

Berkshire Wind Power Cooperative Corporation

Financial Statements
and
Required Supplementary Information

Years Ended December 31, 2023 and 2022

Berkshire Wind Power Cooperative Corporation

FINANCIAL STATEMENTS Years Ended December 31, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of
Berkshire Wind Power Cooperative Corporation

Opinion

We have audited the accompanying financial statements of Berkshire Wind Power Cooperative Corporation, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Berkshire Wind Power Cooperative Corporation'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 Berkshire Wind Power Cooperative Corporation as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Berkshire Wind Power Cooperative Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Berkshire Wind Power Cooperative Corporation'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 Berkshire Wind Power Cooperative Corporation'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 Berkshire Wind Power Cooperative Corporation'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
April 30, 2024

Berkshire Wind Power Cooperative Corporation

Management's Discussion and Analysis (unaudited)
As of and for the years ended December 31, 2023 and 2022

The following discussion and analysis of the Berkshire Wind Power Cooperative Corporation ("Cooperative") provides an overview and analysis of the Cooperative's financial performance during the years ended December 31, 2023 and 2022. This discussion and analysis should be read in conjunction with the Cooperative's financial statements and the accompanying notes.

COMPANY OVERVIEW

The Cooperative is organized under Chapter 164: Section 47C and Chapter 157 of the General Laws of the Commonwealth of Massachusetts and is constituted as a municipal lighting plant cooperative. The Cooperative was formed by the Massachusetts Municipal Wholesale Electric Company ("MMWEC") and 16 Municipal Light Departments (Participants) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility). MMWEC and the Participants are the members of the Cooperative. Two Municipal Light Departments joined the Cooperative in 2018. Any Municipal Light Department may become a member of the Cooperative by executing a Berkshire Wind Power Cooperative Agreement with MMWEC and agreeing to comply with such reasonable terms and conditions for membership as established by the Cooperative's By-laws.

The Cooperative has ten 1.5-megawatt wind turbines which have been commercially operating since 2011 (Phase 1), and two 2.3-megawatt wind turbines which began commercial operations in 2019 (Phase 2). These turbines, together with necessary equipment and related facilities comprise the Berkshire Wind Facility. The Cooperative sells energy and capacity to MMWEC pursuant to the Berkshire Wind Power Sales Contract (Power Sales Contract) dated May 21, 2008. MMWEC entered into the Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility by the Berkshire Wind Facility. MMWEC, in turn will sell such capacity and energy to each of the Participants, in their pro rata share, pursuant to 16 identical take or pay Berkshire Wind Power Purchase Agreements (Power Purchase Agreements). This business will be a self-sustaining operation, capable of providing operational and financial value to MMWEC and the Members

The financial statements of the Cooperative have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Cooperative's financial statements include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. The Statements of Net Position report the year-end assets, liabilities and deferred out flows and deferred inflows based on the original cost adjusted for any depreciation, amortization or unrealized gains/losses as appropriate. The Statements of Revenues, Expenses and Changes in Net Position present the Cooperative's operating revenues and expenses incurred as a result of the Cooperative's business activity. The Statements of Cash Flows report the cash provided and used for operating activities, as well as investing activities and capital and related financing activities.

Berkshire Wind Power Cooperative Corporation

Management's Discussion and Analysis (unaudited)
As of and for the years ended December 31, 2023 and 2022

FINANCIAL ANALYSIS

Analysis of the Cooperative's financial position includes a review of the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows.

The following tables show the condensed Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows as of December 31, 2023, 2022 and 2021.

	2023	2022	2021
Current assets less current portion of restricted special funds	\$ 2,121,510	\$ 3,565,863	\$ 2,806,645
Restricted assets including current portion of restricted special funds	11,386,588	11,512,634	10,765,067
Capital assets	49,863,720	51,869,657	53,843,073
Deferred outflows of resources	5,015,585	5,215,687	5,244,341
	<u>68,387,403</u>	<u>72,163,841</u>	<u>72,659,126</u>
Total assets and deferred outflows of resources	\$ <u>68,387,403</u>	\$ <u>72,163,841</u>	\$ <u>72,659,126</u>
Current liabilities less current maturities and accrued interests	\$ 4,036,766	\$ 5,621,488	\$ 4,088,093
Long-term debt, net of premiums, including current maturities and accrued interest	40,713,383	45,256,913	49,440,554
Noncurrent liabilities	4,915,334	4,721,742	4,656,733
Deferred inflows of resources	18,721,920	16,563,698	14,473,746
	<u>68,387,403</u>	<u>72,163,841</u>	<u>72,659,126</u>
Total liabilities and deferred inflows of resources	\$ <u>68,387,403</u>	\$ <u>72,163,841</u>	\$ <u>72,659,126</u>

Berkshire Wind Power Cooperative Corporation

Management's Discussion and Analysis (unaudited)
As of and for the years ended December 31, 2023 and 2022

FINANCIAL ANALYSIS...continued

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 10,878,729	\$ 8,444,450	\$ 7,792,329
Depreciation and amortization expense	2,166,727	2,153,475	2,138,016
Other operating expenses	5,211,910	2,694,157	2,182,096
Total operating expenses	<u>7,378,637</u>	<u>4,847,632</u>	<u>4,320,112</u>
Operating income	<u>3,500,092</u>	<u>3,596,818</u>	<u>3,472,217</u>
Investment income (loss)	41,450	249	(360)
Interest and amortization expense	(1,404,866)	(1,457,539)	(1,529,667)
Gain (loss) on investment	21,547	(26,111)	(5,921)
Bond issuance expense	-	-	45,000
Decrease (increase) in amounts payable under terms of the power sales agreements	<u>(2,158,223)</u>	<u>(2,113,417)</u>	<u>(1,981,269)</u>
Total non-operating expenses	<u>(3,500,092)</u>	<u>(3,596,818)</u>	<u>(3,472,217)</u>
Net revenues and expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Berkshire Wind Power Cooperative Corporation

Management's Discussion and Analysis (unaudited)
As of and for the years ended December 31, 2023 and 2022

FINANCIAL ANALYSIS...continued

Condensed Statements of Cash Flows

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net cash provided by operating activities	\$ 5,562,593	\$ 5,450,690	\$ 6,327,372
Net cash provided by (used in) investing activities	(833,262)	(745,338)	(255,812)
Net cash used in capital and related financing activities	<u>(5,880,933)</u>	<u>(5,706,142)</u>	<u>(6,097,843)</u>
Net change in cash and cash equivalents	(1,151,602)	(1,000,790)	(26,283)
Cash and cash equivalents – beginning of year	10,877,997	11,878,787	11,905,070
Cash and cash equivalents – end of year	<u>\$ 9,726,395</u>	<u>\$ 10,877,997</u>	<u>\$ 11,878,787</u>

Berkshire Wind Power Cooperative Corporation

Management's Discussion and Analysis (unaudited)
As of and for the years ended December 31, 2023 and 2022

STATEMENTS OF NET POSITION

The Cooperative's financial statements consist of the financial activity related to the operation of the Berkshire Wind Facility.

