

Affordability | Reliability | Sustainability

2023

Annual Report



Illinois Municipal Electric Agency

A Message from the President & CEO and the IMEA Board Chairman



Illinois Municipal Electric Agency

We are approaching 40 years since a group of Illinois municipalities that operated their own electric distribution systems banded together to form the Illinois Municipal Electric Agency (IMEA), a nonprofit special unit of local government specifically designed to procure predictably priced wholesale electricity for its municipal members. Essentially, the member municipalities sought to avoid energy market spikes that would put their municipal utility operating budgets in disarray and – worse – expose their citizens to reduced system reliability and dramatic cost increases in their electric bills.

The agency was a good idea back then, and, to this day, IMEA remains a solution that works for the municipal electric systems it serves. In fact, two generations of citizens served by IMEA member municipal electric systems have now received the benefits of affordable, reliable, and sustainable energy and related services thanks to their community's involvement – and its leadership stake – in IMEA.

IMEA offers its members:

- An energy portfolio that, by design, insulates communities from wild price spikes.
- A voice in state and federal policymaking, through its monitoring and participation in Federal Energy Regulatory Commission (FERC) proceedings, the Regional Transmission Owner (RTO) stakeholder process, the Transmission Owner ratemaking process, as well as through its affiliations with the Illinois Municipal Utilities Association (IMUA) and the American Public Power Association (APPA).
- Education and training opportunities for its municipal utility personnel.
- Value-added services that no one else can provide, because IMEA's services are specifically tailored to meet the needs of its municipal members.

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Let's highlight one fact from the agency's fiscal year 2022-23 performance that perfectly demonstrates what happens at the convergence point of affordability, reliability, and sustainability: For FY2022-23, the average IMEA wholesale cost to its members was 6.0% below the cost estimated in the original FY2022-23 budget. Moreover, the IMUA found that residential customers served by municipal electric systems paid, on average, 13.8¢ per kWh in 2022, whereas the U.S. Energy Information Administration reported Illinois residents overall paid an average of 16.8¢ per kWh in June 2022.

These results are not an anomaly. For the last decade, IMEA's average cost of power to members has been 0.9% under the start-of-the-year budget. Member municipalities know they can, literally, take the dependable information they receive from their agency to the bank. Financial ratings agencies also recognize IMEA's fiscal responsibility, rating IMEA very highly compared to its regional and national utility peers. This trusted financial performance over the long term speaks to the sustainability of the relationship between the agency and its member municipalities. IMEA is the very definition of what accountants call a going concern – an organization with the wherewithal to serve the needs of its member municipal electric systems and their retail customers for generations to come.

We realize, of course, that in the electric industry the word “sustainability” has increasingly come to carry another meaning. Sustainable energy is energy that comes from using fuels that are renewable (such as wind or solar) or that can be used with minimal to no effect on the climate (such as hydropower or geothermal). As detailed in the pages that follow, IMEA is adding more renewable and sustainably sourced power to its energy portfolio – a process it began as early as 2009. The agency, under the direction of its municipal members, has been making, and will continue to make, a fiscally and environmentally responsible transition toward a carbon-free energy portfolio. Our actions to date speak very clearly to this point. However, to mark our accomplishments and make our portfolio transition principles even more apparent, the IMEA Board is set to consider, and will likely put forth, a formal Sustainability Plan in FY2023-24.

This will be one more step, in the many we have taken since the inception of the agency, to assure that IMEA stands ready to serve the current needs of our member communities, while, at the same time, we position ourselves to extend far into the future the positive results we have achieved together.



Cory Sheehy
Cory Sheehy
Chairman of the Board



Kevin M. Gaden
Kevin M. Gaden
President & CEO

Who We Are

The Illinois Municipal Electric Agency (IMEA) is a nonprofit unit of local government comprised of 32 municipal electric systems from across Illinois. Each of those communities owns and operates its own electric distribution system. Some operate local power generation plants.

Since its creation in 1984, the focus of the IMEA has been on the reliable delivery of bulk power and energy to its members at low and stable prices. IMEA combines the power needs of all of its members and secures the electricity necessary to satisfy those needs. The agency sells its municipal members all their wholesale power needs under long-term power supply contracts.

To accomplish this goal, IMEA has assembled a portfolio of power supply ownership and contracts. These include ownership of a portion of large, base-load power plants in Kentucky and Illinois, long-term power supply contracts, medium and short-term bilateral purchases of capacity and energy, and purchases from the market when needed. From time to time, IMEA uses the power plants owned and operated by members to help meet the membership's needs. IMEA is working to purchase a growing portion of its capacity and energy from non-carbon emitting generation sources.

IMEA backs its commitment to power supply excellence with a 24-hour-a-day, seven-days-a-week Operations Department staffed by highly skilled power supply professionals. In addition, IMEA provides engineering, legal, communications, economic development, value-added services, and legislative and regulatory oversight services for its members. IMEA's senior officers bring to member municipalities a combined 225 years of experience in all facets of the electric industry.

The agency is governed by a board of directors appointed by its members. A professional staff administers day-to-day operations.

IMEA Members

Altamont	Marshall
Bethany	Mascoutah
Breese	Metropolis
Bushnell	Naperville
Cairo	Oglesby
Carlyle	Peru
Carmi	Princeton
Casey	Rantoul
Chatham	Red Bud
Fairfield	Riverton
Farmer City	Rock Falls
Flora	Roodhouse
Freeburg	St. Charles
Greenup	Sullivan
Highland	Waterloo
Ladd	Winnetka



Executive Board Officers



Chairman
Cory Sheehy
Marshall



Vice Chairman
Dick Simon
Rock Falls



Secretary/Treasurer
Brian Groth
Naperville

Executive Board Members at Large



Larry Taylor
Altamont



David Coston
Carmi



John Tolan
Freeburg



Dan Cook
Highland



Peter Suhr
St. Charles



Brian Keys
Winnetka

Board of Directors



Shannon Risley
Bethany



Jason Deering
Breese



Joe Fosdyck
Bushnell



Brad Myers
Carlyle



Shelby Biggs
Casey



Patrick McCarthy
Chatham



Mayor Gary Moore
Fairfield



Sue McLaughlin
Farmer City



Bob Coble
Flora



Mike Ryder
Greenup



Pat Barry
Ladd



Jesse Carlton
Mascoutah



Michael Gentry
Metropolis



Mayor Jason Curran
Oglesby



Eric Carls
Peru



Jeff Mangrich
Princeton



Jake McCoy
Rantoul



Josh Eckart
Red Bud



Jim Mileham
Riverton



Mike Kirk
Sullivan



Tim Birk
Waterloo

Not pictured
Vacant
Cairo

Not pictured
Vacant
Roodhouse

Ten Year Comparative Summary of Operations

FOR THE YEARS ENDED APRIL 30,	2023	2022	2021
Operating Revenues:			
Electric Sales to Participating Members	\$302,769,046	\$308,416,558	\$316,350,196
Electric Sales to Others	0	0	0
Other	9,941,384	5,243,085	5,574,411
Total Operating Revenues	<u>312,710,430</u>	<u>313,659,643</u>	<u>321,924,607</u>
Operating Expenses:			
Purchased Power	39,802,124	61,138,563	80,950,750
Transmission	54,551,476	45,452,050	41,472,038
Prairie State and Trimble County Unit No. 1 and 2:			
Fuel	46,177,615	43,054,514	36,333,821
Operations and Maintenance	40,235,969	33,977,666	40,346,072
Member Payments:			
Fuel Reimbursements	1,502,785	1,167,265	1,952,336
Capacity Payments	8,509,177	8,658,668	8,550,967
Generation Payments	11,605	17,682	31,019
Administrative and General	8,773,713	8,527,124	8,052,808
Depreciation	35,331,150	35,262,426	34,256,314
Other Utility Operations	1,753,681	1,593,825	1,382,266
Total Operating Expenses	<u>236,649,295</u>	<u>238,849,783</u>	<u>253,328,391</u>
Net Operating Income	<u>76,061,135</u>	<u>74,809,860</u>	<u>68,596,216</u>
Other Expenses - Net	<u>(30,390,746)</u>	<u>(36,004,263)</u>	<u>(37,898,096)</u>
Change in Net Position	\$45,670,389	\$38,805,597	\$30,698,120
Peak Demand (Non-Coincident kW)	947,889	938,599	904,631
Kilowatt-Hour Sales to Participating Members (kWh)	3,761,197,824	3,856,129,073	3,736,971,363
Kilowatt-Hour Sales to Others (kWh)	0	0	0
Debt Service Coverage after Rate Stabilization Transfer	137%	131%	118%
Principal Paid on Revenue Bonds	\$45,675,000	\$43,660,000	\$46,945,000
Revenue Bonds Outstanding	\$741,355,000	\$787,030,000	\$830,690,000
Net Position	\$399,556,156	\$353,885,767	\$315,080,170

2020	2019	2018	2017	2016	2015	2014
\$309,869,429	\$311,611,949	\$309,866,759	\$310,855,402	\$305,397,433	\$297,920,665	\$313,329,416
0	0	7,050,667	9,604,445	9,250,649	9,487,955	10,202,123
3,146,086	2,184,067	662,443	525,381	3,433,172	4,906,065	3,570,481
313,015,515	313,796,016	317,579,869	320,985,228	318,081,254	312,314,685	327,102,020
78,653,123	76,157,891	89,985,282	92,785,719	92,863,982	93,821,555	112,229,955
36,915,843	29,085,212	30,167,782	33,073,872	21,906,341	13,114,019	14,902,996
40,996,590	43,853,976	42,117,228	39,798,819	41,685,758	43,282,351	37,198,450
35,608,739	35,150,793	36,614,195	36,229,144	36,285,399	36,338,400	32,417,374
882,295	1,015,505	1,091,258	1,145,944	823,604	1,119,275	1,431,522
8,824,889	8,897,963	8,930,449	9,027,785	9,183,749	9,202,280	9,163,470
11,715	12,371	21,824	22,628	2,728	2,774	6,056
8,189,197	8,119,671	7,893,267	7,290,386	7,313,294	7,456,187	8,232,434
33,242,457	34,135,909	35,268,987	34,848,247	34,320,066	33,126,911	32,659,266
1,513,014	2,438,502	1,676,021	1,799,987	1,927,742	1,429,914	1,880,493
244,837,862	238,867,793	253,766,293	256,022,531	246,312,663	238,893,666	250,122,016
68,177,653	74,928,223	63,813,576	64,962,697	71,768,591	73,421,019	76,980,004
(37,560,683)	(38,722,738)	(41,176,746)	(43,957,524)	(45,730,938)	(53,399,018)	(59,430,472)
\$30,616,970	\$36,205,485	\$22,636,830	\$21,005,173	\$26,037,653	\$20,022,001	\$17,549,532
936,869	944,038	953,778	979,796	939,653	942,161	1,005,629
3,797,095,319	4,012,316,188	3,922,872,791	4,000,227,863	3,938,284,055	3,974,872,808	4,102,836,932
0	0	78,375,093	114,456,162	110,822,027	120,211,294	123,499,732
118%	124%	110%	110%	113%	110%	110%
\$44,895,000	\$42,950,000	\$41,095,000	\$39,310,000	\$41,375,000	\$36,960,000	\$35,285,000
\$877,635,000	\$922,530,000	\$965,480,000	\$1,006,575,000	\$1,045,885,000	\$1,087,260,000	\$1,174,390,000
\$284,382,050	\$253,765,080	\$217,559,595	\$194,922,765	\$173,917,592	\$147,879,939	\$127,857,938

Affordability, Reliability, Sustainability

Like the cities and villages that govern it, the Illinois Municipal Electric Agency (IMEA) is a nonprofit unit of local government. The agency focuses on providing energy and value-added services to its member municipalities. IMEA produces or secures bulk power and provides for that power to arrive at the members' delivery points. From there, the locally managed electric systems distribute power to the municipality's retail customers.

This beneficial public service model came into existence in May 1984, when representatives from 27 municipalities, dissatisfied with the price volatility they were encountering with for-profit, private-sector energy providers, gathered at the first IMEA meeting to elect a slate of board representatives to allow the member municipalities to jointly plan and manage their bulk wholesale power needs.

