

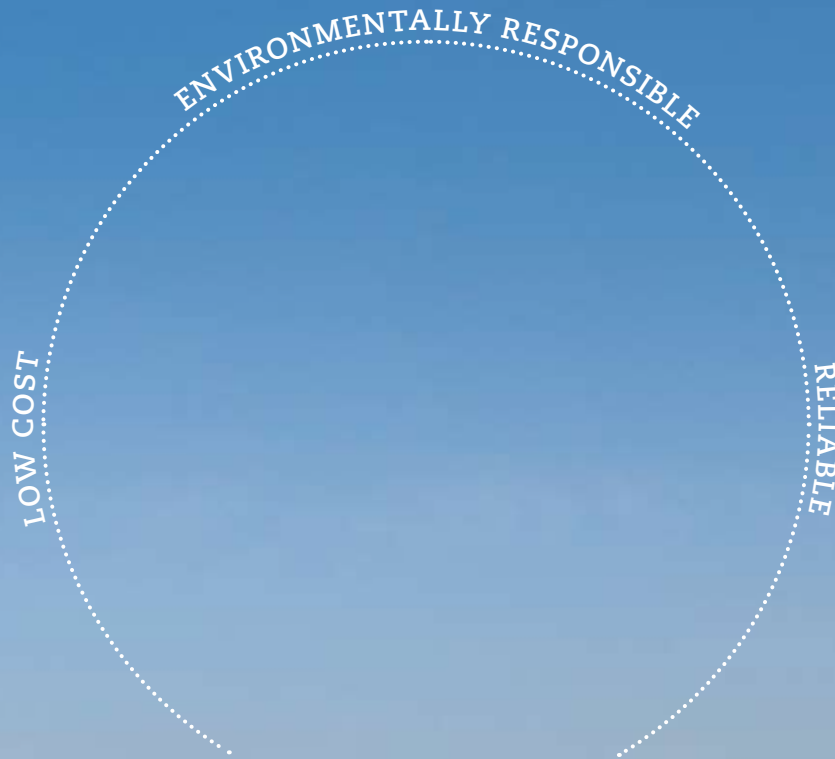


IMPA
2010
Annual Report

Indiana Municipal Power Agency

A STRATEGIC BALANCE OF..





POWER

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2010 Letter TO MEMBERS

Low Cost, Reliable, Environmentally Responsible.



Since the Indiana Municipal Power Agency (IMPA) formed in the early 1980's, balancing these three objectives has been vital to our core mission. Every day, we walk a fine line balancing our generation, purchased power and transmission portfolio in order to provide our members with a low cost, reliable and environmentally-responsible power supply.

IMPA experienced the challenges of maintaining this balance even more so in 2010 than in prior years. Balancing the needs of our members with reliable resources. Balancing our desire to provide low-cost power while meeting a growing list of environmental regulations. Finding the appropriate balance for energy efficiency initiatives in our growing electric generation portfolio. While we are not at the end of our journey, we have been successful at managing the daily balance of our operations while looking ahead to the challenges that lie in the future.

IMPA prepared to expand its diverse portfolio of resources in 2010 with two, state-of-the-art supercritical coal-fired boiler power plant projects. As the year drew to a close, the Agency saw its Trimble County Unit 2 construction project nearing completion. Trimble County Unit 2 adds approximately 100 megawatts (MW) of baseload capacity to IMPA's portfolio. The Agency also saw significant progress made on the Prairie State Energy Campus,

a 1,600 MW state-of-the-art power plant and coal mine being constructed in Illinois. Together, these projects will add to IMPA's generation portfolio and increase our self-sufficiency by reducing the amount of power we purchase from others as well as limit exposure to market volatility.

"...these projects will add to IMPA's generation portfolio and increase our self-sufficiency by reducing the amount of power we purchase from others."

Another element added to IMPA's strategic balance in 2010 was energy efficiency. In September, the Agency's Board of Commissioners voted to participate in the Indiana statewide energy efficiency program being developed by the Indiana Utility Regulatory Commission. After a delay in the implementation of the statewide program at year-end, IMPA moved forward with developing its own commercial and industrial energy efficiency program to bring energy savings to members and their customers in 2011.

In June 2010, the US Department of Energy announced that IMPA, on behalf of 20 member communities, would receive a \$5 million Energy Efficiency and Conservation Block grant for an energy efficient street light project. During 2010, the participating member communities began retrofitting approximately 8,500 street lights in their communities with energy efficient Light Emitting Diode (LED) and Light Emitting Plasma (LEP) street lights. The communities are expected to complete the street light conversion in early 2011. In addition to reducing their electricity usage through more efficient street lighting, it is estimated that these communities will jointly save over \$140,000 annually as a result of the change. Each of these IMPA Members has committed to reinvesting half of their annual savings toward other energy efficiency programs in their communities for the next five years.

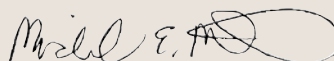
“IMPA members have committed to reinvesting half of their annual savings toward other energy efficiency programs.”

IMPA kept a close eye on potential federal climate change legislation as it dominated the news for much of 2009 and 2010. The Agency spent considerable time educating our federal legislators about the impact such legislation could have on Indiana electric customers. While no legislation was ultimately passed affecting greenhouse gas emissions, the issue has not gone away. The US Environmental Protection Agency continues to pursue regulation of greenhouse gases. As with all challenges the Agency faces, we will be mindful of any future regulations that affect IMPA and its members and will work to balance them with our overall portfolio of resources.

While low-cost power, reliable operations, and environmentally-responsible initiatives are each of separate concern, they must function together for IMPA to thrive. For over 25 years, IMPA’s proven record of success has relied on the strategic balance of all three.



Rajeshwar G. Rao, President and CEO



Michael E. Martin, Chairman



Trimble County Station

**Low Cost, Reliable,
Environmentally Responsible**



IMPA Solar Panels



Crystal Lake Wind Energy Center

New

GENERATING RESOURCES

For IMPA, a strategic balance is found in its mix of generating resources. As IMPA's load has grown over the years, the Agency has expanded its generation and transmission assets to ensure a balanced mix of generation ownership and purchased power. The foundation of IMPA's portfolio rests on its reliable baseload generation units, available 24 hours a day, seven days a week to meet the load demands of members throughout the state. IMPA has been working toward the completion of two projects, Trimble County Unit 2 and the Prairie State Energy Campus. When completed, together these projects will add 300 megawatts (MW) of baseload generation to IMPA's portfolio and will further support the Agency's objective of providing a low-cost and reliable power supply. Additionally, the units will achieve some of the highest standards of efficiency and emissions control, placing them among the top tier of coal-fired plants nationwide in per unit carbon dioxide (CO₂) emissions and removal of sulfur dioxide (SO₂), nitrogen oxide (NO_x), and particulate matter.





TRIMBLE COUNTY UNIT 2

IMPA and its partners at Trimble County Station first broke ground on Trimble County Unit 2 in 2006. As 2010 drew to a close, IMPA saw the conclusion of four years of work. By December 31, Unit 2 was essentially finished and had completed much of the commissioning phase. The unit began providing approximately 100 MW of capacity to the Agency's members in January 2011.

Trimble County Unit 2 is a nominal 750 MW, coal-fired supercritical steam unit constructed at the same site as Trimble County Unit 1. The design for Unit 2 provides for fuel flexibility, allowing the use of blended or unblended fuels. This flexibility will enable IMPA to take advantage of potential price advantages of different fuels while meeting the plant's stringent air emission requirements. Additionally, by adding the second unit at Trimble County Station, the two units are able to share resources such as common facilities, fuel, limestone, chemicals, and the transmission interconnection.

Trimble County Unit 2 utilizes state-of-the art emission control technologies including a selective catalytic reduction system, a dry electrostatic precipitator, a baghouse, wet flue gas desulfurization system and a wet electrostatic precipitator.

TRIMBLE COUNTY UNIT 2 AND THE PRAIRIE STATE ENERGY CAMPUS WILL FURTHER ENHANCE THE AGENCY'S BASELOAD CAPACITY RESOURCES.

PRAIRIE STATE ENERGY CAMPUS

The Prairie State Energy Campus is a 1,600 MW mine-mouth coal-fired generating station and mine currently being constructed in southern Illinois. The facility will feature two supercritical units, each with a net output capacity of 800 MW. The generating station is being built adjacent to underground coal reserves owned by IMPA and the other project participants. The campus includes the Lively Grove mine, which is expected to supply all of the fuel for the generating station for approximately 30 years. As the price of the coal reserves has already been locked in for 30 years, IMPA will benefit from the low-cost fuel that the plant will use.

The generating station will utilize state-of-the art emission control technologies including a selective catalytic reduction system, a dry electrostatic precipitator, wet flue gas desulfurization system and a wet electrostatic precipitator.

The generating station and the Lively Grove Mine are managed by the Prairie State Generating Company (PSGC), a project company administered by Prairie State Energy Campus Management, Inc. (PSECM). The PSECM's Board of Directors consists of senior executives from the Prairie State participating entities.

At the end of 2010, the generating station was approximately 63 percent complete. A substantial amount of work was completed on the Unit 1 and Unit 2 boilers as well as work on the rest of the power block, including erection of both cooling towers. Additionally, the Lively Grove Coal Mine was 70 percent complete at year-end and on schedule. Unit 1 of the generating station is expected to be in service in 2011 and Unit 2 is expected to be operational in 2012. Once complete, the units will reliably provide 200 MW of low-cost and environmentally responsible baseload power to serve IMPA members' customers, further reducing IMPA's dependence on purchased power and limiting exposure to market volatility.

To better manage the overall costs and a timely completion of construction, PSGC and the project's engineering, procurement and construction (EPC) contractor – Bechtel Power Corporation – reached a revised EPC agreement in 2010 that provides a fixed price for the total cost of constructing the power plant. The agreement provides greater price certainty, further supporting IMPA's desire to provide low-cost, reliable, environmentally-responsible power.