Comparison of 2022 Financial Results to 2021 Financial Results

Current assets, excluding the current portion of restricted special funds, increased \$759,219. Cash and cash equivalents decreased by \$1,028,880 due to timing of payments and investment purchases. Prepaid expenses increased \$123,494 related to PILOT payments. Accounts receivable MMWEC increased \$167,516, due to timing of payments received.

Renewable energy credits (RECs) available for sale increased \$1,539,486 due to timing of RECs being sold into the market.

Current and noncurrent restricted funds increased \$747,567 from 2021 to 2022 primarily due to an increase in investment purchases classified as restricted funds.

The net decrease of \$1,973,416 in capital assets is due to continued depreciation and amortization of assets offset by an increase in capital assets in progress of \$44,900 during 2022.

Deferred outflows of resources decreased \$28,654 due to amortization on the loss on refunding of Series 2 debt and leases offset by an increase in deferred asset retirement obligations.

The \$1,533,395 increase in current liabilities, excluding current maturities of long-term debt and accrued interest, is attributable to an increase in accounts payable of \$312,971 due to timing of payments and an increase of \$1,331,040 in advances from participants due to increased operation and maintenance billing of Phase 2. These increases are offset by a decrease in accrued expenses of \$110,616 due to timing of payments.

Long-term debt, including current maturities and accrued interest, decreased \$4,183,641 due to principal and interest payments on debt.

Other noncurrent liabilities, excluding long-term debt, increased \$324,544 due to an inflationary adjustment related to asset retirement obligations offset by a decrease in leases.

Deferred inflows of resources increased \$2,089,952 due to changes in amounts payable under the terms of the power sales contract, which include temporary offsets of unbilled expenses, such as depreciation, amortization and unrealized gains/losses, and bond payment activity.

Berkshire Wind Power Cooperative Corporation

Management's Discussion and Analysis (unaudited)
As of and for the years ended December 31, 2023 and 2022

STATEMENTS OF NET POSITION... continued

Comparison of 2023 Financial Results to 2022 Financial Results

Current assets, excluding the current portion of restricted special funds, decreased \$1,444,353. Cash and cash equivalents decreased by \$129,298 due to timing of payments. Prepaid expenses decreased by \$108,111 related to timing of PILOT payments. Accounts receivable MMWEC decreased by \$199,037, due to timing of payments received.

Renewable energy credits (RECs) available for sale decreased by \$1,038,069 due to timing of RECs being sold into the market offset by a decreased in generation.

Current and noncurrent restricted funds decreased \$126,046 from 2023 to 2022 primarily due to an decrease in investment purchases classified as restricted funds.

The net decrease of \$2,005,937 in capital assets is due to continued depreciation and amortization.

Deferred outflows of resources decreased \$200,102 due to amortization on the loss on refunding of Series 2 debt and leases offset by an increase in deferred asset retirement obligations.

The \$1,584,722 decrease in current liabilities, excluding current maturities of long-term debt and accrued interest, is attributable to a decrease in accounts payable of \$230,121 due to timing of payments, an increase of accrued expenses of \$ 1,583,090 due to timing of payments and a decrease of \$2,937,691 in advances from participants due to a decrease in operation and maintenance billing of Phase 2 during 2023.

Long-term debt, including current maturities and accrued interest, decreased \$4,543,530 due to principal and interest payments on debt.

Other noncurrent liabilities, excluding long-term debt, increased \$193,592 due to an inflationary adjustment related to asset retirement obligations offset by a decrease in leases.

Deferred inflows of resources increased \$2,158,222 due to changes in amounts payable under the terms of the power sales contract, which include temporary offsets of unbilled expenses, such as depreciation, amortization and unrealized gains/losses, and bond payment activity.

Berkshire Wind Power Cooperative Corporation

Management's Discussion and Analysis (unaudited)
As of and for the years ended December 31, 2023 and 2022

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Comparison of 2022 Financial Results to 2021 Financial Results

Operating revenues increased \$652,121 due to increase billings related operating.

Total operating expenses increased by \$527,520 primarily due to increase maintenance and legal costs.

Interest income, which is a result of varying fund balances and interest rates, increased \$609 due to changes in the investment portfolio and investment performance.

Interest expense decreased \$168,653 due to payments related to bonds and leases.

Amortization expense decreased \$96,525 due to decreased amortization of premiums in 2022 related to the Series 2 Revenue Bonds.

The increase in unrealized loss on investments of \$20,190 is due to fluctuations in market performance and account balances in 2022, as compared to the prior year.

There was no bond issuance expense in 2022.

The increase in amounts payable in the future under the terms of the power sales contract is discussed in Notes 1 and 5 of the accompanying financial statements.

Comparison of 2023 Financial Results to 2022 Financial Results

Operating revenues increased \$2,434,279 due to increase expenses related operating.

Total operating expenses increased by \$2,531,005 primarily due to increase maintenance costs.

Interest income, which is a result of varying fund balances and interest rates, increased \$41,201 due to changes in the investment portfolio and investment performance.

Interest expense decreased \$176,850 due to payments related to bonds and leases.

Amortization expense decreased \$124,177 due to decreased amortization of premiums in 2023 related to the Series 2 Revenue Bonds.

The increase in unrealized gain on investments of \$47,658 is due to fluctuations in market performance and account balances in 2023, as compared to the prior year.

Berkshire Wind Power Cooperative Corporation

Management's Discussion and Analysis (unaudited)
As of and for the years ended December 31, 2023 and 2022

Comparison of 2023 Financial Results to 2022 Financial Results continued...

