Wabash Valley Power Association, Inc.

Consolidated Financial Statements
as of and for the Years Ended December 31, 2022 and 2021,
and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Wabash Valley Power Association, Inc.
Indianapolis, Indiana

Opinion

We have audited the consolidated financial statements of Wabash Valley Power Association, Inc. and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and patronage capital and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations 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 Company 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 Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 the Company'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 Company'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.

Deloitte & Touche LLP

March 17, 2023

WABASH VALLEY POWER ASSOCIATION, INC.

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2022 AND 2021
(in thousands)

	2022	2021
ASSETS		
PLANT:		
In service—at cost	$ 1,386,142	$ 1,300,386
Construction work in progress	80,824	68,034
Plant held for future use	243	243
Less accumulated depreciation	(483,616)	(440,718)
	983,593	927,945
CURRENT ASSETS:		
Cash and cash equivalents	133,605	150,660
Restricted cash	207	1,288
Accounts receivable	106,866	81,268
Fuel stock and material inventory—at average cost	20,167	16,836
Under recovered power costs	21,969	19,514
Other	19,830	17,779
	302,644	287,345
OTHER ASSETS:		
Investments	19,650	18,188
Deferred charges and other	296,784	78,796
	316,434	96,984
TOTAL ASSETS	$ 1,602,671	$ 1,312,274
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Patronage capital equity	$ 275,303	$ 266,303
Finance lease liabilities	5,547	6,348
Operating lease liabilities	1,661	-
Line of credit borrowings	-	50,000
Long-term debt	869,766	748,390
	1,152,277	1,071,041
CURRENT LIABILITIES:		
Current portion of long-term debt	52,936	46,539
Accounts payable	104,006	68,889
Accrued interest	6,888	6,367
Accrued taxes other than income	4,678	4,779
Other	30,099	28,572
	198,607	155,146
DEFERRED CREDITS	251,787	86,087
TOTAL CAPITALIZATION AND LIABILITIES	$ 1,602,671	$ 1,312,274

See notes to consolidated financial statements.

WABASH VALLEY POWER ASSOCIATION, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (in thousands)

	2022	2021
OPERATING REVENUES:		
Member	$ 681,279	$ 634,345
Other	229,637	111,767
Total revenues	910,916	746,112
OPERATING EXPENSES:		
Fuel	102,000	55,337
Operation and maintenance	72,079	67,555
Purchased power	625,532	497,515
Administrative and general	22,093	24,835
Other taxes	598	992
Depreciation and amortization	59,525	59,275
Total operating expenses	881,827	705,509
OPERATING MARGIN	29,089	40,603
OTHER EXPENSES (INCOME):		
Interest expense—net of amounts capitalized	39,775	38,875
Interest income	(4,851)	(4,296)
Miscellaneous income and deductions—net	(18,835)	(6,976)
Total other expenses (income)	16,089	27,603
NET MARGIN	13,000	13,000
PATRONAGE CAPITAL—Beginning of year	266,303	256,803
PATRONAGE CAPITAL RETIREMENT	(4,000)	(3,500)
PATRONAGE CAPITAL—End of year	$ 275,303	$ 266,303

See notes to consolidated financial statements.

WABASH VALLEY POWER ASSOCIATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(in thousands)

	2022	2021
OPERATING ACTIVITIES:		
Net margin	$ 13,000	$ 13,000
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	59,525	59,275
Changes in certain assets and liabilities:		
Accounts receivable	(25,598)	(3,540)
Fuel stock and material inventory	(3,331)	(252)
Over collected/under recovered power costs	(2,455)	(30,003)
Accounts payable	32,208	7,158
Other assets and liabilities	(58,295)	57,714
Net cash provided by operating activities	15,054	103,352
INVESTING ACTIVITIES:		
Capital expenditures	(104,635)	(110,923)
Proceeds from investments	119	33,259
Purchase of investments	(1,581)	(1,480)
Net cash used in investing activities	(106,097)	(79,144)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	175,000	-
Patronage capital retirements	(4,000)	(3,500)
Payments on finance leases	(662)	(377)
Proceeds from line of credit	49,000	63,000
Payments on line of credit	(99,000)	(13,000)
Payment on long-term debt	(47,431)	(46,048)
Net cash (used in)/provided by financing activities	72,907	75
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(18,136)	24,283
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	151,948	127,665
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	$ 133,812	$ 151,948
SUPPLEMENTAL CASH FLOWS INFORMATION:		
Cash paid for interest on long-term debt	$ 37,973	$ 38,480
Additions to electric plant included in accounts payable	$ 18,236	$ 15,326