Member communities show continued support of Agency



Huntingburg, Indiana

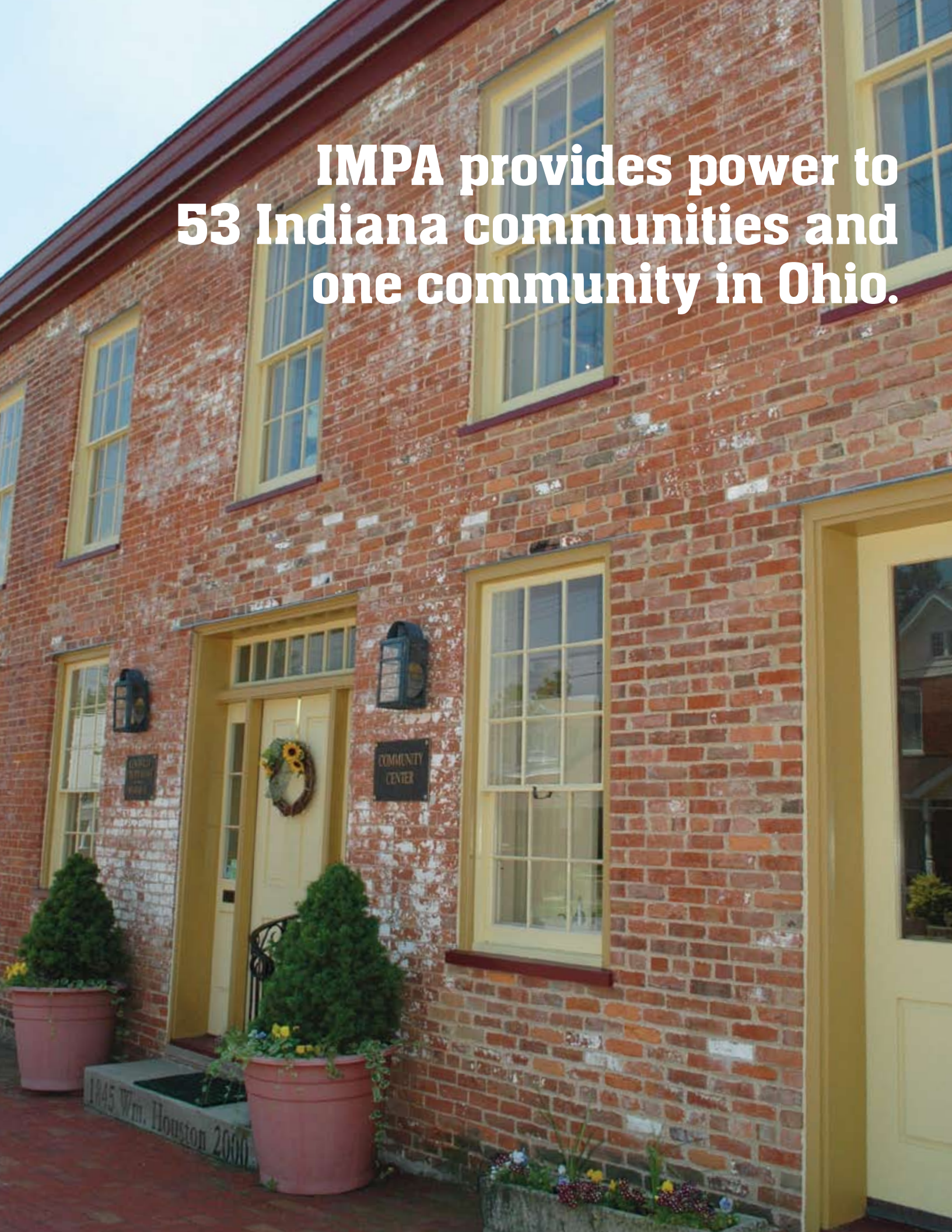
Sixteen IMPA members reaffirmed their commitment to the Agency in 2010, electing to continue their membership with IMPA through 2042. When these members joined IMPA several years ago, they were provided a one-time option to terminate their Power Sales Contracts on December 31, 2012 by providing notice to IMPA by December 31, 2010. All sixteen communities, representing approximately 7.6 percent of IMPA's load, chose to remain members of the Agency. With this commitment, the contracts of 52 of IMPA's 53 member communities will continue through 2042 with automatic extensions, unless a member provides a ten year notice of termination after 2032.

IMPA welcomes a new member community – Straughn, Indiana

In December of 2010, IMPA welcomed another municipal electric community to its membership: Straughn. With its addition, 53 Indiana communities are now members of the Agency. Straughn joins IMPA's 52 other members and the Village of Blanchester, Ohio in contributing to the Agency's mission of serving the electric needs of more than 320,000 Indiana and Ohio residents.

IMPA was created in 1980 by a group of municipally-owned electric utilities so they could share power resources, allowing them to provide electricity more economically to their electric customers. As a member of IMPA, Straughn purchases all of its power requirements through the Agency and delivers that power to the community's residents and businesses. In addition, Straughn secures a place on IMPA's Board of Commissioners, the decision-making body for the Agency.

**IMPA provides power to
53 Indiana communities and
one community in Ohio.**

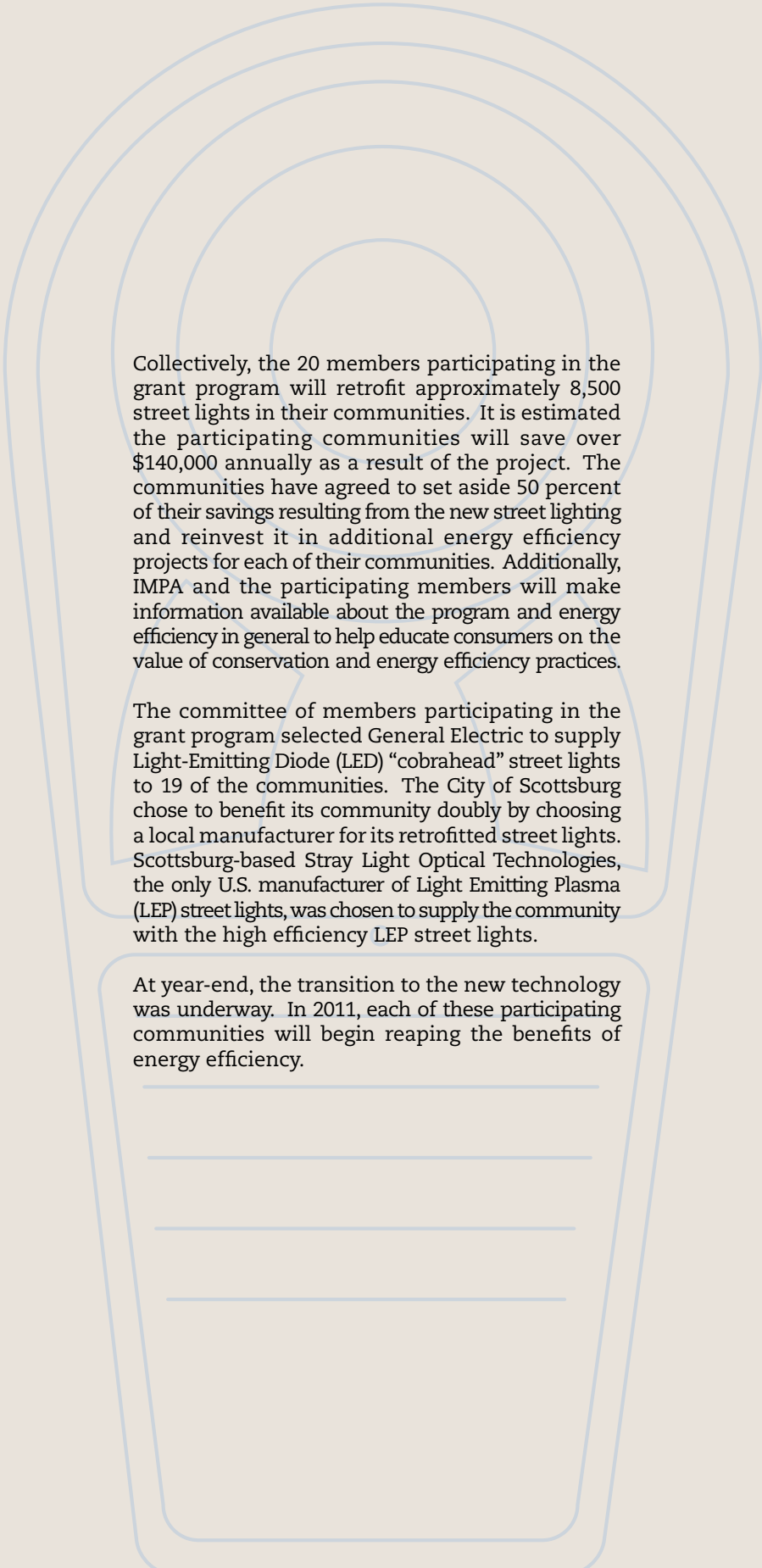




Street Lighting

GRANT

In June 2010, IMPA was awarded a federal Energy Efficiency and Conservation Block Grant on behalf of 20 of its members. The grant, given by the US Department of Energy and administered through the American Recovery and Reinvestment Act, provided \$5 million to the Agency on behalf of the member communities to implement local street light retrofitting programs. Grant recipients were selected based upon their plan to creatively reduce energy use by American homes, vehicles and businesses.



Collectively, the 20 members participating in the grant program will retrofit approximately 8,500 street lights in their communities. It is estimated the participating communities will save over \$140,000 annually as a result of the project. The communities have agreed to set aside 50 percent of their savings resulting from the new street lighting and reinvest it in additional energy efficiency projects for each of their communities. Additionally, IMPA and the participating members will make information available about the program and energy efficiency in general to help educate consumers on the value of conservation and energy efficiency practices.

The committee of members participating in the grant program selected General Electric to supply Light-Emitting Diode (LED) “cobrahead” street lights to 19 of the communities. The City of Scottsburg chose to benefit its community doubly by choosing a local manufacturer for its retrofitted street lights. Scottsburg-based Stray Light Optical Technologies, the only U.S. manufacturer of Light Emitting Plasma (LEP) street lights, was chosen to supply the community with the high efficiency LEP street lights.

At year-end, the transition to the new technology was underway. In 2011, each of these participating communities will begin reaping the benefits of energy efficiency.

Renewable Energy

DEMONSTRATION

In 2010, IMPA installed renewable energy resources at its office building as a demonstration project. As an added incentive, IMPA received a \$40,000 matching grant from the Indiana Office of Energy Development, Office of the Lieutenant Governor. The project includes 27 solar panels capable of producing 6.35 kilowatts (kW) of renewable capacity, a wind turbine with a maximum capacity of 1.5 kW and a solar water heater expected to meet the hot water demands of IMPA's office building. The solar panels went online in March 2010, and the wind turbine was completed in September 2010.

Although the renewable energy project only meets a fraction of the IMPA headquarters' total energy needs, the newly installed resources are also being used as an educational tool for IMPA, its member communities and their customers. IMPA provides tours of the new renewable energy resources as requested, and real-time generation information is available on IMPA's website at www.impa.com.



Solar panels line the roof of IMPA's office building.