Much has changed in the electric industry since then. Market constructs have become more complex. Retail customers have come to appreciate low electric rates and increasingly more sophisticated utility services. At the same time, the industry is transitioning to generation sources that conserve and sustain natural resources.

IMEA – now 32 municipal members strong – has changed right along with the industry, leveraging the expertise of its personnel to offer services that meet the unique needs of municipal utilities in ways that no other wholesale electric provider in the state is able to match. What hasn't changed – and what will never change – is IMEA's commitment to

- **Affordability**
- **Reliability,** and
- **Sustainability**

Those watchwords guide IMEA's actions as the agency continues its nearly four decades long tradition of providing reliable power and predictable, stable wholesale rates to its municipal member electric systems.

IMEA Empowers Member Communities

The agency fulfills its core mission through power supply contracts and through ownership shares of generation facilities. IMEA backs up its power supply commitment with its always-on-duty Operations Department that constantly monitors – and executes actions in – the day-ahead market and the real-time energy market as needed. Each day, Operations Department staff schedule into both of Illinois' Regional Transmission Organization markets the amount of energy forecasted for the next day's consumption and also schedule the next day's anticipated output from IMEA's generation units. To assure reliability 24-hours-a-day, 365-days-a-year, Operations Department personnel monitor all member municipality delivery points and alert local utility personnel immediately of any voltage dips, power supply interruptions or other system anomalies. In an extreme event that causes a loss of power, IMEA Operations Department staff will alert the coordinators of the Illinois Municipal Utilities Association's Mutual Aid Program to send volunteer crews from other member municipalities to help an IMEA member community restore service to its customers.



The IMEA state-of-the-art operations center is staffed 24-hours-a-day, 365-days-a-year to serve the needs of member municipalities.

But the agency provides more than wholesale power and first-class operations services. IMEA's relationships with member communities promote local control and precipitate member-driven results. Each community has a voting representative on the IMEA Board of Directors – a seat at the table – driving all major decisions about every aspect of the community's wholesale power supply services. No other wholesale power provider can match the extent to which the agency's governance structure allows its member communities to set policy directions, and no other power supplier has the resources and expertise to tailor its services specifically for Illinois' municipal electric systems the way that IMEA has since its inception. Thus, IMEA shares its member electric systems' commitment and duty to reliably serve their communities for the long run.

IMEA Reliably Keeps Members' Rates Competitive

Like our member municipal electric systems, IMEA is a nonprofit entity. Rather than striving for shareholder profits, the agency seeks to offer members predictable, competitive wholesale

energy costs and protect municipal members from market fluctuations.

Cost Stability

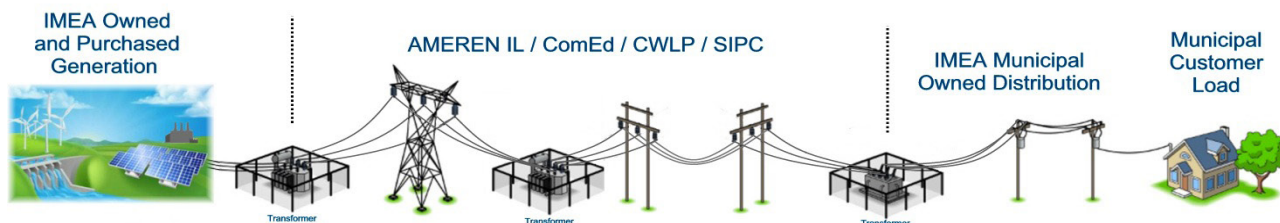
Thanks to a commitment to stability and a strategy that achieves it, retail customers in IMEA member communities were largely insulated from price spikes that those in neighboring towns have faced recently – especially for those in central and southern Illinois, where some residents served by the investor-owned utility paid as much as 50% more a month on their electric bills than they did in the prior year. That leap was largely due to the unprecedented results of the 2022-23 capacity auction for downstate Illinois, as well as increased energy costs on the spot market.

Each year, the Midcontinent Independent System Operator (MISO), which is the Regional Transmission Organization (RTO) for central and southern Illinois, holds an auction that determines the cost of capacity for its footprint in central and southern Illinois (known as MISO Zone 4). A shortage of generating capacity, combined with other factors, drove the MISO Zone 4 capacity cost from \$5.00 per megawatt (MW) day for the 2021-22 auction to \$236.66 per MW day for the 2022-23 auction – a 47-fold increase over



How IMEA Delivers Electricity to its Municipalities

IMEA is a not-for-profit agency governed by its 32 member municipalities



the prior year. Going forward (and adding to the complexity of the capacity markets), MISO has now switched from an annual capacity market to a seasonal one. The MISO Zone 4 seasonal capacity results for Planning Year 2023-24 were \$10 per MW day for the Spring and Summer seasons, \$15 per MW day for Fall, and \$2.00 per MW day for Winter.

A municipal utility would be hard pressed to accomplish long-term financial forecasting given these extreme capacity cost fluctuations. However, the foresight of the IMEA Board of Directors flattened that volatility for IMEA member communities. The board has directed the agency to:

- Own generation assets (because long-term resources bring long-term stability),
- Maintain behind-the-meter generation resources in many member communities, and
- Contract for fixed-price purchases of energy and capacity.

These actions have created a hedge against the type of budget-busting cost fluctuation that occurred in the 2022-23 MISO capacity auction. In the marketplace, the agency's diversified portfolio of owned and contracted power sources – wind, hydro, solar, carbon-free, and coal-fueled – is accomplishing a goal it was designed to achieve: Stability.

Predictable and Affordable Costs

IMEA members' wholesale power costs are predictable and competitive. Members can rely on the accuracy of the agency's budget as they plan their own municipal budgets. The average cost of power to member municipalities has been at or below the start-of-the-year IMEA budgeted cost for seven years out of the past 10 (a decade that included two years of the COVID pandemic, which made electric usage nearly impossible to predict accurately). For the decade as a whole, the average cost of power to members has been 0.9% under the start-of-the-year budget.

IMEA has a proven record of holding down the costs it can control to assure that wholesale

power remains affordable. Excluding transmission and RTO costs (which affect – and are borne by – all market participants and are outside of IMEA control), IMEA's power supply costs are lower now than they were in 2014 and are projected to remain flat through 2027. Even with transmission cost increases added in, total average costs to members are up less than 6% from where they were a decade ago.

The benefits of cost controls at the wholesale level are to the benefit of retail customers served by IMEA member municipal utilities. The results of the latest Illinois Municipal Utilities Association rate survey show that residential retail customers served by municipal electric systems paid, on average, 13.8¢ per kWh in 2022, whereas the U.S. Energy Information Administration reported that Illinois residents overall paid an average of 16.8¢ per kWh in June 2022.

IMEA Provides Value-Added Services that are Tailor-Made for Municipal Electric Utilities

Unlike any other wholesale energy providers operating in the state, IMEA develops and delivers services and programs made specifically for municipal electric utilities. Member municipal systems know that they can lean on IMEA to strengthen their local efforts to provide efficient solutions to the ever-evolving challenges in the electric industry. The agency employs engineers, power market experts, power resource specialists, state and federal regulatory compliance specialists and program administrators who provide services that are only possible through this agency. These services include:

- Offering members support in interpreting and complying with North American Electric Reliability Corporation (NERC) and Federal Energy Regulatory Commission (FERC) standards and regulations, as well as with state and federal laws related to operating municipal electric systems.

- Representing member interests through expert participation in the state's two Regional Transmission Organizations' (RTO) electric and capacity markets.
- Providing regulatory and legal defense for all assets, including generation and transmission.
- Paying capacity credits and fuel costs for members with municipally owned behind-the-meter generation assets.
- Creating and administering programs focused on electric efficiency, demand response and electric vehicles and electric vehicle charging infrastructure, as well as the renewable energy credit purchase and offset program – which helps member retail customers reduce energy costs and municipalities achieve their specific green-energy goals.
- Working with the American Public Power Association and the Illinois Municipal Utilities Association to take an advocacy role on issues affecting state and national energy policy.
- Developing specialized rates for large-load, high load-factor commercial/industrial customers to help member municipalities attract or retain high-value commercial or manufacturing facilities that enhance the tax revenue base and increase employment in member communities.
- Managing the Illinois Municipal Utilities Association and the Illinois Public Energy Agency for the benefit of public power and publicly owned natural gas supply systems across the state.

Operations and Value-Added Services



Power Supply
Scheduling



NERC cyber
compliance



Economic
Development
Support



Negotiate
Transmission and
Sub-transmission
contracts



Electric Efficiency
Incentives



Representation in
Regional
Transmission
Organizations



State and Federal
Legislative
Advocacy



Electric Vehicle
and Infrastructure
Incentives



Energy Audits



Key Accounts



Grid Management
services – Demand
Response



Legal &
Regulatory
Defense of Assets



Illinois Municipal Electric Agency

State and Federal Grants Assistance

The federal Bipartisan Infrastructure Investment and Jobs Act of 2021 and the Inflation Reduction Act of 2022 are making billions of dollars available to allow the electric industry to shore up and modernize systems and accelerate efforts to meet climate change objectives. Funds are being made available through a plethora of grant programs. IMEA and the Illinois Municipal Utilities Association (IMUA) are working on behalf of member municipalities to ensure that municipal electric systems are not overlooked when it comes to these opportunities. IMEA's efforts often involve working with units of state government to leverage our combined expertise and submit far-reaching grant proposals that are more attractive to grantors. Below are just some of the opportunities the agency has pursued:

- Grid Resilience State Formula Grants: Recognizing the importance for municipal electric utilities to protect the reliability and resilience of their systems, IMUA and IMEA worked with the Illinois Finance Authority (IFA) on the authority's successful application for a Grid Resilience State Formula Grant. IMUA and IMEA plan to coordinate the offering of grants to municipal electric utilities seeking to undertake projects that will result in resilience, particularly projects related to climate-related hazards. Examples of projects that could be eligible for funding include weatherization, undergrounding service utilities, pole replacement, advanced conductors, vegetation management, distributed energy resources (including microgrids), system protection, modeling, and hardening of systems.
- Electric Vehicle Infrastructure & Charging Stations Initiatives: IMUA and IMEA submitted an innovative project proposal to the Illinois Finance Authority (IFA) that was ultimately included in the IFA's Grid Resilience and Innovation Partnership Plan submitted to the Department of Energy (DOE). The proposed project would help municipal electric utilities better integrate the coming wave of electric vehicles and buildings into the electric grid by mitigating peak loads and better

accommodating the move to a new, electric-based transportation system. The DOE has offered suggestions to the IFA to revise the proposal and submit it for the next round of federal funding.

- Renewable Energy Projects: As part of the IMEA's continuing effort to increase its renewable generation resources, IMEA has been working with various renewable energy developers, including SolAmerica Energy. IMEA assisted SolAmerica's bid to secure a United States Department of Agriculture forgivable loan to increase the opportunity of lifting off several local solar projects in IMEA member communities. If successful, it is IMEA's understanding that, with this forgivable loan, SolAmerica will create a portfolio of solar energy projects sited in four IMEA member communities.
- Energy Efficiency: When the federal government introduced the Energy Efficiency and Conservation Block Grant (EECBG) Program this year, IMUA and IMEA alerted many of its electric utility members whose cities or counties were designated for set-asides through this program. This action ensured that the municipal electric utility could properly apply to receive the formula grant funds.
- Cyber Security: IMUA and IMEA met with the Department of Energy (DOE) staff and participated in a listening session to encourage the DOE to include useful options for municipal electric utilities as part of the new Rural and Municipal Utility Cybersecurity Grant and Technical Assistance Program. This program is providing opportunities for funding and training to enhance the cybersecurity posture of eligible electric utilities to protect against, detect, respond to, and recover from cybersecurity threats.

As IMEA and IMUA learn the results of these grant efforts in FY2023-24 they will begin their roles in implementing the new initiatives.

Association and Agency Management

Under management services contracts, IMEA operates the Illinois Municipal Utilities Association (IMUA) and the Illinois Public Energy Agency (IPEA).

