Indiana Municipal Power Agency

Consolidated Financial Statements as of and for the years ended December 31, 2021 and 2020, 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, 2021 and 2020
Management's Discussion and Analysis and Report of Independent Auditors

Table of Contents

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 subsidiaries (the “Agency”), which comprise the consolidated statements of net position as of December 31, 2021 and 2020, 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, 2021 and 2020, and the changes in 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 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 financial statement 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 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 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 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.

Other Matter

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 and, 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

PricewaterhouseCoopers LLP
Chicago, Illinois
April 1, 2022

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, 2021 and 2020. 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 affiliate 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 Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict Governmental Accounting Standards Board (GASB) 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 non-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, liabilities 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)

	2021	2020	2019
Sales to municipalities	$ 480.6	$ 454.8	$ 451.9
Other revenues	8.1	8.4	7.8
Total Operating Revenues	**488.7**	**463.2**	**459.7**
Purchased power, fuel, and production expense	251.7	226.1	235.6
Transmission and local facilities	50.6	53.6	44.9
Other operating expenses	113.4	116.3	101.7
Total Operating Expenses	**415.7**	**396.0**	**382.2**
Total Operating Income	**73.0**	**67.2**	**77.5**
Interest expense	59.5	62.0	59.1
Interest income	(6.0)	(5.2)	(6.9)
Other non-operating income	(9.9)	(10.6)	(8.6)
Total Non-Operating Expenses (Income)	**43.6**	**46.2**	**43.6**
Change in Net Position	**29.4**	**21.0**	**33.9**
Net Position at Beginning of Year	**415.5**	**394.5**	**360.6**
Net Position at End of Year	**$ 444.9**	**$ 415.5**	**$ 394.5**

2021 Discussion

Operating Revenues which are composed of sales to municipalities and other revenues, increased by approximately $25.8 million (5.6%) compared to 2020. Due to higher than normal summer temperatures and post-COVID sales beginning to return to normal, 2021 energy sales increased by approximately 2.4% compared to 2020. The average accrued cost per kWh for 2021 was 7.82 cents, an approximate 3.2% increase compared to 2020.

Total operating expenses increased by approximately $19.7 million (5.0%) compared to 2020. An increase in energy sales was the primary driver of higher operating expenses. Total non-operating expenses decreased by approximately $2.6 million (5.6%) compared to 2020.

2020 Discussion

Operating revenues, which are composed of sales to municipalities and other revenues, increased by approximately $3.5 million compared to 2019. Due to COVID-19, energy sales in kilowatt hours (kWh) to members decreased approximately 3.9% compared to 2019. The average accrued cost per kWh for 2020 was 7.58 cents, an approximate 4.7% increase compared to 2019.

Total operating expenses increased approximately $13.8 million (3.6%) compared to 2019. Transmission costs were a primary driver of the increase. Transmission costs increased due to higher PJM transmission rates as compared to 2019. Total non-operating expenses increased approximately $2.6 million (6.0%) compared to 2019.

CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION ($ millions)

	2021	2020	2019
Utility plant, net	$ 1,306.0	$ 1,286.1	$ 1,258.2
Cash and investments	366.7	422.5	472.9
Other current assets	140.7	128.0	124.9
Deferred outflows	233.7	203.1	195.6
Total Assets and Deferred Outflows	**$ 2,047.1**	**$ 2,039.7**	**$ 2,051.6**
Net investment in capital assets	(60.4)	(124.4)	(199.0)
Restricted	162.8	195.0	244.7
Unrestricted	342.5	344.9	348.8
Total Net Position	**444.9**	**415.5**	**394.5**
Non-current liabilities	1,439.2	1,468.5	1,499.6
Current liabilities	163.0	155.7	157.5
Total Liabilities	**1,602.2**	**1,624.2**	**1,657.1**
Total Net Position and Liabilities and Deferred Inflows of Resources	**$ 2,047.1**	**$ 2,039.7**	**$ 2,051.6**

Utility plant increased approximately $19.9 million and $27.9 million in 2021 and 2020, respectively. Capital additions were approximately $113.5 million in 2021. Net retirements in 2021 were approximately $45.8 million. Depreciation expense was approximately $47.8 and $44.6 million in 2021 and 2020, respectively.

During 2021 and 2020, total net position increased approximately $29.4 million and $21.0 million, reflecting IMPA's 2021 and 2020 net income, respectively.

Debt service coverage for 2021 and 2020 was 1.33 times and 1.22 times, respectively. The Agency's bond resolution requires debt service coverage to be at least 1.10 times.