Energy Efficiency

In 2010, IMPA added another element to its strategic balance—energy efficiency. On September 24, the IMPA Board of Commissioners voted to participate in the Indiana statewide energy efficiency program being developed by the Indiana Utility Regulatory Commission and a coalition of 14 utilities, including IMPA on behalf of all its members. Just as economies of scale have brought energy savings to IMPA's members for over 25 years, IMPA's participation in the statewide energy efficiency program is expected to bring economies of scale to the Agency's energy efficiency initiatives.

Designed as a menu of services, the program will allow consumers to determine their own level of participation in energy efficiency. Programs of this scope have seen success in other states, including several in the Midwest. The statewide program was initially expected to be available to customers beginning January 1, 2011, but experienced a delay near year-end. Mindful of the desire to meet energy efficiency goals, IMPA began making plans to offer energy efficiency programs to commercial and industrial customers in member communities beginning in early 2011.

IMPA recognizes that energy efficiency is an investment for consumers and utilities. For every dollar that is put into energy efficiency, the Agency anticipates its members and consumers will realize three dollars in savings. It is an economic, reliable, and environmentally-responsible solution that fits readily into IMPA's strategically balanced portfolio of resources.



A 1.5 kW wind turbine stands outside IMPA's office building.

Energy Policy

WHAT A DIFFERENCE A YEAR MAKES

In 2009, federal legislation addressing climate change and CO₂ emission reductions seemed inevitable. While legislation could still be in the works, the approach going forward may be very different.

In May 2009, the US House of Representatives Energy and Commerce Committee approved the American Clean Energy and Security Act, H.R. 2454 (the Waxman-Markey Bill), a comprehensive piece of legislation setting out the rules of the road for a sweeping overhaul of US energy and climate policy. Dubbed the “cap and trade bill”, the 900-page plus legislation set limits on CO₂ and other greenhouse gas (GHG) emissions that scientists say are a major factor in global warming. In late June 2009, the US House of Representatives mustered just enough votes to pass what had become a 1000-page plus comprehensive climate change bill. Strikingly similar legislation was considered in the Senate in the fall of 2009. Ultimately, a climate change bill was not passed in 2010.

Advocates of the proposed legislation argued that the climate bill would reduce the amount of harmful carbon emissions that contribute to global warming, creating jobs and ultimately reducing the cost of energy for consumers. Opponents argued that passage of the bill would drastically increase the price of electricity for consumers and ultimately drive the economy further into despair. Specifically in Indiana, where over 90 percent of electricity is generated by coal, much concern was raised as to the bottom-line cost impact that the legislation could have on Hoosier electric customers. The same concerns were shared throughout the Midwest region, where coal is also a significant resource.

While climate change legislation was ultimately not passed, environmental regulations have moved to the forefront. The US Environmental Protection Agency (EPA) is on course to regulate CO₂ and other GHG emitting entities under the Clean Air Act beginning in January 2011. As with any endeavor that could potentially affect IMPA's services to its members or Indiana's electric prices, the Agency continues to actively monitor federal and state activities while educating member communities and legislators on the impact of potential legislation and regulation.



Gayle Mayo

After 23 years with the Indiana Municipal Power Agency, IMPA's Executive Vice President and Chief Operating Officer Gayle Mayo retired from the Agency on August 15.

Gayle began her career in the utility industry at Burns & McDonnell, a full service engineering, architecture, construction and consulting firm. She joined IMPA in 1987 as the Agency's Director of Engineering and later served as Executive Vice President and COO for the last seven years until her retirement.

Among her accomplishments, Gayle played an integral role in the expansion of the Agency's generation portfolio. She was not only involved in negotiations for IMPA's ownership in Trimble County Unit 1, she served that role again in the more recent negotiations for the construction of Trimble County Unit 2 and the Prairie State Energy Campus. When charged with the task of building IMPA's combustion turbines located in Anderson and Richmond, Gayle tackled the job with enthusiasm and determination despite having no prior experience with building combustion turbines at that time.



During her tenure with IMPA, Gayle dedicated her time and energy to a variety of organizations, including the American Public Power Association (APPA) and the North American Electric Reliability Corporation (NERC). She served on many APPA committees, including a stint as Chair of the Engineering and Operations section. She also served as Chair of the NERC Operating Committee.

IMPA IS ETERNALLY GRATEFUL
FOR GAYLE'S DEDICATION AND
CONTRIBUTIONS TO THE AGENCY.

IMPA and its Board of Commissioners work to balance the Agency's generation, purchased power and transmission portfolio...

... to provide public power members with a low cost, reliable, environmentally-responsible power supply.

INDIANA MUNICIPAL POWER AGENCY



2010 IMPA Commissioners

1st row left to right:

Jim Nelson, Bainbridge
Mike Davis, Bargersville
Mike Martin, Lebanon
Kathryn Tiede Chrapliwy, Walkerton
Sue Saunders, Lewisville
Eileen Hall, Etna Green
Sue Bovard, Rising Sun
Beverly Stout, Waynetown
Tim Montague, Bremen
Roger Merriman, Peru

2nd row:

Jim Mardis, Pittsboro
Phil Mahoy, Darlington
Jim Conner, Winamac
Brent Slover, Linton
Jim Hanson, Middletown
Robin Minnemann, Dunreith
Anita Ash, Washington
Chuck Everett, Flora
Steve Saum, Richmond
Tom Donoho, Anderson
Mike Jenner, Edinburgh
Mayor Herb Arihood, Rensselaer

3rd row:

Wayne Henry, Jamestown
Dave Reep, Tipton
Marlow Smethurst, Tell City
Rosalie Jacobs, Kingsford Heights
Ray Smith, Gas City
Rich Hazlewood, Huntingburg
Mayor Brad DeReamer, Greenfield

4th Row:

Jeff Lane, Spiceland
Phil Goode, Crawfordsville
Larry Whetstone, Columbia City
Jerry Schitter, Jasper
Mayor Bill Graham, Scottsburg
Gary Moody, Thorntown

Not Pictured:

Mike Booher, Advance
John Archambeault, Argos
Ram Reddy, Blanchester, OH
Becky McGlauchlen, Brooklyn
Max Eldridge, Brookston
Doug Dillman, Centerville
Perry Hughes, Chalmers
Mayor Brad Crain, Covington
Dennis Lynch, Dublin

Steve Miller, Frankfort
Kathy Hudson, Frankton
Mayor Doug Hedrick, Greendale
Mel Matlock, Knightstown
Jeremy Chadwick, Ladoga
Mel Davis, Lawrenceburg
Gary Barnett, Paoli
Doug McGee, Pendleton
Norm Camerer, Rockville
Stacy Smith, Straughn

INDIANA MUNICIPAL POWER AGENCY



2010 IMPA Management

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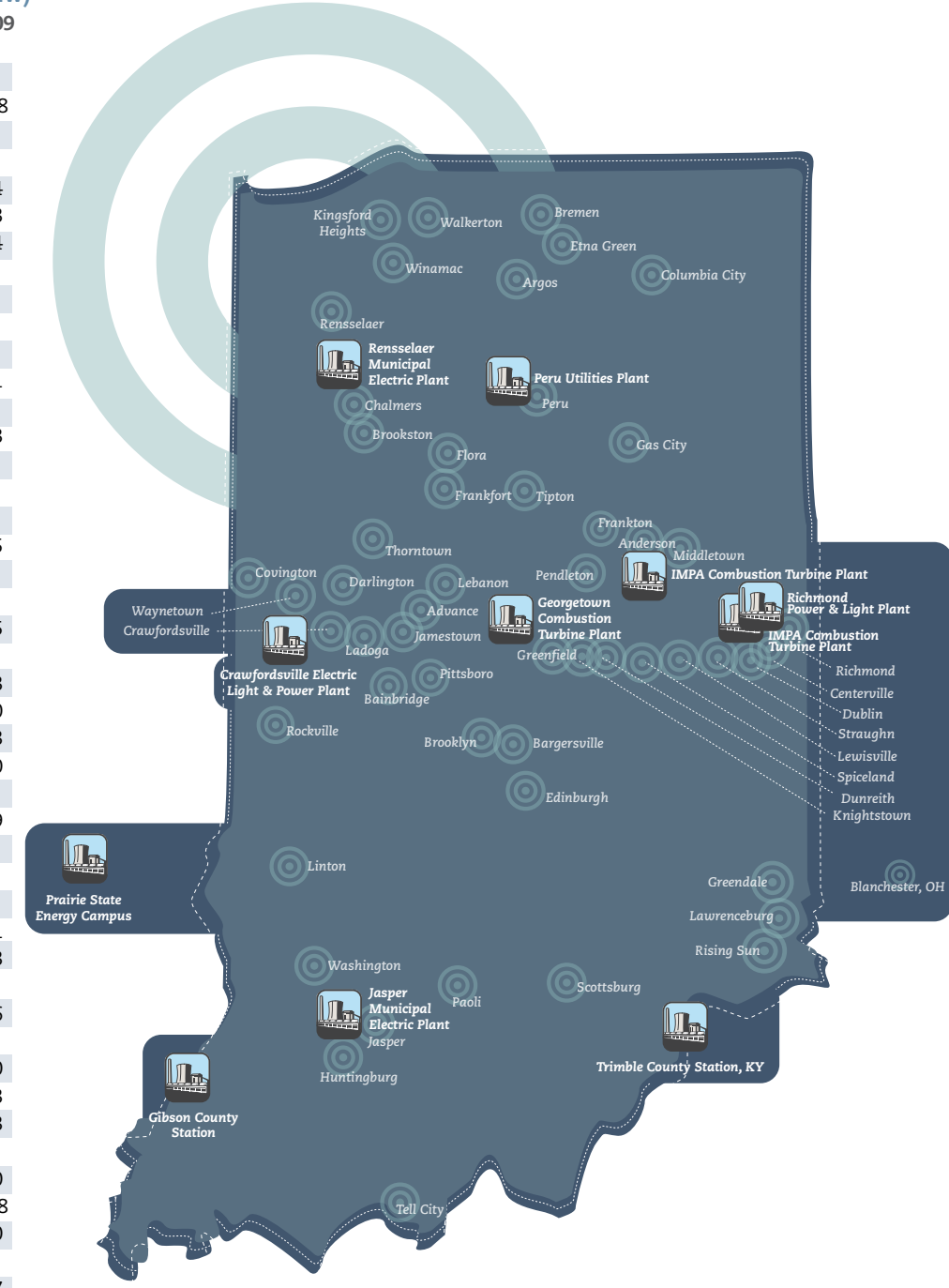
- Bev Matthews, Vice President – Rates and Billing
- Chris Rettig, Senior Vice President and Chief Financial Officer
- Raj Rao, President and CEO
- Jack Alvey, Senior Vice President – Generation
- Doug Buresh, Senior Vice President – Planning and Operations
- Kris Wheeler, Vice President and Staff Counsel
- Maria Grossman, Vice President and Controller