The increase in amounts payable in the future under the terms of the power sales contract is discussed in Notes 1 and 5 of the accompanying financial statements.

STATEMENTS OF CASH FLOWS

As discussed in Note 1 to the accompanying financial statements, for purposes of the Statements of Cash Flows, cash and cash equivalents are made up of accounts having original maturities of three months or less from date of acquisition. Cash and Cash equivalents decreased \$1,151,377 from 2023 to 2022 due to investment purchases off set by Principal and Interest payments made on debt. Cash and cash equivalents decreased \$1,000,790 from 2021 to 2022 due to investment purchases off set by Principal and Interest payments made on debt.

OPERATING STATISTICS

For each of the calendar years listed below, the Berkshire Wind Facility developed the following operating statistics:

	<u>2023</u>		<u>2022</u>		<u>2021</u>	
	<u>Phase 1</u>	<u>Phase 2</u>	<u>Phase 1</u>	<u>Phase 2</u>	<u>Phase 1</u>	<u>Phase 2</u>
Total Generation (MWh)	21,425	9,477	32,947	10,020	33,475	9,609
Availability Factor	46.80%	59.64%	73.29%	66.36%	80.04%	80.12%
Capacity Factor	16.30%	25.56%	25.22%	24.50%	25.50%	23.96%

CONTACT INFORMATION

This financial report is designed to provide a general overview of Berkshire Wind Power Cooperative Corporation's finances. Questions or requests for additional information should be addressed to Berkshire Wind Attn: Director/Treasurer 327 Moody St Ludlow, MA 01056

Berkshire Wind Power Cooperative Corporation

Statements of Net Position
As of December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 205,073	\$ 334,371
Accounts receivable	2	3
Accounts receivable - MMWEC	416,451	615,488
Inventories	62,201	32,038
Prepaid expenses	212,594	320,705
Renewable energy credits available for sale	1,225,189	2,263,258
Current portion of restricted special funds	2,843,990	2,839,752
Total current assets	<u>4,965,500</u>	<u>6,405,615</u>
Noncurrent assets:		
Restricted special funds	8,542,598	8,672,882
Total Noncurrent assets:	<u>8,542,598</u>	<u>8,672,882</u>
Capital assets:		
Land	5,451,046	5,451,046
In service	66,204,679	66,179,330
Capital work in progress	29,900	44,900
Intangible right- to-use lease	309,940	309,940
Accumulated depreciation and amortization	(22,131,845)	(20,115,559)
Total capital assets	<u>49,863,720</u>	<u>51,869,657</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of debt net of amortization	1,582,811	1,826,064
Deferred asset retirement obligations net of amortization	3,432,774	3,389,623
Total deferred outflows of resources	<u>5,015,585</u>	<u>5,215,687</u>
Total assets and deferred outflows of resources	<u>\$ 68,387,403</u>	<u>\$ 72,163,841</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 95,043	\$ 325,164
Advances from Participants	2,179,051	5,116,742
Accrued expenses	1,762,672	179,582
Current liabilities payable from restricted assets:		
Accrued interest	874,497	965,012
Current maturities of long-term debt	3,935,697	4,840,377
Current Leases	25,240	25,215
Total current liabilities	<u>8,872,200</u>	<u>11,452,092</u>
Noncurrent liabilities:		
Long-term debt, net of premiums and current maturities	35,645,404	39,168,524
Asset retirement obligations	4,915,334	4,721,742
Leases	232,545	257,785
Total noncurrent liabilities	<u>40,793,283</u>	<u>44,148,051</u>
DEFERRED INFLOWS OF RESOURCES		
Amounts payable in the future under terms of the power sales contract	<u>18,721,920</u>	<u>16,563,698</u>
Total liabilities and deferred inflows of resources	<u>\$ 68,387,403</u>	<u>\$ 72,163,841</u>

The accompanying notes are an integral part of these financial statements.

Berkshire Wind Power Cooperative Corporation

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Revenues	<u>\$ 10,878,729</u>	<u>\$ 8,444,450</u>
Operating expenses:		
Maintenance	1,834,448	840,571
Easement	1,675,818	176,811
Payment in lieu of taxes	219,532	241,515
Accounting and administrative	142,526	131,624
Insurance	389,194	356,657
Engineering	409,574	397,042
Legal	228,370	244,337
Other operating	312,448	305,600
Depreciation and amortization	2,166,727	2,153,475
Total operating expenses	<u>7,378,637</u>	<u>4,847,632</u>
Operating income	<u>3,500,092</u>	<u>3,596,818</u>
Nonoperating revenues (expenses):		
Interest income (loss)	41,450	249
Interest expense on long-term debt	(1,840,996)	(2,017,846)
Amortization of bond premiums and discounts, net	679,383	803,560
Amortization of loss on refunding	(243,253)	(243,253)
Gain (loss) on investments	21,547	(26,111)
Decrease (increase) in amounts payable in the future under the terms of the power sales contract	<u>(2,158,223)</u>	<u>(2,113,417)</u>
Total nonoperating expenses	<u>(3,500,092)</u>	<u>(3,596,818)</u>
Net revenues and expenses	<u>\$ -</u>	<u>\$ -</u>
Change in net position	-	-
Net position, beginning of year	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Berkshire Wind Power Cooperative Corporation