In January 2021, IMPA refunded the remaining outstanding 2010 Series B Bonds totaling $12,845,000. IMPA will save approximately $950,000 of reduced interest expense as a result of the refunding. No new long-term debt was issued during 2021.

INDIANA MUNICIPAL POWER AGENCY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in thousands)

For the Years Ended December 31,	2021	2020
Operating Revenues		
Sales to municipalities	$ 480,553	$ 454,830
Other revenues	8,123	8,379
Total Operating Revenues	**488,676**	**463,209**
Operating Expenses		
Purchased power	158,283	135,967
Fuel	62,793	60,179
Production	30,578	29,977
Transmission and local facilities	50,643	53,553
Other operating	22,683	19,019
Maintenance	23,900	25,392
Depreciation	49,518	45,499
Future recoverable costs	17,255	26,438
Total Operating Expenses	**415,653**	**396,024**
Operating Income	**73,023**	**67,185**
Non-Operating Expenses (Income)		
Interest expense	59,464	62,020
Accretion of premiums received on debt	(8,556)	(9,107)
Interest income	(5,962)	(5,194)
Other non-operating income	(1,334)	(1,568)
Total Non-Operating Expenses (Income)	**43,612**	**46,151**
Change in Net Position	**29,411**	**21,034**
Net Position at Beginning of Year	**415,515**	**394,481**
Net Position at End of Year	**$ 444,926**	**$ 415,515**

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

INDIANA MUNICIPAL POWER AGENCY
CONSOLIDATED STATEMENTS OF NET POSITION
(in thousands)

December 31,	2021	2020
Assets		
Utility Plant		
Utility plant in service	$ 1,797,388	$ 1,730,910
Less: accumulated depreciation	(644,601)	(601,260)
	1,152,787	1,129,650
Construction work in progress	153,193	156,448
Total Utility Plant, Net	**1,305,980**	**1,286,098**
Long-Term Investments	**12,221**	**32,007**
Restricted Cash and Cash Equivalents	**192,572**	**199,675**
Current Assets		
Unrestricted cash and cash equivalents	142,810	166,593
Short-term investments	19,139	24,187
Municipality accounts receivable	66,688	64,320
Fuel stock and material inventory	21,957	21,849
Other current assets	52,139	41,847
Total Current Assets	**302,733**	**318,796**
Deferred Outflows		
Regulatory assets	40,187	58,859
Other	193,493	144,276
Total Deferred Outflows	**233,680**	**203,135**
Total Assets and Deferred Outflows	**$ 2,047,186**	**$ 2,039,711**
Net Position and Liabilities		
Net Position		
Net investment in capital assets	$ (60,405)	$ (124,427)
Restricted	162,816	195,043
Unrestricted	342,515	344,899
Total Net Position	**444,926**	**415,515**
Non-Current Liabilities		
Long-term revenue bonds, net	1,337,420	1,390,566
Other non-current liabilities	70,422	48,000
Total Non-Current Liabilities	**1,407,842**	**1,438,566**
Current Liabilities		
Current maturities of revenue bonds	28,965	32,875
Short-term borrowing	22,600	15,000
Accounts payable	39,268	40,852
Accrued interest on revenue bonds	29,715	30,874
Accrued liabilities	42,469	36,077
Total Current Liabilities	**163,017**	**155,678**
Deferred Inflows of Resources	**31,401**	**29,952**
Total Net Position and Liabilities and Deferred Inflows of Resources	**$ 2,047,186**	**$ 2,039,711**

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,	2021	2020
Cash Flows From Operating Activities:		
Receipts from municipalities	$ 447,157	$ 421,961
Other operating receipts	8,123	8,379
Payments for purchased power	(159,340)	(135,483)
Payments for fuel	(62,140)	(60,088)
Payments for production	(32,696)	(29,826)
Payments for transmission and local facilities	(47,865)	(51,377)
Cash deposits as collateral	27,797	10,670
Payments for other operating expenses	(16,837)	(15,837)
Payments for maintenance	(23,457)	(25,634)
Net cash provided by operating activities	**140,742**	**122,765**
Cash Flows From Noncapital Financing Activities:		
Net proceeds from short-term borrowing	7,600	15,000
Net cash provided by noncapital financing activities	**7,600**	**15,000**
Cash Flows From Capital And Related Financing Activities:		
Net additions to utility plant	(120,239)	(114,939)
Proceeds from sale of capital assets	24,232	22,300
Refunding of long-term debt	(12,845)	-
Principal payments on long-term debt	(32,875)	(27,750)
Interest payments	(60,623)	(60,521)
Net cash used in capital and related financing activities	**(202,350)**	**(180,910)**
Cash Flows From Investing Activities:		
Maturities and called investments	24,000	18,000
Interest income and other	6,722	6,740
Joint Transmission System Deposit	(7,600)	(15,000)
Net cash provided by investing activities	**23,122**	**9,740**
Net Decrease in Cash and Cash Equivalents	**(30,886)**	**(33,405)**
Restricted and Unrestricted Cash and Cash Equivalents:		
Balances at Beginning of Year	**366,268**	**399,673**
Balances at End of Year	**$ 335,382**	**$ 366,268**