2nd row:

- Carolyn Wright, Vice President – Government and Member Services
- Kerry Vincent, Vice President and General Manager – ISC
- Frank Smardo, Vice President – Market Operations
- Joel Roper, Assistant Vice President – Electrical Engineering
- Larry Brown, Vice President – Resource Planning

MEMBER POPULATION AND USAGE

IMPA Member	Population [^]	Peak Usage (MW)	
		2010	2009
Advance	590	1	1
Anderson	57,189	180	168
Argos	1,810	4	4
Bainbridge	753	2	1
Bargersville	3,462	15	14
Blanchester, OH †	4,296	13	13
Bremen	4,651	25	24
Brooklyn	1,496	2	2
Brookston	1,546	3	3
Centerville	2,587	5	5
Chalmers	459	1	1
Columbia City	8,369	22	21
Covington	2,398	7	6
Crawfordsville	15,090	76	73
Darlington	828	4	4
Dublin	647	1	1
Dunreith	175	1	1
Edinburgh	4,724	18	15
Etna Green	629	1	1
Flora	2,070	5	5
Frankfort	16,502	71	65
Frankton	1,888	4	4
Gas City	5,666	14	13
Greendale	4,400	19	20
Greenfield	19,393	69	63
Huntingburg	6,065	22	20
Jamestown	1,014	2	2
Jasper	14,140	74	69
Kingsford Heights	1,410	2	2
Knights town	1,995	6	5
Ladoga	1,065	2	2
Lawrenceburg	4,828	33	31
Lebanon	15,706	46	43
Lewisville	347	1	1
Linton	5,673	18	16
Middletown	2,333	5	4
Paoli	3,872	11	10
Pendleton	5,610	15	13
Peru	12,217	51	53
Pittsboro	2,632	3	3
Rensselaer	6,333	22	20
Richmond	36,569	169	158
Rising Sun	2,408	10	10
Rockville	2,561	8	7
Scottsburg	5,932	28	27
Spiceland	865	3	2
Straughn *	230	-	-
Tell City	7,473	38	35
Thorntown	1,627	4	3
Tipton	4,999	23	22
Walkerton	2,177	8	8
Washington	11,637	42	39
Waynetown	880	2	2
Winamac	2,464	15	13
Total	326,680	1,226	1,148



[^] Data obtained from U.S. Census Bureau. Population figures shown are estimates as of July 1, 2009.
 † Wholesale power customer.
 * New member as of December 1, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Indiana Municipal Power Agency's (IMPA or the Agency) consolidated financial performance provides an overview of the Agency's activities for the fiscal year ended December 31, 2010. It should be read in conjunction with the basic consolidated financial statements and the accompanying notes.

Consolidated Financial Statements

The consolidated financial statements presented herein include all of the activities of IMPA and its affiliate ISC, Inc. (ISC). The Agency substantially follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. These statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. IMPA has implemented all Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. ISC is a not-for-profit service corporation formed by IMPA to provide non-power supply services to IMPA members and other municipal entities. ISC's revenues and expenses are reported in IMPA's consolidated statements of revenues, expenses and changes in net assets in other revenues and other non-operating expenses, respectively.

The consolidated statements of revenues, expenses and changes in net assets and cash flows present information about IMPA's business activities. The consolidated balance sheets report year-end assets, liabilities and net assets based on the original cost adjusted for any depreciation, amortization or unrealized gains/losses, as appropriate. Over time, increases in the Agency's net assets are one indicator of its financial strength. Other factors to consider are the Agency's wholesale electric rates and its ability to maintain or exceed the debt service coverage levels required by its bond resolution.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

Operating revenues, which are composed of sales to municipalities and other revenues, increased approximately \$7.5 million (2.0%). Sales to municipalities increased approximately \$24.1 million (6.9%) in 2010 compared to 2009. The 2010 increase in sales to municipalities was primarily a result of increased unit sales of electricity, 5.2% increase in energy units and 3.8% increase in demand units, and an increase in average rates charged to members of approximately 1.6%. Other revenues declined approximately \$16.6 million (64.1%) in 2010 compared to 2009. During 2010, IMPA had lower quantities of excess power available for off-system sales due to higher member energy and demand needs.

Operating expenses increased approximately \$0.9 million (0.3%) during 2010 compared to 2009. Purchased power, fuel and production expenses declined approximately \$9.0 million (3.0%) due primarily to lower purchased power costs in 2010. Other operating expenses increased approximately \$8.8 million (24.6%). The primary driver of higher other operating expenses in 2010 was increased maintenance costs. In late 2010, Gibson Unit 5 experienced an unplanned outage. While Gibson Unit 5 was down, the unit's owners, including IMPA, elected to perform a portion of the maintenance on the unit that was previously scheduled to be performed in 2011 and 2013. As a result, maintenance expenses increased approximately 60% in 2010 over 2009 levels.

Non-operating expenses decreased approximately \$3.5 million (18.9%), due primarily to lower interest costs on IMPA's outstanding bonds.

Higher than normal summer temperatures resulted in record energy sales of 6.1 million megawatt hours and a new system peak of 1,226 megawatts for IMPA in 2010. The combination of higher energy and demand unit sales, lower other operating revenues, slightly higher net operating expenses, lower non-operating expenses, and an increase in net income of \$10.1 million (288.6%) over 2009 resulted in an increase in IMPA's average cost per kilowatt hour of 1.6%, from 6.03 cents in 2009 to 6.125 cents in 2010.

Condensed Consolidated Statements of Revenues, Expenses and Changes in Net Assets

(in millions)

	2010	2009
Sales to municipalities (used as security for revenue bonds)	\$ 374.4	\$ 350.3
Other revenues	9.3	25.9
Operating Revenues	383.7	376.2
Purchased power, fuel, and production expense	291.7	300.7
Transmission and local facilities	18.8	17.7
Other operating expenses	44.6	35.8
Operating Expenses	355.1	354.2
Operating Income	28.6	22.0
Interest expenses and other debt related expenses	18.8	23.4
Interest income	(6.0)	(5.0)
Other non-operating expenses	2.2	0.1
Non-Operating Expenses	15.0	18.5
Net Income	13.6	3.5
Net Assets at Beginning of Year	141.1	137.6
Net Assets at End of Year	\$ 154.7	\$ 141.1

Consolidated Balance Sheets

Utility plant, net, has increased approximately \$244.2 million, primarily from the construction of both the Trimble County Unit 2 and Prairie State Projects.

On October 14, 2010, IMPA closed on the issuance of approximately \$123.6 million of power supply system revenue bonds (2010 A Bonds) and approximately \$20.2 million of power supply system refunding revenue bonds (2010 B Bonds). Proceeds of the 2010 A Bonds are being used for the construction of the Prairie State Project. Proceeds of the 2010 B Bonds were used to refund the 1999 A Bonds, which were previously callable.

Net assets increased approximately \$13.6 million, reflecting IMPA's 2010 net income. The major changes in components of net assets include: capital additions net of disposals of approximately \$259.5 million; depreciation expense of approximately \$15.5 million; and principal payments on revenue bonds of \$22.9 million.

Condensed Consolidated Balance Sheets

(in millions)

	2010	2009
Utility plant, net	\$ 1,058.4	\$ 814.2
Cash and investments	351.1	473.4
Other current assets	77.3	68.9
Deferred costs	63.6	71.9
Total Assets	\$ 1,550.4	\$ 1,428.4
Invested in capital assets, net of related debt	\$ (247.7)	\$ (391.6)
Restricted	258.2	386.2
Unrestricted	144.2	146.5
Total Net Assets	154.7	141.1
Non-current liabilities	1,290.7	1,155.8
Current liabilities	105.0	131.5
Total Liabilities	1,395.7	1,287.3
Total Net Assets and Liabilities	\$ 1,550.4	\$ 1,428.4

Debt Service Coverage

Debt service coverage for 2010 was 129.6%. The Agency's bond resolution requires debt service coverage to be at least 110%.

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(in thousands)

For the Years Ended December 31,	2010	2009
Operating Revenues		
Sales to municipalities (used as security for revenue bonds)	\$ 374,395	\$ 350,351
Other revenues	9,278	25,889
Total Operating Revenues	383,673	376,240
Operating Expenses		
Purchased power	249,291	258,759
Fuel	31,423	30,933
Production	10,980	11,027
Transmission and local facilities	18,792	17,673
Other operating	8,989	8,760
Maintenance	11,969	7,515
Depreciation	15,459	15,772
Future recoverable costs	8,181	3,804
Total Operating Expenses	355,084	354,243
Operating Income	28,589	21,997
Non-Operating Expenses (Income)		
Interest expense on revenue bonds	18,833	21,086
Amortization of debt costs	2,026	2,413
Interest income	(6,030)	(5,042)
Other non-operating expenses	158	129
Total Non-Operating Expenses (Income)	14,987	18,586
Net Income	13,602	3,411
Net Assets at Beginning of Year	141,070	137,659
Net Assets at End of Year	\$ 154,672	\$ 141,070

The accompanying notes are an integral part of the above statements.