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Received from sales to participants and RECs	\$ 8,979,108	\$ 8,236,005
Paid to suppliers for goods and services	<u>(3,416,515)</u>	<u>(2,785,315)</u>
Net cash provided by operating activities	<u>5,562,593</u>	<u>5,450,690</u>
Cash flows from capital and related financing activities:		
Capital expenditures	(175,790)	-
Principal payments on long-term debt	(3,748,417)	(3,576,746)
Interest payments on long-term debt	(1,931,511)	(2,104,181)
Intangible right-to-use lease	<u>(25,215)</u>	<u>(25,215)</u>
Net cash provided by capital and related financing activities	<u>(5,880,933)</u>	<u>(5,706,142)</u>
Cash flows from investing activities:		
Purchases of investments	(2,725,000)	(997,960)
Proceeds from sales and maturities of investments	1,828,742	278,484
Gain (loss) on investments	21,547	(26,111)
Interest received	<u>41,449</u>	<u>249</u>
Net cash provided by investing activities	<u>(833,262)</u>	<u>(745,338)</u>
Net change in cash and cash equivalents	(1,151,602)	(1,000,790)
Cash and cash equivalents, beginning of period	<u>10,877,997</u>	<u>11,878,787</u>
Cash and cash equivalents, end of period	<u>\$ 9,726,395</u>	<u>\$ 10,877,997</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income	\$ 3,500,092	\$ 3,596,818
Noncash items included in operating income:		
Depreciation and amortization	2,166,727	2,153,475
Accretion expense	193,592	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1	1
Accounts receivable - MMWEC	199,037	(167,516)
Inventories	(30,163)	42,397
Prepaid expenses	108,111	(123,494)
Renewable energy credits available for sale	1,038,069	(1,539,486)
Increase (decrease) in:		
Account payable	(230,121)	312,971
Advances from Participants	(2,937,691)	1,331,040
Accrued expenses, excluding capital-related activity	1,598,090	(155,516)
Changes in deferred outflow of resources	<u>(43,151)</u>	<u>-</u>
Net cash used in operating activities	<u>\$ 5,562,593</u>	<u>\$ 5,450,690</u>
Reconciliation of cash and cash equivalents to the balance		
Cash and cash equivalents	\$ 205,073	\$ 334,371
Total restricted special funds	<u>11,386,588</u>	<u>11,512,634</u>
Total cash and investments	<u>11,591,661</u>	<u>11,847,005</u>
Less: Noncash equivalents	<u>(1,865,266)</u>	<u>(969,008)</u>
Total cash and cash equivalents	<u>\$ 9,726,395</u>	<u>\$ 10,877,997</u>

The accompanying notes are an integral part of these financial statements.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS

The financial statements of the Berkshire Wind Power Cooperative Corporation (Cooperative) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the Cooperative are described below.

Reporting Entity/Nature of Business

The Cooperative is organized under Chapter 164: Section 47C and Chapter 157 of the General Laws of the Commonwealth of Massachusetts and is constituted as a municipal lighting plant cooperative. The Cooperative was formed by the Massachusetts Municipal Wholesale Electric Company (MMWEC) and 16 Municipal Light Departments (Participants) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility). MMWEC and the Participants are the members of the Cooperative.

The powers of the Cooperative are exercised by a Board of Directors who conducts the business and carries on the operations of the Cooperative. The Board of Directors is comprised of one director who represents and is appointed by MMWEC and four directors who are elected by the Participants.

The Cooperative has ten 1.5-megawatt wind turbines which have been commercially operating since 2011 (Phase 1), and two 2.3-megawatt wind turbines which began commercial operations in 2019 (Phase 2). These turbines, together with necessary equipment and related facilities comprise the Berkshire Wind Facility. The Cooperative sells energy and capacity to MMWEC pursuant to the Berkshire Wind Power Sales Contract (Power Sales Contract) dated May 21, 2008. MMWEC entered into the Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility by the Berkshire Wind Facility. MMWEC, in turn will sell such capacity and energy to each of the Participants, in their pro rata share, pursuant to 16 identical take or pay Berkshire Wind Power Purchase Agreements (Power Purchase Agreements). This business will be a self-sustaining operation, capable of providing operational and financial value to MMWEC and the Members.

The Power Purchase Agreements authorize MMWEC to rely on the Participants to provide the necessary working capital funds in the event that financing cannot be obtained from an outside source.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS**...continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 amounts reported in the financial statements and accompanying notes, and disclosure of contingent liabilities at the date of the financial statements. Estimates are used for, but not limited to, provision necessary for contingent liabilities, accrued expenses and other similar charges. The Cooperative believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

Cash and Investments

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 9. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statements as increases or decreases in investment income. Market values may have changed significantly after year end.

For the purposes of the Statements of Cash Flows, cash and cash equivalents are made up of accounts having original maturities of three months or less from date of acquisition. Unrestricted cash and cash equivalents are presented as cash and cash equivalents in the accompanying Statements of Net Position. Restricted cash and cash equivalents are presented within the current and noncurrent portion of restricted funds in the accompanying Statements of Net Position.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Based on the validity of contracts and collection history, an allowance for doubtful accounts is not considered necessary. Should these circumstances change, an allowance for doubtful accounts would be provided for those accounts receivable considered to be uncollectible at the end of the year, and the bad debts would be written off against the allowance when identified.

Inventories

Spare parts inventories are valued at the lower of cost or market and recorded and accounted for by the average cost method. At December 31, 2023 and 2022, total spare parts inventory amounted to \$62,201 and \$32,038 respectively.

Renewable Energy Credits Available for Sale

During the course of business, the Cooperative generates Massachusetts Class I renewable energy credits (RECs) at a rate of one REC for each megawatt hour (MWH) of energy generated. These RECs are available for sale in accordance with New England Power Pool (NEPOOL) markets. The Cooperative also generates RECs that are available for sale under the Commonwealth of Massachusetts' Clean Peak Energy Standard (Clean Peak RECs), which are generated based on MWH output during peak periods, with seasonal and other factors applied and independently verified by a third-party. Both RECs and Clean Peak RECs are generated (minted) on a quarterly basis, three or more months in arrears of the period the qualifying MWHs were generated and then they are offered for sale or trading, at each Participant's elective based on their pro-rata share. Participants can also elect to retire their pro-rata share of the RECs.

Revenue from the sale of RECs, as applicable, is credited to the appropriate Participants through billing. Proceeds from the sale of Clean Peak RECs are held within the Cooperative's operating reserves. For the years ended December 31, 2023 and 2022, the Cooperative accrued revenues using estimated prices for the RECs and Clean Peak RECs generated during the year, but not sold as of year-end.