Formed in 1948, the IMUA is a statewide trade association that provides a variety of services to 48 municipal members, including advocacy activities before the Illinois General Assembly and other administrative and regulatory bodies both in Illinois and at the federal level, including Congress. IMUA offers an array of training programs and activities for municipal electric, natural gas, telecommunications, water, and wastewater treatment utility personnel. IMUA also administers a voluntary mutual aid program designed to assist members with the restoration of energy services and other vital community services in the event of natural disasters, such as storms, floods, and tornadoes.

The IPEA, which was formed in 2005, is a wholesaler of natural gas to 12 municipal systems and two cooperative natural gas systems across Illinois. The not-for-profit agency procures and arranges for the delivery of wholesale natural gas to members. IPEA also provides natural gas

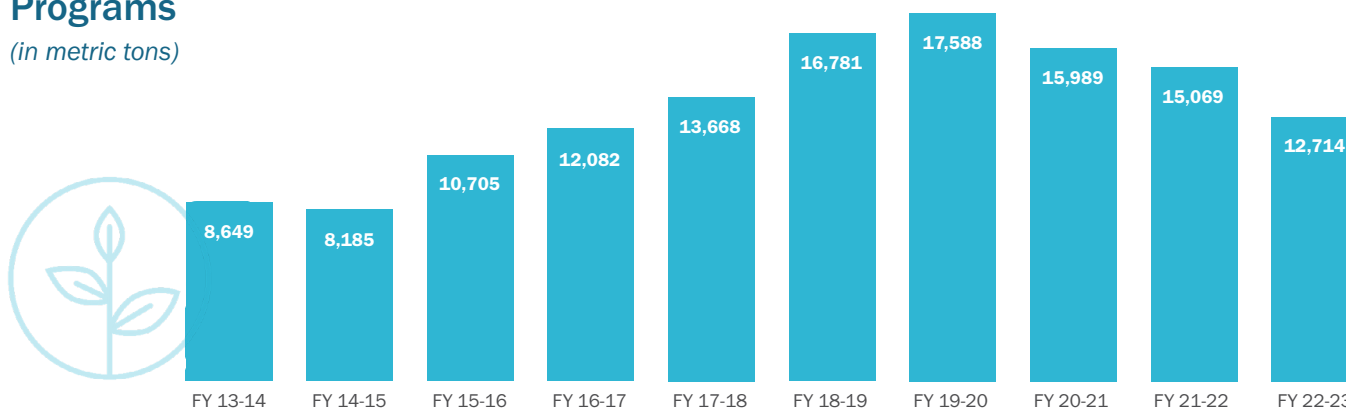
hedging opportunities for its member natural gas utilities. IPEA has become one of the leading natural gas joint action agencies in the Midwest.

Electric Efficiency, Electric Vehicle Charging Station, and Renewable Energy Credit Programs

The agency's Electric Efficiency Program began with a pilot program in 2009 and then continued as an ongoing effort starting in 2010. In that time, the agency has offered \$13 million for incentives for the purchase and installation of energy efficient technologies for IMEA members and their commercial and industrial electric customers. In recent years, offerings have expanded to include residential smart thermostats and home air conditioning and heat pump systems. As of July 31, 2023, more than 1,115 electric efficiency projects had been completed since the start of the program. For fiscal year 2021-22 (the last year for which a complete set of data is currently available), member municipalities and their commercial and industrial customers are currently deemed to have reduced energy consumption by more than 39 million kWh. The agency estimates that IMEA-incentivized electric efficiency projects reduced carbon emissions by 15,069 metric tons that year.

Annual Incremental CO₂ Reductions Through IMEA Energy Efficiency Programs

(in metric tons)



Note: At the time of this writing, 35% of FY2022-23 electric efficiency projects had yet to be completed. Results are recorded only after projects are finished.

IMEA led Illinois utilities with the introduction of its Electric Vehicle (EV) Charging Station Initiative in 2020. In Naperville alone, more than 135 retail customers have installed EV charging stations with the help of IMEA incentives. In 2022, the IMEA Board of Directors voted to significantly increase the scope and funding of the program. Each year, the agency makes \$250,000 available for municipal members to:

- Own or lease EV fast charging stations for public use.
- Own or lease electric vehicles for city use.
- Incentivize retail customers to install EV charging stations.

IMEA's Green Power Choices Renewable Energy Credit (REC) Program is an IMEA value-added service that represents one more option member municipalities and their retail customers have to reduce their CO₂ footprint and aid in achieving their renewable energy objectives. Green Power Choices is a highly flexible way for IMEA municipalities and their retail customers to purchase these green credits. RECs obtained and retired through this program are apart from and in addition to the RECs that accrue to IMEA from the renewable resources that are part of the agency's portfolio.



Chatham became the first IMEA member community to tap into its Electric Vehicle Charging Station & Electric Vehicle program funds to finance a new electric car. The Hyundai IONIQ 5 is used for electric department business.

IMEA Works with its Municipal Members to Achieve a Reliable, Responsible Transition to a Greener Energy Future

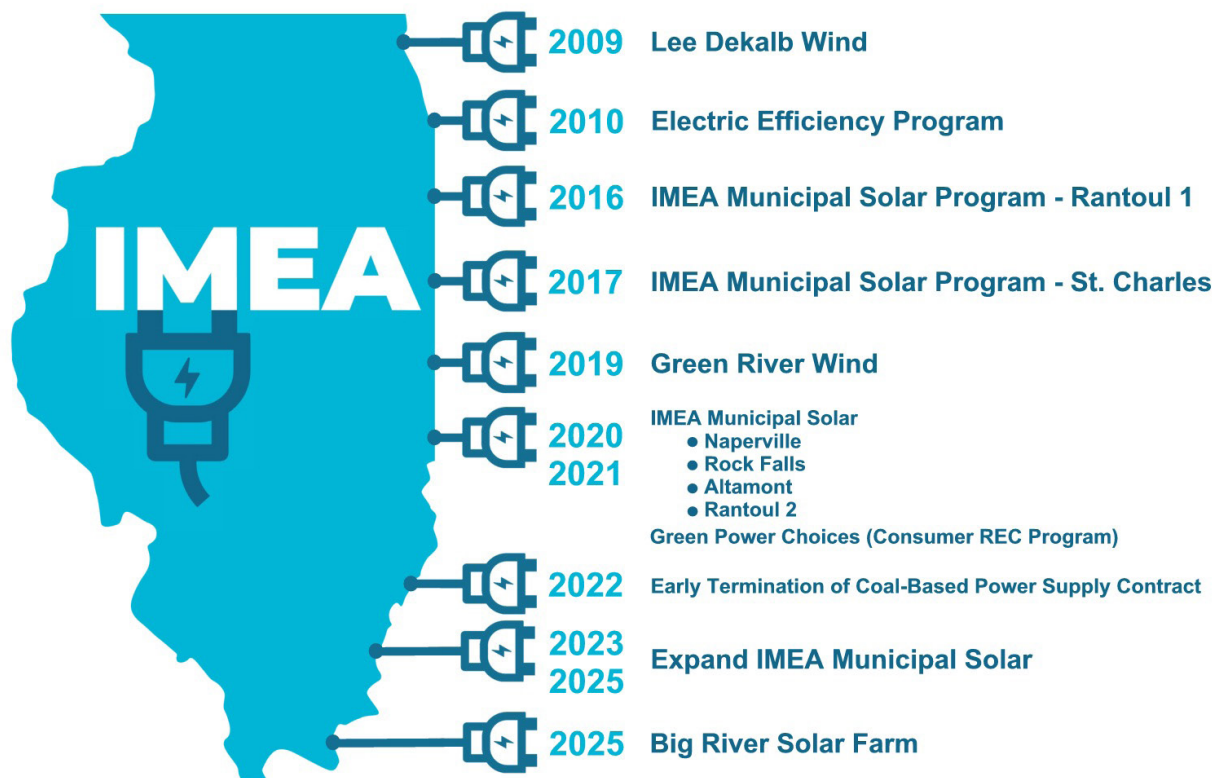
IMEA's diversified portfolio of owned generation and purchased power has provided reliable and predictably priced wholesale electricity for member communities. The agency's minority ownership stakes in the Prairie State Generating Company (a mine-mouth power plant with two 800-megawatt, coal-fueled supercritical generating units near Marissa, Illinois) and the Trimble County units 1 and 2 generating facility (a 1,274-megawatt, subcritical and supercritical, pulverized coal-fueled power plant in Kentucky) have well served – and will continue to serve – much of our member municipalities' baseload power needs for a number of years. These units are fitted with the best available emissions control technologies and are among the most efficient in the nation.

In addition, IMEA has long ago begun – and will continue – to transition to a cleaner energy future in which our member communities will continue to enjoy the reliability and affordability they have come to expect through their relationship with the agency. Prairie State is slated to reduce its CO₂ emissions by 45% in the 2035-38 timeframe and will be at zero CO₂ emissions by 2045, in accordance with the 2021 Climate and Equitable Jobs Act passed by the Illinois legislature. This marks another step in the responsible transition to renewables that the agency began in 2009, when it was among the first large-scale purchasers of wind power in the state.

Since that time, IMEA has increased its use of carbon-free resources. The percentage of IMEA's load that currently is served by generating resources that are carbon-free, including wind, solar and municipally owned hydro, is



Current Investment in Renewable Energy and Carbon Reduction



approximately 11%. The agency is increasing its renewable resources and transitioning the portfolio in a fiscally responsible fashion that ensures an affordable and reliable power supply for IMEA members. The timeline above illustrates the agency's commitment to renewable energy.

IMEA has been involved in renewable generation and energy efficiency programs because it is the right thing to do for our members, and the market continues to validate the importance of maintaining a diversified portfolio. IMEA's member municipalities have provided a clear vision that has accelerated – and will continue to accelerate – these investments. At the direction of the IMEA Board of Directors, this transition to less carbon-emitting resources will be achieved with the principles of sustainability, affordability, and reliability firmly in mind.



The ½ Megawatt Altamont, Illinois solar energy system became operational in 2020. On behalf of its member municipalities, IMEA commissioned this project through a power purchase agreement with Sol Systems. You can see the live output of this and all of IMEA's solar projects at the IMEA website (www.imea.org).

Pillars of the Community: Two IMEA-Member Municipal Electric Systems Earn National Recognition

The secret is out. Colleagues across the country have now recognized what IMEA has known for a long time – that IMEA member electric utilities are among the best in the nation.

For two years straight, the American Public Power Association (APPA) has awarded its top honors to Illinois municipal electric systems. In 2022, Rock Falls earned the association's system achievement award, and, in 2023, Breese utility manager Dale Detmer was recognized for his outstanding leadership.

At its National Conference in Nashville, Tennessee in June 2022, the APPA honored the City of Rock Falls Electric Department with the E.F. Scattergood System Achievement Award, which recognizes systems with outstanding accomplishments. In making the award, the APPA cited the utility's commitment to reliability, its environmental responsibility, and its contributions to improving the quality of life for the citizens it serves.

Rock Falls has been an APPA Reliable Public Power Provider (RP3) for a decade – an honor reserved for the best municipal utilities in North America. It was the first system in Illinois to earn RP3 status, and one of only two systems in Illinois to achieve the program's Platinum Level. The department has earned the APPA Safety Award multiple times.

To assure reliability, the city owns, maintains, and operates nine local generators strategically located throughout town. Their total local generation capacity is 19 MW. That commitment to reliability is reflected in the recent \$5.5 million update to what had been the city's oldest substation. Over eight months, the utility removed

and replaced the transformer and switchgear, buried all overhead lines, removed and rebuilt the resident generators, then re-installed them onsite in new facilities.

The city has also invested in long-term, reliable leadership. Its Utility Committee is comprised of two residential customers, a commercial customer, three aldermen and the mayor. The Committee develops capital plans, identifies key performance areas and sets metrics for their measurement, and provides long-term goals and strategies to ensure reliability, affordability, responsibility, and quality of life. All Committee members have completed an effective governance training course.

The APPA also noted that the city is committed to helping citizens and businesses save money on their electric bills by using energy more efficiently. The city has distributed \$175,000 in incentives for electric efficiency projects.