CONSOLIDATED BALANCE SHEETS

(in thousands)

December 31,	2010	2009
Assets		
Utility Plant		
Utility plant in service	\$ 516,026	\$ 506,491
Less accumulated depreciation	(242,109)	(226,855)
	273,917	279,636
Construction work in progress	784,528	534,580
Total Utility Plant, Net	1,058,445	814,216
Long-Term Investments	107,225	171,908
Restricted Cash and Cash Equivalents	149,917	262,464
Current Assets		
Unrestricted cash and cash equivalents	26,379	22,085
Short-term investments	67,543	17,002
Municipality accounts receivable	50,604	55,966
Fuel stock and material inventory	7,803	8,760
Other current assets	18,930	4,015
Total Current Assets	171,259	107,828
Deferred Costs		
Regulatory assets	52,152	61,392
Other	11,440	10,569
Total Deferred Costs	63,592	71,961
	\$ 1,550,438	\$ 1,428,377
Net Assets and Liabilities		
Net Assets		
Invested in capital assets, net of related debt	\$ (247,713)	\$ (391,626)
Restricted	258,198	386,174
Unrestricted	144,187	146,522
Total Net Assets	154,672	141,070
Non-Current Liabilities		
Long-term revenue bonds, net	1,281,818	1,145,942
Other non-current liabilities	4,593	5,963
Regulatory liabilities	4,313	3,935
Total Non-Current Liabilities	1,290,724	1,155,840
Current Liabilities		
Current maturities of revenue bonds	24,340	22,900
Current revenue bonds	-	37,000
Accounts payable	42,235	29,104
Accrued interest on revenue bonds	30,900	30,430
Accrued liabilities	7,567	12,033
Total Current Liabilities	105,042	131,467
	\$ 1,550,438	\$ 1,428,377

The accompanying notes are an integral part of the above statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

For the Years Ended December 31,	2010	2009
Cash Flows From Operating Activities:		
Receipts from municipalities	\$ 368,946	\$ 374,136
Other operating receipts	6,169	26,377
Payments for purchased power	(246,857)	(263,790)
Payments for fuel	(31,276)	(33,821)
Payments for production	(10,504)	(10,733)
Payments for transmission and local facilities	(18,342)	(17,712)
Payments for other operating expenses	(15,508)	(11,183)
Payments for maintenance	(10,570)	(7,189)
Net cash provided by operating activities	42,058	56,085
Cash Flows From Capital And Related Financing Activities:		
Net additions to utility plant	(211,206)	(177,457)
Proceeds from issuance of long-term debt	145,635	239,311
Principal payments on long-term debt	(45,675)	(20,795)
Interest payments	(60,475)	(50,191)
Net cash used in capital and related financing activities	(171,721)	(9,132)
Cash Flows From Investing Activities:		
Investment purchases	(4,162)	(121,170)
Maturities and called investments	17,186	45,525
Interest income and other	8,386	7,358
Net cash (used in) provided by investing activities	21,410	(68,287)
Net Increase (Decrease) in Cash and Cash Equivalents	(108,253)	(21,334)
Cash and Cash Equivalents at Beginning of Year	284,549	305,883
Cash and Cash Equivalents at End of Year	\$ 176,296	\$ 284,549
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 28,589	\$ 21,997
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	15,459	15,772
Future recoverable costs	8,181	3,804
Changes in current assets and liabilities		
Municipality accounts receivable	5,362	(5,586)
Fuel stock and material inventory	957	(2,269)
Accounts payable	4,595	687
Other	(21,085)	21,680
Net cash provided by operating activities	\$ 42,058	\$ 56,085

The accompanying notes are an integral part of the above statements

1. Organization and Significant Accounting Policies

Organization and Operations

Indiana Municipal Power Agency (IMPA or the Agency) is a body corporate and politic and a political subdivision of the State of Indiana. IMPA was created in June of 1980 by a group of municipalities for the purpose of jointly financing, developing, owning and operating electric generation and transmission facilities appropriate to the present and projected energy needs of its participating members. IMPA sells power to its members under long-term power sales contracts. The members resell the power to retail customers within their respective municipal service territories. IMPA's owned and member-dedicated generating capacity is 818 megawatts (MW) or 66.7% of non-coincident peak demand. The remainder of IMPA's power is purchased from other utilities under long-term contracts with varying terms and expiration dates. Power is delivered to members through: an integrated transmission system known as the Joint Transmission System (JTS), jointly-owned by IMPA, Duke Energy Indiana, Inc. (DEI), Duke Energy Ohio, Inc. (DEO), and Wabash Valley Power Association (WVPA); leasing arrangements with member utilities; and transmission service arrangements with other utilities and regional transmission organizations.

IMPA began serving the Town of Straughn (Straughn) on December 1, 2010. On January 1, 2009 IMPA began serving the Town of Argos (Argos). Argos accounted for approximately 0.4% of IMPA's 2009 load. IMPA entered into power sales contracts with Straughn and Argos to supply all power and energy used in the operation of their respective municipal electric systems, similar to IMPA's existing power sales contracts. IMPA serves 53 Indiana cities and towns and one Ohio village.

ISC, Inc. (ISC) was created by the Agency as a not-for-profit corporation to provide cost-effective services beyond power supply and transmission to members and other municipal utilities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Agency and its affiliate, ISC. All significant intercompany account balances and transactions have been eliminated in consolidation.

Basis of Presentation

The Agency substantially follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). IMPA has chosen the option to implement all Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

Utility Plant

IMPA provides power to its communities through ownership of utility plant, which includes: (1) an undivided 24.95% ownership in the 625 MW Gibson Unit 5 generating facility (Gibson Unit 5) acquired from PSI (now known as DEI), a wholly-owned subsidiary of Duke Energy Corp., in January of 1983; (2) an undivided 12.88% ownership in the 514 MW Trimble County Unit 1 generating facility (Trimble County Unit 1) acquired from Louisville Gas and Electric Company (LG&E), a wholly-owned subsidiary of PPL Corporation, on February 1, 1993; and (3) seven wholly-owned combustion turbines and associated facilities aggregating 419 MW (two 41 MW units placed in service in 1992 and one 85 MW unit placed in service in 2004 located in Anderson, Indiana; two 41 MW units placed in service in 1992 located near Richmond, Indiana; and two 85 MW units located in Indianapolis, Indiana placed in service in 2000). Crawfordsville, Peru, Rensselaer and Richmond, (the Generating Members) also dedicate the capacity of their utility plant to IMPA, providing IMPA with an additional 177 MW of power. IMPA paid the Generating Members \$18.8 and \$13.3 million for capacity and generation in 2010 and 2009, respectively.

Utility plant is recorded at cost including capitalized interest during construction and a proportionate share of overhead costs. During 2010 and 2009, IMPA capitalized interest of \$39.9 and \$33.8 million, respectively, into utility plant. Construction overhead costs include salaries, payroll taxes, fringe benefits and other expenses. The original cost of property replaced or retired, less salvage, is charged to accumulated depreciation. Depreciation is recorded over the estimated useful lives of the utility plant by using the straight-line method. The effective composite depreciation rate on utility plant is approximately 3% in both 2010 and 2009.

Construction work in progress includes development and construction costs for the Trimble County Unit 2 Project and the Prairie State Project as well as other Utility Plant capital expenditures under construction at December 31, 2010 and 2009. Construction work in progress for the Prairie State Project also includes coal reserves. Construction work in progress related to the Trimble County Unit 2 Project at December 31, 2010 and 2009 is \$178.7 million and \$161.0 million, respectively. Construction work in progress related to the Prairie State Project at December 31, 2010 and 2009 is \$592.4 million and \$364.0 million, respectively.

The Agency capitalizes fixed assets with an original cost greater than \$2,500, except for jointly-owned utility plant. The jointly-owned utility plant additions are capitalized based on the policies defined by DEI for Gibson Unit 5 and by LG&E for Trimble County Unit 1.

Funds

IMPA's Master Power Supply System Revenue Bond Resolution (the Resolution) requires the creation and maintenance of certain funds and accounts. The Restricted Funds under the Resolution are the Debt Service Fund and the Debt Service Reserve Fund. The Resolution also allows for the creation and maintenance of the Rate Stabilization Account and the Reserve and Contingency Fund, the use of which is restricted by Board resolution. The Construction and Capitalized Interest Funds include restricted proceeds from bonds issued for specified capital projects. The Revenue Fund, the General Reserve Fund and the Operation and Maintenance Fund are all unrestricted and are to be used for the operating needs of the Agency.

Restricted and Unrestricted Cash and Cash Equivalents

IMPA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted and Unrestricted Investments

IMPA classifies investments in U.S. Treasury notes and bonds, U.S. Government agencies and commercial paper as available for sale. In accordance with GASB No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," non-transferable investment contracts are recorded at amortized cost.

Fair Value Measurements

IMPA uses fair value to measure certain financial instruments, with related unrealized gains or losses generally affecting future recoverable costs (see Future Recoverable Costs). The fair value of a financial instrument is the amount at which an investment could be exchanged in a current transaction between willing parties.

Hedging Derivative Instruments

On January 1, 2010, IMPA adopted GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB 53). As required by GASB 53, the Agency adopted the standard retroactively for all periods presented. GASB 53 requires that hedging derivative instruments ("Hedging Transactions") be recorded at fair value and establishes certain requirements for revenue recognition, measurement and disclosure related to Hedging Transactions. IMPA's Hedging Transactions have been tested for effectiveness under the guidelines prescribed by GASB 53. IMPA utilized one of the three quantitative methods required by GASB 53, the regression analysis method. This method evaluates the effectiveness of a hedge transaction by comparing the statistical relationship between the cash flows of the potential hedging item and the hedgeable item. The effectiveness testing of IMPA's Hedging Transactions demonstrated that the hedges are effective as defined by GASB 53. See Note 5 for specific disclosures related to derivatives.

Fuel Stock and Material Inventory

Fuel stock and materials and supplies are valued at average cost. The cost of fuel and materials used in production are expensed as recovered through revenues.

Rates

IMPA sets rates in accordance with the Resolution. The Resolution requires the establishment of rates that, together with other revenues, are reasonably expected to pay IMPA's operating costs (excluding depreciation and amortization), and at least 110% of the Agency's aggregate debt service. IMPA's debt service requirements are designed to be relatively equal over the life of the bonds to help provide stable rates to the communities IMPA serves. Rates are not subject to state or federal regulation. The debt service included in rates provides for full cost recovery of the utility plant assets over a period not exceeding the utility plant useful lives.

Revenues are recognized on an accrual basis when energy is delivered, while the communities are billed using budgeted rates. Differences between the accrued rate and the billed rate are collected from or returned to the communities via a tracker in subsequent periods. The amount to be collected from members at December 31, 2010 was \$10.1 million and will be collected over the next six months. The amount to be returned to members at December 31, 2009 was \$0.7 million. These regulatory asset and liability amounts are included in other current assets and accrued liabilities in the consolidated balance sheets at December 31, 2010 and 2009, respectively.

Future Recoverable Costs

As a rate regulated entity, IMPA's consolidated financial statements reflect the actions of the Board of Commissioners that result in the recognition of revenues and expenses in different time periods than enterprises that are not rate regulated in accordance with FASB Accounting Standards Codification (ASC) 980, *Regulated Operations* (ASC 980).

Under the terms of the power sales contracts, costs in excess of the amounts currently billable to the communities are to be recovered from future revenues by setting rates sufficient to provide funds for the related debt service requirements. These costs, which primarily include non-cash charges such as depreciation and amortization expenses in excess of current principal payments, net of net unrealized gain on investments, will be recovered over the lives of the bonds.