Restricted Special Funds

Mandatory segregations of cash are presented as restricted special funds. Such segregations are required by the General Bond Resolution (GBR) pursuant to which the Cooperative issued its Series 1 Revenue Bonds as described in Note 6—Long-Term Debt. The restricted special funds are held in accordance with the provisions of the GBR, as applicable. When both restricted and unrestricted resources are available, it is the Cooperatives policy to use restricted funds first, then unrestricted funds as they are needed.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Restricted Special Funds...continued

The composition of restricted special funds as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Reserve Account to provide for the benefit and security of the Series 1 and Series 2 Revenue Bonds	\$ 5,123,322	\$ 5,123,610
Revenue Fund to receive revenues and disburse them to other funds	1,919,238	2,049,272
Bond Fund Interest, Principal and Retirement Accounts to pay principal and interest on bonds	2,843,990	2,839,752
Reserve and Contingency Fund to make up deficiencies in the Bond Funds and pay for repairs and extraordinary costs	<u>1,500,038</u>	<u>1,500,000</u>
Total restricted special funds	11,386,588	11,512,634
Less - current portion	<u>(2,843,990)</u>	<u>(2,839,752)</u>
Restricted special funds, net of current portion	<u>\$ 8,542,598</u>	<u>\$ 8,672,882</u>

Prepaid Expenses

Prepaid expenses represent insurance premiums, maintenance agreement, and payment in lieu of taxes paid in the current fiscal year benefiting future periods.

Land

Land represents amounts paid for the purchase of property and includes costs related to the purchase of easements for certain sites related to the Berkshire Wind Facility.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS**...continued

Capital Assets - In Service

Capital assets – in service, including right-to-use lease assets, are generally defined by the Cooperative as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets of the Cooperative are recorded at cost at the date of acquisition.

Provisions for depreciation are computed using the group life basis based on an estimated useful life of 33 1/3 years from commercial operation for both Phase 1 and Phase 2. Lease assets are generally amortized over the term of the lease.

Capital Work In Progress

Capital work in progress is stated at cost. Any internal costs that are capitalized are limited to those costs that can be directly identified with the design, engineering, or construction of a specific project and do not include any costs related to production, general corporate overhead or similar activities. Depreciation of these costs will commence once placed in service.

Intangible right-to-use

The Cooperative has implemented GASB Statement No. 87 “Leases” and has applied the statement as of December 31, 2021. The Cooperative identified certain Leases through easement agreements that require a lease payment. Of the twelve turbines that comprise the Berkshire Wind facility, eleven are on property that fall under the easement agreements.

Deferred Outflows of Resources

Deferred outflows of resources are the loss on refunding of debt and asset retirement obligations.

Accounts Payable and Accrued Expenses

At December 31, 2023, accounts payable and accrued liabilities total \$1,132,212 which include \$257,715 related to standard operating supplier and vendor accounts and \$874,497 for accrued interest on long term debt.

At December 31, 2022, accounts payable and accrued liabilities total \$1,469,758 which include \$504,746 related to standard operating supplier and vendor accounts and \$965,012 for accrued interest on long term debt.

Asset Retirement Costs and Obligations

The Cooperative identified certain asset retirement obligations (AROs), which are associated with termination clauses within the Cooperative easement agreements for the land on which the turbines are built. The recognition of the AROs at current value also results in a corresponding deferred outflow of resources, which is amortized over the remaining useful life of the underlying asset. Amortization expense is included in depreciation expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Advances from Participants

The Cooperative maintains operating reserves and advances from its Participants in accordance with the Power Sales Agreements, which are considered current liabilities.

Long-Term Obligations

Long-term debt and other obligations are reported as Cooperative liabilities. Bond premiums, discounts and loss of refunding are deferred and amortized over the life of the bonds using the effective interest method.

Deferred Inflows of Resources

Deferred inflows of resources are comprised of amounts payable in the future.

Revenues and Expenses

The Cooperative distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Cooperative's principal ongoing operations. The principal operating revenues of the Cooperative will be derived from the billings under the Power Sales Contract and Power Purchase Agreements. Operating expenses for the Cooperative include the cost of revenues, services, insurance and accounting and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Comparative Data

Certain prior year data has been reclassified to conform to the current year's presentation with no impact on Net Position.

Effect of Future Accounting Standards on Current Period Financial Statements

GASB has approved Statement No.100, *Accounting Changes and Error Corrections* Statement No. 101, *Compensated Absences* and Statement No. 102, *Certain Risk Disclosures*. When they become effective, application of these standards may restate portions of these financial statements.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

2. CASH AND CASH EQUIVALENTS AND RESTRICTED SPECIAL FUNDS

The Cooperative's cash and investments at December 31, 2023 and 2022 were comprised of the following:

	2023		2022		
	Carrying Value	Bank Value	Carrying Value	Bank Value	
Cash and Cash Equivalents:					
Checking Account	\$679,751	\$697,052	\$1,348,201	\$1,453,427	Custodial Credit Risk
Money Market Funds	9,046,646	9,046,886	9,529,796	9,530,036	Custodial Credit Risk
Total Cash and Cash Equivalents	9,726,397	9,743,938	10,877,997	10,983,463	
Other Investments:					
U.S. Treasury	\$ 519,821	\$ 519,821	\$ 487,870	\$ 487,870	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
U.S. Agency	1,345,444	1,345,444	481,138	481,138	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
Total Other Investments	1,865,265	1,865,265	969,008	969,008	
Totals	\$ 11,591,661	\$ 11,609,203	\$ 11,847,005	\$ 11,952,470	

The difference between the bank and investment value and carrying value is due to outstanding checks and/or deposits in transit.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Cooperative's deposits may not be returned to the Cooperative. Interest bearing accounts are insured up to \$250,000 per depositor by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2023 and 2022, \$9,243,938 and \$10,483,463, respectively, of the Cooperative's interest bearing bank balance was uninsured and uncollateralized and subject to custodial credit risk.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

2. CASH AND CASH EQUIVALENTS AND RESTRICTED SPECIAL FUNDS...continued

Investments

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

All investment securities are held in book entry form, not physically held, in the Cooperative's name. Custodial credit risk is not addressed by the investment policy followed by the Cooperative.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy followed by the Cooperative addresses credit risk by defining allowable investments and a maximum allocation to each asset class.

As of December 31, 2023, the Cooperative's investments were rated as follows:

<u>Investment Type</u>	<u>Credit Rating</u>
U.S. Treasury	Aaa
U.S. Agency	Aaa

As of December 31, 2022, the Cooperative's investments were rated as follows:

<u>Investment Type</u>	<u>Credit Rating</u>
U.S. Treasury	Aaa
U.S. Agency	Aaa

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Cooperative's investment in a single issuer. There were no investments in any one issuer that represent 5% or more of the total Cooperative's Investment portfolio as of December 31, 2023 or December 31, 2022. The investment policy followed by the Cooperative minimizes concentration of credit risk in a single issuer by diversification of investment types using maximum limits for single issuers.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

2. CASH AND CASH EQUIVALENTS AND RESTRICTED SPECIAL FUNDS...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 investment policy followed by the Cooperative specifies that the Cooperative shall seek to maximize the return on investments consistent with requirements for safety, minimization of risk and liquidity. Monies will not be invested for terms in excess of the projected use of funds nor exceed an average life of ten years.