Rock Falls Electrical Director Dick Simon (center) receives the E.F. Scattergood System Achievement Award from 2022 APPA Chairman Anthony Cannon of North Carolina (left) and Immediate Past APPA Chairman Colin Hansen of Kansas (right).

At its 2023 National Conference in Seattle, Washington, APPA again tapped an IMEA-member utility for a high honor. Dale Detmer, the Plant Operations Manager for Breese and a past Chairman of the IMEA Board of Directors, took home a Larry Hobart Seven Hats Award, an honor that recognizes the top managers of small utilities and the “seven hats” they must wear to do their jobs – specifically, planning and design, administration, public relations, field supervision, accounting, human resources, and community leadership.

In making the award, APPA noted that Detmer was responsible for the day-to-day planning and design work on the city electric distribution and power generation systems. During his tenure, projects that were primarily planned and designed by Detmer included the installation of two new electro-motive diesel generators of 2.8 MW each, bringing the city’s generation total to approximately 13.1 MW. Detmer also recently completed the construction of new distribution upgrades around the city and an analysis of the future of an interconnect line with a neighboring municipal utility.

In addition, Detmer developed budgets and capital expenditure plans for all the functions he administered, scheduled and monitored the daily work of the city electric and water employees, and handled all public and press inquiries related to the city’s utilities.

Beyond his service to city government, Detmer has long been a strong advocate for public power throughout Illinois and the U.S. He served on the board of directors of the Energy Education Council and has spent a considerable portion of his career on the Board of Directors of the Illinois Municipal Utilities Association and the IMEA. Detmer has also served in leadership roles for several other civic organizations.

The award served as a final feather in all seven of his hats. After a 30-year career, Detmer retired from the City of Breese in August 2023.

IMEA congratulates Dale and the communities of Breese and Rock Falls for representing so well the spirit, commitment to service, and the unflagging work ethic found in Illinois’ municipal electric systems.



Breese Plant Operations Dale Detmer capped his career with the APPA’s Seven Hats Award.



Summary of IMEA Sales to Members

Fiscal Year Ending April 30, 2023

	Non-Coincident Peak Demand (kW)	Energy Usage (kWh)	Population*
Participating Members			
Altamont	6,500	25,126,143	2,216
Bethany	2,455	8,324,644	1,255
Breese	13,541	53,312,181	4,641
Bushnell	8,379	33,061,750	2,718
Cairo	9,955	58,989,902	1,733
Carlyle	8,846	34,134,861	3,253
Carmi	14,106	52,678,271	4,865
Casey	7,742	29,336,062	2,404
Chatham	26,449	84,204,763	14,377
Fairfield	15,623	58,492,057	4,883
Farmer City	4,626	18,208,135	1,828
Flora	23,893	110,105,426	4,803
Freeburg	11,622	41,560,667	4,582
Greenup	4,321	18,965,908	1,365
Highland	34,540	126,554,684	9,991
Ladd	2,998	11,518,272	1,263
Marshall	14,005	66,476,010	3,947
Mascoutah	17,460	61,595,239	8,754
Metropolis	18,569	73,714,019	5,969
Naperville	340,744	1,291,800,335	149,540
Oglesby	13,018	58,337,146	3,712
Peru	50,087	218,663,312	9,896
Princeton	24,788	101,356,340	7,832
Rantoul	38,040	190,174,324	12,371
Red Bud	13,065	48,618,242	3,804
Riverton	7,236	27,731,100	3,532
Rock Falls	18,578	60,382,461	8,789
Roodhouse	3,096	11,577,294	1,578
St. Charles	116,410	503,399,539	33,081
Sullivan	15,689	68,205,470	4,413
Waterloo	24,806	89,609,702	11,013
Winnetka	36,702	124,983,565	12,744
Total Full Requirements Sales to Participating Members	947,889	3,761,197,824	

* Note: Populations are from the 2020 U.S. Census as filed in the Index Department of the Illinois Secretary of State, September 16, 2021.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

Springfield, Illinois

Financial Statements and Supplementary Information

April 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of
Illinois Municipal Electric Agency

Opinion

We have audited the accompanying financial statements of Illinois Municipal Electric Agency (IMEA), as of and for the years ended April 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the IMEA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IMEA as of April 30, 2023 and 2022 and the changes in financial position and 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IMEA 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 rise substantial doubt about the IMEA'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 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 opinions. 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 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 IMEA'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the IMEA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents 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 supplementary 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.

Baker Tilly US, LLP

Madison, Wisconsin
July 25, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Illinois Municipal Electric Agency

Management's Discussion and Analysis
April 30, 2023 and 2022
(Unaudited)

The management of the Illinois Municipal Electric Agency ("IMEA") offers all persons interested in the financial position of IMEA this narrative overview and analysis of IMEA's financial performance during the years ending April 30, 2023 and 2022. Please read this narrative in conjunction with the accompanying financial statements and the accompanying notes to financial statements.

Overview of the Financial Statements

The Illinois Municipal Electric Agency is a body politic and corporate, municipal corporation and unit of local government of the State of Illinois. IMEA was created in 1984 under the provisions of Division 119.1 of Article II of the Illinois Municipal Code by a group of municipalities. The purpose of IMEA is to jointly plan, finance, own and operate facilities for the generation and transmission of electrical power and energy-related facilities to provide for the current and projected energy needs of the purchasing members. IMEA has thirty-two (32) members, each of which is a municipal corporation in the State of Illinois and owns and operates a municipal electric system.

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. These statements are prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America. IMEA uses the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

The Statements of Revenues, Expenses and Changes in Net Position present information showing how IMEA's net position changed during the most recent year due to IMEA's business activity. The Statements of Net Position report year end assets, deferred outflows of resources, liabilities and net position balances based on the original cost adjusted for any depreciation, amortization or unrealized gains/losses as appropriate. Over time, increases or decreases in IMEA's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider include the Agency's wholesale electric rates and ability to maintain or exceed the debt coverage levels required by its bond resolution.

IMEA Financial Analysis

An analysis of IMEA's financial position begins with the review of the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position. A summary of IMEA's Statements of Net Position is presented in Table 1 and the Statements of Revenues, Expenses and Changes in Net Position are summarized in Table 2.

Illinois Municipal Electric Agency

Management's Discussion and Analysis
April 30, 2023 and 2022
(Unaudited)

Table 1
Condensed Statements of Net Position

	2023	2022	2021
Utility plant	\$951,383,076	\$974,101,439	\$992,983,933
Restricted assets	97,716,541	96,473,555	100,228,823
Current assets	157,476,266	129,389,848	121,470,035
Other assets	2,655,475	10,405,221	11,252,128
Deferred outflows of resources	17,577,371	20,281,525	23,138,307
Total Assets and Deferred Outflows of Resources	\$1,226,808,729	\$1,230,651,588	\$1,249,073,226
Net Position:			
Invested in capital assets	\$271,346,000	\$245,077,357	\$221,541,520
Restricted	10,751,876	9,822,774	9,238,756
Unrestricted	117,458,280	98,985,636	84,299,894
Total Net Position	399,556,156	353,885,767	315,080,170
Noncurrent liabilities	751,897,317	799,974,305	860,454,052
Current liabilities	75,355,256	76,791,516	73,539,004
Total Liabilities	827,252,573	876,765,821	933,993,056
Total Net Position and Liabilities	\$1,226,808,729	\$1,230,651,588	\$1,249,073,226

Statements of Net Position

Year Ended April 30, 2023

IMEA's total utility plant decreased by \$22,718,363 during the year ended April 30, 2023. The Agency made total payments of \$11,714,573 toward the capital improvements associated with the Prairie State project, Trimble County Units 1 & 2 projects and other smaller capital acquisitions and improvements. Total current liabilities associated with these capital improvements were \$999,073. These capital investments net of depreciation accounted for most of the changes in utility plant. Depreciation expense of \$35,331,150 was recorded during the year.

IMEA had an increase in the cash and short-term investments held in operating reserve accounts of \$25,450,663 from the previous year. Accounts receivable decreased by \$3,110,650 from the previous year. Prepayments increased by \$4,174,424 from previous year. These changes along with a decrease in the value of bond interest subsidy receivable, an increase in the value of renewable energy credits held at the end of the year and an increase in collateral held for others at the end of the year represent much of the increase in current assets of \$28,086,418.

Proceeds of revenue bonds not yet expended are included in restricted assets. The increase in restricted assets of \$1,242,986 was primarily caused by a rise in the market value of investments being held in restricted accounts.

Net position increased due to current year operations that resulted in net income of \$45,670,389.

Principal repayments associated with the Agency's outstanding revenue bonds totaled \$45,675,000. IMEA is scheduled to repay an additional \$47,750,000 on the outstanding revenue bonds on February 1, 2024, which is included in current liabilities. The Agency also had current year payments of \$2,000,000 with no draws against a line of credit facility available to IMEA bringing the total outstanding draws on the line of credit at \$2,000,000. The total undrawn portion of this line of credit was \$48,000,000.

See accompanying independent auditors' report

Illinois Municipal Electric Agency

Management's Discussion and Analysis
April 30, 2023 and 2022
(Unaudited)

Year Ended April 30, 2022

IMEA's total utility plant decreased by \$18,882,494 during the year ended April 30, 2022. The Agency made total payments of \$12,053,970 toward the capital improvements associated with the Prairie State project, Trimble County Units 1 & 2 projects and other smaller capital acquisitions and improvements. Total current liabilities associated with these capital improvements were \$1,281,339. These capital investments net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of \$35,262,426 was recorded during the year.

IMEA had an increase in the cash and short-term investments held in operating reserve accounts of \$4,181,426 from the previous year. Accounts receivable increased by \$2,103,068 from the previous year. Prepayments increased by \$1,159,514 from previous year. These changes along with a decrease in the value of bond interest subsidy receivable, an increase in the value of renewable energy credits held at the end of the year and an increase in collateral held for others at the end of the year represent the majority of the increase in current assets of \$7,919,813.

Proceeds of revenue bonds not yet expended are included in restricted assets. The decrease in restricted assets of \$3,755,268 was primarily caused by the retirement of the Series 2007C bonds.

Net position increased due to current year operations that resulted in net income of \$38,805,597.

Principal repayments associated with the Agency's outstanding revenue bonds totaled \$43,660,000. IMEA is scheduled to repay an additional \$45,675,000 on the outstanding revenue bonds on February 1, 2023, which is included in current liabilities. The Agency also had current year payments of \$10,000,000 with no draws against a line of credit facility available to IMEA bringing the total outstanding draws on the line of credit at \$4,000,000. The total undrawn portion of this line of credit was \$46,000,000.

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	2023	2022	2021
Operating revenues	\$312,710,430	\$313,659,643	\$321,924,607
Depreciation expense	35,331,150	35,262,426	34,256,314
Other operating expenses	201,318,145	203,587,357	219,072,077
Total Operating Expenses	236,649,295	238,849,783	253,328,391
Operating Income	76,061,135	74,809,860	68,596,216
Investment income	3,911,985	689,626	828,019
Interest and amortization expense	(34,290,557)	(36,674,762)	(38,726,115)
Other income/(expense)	(12,174)	(19,127)	0
Total Non-Operating Expenses	(30,390,746)	(36,004,263)	(37,898,096)
Change in Net Position	45,670,389	38,805,597	30,698,120
Net Position, Beginning of Year	353,885,767	315,080,170	284,382,050
Net Position, End of Year	\$399,556,156	\$353,885,767	\$315,080,170

See accompanying independent auditors' report

Illinois Municipal Electric Agency

Management's Discussion and Analysis
 April 30, 2023 and 2022
 (Unaudited)

Statements of Revenue, Expenses and Changes in Net Position

Year Ended April 30, 2023

Sales to participating members of \$302,769,046 and 3,761,197,824 kilowatt hours ("kWh") were recorded during the fiscal year ended April 30, 2023. This represented a decrease of \$5,647,512 (1.8 percent) in revenue from sales to participating members and a decrease of 94,931,249 kWh (2.5 percent) as compared with the previous year. Energy sales were lower as compared to prior year due to relatively normal temperatures in Illinois during fiscal year 2022, this year saw a mild summer and winter across Illinois.

