

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.