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,	2021	2020
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 73,023	$ 67,185
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	49,518	45,499
Future recoverable costs	17,255	26,438
Changes in current assets and liabilities:		
Municipality accounts receivable	(2,368)	1,112
Fuel stock and material inventory	(108)	303
Accounts payable	5,449	(2,646)
Other	(2,027)	(15,126)
Net cash provided by operating activities	**$ 140,742**	**$ 122,765**

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

INDIANA MUNICIPAL POWER AGENCY
CONSOLIDATED FINANCIAL STATEMENTS' NOTES

1. Organization and Significant Accounting Policies

Organization and Operations

Indiana Municipal Power Agency (IMPA or the Agency) is a body corporate and politic and a political subdivision of the State of Indiana. IMPA was created in June of 1980 by a group of municipalities for the purpose of jointly financing, developing, owning and operating electric generation and transmission facilities appropriate to the present and projected energy needs of its participating members. IMPA serves 60 Indiana cities and towns and one Ohio village. IMPA sells power to its members under long-term power sales contracts (the Power Sales Contracts). The members resell the power to retail customers within their respective municipal service territories. IMPA's owned nameplate generating capacity is 959 megawatts (MW) or 79% of IMPA's 2021 peak demand (IMPA's maximum annual hourly load). The remainder of IMPA's power is purchased from other utilities under long-term contracts with varying terms and expiration dates. Power is delivered to members through an integrated transmission system known as the Joint Transmission System (JTS), jointly-owned by IMPA, Duke Energy Indiana, Inc. (DEI), Duke Energy Ohio, Inc. (DEO), and Wabash Valley Power Association (WVPA); and, transmission service arrangements with other utilities and regional transmission organizations.

IMPA Service Corp was created by the Agency as a not-for-profit corporation to provide cost-effective services beyond power supply and transmission to members and other municipal utilities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Agency and its affiliate, IMPA Service Corp. All significant intercompany account balances and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). IMPA has chosen the option to implement all Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

Utility Plant

IMPA provides power to the communities it serves through ownership of utility plant, which includes: (1) an undivided 24.95% ownership in the 625 MW Gibson Unit 5 generating facility (Gibson Unit 5) placed in service in 1982; (2) an undivided 12.88% ownership in the 514 MW Trimble County Unit 1 generating facility (Trimble County Unit 1) placed in service in 1990; (3) an undivided 12.88% ownership in the 750 MW Trimble County Unit 2 generating facility (Trimble County Unit 2) constructed at the same site as Trimble County Unit 1 and placed in service in 2011; (4) an undivided

12.64% ownership in the 1600 MW Prairie State Generating Company, LLC (PSGC or Prairie State) placed in service in 2012; (5) seven wholly-owned combustion turbines and associated facilities aggregating 419 MW (two 41 MW units placed in service in 1992 and one 85 MW unit placed in service in 2004 located in Anderson, Indiana, two 41 MW units placed in service in 1992 located near Richmond, Indiana, and two 85 MW units located in Indianapolis, Indiana, placed in service in 2000; and (6) twelve wholly-owned solar generating facilities with a total generating capacity of approximately 19 MW in member communities.

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

The Agency capitalizes fixed assets with an original cost greater than $25,000, except for jointly-owned utility plant, which are capitalized based on the policies defined by DEI for Gibson Unit 5, by LG&E for Trimble County Unit 1 and Unit 2 and by PSGC for Prairie State Units 1 and 2, the coal mine and other Prairie State facilities. Utility plant is recorded at cost including capitalized interest during construction and a proportionate share of overhead costs. Construction overhead costs include salaries, payroll taxes, fringe benefits and other expenses. The original cost of property replaced or retired, less salvage, is charged to accumulated depreciation. Depreciation is recorded over the estimated useful lives of the utility plant by using the straight-line method. The effective composite depreciation rate on utility plant is approximately 2.7% and 2.6% in 2021 and 2020, respectively.

IMPA’s ownership interest in Prairie State includes an interest in coal reserves with an original cost net of depletion of $7.9 and $8.2 million at December 31, 2021 and 2020, respectively.

