

# **Indiana Municipal Power Agency**

Consolidated Financial Statements as of and for  
the years ended December 31, 2025 and 2024,  
Management's Discussion and Analysis, and  
Report of Independent Auditors

# Indiana Municipal Power Agency

Consolidated Financial Statements as of and for  
the years ended December 31, 2025 and 2024

Management's Discussion and Analysis and Report of Independent Auditors

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners of Indiana Municipal Power Agency

### **Opinion**

We have audited the accompanying consolidated financial statements of Indiana Municipal Power Agency and its subsidiary (the "Agency"), a political subdivision of the State of Indiana, which comprise the consolidated statements of net position as of December 31, 2025 and 2024, and the related consolidated statements of revenues, expenses and changes in net position and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Agency as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the consolidated financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PriceWaterhouseCoopers LLP

March 26, 2026

## **INDIANA MUNICIPAL POWER AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

This discussion and analysis of the Indiana Municipal Power Agency's (IMPA or the Agency) consolidated financial performance provides an overview of the Agency's activities for the fiscal year ended December 31, 2025 and 2024. It should be read in conjunction with the basic consolidated financial statements and the accompanying notes.

### **CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements presented herein include all of the activities of IMPA and its subsidiary IMPA Service Corp. The Agency substantially follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. These statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. IMPA has implemented all Governmental Accounting Standards Board (GASB) pronouncements. To the extent that GASB does not have applicable accounting standards, IMPA has chosen the option to implement Financial Accounting Standards Board (FASB) pronouncements. IMPA Service Corp is a not-for-profit service corporation formed by IMPA to provide non-power supply services to IMPA Members and other municipal entities. IMPA Service Corp's revenues and expenses are reported in IMPA's consolidated statements of revenues, expenses and changes in net position in other revenues and other operating expenses, respectively.

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

## CONDENSED CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (\$ millions)

	2025	2024	2023
Sales to municipalities	\$ 526.6	\$ 469.9	\$ 461.0
Other revenues	10.1	9.7	10.0
<b>Total Operating Revenues</b>	<b>536.7</b>	<b>479.6</b>	<b>471.0</b>
Purchased power, fuel, and production expense	255.2	236.8	246.5
Transmission and local facilities	68.3	65.8	51.4
Other operating expenses	145.0	112.8	122.4
<b>Total Operating Expenses</b>	<b>468.5</b>	<b>415.4</b>	<b>420.3</b>
<b>Operating Income</b>	<b>68.2</b>	<b>64.2</b>	<b>50.7</b>
Interest expense	61.6	59.9	61.9
Interest income	(27.8)	(27.6)	(22.5)
Other non-operating income	(15.4)	(13.3)	(25.8)
<b>Total Non-Operating Expenses (Income)</b>	<b>18.4</b>	<b>19.0</b>	<b>13.6</b>
<b>Change in Net Position</b>	<b>49.8</b>	<b>45.2</b>	<b>37.1</b>
<b>Net Position at Beginning of Year</b>	<b>560.3</b>	<b>515.1</b>	<b>478.0</b>
<b>Net Position at End of Year</b>	<b>\$ 610.1</b>	<b>\$ 560.3</b>	<b>\$ 515.1</b>

### 2025 Discussion

Operating Revenues which are composed of sales to municipalities and other revenues, increased by approximately \$57.1 million (11.9%) compared to 2024. Comparatively milder temperatures in 2024 and higher operating costs were the primary reasons for higher sales to municipalities in 2025. Energy sales in 2025 were 1.9% higher than 2024. The average accrued cost per kWh for 2025 was 8.45 cents, an approximate 10.0% increase compared to 2024.

Total operating expenses increased by approximately \$53.1 million (12.8%) compared to 2024. Higher fuel costs and future recoverable costs were the primary drivers of higher operating costs.

Total non-operating expenses decreased by approximately \$0.6 million (3.2%) compared to 2024. In 2025 and 2024, IMPA accrued approximately \$6.1 million and \$3.0 million for direct pay investment tax credits for solar parks constructed, respectively.

### 2024 Discussion

Operating Revenues which are composed of sales to municipalities and other revenues, increased by approximately \$8.6 million (1.8%) compared to 2023. Comparatively milder temperatures in 2023 were the primary reason for higher sales to municipalities in 2024. Energy sales in 2024 were 2.7% higher than 2023. The average accrued cost per kWh for 2024 was 7.68 cents, an approximate 0.7% decrease compared to 2023.