At December 31, 2023, the Cooperatives investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity In Years</u>		
		<u>Less than 1</u>	<u>1 – 5</u>	<u>Over 5</u>
U.S. Treasury Securities	\$ 519,821	\$ 519,821	\$ -	\$ -
U.S. Agency Securities	1,345,444	471,535	873,909	-
Total	<u>\$ 1,865,265</u>	<u>\$ 991,356</u>	<u>\$ 873,909</u>	<u>\$ -</u>

At December 31, 2022, the Cooperative's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity In Years</u>		
		<u>Less than 1</u>	<u>1 – 5</u>	<u>Over 5</u>
U.S. Treasury Securities	\$ 487,870	\$ -	\$ 487,870	\$ -
U.S. Agency Securities	481,138	-	481,138	-
Total	<u>\$ 969,008</u>	<u>\$ -</u>	<u>\$ 969,008</u>	<u>\$ -</u>

The Cooperative recognized an interest gain of \$41,450 and an interest gain of \$249 during the years ended December 31, 2023 and 2022, respectively.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

3. RELATED PARTIES

The Cooperative entered into the Berkshire Wind Power Service Contract (Service Contract) with MMWEC on May 21, 2008, under which MMWEC is to serve as the Cooperative's agent in all matters with respect to financing, permitting, constructing, purchasing, owning and operating the Berkshire Wind Facility and to serve as the Cooperative's representative in NEPOOL and in matters relating to ISO New England, Inc. (ISO-NE) in connection with the Berkshire Wind Facility and other property or interests therein. Pursuant to the Service Contract on the books of the Cooperative, MMWEC records and accounts for bills received and paid related to the Cooperative. MMWEC accounts for charges rendered and payments received from the Participants pursuant to the Power Purchase Agreements. MMWEC also executes the sale of renewable energy credits for the Cooperative and provides the resulting revenues to the Cooperative. During the years ended December 31, 2023 and 2022, the Cooperative incurred charges of \$618,607 and \$591,210, respectively, for services provided by MMWEC on behalf of the Cooperative. As of December 31, 2023 and 2022, the Cooperative had balances due from MMWEC of \$416,451 and \$615,488 respectively.

4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2023 is as follows:

	Balance 1/1/2023	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 12/31/2023
Capital assets not being depreciated:				
Land	\$ 5,451,046	\$ -	\$ -	\$ 5,451,046
Capital assets being depreciated:				
In service	66,179,330	25,349	-	66,204,679
Intangible right-to-use	309,940	-	-	309,940
Less: Accumulated depreciation	20,115,559	2,016,286	-	22,131,845
Net In service	<u>\$ 51,824,757</u>	<u>\$ (1,990,937)</u>	<u>\$ -</u>	<u>\$ 49,833,820</u>

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

4. CHANGES IN CAPITAL ASSETS...continued

A summary of changes in capital assets for 2022 is as follows:

	Balance 1/1/2022	Additions/ Reclassi-fications	Deletions/ Reclassi-fications	Balance 12/31/2022
Capital assets not being depreciated:				
Land	\$ 5,451,046	\$ -	\$ -	\$ 5,451,046
Capital assets being depreciated:				
In service	66,179,330			66,179,330
Intangible right-to-use	309,940			309,940
Less: Accumulated depreciation	18,097,243	2,018,316	-	20,115,559
Net In service	<u>\$ 53,843,073</u>	<u>\$ (2,018,316)</u>	<u>\$ -</u>	<u>\$ 51,824,757</u>

A summary of changes in capital work in progress for 2023 and 2022 is as follows:

Year	Balance at January 1,	Additions	Deletions	Balance at December 31,
2023	<u>\$ 44,900</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 29,900</u>
2022	<u>\$ -</u>	<u>\$ 44,900</u>	<u>\$ -</u>	<u>\$ 44,900</u>

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

5. AMOUNTS PAYABLE IN THE FUTURE

Differences in amounts billed to Participants and revenues and expenses recognized are included in amounts payable in the future under the terms of the power sales contract. These differences are made up of debt service collections and unbilled operating and non-operating expenses and revenues. A summary of the items included in amounts payable in the future under the terms of the power sales contract for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Beginning balance - January 1	\$ 16,563,698	\$ 14,450,281
Unbilled operating and non-operating expenses and revenues:		
Depreciation	(2,166,727)	(2,153,475)
Right-to-use- lease	25,500	25,500
Amortization of bond premiums and discounts, net	679,383	803,560
Amortization on loss of refunding	(243,253)	(243,253)
Realized and unrealized gains (losses) on investments	21,547	(26,111)
Capital funded through reserve billings	-	44,900
Interest Expense Leases	(285)	(285)
Debt service collections:		
Billed principal on long-term debt	3,842,057	3,662,581
Ending Balance - December 31	<u>\$ 18,721,920</u>	<u>\$ 16,563,698</u>

6. DEBT

Series 1 Revenue Bonds

On December 22, 2010, the Cooperative issued and sold Berkshire Wind Project Revenue Bonds, Berkshire Series 1 (Series 1 Bonds) in the face amount of \$64,705,000 pursuant to the GBR as adopted by the Cooperative. The Series 1 Bonds were issued at a net premium of \$1,532,351 which will be amortized over the life of the bonds using the effective interest method. The Series 1 Bonds are payable from and secured by the revenues derived from the Berkshire Wind Facility. A portion of the bond proceeds were used to pay off the Series 2009 Bonds which were redeemed, in whole, prior to maturity at the option of the Cooperative on December 22, 2010 at a redemption price of \$53,240,469 which was equal to 100% of the principal amount of \$52,500,000 plus accrued interest through the redemption date of \$740,469. In 2017, the Series 1 Bonds were fully defeased through the advance refunding and issuance of the Series 2 Revenue Bonds.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

6. DEBT...continued

Series 2 Revenue Bonds

On December 14, 2017, the Cooperative issued and sold Berkshire Wind Project Revenue Bonds, Berkshire Refunding Series 2 (Series 2 Bonds) in the face amount of \$40,210,000 pursuant to the GBR as adopted by the Cooperative. The Series 2 Bonds were issued at a net premium of \$7,221,487 which will be amortized over the life of the bonds using the effective interest method. The Series 2 Bonds are payable from and secured by the revenues derived from the Berkshire Wind Facility. The Series 2 bonds were issued for the purpose of advance refunding a portion of the Cooperative's outstanding Series 1 and to pay costs of issuance for the Series 2 bonds. The net proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all debt service payments related to the Series 1 Bonds until the Series 1 Bond redemption date of January 1, 2020, at which time all outstanding principal related to the Series 1 Bond was fully redeemed.

