

**Indiana Municipal Power Agency**  
Consolidated Interim Financial Statements as of June 30, 2022 and for  
the Six Months ended June 30, 2022 and 2021 (Unaudited)

# Indiana Municipal Power Agency

Consolidated Interim Financial Statements as of June 30, 2022 and for  
the Six Months ended June 30, 2022 and 2021

## Table of Contents

REPORT OF INDEPENDENT AUDITORS .....	1 - 2
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION .....	3
CONSOLIDATED STATEMENTS OF NET POSITION .....	4
CONSOLIDATED STATEMENTS OF CASH FLOWS .....	5-6
CONSOLIDATED FINANCIAL STATEMENTS' NOTES .....	7-27



## REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners of  
Indiana Municipal Power Agency

### **Results of Review of Interim Financial Information**

We have reviewed the accompanying consolidated interim financial information of Indiana Municipal Power Agency and its subsidiary (the "Agency"), which comprise the consolidated statement of net position as of June 30, 2022, and the related consolidated statements of revenues, expenses and changes in net position and of cash flows for the six-month periods ended June 30, 2022 and 2021.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Review Results**

We conducted our review in accordance with auditing standards generally accepted in the United States of America (US GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with US GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

### **Responsibilities of Management for the Consolidated Interim Financial Information**

Management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

**Other Matters:**

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statement of net position of Indiana Municipal Power Agency and its subsidiary as of December 31, 2021, and the related consolidated statements of revenues, expenses, and changes in the net position and of cash flows for the year then ended (not presented herein), and in our report dated April 1, 2022 which included a paragraph with respect to the limited procedures we performed over the required supplemental information, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of net position as of December 31, 2022, is consistent, in all material respects, with the audited consolidated statement of net position from which it has been derived.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chicago, Illinois

September 9, 2022

**INDIANA MUNICIPAL POWER AGENCY  
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION**

(in thousands)

<b>For the Six Months Ended June 30,</b>	<b>2022</b>	<b>2021</b>
<b>Operating Revenues</b>		
Sales to municipalities	\$ 234,823	\$ 228,956
Other revenues	3,958	3,754
<b>Total Operating Revenues</b>	<b>238,781</b>	<b>232,710</b>
<b>Operating Expenses</b>		
Purchased power	74,090	76,775
Fuel	34,117	27,297
Production	15,976	13,117
Transmission and local facilities	27,503	25,276
Other operating	9,928	11,288
Maintenance	10,208	12,596
Depreciation	33,074	24,000
Future recoverable costs	99	8,628
<b>Total Operating Expenses</b>	<b>204,995</b>	<b>198,977</b>
<b>Operating Income</b>	<b>33,786</b>	<b>33,733</b>
<b>Non-Operating Expenses (Income)</b>		
Interest expense	29,062	29,745
Accretion of premiums received on debt	(4,188)	(4,278)
Interest income	(3,662)	(2,727)
Other non-operating income	(678)	(730)
<b>Total Non-Operating Expenses (Income)</b>	<b>20,534</b>	<b>22,010</b>
<b>Change in Net Position</b>	<b>13,252</b>	<b>11,723</b>
<b>Net Position at Beginning of Year</b>	<b>444,926</b>	<b>415,515</b>
<b>Net Position at End of Year</b>	<b>\$ 458,178</b>	<b>\$ 427,238</b>

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

# INDIANA MUNICIPAL POWER AGENCY

## CONSOLIDATED STATEMENTS OF NET POSITION

(in thousands)

	(Unaudited) June 2022	December 2021
<b>Assets</b>		
<b>Utility Plant</b>		
Utility plant in service	\$ 1,811,359	\$ 1,797,388
Less: accumulated depreciation	(675,934)	(644,601)
	1,135,425	1,152,787
Construction work in progress	162,929	153,193
<b>Total Utility Plant, Net</b>	<b>1,298,354</b>	<b>1,305,980</b>
<b>Long-Term Investments</b>	<b>-</b>	<b>12,221</b>
<b>Restricted Cash and Cash Equivalents</b>	<b>191,015</b>	<b>192,572</b>
<b>Current Assets</b>		
Unrestricted cash and cash equivalents	126,034	142,810
Short-term investments	18,909	19,139
Municipality accounts receivable	82,758	66,688
Fuel stock and material inventory	23,810	21,957
Other current assets	74,006	52,139
<b>Total Current Assets</b>	<b>325,517</b>	<b>302,733</b>
<b>Non-Current Assets</b>	<b>186,889</b>	<b>161,004</b>
<b>Deferred Outflow of Resources</b>	<b>70,528</b>	<b>72,676</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 2,072,303</b>	<b>\$ 2,047,186</b>
<b>Net Position, Liabilities and Deferred Inflow of Resources</b>		
<b>Net Position</b>		
Net investment in capital assets	\$ (33,511)	\$ (60,405)
Restricted	149,011	162,816
Unrestricted	342,678	342,515
<b>Total Net Position</b>	<b>458,178</b>	<b>444,926</b>
<b>Non-Current Liabilities</b>		
Long-term revenue bonds, net	1,301,370	1,337,420
Other non-current liabilities	81,691	70,422
<b>Total Non-Current Liabilities</b>	<b>1,383,061</b>	<b>1,407,842</b>
<b>Current Liabilities</b>		
Current maturities of revenue bonds	30,495	28,965
Short-term borrowing	22,600	22,600
Accounts payable	32,547	39,268
Accrued interest on revenue bonds	28,973	29,715
Accrued liabilities	84,509	42,469
<b>Total Current Liabilities</b>	<b>199,124</b>	<b>163,017</b>
<b>Deferred Inflow of Resources</b>	<b>31,940</b>	<b>31,401</b>
<b>Total Net Position, Liabilities and Deferred Inflow of Resources</b>	<b>\$ 2,072,303</b>	<b>\$ 2,047,186</b>