Total operating expenses decreased by approximately \$4.9 million (1.2%) compared to 2023. Higher fuel and transmission costs were offset by lower purchased power, production and future recoverable costs.

Total non-operating expenses increased by approximately \$5.4 million (39.7%) compared to 2023. Investment interest income was higher and interest expense on revenue bonds was lower in 2024. In 2023, IMPA accrued approximately \$15.2 million for direct pay investment tax credits for solar parks constructed.

## CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION (\$ millions)

	2025	2024	2023
Total utility plant, net	\$ 1,253.8	\$ 1,264.9	\$ 1,263.6
Cash and investments	599.2	477.0	407.9
Other current assets	176.9	138.9	161.5
Non-current assets and deferred outflow of resources	185.8	245.9	240.9
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 2,215.7</b>	<b>\$ 2,126.7</b>	<b>\$ 2,073.9</b>
Net investment in capital assets	(113.2)	(54.1)	(106.6)
Restricted	202.3	147.0	153.0
Unrestricted	521.0	467.4	468.7
<b>Total Net Position</b>	<b>610.1</b>	<b>560.3</b>	<b>515.1</b>
Current liabilities	165.5	175.5	115.3
Non-current liabilities and deferred inflow of resources	1,440.1	1,390.9	1,443.5
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>1,605.6</b>	<b>1,566.4</b>	<b>1,558.8</b>
<b>Total Net Position, Liabilities and Deferred Inflow of Resources</b>	<b>\$ 2,215.7</b>	<b>\$ 2,126.7</b>	<b>\$ 2,073.9</b>

Cash and Investments increased approximately \$122.2 million primarily as a result of the net issuance of approximately \$109.4 million of long-term debt.

Utility plant decreased approximately \$11.1 million in 2025 and increased approximately \$1.3 million in 2024. Capital additions were approximately \$66.0 million in 2025. Net retirements in 2025 were approximately \$2.4 million. Depreciation expense was approximately \$74.7 and \$68.4 million in 2025 and 2024, respectively.

Debt service coverage for 2025 and 2024 was 1.47 times and 1.44 times, respectively. The Agency's bond resolution requires debt service coverage to be at least 1.10 times.

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

(in thousands)

<b>For the Years Ended December 31,</b>	<b>2025</b>	<b>2024</b>
<b>Operating Revenues</b>		
Sales to municipalities	\$ 526,647	\$ 469,887
Other revenues	10,077	9,732
<b>Total Operating Revenues</b>	<b>536,724</b>	<b>479,619</b>
<b>Operating Expenses</b>		
Purchased power	135,904	132,775
Fuel	86,407	71,649
Production	32,908	32,422
Transmission and local facilities	68,298	65,836
Other operating	25,156	24,654
Maintenance	32,274	26,354
Depreciation	75,862	70,561
Future recoverable (refundable) costs	11,687	(8,816)
<b>Total Operating Expenses</b>	<b>468,496</b>	<b>415,435</b>
<b>Operating Income</b>	<b>68,228</b>	<b>64,184</b>
<b>Non-Operating Expenses (Income)</b>		
Interest expense	61,641	59,928
Accretion of premiums received on debt	(9,537)	(8,430)
Interest income	(27,820)	(27,557)
Other non-operating income	(5,888)	(4,959)
<b>Total Non-Operating Expenses (Income)</b>	<b>18,396</b>	<b>18,982</b>
<b>Change in Net Position</b>	<b>49,832</b>	<b>45,202</b>
<b>Net Position at Beginning of Year</b>	<b>560,313</b>	<b>515,111</b>
<b>Net Position at End of Year</b>	<b>\$ 610,145</b>	<b>\$ 560,313</b>

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

# INDIANA MUNICIPAL POWER AGENCY

## CONSOLIDATED STATEMENTS OF NET POSITION

(in thousands)