Interest on the Series 2 bonds is payable in semi-annual installments beginning July 1, 2018 and on January 1 and July 1 for each year thereafter. The Series 2 Bonds bear interest at a fixed rate of 5.0%. The Series 2 Bonds are subject to mandatory redemption by the Cooperative in annual principal installments commencing on July 1, 2020 and occurring on July 1 of each year thereafter with the final installment in an amount equal to the entire then outstanding principal amount of Series 2 Bonds due and payable on the final maturity date of July 1, 2030.

The following is a summary of debt service requirements for the bonds outstanding at December 31, 2023:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	3,445,000	1,400,750	4,845,750
2025	3,610,000	1,228,500	4,838,500
2026	3,795,000	1,048,000	4,843,000
2027	3,985,000	858,250	4,843,250
2028	4,180,000	659,000	4,839,000
2029-2030	9,000,000	680,500	9,680,500
Total	<u>\$ 28,015,000</u>	<u>\$ 5,875,000</u>	<u>\$ 33,890,000</u>

Phase 2 Series 1 Revenue Bonds – Direct Borrowing

On October 5, 2018, the Cooperative issued and sold Berkshire Wind Project Revenue Bonds, Berkshire Phase 2 Series 1 (Phase 2 Bonds) from direct borrowings in the face amount of \$11,780,000 pursuant to the GBR as adopted by the Cooperative. The Phase 2 Bonds are payable from and secured by the revenues derived from the Berkshire Wind Facility. The Phase 2 bonds were issued for the purpose of expanding the Berkshire Wind Facility through the construction of two 2.3 megawatt wind turbines.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

6. DEBT...continued

Phase 2 Series 1 Revenue Bonds – Direct Borrowing...continued

Interest on the Phase 2 bonds is payable in semi-annual installments beginning January 1, 2019 and on January 1 and July 1 for each year thereafter. The Phase 2 Bonds bear interest at a fixed rate of 3.65%. The Phase 2 Bonds are subject to mandatory redemption by the Cooperative in annual principal installments commencing on July 1, 2019 and occurring on July 1 of each year thereafter with the final installment in an amount equal to the entire then outstanding principal amount of Phase 2 Bonds due and payable on the final maturity date of July 1, 2033.

The following is a summary of debt service requirements for the direct borrowings outstanding at December 31, 2023:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	490,697	349,446	840,143
2025	508,608	331,535	840,143
2026	527,172	312,971	840,143
2027	546,414	293,729	840,143
2028	566,358	273,785	840,143
2029-2033	6,934,609	1,043,336	7,977,945
Total	<u>\$ 9,573,858</u>	<u>\$ 2,604,802</u>	<u>\$ 12,178,660</u>

The following summarizes changes in the long-term debt for bonds outstanding, net of premiums, for 2023 and 2022:

Year	<u>Balance January 1</u>	<u>Additions</u>	<u>Payments</u>	<u>Amortization of Premium</u>	<u>Balance December 31</u>
2023	<u>\$ 33,961,625</u>	<u>\$ -</u>	<u>\$ (3,275,000)</u>	<u>\$ (679,382)</u>	<u>\$ 30,007,243</u>
2022	<u>\$ 37,885,185</u>	<u>\$ -</u>	<u>\$ (3,120,000)</u>	<u>\$ (803,560)</u>	<u>\$ 33,961,625</u>

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

6. DEBT...continued

The following summarizes changes in the long-term debt from direct borrowings, net of premiums, for 2023 and 2022:

Year	Balance January 1	Additions	Payments	Balance December 31
2023	\$ 10,047,275	\$ -	\$ (473,417)	\$ 9,573,858
2022	\$ 10,504,021	\$ -	\$ (456,746)	\$ 10,047,275

7. ASSET RETIREMENT OBLIGATIONS

Asset Retirement Costs and Obligations

The Cooperative identified certain asset retirement obligations (AROs), which are associated with termination clauses within the Cooperative easement agreements for the land on which the turbines are built for both Phase 1 and Phase 2. The easement agreements require that the Cooperative remove all equipment, including but not limited to the Wind Facility, Transmission Lines, all communications equipment, unused equipment and trash, and reclaim the Area of Easement as follows: remove all traces of construction, cover foundations with gravel or soil, plant trees on a one-hundred-foot grid pattern in disturbed areas, and seed and mulch all disturbed areas.

The Cooperative utilized the costs associated with the erection of the turbines and sitework from the recent turbine installation to develop the assumption for the ARO liabilities, as this would best approximate the costs at current dollar value to remove the turbines and restore the site.

ARO activity for the year ended December 31, 2023 is as follows:

Unit	Remaining Useful Life	Balance at January 1	Inflation Adjustment	Balance at December 31
Phase 1	21 Years	\$ 3,863,243	158,394	\$ 4,021,637
Phase 2	29 Years	\$ 858,499	35,198	\$ 893,697
Total		\$ 4,721,742	\$ 193,592	\$ 4,915,334

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

7. ASSET RETIREMENT OBLIGATIONS...continued

ARO activity for the year ended December 31, 2022 is as follows:

Unit	Remaining Useful Life	Balance at January 1	Inflation Adjustment	Balance at December 31
Phase 1	22 Years	\$ 3,577,077	286,166	\$ 3,863,243
Phase 2	30 Years	\$ 794,906	63,593	\$ 858,499
Total		\$ 4,371,983	\$ 349,759	\$ 4,721,742

The recognition of the AROs at current value also results in a corresponding deferred outflow of resources. The deferred outflow of resources is being amortized over the remaining useful life of the wind turbines used by the Cooperative. A reconciliation of the beginning and ending aggregate deferred outflow of resources related to AROs for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Deferred outflows of resources - AROs, beginning of year	\$ 3,389,623	\$ 3,175,024
Inflationary adjustment	193,591	349,760
Amortization	(150,440)	(135,161)
Deferred outflows of resources - AROs, end of year	\$ 3,432,774	\$ 3,389,623

Amortization expense is included in depreciation expenses in the Statements of Revenues, Expenses and Changes in Net Position.

