Northern Illinois Municipal Power Agency

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

Contents

FORVIS

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Independent Auditor's Report

Board of Directors
Northern Illinois Municipal Power Agency

Opinion

We have audited the financial statements of Northern Illinois Municipal Power Agency (the Agency), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Northern Illinois Municipal Power Agency, as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 raise substantial doubt about the Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 GAAS, 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.

FORVIS, LLP

Lincoln, Nebraska
April 11, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Northern Illinois Municipal Power Agency's ("NIMPA" or the "Agency") financial performance provides an overview of the Agency's activities for the fiscal years ended December 31, 2023 and 2022. It should be read in conjunction with the basic financial statements and the accompanying notes.

NIMPA is a joint municipal electric power agency, created by contract on May 24, 2004, for the purpose of effecting the joint development of electric energy resources for the production, transmission and distribution of electric power and energy for its members. To assist in achieving this objective, NIMPA has an undivided interest in Prairie State Generating Company, LLC ("Prairie State"), which entitles NIMPA to approximately 120 megawatts of capacity and output of Prairie State's generating units and a proportionate share of Prairie State's coal reserves and mining facilities.

Financial Statements

NIMPA's activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. NIMPA's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). NIMPA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

The statements of net position report year-end assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position balances. The statements of revenues, expenses and changes in net position and cash flows present information about NIMPA's business activities. Over time, consistent collections from Members, reasonable operating costs of Prairie State, as defined herein, and reductions of long-term debt are indicators of the Agency's financial strength.

Condensed Statements of Net Position (in thousands)

	2023	2022	2021
Current assets	$ 27,691	$ 21,649	$ 23,649
Noncurrent assets	79,964	70,188	72,819
Utility plant, net	332,508	348,768	358,836
Deferred outflows of resources	10,323	11,163	11,860
Total assets and deferred outflows of resources	$ 450,486	$ 451,768	$ 467,164
Current liabilities	$ 22,910	$ 22,295	$ 23,189
Noncurrent liabilities	389,299	405,962	421,938
Deferred inflows of resources	11,452	3,786	4,412
Net position	26,825	19,725	17,625
Total liabilities, deferred inflows of resources and net position	$ 450,486	$ 451,768	$ 467,164

Utility plant, net decreased approximately $16.3 million during 2023. The decrease was primarily a result of depreciation expense of approximately $18.0 million offset by net capital additions of approximately $1.7 million. Utility plant, net decreased approximately $10.1 million during 2022. The decrease was primarily a result of depreciation expense of approximately $12.2 million offset by net capital additions of approximately $2.1 million. Noncurrent liabilities decreased in both 2023 and 2022 primarily as a result of scheduled debt service payments on the Agency's revenue bonds.

Condensed Statements of Revenues, Expenses and Changes in Net Position (in thousands)

	2023	2022	2021
Operating revenues	$ 63,502	$ 62,391	$ 62,925
Purchased power, fuel, and production expense	17,792	19,136	21,278
Transmission and local facilities	581	1,086	-
Other operating expenses	25,197	24,345	22,377
Total operating expenses	43,570	44,567	43,655
Total operating income	19,932	17,824	19,270
Interest expense	(19,855)	(20,552)	(21,236)
Investment income	3,232	902	11
Other nonoperating income	3,791	3,926	4,055
Total nonoperating expenses	(12,832)	(15,724)	(17,170)
Change in Net Position	7,100	2,100	2,100
Net Position at Beginning of Year	19,725	17,625	15,525
Net Position at End of Year	$ 26,825	$ 19,725	$ 17,625

Sales to the three Illinois municipalities – Batavia, Geneva and Rochelle (the "Members") – decreased in 2023 approximately $1.0 million or 1.58%, reflecting a decrease in total operating and nonoperating expenses of $5.9 million or 9.93%. Sales to these municipalities decreased in 2022 approximately $0.3 million or 0.57%, reflecting a decrease in total operating and nonoperating expenses of approximately the same percentage.

