















**This page intentionally left blank.**























**CITY OF CLEVELAND, OHIO  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION**

The Division had a net increase of \$12,541,000 in net position in 2021. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
	<b>(Amounts in Thousands)</b>	
Operating revenues	\$ 196,958	\$ 186,792
Operating expenses	175,304	188,490
Operating income (loss)	21,654	(1,698)
Non-operating revenue (expense):		
Investment income	27	168
Interest expense	(11,826)	(9,554)
Amortization of bond premiums and discounts	2,159	2,087
Gain (loss) on disposal of assets	(5,465)	
Other	5,992	4,775
Total non-operating revenue (expense), net	(9,113)	(2,524)
Increase (decrease) in net position	12,541	(4,222)
Net position, beginning of year	176,848	181,070
Net position, end of year	\$ 189,389	\$ 176,848

**Operating revenues:** In 2021, operating revenues increased by \$10,166,000, primarily due to an increase of 2.5% in kilowatt-hour (kWh) demand.

**Operating expenses:** Operating expenses decreased by \$13,186,000 in 2021, primarily due to decreases of \$15,927,000 in OPEB expense and \$3,747,000 in pension expense. The OPEB reduction is primarily attributed to changes in health care terms as well as changes in assumptions. Pension decreased mainly due to investment returns exceeding expectations.

These decreases were partially offset by increases of \$3,798,000 in bad debt expense and \$3,655,000 in purchased power costs. The increase in bad debt expense is mainly due to the continuing economic impact associated with the COVID-19 pandemic.

**CITY OF CLEVELAND, OHIO  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
INFORMATION (Continued)**

*Non-operating revenues:* Other non-operating revenue increased by \$1,217,000, primarily due to not issuing refunding bonds in 2021. Amortization of bond premiums and discounts increased \$72,000 due to scheduled amortization. Investment income decreased by \$141,000, mainly due to declining interest rates.

*Non-operating expenses:* Loss on disposal of assets increased by \$5,465,000 due to the replacement of the Division's incandescent streetlights bulbs with the more efficient LED technology. Interest expense increased by \$2,272,000, primarily due to the implementation of GASB Statement No. 89, which eliminated the capitalization of interest during the construction period of capital assets.

**FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR  
RESULTS OF OPERATIONS**

As a municipally owned utility, the Division's mission is to improve the quality of life in the City by providing reliable, affordable energy and energy services to the residents and businesses of the City. The following sections describe major projects likely to affect the Division over the next several years.

**Capacity Expansion Program**

The Division's Capacity Expansion Program, which includes three major components, was designed to support and improve the Division's electric system reliability and, through increasing system capacity by 80 MW (Megawatt), provide for future load growth opportunities. This program includes the addition of a fourth 138 kV interconnection with the FirstEnergy transmission system (Fourth Interconnect), which was energized in 2011; the extension of the southern 138 kV transmission system (Southern Project); and the expansion of the Lake Road 11.5 kV Substation and the 11.5 kV system downtown (Lake Road Project). In 2008, the Division issued the Series 2008B-1 Bonds to fund the Capacity Expansion Program. In 2020, two major projects of the program were completed and energized; the expansion of the Lake Road 11.5 kV Substation and the 11.5 kV system downtown (Lake Road Project).

The Lake Road Project includes the construction of a duct line and feeder cables to the 11<sup>th</sup> Street Substation. The re-feeding of the 11<sup>th</sup> Street Substation, which increases the capacity in the downtown area and along the corridor between the Lake Road Substation, and the 11<sup>th</sup> Street Substation were completed and put in service in 2020. In addition, a new step-up substation known as the South Marginal Substation is complete. It provides capacity from the 11.5kV distribution system located downtown to a portion of the 13.8 kV distribution system situated east and southeast of downtown. The South Marginal Substation was completed and will be energized when the Division's new Supervisory Control and Data Acquisition (SCADA) System is placed into service.

The overhead portion of the 138 kV Southern Project was completed in 2020 and the Division plans to complete regulatory standards and put it into service by the second quarter of 2022. The Southern Project includes the modification of the Ridge Road Substation to create a ring bus to support the new 138 kV transmission loop, which will run from the Ridge Road Substation to the Pofok Substation. The Division has successfully collaborated with the City, Cuyahoga County and the Ohio Department of Transportation to combine the construction of an underground segment of the transmission line with a roadway project.