IMEA recorded a coincident peak demand of 915 MW, which was approximately 0.7 percent lower than the 921 MW experienced in the previous year. The total member non-coincident peak demand was 948 MW, which was approximately 1.0 percent higher than the 939 MW experienced in the previous year.

The average cost of power sold to the participating members with capacity credits of 7.82 cents per kWh was approximately 0.6 percent higher than the 7.77 cents per kWh from the previous year.

Total operating expenses decreased by \$2,200,488 (0.9 percent) from the previous year due primarily to lower purchased power expenses. Purchased power expenses went down 34.9 percent from the previous year due to IMEA having a favorable position in the energy markets during the current fiscal year. Operation and maintenance expenses at generating units went up 18.4 percent from the previous year due to more outage days. Transmission expenses, which are outside of IMEA's control, went up 20.0 percent. This trend of increasing transmission expenses is consistent with the trend IMEA has seen the last several years. Fuel at generating units went up 7.3 percent from previous year due to increased cost of coal at Trimble County Units. Fuel reimbursements increased by 28.7 percent due to member generation being called to generate more than prior year. Non-operating revenues (expenses) increased by \$5,613,517 (15.6 percent) from previous year due primarily to lower interest expense and higher interest income. Interest expense decreased by 5.3 percent primarily due to payments made to reduce outstanding revenue bonds. Interest Income increased by 467.3 percent due to interest rates paid on IMEA's investments being much higher than previous year.

Year Ended April 30, 2022

Sales to participating members of \$308,416,558 and 3,856,129,073 kilowatt hours ("kWh") were recorded during the fiscal year ended April 30, 2022. This represented a decrease of \$7,933,638 (2.5 percent) in revenue from sales to participating members and an increase of 119,157,710 kWh (3.2 percent) as compared with the previous year. Energy sales were higher as compared to prior year's due to shut downs across Illinois stemming from the global pandemic related to the COVID-19 virus.

IMEA recorded a coincident peak demand of 921 MW, which was approximately 5.0 percent higher than the 877 MW experienced in the previous year. The total member non-coincident peak demand was 939 MW, which was approximately 3.8 percent higher than the 905 MW experienced in the previous year.

The average cost of power sold to the participating members with capacity credits of 7.77 cents per kWh was approximately 5.7 percent lower than the 8.24 cents per kWh from the previous year.

Illinois Municipal Electric Agency

Management's Discussion and Analysis
 April 30, 2023 and 2022
 (Unaudited)

Total operating expenses decreased by \$14,478,608 (5.7 percent) from the previous year due primarily to lower purchased power and operation and maintenance expenses at generating units. Purchased power expenses went down 24.5 percent from the previous year. Operation and maintenance expenses at generating units went down 15.8 percent from the previous year due to less outage days. Transmission expenses, which are outside of IMEA's control, went up 9.6 percent. Fuel at generating units went up 18.5 percent from previous year due to increased generation. Fuel reimbursements decreased by 40.2 percent due to member generation not being called to generate as much as prior year, Winter Storm Uri occurred in prior year. Non-operating revenues (expenses) increased by \$1,893,833 (5.0 percent) from previous year due primarily to lower interest expense. Interest expense decreased by 5.1 percent primarily due to payments made to reduce outstanding revenue bonds.

Debt Service Coverage

IMEA's bond resolution requires the Agency to maintain a debt service coverage ratio of 110 percent. Debt service coverage for the year ended April 30, 2023 was approximately 136.7 percent and approximately 131.4 percent for the year ended April 30, 2022. IMEA made no transfers during the year ended April 30, 2023 or during the year ended April 30, 2022 into the rate stabilization account, transfers would have reduced debt service coverage.

Significant Events

IMEA reached an agreement with Illinois Power Marketing (IPM), a wholly owned subsidiary of Vistra Corp., to shorten the term of a long-term, baseload purchase power agreement. The original term of the agreement was set to end on September 30, 2035, with an amended term through May 31, 2026. IMEA and IPM set a new end date of May 31, 2022 that coincided with the MISO Planning Year. As part of the shortened long-term agreement, IMEA is purchasing capacity and energy from IPM for one year, that began on June 1, 2022 and ends on May 31, 2023 via a market-based transaction. IMEA will evaluate carbon-free resources and market purchases to replace the energy and capacity it procures from this purchase power agreement.

For the Delivery Year that began on June 1, 2022 and ends on May 31, 2023, IMEA will have received excess revenues of approximately \$12,300,000 from credits received from MISO in connection with IMEA's Auction Revenue Rights (ARRs) and Financial Transmission Rights (FTRs), which are treated as offsets to transmission-related expenses ("Excess Transmission Credits"). IMEA used a portion of the Excess Transmission Credits (\$4,750,000) to repay and retire a previously established regulatory asset and the remainder (\$7,550,000) be used to establish a regulatory credit to forgo an otherwise needed Delivery Service rate increase for Fiscal Year ("FY") 2024. The regulatory credit allows the remaining Excess Transmission Credits to be carried forward from FY 2023 to FY 2024, the regulatory credit allows for the Excess Transmission Credits to offset delivery service expenses in FY 2024. The funds in the regulatory credit will be allocated evenly (1/12th) each month of FY 2024.

Renewable and Carbon-Free Energy Resources

IMEA has a contract to purchase 70 MW of wind energy from the Lee-Dekalb wind project owned by FPL Energy Illinois Wind, LLC and another contract to purchase 50 MW of wind from the Green River Wind Farm that was developed by Geronimo Energy, LLC. Two of IMEA's members own and operate run-of-the-river hydroelectric generation that total nearly 10 MW's of carbon-free energy for IMEA. IMEA also entered into contracts for the purchase of approximately 5 MW's of solar energy located within five of IMEA's member electric systems. These resources provide IMEA with carbon-free and/or renewable energy resources totaling nearly 11 percent of IMEA's energy requirements. IMEA is in the process of adding a total of 2.5 MW's of new solar energy located within the electric systems of three members. In addition, IMEA is under contract to purchase 25 MW's of solar energy from a solar project located in Illinois that became operational in 2022. This contract has a June 2025 start date. IMEA continues to evaluate additional carbon-free resources and will seek and evaluate additional opportunities to increase the amount of energy it procures from renewable or carbon-free resources. When the above referenced IPM agreement expires on May 31, 2023, IMEA will not have any carbon-based purchase power agreements in place.

Illinois Municipal Electric Agency

Management's Discussion and Analysis
April 30, 2023 and 2022
(Unaudited)

Contacting IMEA's Management

This financial report is designed to provide our members, investors and creditors with a general overview of IMEA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Illinois Municipal Electric Agency, 3400 Conifer Drive, Springfield, IL 62711.

FINANCIAL STATEMENTS

Illinois Municipal Electric Agency

Statements of Net Position

April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets and Deferred Outflows of Resources		
Utility Plant		
Utility plant in service	\$ 1,277,416,535	\$ 1,270,097,335
Accumulated depreciation	(408,285,469)	(374,859,742)
Construction work in progress	<u>82,252,010</u>	<u>78,863,846</u>
Total utility plant	<u>951,383,076</u>	<u>974,101,439</u>
Restricted Assets		
Cash and investments	<u>97,716,541</u>	<u>96,473,555</u>
Current Assets		
Cash	73,178,975	48,443,267
Investments	30,460,238	29,745,283
Accounts receivable	21,212,642	24,323,292
Bond interest subsidy receivable	1,761,543	1,860,691
Renewable energy credits	3,603,856	1,940,277
Prepayments	26,750,987	22,576,563
Collateral held for others	<u>508,025</u>	<u>500,475</u>
Total current assets	<u>157,476,266</u>	<u>129,389,848</u>
Other Assets		
Regulatory costs for future recovery	1,688,727	1,949,307
Unrealized (gain) loss on investments	641,238	1,288,422
Prairie State, other long term asset	325,510	529,043
Other regulatory assets	<u>-</u>	<u>6,638,449</u>
Total other assets	<u>2,655,475</u>	<u>10,405,221</u>
Total assets	<u>1,209,231,358</u>	<u>1,210,370,063</u>
Deferred Outflows of Resources		
Unamortized loss on advance refunding	<u>17,577,371</u>	<u>20,281,525</u>
Total assets and deferred outflows of resources	<u>\$ 1,226,808,729</u>	<u>\$ 1,230,651,588</u>

See notes to financial statements.

Illinois Municipal Electric Agency

Statements of Net Position

April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net Position and Liabilities		
Net Position		
Net investment in capital assets	\$ 271,346,000	\$ 245,077,357
Restricted	10,751,876	9,822,774
Unrestricted	<u>117,458,280</u>	<u>98,985,636</u>
Total net position	<u>399,556,156</u>	<u>353,885,767</u>
Noncurrent Liabilities		
Revenue bonds	693,605,000	741,355,000
Other long-term debt, line of credit	2,000,000	4,000,000
Unamortized premium	33,040,821	38,123,916
Other liabilities	<u>23,251,496</u>	<u>16,495,389</u>
Total noncurrent liabilities	<u>751,897,317</u>	<u>799,974,305</u>
Current Liabilities		
Accounts payable and accrued expenses		
Accounts payable:		
Purchased power and transmission	9,439,303	10,891,637
Jointly-owned facilities	6,774,136	8,095,359
Other	178,148	347,995
Collateral due to others	509,154	500,508
Other current liabilities	<u>521,224</u>	<u>478,545</u>
Total accounts payable and accrued expenses	<u>17,421,965</u>	<u>20,314,044</u>
Current liabilities payable from restricted assets:		
Current maturities of revenue bonds	47,750,000	45,675,000
Interest accrued	<u>10,183,291</u>	<u>10,802,472</u>
Total current liabilities payable from restricted assets	<u>57,933,291</u>	<u>56,477,472</u>
Total current liabilities	<u>75,355,256</u>	<u>76,791,516</u>
Total liabilities	<u>827,252,573</u>	<u>876,765,821</u>
Total net position and liabilities	<u>\$ 1,226,808,729</u>	<u>\$ 1,230,651,588</u>

See notes to financial statements.

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Illinois Municipal Electric Agency

Statements of Revenues, Expenses and Changes in Net Position
Years Ended April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Sales to participating members	\$ 302,769,046	\$ 308,416,558
Other income	9,941,384	5,243,085
	<u>312,710,430</u>	<u>313,659,643</u>
Operating Expenses		
Purchased power	39,802,124	61,138,563
Transmission	54,551,476	45,452,050
Prairie State and Trimble County Units No. 1 and 2:		
Fuel	46,177,615	43,054,514
Operations and maintenance	40,235,969	33,977,666
Member payments:		
Fuel reimbursements	1,502,785	1,167,265
Capacity payments	8,509,177	8,658,668
Generation payments	11,605	17,682
Administration and general	8,773,713	8,527,124
Depreciation	35,331,150	35,262,426
Other utility operations	1,753,681	1,593,825
	<u>236,649,295</u>	<u>238,849,783</u>
Total operating expenses	<u>236,649,295</u>	<u>238,849,783</u>
Operating income	<u>76,061,135</u>	<u>74,809,860</u>
Nonoperating Revenues (Expenses)		
Investment income	3,911,985	689,626
Bond interest subsidy revenue	7,037,669	7,399,424
Interest expense	(43,405,360)	(45,817,145)
Amortization expense	2,077,134	1,742,959
Other income (expense)	(12,174)	(19,127)
	<u>(30,390,746)</u>	<u>(36,004,263)</u>
Total nonoperating revenues (expenses)	<u>(30,390,746)</u>	<u>(36,004,263)</u>
Change in net position	45,670,389	38,805,597
Net Position, Beginning	<u>353,885,767</u>	<u>315,080,170</u>
Net Position, Ending	<u>\$ 399,556,156</u>	<u>\$ 353,885,767</u>

See notes to financial statements.