If rate recovery of deferred costs is no longer probable, whether due to competition or regulatory action, ASC 980 may no longer apply to IMPA's operations. This potential accounting change could result in either full recovery of net generation-related regulatory assets or a non-cash write-off. Based on IMPA's current regulatory environment, management believes that the Agency's future recoverable costs are probable of future recovery.

Regulatory Assets and Liabilities

Regulatory assets include the depreciation and amortization expenses in excess of current principal payments included in future recoverable costs and unamortized costs of reacquired debt. Future recoverable costs included in regulatory assets were \$43.6 and \$50.9 million at December 31, 2010 and 2009, respectively. Unamortized costs of reacquired debt include premiums paid to refund bonds, unamortized bond issuance costs of refunded bonds and any unamortized premiums received or discounts paid on the refunded bonds. These unamortized costs are amortized over the lives of the respective refunding bonds. At December 31, 2010 and 2009, the unamortized balances outstanding were approximately \$8.6 and \$10.4 million, respectively. Regulatory liabilities include the net unrealized gain on investments included in future recoverable costs and contingency reserve. Future recoverable costs included in regulatory liabilities were \$0.9 and \$0.8 million at December 31, 2010 and 2009, respectively. IMPA has established a contingency reserve for the Agency's transmission and local facilities. At December 31, 2010 and 2009, regulatory liabilities included approximately \$3.4 and \$3.1 million, respectively, for this contingency reserve.

Bond Issuance Costs

Certain costs associated with the issuance of debt and advance refunding have been deferred and are being amortized over the life of the respective bonds. Unamortized debt issuance costs total \$10.8 and \$10.6 million at December 31, 2010 and 2009, respectively.

Operating Expenses

Operating expenses are defined as expenses directly related to, or incurred in support of, the production and transmission of electricity to the participating communities IMPA serves. All other expenses are classified as non-operating expenses.

Non-Operating Expenses

Non-operating expenses include interest income and expenses, amortization of bond related costs, grant revenues and expenses for non-operating activities and other non-operating revenues and expenses as previously defined in Operating Expenses. During 2010, IMPA was awarded a \$5,000,000 federal grant from the Department of Energy (DOE Grant). Proceeds from the DOE Grant are being utilized to replace street lights within member communities with energy efficient lighting. As of December 31, 2010, IMPA recorded \$3.2 million of non-operating revenues from the DOE Grant and \$3.2 million of non-operating expenses associated with the acquisition of the street lights.

ISC

ISC's revenues and expenses are reported as other revenues and other operating expenses, respectively.

Regional Transmission Organizations (RTOs)

IMPA is a transmission owning member of the Midwest Independent System Operator (Midwest ISO) and a transmission dependent utility of both the Midwest ISO and PJM Interconnection, LLC (PJM). The Midwest ISO schedules, manages and oversees operational control of the JTS.

The Midwest ISO and PJM are independent organizations whose purposes are to ensure the reliability of their respective integrated, regional electrical transmission systems, to facilitate a regional wholesale marketplace, to provide non-discriminatory access to the transmission system and to maintain and improve electric system reliability.

Income Taxes

IMPA, as a political subdivision of the State of Indiana, is exempt from federal and state income taxes. ISC is exempt from income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

Northern Illinois Municipal Power Agency (NIMPA)

IMPA has been hired through a management services agreement to provide general management and administrative services for NIMPA, a participant in the Prairie State Project.

Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Capital Assets

Capital asset activity for the years ended December 31, 2010 and 2009, was as follows (in thousands):

2010	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Utility plant in service	\$ 506,491	\$ 2,324	\$ 14,393	\$ (7,182)	\$ 516,026
Construction work in progress	534,580	264,341	(14,393)	–	784,528
Total Capital Assets	1,041,071	266,665	–	(7,182)	1,300,554
Less accumulated depreciation for utility plant in service	(226,855)	(15,459)	–	205	(242,109)
	\$ 814,216	\$ 251,206	\$ –	\$ (6,977)	\$ 1,058,445

2009	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Utility plant in service	\$ 507,558	\$ 1,370	\$ 2,925	\$ (5,362)	\$ 506,491
Construction work in progress	326,040	211,465	(2,925)	–	534,580
Total Capital Assets	833,598	212,835	–	(5,362)	1,041,071
Less accumulated depreciation for utility plant in service	(212,655)	(15,772)	–	1,572	(226,855)
	\$ 620,943	\$ 197,063	\$ –	\$ (3,790)	\$ 814,216

3. Cash, Cash Equivalents and Investments

A Board policy governs IMPA's investments and deposits. At December 31, 2010 and 2009, cash and equivalents include money market investments. IMPA invests principally in U.S. Treasury notes and bonds, U.S. Government agencies, commercial paper and non-transferrable investment contracts.

The Agency has two investment agreements. A portion of the Debt Service Reserve Fund is invested in a guaranteed investment contract (GIC). The GIC is evidenced by a repurchase agreement with the Trustee, The Bank of New York Company. The GIC extends to 2016 and allows the Trustee to request immediate remittance of the funds for purposes set forth in the Resolution. The Construction Fund for Trimble County Unit 2 Project was invested in a flexible draw investment agreement. Funds from the flexible draw investment agreement were withdrawn as needed for the construction of Trimble County Unit 2 Project. The flexible draw investment contract matured in 2010. As required by the Resolution, the Trustee has custody of collateral and securities. All of the Agency's investments are insured, registered or held by the Trustee in the Agency's name.

During 2010 and 2009, IMPA recorded unrealized losses of \$1.0 million and \$1.8 million, respectively. To the extent any unrealized gains or losses are realized in the future, those realized gains or losses are refundable or recoverable through IMPA's rate-making methodology. Accordingly, any unrealized losses or gains at December 31, 2010 and 2009 have been included in regulatory assets or liabilities as future recoverable costs on IMPA's consolidated balance sheets (see note 1).

The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of the instruments. All investment contracts are recorded at cost as they are not transferable instruments. The disclosed fair value of the investment contracts represents their liquidation values as of December 31, 2010 and 2009.

At December 31, 2010 and 2009, the carrying value and the estimated fair values of the Agency's cash, cash equivalents and investments were as follows (in thousands):

	2010		2009	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Long-Term Investments:				
Restricted:				
Investment Contracts	\$ 39,289	\$ 39,289	\$ 39,905	\$ 39,905
U.S. Government Agencies	42,380	42,728	100,522	101,168
Total Restricted	81,669	82,017	140,427	141,073
Unrestricted:				
U.S. Government Agencies	24,835	25,208	30,947	30,835
Total Long-Term Investments	\$ 106,504	\$ 107,225	\$ 171,374	\$ 171,908
Cash and Cash Equivalents:				
Restricted	\$ 149,917	\$ 149,917	\$ 262,464	\$ 262,464
Unrestricted	26,379	26,379	22,085	22,085
Total Cash and Cash Equivalents	\$ 176,296	\$ 176,296	\$ 284,549	\$ 284,549
Short-Term Investments:				
Restricted:				
U.S. Government Agencies	\$ 62,304	\$ 61,476	\$ 16,688	\$ 17,002
Unrestricted:				
U.S. Government Agencies	6,112	6,067	-	-
Total Short-Term Investments	\$ 68,416	\$ 67,543	\$ 16,688	\$ 17,002
Total	\$ 351,216	\$ 351,064	\$ 472,611	\$ 473,459

U.S. Government agencies consist solely of mortgage-backed securities which mature in less than five years.

4. Net Assets

At December 31, 2010 and 2009, the Agency's net assets can be broken down into the following components (in thousands):

	2010	2009
Invested in capital assets, net of related debt	\$ (247,713)	\$ (391,626)
Restricted for debt service	45,957	43,026
Restricted for debt service reserve	92,839	93,330
Restricted for bond financed construction projects and capitalized interest	100,846	232,222
Restricted by Board resolution	18,556	17,596
Unrestricted	144,187	146,522
	\$ 154,672	\$ 141,070

Debt service is comprised of current principal payments and interest due on long-term debt payable on the first business day of the subsequent year. The Resolution restricts the debt service, the debt service reserve and the bond financed construction projects and capitalized interest accounts. Additionally, certain accounts are restricted by Board resolution, including the rate stabilization account. For further discussion of accounts restricted by Board resolution, see note 1.

5. Hedging Transactions

IMPA purchases forward power contracts to minimize the cost volatility of purchased power in the energy markets. IMPA does not purchase derivatives for speculative purposes. The acquisition of forward power contracts allows IMPA to effectively plan and set stable rates from period to period for IMPA's Members. Certain of IMPA's forward power contracts are settled by a cash payment that is equal to the differential between the contract price and the settlement price (financially settled). Financially settled forward power contracts are hedging derivative instruments as defined by GASB 53. IMPA has entered into Hedging Transactions in the Midwest ISO and PJM energy markets.

IMPA is required to test its Hedging Transactions for effectiveness as defined by GASB 53. IMPA's outstanding Hedging Transactions at December 31, 2010 have been determined by management to be effective. Accordingly, IMPA's outstanding Hedging Transactions are reported in the Agency's December 31, 2010 consolidated balance sheet at fair value. The Agency has recorded its outstanding Hedging Transactions in Other Current Assets, Other Deferred Costs, and Accrued Liabilities as of December 31, with unrealized gains and losses in Other Current Assets, Other Non-current Liabilities and Accrued Liabilities. The fair market value for each of IMPA's Hedging Transactions have been determined by computing the difference between the contractual forward price and the published forward price at the respective energy market's settlement point(s) at market closing as of December 31, 2010. All of IMPA's Hedging Transactions settle and are valued at either the Cinergy Hub or the AEP Dayton Hub, which are settlement hubs in the Midwest ISO and PJM energy markets, respectively.

The following table provides information related to IMPA's outstanding Hedging Transactions as of December 31, 2010. Credit ratings listed are Standard and Poor's and Moody's respectively (in thousands):

Counterparty Credit Rating	Trade Date Range		Duration		Notional Amount (MWhs)	Fair Value	Change in Fair Value During 2010
	From	To	From	To			
A+ / A1	Oct 2009	Oct 2010	Jan 2011	Dec 2014	813	\$ 93	\$517
A+ / Aa3	Oct 2010	Oct 2010	Jan 2012	Sep 2012	102	70	70
BBB / Baa2	Sep 2010	Dec 2010	Jan 2011	Feb 2011	34	81	81
					949	\$244	\$668

Credit Risk

IMPA is exposed to credit risk on Hedging Transactions that are in an asset position. To minimize IMPA's exposure to loss related to credit risk, IMPA requires certain counterparties to post collateral equal to the fair value of Hedging Transactions in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit profile fall below contractually agreed upon parameters. Collateral posted is in the form of a letter of credit or US dollars held by the Agency. IMPA's net exposure has never warranted that the Agency require the posting of collateral from any of its counterparties.