See notes to consolidated financial statements.

(in thousands)

1. ORGANIZATION

Organization—Wabash Valley Power Association, Inc. d/b/a Wabash Valley Power Alliance, Inc. ("Wabash Valley Power" or the "Company") is a nonprofit electric generation and transmission cooperative headquartered in Indianapolis, Indiana. The Company provides wholesale power to 23 rural electric membership corporations (REMCs) located in northern Indiana and parts of Illinois and Missouri.

Each member REMC has signed two All Requirements Contracts (ARCs) that obligate them to purchase all power and energy needed to serve their customers from Wabash Valley Power. The term of the first contract expires in April 2028, and the second contract term is from April 2028 through December 2050.

Wabash Valley Power's membership also includes two non-cooperative organizations, JAron & Company (JAron) and Wabash Valley Energy Marketing, Inc. (Energy Marketing), a wholly owned subsidiary of Wabash Valley Power. JAron currently has contracted purchases from Wabash Valley Power through December 2023.

Basis of Consolidation—Due to Wabash Valley Power's ownership and control over the operations of Energy Marketing, the results of Energy Marketing have been included in the consolidated financial statements and all significant intercompany transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Regulatory Accounting—Wabash Valley Power is governed by the Federal Energy Regulatory Commission (FERC) under the Federal Power Act and maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by FERC. All required adjustments to FERC accounting have been made to make the consolidated financial statements consistent with GAAP.

The rates charged by the Company for power supplied to its members are based on the revenue required by Wabash Valley Power to cover the cost of supplying such power, plus an appropriate margin. As a rate-regulated entity, Wabash Valley Power issues consolidated financial statements that reflect actions of regulators that result in the recognition of revenues and expenses in different periods than enterprises that are not rate-regulated, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980—Regulated Operations (ASC 980). As such, regulatory assets are recorded to reflect future revenues associated with costs that are expected to be recovered from customers in future periods. Regulatory liabilities are recorded to reflect future reductions in revenues associated with amounts that are expected to be credited to customers in future periods. For further information, see Note 9—Deferred Charges and Credits.

Cash and Cash Equivalents—Cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Restricted Cash—Wabash Valley Power's restricted cash for 2022 and 2021 includes amounts held as collateral to cover the Company's market exposure on gas futures contracts. The following table reconciles cash, cash equivalents and restricted cash reported on the balance sheets with those amounts shown in the statements of cash flows.

	2022	2021
Cash and cash equivalents	$ 133,605	$ 150,660
Restricted cash	207	1,288
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 133,812	$ 151,948

Asset Impairment—Long-lived assets are reviewed for impairment when events or circumstances change that could impact the recoverability of the asset's carrying amount. There were no impairments recorded during 2022 or 2021.

Inventories—Fuel stock and materials and supplies are valued at average cost. The costs of fuel and materials used in production are expensed as consumed and are recovered through rates.

Revenue Recognition—Wabash Valley Power recognizes revenue each period as energy or other utility services are delivered and consumed. Performance obligations are satisfied over time as energy and services are delivered and consumed. Substantially all the Company's revenue is derived from contracts with a single performance obligation (delivery of energy and utility services) which does not result in any future performance obligations for disclosure purposes.

