



TRANSFORMATION

INDIANA
MUNICIPAL
POWER
AGENCY

2019 ANNUAL REPORT

CONTENTS

- Message to Members **2**
- Transforming Power **4**
- Transforming Commitment **8**
- Transforming Service **10**
- Transforming Connections **13**
- Financial Highlights **16**
- IMPA Member Communities **19**



TRANSFORMATION

TRANSFORMATION REQUIRES **COURAGE, COMMITMENT, AND EFFORT.** COURAGE TO TAKE THE FIRST STEP INTO THE UNKNOWN. COMMITMENT AND DETERMINATION TO SEE IT THROUGH. EFFORT AND HARD WORK TO CARRY THAT COURAGE AND COMMITMENT TO THE END.

PRESIDENT'S MESSAGE

Transformation requires courage, commitment, and effort. Courage to take the first step into the unknown. Commitment and determination to see it through. Effort and hard work to carry that courage and commitment to the end.

The story of IMPA, while rooted in the values and ideals instilled by our founders, is one of transformation. We planted our roots in 1983 and have been continuously changing and growing ever since. When IMPA commenced operations, the only assets the Agency owned were the hopes and dreams of the Agency's founders. Over 35 years later in 2019, IMPA's total assets surpassed \$2 billion. Sticking to our guiding principles of providing low-cost, reliable, and environmentally-responsible power has brought success to the Agency and our members, but transformation is on the horizon—not just for IMPA, but for the entire electric utility industry as well.

The start of 2019 saw IMPA's portfolio utilizing nearly 50 megawatts of solar energy, with plans to surpass 250 MW by the end of 2022. This marks a contrast to the traditional portfolio we have relied upon for years, primarily composed of coal and other resources. The percentage of renewable energy in our portfolio is steadily increasing, and the future is bright for continued changes on that front. Additionally, IMPA and our joint owners of the coal-fired Gibson Unit 5, Duke Indiana and Wabash Valley Power Association, are considering closure of the unit as early as 2026. Despite our emotional attachment to IMPA's first owned generation unit, the future economics of Gibson Unit 5 make this consideration necessary so that IMPA can incorporate more economical renewable options into our portfolio.

In addition to the ongoing transformation of IMPA's resource portfolio, IMPA's service offerings to members continue to transform as well. We expanded the Dedicated Services program through the IMPA Service Corp that currently offers distribution services to 13 IMPA member communities. We also announced plans to implement an Automated Metering Infrastructure (AMI)

joint program in many of our member communities. The AMI joint program will enable participating member communities to install automated metering at a reduced cost through economies of scale.

While changes were evident in many aspects of our operations, some things remained the same as they had in years past. We pride ourselves on providing some of the lowest wholesale rates in Indiana, a statistic that did not change in 2019. In fact, Agency members enjoyed the third year in a row of rate decreases, as IMPA implemented an average 1.10% decrease in wholesale rates at the beginning of the year.

As we look to 2020 and beyond, we are planning for the future and how to continue our own transformation. The ideals on which we have stood for over 35 years remain the same, yet the manner in which we achieve them will adapt. One thing that will not change is our determination to provide our members with the same low-cost, reliable, environmentally-responsible power supply they have come to expect and deserve.

Rajeshwar G. Rao

RAJESHWAR G. RAO

President and CEO

Phillip R. Goode

PHILLIP R. GOODE

Chairman of the Board





TRANSFORMING POWER

It can be hard to see transformation as it occurs. Change can be dramatic, but other adjustments are often too subtle to notice as they happen and can only be seen when the past is reflected upon. Over the course of 36 years of operations, changes to the Indiana Municipal Power Agency's (IMPA) assets, resources, and membership have occurred at a gradual pace.

The manner in which IMPA has met the needs of members has changed dramatically throughout the years. When the Agency began operations in 1983 serving just 26 municipal electric utilities in Indiana, it primarily met those needs through purchased power contracts with other suppliers. The Agency entered into those purchased power agreements with the full knowledge that they would not be the sole component of the Agency's power portfolio moving forward.

IMPA began to transition from purchased power resources into owning more of its own power supply when it purchased ownership interests in baseload generating units. The coal-fired Gibson Station in southern Indiana became the first IMPA-owned asset, as the Agency purchased a 24.95 percent ownership interest in Unit 5 of the generating station. With the addition of a 12.88 percent interest in Trimble County Station in northern Kentucky, the Agency was on its way to building a portfolio of IMPA-owned generation assets.