At December 31, 2021 and 2020, construction work in progress (CWIP) included construction costs for ongoing utility plant capital improvements.

Sale of Solar Generation Facilities (Solar Parks)

IMPA has entered into purchase power agreements whereby IMPA has agreed to purchase all of the output from certain solar generation facilities (Solar Parks) located in IMPA member communities with a total capacity of approximately 130 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 contract for one solar park with a capacity of approximately 5 MW is a prepaid purchase power agreement and provides IMPA an option to buy the Solar Park. IMPA expects to exercise the option to buy the solar park during 2022.

The remaining Solar Park purchase power agreements, with a total capacity of approximately 125 MW, provide IMPA an option to buy the Solar Parks after six years. As part of these agreements, IMPA loaned the respective purchaser a portion of the EPC price.

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

The prepaid purchase power and the notes receivable are included in Other Deferred Outflows on the Consolidated Statements of Net Position.

Funds

IMPA's Master Power Supply System Revenue Bond Resolution (the Bond Resolution) requires the creation and maintenance of certain funds and accounts. The Restricted Funds under the Bond Resolution are the Debt Service Fund and the Debt Service Reserve Fund. The Bond Resolution allows for the creation and maintenance of the Rate Stabilization Account, the Reserve and Contingency Fund, and the Asset Retirement Obligation Fund, the use of which is restricted by Board resolution. The Construction Fund includes restricted proceeds from bonds issued for specified capital projects. The Revenue Fund, the General Reserve Fund and the Operation and Maintenance Fund are all unrestricted and are to be used for the operating needs of the Agency.

Restricted and Unrestricted Cash and Cash Equivalents

IMPA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted and Unrestricted Investments

IMPA classifies investments in U.S. government agencies and treasury securities as available for sale.

Fair Value Measurements

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

Hedging Derivative Instruments

IMPA accounts for derivatives in accordance with GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*" (GASB 53). GASB 53 requires that hedging derivative instruments ("Hedging Transactions") be recorded at fair value and establishes certain requirements for revenue recognition, measurement and disclosure related to Hedging Transactions. IMPA's Hedging Transactions have been tested for effectiveness under the guidelines prescribed by GASB 53. IMPA utilized one of the three quantitative methods required by GASB 53, the regression analysis method. This method evaluates the effectiveness of a hedge transaction by comparing the statistical relationship between the cash flows of the potential hedging item and the hedgeable item. The effectiveness testing of IMPA's Hedging Transactions demonstrated that the hedges are effective as defined by GASB 53. See Note 5 for specific disclosures related to derivatives.

Fuel Stock and Material Inventory

Fuel stock and materials and supplies are valued at average cost. The cost of fuel and materials used in production are expensed as recovered through revenues.

Regulatory Assets and Deferred Inflows of Resources

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

Regulatory assets and deferred inflows of resources consist of the following (in thousands):

Regulatory Assets	**2021**	**2020**
Debt service net of related depreciation and amortization	$ 28,375	$ 45,114
Capital assets associated with asset retirement obligations	10,369	12,916
Net valuation of financial instruments	1,443	829
	$ 40,187	**$ 58,859**

Deferred Inflows of Resources	**2021**	**2020**
Reserve for contingencies	$ 28,798	$ 27,117
Valuation of inventories	2,603	2,835
	$ 31,401	**$ 29,952**

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 $1.2 million for 2021 and 2020.

Committed Line of Credit

IMPA has entered into a $100 million committed line of credit agreement (the Credit Agreement) with PNC Bank. Under the Credit Agreement, IMPA may draw funds and/or post standby letters of credit. The Credit Agreement expires on December 31, 2023. At December 31, 2021, IMPA had posted letters of credit totaling $6.5 million and a line of credit draw of $22.6 million. The interest rate on the line of credit draw at December 31, 2021 was 1.5%. At December 31, 2020, IMPA had posted letters of credit totaling $5.0 million and a line of credit draw of $15.0 million. The Credit Agreement is subordinated to IMPA's long-term revenue bonds, see Note 6, Long-Term Revenue Bonds. The Credit Agreement provides that PNC Bank may only require repayment prior to expiration if certain terms of default occur.

Certain interest rate provisions of the Credit Agreement reference the London Interbank Offered

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

Revenue Recognition and Rates

IMPA sets rates in accordance with the Bond Resolution. The Bond Resolution requires the establishment of rates that, together with other revenues, are reasonably expected to pay IMPA's operating costs (excluding depreciation and amortization), and at least 110% of the Agency's aggregate debt service. IMPA's debt service requirements are designed to be relatively equal over the life of the bonds to help provide stable rates to the communities IMPA serves. Rates are not subject to state or federal regulation. The debt service included in rates provides for full cost recovery of the utility plant assets over a period not exceeding the utility plant useful lives.