Purchased power, fuel and production expenses decreased approximately $3.4 million or 18.0% during 2023. The decrease was primarily a result of a decrease in purchase power expense of approximately $4.7 million offset by an increase in fuel and production expenses of approximately $1.3 million. Purchased power, fuel and production expenses decreased approximately $2.1 million or 10.1% during 2022. The decrease was primarily a result of lower energy and fuel costs.

Other operating expenses increased approximately $0.8 million or 3.5% during 2023. The increase was mainly the result of higher maintenance expense, loss on disposal of NIMPA's share of Prairie State Generating Company's assets, depreciation and future recoverable costs. Other operating expenses increased approximately $2.0 million or 8.8% during 2022. The increase was mainly the result of higher maintenance and future recoverable costs.

Contact Information

This financial report is designed to provide a general overview of NIMPA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Avant Energy, Inc., 220 South Sixth Street, Suite 1300, Minneapolis, Minnesota 55402.

Northern Illinois Municipal Power Agency
Statements of Net Position
December 31, 2023 and 2022
(in thousands)

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted cash and cash equivalents	$ 14,777	$ 10,224
Municipality accounts receivable	5,807	5,262
Fuel stock and material inventory	5,513	5,010
Accrued interest receivable and other current assets	1,594	1,153
Total current assets	27,691	21,649
Noncurrent Assets		
Restricted cash and cash equivalents	67,759	60,253
Regulatory assets	9,426	7,312
Other	2,779	2,623
Total noncurrent assets	79,964	70,188
Utility Plant		
Utility plant in service	474,640	473,614
Less: accumulated depreciation	(146,902)	(128,892)
	327,738	344,722
Construction work in progress	4,770	4,046
Total utility plant, net	332,508	348,768
Deferred Outflows of Resources		
Deferred loss on refunding	9,835	10,382
Deferred costs for asset retirement obligation	488	781
Total deferred outflows of resources	10,323	11,163
Total assets and deferred outflows of resources	$ 450,486	$ 451,768
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Current maturities of revenue bonds	$ 14,470	$ 13,820
Accrued interest on revenue bonds	6,552	6,787
Accounts payable and accrued liabilities	1,888	1,688
Total current liabilities	22,910	22,295
Noncurrent Liabilities		
Long-term revenue bonds, net	387,108	403,826
Other noncurrent liabilities	2,191	2,136
Total noncurrent liabilities	389,299	405,962
Deferred Inflows of Resources		
Reductions of future billings	11,452	3,786
Net Position		
Net investment in capital assets	(27,188)	(28,246)
Restricted	30,236	23,611
Unrestricted	23,777	24,360
Total net position	26,825	19,725
Total liabilities, deferred inflows of resources and net position	$ 450,486	$ 451,768

Northern Illinois Municipal Power Agency
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022
(in thousands)

	2023	2022
Operating Revenues		
Sales to members	$ 61,403	$ 62,391
Other operating revenues	2,099	-
Total operating revenues	63,502	62,391
Operating Expenses		
Purchased power	-	2,613
Fuel	10,081	9,235
Production	7,711	7,288
Transmission and local facilities	581	1,086
Other operating	1,198	835
Maintenance	7,637	7,502
Depreciation and amortization	18,495	12,499
Future recoverable costs	(2,133)	3,509
Total operating expenses	43,570	44,567
Operating Income	19,932	17,824
Nonoperating Revenues (Expenses)		
Interest expense on revenue bonds	(19,855)	(20,552)
Investment income	3,232	902
Interest rate subsidy (Build America Bonds)	3,791	3,926
Total nonoperating expenses	(12,832)	(15,724)
Change in Net Position	7,100	2,100
Net Position at Beginning of Year	19,725	17,625
Net Position at End of Year	$ 26,825	$ 19,725

Northern Illinois Municipal Power Agency
Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(in thousands)