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

**INDIANA MUNICIPAL POWER AGENCY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

<b>For the Six Months Ended June 30,</b>	<b>2022</b>	<b>2021</b>
<b>Cash Flows From Operating Activities:</b>		
Receipts from municipalities	\$ 213,959	\$ 202,490
Other operating receipts	3,958	3,754
Payments for purchased power	(79,947)	(75,336)
Payments for fuel	(33,943)	(27,519)
Payments for production	(17,159)	(13,328)
Payments for transmission and local facilities	(22,867)	(22,353)
Cash deposits as collateral	19,954	13,135
Payments for other operating expenses	(11,744)	(12,313)
Payments for maintenance	(10,591)	(12,855)
Net cash provided by operating activities	<b>61,620</b>	<b>55,675</b>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Net proceeds from short-term borrowing	-	7,600
Net cash provided by noncapital financing activities	-	<b>7,600</b>
<b>Cash Flows From Capital And Related Financing Activities:</b>		
Net additions to utility plant	(46,400)	(56,374)
Proceeds from sale of capital assets	8,911	14,275
Refunding of long-term debt	-	(12,845)
Principal payments on long-term debt	(28,965)	(32,875)
Interest payments	(29,803)	(30,904)
Net cash used in capital and related financing activities	<b>(96,257)</b>	<b>(118,723)</b>
<b>Cash Flows From Investing Activities:</b>		
Maturities and called investments	12,000	12,000
Interest income and other	4,304	3,346
Joint Transmission System deposit	-	(7,600)
Net cash provided by investing activities	<b>16,304</b>	<b>7,746</b>
Net Decrease in Cash and Cash Equivalents	<b>\$ (18,333)</b>	<b>\$ (47,702)</b>
<b>Restricted and Unrestricted Cash and Cash Equivalents:</b>		
Balances at Beginning of Year	<b>335,382</b>	<b>366,268</b>
Balances at End of Year	<b>317,049</b>	<b>318,566</b>

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

**INDIANA MUNICIPAL POWER AGENCY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**  
(in thousands)

For the Six Months Ended June 30,	2022	2021
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$ 33,786	\$ 33,733
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	33,074	24,000
Future recoverable costs	99	8,628
Changes in current assets and liabilities:		
Municipality accounts receivable	(16,070)	(15,081)
Fuel stock and material inventory	(1,853)	(920)
Accounts payable	3,162	7,705
Other	9,422	(2,390)
<b>Net cash provided by operating activities</b>	<b>\$ 61,620</b>	<b>\$ 55,675</b>

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



# **INDIANA MUNICIPAL POWER AGENCY CONSOLIDATED FINANCIAL STATEMENTS' NOTES**

## **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 serves 60 Indiana cities and towns and one Ohio village. IMPA sells power to its members under long-term power sales contracts (the Power Sales Contracts). The members resell the power to retail customers within their respective municipal service territories. IMPA's owned nameplate generating capacity is 959 megawatts (MW) or 79% of IMPA's 2021 peak demand (IMPA's maximum annual hourly load). 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); and, transmission service arrangements with other utilities and regional transmission organizations.

IMPA Service Corp 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, IMPA Service Corp. All significant intercompany account balances and transactions have been eliminated in consolidation.

### **Basis of Presentation**

The accompanying 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 the communities it serves 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) placed in service in 1982; (2) an undivided 12.88% ownership in the 514 MW Trimble County Unit 1 generating facility (Trimble County Unit 1) placed in service in 1990; (3) an undivided 12.88% ownership in the 750 MW Trimble County Unit 2 generating facility (Trimble County Unit 2) constructed at the same site as Trimble County Unit 1 and placed in service in 2011; (4) an undivided

12.64% ownership in the 1600 MW Prairie State Generating Company, LLC (PSGC or Prairie State) placed in service in 2012; (5) 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; and (6) twelve wholly-owned solar generating facilities with a total generating capacity of approximately 19 MW in member communities.

Based on future economics, IMPA, DEI and WVPA, the joint owners of Gibson Unit 5, are considering closure of Gibson Unit 5 as early as 2025.

The Agency capitalizes fixed assets with an original cost greater than \$25,000, except for jointly-owned utility plant, which are capitalized based on the policies defined by DEI for Gibson Unit 5, by LG&E for Trimble County Unit 1 and Unit 2 and by PSGC for Prairie State Units 1 and 2, the coal mine and other Prairie State facilities. Utility plant is recorded at cost including capitalized interest during construction and a proportionate share of overhead costs. 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 3.6% at June 30, 2022 and 2.7% at December 31, 2021.

IMPA's ownership interest in Prairie State includes an interest in coal reserves with an original cost net of depletion of \$7.7 and \$8.0 million at June 30, 2022 and 2021, respectively.

At June 30, 2022 and December 13, 2021, construction work in progress (CWIP) included construction costs for ongoing utility plant capital improvements.