December 31,	2025	2024
<b>Assets and Deferred Outflow of Resources</b>		
Utility Plant		
Utility plant in service	\$ 2,094,670	\$ 2,012,918
Less: accumulated depreciation	(905,678)	(834,700)
	1,188,992	1,178,218
Construction work in progress	64,803	86,640
Total Utility Plant, Net	1,253,795	1,264,858
Long-Term Investments	48,847	21,973
Restricted Cash and Cash Equivalents	202,430	132,161
Current Assets		
Unrestricted cash and cash equivalents	303,861	248,274
Short-term investments	44,027	74,555
Municipality accounts receivable	77,105	79,748
Fuel stock and material inventory	32,833	35,073
Other current assets	66,996	24,118
Total Current Assets	524,822	461,768
Non-Current Assets	109,240	155,032
Deferred Outflow of Resources	76,609	90,898
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 2,215,743</b>	<b>\$ 2,126,690</b>
<b>Net Position, Liabilities, and Deferred Inflow of Resources</b>		
Net Position		
Net investment in capital assets	\$ (113,193)	\$ (54,125)
Restricted	202,316	147,056
Unrestricted	521,022	467,382
Total Net Position	610,145	560,313
Non-Current Liabilities		
Long-term revenue bonds, net	1,323,453	1,276,728
Other non-current liabilities	53,799	61,645
Total Non-Current Liabilities	1,377,252	1,338,373
Current Liabilities		
Current maturities of revenue bonds	43,535	42,255
Accounts payable	33,696	29,423
Accrued interest on revenue bonds	30,182	29,079
Accrued liabilities	58,127	74,694
Total Current Liabilities	165,540	175,451
Deferred Inflow of Resources	62,806	52,553
<b>Total Net Position, Liabilities and Deferred Inflow of Resources</b>	<b>\$ 2,215,743</b>	<b>\$ 2,126,690</b>

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

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

For the Years Ended December 31,	2025	2024
<b>Cash Flows From Operating Activities:</b>		
Receipts from municipalities	\$ 515,539	\$ 534,203
Other operating receipts	10,077	9,732
Payments for purchased power	(138,358)	(130,578)
Payments for fuel	(81,147)	(74,401)
Payments for production	(44,766)	(36,261)
Payments for transmission and local facilities	(66,960)	(64,325)
Cash deposits as collateral	1,000	-
Payments for other operating expenses	(22,363)	(23,227)
Payments for maintenance	(34,358)	(24,220)
Net cash provided by operating activities	138,664	190,923
<b>Cash Flows From Capital And Related Financing Activities:</b>		
Additions to utility plant	(53,268)	(69,157)
Proceeds from sale of capital assets	3,403	3,786
Issuance of long-term debt	281,134	-
Refunding of long-term debt	(171,685)	-
Proceeds from direct pay investment tax credits	-	15,737
Principal payments on long-term debt	(42,255)	(40,215)
Interest payments	(60,550)	(60,949)
Net cash provided by (used in) capital and related financing activities	(43,221)	(150,798)
<b>Cash Flows From Investing Activities:</b>		
Investment purchases	(69,918)	(70,223)
Maturities and called investments	75,044	35,391
Interest income and other	25,287	27,723
Net cash provided by (used in) investing activities	30,413	(7,109)
Net Increase in Cash and Cash Equivalents	125,856	33,016
<b>Restricted and Unrestricted Cash and Cash Equivalents:</b>		
<b>Balances at Beginning of Year</b>	<b>380,435</b>	<b>347,419</b>
<b>Balances at End of Year</b>	<b>\$ 506,291</b>	<b>\$ 380,435</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 Years Ended December 31,	2025	2024
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$ 68,228	\$ 64,184
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	75,862	70,561
Future recoverable (refundable) costs	11,687	(8,816)
Changes in other assets and liabilities:		
Municipality accounts receivable	2,643	(221)
Fuel stock and material inventory	2,446	(2,795)
Accounts payable	(7,643)	14
Other	(14,559)	67,996
<b>Net cash provided by operating activities</b>	<b>\$ 138,664</b>	<b>\$ 190,923</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 (the Members). IMPA sells power to the 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 1,032 megawatts (MW) or approximately 84% of IMPA's 2025 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), 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 related cost-effective services beyond power supply and transmission to Members and other municipal utilities. IMPA Service Corp's total revenues and expenses are not significant to IMPA's financial statements.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Agency and its subsidiary, 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 implemented all Governmental Accounting Standards Board (GASB) pronouncements. To the extent that GASB does not have applicable accounting standards, IMPA has chosen the option to implement Financial Accounting Standards Board (FASB) 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) 32 wholly-owned solar generating facilities with a total generating capacity of approximately 86 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 2030.

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. 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% in 2025 and 3.4% in 2024.

IMPA's ownership interest in Prairie State includes an interest in coal reserves with an original cost net of depletion of \$6.5 and \$6.8 million at December 31, 2025 and 2024, respectively.

On April 9, 2025, the Indiana Utility Regulatory Commission issued a Certificate of Public Convenience and Necessity and authorized IMPA to borrow up to \$337.9 million for the construction of a new combustion turbine (the "CT Project"). The CT Project is a dual-fuel (natural gas and No. 2 distillate oil) combustion turbine not to exceed 250 MW nameplate capacity that is planned to be operational in mid- to late 2029, plus associated facilities on IMPA-owned property adjacent to IMPA's combustion turbines located in Anderson, Indiana.