	2023	2022
Cash Flows From Operating Activities		
Receipts from municipalities	$ 68,690	$ 61,229
Receipts from (payments for) purchased power	1,987	(2,575)
Payments for fuel	(10,659)	(9,906)
Payments for production	(7,785)	(7,399)
Payments for transmission and local facilities	79	(1,923)
Payments for security collateral deposit	(359)	(6)
Payments for other operating expenses	(933)	(1,277)
Payments for maintenance	(7,736)	(7,637)
Net cash provided by operating activities	43,284	30,506
Cash Flows From Capital and Related Financing Activities		
Additions to utility plant	(2,596)	(1,908)
Subsidy received on Build America Bonds	3,791	3,926
Principal payments on long-term debt	(13,820)	(13,205)
Interest payments	(21,772)	(22,538)
Net cash used in capital and related financing activities	(34,397)	(33,725)
Cash Flows From Investing Activities		
Interest income and other	3,172	765
Net cash provided by investing activities	3,172	765
Net Change in Cash and Cash Equivalents	12,059	(2,454)
Cash and Cash Equivalents at Beginning of Period	70,477	72,931
Cash and Cash Equivalents at End of Period	$ 82,536	$ 70,477
Composition of Cash and Cash Equivalents		
Unrestricted cash and cash equivalents	$ 14,777	$ 10,224
Restricted cash and cash equivalents	67,759	60,253
	$ 82,536	$ 70,477

Northern Illinois Municipal Power Agency
Statements of Cash Flows - Continued
Years Ended December 31, 2023 and 2022
(in thousands)

	2023	2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 19,932	$ 17,824
Non-Cash Items Included in Operating Income		
Depreciation	18,242	12,274
Amortization of deferred costs for asset retirement obligation	253	225
Future recoverable costs	(2,133)	3,509
Loss on disposal of utility plant	274	33
Changes in Operating Assets and Liabilities		
Municipality accounts receivable	(545)	(532)
Fuel stock and material inventory	(503)	(578)
Accounts payable and accrued liabilities	540	(1,187)
Deferred inflows of resources	7,666	(626)
Other	(442)	(436)
Net cash provided by operating activities	$ 43,284	$ 30,506
Supplemental Cash Flow Information		
Utility plant additions included in accounts payable	$ 147	$ 487
Amortization of bond premiums	$ 2,248	$ 2,327

Note 1. Organization and Significant Accounting Policies

Organization and Nature of Operations

Northern Illinois Municipal Power Agency ("NIMPA" or the "Agency") is a joint municipal electric power agency and a body politic and corporate, municipal corporation and unit of local government of the State of Illinois. NIMPA's members currently consist of three Illinois municipalities: Batavia, Geneva, and Rochelle (the "Members").

NIMPA's Board of Directors (the "Board") is comprised of representatives from each of the Members. The Board directs and makes all significant decisions relating to the operations of the Agency. NIMPA uses the capacity and energy from Prairie State Generating Company, LLC, to meet the Agency's obligations to deliver capacity and energy to its Members under take-or-pay power sales agreements.

All of NIMPA's general management and administrative services are provided by Avant Energy, through a master services agreement between the parties. NIMPA has no employees.

Prairie State Generating Company

Prairie State Generating Company, LLC ("Prairie State") is a coal fired generating station consisting of two generating units having a combined capacity of approximately 1,600 MW, coal reserves adjacent to the plant site and coal mining facilities. NIMPA's undivided interest in Prairie State entitles NIMPA to approximately 120 megawatts of capacity and output of Prairie State's generating units and a proportionate share of Prairie State's coal reserves and mining facilities.

Reporting Entity

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency and (3) the entity's fiscal dependency on the Agency. Based upon the above criteria, NIMPA has determined that it has no reportable component units.

Basis of Presentation

NIMPA's activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. NIMPA's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). NIMPA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Utility Plant

The Agency's share of all costs associated with the development and construction of, and capital improvements to Prairie State were capitalized, including interest expense incurred, net of interest income earned on tax exempt bond proceeds and Build America Bond subsidies earned, during the construction period. The Agency generally capitalizes costs associated with other capital projects when such costs are in excess of $150,000 and have at least a five year useful life.