### **Sale of Solar Generation Facilities (Solar Parks)**

IMPA has entered into purchase power agreements whereby IMPA has agreed to purchase all of the output from certain solar generation facilities (Solar Parks) located in IMPA member communities with a total capacity of approximately 146 MW. The Solar Parks were or will be engineered, procured and constructed by IMPA. All purchase power contracts are for 25 years from when the respective Solar Park went into commercial operation. At June 30, 2022, 136 MW are in commercial operation and 10 MW are under construction. IMPA expects to have all solar parks in commercial operation prior to December 31, 2022.

The purchase power contract for one solar park (the Anderson 1 Solar Park) with a capacity of approximately 5 MW is a prepaid purchase power agreement and provides IMPA an option to buy the Solar Park at 5 ½ years after commercial operation.

The remaining Solar Park purchase power agreements, with a total capacity of approximately 141 MW, provide IMPA an option to buy the Solar Parks after six years. As part of these agreements, IMPA loaned the respective purchaser a portion of the EPC price.

IMPA records the difference between the EPC price and construction costs to a liability account. When the solar park is purchased back in the future, the difference will either be added to or subtracted from the basis of the reacquired solar park. The liability is included in Other Non-Current Liabilities on the Consolidated Statements of Net Position.

The prepaid purchase power and the notes receivable are included in Non-Current Assets on the Consolidated Statements of Net Position.

## **Funds**

IMPA's Master Power Supply System Revenue Bond Resolution (the Bond Resolution) requires the creation and maintenance of certain funds and accounts. The Restricted Funds under the Bond Resolution are the Debt Service Fund and the Debt Service Reserve Fund. The Bond Resolution allows for the creation and maintenance of the Rate Stabilization Account, the Reserve and Contingency Fund, and the Asset Retirement Obligation Fund, the use of which is restricted by Board resolution. The Construction Fund includes 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. government agencies and treasury securities as available for sale.

## **Fair Value Measurements**

IMPA uses fair value to measure certain financial instruments, with related unrealized gains or losses generally affecting regulatory assets and deferred inflow of resources (see Deferred Outflow of Resources and Deferred Inflow of Resources).

## **Hedging Derivative Instruments**

IMPA accounts for derivatives in accordance with GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB 53). 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.

### Deferred Outflow of Resources and Deferred Inflow of Resources

In accordance with GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance" (GASB 62), IMPA's consolidated financial statements reflect the rate making actions of the Board of Commissioners that result in the recognition of revenues and expenses in different time periods than entities that are not rate regulated. Regulatory assets are expenditures incurred by the Agency that will be recovered in rates in future periods. Deferred inflows of resources are revenues collected in rates for expenses not yet incurred by the Agency.

Deferred outflow and deferred inflow of resources consist of the following (in thousands):

<b>Deferred Outflow of Resources</b>	<b>June 2022</b>	<b>December 2021</b>
Regulatory Assets:		
Debt service net of related depreciation and amortization	\$ 22,357	\$ 24,192
Capital assets associated with asset retirement obligations	9,192	10,369
Future member rate benefits from sale of solar parks	6,105	4,183
Net valuation of financial instruments	1,753	1,443
Total Regulatory Assets	39,407	40,187
Other Deferred Outflow of Resources	31,121	32,489
	<b>\$ 70,528</b>	<b>\$ 72,676</b>

  

<b>Deferred Inflow of Resources</b>	<b>June 2022</b>	<b>December 2021</b>
Reserve for contingencies	\$ 29,198	\$ 28,798
Valuation of inventories	2,742	2,603
	<b>\$ 31,940</b>	<b>\$ 31,401</b>

### Employee Benefit Plan

IMPA maintains a 401(k) and 457(b) plan on behalf of all employees meeting certain eligibility requirements regarding length of employment, age and employee contributions.

### Committed Line of Credit

IMPA has entered into a \$100 million committed line of credit agreement (the Credit Agreement) with PNC Bank. Under the Credit Agreement, IMPA may draw funds and/or post standby letters of credit. The Credit Agreement expires on December 31, 2023. At June 30, 2022, IMPA had posted letters of credit totaling \$18.5 million and a line of credit draw of \$22.6 million. At December 31, 2021, IMPA had posted letters of credit totaling \$6.5 million and a line of credit draw of \$22.6 million.

The Credit Agreement is subordinated to IMPA's long-term revenue bonds, see Note 6, Long-Term Revenue Bonds. The Credit Agreement provides that PNC Bank may only require repayment prior to expiration if certain terms of default occur.

Certain interest rate provisions of the Credit Agreement reference the London Interbank Offered Rate (LIBOR). LIBOR may be discontinued prior to the expiration of the Credit Agreement. The Credit Agreement provides that a similar reference rate to be determined will replace LIBOR if LIBOR is discontinued. IMPA does not believe that this will have a material impact on IMPA's consolidated financial statements.

### **Revenue Recognition and Rates**

IMPA sets rates in accordance with the Bond Resolution. The Bond 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 budget rates. Differences between the accrued rate and the billed rate are collected from or returned to the members via a tracker in subsequent periods. The amount to be paid to members (a regulatory liability) at June 30, 2022 and December 31, 2021 was \$18.2 million and \$13.4 million, respectively. The regulatory liability is included in accrued liabilities in the consolidated statements of net position at June 30, 2022 and December 31, 2021.