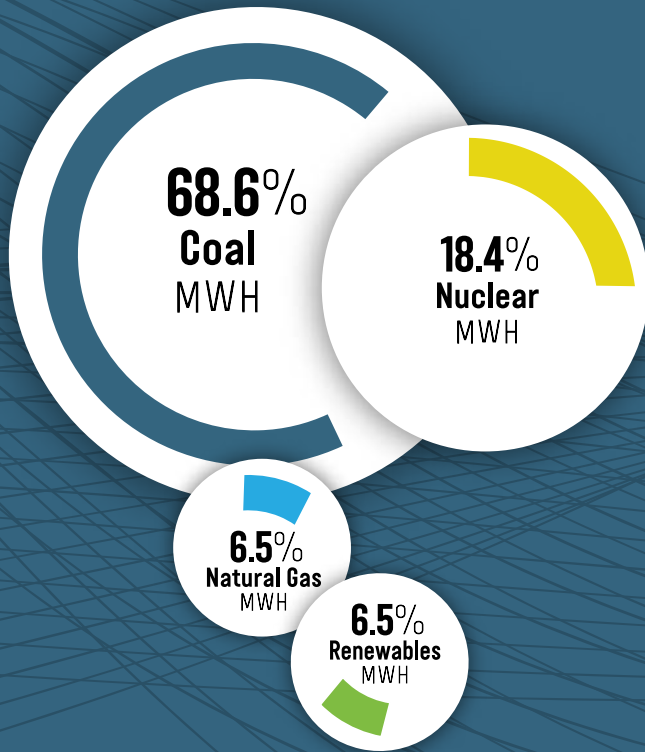
The next logical step for IMPA to pursue after purchasing joint ownership in generating units was to construct its own. In 1992, the Agency was able to achieve that milestone and enter a new era of ownership, as IMPA completed construction of combustion turbine units in the member communities of Anderson and Richmond. The peaking units were built to supply power at peak load times to communities throughout the state. With their completion, IMPA was able to meet some of its members' power requirements through resources wholly-owned and operated by the Agency. Additionally, the plants marked a change in IMPA's fuel resources. Rather than

the coal-focused resources the Agency owned up until that point, the dual-fuel combustion turbine units relied on natural gas as their primary source of fuel, with fuel oil serving as a backup. In addition, IMPA also entered into a long-term purchased power contract for nuclear energy in 2005. These endeavors were the beginning of IMPA's efforts to diversify the fuel mix in its portfolio of resources.

IMPA continued to bolster its generation ownership when the Agency participated in the construction of the Prairie State Energy Campus in southern Illinois, as well as the addition of a second unit at Trimble County Station. The Prairie State Energy Campus, a 1,600 megawatt (MW), coal-fired generation plant completed in 2012, was different than any other coal-fired plant IMPA had owned. Constructed at the mouth of the Lively Grove coal mine, the plant was built with approximately 30 years of coal reserves right on site as the fuel source for power generation. Without having to rely on ever increasing transportation costs for fuel delivery, IMPA was able to lock-in the cost of the coal reserves, maintaining a level of stability in costs for member communities.

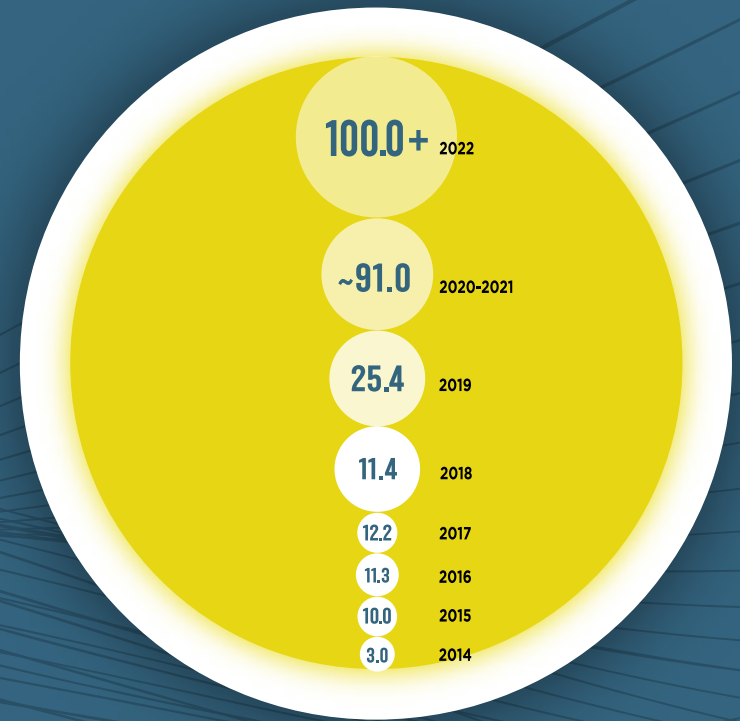
IMPA's portfolio has historically relied heavily on coal-fired resources due to the plentiful supply of coal in southern Indiana and the Illinois basin. However, every decision that the Agency makes regarding generation and fuel resources is yet another building block preparing IMPA for the future. In recent years, and looking to the future, IMPA is embracing the transformation of its generation portfolio from traditional fossil-fueled generation to renewable energy. That transition is especially evident in the form of IMPA's solar program. As the window of operation of IMPA's older coal-fired units begins to close, renewable energy and IMPA's solar program will step up to fill some of the gap they leave behind.