At December 31, 2023 and 2022, construction work in progress (CWIP) includes construction costs for ongoing utility plant capital improvements at Prairie State.

Mine development costs were $20.3 million and $19.6 million at December 31, 2023 and 2022, respectively. The mine is depreciated in conjunction with the plant.

Cash and Cash Equivalents

NIMPA considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted of money market mutual funds.

Investments and Investment Income

NIMPA maintains various funds issued under its Trust Indenture, dated August 1, 2007 (the "Trust Indenture"), which are periodically invested in cash equivalents and securities. Investments in money market mutual funds are carried at cost, which approximates fair value.

Investment income consists of interest income and realized and unrealized gains and losses on investments.

Municipality Accounts Receivable

Accounts receivable are stated at the amount billed to the Members. Accounts receivable invoices are typically issued on the first business day of each month and are due 15 days after issuance. Management does not believe an allowance for doubtful accounts is necessary at December 31, 2023 and 2022.

Fuel Stock and Material Inventory

Fuel stock is recorded as NIMPA's proportionate amount of Prairie State's unused coal inventory and is valued at weighted average cost. Material inventory is the recorded average cost of supplies held in Prairie State's mine and plant warehouses. The cost of fuel is expensed as consumed. Material inventory is either capitalized into Utility Plant if used in a capital project or expensed if used in production.

Rates

NIMPA sets rates in accordance with the Trust Indenture. The Trust Indenture requires the establishment of rates that, together with other available funds, are reasonably expected to pay NIMPA's operating costs (excluding depreciation and amortization). NIMPA's debt service requirements are designed to be relatively equal over the life of the bonds to help provide stable rates to the Members. Rates are not subject to state or federal regulation. The debt service included in rates provides for full cost recovery of the utility plant assets over a period not exceeding the utility plant's assets' useful lives.

Revenue Recognition

Revenues are recognized on an accrual basis when energy is delivered, while the Members are billed using budgeted rates. Differences between the accrued rate and the billed rate are collected from, or returned to, the Members in subsequent periods. The amount to be returned to the members was approximately $10.0 million and $2.2 million at December 31, 2023 and 2022, respectively, and is included in reduction of future billings on the Statements of Net Position. The amount to be collected from or paid back to Members will be collected or paid back in subsequent periods at the direction of the Board.

Regulated Operations

Regulatory assets are expenses incurred that will be recovered in future rates and reduction of future billings are collections from members that will benefit future periods. As a rate regulated entity, NIMPA's financial statements reflect the actions of the Board of Directors that result in the recognition of revenues and expenses in different time periods than enterprises that are not rate regulated in accordance with the provisions of GASB Codification Section Re10, *Regulated Operations.*

Under the terms of the power sales contracts with the Members, costs in excess of the amounts currently billed to members are to be recovered from future revenues (a regulatory asset) by setting rates sufficient to provide funds for the related debt service requirements. These non-cash costs, which primarily include depreciation and amortization expenses in excess of current principal payments, will be recovered over the lives of the bonds. The lives of the bonds do not exceed the utility plant useful life.

If rate recovery of generation-related costs becomes unlikely, whether due to competition or regulatory action, regulatory accounting as defined by GASB Codification Section Re10, *Regulated Operations* may no longer apply to NIMPA's operations. This potential accounting change could result in either full recovery of net generation-related regulatory assets or a non-cash write-off. Based on NIMPA's current regulatory environment, management believes that the Agency's future recoverable costs are probable of future recovery.

In addition to the reductions of future billings resulting from the difference in budgeted and actual Member rates previously mentioned, NIMPA also has amounts recorded as reductions of future billings in the amount of approximately $1.4 million and $1.6 million at December 31, 2023 and 2022, respectively, relating to NIMPA's allocation of certain PSGC assets for which NIMPA has not yet been billed. These reductions of future billings will be reduced in future years when those assets are consumed in the normal course of PSGC's operations.