### **Operating Revenues**

Operating revenues include sales to municipalities and other revenues. These descriptions of operating revenues reflect how economic factors affect the nature, amount, timing and uncertainty of revenues and cash flows. The Power Sales Contracts are the underlying agreements for IMPA's revenues from sales to members. Under the Power Sales Contracts, IMPA's performance obligation is to deliver electricity to member communities. Member communities consume electricity upon delivery and payment for electricity consumed is due within 30 days of receipt of invoice. There are no significant judgments in determining or allocating the transaction price. IMPA does not have any material contract assets or liabilities. IMPA does not incur any material costs to obtain or fulfill contracts with customers.

### **Operating Expenses**

IMPA's operating expenses are defined as purchased power and expenses directly related to, or incurred in support of, the production and transmission of electricity to the participating communities IMPA serves.

## **Non-Operating Expenses**

Non-operating expenses include interest income and expenses, costs related to the issuance of bonds, amortization of bond premiums, Build America Bond (BAB) subsidies and other non-operating revenues and expenses.

## **IMPA Service Corp**

IMPA Service Corp'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 Midcontinent Independent System Operator (MISO) and a transmission dependent utility of the MISO and PJM Interconnection, LLC (PJM). The MISO schedules, manages and oversees operational control of the JTS.

The MISO 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.

IMPA records all net sales through MISO and PJM to purchase power on the Consolidated Statements of Revenues, Expenses and Changes in Net Position.

## **Income Taxes**

IMPA, as a political subdivision of the State of Indiana, is exempt from federal and state income taxes. IMPA qualifies for federal income tax exclusion under Internal Revenue Code section 115. IMPA Service Corp is exempt from federal income tax under Internal Revenue Code section 501(a) as a 501(c)(3) organization.

## **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. The reported results of operations are not indicative of results of operations for any future period.

## **Accounting Pronouncements Issued**

During 2018, the GASB issued Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"* (GASB 89). GASB 89 establishes certain accounting requirements for interest cost incurred before the end of a construction period. IMPA adopted GASB 89 for the period beginning January 1, 2021. GASB 89 does not have a material impact on IMPA's consolidated financial statements.

During 2022, the GASB issued Statement No. 100, "Accounting Changes and Error Corrections — an amendment of GASB Statement No. 62" (GASB 100). GASB 100 enhances accounting and financial reporting for accounting changes and error corrections. GASB 100 is effective for fiscal years beginning after June 15, 2023. IMPA believes that GASB 100 will not have a material impact on IMPA's consolidated financial statements.

During 2022, the GASB issued Statement No. 101, "Compensated Absences" (GASB 101). GASB 101 updates the recognition and measurement guidance for compensated absences. GASB 101 is effective for fiscal years beginning after June 15, 2023. IMPA believes that GASB 101 will not have a material impact on IMPA's consolidated financial statements.

## 2. Capital Assets

Capital asset activity for the years ended June 30, 2022 and 2021, was as follows (in thousands):

<b>June 2022</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>Ending Balance</b>
Utility plant in service	\$ 1,797,388	\$ 1,756	\$ 13,316	\$ (1,101)	\$ 1,811,359
Construction work in progress	153,193	34,945	(13,316)	(11,893)	162,929
Total Utility Plant (Gross)	1,950,581	36,701	-	(12,994)	1,974,288
Less accumulated depreciation for utility plant in service	(644,601)	(31,888)	-	555	(675,934)
	<b>\$ 1,305,980</b>	<b>\$ 4,813</b>	<b>\$ -</b>	<b>\$ (12,439)</b>	<b>\$ 1,298,354</b>

<b>2021</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>Ending Balance</b>
Utility plant in service	\$ 1,730,910	\$ 5,833	\$ 70,579	\$ (9,934)	\$ 1,797,388
Construction work in progress	156,448	107,691	(70,579)	(40,367)	153,193
Total Utility Plant (Gross)	1,887,358	113,524	-	(50,301)	1,950,581
Less accumulated depreciation for utility plant in service	(601,260)	(47,833)	-	4,492	(644,601)
	<b>\$ 1,286,098</b>	<b>\$ 65,691</b>	<b>\$ -</b>	<b>\$ (45,809)</b>	<b>\$ 1,305,980</b>

Accumulated depreciation additions for the six months ended June 30, 2022 and the year ended December 31, 2021 do not include depreciation of asset retirement obligation assets of \$1.2 million and \$1.7 million, respectively.



### 3. Cash, Cash Equivalents and Investments

A Board policy governs IMPA's investments and deposits. IMPA's authorized investments include money market funds, federal agencies, investment contracts, US treasuries, commercial paper and repurchase agreements if the instruments meet certain minimum rating requirements.

During the six months ended June 30, 2022 and the year ended December 31, 2021, IMPA recorded a net decrease in the fair value of investments of \$0.5 million and \$0.8 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 gains or losses at June 30, 2022 and December 31, 2021 have been included in regulatory assets on IMPA's consolidated statements of net position (see Note 1).

The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of the instruments.