At December 31, 2025 and 2024, construction work in progress (CWIP) included construction costs for ongoing utility plant capital improvements and the CT Project.

### **Solar Generation Facilities (Solar Parks) Agreements**

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 124 MW. The Solar Parks were all engineered, procured and constructed (EPC) by IMPA. All purchase power contracts are for 25 years from when the respective Solar Park went into commercial operation. The purchase power contracts provide IMPA an option to buy the Solar Parks after six years.

As part of these purchase power agreements, IMPA loaned the purchaser a portion of the EPC price. The notes receivable are included in Non-Current Assets on the Consolidated Statements of Net Position.

IMPA records the difference between the EPC price and construction costs to a liability account. If 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.

During 2024 and 2025 the option to buy the solar parks under eight of the solar park purchase power contracts became eligible to exercise. In 2025 IMPA purchased 3 solar parks with a combined capacity of 11 MW and in 2026 IMPA purchased 5 solar parks with a combined capacity of approximately 25 MW. See Note 14, Subsequent Events. Upon purchase of the solar parks, the associated purchase power contracts were terminated.

## **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.

## **Fair Value Measurements**

IMPA uses fair value to measure certain financial instruments, including U.S. government agencies and treasury securities, with related unrealized gains or losses generally affecting regulatory assets and deferred inflow of resources. See Deferred Outflow and 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, Hedging Transactions.

### 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 and 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. Deferred outflow of resources are expenditures incurred by the Agency that will be recovered in rates in future periods. Deferred inflow of resources are revenues collected in rates for expenses not yet incurred by the Agency.

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

<b>Deferred Outflow of Resources</b>	<b>2025</b>	<b>2024</b>
Regulatory Assets:		
Debt service net of related depreciation and amortization	\$ 33,380	\$ 38,783
Capital assets associated with asset retirement obligations	7,035	9,766
Future member rate benefits from sale of solar parks	21,368	17,158
Net valuation of financial instruments	250	966
Total Regulatory Assets	62,033	66,673
Other Deferred Outflow of Resources	14,576	24,225
	<b>\$ 76,609</b>	<b>\$ 90,898</b>

<b>Deferred Inflow of Resources</b>	<b>2025</b>	<b>2024</b>
Reserve for contingencies	\$ 36,478	\$ 32,296
Valuation of inventories	2,050	2,037
Deferred investment tax credits	24,278	18,220
	<b>\$ 62,806</b>	<b>\$ 52,553</b>

In 2025 and 2024, deferred inflow of resources includes approximately \$24.3 and \$18.2 million of accrued direct pay investment tax credits for solar generating facilities constructed and wholly owed by the Agency, respectively.

### 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. Employer contributions to the plan were approximately \$1.6 million and \$1.5 million for 2025 and 2024, respectively.

## **Committed Line of Credit**

On March 1, 2023, IMPA entered into a \$100 million committed line of credit agreement (the Credit Agreement) with Bank of America. Under the Credit Agreement, IMPA may draw funds and/or post standby letters of credit. The Credit Agreement expires on July 31, 2028. At December 31, 2025 and 2024, IMPA had posted letters of credit totaling \$15.6 million and \$8.5 million, respectively. The Credit Agreement is subordinated to IMPA's long-term revenue bonds. The Credit Agreement provides that Bank of America may only require repayment prior to expiration if certain terms of default occur.

## **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 Members 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 Members 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 returned to the Members (a regulatory liability) at December 31, 2025 and 2024 was \$39.8 million and \$53.5 million, respectively. The regulatory liability is included in accrued liabilities in the consolidated statements of net position.

## **Operating Revenues**

Operating revenues include sales to municipalities and other revenues. The Power Sales Contracts are the underlying agreements that serve as the basis for IMPA's revenues from sales to Members. Under the Power Sales Contracts, IMPA's obligation is to deliver electricity to Members. Member communities consume electricity upon delivery and payment for electricity consumed is due within 30 days of receipt of invoice.

## **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 Members 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, direct pay investment tax credits earned 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**

In January 2024, the GASB issued Statement No. 102, "Certain Risk Disclosures" (GASB 102). GASB 102 requires disclosure of essential information about risks related to vulnerabilities due to certain concentrations or constraints. GASB 102 is effective for fiscal years beginning after June 15, 2024.

