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1. Prairie State Flue Gas Desulfurization Absorber and Chimney 2. Trimble County Unit 2 Feedwater Heater 3. IMPA Solar Panels 4. Prairie State Dry Electrostatic Precipitator Inlet 5. Prairie State Unit 2 Steam Turbine 6. Prairie State Rail Loop 7. Prairie State Switchyard Breaker 8. Prairie State Unit 2 Boiler Tubes 9. IMPA Wind Turbine 10. Trimble County Unit 2 Turbine Generator 11. Trimble County Unit 2 Natural Draft Cooling Tower

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.

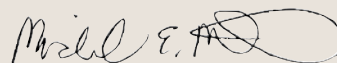
“IMPA members have committed to reinvesting half of their annual savings toward other energy efficiency programs.”

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

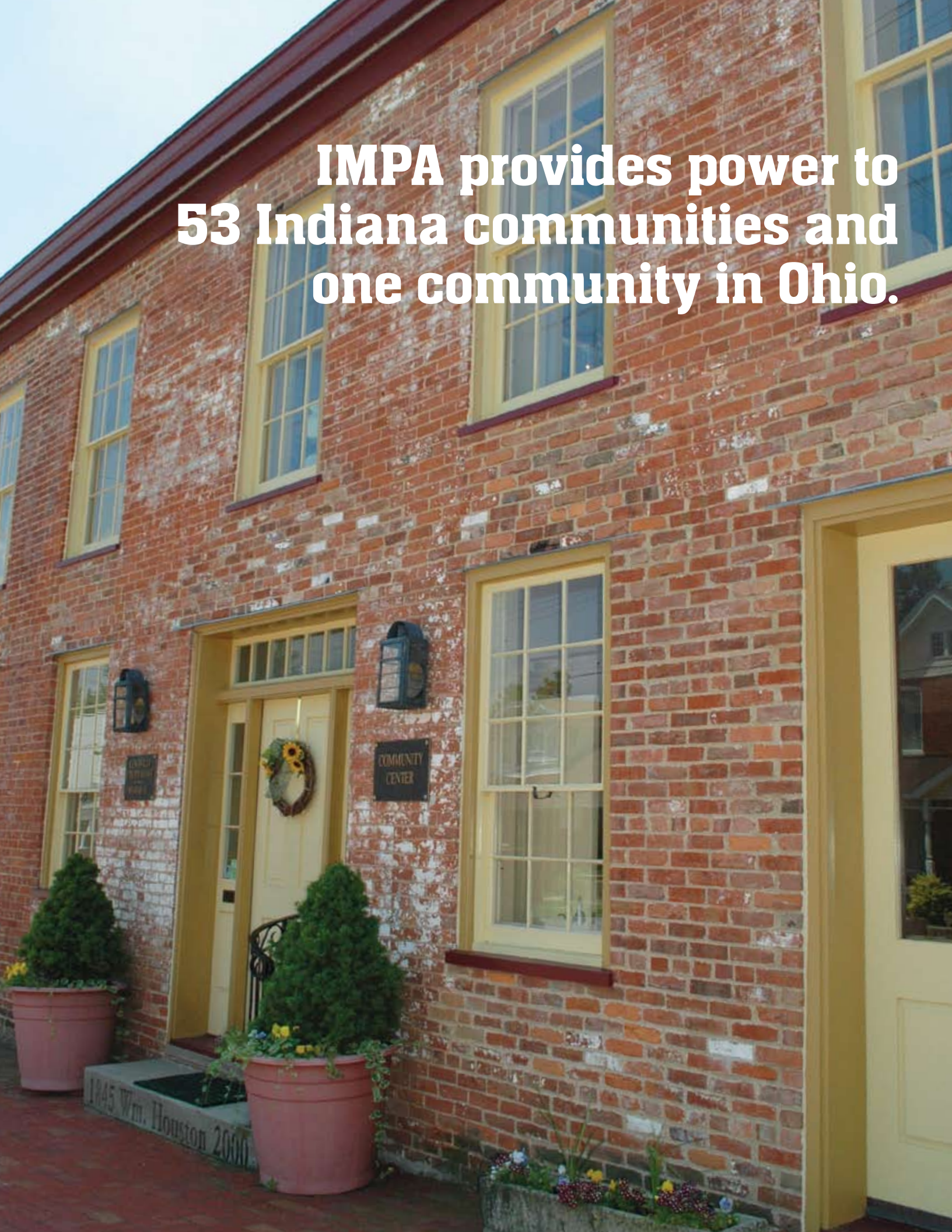
Sixteen IMPA members reaffirmed their commitment to the Agency in 2010, electing to continue their membership with IMPA through 2042. When these members joined IMPA several years ago, they were provided a one-time option to terminate their Power Sales Contracts on December 31, 2012 by providing notice 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.**