At June 30, 2022 and December 31, 2021, the original cost and the estimated fair values of the Agency's cash, cash equivalents and investments were as follows (in thousands):

INVESTMENT TYPE	2022		2021	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
<b>Long-Term Investments:</b>				
Restricted:				
U.S. Treasuries	\$ -	\$ -	\$ 11,572	\$ 12,221
Total Long-Term Investments	-	-	11,572	12,221
<b>Restricted and Unrestricted Cash and Cash Equivalents:</b>				
Restricted	191,015	191,015	192,572	192,572
Unrestricted	126,034	126,034	142,810	142,810
Total Restricted and Unrestricted Cash and Cash Equivalents	317,049	317,049	335,382	335,382
<b>Short-Term Investments:</b>				
Restricted:				
U.S. Government Agencies	5,994	5,997	16,021	16,117
U.S. Treasuries	13,494	12,912	2,887	3,022
Total Short-Term Investments	19,488	18,909	18,908	19,139
<b>Total</b>	<b>\$ 336,537</b>	<b>\$ 335,958</b>	<b>\$ 365,862</b>	<b>\$ 366,742</b>



The debt service account is comprised of current principal payments and interest due on long-term debt payable on the first business day of the subsequent year. The Bond Resolution restricts the debt service account, the debt service reserve fund and the construction fund. 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.

U.S. Government agencies consist solely of mortgage-backed securities which are backed by the full faith and credit guaranty of the United States' government. All long-term investments mature in less than five years.

At June 30, 2022 and December 31, 2021, the Agency's cash, cash equivalents and investments were restricted as follows (in thousands):

FUND	2022		2021	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
<b>Unrestricted:</b>	\$ 126,034	\$ 126,034	\$ 142,810	\$ 142,810
<b>Restricted by Board:</b>				
Rate Stabilization Fund	28,521	28,610	28,524	28,663
Other Board Restricted Accounts	44,176	44,228	42,446	42,564
<b>Restricted by Bond Resolution:</b>				
Debt Service Reserve Fund	92,939	92,219	91,963	92,586
Debt Service Account	44,744	44,744	59,204	59,204
Construction Fund	123	123	915	915
<b>Total</b>	<b>\$ 336,537</b>	<b>\$ 335,958</b>	<b>\$ 365,862</b>	<b>\$ 366,742</b>

#### 4. Net Position

At June 30, 2022 and December 31, 2021, the Agency's net position included the following components (in thousands):

	2022	2021
Net investment in capital assets	\$ (33,511)	\$ (60,404)
Restricted for debt service	15,771	29,489
Restricted for debt service reserve	92,219	92,586
Restricted for bond financed construction projects	123	915
Restricted by Board resolution	40,898	39,826
Unrestricted	342,678	342,514
	<b>\$ 458,178</b>	<b>\$ 444,926</b>

## 5. Hedging Transactions

IMPA purchases futures power and gas contracts (the Futures Contracts) to minimize the cost volatility of purchased power in the energy markets and fuel costs. IMPA does not purchase derivatives for speculative purposes. The acquisition of Futures Contracts allows IMPA to effectively plan and set stable rates from period to period for IMPA's Members. Certain of IMPA's Futures 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 Futures Contracts are hedging derivative instruments as defined by GASB 53. IMPA has entered into hedging transactions in the MISO energy market, the PJM energy market and the natural gas market.

IMPA is required to test its hedging transactions for effectiveness as of the reporting date as defined by GASB 53. IMPA's outstanding hedging transactions at December 31, 2021 and 2020 have been determined by management to be effective. Accordingly, IMPA's outstanding hedging transactions are reported in the Agency's June 30, 2022 and December 31, 2021 consolidated statements of net position at fair value. The fair market value for each of IMPA's hedging transactions have been determined by computing the difference between the contractual futures price and the published futures price at the respective market's settlement point(s) at market closing as of June 30, 2022 and December 31, 2021. The power hedging transactions settle and are valued at either the Indiana Hub or the AEP Dayton Hub. The gas hedging transactions settle and are valued at the Michcon City-Gate (Michcon) Hub.

As of June 30, 2022, the Agency has recorded unrealized gains and losses in other current assets of approximately \$0.4 million, other non-current liabilities of approximately \$23.4 million, and accrued liabilities of approximately \$21.8 million. As of December 31, 2021, the Agency has recorded unrealized gains and losses in other current assets of approximately \$0.3 million, other non-current liabilities of approximately \$13.8 million, and accrued liabilities of approximately \$5.1 million.

The following tables provide information related to IMPA's outstanding derivative instruments as of June 30, 2022 and December 31, 2021 (in thousands).

**June 30, 2022**

Trade Date Range	Duration	Notional Amount	Ending Fair Value	
			Classification	Amount
Jun 2022	Jul 2022	310 BTU	Accrued liabilities	\$ (385)
Mar 2017	Jun 2022 thru Jun 2023	443 MWH	Other current assets	21,766
Mar 2017	Oct 2022 thru Dec 2026	-	Other non-current liabilities	-
Mar 2017	Jul 2023 thru Dec 2026	1,001 MWH	Non-current assets	23,377
				<b>\$ 44,758</b>

**December 31, 2021**

Trade Date Range	Duration	Notional Amount	Ending Fair Value	
			Classification	Amount
Nov 2021 thru Dec 2021	Jan 2022 thru Feb 2022	75 MWH	Accrued liabilities	\$ (299)
Mar 2017	Jan 2022 thru Dec 2022	1,200 MWH	Other current assets	5,067
Mar 2017	Jan 2022 thru Dec 2022	4,450 MWH	Non-current assets	13,810
				<b>\$ 18,578</b>

## **Credit Risk**

All of IMPA's hedging transactions were transacted on exchanges. Exchanges are designed to avoid contract defaults and credit risk. Exchanges utilize clearing houses to guarantee the performance of each market participant for each transaction. The clearing house requires every market participant to deposit funds into a margin account. There is a required deposit for a percent of the nominal value of outstanding contracts and a deposit to reflect each market participant's daily gain or loss in the market. These funds are held by the clearing house and available to settle any defaults by market participants, thus mitigating credit risk related to IMPA's outstanding financially settled forward power contracts.