It is IMPA's practice to enter into netting arrangements whenever it has entered into more than one financially settled forward power contract transaction with a counterparty. If one party becomes insolvent or defaults on its obligations, closeout netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed to or owed by, the non-defaulting party.

The aggregate fair value of outstanding Hedging Transactions in asset positions at December 31, 2010, is \$1.8 million. This represents the maximum loss that would be incurred at the reporting date if all counterparties failed to perform as contracted. This maximum exposure is reduced by \$1.6 million of outstanding Hedging Transactions in a liability position included in netting arrangements with these counterparties, resulting in a net exposure of \$0.2 million.

Basis Risk

IMPA is exposed to basis risk on its the Hedging Transactions because the price of the expected commodity purchase being hedged will be priced based on a pricing point which is different than the pricing point at which the Hedging Transactions is expected to settle (Cinergy Hub or AEP-Dayton Hub). At December 31, 2010, the Cinergy Hub price was \$37.69 per MWh and the AEP-Dayton Hub price was \$40.98 per MWh.

Termination Risk

IMPA is exposed to termination risk on its Hedging Transactions because a counterparty may fail to perform under the terms of one or more contracts resulting in the termination of the aggregate contracts with that counterparty. To minimize IMPA's exposure to loss related to termination risk, the Agency requires counterparties to post collateral equal to the fair value of Hedging Transactions in asset positions (net of the effect of applicable netting arrangements) should the fair value of the netted contracts exceed contractually agreed upon parameters or if certain counterparty's credit ratings fall below contractually agreed upon levels. If at the time of termination, the net position of financially settled power contracts with a terminating party is in an aggregated liability position, IMPA would be liable to the counterparty for a payment equal to the aggregated liability position, subject to netting arrangements.

Commitments

All of IMPA's Hedging Transactions require the Agency to post collateral in the event that 1) IMPA's credit profile falls below contractually agreed parameters that have been negotiated with each counterparty or 2) the fair value of IMPA's outstanding Hedging Transactions are in a liability position (net of the effect of applicable netting arrangements). When collateral is posted, it is in US dollars in the amount of the fair value of the hedging derivative instruments in liability positions net of the effect of applicable netting arrangements. If IMPA does not post collateral, the aggregate outstanding Hedging Transaction may be terminated by the counterparty. If the collateral posting requirements related to IMPA's credit profile had been triggered at December 31, 2010, IMPA would not have been required to post collateral with its counterparties as IMPA was in a net asset position with each counterparty.

6. Long-Term Revenue Bonds

IMPA has issued Power Supply System Revenue Bonds to finance its acquisition and construction of utility plant. Long-term revenue bonds issued and outstanding at December 31, 2010 and 2009, consist of the following (in thousands):

Bond Series	Interest Rates	Due Date	Optional	2010	2009
		January 1,	Redemption Date		
1993 Series B	5.500 - 6.000%	2010 to 2016		\$ 104,625	\$ 120,440
1998 Series A	Variable	2018		37,000	–
1999 Series A	5.300%	2023		–	22,775
2002 Series A	4.250 - 5.500%	2010 to 2023	2012	50,475	53,180
2002 Series B	5.000 - 5.250%	2010 to 2028	2013	76,095	79,555
2004 Series A	4.375 - 5.000%	2024 to 2032	2015	43,840	43,840
2006 Series A	4.500 - 5.000%	2019 to 2032	2016	171,205	171,205
2007 Series A	4.500 - 5.000%	2023 to 2042	2017	403,575	403,575
2007 Series B	5.800%	2022		20,125	20,125
2009 Series A	3.000 - 5.000%	2010 to 2029	2019	31,670	32,590
2009 Series B	5.250 – 6.000%	2024 to 2039	2019	194,400	194,400
2009 Series C	7.350%	2019 to 2024		16,035	16,035
2010 Series A	5.594%	2042		123,640	–
2010 Series B	5.000%	2020 to 2023	2021	20,235	–
				1,292,920	1,157,720
Less current maturities				(24,340)	(22,900)
Long-term revenue bonds				1,268,580	1,134,820
Unamortized Premium, net				13,238	11,122
				\$ 1,281,818	\$ 1,145,942

The 1993 Series B Bonds, the 2007 Series B Bonds and 2009 Series C Bonds are non-callable. The 1998 Series A Bonds are currently callable at a redemption price of 100%. The 2009 Series A Bonds, subject to mandatory sinking fund redemption on January 1, 2030 to 2034, totaling approximately \$60.9 million are callable on or after January 1, 2014 at a redemption price of 100%. The 2010 Series A Bonds, subject to mandatory sinking fund redemption on January 1, 2031 to 2042, totaling approximately \$123.6 million are currently callable at a redemption price of 100%. All other bonds are callable on or after the optional redemption date at a redemption price of 100%.

Debt service requirements based on contractual maturities at December 31, 2010 were as follows (in thousands):

	Principal	Interest
2011	\$ 24,340	\$ 62,302
2012	25,730	67,187
2013	27,190	65,738
2014	28,780	64,198
2015	37,010	62,657
2016 – 2020	117,550	289,922
2021 – 2025	141,255	256,269
2026 – 2030	182,075	215,176
2031 – 2035	245,535	162,207
2036 – 2040	314,970	90,321
2041 – 2042	148,485	11,695
	\$ 1,292,920	\$ 1,347,672

Long-term revenue bonds activity for the years ended December 31, 2010 and 2009, was as follows (in thousands):

2010	Beginning Balance	Additions	Reductions	Reclassification (see Note 7)	Ending Balance
Long-term revenue bonds	\$ 1,157,720	\$ 143,875	\$ (45,675)	\$ 37,000	\$ 1,292,920
Less:					
Current maturities	(22,900)	22,900	(24,340)		(24,340)
Unamortized premium, net	11,122	2,866	(750)		13,238
	\$ 1,145,942	\$ 169,641	\$ (70,765)	\$ 37,000	\$ 1,281,818

2009	Beginning Balance	Additions	Reductions	Reclassification (see Note 7)	Ending Balance
Long-term revenue bonds	\$ 972,490	\$ 243,025	\$ (20,795)	\$ (37,000)	\$ 1,157,720
Less:					
Current maturities	(20,795)	20,795	(22,900)		(22,900)
Unamortized premium, net	13,406	(1,769)	(515)		11,122
	\$ 965,101	\$ 262,051	\$ (44,210)	\$ (37,000)	\$ 1,145,942

Debt Service Coverage

The Resolution contains covenants that include collection of rates equal to at least 110% of the followings year's aggregate debt service and certain investment maturity restrictions. Management believes that IMPA is in compliance with all debt covenants and restrictions.

Authority to Issue Debt

On August 11, 2004, the Indiana Utility Regulatory Commission (IURC) granted IMPA authority to issue bonds sufficient to produce proceeds net of original issue discounts and premiums, underwriter's discount and other issuance costs ("Net Proceeds"), not to exceed \$850 million to finance the following three projects: (1) the Georgetown Plant Project; (2) the Trimble County Unit 2 Project; and (3) the Peabody Plants Project, which includes the Prairie State Project. On July 14, 2010, the IURC amended its August 11, 2004 order increasing IMPA's authority to issue bonds to \$972.1 million of Net Proceeds for the described projects. With the issuance of the 2010 Series A Bonds, IMPA has issued bonds with Net Proceeds totaling approximately \$972.1 million. IMPA does not plan to issue any additional bonds under this authority.

Refunding of 1999 Series A Bonds

During 2010, the Agency issued the 2010 Series B Bonds for the purpose of refunding the 1999 Series A Bonds. The refunding of the 1999 Series A Bonds will result in a reduction of future debt service of approximately \$4.5 million. The present value of the reduction in debt service is approximately \$3.4 million.

Fair Value of Long-Term Revenue Bonds

Long-term revenue bonds are recorded at amortized cost. The estimated fair value of long-term revenue bonds at December 31, 2010 and 2009 is approximately \$1.2 billion. IMPA used over-the-counter broker quotes which are corroborated by similar transaction for similar securities.

7. Current Revenue Bonds

The 1998 Series A Bonds are secured by an irrevocable transferable direct-pay letter of credit, expiring November 12, 2013, issued for the benefit of the owners of the 1998 Series A Bonds. The interest rate on the 1998 Series A Bonds is adjusted weekly, and bondholders may require repurchase of the 1998 Series A Bonds at the time of such interest rate adjustments. The interest rates at December 31, 2010 and 2009 were 0.31% and 0.28%, respectively.

IMPA has entered into an agreement to provide for the remarketing of the 1998 Series A Bonds if such repurchase is required. IMPA has also entered into agreements with certain banks which provide for the purchase by those banks of the 1998 Series A Bonds if not remarketed.

While the 1998 Series A Bonds do not have a contractual maturity until January 1, 2018, as noted above, the underlying letter of credit expired during 2010. Accordingly, at December 31, 2009, IMPA classified the 1998 Series A Bonds as Current Revenue Bonds. During 2010, IMPA replaced the existing letter of credit agreement and reclassified the 1998 Series A Bonds to Long-term Revenue Bonds.

8. Accounting for Asset Retirement Obligations

Asset retirement obligations represent legal obligations associated with the retirement of tangible long-lived assets that are incurred upon the acquisition, construction, development or normal operation of the assets. IMPA's asset retirement obligations consist primarily of costs associated with the future closure of a waste landfill and removal of asbestos at Gibson Unit 5 and the future closure of an ash pond at Trimble County Unit 1. Other asset retirement obligations are not significant.

Asset retirement obligations are recognized in the period in which they are incurred, if a reasonable estimate of fair value can be made. The asset retirement obligations are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over their useful life. The Agency uses an expected cash flow approach to measure the obligations. IMPA's asset retirement obligations have no impact on net income due to the Agency applying the provisions of ASC 980.

The following table presents the details of the Agency's asset retirement obligations for the years ended December 31, 2010 and 2009 (in thousands):

	Beginning Balance	Liabilities Incurred	Liabilities Settled	Accretion	Cash Flow Revisions	Ending Balance
2010	\$ 2,384	966	-	(46)	(178)	\$ 3,126
2009	\$ 2,173	244	-	253	(286)	\$ 2,384

9. Arbitrage

A rebate payable to the Internal Revenue Service (IRS) generally results from the investment of bond proceeds at a higher rate of interest than the cost of borrowing. The excess of interest income over cost of borrowing is payable to the IRS within five years of the date of the bond offering and every five years thereafter. The estimated current arbitrage liability at December 31, 2010, was \$3.1 million and is included in current liabilities on the consolidated balance sheets. The estimated non-current arbitrage liability at December 31, 2010 and 2009 was approximately \$0.8 and \$3.6 million respectively, and is included in other non-current liabilities on the consolidated balance sheets. The estimated arbitrage expense is recorded as a reduction of interest income.