**CITY OF CLEVELAND, OHIO  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

**FACTORS EXPECTED TO IMPACT THE DIVISION’S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)**

**Power Supply**

The Division participates in a diverse mix of resources including coal-fired, natural gas-fueled, hydroelectric, bioenergy, solar and wind generation. Participation in many of these resources is through the Division’s membership in American Municipal Power (AMP) including: the Prairie State Energy Campus coal-fired generation project, AMP Hydro Phase 1 units (Cannelton/Smithland/Willow Island) and Phase 2 units (Meldahl/Greenup), AMP Fremont Energy Center (AFEC) combined cycle facility and the Blue Creek Wind Project. All five AMP hydroelectric projects are in commercial operation. Additionally, the Division has allocations of power from two New York Power Authority hydroelectric projects and several behind-the-meter resources including the Collinwood bioenergy generator, CV Kinsman solar, and Division-owned diesel generators. For 2021, about 27.4% of the Division’s energy is being supplied from renewable sources including hydroelectric, wind and bioenergy and the Division has voluntarily pursued renewable goals, which are consistent with the Ohio state-mandated Renewable Portfolio Standard (RPS) targets applicable to investor-owned utilities (IOUs).

The Division’s power supply portfolio is also made up of a variety of market energy purchases of various sizes, terms and delivery locations. These market purchases, often referred to as “block power” purchases because of their standard market types, are often procured as part of the Division’s current market purchases, including block power purchased around-the-clock (7x24), weekday peak periods (5x16), weekend peak periods (2x16) and off-peak periods at night (7x8). AMP can procure these blocks on the Division’s behalf with the cost plus a service charge directly passed through to the Division. Alternatively, the Division has the option to contract directly with third parties.

**Generation Projects**

The Division has chosen to participate in generation projects in order to (i) diversify its power supply portfolio and increase use of renewable energy, (ii) secure long-term stable sources of power, (iii) explore local generation opportunities where transmission congestion costs are mostly avoided and (iv) mitigate the costs of meeting its resource adequacy obligations.

The generation projects through AMP in which the Division participates are Blue Creek Wind, AMP Fremont Energy Center, AMP Hydro Phase 1/Phase 2 and Prairie State. The following sections describe these projects.

***Blue Creek Wind Project***

In June 2012, the Division entered into an agreement with AMP to purchase 10 MW of energy, capacity and Renewable Energy Credits (REC’s) from the Blue Creek Wind Project. The 304 MW Blue Creek Wind Project was developed and is owned, by Iberdrola Renewables, LLC and is located in northwestern Ohio in Van Wert and Paulding counties. The project began commercial operation in June 2012. AMP purchases up to 54 MW from the project on behalf of its members through a Renewable Wind Energy Power Purchase Agreement with Blue Creek Wind Farm, LLC.

**CITY OF CLEVELAND, OHIO  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)**

***AMP Fremont Energy Center***

AMP and two of its member agencies in Michigan and Virginia own the AMP Fremont Energy Center (AFEC), a 707 MW natural gas-fired combined cycle generating plant in Fremont, Ohio. Of the 707 MW, 544 MW is available as an intermediate power source during on-peak hours and an additional 163 MW of duct firing is available for use during peak demand times. AMP purchased the facility in 2011 from FirstEnergy Generation Corporation and completed construction and commissioning. The plant went into commercial operation in January 2012. The Division, through a membership participation agreement with AMP, has entitlement to approximately 79 MW of intermediate and peaking power output from AFEC.

***AMP Hydro Projects***

In December 2007, the Division entered into an agreement with AMP to purchase 35 MW of hydroelectric power from three planned AMP run-of-the-river hydroelectric projects (AMP Hydro Phase 1) to be constructed on the Ohio River. These include both the Cannelton and Smithland projects in Kentucky, as well as the Willow Island project in West Virginia.

The Cannelton project is located on the Kentucky south shore of the Ohio River at the existing U.S. Army Corps of Engineers Cannelton Locks and Dam. The Cannelton project includes three 29.3 MW bulb-type generators with a combined capacity of approximately 88 MW. In addition to the powerhouse and other equipment, the project includes a 1,000-foot transmission line to the point of interconnection. The first unit of the Cannelton Project entered commercial operation in January 2016, the second unit entered commercial operation in March 2016 and the third entered commercial operation in June 2016.

The Smithland project is located at the existing U.S. Army Corps of Engineers Smithland Navigation Locks and Dam. The plant's configuration and equipment is similar to Cannelton's, but includes three 25.3 MW bulb-type generators with a total capacity of approximately 76 MW and a two mile transmission line to the point of interconnection. The Smithland Project entered commercial operation in summer of 2017.