Wabash Valley Power categorizes revenue based on customer classification which aligns with the pricing tariffs approved by FERC. The disaggregated revenues by each class for 2022 and 2021 are as follows:

	2022	2021
Member	$ 681,279	$ 634,345
Non-member	229,637	111,767
Total operating revenues	$ 910,916	$ 746,112

Member billed revenues reflect estimated power supply costs based on the current year's board-approved operating budget. Per the Formula Rate Tariff approved by FERC, member bills are adjusted in the subsequent year to collect or refund the difference between actual and estimated costs of power supply. Differences are shown as under recovered power costs or over collected power costs on the consolidated balance sheets. The under recovered balances at December 31, 2022 and 2021 were $21,969 and $19,514, respectively.

Use of Estimates—The preparation of consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and disclosure of contingent assets and liabilities. The estimates and assumptions used in the consolidated financial statements are based on management's evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results may differ from those estimates.

Concentration of Risk—Approximately 22% and 21% of Wabash Valley Power's total revenues for 2022 and 2021, respectively, were derived from sales to two members, Citizens Electric Corporation (Citizens) and Hendricks Power Cooperative (Hendricks). Accounts receivable balances for Citizens and Hendricks accounted for 17% of total accounts receivable as of December 31, 2022 and 2021.

Plant in Service and Maintenance—Plant in service is stated at original cost, which includes labor, materials, overheads, and interest on borrowed funds used during construction (for major projects only). Maintenance and repairs of plant and replacement of items determined to be less than units of property are charged to maintenance expense as incurred.

When assets other than general plant are retired, sold or otherwise disposed of, the original cost plus the cost of removal, less salvage, is charged to accumulated depreciation and the corresponding gain or loss is amortized over the remaining life of the plant. Losses included in accumulated depreciation that will continue to be amortized are ($38,496) and ($37,052) at December 31, 2022 and 2021, respectively. As general plant assets are sold or retired, any resulting gain or loss is recognized in the consolidated statements of operations.

Also included in accumulated depreciation are costs of removal for assets that do not have associated legal or contractual retirement obligations. Wabash Valley Power estimates that a regulatory liability related to these removal costs has been recorded in accumulated depreciation on the consolidated balance sheets at December 31, 2022 and 2021 of $58,547 and $55,334, respectively.

Wabash Valley Power's ownership in the Prairie State Energy Group LLC (Prairie State) also includes an interest in coal reserves. The original cost, net of depletion, at December 31, 2022 and 2021 was $2,462 and $2,572, respectively.

Depreciation—Plant in service is depreciated on a straight-line basis at rates designed to recover the cost of properties over their estimated service lives. The resulting average depreciation rates by plant function at December 31 were as follows:

	2022	2021
Steam production	4.13 %	4.12 %
Other production	3.52	3.51
Transmission	2.17	2.17
Distribution	3.51	3.68
Other utility	3.70	3.70
General	5.43	5.41

Federal Income Taxes—Wabash Valley Power is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(12) as long as member gross margins are at least 85% of total gross margins. Member gross margins as a percent of total gross margins for 2022 and 2021 were greater than 85%. As a result, no provision for federal income taxes was made during either year.

The Company has adopted guidance governing uncertain income tax positions that sets forth recognition thresholds and measurement attributes for financial statement recognition. The guidance did not result in the recording of any uncertain tax position liabilities as of December 31, 2022 and 2021. Tax years 2019 through 2022 remain open and could be subject to audit by the IRS.

Fair Value of Financial Instruments— Cash, temporary cash investments, restricted cash, trustee deposits, capital term certificates (CTCs), receivables, certain other liabilities and long-term debt are considered to be financial instruments. The carrying value of cash, temporary cash investments, trustee deposits, receivables and certain other liabilities approximate the fair value because of the short maturity of the instruments. The fair value of the National Rural Utilities Cooperative Finance Corporation (CFC) CTCs and other investments are not estimable since these instruments are required to be held by Wabash Valley Power as a condition of membership and can only be returned to the investee.

The Company uses observable inputs in the calculation of fair value. ASC 820—Fair Value Measurement and Disclosures (ASC 820) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the hierarchy are described below.

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2—Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3—Prices or valuations that require inputs that are both significant to the fair value measure and unobservable.