2019 IMPA FUEL MIX



IMPA SOLAR

portfolio by end
of 2022:
~264.0+ MW



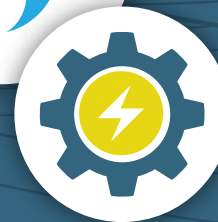
2019 IMPA RESOURCES

Total : 1403.3 MW

615.0 MW
Coal-fired



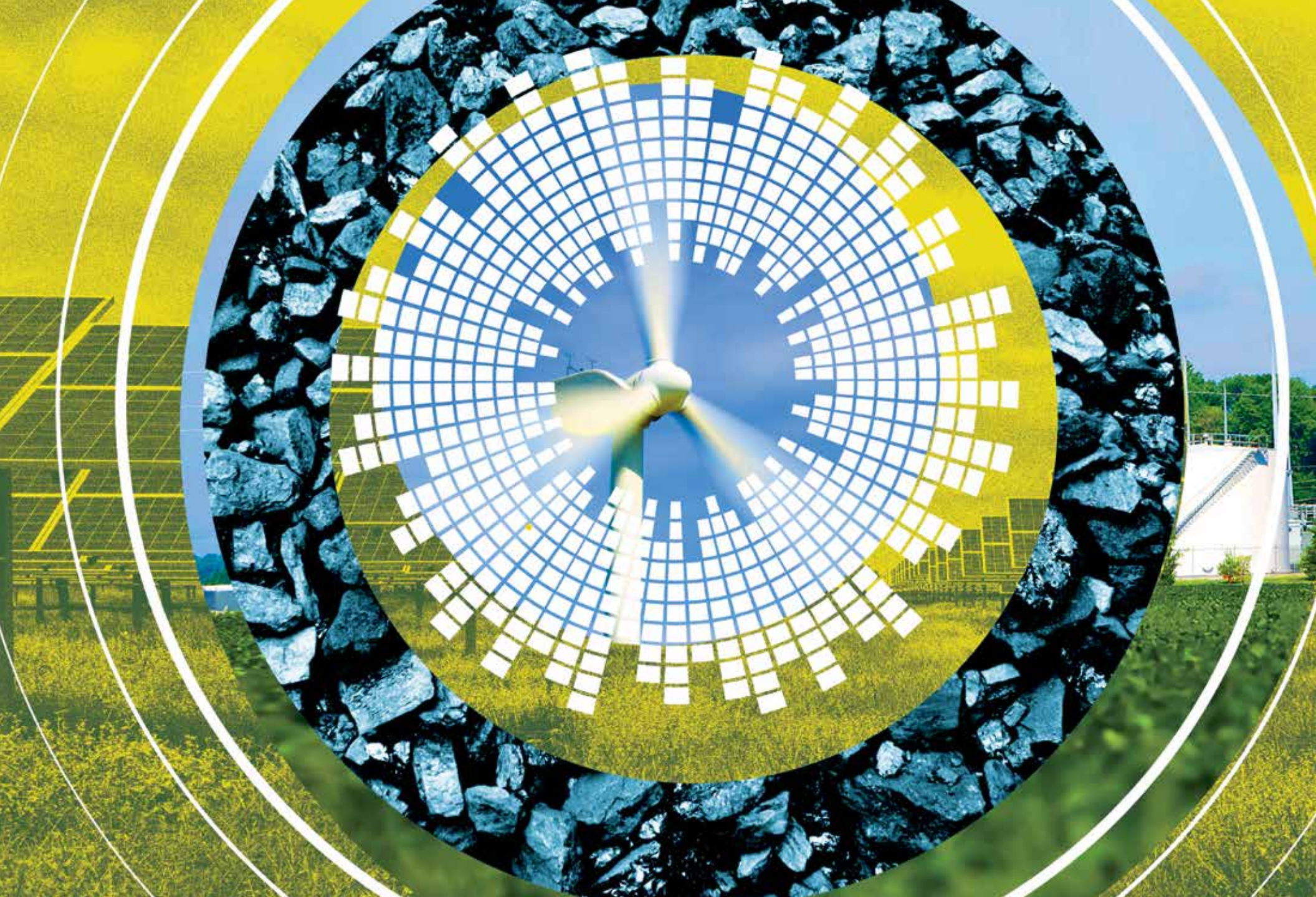
419.0 MW
Natural Gas-fired



296.0 MW
Purchased Power



73.3 MW
Solar



IMPA's solar program initially started small in 2014, with the construction of three, one MW parks located in the member communities of Frankton, Rensselaer, and Richmond. A mere five years later, IMPA has installed a total of 73.3 MW of solar capacity throughout 19 different member communities. Improvements in technology have made renewable resources more economic than ever before. In 2019, IMPA celebrated the addition of 25.3 MW of solar energy as it completed construction of the Crawfordsville 2, Crawfordsville 3, Darlington, Richmond 3, and Tipton solar parks. Additionally, work was already in progress for parks planned for 2020 completion, including Centerville, Columbia City, Crawfordsville 4 and 5, Gas City, Richmond 4, Scottsburg, and Tell City 2. Once completed, the 2020 parks will increase IMPA's solar capacity by 37 MW, bringing the Agency's total solar portfolio to over 110 MW of capacity. The Agency has embraced the inclusion of renewable energy in its portfolio through the installation of these solar parks throughout the state.