The Willow Island project in West Virginia is located at the existing U.S. Army Corps of Engineers Willow Island Lock and Dam. The plant design and technology is similar to the other two projects but includes two 22 MW generators with a total capacity of approximately 44 MW. The project includes a 1.6-mile transmission line to the point of interconnection. Willow Island Project entered commercial operation in 2016.

Together these projects are expected to produce 208 MW, of which 35 MW is allocated to the Division. In March 2010, the Division executed agreements with AMP to participate in two additional AMP run-of-the-river hydroelectric projects (AMP Hydro Phase 2) on the Ohio River. The first is the Meldahl Project, a 105 MW three-unit hydroelectric generation facility located on the Kentucky side of the Ohio River. The Meldahl Project entered commercial operation in April 2016. The second project is the Greenup Project, an existing 70 MW plant majority-owned by the City of Hamilton, Ohio. The Division has contracted to receive 15 MW from the Meldahl-Greenup Projects, for a total of 50 MW (when combined with AMP Hydro Phase 1) from the five AMP hydroelectric projects.

**CITY OF CLEVELAND, OHIO  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

**FACTORS EXPECTED TO IMPACT THE DIVISION’S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)**

***Prairie State Energy Campus***

AMP has a 23% ownership interest in the Prairie State Energy Campus in Illinois, a pulverized coal plant consisting of two generating units with a total rating of 1,582 MW. AMP is entitled to 368 MW as an owner of the facility in partnership with public power agencies and cooperatives in Illinois, Indiana, Kentucky and Missouri. The project is a “mouth-of-the mine” project that includes entitlement to 200 million tons of coal reserves in an adjacent coalmine. The project was developed by Peabody Energy and went into commercial operation in 2012. The Division purchases 25 MW from the Prairie State project through a participation agreement with AMP.

**ADDITIONAL INFORMATION**

This financial report is designed to provide a general overview of the Division’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City Hall Room 104, 601 Lakeside Avenue, Cleveland, Ohio 44114.

## **BASIC FINANCIAL STATEMENTS**

# CITY OF CLEVELAND, OHIO

## DEPARTMENT OF PUBLIC UTILITIES DIVISION OF CLEVELAND PUBLIC POWER STATEMENT OF NET POSITION December 31, 2021 (Amounts in Thousands)

---

### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

#### CAPITAL ASSETS

Land	\$ 5,574
Land improvements	2,430
Utility plant	606,176
Buildings, structures and improvements	24,655
Furniture, fixtures, equipment and vehicles	92,510
	<u>731,345</u>
Less: Accumulated depreciation	<u>(444,350)</u>
	286,995
Construction in progress	<u>46,962</u>
	<b>CAPITAL ASSETS, NET</b> 333,957

#### NET OPEB ASSET

2,177

#### RESTRICTED ASSETS

Cash and cash equivalents	<u>4,063</u>
	<b>TOTAL RESTRICTED ASSETS</b> 4,063

#### CURRENT ASSETS

Cash and cash equivalents	70,173
Restricted cash and cash equivalents	996
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of \$11,893	9,922
Recoverable costs of purchased power	528
Unbilled revenue	6,874
Due from other City of Cleveland departments, divisions or funds	2,328
Materials and supplies	10,155
Prepaid expenses	<u>383</u>
	<b>TOTAL CURRENT ASSETS</b> 101,359
	<b>TOTAL ASSETS</b> <u>441,556</u>

#### DEFERRED OUTFLOWS OF RESOURCES

Unamortized loss on debt refunding	21,813
Pension	2,706
OPEB	<u>1,182</u>
	<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> <u>25,701</u>



# CITY OF CLEVELAND, OHIO

## DEPARTMENT OF PUBLIC UTILITIES DIVISION OF CLEVELAND PUBLIC POWER STATEMENT OF NET POSITION

December 31, 2021

(Amounts in Thousands)

### NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

#### NET POSITION

Net investment in capital assets	\$ 168,111
Restricted for capital projects	177
Restricted for debt service	2,683
Unrestricted	18,418
<b>TOTAL NET POSITION</b>	<b>189,389</b>

#### LIABILITIES

##### LONG-TERM OBLIGATIONS-excluding amounts due within one year

Accrued wages and benefits	589
Accreted interest payable	29,247
Revenue bonds	179,364
Net pension liability	20,179
Other	805
<b>TOTAL LONG-TERM OBLIGATIONS</b>	<b>230,184</b>

##### CURRENT LIABILITIES

Accounts payable	10,640
Other accrued expenses	427
Customer deposits and other liabilities	424
Current portion of accrued wages and benefits	3,183
Due to other City of Cleveland departments, divisions or funds	98
Accrued interest payable	800
Current payable from restricted assets	996
Current portion of long-term debt, due within one year	9,485
<b>TOTAL CURRENT LIABILITIES</b>	<b>26,053</b>
<b>TOTAL LIABILITIES</b>	<b>256,237</b>

##### DEFERRED INFLOWS OF RESOURCES

Excess purchased power costs	6,771
Pension	8,206
OPEB	6,654
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>21,631</b>

See notes to financial statements.