Wabash Valley Power's gas futures derivatives were valued using Level 1 inputs, which consist of quoted market prices from active exchange markets.

The Company's power contract derivatives were calculated using broker quotes or appropriate pricing models with primarily externally verifiable model inputs. These valuations are considered Level 2.

The interest rate swap derivatives were valued using yield curves derived from current interest rates and spreads to project and discount swap cash flows to present value. These valuations are considered Level 2.

Leases— An arrangement is determined to be a lease at inception based on whether the Company has the right to control the use of an identified asset. Right-of-use (ROU) assets represent Wabash Valley Power's right to use the underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The present value of the remaining lease payments (plus any amounts probable of being owed by the lessee under a residual value guarantee), is calculated using a risk-free rate consistent with the Daily Treasury Par Yield Curve Rates as of the later of the lease commencement date or the Company's adoption date of January 1, 2022, for a term consistent with the remaining term of the lease itself. Lease expense and lease income are recognized on a straight-line basis over the lease term for operating leases.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02—*Leases*, which revised accounting guidance for the recognition, measurement, presentation, and disclosure of leasing arrangements. In July 2018, the FASB issued ASU 2018-11 *Leases* (Topic 842): Targeted Improvements, which provides an adoption method that allows companies to apply the new guidance to the financial statements in the period of adoption and thereafter, and not apply the new guidance to comparative periods presented. In November 2021, the FASB issued ASU 2021-09 *Leases* (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities, which allows lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level.

Effective January 1, 2022, Wabash Valley Power elected the adoption method provided by ASU 2018-11 (Topic 842) and is not adjusting prior year comparative financial statements. As a result, the Company recognized $1,965 in operating ROU assets and lease liabilities on January 1, 2022. In addition, the Company elected the following practical expedients:

- Package of transition practical expedients – permits the Company to not reassess under the new standard prior conclusions for lease identification and lease classification on expired or existing contracts and whether initial direct costs previously capitalized would qualify for capitalization under ASU 2018-11 (Topic 842).
- Short term lease expedient – permits the Company to not apply the recognition requirements to short-term leases.
- Hindsight expedient – permits the Company to use hindsight when determining the lease term.
- Land easements expedient – permits the Company to not reassess current accounting treatment for existing agreements on land easements, which are not accounted for as leases.

In October 2021, the FASB issued ASU 2021-08 *Business Combinations* (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. This update addresses how to determine whether a contract liability is recognized by the acquirer in a business combination. This standard is effective for Wabash Valley Power beginning January 1, 2024 and will apply prospectively to business combinations occurring on or after the effective date of the amendments.

In June 2016, the FASB issued ASU 2016-13 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, intended to amend guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For nonpublic entities, the guidance is effective for annual reporting periods beginning after December 15, 2022. Management does not expect the adoption of this guidance to have a material impact on the Company's financial statements or disclosures.

4. RETIREMENT PLANS

Multiemployer—Plan-Qualified employees of the Company are members of a pension plan sponsored by the National Rural Electric Cooperative Association (NRECA). The NRECA Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and is tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Contributions to the RS Plan by Wabash Valley Power in 2021 and 2020 represented less than 5% of the total contributions made to the plan by all participating employers. Wabash Valley Power's contributions in 2022 and 2021 were $1,637 and $1,589, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on both January 1, 2022 and January 1, 2021 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans, and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

Retirement Savings Plan—Employees of the Company are also eligible to participate in the WVPA Retirement Savings 401(k) Plan. This is a defined contribution 401(k) plan. Wabash Valley Power makes matching contribution payments for the benefit of those employees who participate in the plan. The Company expenses the payments as incurred, and contributions were $218 and $213 for 2022 and 2021, respectively.

5. PLANT IN SERVICE

Plant in service at December 31 consists of the following:

	2022	2021
Production	$ 729,735	$ 715,410
Transmission	469,422	419,505
Distribution	130,529	110,780
Other utility	13,059	12,867
General	43,397	41,824
Plant in service	$ 1,386,142	$ 1,300,386

Wabash Valley Power has an agreement with Duke Energy Indiana, Inc. (Duke Indiana) and Indiana Municipal Power Agency (IMPA) that provides for an undivided 25% ownership interest in the Gibson Unit No. 5 production facility.