Net Position Classification

Net position is required to be classified 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, net of accumulated depreciation, 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

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

Unrestricted - This component of net position consists of the net amount of the assets, liabilities and deferred inflows and outflows of resources 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 NIMPA's policy to use restricted resources first, then unrestricted as they are needed. At December 31, 2023 and 2022, NIMPA's net position can be broken down into the following components (in thousands):

	2023	2022
Net investment in capital assets	$ (27,188)	$ (28,246)
Restricted for debt service	12,329	11,218
Restricted by Board resolution	17,907	12,393
Unrestricted	23,777	24,360
	$ 26,825	$ 19,725

The Trust Indenture restricts the debt service, debt service reserve and bond financed construction projects accounts. Under the provisions of GASB Codification Section Re10, *Regulated Operations*, a governmental utility's own governing board can establish restrictions on asset use.

Expenses

Operating expenses are defined as expenses directly related to, or incurred in support of, the production and transmission of electricity to the participating communities NIMPA serves. Future recoverable costs represent the regulatory effect of operating and nonoperating income and expenses deferred to future periods.

Regional Transmission Organizations (RTOs)

NIMPA is a transmission dependent utility of both Midcontinent Independent System Operator, Inc. ("MISO") and PJM Interconnection, LLC ("PJM"). MISO and PJM are independent organizations whose purposes are to ensure the reliability of their respective integrated, regional electrical transmission systems, to facilitate a regional wholesale marketplace, to provide non-discriminatory access to the transmission system and to maintain and improve electric system reliability.

NIMPA records all net sales through MISO and PJM (Net Market Sales) to purchased power or other operating revenues on the Statements of Revenues, Expenses and Changes in Net Position.

Income Taxes

NIMPA, as a unit of local government of the State of Illinois, is exempt from federal and state income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires NIMPA to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Note 2. Prairie State

NIMPA is part of a consortium known as the Prairie State Generating Company, LLC (Prairie State). Prairie State includes a pulverized coal-fired generating station and associated mine, rail, water, coal combustion waste storage and ancillary support that is located in Washington and Randolph Counties in southwest Illinois. The generating station consists of two supercritical boiler units (“Unit 1” and “Unit 2”) with a nominal net output capacity of 800 MW each. Construction commenced on Prairie State in the fall of 2007. Units 1 and 2 commenced commercial operation on June 6, 2012 and November 3, 2012, respectively.

NIMPA owns a 7.6% share of Prairie State. NIMPA’s utility plant in service and accumulated depreciation related to Prairie State at December 31, 2023 and 2022 was approximately $474.6 million and $473.6 million and $146.9 million and $128.9 million, respectively. Batavia, Geneva, and Rochelle have a 45.83%, 29.17% and 25.00% entitlement share of NIMPA’s ownership interest in Prairie State, respectively.

Note 3. Deposits and Investments

Deposits

NIMPA’s cash deposits are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2023, uninsured and uncollateralized deposits in excess of the FDIC limit were approximately $13.4 million.

Investments

At December 31, 2023 and 2022, NIMPA had the following investments and maturities (in thousands):

	Carrying Value	Maturities in Years: Less Than 1	Maturities in Years: 1-5	Credit Ratings (S&P)
December 31, 2023				
Money market mutual funds	$ 68,922	$ 68,922	$ -	Aaa-mf
December 31, 2022				
Money market mutual funds	$ 61,396	$ 61,396	$ -	Aaa-mf

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NIMPA's investment policy requires that funds remain sufficiently liquid to meet operating requirements which may be reasonably anticipated, but does not provide limitations on the maturities of the various types of investments.