**This page intentionally left blank.**

# CITY OF CLEVELAND, OHIO

**DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended December 31, 2021  
(Amounts in Thousands)**

---

**OPERATING REVENUES**

Charges for services	\$ 196,958
<b>TOTAL OPERATING REVENUES</b>	<u>196,958</u>

**OPERATING EXPENSES**

Purchased power	125,770
Operations	10,715
Maintenance	17,486
Depreciation	21,333
<b>TOTAL OPERATING EXPENSES</b>	<u>175,304</u>

**OPERATING INCOME (LOSS)** 21,654

**NON-OPERATING REVENUE (EXPENSE)**

Investment income	27
Interest expense	(11,826)
Amortization of bond premiums and discounts	2,159
Gain (loss) on disposal of assets	(5,465)
Other	5,992
<b>TOTAL NON-OPERATING REVENUE (EXPENSE), NET</b>	<u>(9,113)</u>

**INCREASE (DECREASE) IN NET POSITION** 12,541

**NET POSITION AT BEGINNING OF YEAR** 176,848

**NET POSITION END OF YEAR** \$ 189,389

See notes to financial statements.

# CITY OF CLEVELAND, OHIO

## DEPARTMENT OF PUBLIC UTILITIES DIVISION OF CLEVELAND PUBLIC POWER

### STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

(Amounts in Thousands)

---

#### CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 196,453
Cash payments to suppliers for goods or services	(18,070)
Cash payments to employees for services	(18,434)
Cash payments for purchased power	(126,922)
Electric excise tax payments to custodial fund and other	<u>(3,302)</u>

**NET CASH PROVIDED BY (USED FOR)  
OPERATING ACTIVITIES**

29,725

#### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Electric excise tax receipts	<u>5,944</u>
------------------------------	--------------

**NET CASH PROVIDED BY (USED FOR) NONCAPITAL  
FINANCING ACTIVITIES**

5,944

#### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(10,682)
Principal paid on long-term debt	(9,030)
Interest paid on long-term debt	<u>(6,847)</u>

**NET CASH PROVIDED BY (USED FOR) CAPITAL AND  
RELATED FINANCING ACTIVITIES**

(26,559)

#### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on investments	<u>27</u>
----------------------------------	-----------

**NET CASH PROVIDED BY (USED FOR)  
INVESTING ACTIVITIES**

27

**NET INCREASE (DECREASE) IN  
CASH AND CASH EQUIVALENTS**

9,137

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

66,095

**CASH AND CASH EQUIVALENTS, END OF YEAR**

\$ 75,232

**CITY OF CLEVELAND, OHIO**  
**DEPARTMENT OF PUBLIC UTILITIES**  
**DIVISION OF CLEVELAND PUBLIC POWER**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2021**  
**(Amounts in Thousands)**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO  
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

<b>OPERATING INCOME (LOSS)</b>	<b>\$ 21,654</b>
Adjustments:	
Depreciation	21,333
(Increase) decrease in assets:	
Accounts receivable, net	2,337
Recoverable costs of purchased power	125
Unbilled revenue	645
Due from other City of Cleveland departments, divisions or funds	(60)
Materials and supplies, net	(1,480)
Prepaid expenses	(2)
Net OPEB asset	(2,177)
(Increase) decrease in deferred outflows of resources:	
Pension	1,306
OPEB	1,485
Increase (decrease) in liabilities:	
Accounts payable	(521)
Other accrued expenses	(3)
Customer deposits and other liabilities	2
Accrued wages and benefits	192
Due to other City of Cleveland departments, divisions or funds	(456)
Other long-term liabilities	(251)
Net pension liability	(6,074)
Net OPEB liability	(17,316)
Increase (decrease) in deferred inflows of resources:	
Excess purchased power costs	2,157
Pension	2,772
OPEB	4,057
<b>TOTAL ADJUSTMENTS</b>	<b>8,071</b>
<b>NET CASH PROVIDED BY (USED FOR)</b>	
<b>OPERATING ACTIVITIES</b>	<b>\$ 29,725</b>

**SCHEDULE OF NONCASH CAPITAL AND RELATED  
FINANCING ACTIVITIES:**

Accounts payable related to capital assets	\$ 996
--	--------

See notes to financial statements.







































