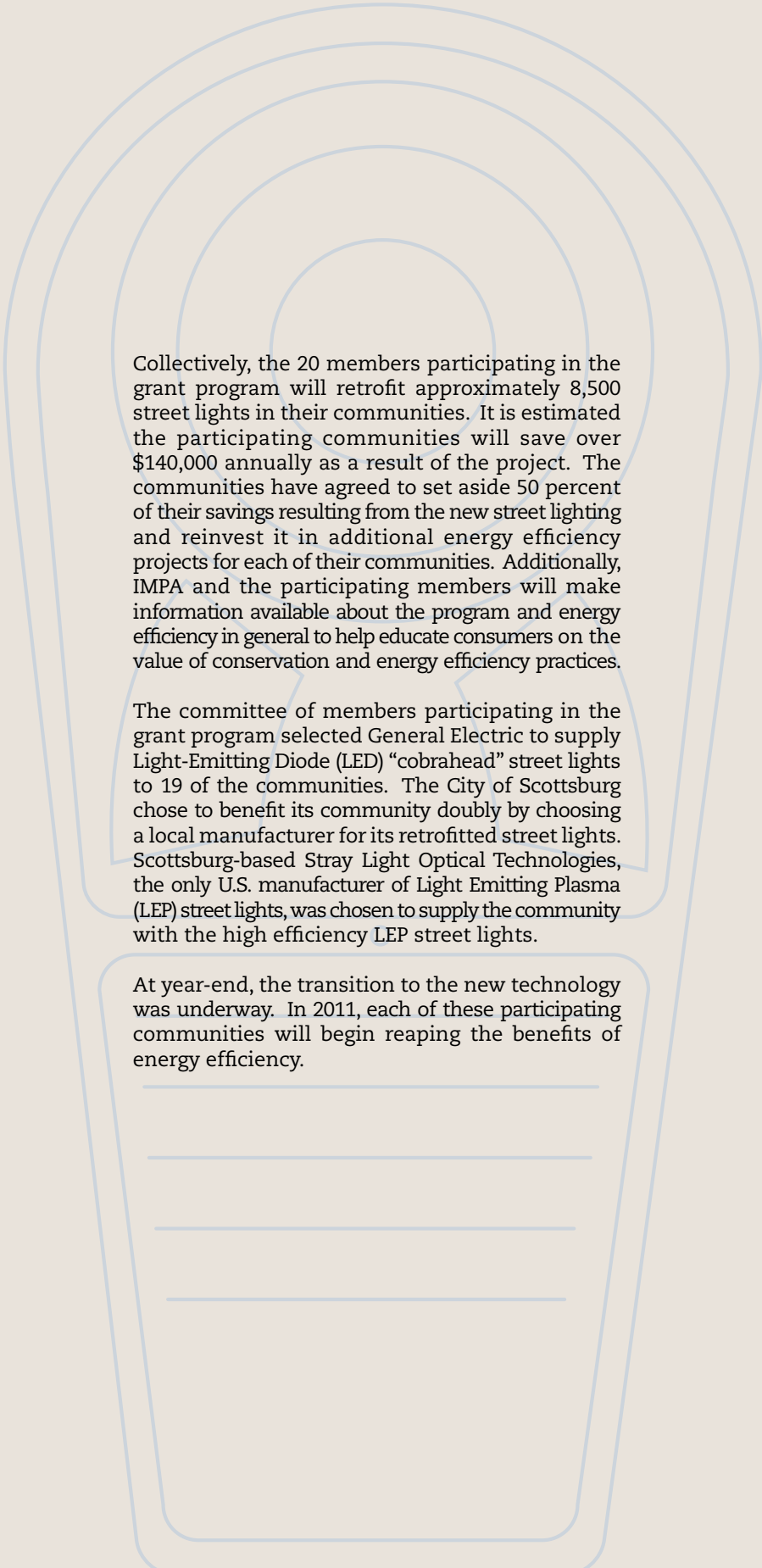




Street Lighting

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.