Credit Risk

Credit risk is the risk that an issuer, or other counterparty to an investment, will not fulfill its obligations. NIMPA's investment policy establishes requirements for all investments in debt obligations to be rated at the time of purchase at one of the three highest classifications established by at least two standard rating services.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, NIMPA would not be able to recover the value of its investment securities that are in the possession of an outside party.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with the amount of investments NIMPA has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government are excluded from this requirement. NIMPA's investment policy places no limits on the amount of its investment portfolio that may be invested in any one issuer.

Summary of Carrying Values

Below is a reconciliation of NIMPA's deposit and investment balances at December 31, 2023 and 2022 (in thousands):

	2023	2022
Deposits	$ 13,614	$ 9,081
Investments	68,922	61,396
Total	$ 82,536	$ 70,477

The carrying value of deposits and investments are included in the Statements of Net Position at December 31, 2023 and 2022 as follows (in thousands):

	2023	2022
Current Assets		
Unrestricted cash and cash equivalents	$ 14,777	$ 10,224
Noncurrent Assets		
Restricted cash and cash equivalents	67,759	60,253
Total	$ 82,536	$ 70,477

Investment Income

There were no fair value changes in 2023 and 2022. To the extent any unrealized gains or losses are realized in the future, those realized gains or losses are refundable or recoverable through NIMPA's rate-making methodology. Accordingly, any unrealized losses at December 31, 2023 and 2022 would have been included in regulatory assets as future recoverable costs on NIMPA's December 31, 2023 and 2022 Statements of Net Position.

Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The Agency's investments in money market mutual funds are carried at cost and thus are not included within the fair value hierarchy. NIMPA did not have any investments recorded at fair value at December 31, 2023 and 2022.

Note 4. Capital Assets

Capital asset activity for the years ended December 31, 2023 and 2022, was as follows (in thousands):

December 31, 2023	**Beginning Balance**	**Additions**	**Transfers**	**Retirements**	**Ending Balance**
Utility plant in service	$ 473,614	$ -	$ 1,532	$ (506)	$ 474,640
Construction work in progress	4,046	2,256	(1,532)	-	4,770
Total capital assets	477,660	2,256	-	(506)	479,410
Less accumulated depreciation	(128,892)	(18,242)	-	232	(146,902)
	$ 348,768	$ (15,986)	$ -	$ (274)	$ 332,508

December 31, 2022	**Beginning Balance**	**Additions**	**Transfers**	**Retirements**	**Ending Balance**
Utility plant in service	$ 472,923	$ -	$ 772	$ (81)	$ 473,614
Construction work in progress	2,579	2,239	(772)	-	4,046
Total capital assets	475,502	2,239	-	(81)	477,660
Less accumulated depreciation	(116,666)	(12,274)	-	48	(128,892)
	$ 358,836	$ (10,035)	$ -	$ (33)	$ 348,768

NIMPA's ownership interest in Prairie State includes an interest in coal reserves with an original cost, net of depletion, of $4.3 million and $4.5 million at December 31, 2023 and 2022, respectively. Depletion is expensed based on the amount of the coal reserves that are mined.

Note 5. Committed Line of Credit

In March 2017, NIMPA executed an Amended and Restated Committed Line of Credit Note with PNC Bank. On November 10, 2021, NIMPA executed a Second Amended and Restated Committed Line of Credit Note (Note). Under this Note, NIMPA may draw funds and/or post standby letters of credit up to a revised maximum amount of $15.0 million. NIMPA had a $2.5 million letter of credit posted at both December 31, 2023 and 2022. The Note has an expiration date of November 10, 2026, and can be extended for one additional year, at the request of NIMPA and the approval of PNC Bank.