## **Basis Risk**

IMPA is exposed to basis risk on its hedging transactions because the pricing point of the hedged commodity may settle at a different pricing point than the hedge transaction (Indiana Hub or AEP-Dayton Hub). At June 30, 2022 and December 31, 2021, the Indiana Hub price was \$90.21 and \$43.31 per MWh and the AEP-Dayton Hub price was \$85.39 and \$36.86 per MWh, respectively. At June 30, 2022 the Michcon Hub price was approximately 7.42 per MMBtu.

## **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 contract with that counterparty. IMPA's termination risk is mitigated for those forward power contracts transacted on the Exchanges.

## **Commitments**

IMPA and its counterparties post collateral to support certain purchase hedging transactions. At June 30, 2022 and December 31, 2021, IMPA's counterparties had net collateral posted to IMPA of \$34.8 million and \$14.8 million, respectively. Net collateral posted to IMPA is included in accrued liabilities on the consolidated statement of net position.

## 6. Long-Term Revenue Bonds

IMPA issues Power Supply System Revenue Bonds to finance its acquisition and construction of utility plant. Long-term revenue bonds issued and outstanding at June 30, 2022 and December 31, 2021, consist of the following (in thousands):

Bond Series	Interest Rates	Due Date January 1,	Optional Redemption Year	2022	2021
2007 Series B	5.800%	2022		\$ -	\$ 5,465
2009 Series C	7.350%	2022 to 2024		8,785	10,795
2010 Series A	5.594%	2031 to 2042		123,640	123,640
2012 Series A	5.000%	2024 to 2028	2022	20,515	20,515
2013 Series A	4.750% - 5.250%	2022 to 2042	2023	23,235	24,380
2014 Series A	5.000%	2022 to 2032	2025	148,180	153,215
2016 Series A	4.000% - 5.000%	2033 to 2042	2026	366,350	366,350
2016 Series C	3.000% - 5.000%	2022 to 2039	2027	141,010	142,610
2017 Series A	5.000%	2022 to 2042	2028	209,450	218,645
2019 Series A	4.000% - 5.000%	2022 to 2042	2029	117,040	120,455
2019 Series B	Variable	2022 to 2042		58,220	59,320
				1,216,425	1,245,390
Less current maturities				(30,495)	(28,965)
Long-term revenue bonds				1,185,930	1,216,425
Unamortized premium, net				115,440	120,995
				<b>\$ 1,301,370</b>	<b>\$ 1,337,420</b>

The 2007 Series B and the 2009 Series C Bonds are non-callable. The 2010 Series A Bonds are designated as direct payment Build America Bonds and have make-whole optional redemption and extraordinary optional redemption provisions. The 2019 Series B Bonds are currently callable at a redemption price of 100%.

All other bonds are callable on or after January 1 of the optional redemption year at a redemption price of 100%, with the exception of the 2012 Series A Bonds. The 2012 Series A Bonds maturing on or after January 1, 2024 are callable on or after July 1, 2022 at a redemption price of 100%.

Debt service requirements based on contractual maturities at June 30, 2022 were as follows (in thousands):

	<b>Principal</b>	<b>Interest</b>
2023	\$ 30,495	\$ 55,433
2024	39,090	53,748
2025	41,065	51,771
2026	43,105	49,730
2027	45,250	47,587
2028 - 2032	261,955	202,395
2033 - 2037	332,710	135,094
2038 - 2042	422,755	52,615
	<b>\$ 1,216,425</b>	<b>\$ 648,373</b>

Long-term revenue bond activity for the periods ended June 30, 2022 and December 31, 2021, was as follows (in thousands):

<b>June 30, 2022</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Long-term revenue bonds	\$ 1,245,390	\$ -	\$ (28,965)	\$ 1,216,425
Less:				
Current maturities	(28,965)	28,965	(30,495)	(30,495)
Unamortized premium, net	120,995	-	(5,555)	115,440
	<b>\$ 1,337,420</b>	<b>\$ 28,965</b>	<b>\$ (65,015)</b>	<b>\$ 1,301,370</b>

<b>December 31, 2021</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Long-term revenue bonds	\$ 1,291,110	\$ -	\$ (45,720)	\$ 1,245,390
Less:				
Current maturities	(32,875)	32,875	(28,965)	(28,965)
Unamortized premium, net	132,331	-	(11,336)	120,995
	<b>\$ 1,390,566</b>	<b>\$ 32,875</b>	<b>\$ (86,021)</b>	<b>\$ 1,337,420</b>

### **Certain Debt Covenants**

IMPA's long-term revenue bonds are payable from and secured by a pledge of and security interest in all revenues, income, rents and receipts attributable to the Agency's ownership and operation of IMPA's power supply system and certain funds established by the Bond Resolution including IMPA's Unrestricted and Restricted By Bond Resolution funds, see Note 3. IMPA's Members, the State of Indiana nor any political subdivision of Indiana are obligated to pay the debt service on IMPA's long-term revenue bonds.

The Bond Resolution has no subjective acceleration provisions or events of default that change the timing of repayment.