Wabash Valley Power has an agreement with Duke Indiana that provides for an undivided 37.5% ownership interest in the Vermillion generating facility.

Wabash Valley Power has an agreement with Hoosier Energy REC (Hoosier) that provides for a one-third ownership interest in the Lawrence generating facility.

Wabash Valley Power and Hoosier jointly own the Holland generating facility. The agreement provides each owner with an undivided 50% ownership in the facility.

Wabash Valley Power has an undivided 5.06% ownership interest in Prairie State, which includes coal reserves and a captive coal mine that serves as the fuel source for the power plant.

Wabash Valley Power jointly owns certain transmission property and local facilities with Duke Indiana and IMPA. These facilities are part of the joint transmission system (JTS) maintained by Duke Indiana.

A substantial portion of Wabash Valley Power's utility plant and related operation and maintenance expenses is included under the terms of the above agreements.

6. INVESTMENTS

Investments at December 31, 2022 and 2021 consist of the following:

	2022	2021
Capital term certificates—CFC	$ 2,746	$ 2,858
Cooperative investment patronage allocation	16,388	14,814
Investment in associated organizations	516	516
Total	$ 19,650	$ 18,188

The CTCs bear interest ranging from 0% to 5.6% and are required to borrow from the CFC. All investments with CFC are classified as held-to-maturity investments and are reported at cost.

Wabash Valley Power's cooperative investment patronage allocations and investments in associated companies are reported at cost, plus allocated equities.

Wabash Valley Power also has authority to make short-term investments. As held-to-maturity investments that will mature in less than one year, the notes and commercial paper are carried at cost, which approximates fair value, in short-term investments on the consolidated balance sheets. There were no amounts invested at December 31, 2022 or 2021. There were no gains or losses recorded during the year.

7. LONG-TERM OBLIGATIONS

Debt—Wabash Valley Power's long-term debt, as of December 31, consists of the following:

		2022	2021
First Mortgage Notes (due in quarterly installments):			
Series 2000-A	3.45% due 2030	$ 1,673	$ 1,859
Series 2001-A	2.09%–6.95% due 2027	622	742
Series 2003-B	2.96%–6.65% due 2023	736	1,447
Series 2004-A	5.08% due 2024	16,004	26,020
Series 2004-C	6.00% due 2024	1,584	2,588
Series 2004-D	5.56% due 2024	4,557	6,582
Series 2005-A	5.25% due 2025	4,126	5,486
Series 2006-A	6.44%–6.87% due 2028	8,517	10,373
Series 2007	6.14%–6.24% due 2028	66,241	76,622
Series 2009-A	7.39%–7.71% due 2039	82,982	85,499
Series 2009-B	7.22% due 2039	75,500	77,871
Series 2012	6.17% (through February 2023) due 2032 [(a)]	28,150	28,400
Series 2012	4.58% due 2032 [(b)]	20,587	20,587
Series 2015-A	3.87% due 2045	37,050	37,650
Series 2015-B	4.03% due 2045	37,050	37,650
Series 2016-A	3.65% due 2031	33,250	37,050
Series 2016-B	3.54% due 2046	31,597	32,941
Series 2016-C	3.56% due 2047	28,455	29,593
Series 2016-D	4.02% due 2036	13,750	14,750
Series 2018-A	4.01% due 2048	73,667	76,500
Series 2018-B	4.05% due 2049	35,333	36,667
Series 2020-A	2.99% due 2045	100,000	100,000
Series 2020-B	2.39%–3.57% due 2048	72,321	24,107
Series 2022-A	5.66% (through February 2023) due 2049	75,000	-
Series 2022-B	5.66% (through February 2023) due 2049	50,000	-
Tax-Exempt Bonds (due in quarterly installments)—Series 2010-A	4.24% (through February 2023) due 2030 [(c)]	25,950	26,150
Total long-term debt		924,704	797,135
Less current maturities		52,936	46,539
Less debt issuance costs		2,002	2,206
Total long-term debt—net of current maturities and debt issuance costs		$ 869,766	$ 748,390