Note 6. Long-Term Revenue Bonds

NIMPA has issued Power Project Revenue Bonds to finance the construction of Prairie State. Long-term revenue bonds issued and outstanding at December 31, 2023 and 2022 consist of the following (in thousands):

Bond Series	Interest Rates	Due Date January 1,	2023	2022
2009 Series C	5.688% - 6.859%	2017 - 2039	$ 95,645	$ 99,720
2010 Series A	7.620% - 7.820%	2018 - 2040	63,810	65,850
2016 Series A	3.000% - 5.000%	2018 - 2041	219,150	226,855
			378,605	392,425
Less current maturities			(14,470)	(13,820)
Long-term revenue bonds			364,135	378,605
Unamortized premium			22,973	25,221
			$ 387,108	$ 403,826

Changes in NIMPA's noncurrent liabilities, including revenue bonds, were as follows for the years ended December 31, 2023 and 2022:

2023	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$392,425	$ -	$ (13,820)	$378,605	$ 14,470
Issuance premiums	25,221	-	(2,248)	22,973	
Total long-term debt, net	417,646	-	(16,068)	401,578	14,470
Other noncurrent liabilities	2,136	61	(6)	2,191	-
Total	$419,782	$ 61	$ (16,074)	$403,769	$ 14,470
2022					
Revenue bonds	$405,630	$ -	$ (13,205)	$392,425	$ 13,820
Issuance premiums	27,548	-	(2,327)	25,221	-
Total long-term debt, net	433,178	-	(15,532)	417,646	13,820
Other noncurrent liabilities	1,965	174	(3)	2,136	-
Total	$435,143	$ 174	$ (15,535)	$419,782	$ 13,820

The 2009 Series C Bonds maturing on January 1, 2024 and 2039, totaling approximately $95.6 million and all of the 2010 Series A Bonds are callable at any time at a Make Whole Redemption Price. A Make Whole Redemption Price is the greater of 100% of the principal amount or the present value of the remaining scheduled payments of principal and interest to the maturity date of the bonds redeemed. All of the 2009 Series C Bonds and 2010 Series A Bonds are callable at any time at a Make Whole Redemption Price if an Extraordinary Event occurs. An Extraordinary Event is a material adverse change to Section 54AA or 6431 of the Internal Revenue Service Code which pertain to Build America Bonds. The 2016 Series A Bonds are callable on or after December 1, 2026 at a redemption price of 100%.

Debt service requirements including sinking fund requirements at December 31, 2023, are as follows (in thousands):

	Principal	Interest
2024	$ 14,470	$ 21,184
2025	15,155	20,354
2026	15,880	19,455
2027	16,655	18,513
2028	17,455	17,526
2029 - 2033	100,475	71,416
2034 - 2038	123,870	41,970
2039 - 2042	74,645	7,446
	$ 378,605	$ 217,864

Build America Bonds

The 2009 Series C Bonds and 2010 Series A Bonds are designated as Build America Bonds (BABs) under Section 54AA(d) of the Internal Revenue Code. NIMPA receives a subsidy payment from the United States treasury equal to a percentage of the interest payable on the BABs. NIMPA received approximately $3.8 million and $4.0 million in 2023 and 2022 respectively. Any future subsidy payments are contingent on federal regulations and are subject to change. Subsidy payments received are included in other non-operating income on the Statements of Revenues, Expenses and Changes in Net Position. The subsidy is not reflected in the table above.

Rate Covenant

NIMPA sets rates that generate funds adequate for operating costs and aggregate debt service in accordance with the Trust Indenture.

Note 7. Accounting for Asset Retirement Obligations

Asset retirement obligations represent legal obligations associated with the retirement of tangible long-lived assets that are incurred upon the acquisition, construction, development or normal operation of the assets. NIMPA's asset retirement obligations consist of costs associated with the future cost of mine reclamation and closure at Prairie State. NIMPA's share in Prairie State's asset retirement obligations as of December 31, 2023 and 2022 totaled approximately $2.2 million and $2.1 million, respectively, and were measured as of those dates. Prairie State has posted surety bonds as security for the mine reclamation and closure.

Asset retirement obligations are recognized in the period in which they are incurred, if a reasonable estimate of fair value can be made. The asset retirement obligations are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are included as a deferred outflow of resources and amortized over their estimated useful life. The Agency uses an expected cash flow approach to measure the obligations. NIMPA's asset retirement obligations have no impact on the change in net position because of the Agency applying the provisions of GASB Codification Section Re10, *Regulated Operations*.