Revenues are recognized on an accrual basis when energy is delivered, while the communities are billed using budget rates. Differences between the accrued rate and the billed rate are collected from or returned to the members via a tracker in subsequent periods. The amount to be paid to IMPA (a regulatory asset) at December 31, 2021 was $13.4 million. The amount to be paid to members (a regulatory liability) at December 31, 2020 was $17.6 million. The regulatory asset is included in other current assets and the regulatory liability is included in accrued liabilities in the consolidated statements of net position at December 31, 2021 and 2020, respectively.

Operating Revenues

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

Operating Expenses

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

Non-Operating Expenses

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

IMPA Service Corp

IMPA Service Corp's revenues and expenses are reported as other revenues and other operating expenses, respectively.

Regional Transmission Organizations (RTOs)

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

The MISO and PJM are independent organizations whose purposes are to ensure the reliability of their respective integrated, regional electrical transmission systems, to facilitate a regional wholesale marketplace, to provide non-discriminatory access to the transmission system and to maintain and improve electric system reliability.

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

Income Taxes

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

Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The reported results of operations are not indicative of results of operations for any future period.

Accounting Pronouncements Issued

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

In October 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2020-08 (ASU 2020-08), "Codification Improvements to Subtopic 310-20, Receivables-Nonrefundable Fees and Other Costs." ASU 2020-08 conflicts with GASB 31 – Accounting and Financial Reporting for Certain Investments and for External Investment pools. IMPA previously adopted and follows the guidance of GASB 31.

2. Capital Assets

Capital asset activity for the years ended December 31, 2021 and 2020, was as follows (in thousands):

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

2020	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Utility plant in service	$ 1,690,503	$ 1,741	$ 44,414	$ (5,748)	$ 1,730,910
Construction work in progress	127,941	121,480	(44,414)	(48,559)	156,448
Total Utility Plant (Gross)	1,818,444	123,221	-	(54,307)	1,887,358
Less accumulated depreciation for utility plant in service	(560,234)	(44,572)	-	3,546	(601,260)
	$ 1,258,210	**$ 78,649**	**$ -**	**$ (50,761)**	**$ 1,286,098**

Accumulated depreciation additions for the years ended December 31, 2021 and 2020 do not include depreciation of asset retirement obligation assets of $1.7 million and $0.9 million, respectively.

3. Cash, Cash Equivalents and Investments

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

During the years ended December 31, 2021 and 2020, IMPA recorded a net decrease in the fair value of investments of $0.8 million and an increase of $0.9 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, 2021 and 2020 have been included in regulatory assets on IMPA's consolidated statements of net position (see Note 1).

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

At December 31, 2021 and 2020, the original cost and the estimated fair values of the Agency's cash, cash equivalents and investments were as follows (in thousands):

	2021		2020	
INVESTMENT TYPE	**Cost**	**Estimated Fair Value**	**Cost**	**Estimated Fair Value**
Long-Term Investments:				
Restricted:				
U.S. Government Agencies	$ -	$ -	$ 16,021	$ 16,433
U.S. Treasuries	11,572	12,221	14,459	15,574
Total Long-Term Investments	11,572	12,221	30,480	32,007
Restricted and Unrestricted Cash and Cash Equivalents:				
Restricted	192,572	192,572	199,675	199,675
Unrestricted	142,810	142,810	166,593	166,593
Total Restricted and Unrestricted Cash and Cash Equivalents	335,382	335,382	366,268	366,268
Short-Term Investments:				
Restricted:				
U.S. Government Agencies	16,021	16,117	15,956	16,115
U.S. Treasuries	2,887	3,022	7,748	8,072
Total Short-Term Investments	18,908	19,139	23,704	24,187
Total	**$ 365,862**	**$ 366,742**	**$ 420,452**	**$ 422,462**

The debt service account is comprised of current principal payments and interest due on long-term debt payable on the first business day of the subsequent year. The Bond Resolution restricts the debt service account, the debt service reserve fund and the construction fund. Additionally, certain accounts are restricted by Board resolution, including the rate stabilization account. For further discussion of accounts restricted by Board resolution, see Note 1.