### **Debt Service Coverage**

The IMPA Power Supply System Revenue Bond Resolution (Resolution) contains covenants that require IMPA to collect through rates 1.1 times the current year's accrued aggregate debt service. Debt service coverage was 1.30 times and 1.33 times for the six months ended June 30, 2022 and the year ended December 31, 2021, respectively. Debt service coverage for 2021 was calculated based on approximately \$29.0 million of principal and approximately \$59.5 million of 2021 interest expense payable during 2021 and in January 2022. Management believes that IMPA is in compliance with all financial debt covenants and restrictions as of June 30, 2022.

### **2010 Series A Build America Bonds (BAB)**

BAB subsidies are included in other non-operating income on the consolidated statements of revenues, expense and changes in net position. BABs subsidies for the six months ended June 30, 2022 and twelve months ended December 31, 2021 (in \$ thousands):

	<b>2022</b>	<b>2021</b>
BAB subsidies	\$ 1,141	\$ 2,283

### **2010 Series B Bonds Refunding**

On January 14, 2021, IMPA refunded the remaining outstanding 2010 Series B Bonds (the "Refunded Bonds") totaling \$12,845,000. The Refunded Bonds were scheduled to mature on January 1, 2022 and January 1, 2023. The interest rate on the Refunded Bonds was 5%. IMPA will save approximately \$950,000 of reduced interest expense as a result of the refunding.

### **2019 Series B Variable Rate Bonds**

The 2019 B Bonds are secured by an irrevocable transferable direct pay letter of credit (Letter of Credit) issued for the benefit of the owners of the 2019 Series B Bonds. The interest rates on the 2019 Series B Bonds is adjusted daily, and bondholders may require repurchase of the 2019 Series B bonds at the time of such interest rate adjustments. Through the Letter of Credit, the Agency has the right of direct offset with its lender for any repurchases. These bonds have a contractual maturity of January 1, 2042. The Letter of Credit has a contractual maturity of December 19, 2024. The interest rate at June 30, 2022 on the 2019 Series B Bonds was 0.650%.

## **7. Fair Value of Financial Instruments**

As defined in the fair value measurements standard, fair value is the price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants on the measurement date. This standard establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy defined by the fair value measurement standard are as follows:

### **Level 1**

Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those where transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. IMPA's Level 1 assets primarily consist of money market funds that are listed on active exchanges which are included in unrestricted cash and cash equivalents and restricted cash and cash equivalents on the consolidated statements of net position. IMPA does not have any liabilities that meet the definition of Level 1.

### **Level 2**

Pricing inputs are either directly or indirectly observable in the market as of the reporting date, other than quoted prices in active markets included in Level 1. Level 2 includes those financial instruments that are valued using models or other valuation methodologies based on assumptions that are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. These models are primarily industry-standard models that consider various assumptions, including time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. IMPA's Level 2 assets and liabilities consist primarily of debt securities and financially settled Futures Contracts, which are included in long-term investments, short-term investments, other current assets, non-current assets, accrued liabilities, and other non-current liabilities.

### **Level 3**

Pricing inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. IMPA does not have any assets or liabilities that meet the definition of Level 3.

IMPA utilizes market data and assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable.



IMPA primarily applies the market approach for recurring fair value measurements using the best information available. Accordingly, IMPA maximizes the use of observable inputs and minimizes the use of unobservable inputs.

The carrying amounts of cash, accounts receivable and accounts payable approximate their fair value due to their short-term nature.

The following tables set forth IMPA's financial assets and financial liabilities that are accounted for on a recurring basis at fair value by level within the fair value hierarchy. As required by the fair value measurement standard, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. IMPA's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Recurring fair value measures at June 30, 2022 and December 31, 2021 were as follows (in thousands):

<b>June 30, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Assets:			
Money market funds	\$ 266,922	\$ -	\$ 266,922
Debt securities	-	18,909	18,909
Futures contracts	-	45,144	45,144
	<b>\$ 266,922</b>	<b>\$ 64,053</b>	<b>\$ 330,975</b>
Liabilities:			
Futures contracts	\$ -	\$ 385	\$ 385

<b>December 31, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Assets:			
Money market funds	\$ 267,705	\$ -	\$ 267,705
Debt securities	-	31,360	31,360
Futures contracts	-	18,877	18,877
	<b>\$ 267,705</b>	<b>\$ 50,237</b>	<b>\$ 317,942</b>
Liabilities:			
Futures contracts	\$ -	\$ 299	\$ 299

## 8. 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 cost of mine reclamation and closure at Prairie State and with the future closure of waste disposal facilities at IMPA's jointly-owned plants.

Asset retirement obligations are estimated annually during the fourth quarter of the year and 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 lives. The Agency uses an expected cash flow approach to measure the obligations. IMPA's asset retirement obligations have no impact on change in net position due to the Agency applying the provisions of GASB 62.

The following table presents the details of the Agency's asset retirement obligations for the periods ended June 30, 2022 and December 31, 2021 (in thousands):

	<b>Beginning Balance</b>	<b>Liabilities Settled</b>	<b>Accretion</b>	<b>Cash Flow Revisions</b>	<b>Ending Balance</b>
2022	\$ 17,915	(1,386)	281	-	\$ 16,810
2021	\$ 20,716	(2,350)	667	(1,118)	\$ 17,915

The cash flow revisions in 2021 were primarily the result of changes in the estimates of future costs of closure of coal ash storage systems at Gibson Unit 5 and Trimble County Units 1 and 2.