In April 2024, the GASB issued Statement No. 103, "Financial Reporting Model Improvements" (GASB 103). The objective of GASB 103 is to improve key components of the financial reporting model. GASB 103 is effective for fiscal years beginning after June 15, 2025.

In September 2024, the GASB issued Statement No. 104, "Disclosure of Certain Capital Assets" (GASB 104). The objective of GASB 104 is to provide financial statement users with essential information about certain types of capital assets. GASB 104 is effective for fiscal years beginning after June 15, 2025.

In December 2025, the GASB Issued Statement No. 105, "Subsequent Events" (GASB 105). The objective of GASB 105 is to improve the financial requirements for subsequent events. GASB 105 is effective for fiscal years beginning after June 15, 2026.

IMPA believes that GASBs 102, 103, 104, and 105 will not have a material impact on IMPA's consolidated financial statements.

## 2. Capital Assets

Capital asset activity for the years ended December 31, 2025 and 2024, was as follows (in thousands):

<b>2025</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>Ending Balance</b>
Utility plant in service	\$ 2,012,918	\$ 19,108	\$ 68,808	\$ (6,164)	\$ 2,094,670
Construction work in progress	86,640	46,971	(68,808)	-	64,803
Total Utility Plant (Gross)	2,099,558	66,079	-	(6,164)	2,159,473
Less accumulated depreciation for utility plant in service	(834,700)	(74,745)	-	3,767	(905,678)
	\$ 1,264,858	\$ (8,666)	\$ -	\$ (2,397)	\$ 1,253,795

<b>2024</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>Ending Balance</b>
Utility plant in service	\$ 1,973,137	\$ 3,038	\$ 43,568	\$ (6,825)	\$ 2,012,918
Construction work in progress	61,164	69,044	(43,568)	-	86,640
Total Utility Plant (Gross)	2,034,301	72,082	-	(6,825)	2,099,558
Less accumulated depreciation for utility plant in service	(770,721)	(68,420)	-	4,441	(834,700)
	\$ 1,263,580	\$ 3,662	\$ -	\$ (2,384)	\$ 1,264,858

At December 31, 2025 construction work in progress included approximately \$14.4 million of expenditures associated with the construction of the CT Project. See Note 1, Organization and Significant Policies, Utility Plant.

## 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 years ended December 31, 2025 and 2024, IMPA recorded a net increase in fair value of investments of \$1.5 million and \$2.1 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 December

31, 2025 and 2024 have been included in regulatory assets on IMPA's consolidated statements of net position. See Note 1, Organization and Significant Accounting Policies, Deferred Outflow and Inflow of Resources.

Cash and cash equivalents are deposited in cash and money market accounts. At December 31, 2025 and 2024, approximately \$470 million and \$379 million, respectively of IMPA's cash & cash equivalents were invested in money market accounts that invest predominately in securities issued or guaranteed as to principal and interest by the U.S. government or its agencies or instrumentalities, repurchase agreements collateralized solely by cash and/or government securities, and cash. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of the instruments.

At December 31, 2025 and 2024, the original cost and the estimated fair values of the Agency's cash, cash equivalents and investments were as follows (in thousands):

INVESTMENT TYPE	2025		2024	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
<b>Long-Term Investments:</b>				
Restricted:				
U.S. Treasuries	\$ 48,492	\$ 48,847	\$ 21,912	\$ 21,973
Total Long-Term Investments	48,492	48,847	21,912	21,973
<b>Restricted and Unrestricted Cash and Cash Equivalents:</b>				
Restricted	202,430	202,430	132,161	132,161
Unrestricted	303,861	303,861	248,274	248,274
Total Restricted and Unrestricted Cash and Cash Equivalents	506,291	506,291	380,435	380,435
<b>Short-Term Investments:</b>				
Restricted:				
U.S. Treasuries	43,339	44,027	74,308	74,555
Total Short-Term Investments	43,339	44,027	74,308	74,555
<b>Total</b>	<b>\$ 598,122</b>	<b>\$ 599,165</b>	<b>\$ 476,655</b>	<b>\$ 476,963</b>

IMPA's investments have inherent financial risks, including credit risk and interest rate risk. Credit risk is the risk of loss of all or part of the investment due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. Nationally recognized statistical rating organizations ("NRSROs"), such as S&P Global and Moody's, assign credit ratings that reflect their opinions of an issuer's or issue's creditworthiness. At December 31, 2025, US Treasuries were rated AA+ and AA1 by S&P and

Moody's, respectively. U.S. Treasuries considered investment grade are those rated at least BBB- by S&P Global and Baa3 by Moody's.