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

At December 31, 2021 and 2020, the Agency's cash, cash equivalents and investments were restricted as follows (in thousands):

	2021		2020	
FUND	**Cost**	**Estimated Fair Value**	**Cost**	**Estimated Fair Value**
Unrestricted:	$ 142,810	$ 142,810	$ 166,593	$ 166,593
Restricted by Board:				
Rate Stabilization Fund	28,524	28,663	28,421	28,844
Other Board Restricted Accounts	42,446	42,564	40,499	40,779
Restricted by Bond Resolution:				
Debt Service Reserve Fund	91,963	92,586	93,876	95,183
Debt Service Account	59,204	59,204	64,273	64,273
Construction Fund	915	915	26,790	26,790
Total	**$ 365,862**	**$ 366,742**	**$ 420,452**	**$ 422,462**

4. Net Position

At December 31, 2021 and 2020, the Agency's net position included the following components (in thousands):

	2021	**2020**
Net investment in capital assets	$ (60,404)	$ (124,427)
Restricted for debt service	29,489	33,399
Restricted for debt service reserve	92,586	95,183
Restricted for bond financed construction projects	915	26,790
Restricted by Board resolution	39,826	39,671
Unrestricted	342,514	344,899
	$ 444,926	**$ 415,515**

5. Hedging Transactions

IMPA purchases forward power contracts to minimize the cost volatility of purchased power in the energy markets. IMPA does not purchase derivatives for speculative purposes. The acquisition of forward power contracts allows IMPA to effectively plan and set stable rates from period to period for IMPA's Members. Certain of IMPA's forward power contracts are settled by a cash payment that is equal to the differential between the contract price and the settlement price (financially settled). Financially settled forward power contracts are hedging derivative instruments as defined by GASB 53. IMPA has entered into hedging transactions in the 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, 2021 and 2020 have been determined by management to be effective. Accordingly, IMPA's outstanding hedging transactions are reported in the Agency's December 31, 2021 and 2020 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 forward price and the published forward price at the respective energy market's settlement point(s) at market closing as of December 31, 2021 and 2020. All of IMPA's hedging transactions settle and are valued at either the Indiana Hub or the AEP Dayton Hub, which are settlement hubs in the MISO and PJM energy markets, respectively.

As of December 31, 2021, the Agency has recorded unrealized gains and losses in other current assets of approximately $0.3 million, other non–current liabilities of approximately $13.8 million, and accrued liabilities of approximately $5.1 million. As of December 31, 2020, the Agency has recorded unrealized gains and losses in other current assets of approximately $4.0 million, deferred outflows of approximately $6.0 million, other non–current liabilities of approximately $1.0 million, and accrued liabilities of approximately $16 thousand.

The following tables provide information related to IMPA's outstanding derivative instruments as of December 31, 2021 and 2020 (in thousands):

December 31, 2021

Trade Date Range	Duration	Notional Amount (MWhs)	Ending Fair Value Classification	Ending Fair Value Amount
Nov 2021 thru Dec 2021	Jan 2022 thru Feb 2022	75	Accrued liabilities	$ (299)
Mar 2017	Jan 2022 thru Dec 2022	1200	Other current assets	5,067
Mar 2017	Jan 2023 thru Dec 2026	4,450	Deferred outflows	13,810
		5,725		**$ 18,578**

December 31, 2020

Trade Date Range	Duration	Notional Amount (MWhs)	Ending Fair Value Classification	Ending Fair Value Amount
Dec 2014 thru Nov 2020	Jan 2021 thru Dec 2021	1,025	Accrued liabilities	$ (4,045)
Mar 2017 thru Nov 2020	Jul 2021	100	Other current assets	16
Mar 2017	Mar 2022 thru Dec 2026	4,500	Other non-current liabilities	(5,964)
Mar 2017	Jan 2022 thru Jul 2026	1,150	Deferred outflows	982
		6,775		**$ (9,011)**

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, 2021 and 2020, the Indiana Hub price was $43.31 and $24.39 per MWh and the AEP-Dayton Hub price was $36.86 and $24.56 per MWh, 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, 2021, IMPA's counterparties had net collateral posted to IMPA of $14.8 million which is included in accrued liabilities on the consolidated statement of net position. At December 31, 2020, IMPA had net collateral posted of $13.0 million which is included in other current assets 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, 2021 and 2020, consist of the following (in thousands):