The following table presents the details of the Agency's asset retirement obligations for the years ended December 31, 2023 and 2022 (in thousands):

	Beginning Balance	Liabilities Incurred	Liabilities Settled	Accretion	Cash Flow Revisions	Ending Balance
2023	$ 2,136	$ -	$ (6)	$ 107	$ (48)	$ 2,189
2022	$ 1,965	$ -	$ (3)	$ 98	$ 76	$ 2,136

Note 8. Commitments and Contingencies

Capital Expenditures

NIMPA anticipates its share of future capital expenditures for Prairie State Units 1 and 2 to total approximately $11.4 million for the years 2024 through 2028. The projected capital expenditures are of a normal and recurring nature. NIMPA anticipates funding the projected capital improvements with internally generated funds.

Litigation

The Agency is subject to claims and disputes that arise in the normal course of business. It is the opinion of management that the disposition or ultimate resolution of any such matters will not have a material adverse effect on the financial statements of the Agency.

Environmental Matters

Illinois Climate and Equitable Jobs Act or “CEJA”

The Illinois Climate and Equitable Jobs Act was signed into law on September 15, 2021. CEJA established decarbonization targets that require Prairie State and all other public-owned (municipalities and cooperative owned) coal-fired generating units to permanently reduce CO2e emissions to zero by December 31, 2045. CEJA also requires a 45% reduction of CO2e emissions by December 31, 2035, and if that emission reduction level is not achieved, then “the plant shall retire one or more units or otherwise reduce its CO2e emissions by 45% from existing emissions by June 30, 2038.” CO2e is defined as the “aggregate group of 6 greenhouse gases: carbon dioxide, nitrous oxide, methane, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride.” The practical implication of this 45% reduction is that Prairie State will need to reduce its CO2e emissions to approximately 7.4 million short tons by June 30, 2038; this could be achieved through the installation of carbon capture, unit closure or other operational changes. Prairie State may continue emitting greenhouse gasses after any applicable deadline (2035 or 2045) if its ongoing operation is necessary to serve as an emergency backup to operations. The Agency continues to evaluate the impacts of this legislation on future operations.

The Cross State Air Pollution Rule

On April 6, 2022, the United States Environmental Protection Agency (EPA) issued a proposed rule that would modify its existing Cross-State Air Pollution Rule (CSAPR) program by further limiting the emission of nitrogen oxides (NOx) from stationary sources located in 26 states, including Illinois. The proposal would implement EPA’s 2015 National Ambient Air Quality Standards (NAAQS) for ozone of 70 parts per billion by imposing Federal Implementation Plans (FIPs) on specified states, including Illinois. The proposed rule would require upwind states to prevent sources located within their borders from contributing significantly to nonattainment or interfering with maintenance of the NAAQS in downwind states. The EPA is also making changes to the trading program. NIMPA and its Prairie State partners continue to monitor the EPA’s activities, but based on the preliminary assessment, PSGC expects to remain compliant with the standard and anticipates minimal and primarily financial impact of the rule changes.

The Mercury and Air Toxics Standards (“MATS”)

The Mercury and Air Toxics Standards (“MATS”) rule sets emission limits for hazardous air pollutants (“HAPS”), including mercury, particulate matter (“PM”), and hydrochloric acid (“HCl”) for electric generating units greater than 25 MW. The Prairie State Generating Station as originally constructed is in compliance with the rule. EPA has not yet announced a date for issuance of a final rule. Prairie State has a multi-layered approach to controlling mercury emissions that enables it to meet both current Illinois and federal mercury and air toxics standards.

Clean Power Plan

In May of 2023, EPA issued a proposed rulemaking package that would address CO2 emissions from fossil-fueled electric generating units under section 111 of the Clean Air Act. Prairie State filed public comments in August 2023. It is anticipated that EPA will issue a final rule in the second quarter of 2024.