8. Leases

The Cooperative identified certain Leases through easement agreements that require a lease payment. Of the twelve turbines that comprise the Berkshire Wind facility, eleven are on property that fall under the easement agreements. Minimum payment made through easement agreements are included in the tables below. Variable payments made under the easement agreements are included in Easement expense in the Statement of Revenues, Expenses and Changes in Net Position. The SOFR Rate as of January 1, 2021 of 0.10% was used in the calculation of interest expense.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

8. Leases...continued

The following summarizes easement debt payments outstanding as of December 31, 2023

2024	25,240	260	25,500
2025	25,265	235	25,500
2026	25,291	209	25,500
2027	25,316	184	25,500
2028	25,341	159	25,500
2029-2033	127,087	413	127,500
2034	4,245	5	4,250
	<u>\$ 257,785</u>	<u>\$ 1,465</u>	<u>\$ 259,250</u>

9. FAIR VALUE MEASUREMENT

The Cooperative records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement.

Fair value is defined in Statement No. 72 as 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 (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- **Level 1** inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. U.S. Government Treasury securities are examples of Level 1 inputs.
- **Level 2** inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Government Securities and mortgage-backed securities are examples of Level 2 inputs
- **Level 3** inputs are unobservable inputs that reflect the Cooperative's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

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9. FAIR VALUE MEASUREMENT...continued

Valuation methods of the primary fair value measurements disclosed below are as follows:

- Investments in U.S. Government Treasury securities are valued using Level 1 measurements.
- RECs available for sale are valued using Level 2 measurements, using inputs from estimated market curves when the RECs remain unsold.
- Clean Peak RECs available for sale are valued using Level 3 measurements, using historical pricing, applying appropriate factors and internally estimating the market price for each Clean Peak REC.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Cooperative's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels.

The following table presents fair value balances and their levels within the fair value hierarchy as of December 31, 2023:

	2023			Total
	Level 1	Level 2	Level 3	
Investments and Cash Equivalents				
U.S. Treasury Notes	\$ 519,821	\$ -	\$ -	\$ 519,821
U.S. Agency	1,345,444			1,345,444
RECS Available for Sale	-	1,105,363	119,826	1,225,189
Investments and Cash Equivalents	\$ 1,865,265	\$ 1,105,363	\$ 119,826	\$ 3,090,454

The following table presents fair value balances and their levels within the fair value hierarchy as of December 31, 2022:

	2022			Total
	Level 1	Level 2	Level 3	
Investments and Cash Equivalents				
U.S. Treasury Notes	\$ 487,870	\$ -	\$ -	\$ 487,870
U.S. Agency	\$ 481,138			\$ 481,138
RECS Available for Sale	-	2,040,648	222,610	2,263,258
Investments and Cash Equivalents	\$ 969,008	\$ 2,040,648	\$ 222,610	\$ 3,232,266

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As of and for the years ended December 31, 2023 and 2022

10. COMMITMENTS AND CONTINGENCIES

Easements

The Cooperative has easement agreements with two landowners for turbine sites related to the Berkshire Wind Facility. Under the easement agreements, upon commencement of commercial operations, the Cooperative has agreed to pay each landowner a completion of construction payment equal to \$1,000 per megawatt of wind turbine(s) installed on their property and reimburse or pay a fee in lieu of each landowner's personal residence electrical costs. The Cooperative will also pay each of the two landowners the greater of \$3,500 per wind turbine installed on their property or 3.5% of the gross annual revenue generated by the wind turbine(s) installed on their property upon commencement of commercial operations and annually thereafter over the term of operations.

11. LITIGATION

During 2021, one of the former landowners filed a complaint against MMWEC in the Berkshire County Superior Court seeking an unspecified assessment of damages, arising out of MMWEC's exercise of its eminent domain power contained in MMWEC's enabling act to take certain property owned by the landowner. The taking was made in connection with MMWEC's membership in the Cooperative. Pursuant to the agreements between MMWEC and the Cooperative, MMWEC would be reimbursed by the Cooperative for any payments required by the outcome of the litigation. As of the date of financial statement issuance, the litigation remains pending while the agreements that comprise a proposed settlement are under review by the former landowner. A preliminary estimate of the settlement fee is included in easement expenses on the accompanying Statement of Revenues, Expenses and Changes in Net Position as of December 31, 2023.

The Cooperative is involved in various additional legal actions. Management believes that the ultimate resolution of litigation in which the Cooperative is currently involved will not have a material, adverse effect on the financial position of the Cooperative.

12. RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors, and omissions. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Berkshire Wind Power Cooperative Corporation

Notes to Financial Statements

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13. CONCENTRATION OF CREDIT RISK/SIGNIFICANT CUSTOMERS

Credit risk represents the risk of loss that would occur if customers do not meet their financial obligations to the Cooperative. Concentration of credit risk occurs when significant customers possess similar characteristics that would cause their ability to meet contractual obligations to be affected by the same event.

The Cooperative has two municipal customers who are considered a significant customer, which accounted for \$1,509,576 (19%) and \$861,907 (11%) of the Cooperatives revenues for the year ended December 31, 2023. For the year ended December 31, 2022, the Cooperative had two municipal customers who were considered significant customers, which accounted for \$1,156,838 (19%) and \$703,843 (11%).

As discussed in Note 3 – Related Parties, pursuant to the Service Contract, MMWEC records and accounts for bills received and paid related to the Cooperative. At December 31, 2023 and 2022, no municipal customer had open accounts receivable.

14. SUBSEQUENT EVENTS

The Cooperative has evaluated subsequent events through April 30, 2024, the date which the financial statements were available to be issued, and did not note any subsequent events requiring recording and disclosure in the financial statements for the year ended December 31, 2023.