Bond Series	Interest Rates	Due Date January 1,	Optional Redemption Year	2021	2020
2007 Series B	5.800%	2022	-	$ 5,465	$ 10,630
2009 Series C	7.350%	2022 to 2024	-	10,795	12,665
2010 Series A	5.594%	2031 to 2042	-	123,640	123,640
2010 Series B	-	-	-	-	18,815
2011 Series A	-	-	-	-	7,130
2012 Series A	5.000%	2024 to 2028	2022	20,515	20,515
2013 Series A	4.750% - 5.250%	2022 to 2042	2023	24,380	25,465
2014 Series A	5.000%	2022 to 2032	2025	153,215	158,005
2016 Series A	4.000% - 5.000%	2033 to 2042	2026	366,350	366,350
2016 Series C	3.000% - 5.000%	2022 to 2039	2027	142,610	144,135
2017 Series A	5.000%	2022 to 2042	2028	218,645	220,280
2019 Series A	4.000% - 5.000%	2022 to 2042	2029	120,455	123,100
2019 Series B	Variable	2022 to 2042	-	59,320	60,380
				1,245,390	1,291,110
Less current maturities				(28,965)	(32,875)
Long-term revenue bonds				1,216,425	1,258,235
Unamortized premium, net				120,995	132,331
				$1,337,420	**$ 1,390,566**

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

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

In January 2021, IMPA called the 2010 Series B bonds maturing on January 1, 2022 and 2023 with a total par value of $12.845 million.

Debt service requirements based on contractual maturities at December 31, 2021 were as follows (in thousands):

	Principal	Interest
2022	$ 28,965	$ 61,803
2023	30,495	60,274
2024	39,090	58,589
2025	41,065	56,612
2026	43,105	54,571
2027 - 2031	249,700	238,687
2032 - 2036	317,235	171,152
2037 - 2041	402,790	85,601
2042	92,945	4,735
	$ 1,245,390	**$ 792,024**

Long-term revenue bond activity for the periods ended December 31, 2021 and 2020, was as follows (in thousands):

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

December 31, 2020	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**
Long-term revenue bonds	$ 1,318,860	$ -	$ (27,750)	$ 1,291,110
Less:				
Current maturities	(27,750)	27,750	(32,875)	(32,875)
Unamortized premium, net	144,261	-	(11,930)	132,331
	$ 1,435,371	**$ 27,750**	**$ (72,555)**	**$ 1,390,566**

Certain Debt Covenants

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

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

Debt Service Coverage

The IMPA Power Supply System Revenue Bond Resolution (Resolution) contains covenants that require IMPA to collect through rates 1.1 times the current year's accrued aggregate debt service. Debt service coverage was 1.33 times and 1.22 times for the years ended December 31, 2021 and 2020, respectively. Debt service coverage for 2021 was calculated based on approximately $29.0 million of principal and approximately $59.5 million of 2021 interest expense payable during 2021 and in January 2022. Management believes that IMPA is in compliance with all financial debt covenants and restrictions as of December 31, 2021.

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):

	2021	2020
BAB subsidies	$ 2,283	$ 2,298

2010 Series B Bonds

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

2019 Series B Variable Rate Bonds

The 2019 Series B Variable Rate Bonds (2019 B Bonds) are secured by an irrevocable transferable direct pay letter of credit (Letter of Credit) issued for the benefit of the owners of the 2019 B Bonds. The interest rates on the 2019 B Bonds is adjusted daily, and bondholders may require repurchase of the 2019 B bonds at the time of such interest rate adjustments. Through the Letter of Credit, the Agency has the right of direct offset with its lender for any repurchases. These bonds have a contractual maturity of January 1, 2042. The Letter of Credit has a contractual maturity of December 19, 2024. The interest rate at December 31, 2021 on the 2019 B Bonds was .07%.

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 forward power contracts, which are included in long-term investments, short-term investments, other current assets, other deferred outflows, accrued liabilities, and other non-current liabilities.

Level 3

Pricing inputs that are unobservable. 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, 2021 and 2020 were as follows (in thousands):

December 31, 2021	**Level 1**	**Level 2**	**Total**
Assets:			
Money market funds	$ 267,705	$ -	$ 267,705
Debt securities	-	31,360	31,360
Purchase power futures	-	18,877	18,877
	$ 267,705	**$ 50,237**	**$ 317,942**
Liabilities:			
Purchase power futures	**$ -**	**$ 299**	**$ 299**

December 31, 2020	**Level 1**	**Level 2**	**Total**
Assets:			
Money market funds	$ 312,825	$ -	$ 312,825
Debt securities	-	56,194	56,194
Purchase power futures	-	998	998
	$ 312,825	**$ 57,192**	**$ 370,017**
Liabilities:			
Purchase power futures	**$ -**	**$ 10,009**	**$ 10,009**

8. Asset Retirement Obligations

Asset retirement obligations represent legal obligations associated with the retirement of tangible long-lived assets that are incurred upon the acquisition, construction, development or normal operation of the assets. IMPA's asset retirement obligations consist primarily of costs associated with the future cost of mine reclamation and closure at Prairie State and with the future closure of waste disposal facilities at IMPA's jointly-owned plants.