Illinois Municipal Electric Agency

Statements of Cash Flows

Years Ended April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Received from power sales	\$ 295,940,454	\$ 296,469,873
Paid to suppliers for purchased power and transmission	(82,299,375)	(106,221,596)
Paid to suppliers and employees for other services	(95,221,914)	(82,964,113)
Net cash flows from operating activities	<u>118,419,165</u>	<u>107,284,164</u>
Cash Flows From Noncapital and Related Financing Activities		
Payment of line of credit debt	(2,000,000)	(10,000,000)
Net cash flows from noncapital financing and related activities	<u>(2,000,000)</u>	<u>(10,000,000)</u>
Cash Flows From Capital and Related Financing Activities		
Debt principal paid	(45,675,000)	(43,660,000)
Interest paid	(44,024,543)	(46,401,546)
Bond interest subsidy received	7,136,818	7,492,036
Acquisition and construction of capital assets	(11,714,574)	(12,053,970)
Asset retirement obligation costs incurred	(6,218)	(332,590)
Net cash flows from capital and related financing activities	<u>(94,283,517)</u>	<u>(94,956,070)</u>
Cash Flows From Investing Activities		
Investment income	3,911,985	689,626
Purchase of long-term investments	(164,788,195)	(221,907,390)
Maturity of long-term investments	164,321,000	222,929,000
Net cash flows from investing activities	<u>3,444,790</u>	<u>1,711,236</u>
Net change in cash and cash equivalents	25,580,438	4,039,330
Cash and Cash Equivalents, Beginning	<u>48,880,602</u>	<u>44,841,272</u>
Cash and Cash Equivalents, Ending	<u>\$ 74,461,040</u>	<u>\$ 48,880,602</u>
Noncash Capital and Related Financing Activities		
Recording of other regulatory asset	\$ (6,597,222)	\$ (2,402,778)
Recording of other regulatory liability	\$ 6,909,337	\$ -
Change in asset retirement obligation liability	\$ 222,909	\$ (541,549)
Accretion expense	\$ 793,330	\$ 749,779
Change in unrealized loss on investments	\$ (647,184)	\$ 2,626,695
Amortization expense	\$ 2,077,134	\$ 1,742,959
Credits given on billings	\$ (10,023,568)	\$ (9,843,615)
Net gain on sale of assets	\$ 12,174	\$ 19,127

See notes to financial statements.

Illinois Municipal Electric Agency

Statements of Cash Flows

Years Ended April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 76,061,135	\$ 74,809,860
Noncash items included in operating income:		
Depreciation	35,331,150	35,262,426
Other noncash transactions	(990,487)	(944,177)
Changes in assets and liabilities:		
Accounts receivable	3,110,651	(2,103,068)
Prepayments	(4,174,423)	(1,159,515)
Allowance inventory	(1,663,579)	(568,353)
Accounts payable	(2,776,244)	1,986,991
Change in regulatory asset/liability	13,506,559	-
Other current liabilities	14,403	-
	<u>118,419,165</u>	<u>107,284,164</u>
Net cash flows from operating activities	<u>\$ 118,419,165</u>	<u>\$ 107,284,164</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Restricted cash and investments	\$ 97,716,541	\$ 96,473,555
Cash	73,178,975	48,443,267
Investments	<u>30,460,238</u>	<u>29,745,283</u>
Total cash and investments	201,355,754	174,662,105
Less investments	<u>(126,894,714)</u>	<u>(125,781,503)</u>
Total cash and cash equivalents	<u>\$ 74,461,040</u>	<u>\$ 48,880,602</u>

See notes to financial statements.

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

1. Summary of Significant Accounting Policies

The financial statements of the Illinois Municipal Electric Agency (IMEA) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by IMEA are described below.

Reporting Entity

IMEA is a body politic and corporate, municipal corporation and unit of local government of the State of Illinois. IMEA was created in May 1984 under the provisions of Division 119.1 of Article II of the Illinois Municipal Code (the Act) by a group of municipalities for the purpose of jointly planning, financing, owning and operating facilities for the generation and transmission of electrical power and energy-related facilities which are appropriate to the present and projected energy needs to such municipalities. IMEA is owned and its policies governed by its member municipalities.

IMEA has provided the power and energy requirements of certain members since 1986, primarily through the purchase of wholesale requirements service from power providers and through IMEA owned generation. The contracts with power providers, which obligate IMEA to purchase electric energy for concurrent resale to its members, are in effect through September 2035.

As of April 30, 2023, IMEA had 32 member municipalities, all of which have executed long-term power sales contracts for the purchase of full requirements power and energy from IMEA. The termination date for all of the power sales contracts with participating members is September 30, 2035. These members participate in the IMEA owned generation facilities and pay rates sufficient to meet the obligations of IMEA's bond resolution.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when exchange takes place. IMEA uses the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities and Net Position

Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount billed to members. Allowance for doubtful accounts is not considered necessary as IMEA has not historically experienced delays in payments for service rendered.

Renewable Energy Credits

Energy credits consist of renewable energy credits (RECs) held for sale and are valued at current market value. The RECs are obtained through the purchase of renewable energy resources.

Prepayments

The amount in prepaid items represents amounts paid which will benefit future periods, IMEA's payment for collateral for operating activities in the MISO and PJM transmission markets and advance payments to Trimble County and Prairie State for working capital.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Prairie State, Other Long-Term Asset

Other long-term assets are comprised of the assets related to the prepayments made on a long-term parts agreement and collateral paid toward a self-insurance fund.

Regulatory Costs for Future Recovery

Expenses incurred and paid in the current and prior periods in which the benefit of the expense will be recovered and realized in future periods in accordance with GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. See Note 10 for further discussion related to these assets.

Unrealized Gains and Loss on Investments

Management has elected the use of regulatory accounting for its unrealized gains and losses on investments. Changing market gains and losses are not recognized as investment income until such time investments are sold or mature. Net unrealized gains and losses are reported as other assets on the Statement of Net Position.

Utility Plant

Utility plant is generally defined by IMEA as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year, except for jointly owned assets. In these cases, utility plant is capitalized based on policies defined by Louisville Gas & Electric Company and Prairie State Generating Company.

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

Utility plant of IMEA is recorded at cost or the estimated acquisition value at the time of contribution to IMEA. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the utility plant constructed, net of interest earned on the invested proceeds over the same period. Utility plant is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Utility Plant:	
Electric plant, Trimble County Units No. 1 and 2	20-53
Electric plant, Prairie State Units No. 1 and 2	40
Mobile generation	30
Land	-
Land improvements	10
Office building	10-31.5
Office furniture and equipment	5
Supervisory control and data acquisition equipment	5
Winnetka 138 interconnect	30
Other equipment	5

Coal reserves are depleted as the commodity is consumed using a rate which is based upon the cost to IMEA divided by the total estimated coal to be mined.

Other Regulatory Assets

During fiscal year 2019, IMEA recognized an impairment of certain assets at Prairie State, referred to as Jordan Grove. IMEA reduced the assets to their expected value and recorded other regulatory asset for the difference between the original book value and expected value, shown in the statement of net position, under other assets. This impairment was fully depleted in fiscal year 2023.

During fiscal year 2021, IMEA recognized a regulatory asset of \$9,000,000 related to PJM Capacity costs. During fiscal years ended 2023 and 2022, IMEA recognized \$0 and \$6,597,222, respectively, in regulatory assets related to PJM Capacity costs.

Deferred Outflow of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources expense until that future time.

Loss on Refunding

The deferred change resulting from the refunding of debt is amortized over the shorter of the term of the refunding issue or the original term of the refunded debt.

Payables and Other Current Liabilities

Accounts payable represents current liabilities for power, jointly owned facilities and other payables. Other current liabilities represent accrued vacation benefits and accrued property taxes payable.

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

Other Liabilities

Other liabilities represent accrued sick leave and asset retirement obligation (Note 8). Under terms of employment, employees are granted one day of sick leave per month. One-half of accumulated sick leave benefits are paid if the employee terminates service after at least 10 years of service. Accumulated sick leave and vacation benefits have been recorded in the financial statements.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities. Bond discounts and premiums are amortized over the life of the bonds using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year-end for the loss on refunding is shown as a deferred outflow in the statement of net position.

Revenues and Expenses

IMEA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with IMEA's principal ongoing operations. The principal operating revenues of IMEA are charges to members for sales and services. Operating expenses for IMEA include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

IMEA billings are rendered and recorded monthly based on month-end metered usage.

Bond Subsidy Revenue and Receivable

This amount represents the accrued amount receivable under the Build America Bond Program (BAB) which provides a 35% subsidy for interest expense on the Series 2009 and 2010 revenue bond issues. The interest expense reduction is classified as nonoperating revenue.

The United States Federal Government was subject to the process of sequestration for the budget year ending September 30, 2023 and 2022 whereby foreseeable spending reductions for many Federal programs, including issuers of the BAB's, may directly affect the recovery of the BAB's subsidy. See Note 7 for further details.

Taxes

IMEA is exempt from State and Federal income taxes.

Rates

Rates charged to members are approved by the Board of Directors and were increased January 1, 2022. The approved rate includes adjustment clauses which are calculated monthly based on cost to serve member load.

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved Statement No. 94, *Public-private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription Based Information Technology Arrangements*, Statement No. 99, *Omnibus 2022*, Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62* and Statement No. 101, *Compensated Absences*. When they become effective, application of these standards may restate portions of these financial statements.

Comparative Data

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

2. Cash and Investments

IMEA's cash and investments consist of the following:

	Carrying Value as of April 30		Associated Risk
	2023	2022	
The Illinois Funds	\$ 19,722,379	\$ 19,125,525	Credit and interest rate
U.S. agency securities, implicitly guaranteed	70,842,085	26,501,689	Custodial credit, credit, concentration of credit and interest rate
U.S. treasuries	56,711,360	99,370,546	Custodial credit and interest rate
Money market fund	6,915,957	1,566,537	Custodial credit
Checking and savings	47,163,473	28,097,308	Custodial credit
Petty cash	500	500	Not applicable
Total	<u>\$ 201,355,754</u>	<u>\$ 174,662,105</u>	

IMEA's Trust Indenture authorizes IMEA to deposit funds only in banks insured by the Federal Deposit Insurance Corporation (FDIC). IMEA may also make investments in U.S. Government and federal agency obligations, investment grade bonds, commercial paper rated at the highest classification established by at least two standard rating services, money market mutual funds, repurchase agreements and The Illinois Funds.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in the fair value section of this note. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year-end.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts and \$250,000 for demand deposit accounts (interest and noninterest bearing). Investments in The Illinois Funds are covered under securities pledged for all pool participants. The difference between the bank balance and carrying value is due to outstanding checks, deposits in transit and/or market value adjustments.

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, IMEA's deposits may not be returned to IMEA. IMEA's investment policy requires collateralization of deposits above the amount insured by the FDIC. IMEA does not have any deposits exposed to custodial credit risk as of April 30, 2023 and 2022.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, IMEA will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held as of April 30, 2023 and 2022, were considered to be in risk category one (investments held in trust on behalf of IMEA), therefore, not subject to custodial credit risk. IMEA's investment policy requires all investment securities be held by its agent in IMEA's name.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of April 30, 2023 IMEA's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Moody's</u>	<u>Fitch</u>
U.S. agency securities	AA+	Aaa	-
The Illinois funds	-	-	AAAmmf

As of April 30, 2022 IMEA's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Moody's</u>	<u>Fitch</u>
U.S. agency securities	AA+	Aaa	-
The Illinois funds	-	-	AAAmmf

IMEA's investment policy requires that all investments be rated in highest or second highest categories by the national rating agencies.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of IMEA's investment in a single issuer.

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

As of April 30, 2023 and 2022, IMEA's investment portfolio was concentrated as follows:

Issuer	Investment Types	Percentage of Portfolio	
		2023	2022
Federal Home Loan Bank Federal Farm Credit Banks Funding Corporation	U.S. agency securities, implicitly guaranteed	45%	7%
	U.S. agency securities, implicitly guaranteed	10	14

IMEA's investment policy states that no more than 50% of the total portfolio may be invested in one type of investment with the exception of the US government and its agencies.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of April 30, 2023 IMEA's investments were as follows:

	Maturity (In Years)			
	Fair Value	Less than 1	1-5	Over 5
U.S. agency securities	\$ 70,842,085	\$ 52,548,447	\$ 18,293,638	\$ -
U.S. treasuries	56,711,360	23,984,436	32,726,924	-
Total	<u>\$ 127,553,445</u>	<u>\$ 76,532,883</u>	<u>\$ 51,020,562</u>	<u>\$ -</u>

IMEA also has \$19,722,379 invested in The Illinois Funds, which are valued at amortized cost. The average maturity of The Illinois Funds is 120 days.