Long-term U.S. Treasuries are highly sensitive to changes in interest rates. At December 31, 2025, long-term U.S. Treasuries had maturities that range from March 15, 2027 through March 15, 2028.

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. See Note 1, Organization and Significant Accounting Policies, Funds.

At December 31, 2025 and 2024, the Agency's cash, cash equivalents and investments were restricted as follows (in thousands):

FUND	2025		2024	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
<b>Unrestricted</b>	\$ 303,861	\$ 303,861	\$ 248,274	\$ 248,274
<b>Restricted by Board:</b>				
Rate Stabilization Fund	28,716	28,716	28,620	28,620
Other Board Restricted Accounts	59,541	59,567	54,789	54,805
<b>Restricted by Bond Resolution:</b>				
Debt Service Reserve Fund	80,604	81,621	73,128	73,420
Debt Service Account	74,227	74,227	71,844	71,844
Construction Fund	51,173	51,173	-	-
<b>Total</b>	<b>\$ 598,122</b>	<b>\$ 599,165</b>	<b>\$ 476,655</b>	<b>\$ 476,963</b>

#### 4. Net Position

At December 31, 2025 and 2024, the Agency's net position included the following components (in thousands):

	2025	2024
Net investment in capital assets	\$ (113,193)	\$ (54,125)
Restricted for debt service	44,045	42,765
Restricted for debt service reserve	81,621	73,420
Restricted for bond financed construction projects	51,173	-
Restricted by Board resolution	25,477	30,871
Unrestricted	521,022	467,382
	<b>\$ 610,145</b>	<b>\$ 560,313</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 and PJM energy markets.

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, 2025 and 2024 have been determined by management to be effective. Accordingly, IMPA's outstanding hedging transactions are reported in the Agency's December 31, 2025 and 2024 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 December 31, 2025 and 2024. The power hedging transactions settle and are valued at either the Indiana Hub or the AEP Dayton Hub.

As of December 31, 2025, the Agency had recorded unrealized gains and losses in other current assets of approximately \$0.2 million and other accrued liabilities of approximately \$3.1 million. As of December 31, 2024, the Agency had recorded unrealized gains and losses in other current assets of approximately \$0.2 million, other accrued liabilities of approximately \$4.3 million, and non-current liabilities of approximately \$3.2 million.

The following tables provide information related to IMPA's outstanding derivative instruments as of December 31, 2025 and 2024 (in thousands):

**December 31, 2025**

Trade Date Range	Duration	Notional Amount	Ending Fair Value	
			Classification	Amount
Mar 2017	Jan 2026 thru Dec 2026	153 MW	Other current assets	\$ 3,055
Mar 2017	Jul 2026 thru Sep 2026	100 MW	Accrued liabilities	(238)
				<b>\$ 2,817</b>

**December 31, 2024**

Trade Date Range	Duration	Notional Amount	Ending Fair Value	
			Classification	Amount
Mar 2017 thru Nov 2024	Jan 2025 thru Dec 2025	1,075 MW	Other current assets	\$ 4,316
Mar 2017	Jan 2026 thru Dec 2026	550 MW	Non-current assets	3,150
Mar 2024 thru Nov 2024	Jan 2025 thru Oct 2025	325 MW	Accrued liabilities	(209)
				<b>\$ 7,257</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 December 31, 2025 and 2024, the on-peak LMP price per MWh at the Indiana Hub was \$40.03 and \$33.64 per MWh and at the AEP-Dayton Hub was \$44.13 and \$34.91, respectively.

## **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 power futures agreements. At December 31, 2025 and December 31, 2024, IMPA's counterparties had net collateral posted to IMPA of \$0.5 million and \$3.9 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 December 31, 2025 and 2024, consist of the following (in thousands):

Bond Series	Interest Rates	Due Date January 1,	Optional Redemption Date	2025	2024
2010 Series A	5.594%	2038 to 2042	-	\$ 89,735	\$ 123,640
2013 Series A	-	-	-	-	20,250
2014 Series A	-	-	-	-	130,525
2016 Series A	4.000% - 5.000%	2033 to 2042	July 1, 2026	366,350	366,350
2016 Series C	3.000% - 5.000%	2026 to 2039	July 1, 2027	121,085	131,205
2017 Series A	5.000%	2026 to 2042	January 1, 2028	183,650	192,505
2019 Series A	4.000% - 5.000%	2026 to 2042	January 1, 2029	105,725	109,680
2019 Series B	Variable	2026 to 2042	-	54,645	55,885
2022 Series A	5.000% - 5.500%	2026 to 2053	January 1, 2032	84,170	89,260
2025 Series A	5.000%	2026 to 2043	January 1, 2035	261,130	-
				1,266,490	1,219,300
Less current maturities				(43,535)	(42,255)
Long-term revenue bonds				1,222,955	1,177,045
Unamortized premium, net				100,498	99,683
				<b>\$ 1,323,453</b>	<b>\$ 1,276,728</b>