10. Employee Benefit Plan

IMPA maintains a 401(k) plan on behalf of all employees meeting certain eligibility requirements regarding length of employment, age and employee contributions. Employer contributions to the plan were approximately \$256,000 for 2010 and \$234,000 for 2009.

11. Concentration of Risk

Credit risk represents the risk of loss that would occur if suppliers or customers did not meet their contractual obligations to IMPA. Concentration of credit risk occurs when significant suppliers or customers possess similar characteristics that would cause their ability to meet contractual obligations to be affected by the same events.

Approximately 29% of the Agency's sales to municipalities were provided to two communities in 2010 and 2009. Accounts receivable balances for the two communities account for 26% and 28% of the total accounts receivable balances as of December 31, 2010 and 2009, respectively. IMPA has long-term energy purchase contracts with two suppliers that account for approximately 35% of IMPA's 2010 total energy requirements and two suppliers that accounted for approximately 46% of IMPA's 2009 total energy requirements.

12. Jointly-Owned Plant

IMPA is a joint owner of Gibson Unit 5 with DEI and WVPA. The Agency jointly owns Trimble County Unit 1 with LG&E and the Illinois Municipal Electric Agency (IMEA). IMPA co-owns certain transmission property and local facilities with DEI, DEO and WVPA. These facilities constitute part of the integrated transmission and distribution systems (JTS) operated and maintained by DEI and DEO. IMPA's portion of all operating costs associated with the commonly-owned facilities is reflected in the consolidated financial statements.

IMPA's investments in jointly-owned plant at December 31, 2010 were as follows (in thousands):

	Share	Utility Plant In Service	Accumulated Depreciation
Production			
Gibson Unit	24.95%	\$ 162,263	\$ 81,072
Trimble County Unit 1	12.88%	106,158	50,792
Transmission and local facilities	4.88%	84,732	34,566

At December 31, 2010, IMPA, LG&E, Kentucky Utilities and IMEA were constructing the Trimble County Unit 2 Project, a nominal 750 MW supercritical steam unit constructed at the same site as Trimble County Unit 1. IMPA's share of the Trimble County Unit 2 Project is 12.88%, which is approximately 100 MW. At December 31, 2010, the Trimble County Unit 2 Project was approximately 99.6% complete and had completed performance testing on a portion of the fuels that the unit is expected to burn. The unit began commercial operation on January 22, 2011.

IMPA is part of a consortium known as the Prairie State Generating Company, LLC that is developing the Prairie State Project. IMPA owns a 12.64% undivided interest in the Prairie State Project. The Prairie State Project is planned to be an approximately 1600 MW power plant, utilizing two supercritical steam units. The Prairie State Project includes contiguous coal reserves and the development of a mine portal to supply coal to the power plant. Construction of the power plant was approximately 62.7% complete at December 31, 2010. IMPA expects that one of the Prairie State Project units will be available for commercial operation in 2011 and the second unit will be available for commercial operation in 2012.

13. Commitments and Contingencies

Leases

IMPA has entered into a site lease agreement for land. The site lease runs through May 31, 2020 with two optional five year renewals. Rent expense under the site lease for 2010 and 2009 was approximately \$120,000 and \$117,000 respectively. Future minimum lease payments are approximately \$108,000 per year from 2010 through 2014 and are approximately \$475,000 thereafter.

Contracts and Capital Expenditures

IMPA has purchased power contracts with several power producers. IMPA has firm commitments under take-or-pay contracts which expire on or before April 1, 2042. The total amount of these future purchase obligations at December 31, 2010 is approximately \$174.3 million for 2011 and \$3.1 billion through April 1, 2042.

IMPA anticipates its share of future capital expenditures for Gibson Unit 5, Trimble County Unit 1, combustion turbines, the JTS and other ongoing system projects to total approximately \$87.9 million for the years 2011 through 2015. The projected capital expenditures are of a normal and recurring nature. IMPA anticipates funding the foregoing projected capital improvements with a combination of internally generated funds and proceeds from future debt offerings.

On February 24, 2006, the IMPA Board of Commissioners approved IMPA's participation in the construction and operation of the Trimble County Unit 2 Project. IMPA has issued approximately \$184.9 million (par amount) of long-term revenue bonds to pay for IMPA's share of the Trimble County Unit 2 Project, capitalized interest during construction, bond issuance costs, and to fund a deposit to the Debt Service Reserve Fund.

On April 16, 2007, the IMPA Board of Commissioners approved IMPA's participation in the construction and operation of the Prairie State Project. IMPA has issued approximately \$787.2 million (par amount) of long-term revenue bonds to pay for IMPA's share of the Prairie State Project, capitalized interest during construction, bond issuance costs, and to fund a deposit to the Debt Service Reserve Fund. In addition to long-term revenue bonds, IMPA expects to fund approximately \$66.0 million of the Prairie State Project from internal funds. IMPA does not anticipate that the Agency will issue any additional bonds.

Contract Disputes

In the normal course of business, IMPA may be involved in various disputes with other parties. While management cannot predict the ultimate outcome of these disputes, total exposure is not material to IMPA's financial position or results of operations.

14. Subsequent Events

Management has evaluated these Audited Consolidated Financial Statements and Notes for subsequent events up through February 25, 2011, which is the issuance date of the 2010 Audited Consolidated Financial Statements.

To the Board of Commissioners of
Indiana Municipal Power Agency
Carmel, Indiana

We have audited the accompanying consolidated balance sheets of Indiana Municipal Power Agency (a body corporate and politic and a political subdivision of the State of Indiana) and its affiliate (collectively, the "Agency") as of December 31, 2010 and 2009, and the related consolidated statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Agency as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 15-16, which is the responsibility of the Agency's management, is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information, and express no opinion on it.

DELOITTE & TOUCHE LLP

Indianapolis, Indiana
February 25, 2011

TEN-YEAR SUMMARY AND ADDITIONAL DATA

Ten-Year Comparative Summary of Operations (in thousands):

For the Years Ended December 31,	2010	2009	2008
Operating Revenues			
Sales to municipalities (used as security for revenue bonds)	\$ 374,395	\$ 350,351	\$ 342,902
Other	9,278	25,889	20,753
	383,673	376,240	363,655
Operating Expenses			
Purchased power	249,291	258,759	247,386
Fuel	31,423	30,933	30,059
Other operating expenses	38,761	37,460	38,938
Maintenance	11,969	7,515	13,830
Depreciation	15,459	15,772	15,068
Future recoverable costs	8,181	3,804	4,740
	355,084	354,243	350,021
Net Operating Income	28,589	21,997	13,634
Other Expenses, Net	14,987	18,586	16,922
Net Income (Loss)	\$ 13,602	\$ 3,411	\$ (3,288)
Kilowatt-Hour Sales (kWh)			
Sales to members	6,112,550,195	5,809,427,570	6,193,164,372
Cost per kWh to members	6.13¢	6.03¢	5.54¢

Owned and Member Dedicated Generating Facilities

Facility**	Unit Type	Fuel Type	Capacity (MW)
Richmond	Combustion Turbine	Natural Gas/Oil	82
Anderson	Combustion Turbine	Natural Gas/Oil	167
Georgetown Units 2 and 3	Combustion Turbine	Natural Gas	170
Gibson Unit 5	Steam	Coal	156
Trimble County Unit 1	Steam	Coal	66
Richmond*	Steam	Coal	99
Peru*	Steam and Diesel	Coal and Oil	34
Crawfordsville*	Steam and Diesel	Coal and Oil	24
Rensselaer*	Diesel	Natural Gas/Oil	20
			818

* Member dedicated facilities

** In addition, Jasper has a 15 MW steam unit that is fueled by coal. Jasper has signed a 1 year agreement with IMPA under which IMPA acts as Jasper's agent to market the output of the unit into the MISO Markets.

	2007	2006	2005	2004	2003	2002	2001
\$	303,484	\$ 255,141	\$ 253,916	\$ 210,997	\$ 191,753	\$ 174,483	\$ 163,493
	25,648	13,632	6,796	1,806	2,995	3,233	3,522
	329,132	268,773	260,712	212,803	194,748	177,716	167,015
	218,636	154,850	148,020	114,948	105,160	94,026	87,047
	28,168	24,883	22,512	17,781	17,853	17,723	16,080
	32,427	38,249	39,424	32,211	33,385	28,947	28,231
	5,099	6,641	4,272	9,970	3,942	3,442	3,838
	14,645	14,291	14,852	12,270	9,742	9,302	9,836
	2,947	2,966	274	1,941	1,984	631	(777)
	301,922	241,880	229,354	189,121	172,066	154,071	144,255
	27,210	26,893	31,358	23,682	22,682	23,645	22,760
	17,597	18,837	19,498	16,716	15,024	15,774	16,231
\$	9,613	\$ 8,056	\$ 11,860	\$ 6,966	\$ 7,658	\$ 7,871	\$ 6,529
5,957,491,417	5,426,235,712	5,478,470,364	5,287,375,811	5,115,315,629	4,805,861,507	4,555,862,480	
5.09¢	4.70¢	4.63¢	3.99¢	3.75¢	3.63¢	3.59¢	

Member Historical Power and Energy Requirements

Year	Non-coincident Peak Demand (MW)	Energy Requirements (MWh)
2010	1,226	6,112,550
2009	1,148	5,809,428
2008	1,158	6,193,164
2007	1,187	5,957,491
2006	1,135	5,426,236
2005	1,102	5,478,470
2004	1,008	5,287,376
2003	1,017	5,115,316
2002	954	4,805,862
2001	914	4,555,862

Company Information

BOARD OF COMMISSIONERS:

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Waynetown, Beverly J. Stout
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¹ Officer

² Executive Committee

*Non-voting member

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Generation
Douglas A. Buresh, Senior Vice
President, Planning and Operations
J. Christian Rettig, Senior Vice
President and CFO
Andrew W. Despain, Staff Counsel

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Market Operations
Matthew C. Andryuk
Kyle J. Brouillette
Steven M. Brown
J. Ryan Daugherty
Rick D. Hocking
John R. Lloyd
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Rates and Billing
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Jacqueline R. Hall
Audra M. Legge
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