As of April 30, 2022 IMEA's investments were as follows:

	Maturity (In Years)			
	Fair Value	Less than 1	1-5	Over 5
U.S. agency securities	\$ 26,501,689	\$ 12,902,237	\$ 13,599,452	\$ -
U.S. treasuries	99,370,546	91,676,850	7,693,696	-
Total	<u>\$ 125,872,235</u>	<u>\$ 104,579,087</u>	<u>\$ 21,293,148</u>	<u>\$ -</u>

IMEA also has \$19,125,525 invested in The Illinois Funds, which are valued at amortized cost. The average maturity of The Illinois Funds is 96 days.

IMEA's investment policy states that investment securities should not mature later than the monies will be needed for the respective use.

Fair Value

IMEA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

The valuation methods for recurring fair value measurements as of April 30, 2023 and 2022 are as follows:

- Market approach – matrix pricing or market collaborative pricing

As of April 30, 2023 IMEA's fair values were rated as follows:

Investment Type	Total	Level 1	Level 2
U.S. agency securities:	\$ 70,842,085	\$ -	\$ 70,842,085
U.S. treasuries	56,711,360	56,711,360	-
Total	<u>\$ 127,553,445</u>	<u>\$ 56,711,360</u>	<u>\$ 70,842,085</u>

As of April 30, 2022 IMEA's fair values were rated as follows:

Investment Type	Total	Level 1	Level 2
U.S. agency securities:	\$ 26,501,689	\$ -	\$ 26,501,689
U.S. treasuries	99,370,546	99,370,546	-
Total	<u>\$ 125,872,235</u>	<u>\$ 99,370,546</u>	<u>\$ 26,501,689</u>

3. Jointly-Owned Facilities

Trimble County Unit No. 1

Pursuant to an ownership agreement entered into in September 1990, IMEA acquired an undivided 12.12% ownership interest (approximately 62 MW), as tenant in common, in the Trimble County Unit No. 1 generating facility from Louisville Gas and Electric Company. Trimble County Unit 1 is a 514 MW subcritical pulverized coal fired unit.

Trimble County Unit No. 2

Trimble County Unit 2, which was placed into commercial operation in January 2011, is a pulverized-coal super-critical unit of 750 MW nominal net rating located adjacent to Trimble County Unit 1. IMEA owns a 12.12% (approximately 91 MW) undivided interest as tenant in common in the unit.

Prairie State Project

IMEA is part of the consortium known as the Prairie State Generating Company, LLC that developed the Prairie State Project. IMEA owns a 15.17% (approximately 240 MW) undivided interest in the project. The Prairie State Project is a nominal 1,600 MW plant, utilizing two supercritical steam units of approximately 800 MW in size. Prairie State includes contiguous coal reserves and the operation of a coal mine to supply coal to the power plant. The first unit was placed into commercial operation in June 2012 and the second unit was placed into commercial operation in November 2012.

IMEA's share of the operating costs associated with these joint owned facilities are included in the accompanying financial statements.

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

4. Funds

IMEA's Trust Indenture requires the segregation of bond proceeds, establishment of various funds and prescribes the application of IMEA's revenues. Also, it defines what type of securities that IMEA may invest in. Funds consist principally of cash, money market funds, federal securities and investments in The Illinois Funds. The fund's purposes and balances are summarized below.

Fund	Held By	Purpose
Revenue	IMEA	To initially receive revenues and to disburse them to other accounts.
Operations and Maintenance	IMEA	To pay operating and maintenance expenses.
Renewals and Replacements	IMEA	To provide funds to be applied to the payment of the costs of renewals, replacements and repairs.
General Reserve	IMEA	To receive surplus funds after all other accounts are funded.
Rate Stabilization	IMEA	To accumulate any revenues in excess of the 10% debt service coverage requirement which will be used to minimize rate fluctuations in the future.
Debt Service Account	Trustee	To accumulate principal and interest associated with each bond series.
Debt Service Reserve Account	Trustee	To establish a reserve to cover deficiencies in the Debt Service Account. Any excess may be used for other purposes.

The indenture requires that certain cash and investments be segregated. The following are accounts included in current and restricted assets at April 30, 2023 and 2022.

	2023	2022
Included in current assets:		
Revenue	\$ 375	\$ -
Operation and maintenance	47,163,100	28,097,306
Renewals and replacements	2,340,315	2,321,310
General reserve	8,634,923	2,269,434
Rate stabilization	45,500,000	45,500,000
General cash (not restricted by indenture)	500	500
Total current cash and investments	<u>\$ 103,639,213</u>	<u>\$ 78,188,550</u>
Included in restricted investment accounts:		
Debt service	\$ 20,935,167	\$ 20,625,246
Debt service reserve	76,781,374	75,848,309
Total restricted cash and investments	<u>\$ 97,716,541</u>	<u>\$ 96,473,555</u>

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

5. Changes in Utility Plant

A summary of changes in utility plant for 2023 follows:

	Balance 5/1/22	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/23
Utility plant being depreciated electric plant :				
Trimble County Unit No. 1	\$ 132,589,275	\$ 2,831,433	\$ (1,602,593)	\$ 133,818,115
Trimble County Unit No. 2	195,274,859	3,017,696	-	198,292,555
Prairie State Unit No. 1	356,454,071	317,392	-	356,771,463
Prairie State Unit No. 2	327,984,879	951,824	(230,845)	328,705,858
Mobile generation	3,214,845	-	-	3,214,845
Prairie State, Common	150,922,301	538,008	-	151,460,309
Prairie State, Jordan Grove	1,403,200	-	(17,930)	1,385,270
Prairie State, Nearfield	14,275,744	164,696	-	14,440,440
Prairie State, Other	7,833,412	-	-	7,833,412
Prairie State, Mine	44,274,075	1,108,828	(77,467)	45,305,436
Prairie State, Coal Reserves	17,372,369	-	-	17,372,369
Land ¹	5,966,369	-	-	5,966,369
Office building	8,415,705	241,249	-	8,656,954
Office furniture and equipment	530,248	47,336	-	577,584
Supervisory control and data acquisition equipment	2,582,509	35,976	-	2,618,485
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	503,474	14,455	(20,858)	497,071
Total utility plant in service	1,270,097,335	9,268,893	(1,949,693)	1,277,416,535
Construction work in progress ¹	78,863,846	12,493,999	(9,105,835)	82,252,010
Total utility plant	1,348,961,181	21,762,892	(11,055,528)	1,359,668,545
Less accumulated depreciation electric plant:				
Trimble County Unit No. 1	(74,836,910)	(4,432,065)	1,602,593	(77,666,382)
Trimble County Unit No. 2	(54,521,090)	(5,306,085)	-	(59,827,175)
Prairie State Unit No. 1	(85,081,565)	(8,917,568)	-	(93,999,133)
Prairie State Unit No. 2	(75,725,611)	(8,205,097)	204,506	(83,726,202)
Mobile generation	(2,073,159)	(107,173)	-	(2,180,332)
Prairie State, Common	(35,993,786)	(3,777,414)	-	(39,771,200)
Prairie State, Jordan Grove	(1,436,253)	-	83,264	(1,352,989)
Prairie State, Nearfield	(2,331,180)	(357,938)	-	(2,689,118)
Prairie State, Other	(3,838,804)	(391,671)	-	(4,230,475)
Prairie State, Mine	(26,583,169)	(2,971,992)	77,467	(29,477,694)
Prairie State, Coal Reserves	(4,885,580)	(525,713)	-	(5,411,293)
Office building	(3,846,978)	(276,652)	-	(4,123,630)
Office furniture and equipment	(519,126)	(5,256)	-	(524,382)
Supervisory control and data acquisition equipment	(2,386,816)	(74,644)	-	(2,461,460)
Winnetka 138 interconnect	(427,779)	(16,668)	-	(444,447)
Other equipment	(371,936)	(48,479)	20,858	(399,557)
Total accumulated depreciation	(374,859,742)	(35,414,415)	1,988,688	(408,285,469)
Net utility plant	\$ 974,101,439			\$ 951,383,076

¹ Utility plant that is not being depreciated.

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A summary of changes in utility plant for 2022 follows:

	Balance 5/1/21	Additions/ Reclassification	Deletions/ Reclassification	Balance 4/30/22
Utility plant being depreciated electric plant:				
Trimble County Unit No. 1	\$ 131,512,848	\$ 2,865,860	\$ (1,789,433)	\$ 132,589,275
Trimble County Unit No. 2	191,513,011	3,761,848	-	195,274,859
Prairie State Unit No. 1	355,896,457	725,781	(168,167)	356,454,071
Prairie State Unit No. 2	327,582,849	402,030	-	327,984,879
Mobile generation	3,211,378	4,667	(1,200)	3,214,845
Prairie State, Common	150,719,592	296,131	(93,422)	150,922,301
Prairie State, Jordan Grove	1,459,077	-	(55,877)	1,403,200
Prairie State, Nearfield	14,044,070	231,674	-	14,275,744
Prairie State, Other	7,833,412	-	-	7,833,412
Prairie State, Mine	42,615,507	1,737,559	(78,991)	44,274,075
Prairie State, Coal Reserves	17,372,369	-	-	17,372,369
Land ¹	5,966,369	-	-	5,966,369
Office building	8,409,000	6,705	-	8,415,705
Office furniture and equipment	529,259	989	-	530,248
Supervisory control and data acquisition equipment	2,545,037	92,019	(54,547)	2,582,509
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	537,908	82,786	(117,220)	503,474
	<u>1,262,248,143</u>	<u>10,208,049</u>	<u>(2,358,857)</u>	<u>1,270,097,335</u>
Construction work in progress ¹	<u>72,606,814</u>	<u>10,601,626</u>	<u>(4,344,594)</u>	<u>78,863,846</u>
Total utility plant	<u>1,334,854,957</u>	<u>20,809,675</u>	<u>(6,703,451)</u>	<u>1,348,961,181</u>
Less accumulated depreciation electric plant:				
Trimble County Unit No. 1	(72,508,690)	(4,117,653)	1,789,433	(74,836,910)
Trimble County Unit No. 2	(49,238,197)	(5,282,893)	-	(54,521,090)
Prairie State Unit No. 1	(76,339,971)	(8,909,761)	168,167	(85,081,565)
Prairie State Unit No. 2	(67,526,825)	(8,198,786)	-	(75,725,611)
Mobile generation	(1,966,229)	(107,150)	220	(2,073,159)
Prairie State, Common	(32,281,831)	(3,777,088)	65,133	(35,993,786)
Prairie State, Jordan Grove	(1,198,011)	(238,242)	-	(1,436,253)
Prairie State, Nearfield	(1,978,148)	(353,032)	-	(2,331,180)
Prairie State, Other	(3,447,133)	(391,671)	-	(3,838,804)
Prairie State, Mine	(23,738,568)	(2,923,592)	78,991	(26,583,169)
Prairie State, Coal Reserves	(4,333,451)	(552,129)	-	(4,885,580)
Office building	(3,570,562)	(276,416)	-	(3,846,978)
Office furniture and equipment	(512,199)	(6,927)	-	(519,126)
Supervisory control and data acquisition equipment	(2,377,248)	(64,115)	54,547	(2,386,816)
Winnetka 138 interconnect	(411,112)	(16,667)	-	(427,779)
Other equipment	(442,849)	(46,307)	117,220	(371,936)
	<u>(341,871,024)</u>	<u>(35,262,429)</u>	<u>2,273,711</u>	<u>(374,859,742)</u>
Net utility plant	<u>\$ 992,983,933</u>			<u>\$ 974,101,439</u>

¹ Utility plant that is not being depreciated.