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 prices 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, 2025 were as follows (in thousands):

	Principal	Interest
2026	\$ 43,535	\$ 61,868
2027	45,650	60,387
2028	47,915	58,117
2029	50,680	55,736
2030	53,145	53,275
2031-2035	309,135	224,864
2036-2040	396,555	141,842
2041-2045	295,050	37,793
2046-2050	14,255	5,343
2051-2053	10,570	1,184
	<b>\$ 1,266,490</b>	<b>\$ 700,409</b>

Long-term revenue bond activity for the periods ended December 31, 2025 and 2024, was as follows (in thousands):

<b>December 31, 2025</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Long-term revenue bonds	\$ 1,219,300	\$ 261,130	\$ (213,940)	\$ 1,266,490
Less:				
Current maturities	(42,255)	42,255	(43,535)	(43,535)
Unamortized premium, net	99,683	11,138	(10,323)	100,498
	<b>\$ 1,276,728</b>	<b>\$ 314,523</b>	<b>\$ (267,798)</b>	<b>\$ 1,323,453</b>

<b>December 31, 2024</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Long-term revenue bonds	\$ 1,259,515	\$ -	\$ (40,215)	\$ 1,219,300
Less:				
Current maturities	(40,215)	40,215	(42,255)	(42,255)
Unamortized premium, net	110,669	-	(10,986)	99,683
	<b>\$ 1,329,969</b>	<b>\$ 40,215</b>	<b>\$ (93,456)</b>	<b>\$ 1,276,728</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, Cash, Cash Equivalents and Investments. 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 1.47 times and 1.44 times for the years ended December 31, 2025 and 2024, respectively. Debt service coverage for 2025 was calculated based on approximately \$43.5 million of principal and approximately \$61.6 million of 2025 interest expense payable during 2025 and in January 2026. Management believes that IMPA is in compliance with all financial debt covenants and restrictions as of December 31, 2025.

**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 (in \$ thousands):

	<b>2025</b>	<b>2024</b>
BAB subsidies	\$ 1,344	\$ 2,282

**2019 Series B Variable Rate Bonds**

The 2019 Series B Variable Rate 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 rate 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 October 6, 2029. The interest rate at December 31, 2025 on the 2019 Series B Bonds was 2.5%.

**2025 Series A Bonds**

On January 23, 2025 IMPA closed on the issuance of the 2025 Series A Bonds. The par value of the 2025 Series A Bonds is approximately \$261 million. The 2025 Series A Bonds were sold with a \$20.0 million premium. The proceeds from the issuance of the 2025 Series A Bonds were used to deposit \$100.0 million to the Agency’s Construction Fund, partially refund approximately \$33.9 million par of the 2010 Series A Bonds, fully refund approximately \$137.8 million par of the 2013 Series and 2014 Series A Bonds, pay interest on the refunded bonds through the redemption date, deposit approximately \$7.4 million to the Debt Service Reserve Fund and pay certain costs associated with the issuance of the 2025 Series A Bonds.

The partially refunded 2010 Series A Bonds and the fully refunded 2013 Series A and 2014 Series A Bonds ( the Refunded Bonds) were redeemed on February 24, 2025. The present value savings from the refunding of the Refunded Bonds were approximately \$9.0 million.

**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 December 31, 2025 and 2024 were as follows (in thousands):

<b>December 31, 2025</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Assets:			
Money market funds	\$ 469,605	\$ -	\$ 469,605
Debt securities	-	92,874	92,874
Futures contracts	-	3,055	3,055
	<b>\$ 469,605</b>	<b>\$ 95,929</b>	<b>\$ 565,534</b>
Liabilities:			
Futures contracts	\$ -	\$ 238	\$ 238

<b>December 31, 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Assets:			
Money market funds	\$ 379,443	\$ -	\$ 379,443
Debt securities	-	96,528	96,528
Futures contracts	-	7,466	7,466
	<b>\$ 379,443</b>	<b>\$ 103,994</b>	<b>\$ 483,437</b>
Liabilities:			
Futures contracts	\$ -	\$ 209	\$ 209