Combined with the completion of the 2019 solar parks, IMPA again looked for opportunities to increase cost savings to members in their construction. The Agency entered into agreements to sell the solar parks it constructed to an investor who can receive the federal tax investment credit. IMPA entered into agreements to purchase 100% of the solar parks' production. Through these transactions, IMPA is able to achieve lower cost renewable energy and have the option to purchase the solar parks at the end of six years. Overall, these purchased power agreements improve financial savings to IMPA and its communities.

In addition to building solar generation, IMPA sought opportunities to incorporate renewable resources through purchased power agreements. By the end of 2019, IMPA was in the process of acquiring a long-term 100 MW solar contract and 75 MW wind contract with expected commercial dates of 2022 to supplement its power portfolio.



Representative Susan Brooks and Representative Tony Cook joined with personnel from the City of Tipton and IMPA to cut the ribbon on the Tipton Solar Park in September, 2019.

While the change has been gradual, IMPA's power portfolio serving 61 member communities today is different than the one that originally served 26 municipal electric utilities 36 years ago. That transformation is not expected to end any time soon, as IMPA continually evaluates its portfolio and technological innovations. The Agency has thoughtfully and deliberately built a base to meet past, current, and future power needs of its membership in a way that adapts to changing resources and regulations. Effort by effort, brick by brick, the process of transformation has created an Agency poised for the future.

EFFORT BY EFFORT, BRICK BY BRICK, THE PROCESS OF TRANSFORMATION HAS CREATED AN AGENCY POISED FOR THE FUTURE.

TRANSFORMING COMMITMENT

Courage, commitment, and effort are the defining aspects of transformation. IMPA itself is a commitment. When 26 communities signed on to be the first members of IMPA, the Agency committed to supplying all of their current and future projected energy needs, and those members committed to purchasing all of their total energy needs from IMPA.

IMPA's commitment to providing its member communities with a power supply that is low-cost, reliable, and environmentally-responsible continues. The Agency prides itself on providing some of the lowest wholesale rates in Indiana, a statistic that did not change in 2019. For the third year in a row, Agency members enjoyed a rate decrease, as IMPA implemented an average 1.10% decrease in wholesale rates at the beginning of the year. The reduction followed two years of rate reductions in 2017 and 2018—1.05 percent and 5.25 percent, respectively.

The effect of the Agency's low-cost wholesale power rates is amplified even more at the retail level. When comparing the average residential rate of IMPA's 10 largest member communities for a normal household usage of 1000 kilowatt hours (kWh), IMPA's 10 largest members enjoy residential rates that are 24.8% below those of the average Investor-Owned Utility (IOU) in the state. IMPA's wholesale rates are based on the Agency's operating costs, which are derived from its ownership of generation and transmission assets, purchased power contracts, debt service, and administrative and general expenses. The Agency's continued low-cost wholesale power rates are attributable to IMPA's strong fiscal management and continued investments in various generation and transmission projects throughout its history. As the Agency looks ahead to 2020, IMPA's members will continue to benefit from the Agency's commitment to providing low-cost power.

2019 EXECUTIVE COMMITTEE



IMPA SENIOR MANAGEMENT From left to right

- FRANK SMARDO**, Executive Vice President, Energy Solutions
- JACK ALVEY**, Executive Vice President and Chief Operating Officer
- RAJ RAO**, President and Chief Executive Officer
- CHRIS RETTIG**, Senior Vice President and Chief Financial Officer
- PETER PRETTYMAN**, Senior Vice President and General Counsel



Phillip Goode
Crawfordsville

Brent Slover
Linton

Michael Fruth
Greenfield

IMPA's founders knew the key to long-term success was through the establishment of long-term contracts. The initial 26 municipal electric communities that signed contracts with IMPA did so for a term of 50 years, carrying their contracts to 2032. Those contracts were subsequently extended to 2042. The vision required to make such a far-reaching decision at that time speaks volumes to the foresight of the original founding members. The contracts gave IMPA the ability to plan and secure cost-effective resources and spread the cost over the life of the assets, bringing long-term financial benefits to member communities. To continue delivering these benefits, IMPA is in the process of extending these contracts one more time.

As IMPA entered 2019, planning for the long-term began to take center stage. Resources secured in the 1980s are now nearing and surpassing 40 years of operations, facing a rapidly approaching retirement. Replacements for the resources that were once the backbone of IMPA's portfolio are being identified, and the debt to

finance such resources must be spread out over the lifetime of these new generation and transmission assets to secure the same low-cost power for the future of IMPA members.

As IMPA enters this new stage, the Agency is committed to working with member communities to ensure the next generation of municipal electric customers continues to enjoy the same low-cost, reliable power the Agency has provided to municipal electric communities throughout the state since 1983.

COURAGE, COMMITMENT, AND EFFORT ARE THE DEFINING ASPECTS OF TRANSFORMATION.