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6. Impairment of Capital Asset

During fiscal year 2019, IMEA experienced an asset impairment related to the Prairie State Jordan Grove assets. These assets consist of a coal combustion residual (CCR) holding facility and related infrastructure. Prairie State worked with Illinois Department of Natural Resources to revise their mining permit for this location to proceed with reclamation activities. As a result of this change in manner of use, this property was revalued for agricultural or recreational purposes based on market price comparisons. IMEA recognized an impairment of \$1,690,292 representing the difference between the net book value of \$3,040,778 and the updated expected residual value of the impaired Prairie State Jordan Grove assets of \$1,350,486. IMEA recorded its share of the impairment loss as a regulatory asset which has been amortized over the remaining 41 months of the original ten-year life. The residual value of the impaired assets are reported in IMEA capital assets.

7. Long-Term Obligations

IMEA has issued the following revenue bonds:

Date	Purpose	Final Maturity	Interest Rates	Original Issue	Outstanding Amount 4/30/23
July 15, 2009	Debt service and capital improvements *	Feb. 1, 2035	5.33 – 6.13%	\$294,755,000	\$206,535,000
Nov. 30, 2010	Debt service and capital improvements *	Feb. 1, 2035	2.47 – 7.29	140,290,000	88,700,000
April 1, 2015	Refunding 2006 and 2007A bonds	Feb. 1, 2035	4.00 – 5.00	594,685,000	446,120,000

* The 2009C and 2010A revenue bonds are taxable Build America Bonds. IMEA receives a 35% interest subsidy from the federal government for these bonds. During Federal fiscal years 2023 and 2022, the U.S. federal government was subject to the process of sequestration reducing spending amounts for many programs including payments to the issuers of BAB's. A 5.7% reduction in payments for the federal budget year ended September 30, 2023 and 2022, was experienced. The subsidy payment is not taken into account in the debt service displayed below.

The annual debt service and sinking fund requirements of the remaining bonds to maturity are as follows:

	Principal	Interest	Total
Years ending April 30:			
2024	\$ 47,750,000	\$ 41,419,675	\$ 89,169,675
2025	50,005,000	38,706,918	88,711,918
2026	51,725,000	35,867,222	87,592,222
2027	54,215,000	32,871,461	87,086,461
2028	56,805,000	29,732,542	86,537,542
2029 – 2033	327,865,000	96,080,586	423,945,586
2034 – 2035	152,990,000	11,967,624	164,957,624
Total	<u>\$ 741,355,000</u>	<u>\$ 286,646,028</u>	<u>\$ 1,028,001,028</u>

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Repayment of the bonds is secured by a pledge of IMEA's revenues.

IMEA's outstanding revenue bonds contain event of default provisions with possible finance-related consequences. IMEA's management has evaluated the event of default provisions with possible finance-related consequences and in the opinion of IMEA's management; the likelihood is remote that these provisions will have a significant effect on IMEA's financial position or results of operations.

Committed Line of Credit

On October 29, 2010, IMEA entered into a \$25 million Committed Line of Credit agreement (LOC Agreement) with PNC Bank. Under the LOC Agreement, IMEA may draw funds and/or post standby letters of credit. The LOC Agreement was increased to \$50 million on September 1, 2012 and expires on October 31, 2025. IMEA had \$2.0 million outstanding under the LOC Agreement as of April 30, 2023 and \$4.0 million outstanding as of April 30, 2022.

Long-term obligation activity for the year ended April 30, 2023 is as follows:

	Balance 5/1/22	Additions	Reductions	Balance 4/30/23	Due Within One Year
Revenue bonds	\$ 787,030,000	\$ -	\$ 45,675,000	\$ 741,355,000	\$ 47,750,000
Line of credit agreement	4,000,000	-	2,000,000	2,000,000	-
Unamortized premium	38,123,916	-	5,083,095	33,040,821	-
Other liabilities	16,495,389	20,971,082	14,214,975	23,251,496	-
Total	<u>\$ 845,649,305</u>	<u>\$ 20,971,082</u>	<u>\$ 66,973,070</u>	<u>\$ 799,647,317</u>	<u>\$ 47,750,000</u>

Long-term obligation activity for the year ended April 30, 2022 is as follows:

	Balance 5/1/21	Additions	Reductions	Balance 4/30/22	Due Within One Year
Revenue bonds	\$ 830,690,000	\$ -	\$ 43,660,000	\$ 787,030,000	\$ 45,675,000
Line of credit agreement	14,000,000	-	10,000,000	4,000,000	-
Unamortized premium	43,493,913	-	5,369,997	38,123,916	-
Other liabilities	15,930,139	10,210,951	9,645,701	16,495,389	-
Total	<u>\$ 904,114,052</u>	<u>\$ 10,210,951</u>	<u>\$ 68,675,698</u>	<u>\$ 845,649,305</u>	<u>\$ 45,675,000</u>

8. Accounting for Asset Retirement Obligations

An asset retirement obligation represents a legal obligation associated with the retirement of a tangible, long-lived asset that is incurred upon the acquisition, construction, development or normal operation of that long-lived asset.

The asset retirement obligation includes the closure of ash ponds at the Trimble County plant site and mine closure and mine reclamation at the Prairie State Generating facility. Other asset retirement obligations are not significant to these financial statements. IMEA used estimated cash flows to determine the obligation.

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The following table presents the details of IMEA's asset retirement obligations, which are included on the balance sheet in other noncurrent liabilities:

Balance 5/1/22	Liabilities Incurred (Adjustments)	Accretion	Costs Incurred	Balance 4/30/23
\$ 15,866,571	\$ 918,914	\$ 793,330	\$ (1,935,153)	\$ 15,643,662

Balance 5/1/21	Liabilities Incurred (Adjustments)	Accretion	Costs Incurred/ Written Off	Balance 4/30/22
\$ 15,325,022	\$ 2,416,776	\$ 749,779	\$ (2,625,006)	\$ 15,866,571

9. Net Position

GASB No. 34 requires the classification of net position into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position consists of net positions that do not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is IMEA's policy to use restricted resources first, then unrestricted resources as they are needed.

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The following calculation supports the net investment in capital assets:

	<u>2023</u>	<u>2022</u>
Utility plant in service	\$ 1,277,416,535	\$ 1,270,097,335
Accumulated depreciation	(408,285,469)	(374,859,742)
Construction work in progress	<u>82,252,010</u>	<u>78,863,846</u>
Subtotal	<u>951,383,076</u>	<u>974,101,439</u>
Less capital related debt:		
Current portion of capital related long-term debt	47,750,000	45,675,000
Long-term portion of capital related long-term debt	693,605,000	741,355,000
Unamortized loss on advance refunding	(17,577,371)	(20,281,525)
Unamortized premium	<u>33,040,821</u>	<u>38,123,916</u>
Subtotal	<u>756,818,450</u>	<u>804,872,391</u>
Add unspent debt proceeds:		
Debt service reserve from borrowing	<u>76,781,374</u>	<u>75,848,309</u>
Total net investment in capital assets	<u>\$ 271,346,000</u>	<u>\$ 245,077,357</u>

The following calculation supports the amount of restricted net position:

	<u>2023</u>	<u>2022</u>
Restricted investments	<u>\$ 97,716,541</u>	<u>\$ 96,473,555</u>
Less restricted assets not funded by revenues:		
Debt service reserve account	(76,781,374)	(75,848,309)
Current liabilities payable from restricted assets	<u>(10,183,291)</u>	<u>(10,802,472)</u>
Subtotal	<u>(86,964,665)</u>	<u>(86,650,781)</u>
Total restricted net position as calculated	<u>\$ 10,751,876</u>	<u>\$ 9,822,774</u>

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10. Regulatory Assets

IMEA has chosen to use the application of GASB No. 62 to recover certain costs in customer rates in future periods. Regulatory costs for future recovery include unamortized debt issuance costs; unrealized loss (gain) on investments represents the difference between an investment's cost and the current fair value of the asset; and other regulatory assets represents the asset impairment as discussed in Note 6. The following summarizes activity for regulatory assets:

	<u>Balance</u> <u>5/1/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/23</u>
Regulatory costs for future recovery	\$ 1,949,307	\$ -	\$ 260,580	\$ 1,688,727
Unrealized (gain)/loss on investments	1,288,422	-	647,184	641,238
Other regulatory assets	<u>6,638,449</u>	<u>-</u>	<u>6,638,449</u>	<u>-</u>
Total	<u>\$ 9,876,178</u>	<u>\$ -</u>	<u>\$ 7,546,213</u>	<u>\$ 2,329,965</u>

	<u>Balance</u> <u>5/1/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/22</u>
Regulatory costs for future recovery	\$ 2,224,843	\$ -	\$ 275,536	\$ 1,949,307
Unrealized (gain)/loss on investments	(1,338,273)	2,626,695	-	1,288,422
Other regulatory assets	<u>9,535,946</u>	<u>-</u>	<u>2,897,497</u>	<u>6,638,449</u>
Total	<u>\$ 10,422,516</u>	<u>\$ 2,626,695</u>	<u>\$ 3,173,033</u>	<u>\$ 9,876,178</u>

11. Employee Retirement Plan

IMEA's employees are covered by the Illinois Municipal Electric Agency Pension Plan, a defined contribution pension plan with a 5-year vesting schedule. Benefit provisions and all other requirements are established by the board of IMEA. IMEA contributes 25% of eligible employee earnings on behalf of each employee. Employees that terminate service prior to being fully vested, forfeit the unvested portion of their account balance, which is applied to future contributions to the plan. Total pension expense was equal to total contributions to the plan made by IMEA, net of applied forfeitures. For the years ended April 30, 2023 and 2022 total contributions were \$1,043,000 and \$1,041,000, respectively.

12. Contracts and Commitments

IMEA has long-term and short-term contracts and commitments with various wholesale power suppliers to supply energy, capacity and transmission services to its members. These contracts vary in length and have flexible terms and cancellation provisions. These contracts may be material to the financial statements.

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

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Notes to Financial Statements
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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 January 1, 2035. If such reduction is not met by December 31, 2035, then the plant must retire one or more units or otherwise reduce carbon dioxide emissions by 45% by June 30, 2038. The CEJA further requires all publicly owned coal-fired generating units to permanently reduce carbon dioxide emission to 0 by December 31, 2045.

The CEJA does, however, provide that if the reduction of output from or the closing of any plant creates a power grid supply or reliability shortfall in the State of Illinois the plant can continue to operate until the reliability can otherwise be addressed. During the 2022/2023 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 limited future impact on IMEA's ownership share of the Prairie State Generating Company, LLC (PSGC or Prairie State). The CEJA will not adversely affect IMEA's ability to pay bondholders due to all bonds maturing on February 1, 2035 or to reliably provide members with their power supply requirements. IMEA and the other owners of Prairie State have and continue to develop plans to manage the potential impacts of the CEJA. Potential impacts cannot be gauged with certainty at this time.

14. Notice of Intent

IMEA holds a 15.17% undivided ownership interest in the Prairie State Energy Campus (PSEC) which is operated through the PSGC.

On October 20, 2022, the PSGC received a Notice of Intent (NOI) to file suit from the Sierra Club alleging violations of the Federal Clean Air Act. The NOI to PSGC allowed Sierra Club to file suit on or after December 19, 2022. On March 22, 2023, the Sierra Club filed a suit against PSGC. The Sierra Club alleges that PSEC is in violation of the Federal Clean Air Act because it does not have a Title V permit from the Illinois Environmental Protection Agency (IEPA). PSEC however does have and is believed to be operating legally under its Prevention of Significant Deterioration (PSD) permit from the IEPA. Therefore, IMEA does not believe the suit has merit or that it is likely to have a material impact on the finances or operations of PSEC. However, IMEA cannot be certain that the suit will not result in a material impact on the finances or operations of PSEC.

15. Significant Customers

IMEA has two significant customers who were responsible for 48% and 49% of operating revenue in 2023 and 2022, respectively.

16. Risk Management

IMEA is exposed to various risks of loss related to torts, theft of, damage to or destruction of assets, errors and omissions, workers compensation and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.



Illinois Municipal Electric Agency

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