## 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 Agency uses an expected cash flow approach to measure the obligations. Asset Retirement Obligations are included in other non-current liabilities on the statements of net position. 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 December 31, 2025 and 2024 (in thousands):

	<b>Beginning Balance</b>	<b>Liabilities Settled</b>	<b>Accretion</b>	<b>Cash Flow Revisions</b>	<b>Ending Balance</b>
2025	\$ 17,310	(3,179)	645	187	\$ 14,963
2024	\$ 16,946	(2,992)	522	2,834	\$ 17,310

IMPA's share of the asset retirement obligations for the Agency's jointly-owned generation at December 31, 2025 and 2024 was as follows (in thousands):

	<b>2025</b>	<b>2024</b>
Gibson Unit 5	\$ 8,820	\$ 9,289
Prairie State Units 1 & 2	3,947	3,762
Trimble County Units 1 & 2	2,196	4,259
	<b>\$ 14,963</b>	<b>\$ 17,310</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 associated estimated asset retirement costs are capitalized and depreciated over their useful lives. Capitalized asset retirement costs are included in deferred outflow of resources on the statements of net position.

The Agency had restricted assets for the payment of IMPA's share of the asset retirement obligations totaling approximately \$29.3 million and \$26.5 million at December 31, 2025 and 2024, 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 December 31, 2025 and 2024, the Agency had a rebate payable of approximately \$369,000 and \$12,000, respectively. 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 December 31, 2025 and 2024. Accounts receivable balances for the two communities account for approximately 30% of the total municipality accounts receivable balances as of December 31, 2025 and 2024. IMPA has a long-term energy purchase contract with one supplier that accounts for approximately 24% and 25% of IMPA's total energy for the years ended December 31, 2025 and 2024, 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. See Note 1, Organization and Significant Accounting Policies, Utility Plant.

IMPA's investments in jointly-owned plant at December 31, 2025 were as follows (in thousands):

	<b>Share</b>	<b>Utility Plant In Service</b>	<b>Accumulated Depreciation</b>
Production			
Gibson Unit 5	24.95%	\$ 210,386	\$ (182,932)
Prairie State Units 1 & 2	12.64%	773,553	(266,282)
Trimble County Units 1 & 2	12.88%	391,975	(168,027)
Transmission and local facilities	5.57%	344,035	(96,874)

## **12. Commitments and Contingencies**

### **Contracts and Capital Expenditures**

IMPA has firm commitments under take-or-pay contracts with the Members (the Member Contracts). The Member Contracts expire as early as April 1, 2056. IMPA has power purchase agreements with several power producers. The total amount of the future power purchase obligations at December 31, 2025 was approximately \$145.0 million for 2026 and \$1.5 billion through 2056.

IMPA anticipates its share of future capital expenditures for the years 2026 through 2030, for Gibson Unit 5, Prairies State Units 1 and 2, Trimble County Units 1 and 2, the combustion turbines, and the JTS and other ongoing system projects (Ongoing System Projects), to total approximately \$304.4 million and for the CT Project (see Note 1, Organization and Significant Policies, Utility Plant) to total approximately \$425 million, which includes approximately \$50 million of capitalized interest. The projected Ongoing System Projects' expenditures include both environmental improvement and expenditures of a normal and recurring nature. IMPA anticipates funding the foregoing Ongoing System Projects and the CT Project with a combination of internally generated funds and proceeds from future debt offerings.

### **Emissions Regulations**

Under the Biden administration, the Environmental Protection Agency (EPA) issued final rules governing greenhouse gas emissions, effluent limitations from coal-fired power plants and ozone standards (jointly, the Biden rules), all of which are currently being challenged in federal court. Under the Trump administration, the EPA has rolled back or limited the Biden Rules and IMPA anticipates that EPA's actions will once again be subject to litigation. If the Biden Rules survive, then they may have an impact on IMPA's generation sources and existing asset retirement obligations. IMPA continues to monitor the EPA's activity and will take appropriate action concerning the rules as necessary. IMPA is unable to estimate the potential financial impact of the Biden Rules at this time.

### **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. Illinois was a net capacity importer in MISO during the 2024/25 planning year. 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**

### **Solar Parks Purchased**

During 2025, the option to buy the solar parks under five of the solar park power purchase contracts became eligible to exercise. In February 2026, IMPA purchased the solar parks with a combined capacity of approximately 25 MW. Upon purchase of the solar parks, the associated power purchase contracts were terminated. See Note 1, Organization and Significant Accounting Policies, Solar Generation Facilities (Solar Parks) Agreements.