Tony Pochard
Anderson

Jerry Schitter
Jasper

Ram Reddy
Blanchester

Jim Caldwell
Advance

Faith Willoughby
Chalmers

Dick Justice
Gas City

TRANSFORMING SERVICE

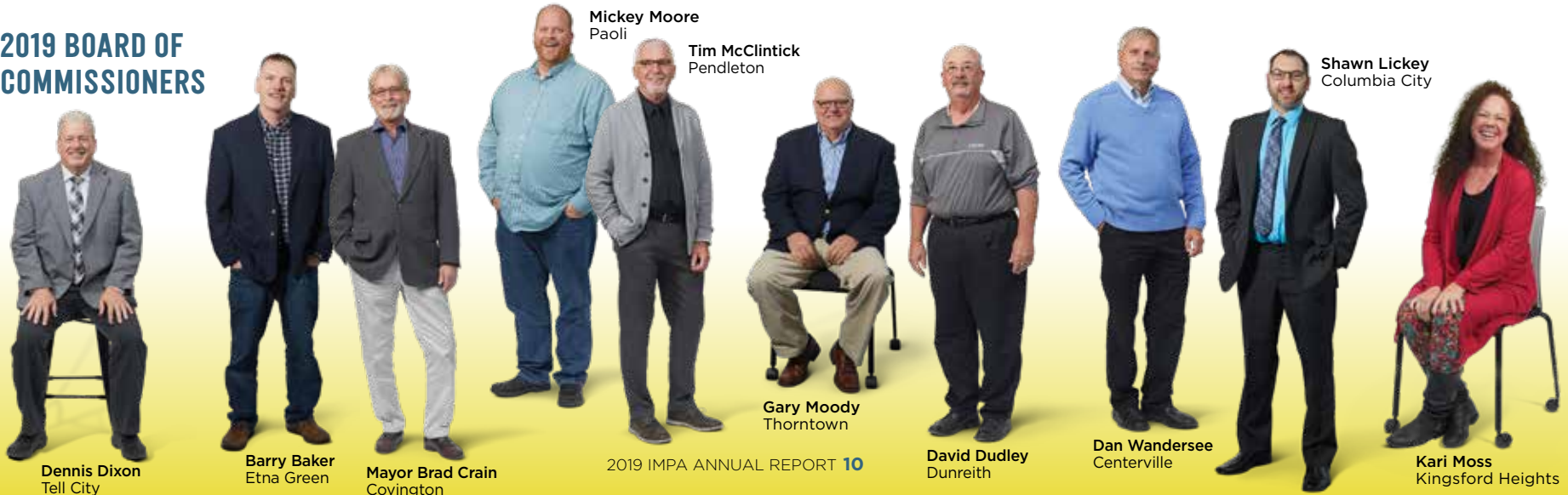
In those early years of operations, IMPA's focus remained solely on providing members with a reliable, low-cost, and environmentally-responsible wholesale power supply. Only over the course of time did the demand for other services grow. It made sense to expand that support to other utility and community needs, transforming the Agency from being just a power supplier to an entity fully invested in the overall success of municipal electric utilities and the communities they serve.

IMPA began offering services beyond power supply and transmission in 2001 with the establishment of the IMPA Service Corp. The not-for-profit subsidiary provides members with engineering and operations support beyond the normal umbrella of IMPA's services on a for-cost basis. In 2017, the group expanded its services to include system maintenance, vegetation management, system engineering and planning, and outage restoration as part of the Dedicated Services program. Eleven member communities were the first to sign on for Dedicated Services, and the program grew in 2019 with the addition of New Ross and Straughn. For participating member communities, the Dedicated Services program has been integral to supporting the health of local electric distribution systems and improving reliability.

As 2019 drew to a close, IMPA explored opportunities to assist member communities in other ways. As is evident industry wide, many Indiana municipal electric utilities were looking for opportunities to implement advanced technology in their metering systems to improve service, enhance data collection, and find more ways to engage with customers. Through Advanced Metering Infrastructure (AMI), utilities are able to remotely read electric and water meters, integrate the data with their existing software systems, and receive accurate and timely information regarding power outages or other system issues. The technology effectively eliminates the need for manual reads and provides greater response time to outages, thereby reducing costs while improving the accuracy of data collection and system reliability.

While the desire to implement AMI technology existed for many IMPA member communities, it was difficult for all but the largest of IMPA's members to cost effectively purchase and maintain smart meter technology. Each member would have to purchase their own license, convert all meters over to the new meter technology, as well as maintain and keep up with updates and advancing technology.

2019 BOARD OF COMMISSIONERS



IMPA Service Corp saw AMI as another opportunity to provide added services and deliver savings to IMPA's member communities, bringing economies of scale to AMI technology and giving more communities the chance to transform their local systems. At the end of 2019, IMPA Service Corp partnered with an AMI provider to provide all IMPA member communities with that opportunity. Through the IMPA Service Corp program, member communities receive the benefit of economies of scale in pricing, gaining access to the multitude of benefits that AMI offers. The program includes access to AMI software and licensing fees, server hosting and maintenance, as well as customer meter data and system monitoring. By the end of the year, IMPA Service Corp was already moving forward with the program in two IMPA member communities with plans in progress for several more.

