows of resources and net position $476,420,740 $379,304,373

MMPA's financial strength supports the Agency's ability to provide stable and competitive rates
## Financial Highlights

**Minnesota Municipal Power Agency**

**Statements of Revenues, Expenses, and Changes in Net Position**

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31</th>
<th>Year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power sales to members</td>
<td>$110,109,926</td>
<td>104,806,467</td>
</tr>
<tr>
<td>Power sales to nonmembers</td>
<td>1,175,519</td>
<td>577,120</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>111,285,445</td>
<td>105,383,587</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power acquisition expense</td>
<td>37,571,000</td>
<td>42,466,770</td>
</tr>
<tr>
<td>Transmission</td>
<td>19,104,903</td>
<td>11,125,853</td>
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<tr>
<td>Other operating expenses</td>
<td>23,843,957</td>
<td>23,667,219</td>
</tr>
<tr>
<td>Depreciation</td>
<td>11,937,749</td>
<td>11,834,346</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>92,457,609</td>
<td>89,024,188</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>18,827,836</td>
<td>16,359,399</td>
</tr>
<tr>
<td><strong>Nonoperating revenues (expenses):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of premium on long-term debt, net</td>
<td>887,638</td>
<td>782,146</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(12,434,525)</td>
<td>(13,403,391)</td>
</tr>
<tr>
<td>Investment income</td>
<td>816,422</td>
<td>1,402,545</td>
</tr>
<tr>
<td>Net (decrease) increase in fair value of investments</td>
<td>73,150</td>
<td>(680,102)</td>
</tr>
<tr>
<td>Gain on extinguishment of debt</td>
<td>-</td>
<td>378,632</td>
</tr>
<tr>
<td>Total nonoperating revenues (expenses), net</td>
<td>(10,657,315)</td>
<td>(11,520,780)</td>
</tr>
<tr>
<td><strong>Change in net position before future recoverable costs</strong></td>
<td>8,170,521</td>
<td>4,838,619</td>
</tr>
<tr>
<td>Future recoverable costs</td>
<td>3,515,629</td>
<td>4,825,165</td>
</tr>
<tr>
<td><strong>Change in net position</strong></td>
<td>11,686,150</td>
<td>9,464,784</td>
</tr>
<tr>
<td><strong>Total net position, beginning of year</strong></td>
<td>58,109,379</td>
<td>48,644,595</td>
</tr>
<tr>
<td><strong>Total net position, end of year</strong></td>
<td>$ 69,795,529</td>
<td>58,109,379</td>
</tr>
</tbody>
</table>

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