Asset retirement obligations are estimated annually during the fourth quarter of the year and recognized in the period in which they are incurred, if a reasonable estimate of fair value can be made. The asset retirement obligations are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over their useful lives. The Agency uses an expected cash flow approach to measure the obligations. IMPA's asset retirement obligations have no impact on change in net position due to the Agency applying the provisions of GASB 62.

The following table presents the details of the Agency's asset retirement obligations for the periods ended December 31, 2021 and 2020 (in thousands):

	Beginning Balance	Liabilities Settled	Accretion	Cash Flow Revisions	Ending Balance
2021	$ 20,716	(2,350)	667	(1,118)	$ 17,915
2020	$ 12,557	(341)	488	8,012	$ 20,716

The cash flow revisions in 2020 were primarily the result of changes in the estimates of future costs of closure of coal ash storage systems at Gibson Unit 5 and Trimble County Units 1 and 2.

IMPA's share of the asset retirement obligations for the Agency's jointly-owned generation at December 31, 2021 and 2020 was as follows (in thousands):

	2021	2020
Gibson Unit 5	$ 4,952	$ 8,714
Prairie State Units 1 & 2	3,269	3,240
Trimble County Units 1 & 2	9,694	8,762
	$ 17,915	**$20,716**

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

The Agency had restricted assets for the payment of IMPA's share of the asset retirement obligations totaling approximately $15.5 million and $14.0 million at December 31, 2021 and 2020, 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, 2021 and 2020, the Agency did not have a rebate payable. The estimated arbitrage expense is recorded as a reduction of interest income.

10. Concentration of Risk

Credit risk represents the risk of loss that would occur if suppliers or customers did not meet their contractual obligations to IMPA. Concentration of credit risk occurs when significant suppliers or customers possess similar characteristics that would cause their ability to meet contractual obligations to be affected by the same events.

Approximately 29% of the Agency's sales to municipalities were provided to two communities for the periods ended December 31, 2021 and 2020. Accounts receivable balances for the two communities account for 33% and 30% of the total municipality accounts receivable balances as of December 31, 2021 and 2020, respectively. IMPA has long-term energy purchase contracts with two suppliers that account for approximately 27% and 33% of IMPA's total energy for the years ended December 31, 2021 and 2020, respectively.

11. Jointly-Owned Plant

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

IMPA's investments in jointly-owned plant at December 31, 2021 were as follows (in thousands):

	Share	**Utility Plant In Service**	**Accumulated Depreciation**
Production			
Gibson Unit 5	24.95%	$ 199,006	$ 103,813
Prairie State Units 1 & 2	12.64%	762,765	188,210
Trimble County Units 1 & 2	12.88%	331,710	133,823
Transmission and local facilities	5.30%	255,447	68,347

12. Commitments and Contingencies

Contracts and Capital Expenditures

IMPA has purchased power contracts with several power producers. IMPA has firm commitments under take-or-pay contracts which expire on or before April 1, 2042. The total amount of these future purchase obligations at December 31, 2021 was approximately $131.9 million for 2021 and $2.6 billion through 2052.

IMPA anticipates its share of future capital expenditures for Gibson Unit 5, Prairie State Units 1 and 2, Trimble County Units 1 and 2, the combustion turbines, the JTS, Solar Parks, and other ongoing system projects to total approximately $290 million for the years 2022 through 2026. The projected capital expenditures include both environmental improvements and expenditures of a normal and recurring nature. IMPA anticipates funding the foregoing projected capital improvements with a combination of internally generated funds and proceeds from future debt offerings.

Emissions Regulations

Under the Trump administration, the EPA implemented the Affordable Clean Energy Rule (ACE Rule), which repealed the Clean Power Plan and endeavored to reduce emissions through efficiency increases using an inside-the-fenceline framework. The ACE Rule was struck down by the United States Court of Appeals for the D.C. Circuit in 2021, and the EPA has not yet initiated a replacement rulemaking. Litigation concerning the scope of EPA's authority to regulate Greenhouse Gas (GHG) Emissions is currently pending before the Supreme Court of the United States, and an opinion is expected in the Summer of 2022. Subsequently, IMPA expects that the EPA will initiate a new rulemaking related to powerplant GHG. IMPA will closely monitor any actions on the part of the EPA or any other regulatory body.

Contract Disputes

In the normal course of business, IMPA may be involved in various disputes with other parties. While management cannot predict the ultimate outcome of these disputes, total exposure as of the report issuance date is not material to IMPA's financial position or results of operations.

13. Illinois Senate Bill (“SB”) 2408

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

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

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