Just as the creation of the IMPA Service Corp was the direct result of member communities desiring more services, the addition of the Dedicated Services program and the AMI program are answering the needs of IMPA's member communities and helping them transform locally. As IMPA looks to the future, it will continue to adapt the services it provides to best meet the changing needs of Indiana's municipal electric communities.

IMPA Service Corp Dedicated Services ACCOMPLISHMENTS

**POLES
REPLACED**

99

**SERVICE REQUESTS
COMPLETED**

449

**OUTAGES
RESTORED**

254

**TREE TRIMMING
HOURS**

6636



John Reutepohler
Huntingburg

Mayor Bill Graham
Scottsburg

Sue Saunders
Lewisville

Brian Mullen
Darlington

Mitch Moore
Brooklyn

Ed Basquill
Lebanon



Ken Smith
Veederburg

Mike Hill
Knightstown

Josh Denlinger
Brookston

Randy Baker
Richmond

Jay Norris
Montezuma



TRANSFORMING CONNECTIONS

Throughout Indiana and across the nation, electric utilities are actively seeking ways to build and improve connections with customers through added value and additional services. From customers small to large, the desire to further build a lasting relationship and adapt to changing desires is evident.

The changing face of renewable energy and electric vehicles was one transformation facing many utilities. The U.S. Energy Information Administration estimates that sales of electric vehicles will account for up to nine percent of light-duty vehicle sales by 2025. As the number of electric vehicles traveling on the nation's roadways increases, the need for charging stations to power them grows, providing utilities with a unique opportunity to serve customers in another way. IMPA led the way for member communities by installing two charging stations at the Agency's conference center in 2018. IMPA shared the knowledge gained throughout the process, leveraging that experience to assist member communities in installing stations as well. Several member communities have either installed, or are in the process of installing, charging stations to serve the growing number of electric vehicles on the roadways in Indiana.

Additionally, IMPA made it even easier for member utilities to support their customers' desire for renewable energy by reducing its green power rate by 63 percent for 2020. The Agency had already implemented a 75 percent discount in the rate from 2018 to 2019. Customers participating in the green power program can elect to have a portion or all of their energy come from renewable energy sources by signing up through their local power provider.

Employees of IMPA member utilities sought opportunities to transform their own connections with customers by improving upon their own skills and abilities to provide the best possible service in their communities. Through monthly training sessions offered by IMPA, utilities throughout the state were able to address the training and education needs of their utility personnel, providing them with the necessary knowledge and skills to perform their jobs safely and efficiently. The 2019 monthly sessions covered a variety of topics, from customer service and key accounts to maintenance and safety programs. IMPA plans to continue offering the monthly sessions throughout 2020.



On a larger scale, IMPA worked with its member communities to support their commercial and industrial customers as well. Through low electric rates, reliable service, and constant support, large customers of public power utilities maintain and improve the overall health of a community. They often serve as the backbone of further growth and development that can transform a community.

IMPA's work to support local economies in its member communities was recognized on a national scale in 2019, as the Agency was selected as one of Site Selection Magazine's Top 20 U.S. Utilities for Economic Development. Utilities chosen for the designation were selected by examining corporate end-user facility project activity, jobs and capital investment numbers, availability of economic development projects and incentives for businesses, marketing/outreach, and rates. Winners of the designation were selected from across the country and include investor-owned utilities, rural electric cooperatives, and municipal electric utilities as well as joint action agencies.

One effective tool for many communities in enacting change and investment in communities is the IMPA Economic Development Rider. Applicable to new loads for existing and prospective electric customers, the Rider provides a discount on their electric bill for

a five-year period if the customers meet certain incentive criteria. Businesses seeking to utilize the economic development incentive must add at least one megawatt of connected electric load at one facility and invest at least \$1 million in that same facility.

THROUGH CHANGE, DRAMATIC OR SUBTLE, TRANSFORMATION IS THE PROCESS BY WHICH SOMETHING IS CONVERTED INTO ANOTHER FORM.

IMPA, while relying on the same ideals upon which it was built, is not the same Agency that began operations in 1983. With each challenge or issue it has faced, IMPA has accepted it as an opportunity to adapt and transform. Whether through environmental changes or technological improvements, all are seen as an opportunity to better serve our members. As we deliberately step forward toward the future, we do so with the courage to face any challenges we may encounter, the commitment to providing our members with the services they need and deserve, and the willingness to put forth the effort needed to achieve those outcomes. As we look to 2020 and beyond, we embrace the transformation that has occurred, and that which is still to come.