IMPA's share of the asset retirement obligations for the Agency's jointly-owned generation at June 30, 2022 and December 31, 2021 was as follows (in thousands):

	<b>2022</b>	<b>2021</b>
Gibson Unit 5	\$ 4,896	\$ 4,952
Prairie State Units 1 & 2	3,351	3,269
Trimble County Units 1 & 2	8,563	9,694
	<b>\$ 16,810</b>	<b>\$ 17,915</b>

IMPA's percentage share of the total asset retirement obligations approximates the Agency's percentage ownership share of each of the respective jointly owned production facilities, see Note 11, Jointly-Owned Plant.

The Agency had restricted assets for the payment of IMPA's share of the asset retirement obligations totaling approximately \$17.0 million and \$15.5 million at June 30, 2022 and December 31, 2021, respectively.

## 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. At June 30, 2022 and December 31, 2021, the Agency did not have a rebate payable. The estimated arbitrage expense is recorded as a reduction of interest income.

## 10. 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 for the periods ended June 30, 2022 and December 31, 2021. Accounts receivable balances for the two communities account for 29% and 33% of the total municipality accounts receivable balances as of June 30, 2022 and December 31, 2021, respectively. IMPA has long-term energy purchase contracts with one supplier that account for approximately 23% and 27% of IMPA's total energy for the period ended June 30, 2022 and the year ended December 31, 2021, respectively.

## 11. Jointly-Owned Plant

IMPA is a joint owner of Gibson Unit 5, Trimble County Units 1 and 2, Prairie State Units 1 and 2 and co-owns certain transmission property and local facilities. IMPA's portion of all operating costs associated with the commonly-owned facilities is reflected in the consolidated financial statements. For further discussion of Jointly-Owned Plant, see Note 1, Utility Plant.

IMPA's investments in jointly-owned plant at June 30, 2022 were as follows (in thousands):

	Share	Utility Plant In Service	Accumulated Depreciation
Production			
Gibson Unit 5	24.95%	\$ 200,043	\$ 113,204
Prairie State Units 1 & 2	12.64%	763,222	198,424
Trimble County Units 1 & 2	12.88%	333,212	138,061
Transmission and local facilities	5.35%	265,372	71,275

## **12. Commitments and Contingencies**

### **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 June 30, 2022 was approximately \$131.9 million for 2022 and \$2.6 billion through April 1, 2052.

IMPA anticipates its share of future capital expenditures for Gibson Unit 5, Prairie State Units 1 and 2, Trimble County Units 1 and 2, the combustion turbines, the JTS and other ongoing system projects to total approximately \$292 million for the years 2023 through 2027. The projected capital expenditures include both environmental improvements and expenditures 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.

### **Emissions Regulations**

There are currently no Environmental Protection Agency (EPA) regulations governing carbon dioxide emissions under the Clean Air Act. The EPA is expected to initiate a replacement rulemaking in early 2023. IMPA does not currently know to what extent a future rule will impact its generation resources.

### **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 as of the report issuance date is not material to IMPA's financial position or results of operations.

## **13. Illinois Senate Bill ("SB") 2408**

In 2021, Illinois passed SB 2408, the Climate and Equitable Jobs Act (CEJA). The CEJA requires a 45% reduction in existing publicly owned Illinois power plant carbon dioxide emissions by June 30, 2038. The CEJA further requires all publicly owned coal-fired generating units to permanently reduce carbon dioxide emission to zero by December 31, 2045.

The CEJA does, however, provide that if the reduction of output from or the closing of any plant creates a resource adequacy shortfall in the State of Illinois the plant can continue to operate until the reliability can otherwise be addressed. During the 2021/2022 planning year, Illinois was a net capacity importer. With the announced and required retirements, there is potential that Illinois will need to import even more capacity into the future.

The CEJA has a potential material future impact on IMPA's ownership share of the Prairie State Generating Company, LLC (Prairie State). IMPA and the other owners of Prairie State have and continue to develop plans to manage the potential impacts of the CEJA. Potential impacts cannot be gauged with certainty at this time.

## **14. Subsequent Events**

### **2022 Series A Bonds**

On August 18, 2022 IMPA closed on the issuance of the 2022 Series A Bonds. The par value of the 2022 Series A Bonds is \$94.1 million. The bonds were sold with a \$13.1 million premium and as part of the bond transaction, IMPA released \$15.7 million from the Agency's Debt Service Reserve Fund. The total proceeds from the issuance of the bonds, the premium and the Debt Service Reserve Fund release was approximately \$122.9 million. IMPA used the proceeds to refund IMPA's 2012 A Bonds (the Refunded Bonds), deposit \$100 million to the Agency's Construction fund and pay certain costs associated with the issuance of the bonds. The 2022 A Bonds have interest rates that range from 5.0% to 5.5%, due dates that range from January 1, 2024 to January 1, 2053 and an optional redemption date of January 1, 2032 at a redemption price of 100%.

The Refunded Bonds had a par value of approximately \$20.5 million. The Refunded Bonds were callable on July 1, 2022. The net present value savings from the refunding of the Refunded Bonds was approximately \$1.8 million.

### **Anderson 1 Solar Park Buy Back**

On August 31, 2022, IMPA exercised the option to purchase the 5 MW Anderson 1 Solar Park. With the purchase of the Anderson 1 Solar Park the purchase power agreement was terminated, See Note 1, Sale of Solar Generation Facilities (Solar Parks).