Jeff Lane
Spiceland

Josh Chance
Peru

Mayor Stephen Wood
Rensselaer

Jamie Lindstrom
Argos

Kevin Strickler
Williamsport

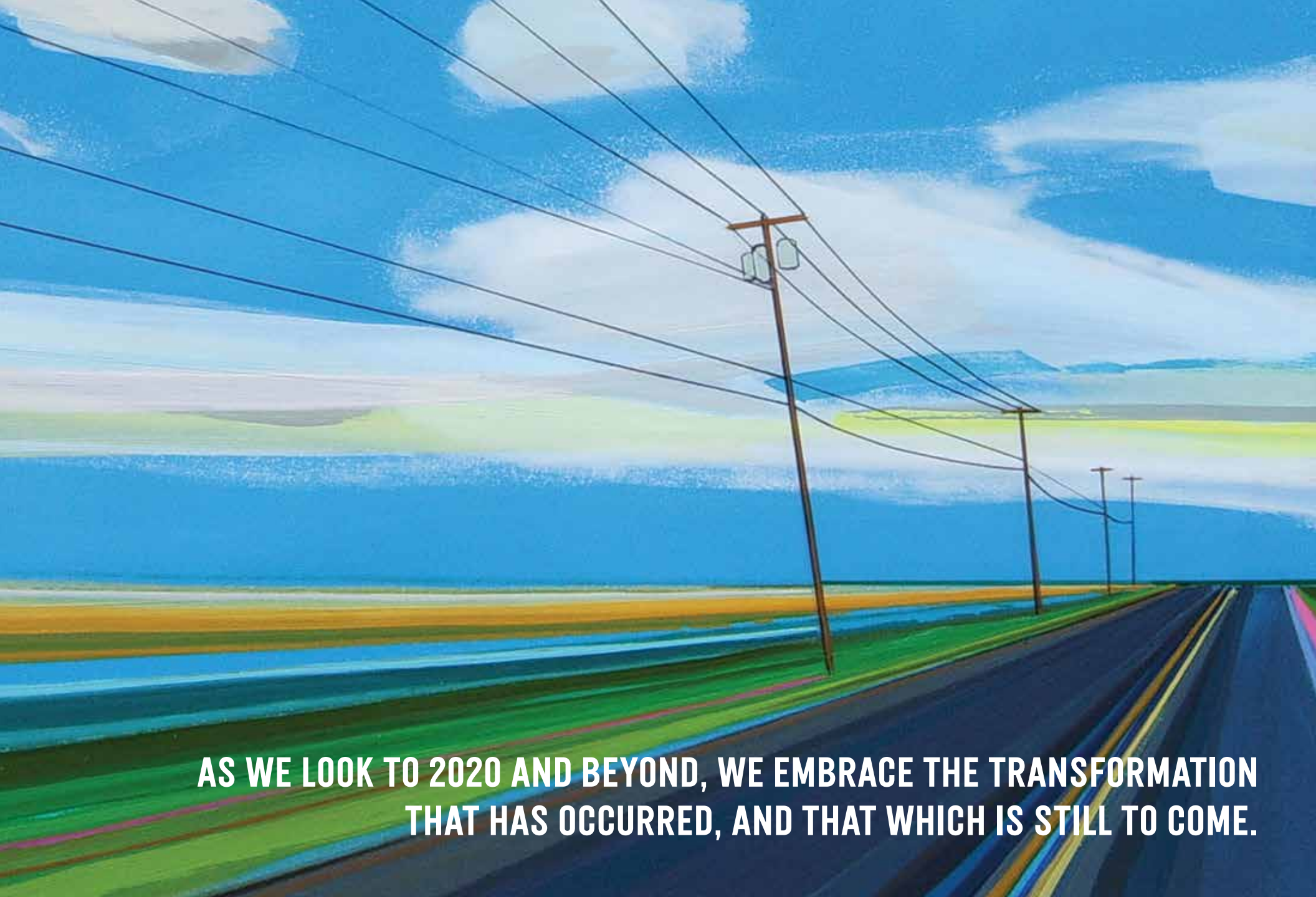
Todd Corrie
Frankfort

Barry Lewis
Waynetown

2019
Brad Zellers
Winamac

Randal Emmons
Washington

- 2019 Commissioners not pictured:**
- Niki Balish, Bargarville
 - Linda Stoddard, Coatesville
 - Jim Cox, Ladoga
 - Jim Hanson, Middletown
 - Ashley Kelsey, New Ross
 - Jason Love, Pittsboro
 - Dale Turner, Rising Sun
 - Steve Farrington, Rockville
 - Randall Cokl, South Whitley
 - Stacy Smith, Straughn



**AS WE LOOK TO 2020 AND BEYOND, WE EMBRACE THE TRANSFORMATION
THAT HAS OCCURRED, AND THAT WHICH IS STILL TO COME.**

2019 Annual Operating Results

FINANCIAL HIGHLIGHTS

Operating revenues, which are composed of sales to municipalities and other revenues, were relatively flat compared to 2018. Total operating revenues decreased approximately \$1.4 million (less than 1%). Energy sales in kilowatt hours (kWh) to members decreased approximately 2.0% as a result of milder temperatures in 2019 compared to 2018. The average accrued cost per kWh for 2019 was 7.24 cents, an approximate 1.6% increase compared to 2018.

Similar to operating revenues, operating expenses were relatively flat compared to 2018. Total operating expenses increased \$4.1 million (1.1%). Total non-operating expenses decreased approximately \$1.8 million (4.0%) compared to 2018.

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

	2019	2018
Sales to municipalities	\$ 451.9	\$ 453.9
Other revenues	7.8	7.2
Total Operating Revenues	459.7	461.1
Purchased power, fuel and production expenses	235.6	236.2
Transmission and local facilities	44.9	45.6
Other operating expenses	101.7	96.3
Total Operating Expenses	382.2	378.1
Total Operating Income	77.5	83.0
Interest expense	59.1	59.8
Interest income	(6.9)	(4.9)
Other non-operating income	(8.6)	(9.5)
Total Non-Operating Expenses (Income)	43.6	45.4
Change in Net Position	33.9	37.6
Net Position at Beginning of Year	360.6	323.0
Net Position at End of Period	\$ 394.5	\$ 360.6

Utility plant increased approximately \$24.6 million in 2019. Capital additions were approximately \$105.4 million, net retirements were approximately \$37.6 million and depreciation expense was approximately \$43.2 million in 2019.

During 2019, the Agency closed on the 2019 Series A Bonds (2019 A Bonds) with a par value of approximately \$123.1 million and the variable rate 2019 Series B Bonds (2019 B Bonds) with a par value of \$60.38 million. The proceeds from the 2019 A Bonds will be used for ongoing capital improvements. The proceeds from the 2019 B Bonds were used to refund the variable rate 2015 Series A Bonds and the 2016 Series B Bonds, both of which combined had a par of \$60.38 million.

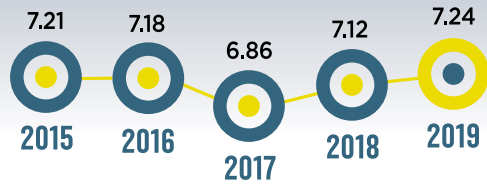
Debt service coverage for 2019 was 1.37 times. The Agency's bond resolution requires debt service coverage to be at least 1.10 times.

CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION (\$ millions)

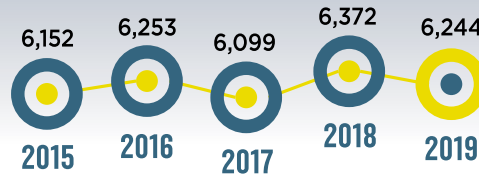
	2019	2018
Utility plant, net	\$ 1,258.2	\$ 1,233.6
Cash and investments	472.9	358.5
Other current assets	124.9	112.0
Deferred outflows	195.6	181.5
Total Assets	\$ 2,051.6	\$ 1,885.6
Net investment in capital assets	(199.0)	(118.7)
Restricted	244.7	143.1
Unrestricted	348.8	336.2
Total Net Position	394.5	360.6
Non-current liabilities	1,499.6	1,376.0
Current liabilities	157.5	149.0
Total Liabilities	\$ 1,657.1	\$ 1,525.0
Total Net Position and Liabilities	\$ 2,051.6	\$ 1,885.6

FINANCIAL HIGHLIGHTS

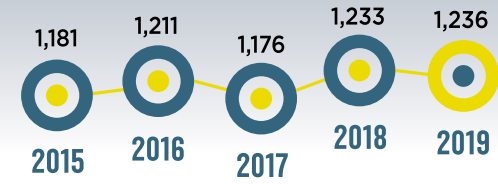
COST PER KILOWATT-HOUR TO MEMBERS (Cents/kWh)



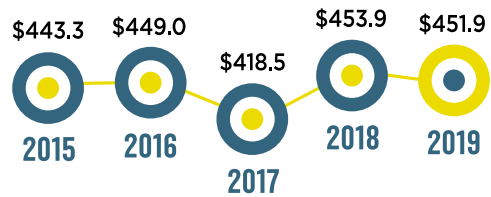
KILOWATT-HOUR SALES (in millions)



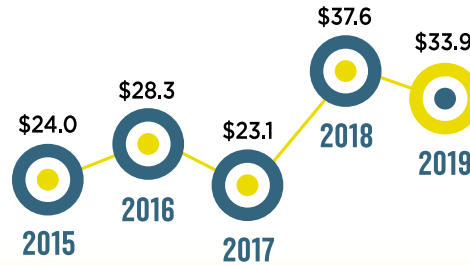
NON-COINCIDENT PEAK DEMAND (MW)



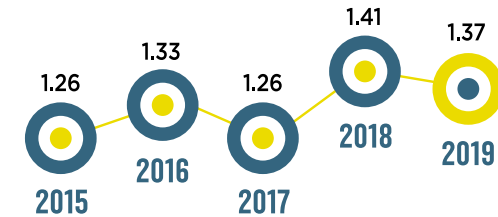
SALES TO MUNICIPALITIES (\$ millions)



NET INCOME (\$ millions)



DEBT SERVICE COVERAGE (Times)



COURAGE. COMMITMENT. EFFORT.