[(a)] Variable rate on debt with swap to effectively fix the rate at 3.75% and 3.78% (see Note 11—Derivative Instruments)

[(b)] Due at maturity

(c) Variable rate on debt with swap to effectively fix the rate at 2.65% (see Note 11—Derivative Instruments)

Wabash Valley Power issues secured debt under an Indenture of Mortgage, Security Agreement and Financing Statement (Indenture). The Indenture requires the Company to design rates that shall, on an annual basis, yield a minimum times interest earned ratio (TIER) of 1.0 and a debt service coverage (DSC) ratio of 1.10. The TIER and DSC for the year ended December 31, 2022 were 1.34 and 1.30, respectively. Under the Indenture, Wabash Valley Power may retire patronage capital provided members' capital as of the end of the most recent fiscal quarter is not less than 20% of total long-term debt and members' capital (See Note 13—Members' Patronage Capital Equity).

The First Mortgage Notes are collateralized by the Company's generation, transmission, distribution, and general plant assets (excluding transportation equipment).

Debt issuance costs are being amortized over the lives of the related debt on a straight-line basis.

Estimated future maturities on long-term obligations as of December 31, 2022 are as follows:

2023	$ 52,936
2024	52,195
2025	53,786
2026	53,002
2027	52,673
Thereafter	660,112
Total long-term debt	$ 924,704

Credit Facility—The Company has a $400,000 syndicated revolving credit facility that expires in July 2026. The facility can be used to finance the general operating needs of the Company, provide interim financing of capital projects, and provide letters of credit to power supply counterparties to support purchase and sale obligations. There was $0 and $50,000 outstanding under the agreement at December 31, 2022 and 2021, respectively.

8. LEASES

Wabash Valley Power's lease agreements do not contain any material residual value guarantees, material restrictions or material covenants. There are no material lease transactions with related parties. Agreements in which the Company is the lessor do not include provisions for the lessee to purchase the assets. Because risk is minimal, the Company does not take any significant actions to manage risk associated with the residual value of leased assets.

The operating lease agreements the Company has are primarily for equipment and real property, including land, communication towers, office space, and storage facility space. The lease terms may include options to extend or terminate a lease when it is reasonably certain that those options will be exercised. As noted above, Wabash Valley Power has elected an accounting policy that exempts leases with terms of one year or less from the recognition requirements of ASC 842.

Supplemental balance sheet information related to leases is as follows:

	Classification	December 31, 2022
Assets		
Finance	Plant in service--at cost and accumulated depreciation	$ 6,234
Operating	Deferred charges and other	1,837
Total lease assets		$ 8,071
Liabilities		
Current		
Finance	Other current liabilities	$ 412
Operating	Other current liabilities	152
Noncurrent		
Finance	Finance lease liabilities	5,587
Operating	Operating lease liabilities	1,661
Total lease liabilities		$ 7,812

The components of lease cost included in the Consolidated Statements of Operations and Patronage Capital are as follows:

	Classification	December 31, 2022
Finance lease cost		
Amortization of leased assets	Depreciation and amortization	$ 291
Interest on lease liabilities	Interest expense--net of amounts capitalized	267
Operating lease cost	Operating expenses	253
Total lease cost		$ 811

Future minimum lease payments under noncancelable operating and finance leases with terms greater than one year as of December 31, 2022 were as follows:

	Operating Leases	Finance Leases
2023	$ 188	$ 662
2024	122	662
2025	111	662
2026	102	662
2027	101	662
Thereafter	1,626	2,193
Total future undiscounted lease payments	2,250	5,503
Less: Interest	(437)	(1,480)
Total lease liabilities	$ 1,813	$ 4,023

Other information related to leases is as follows:

	December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities [a]	
Operating cash flows from finance leases	$ 267
Operating cash flows from operating leases	277
Financing cash flows from finance leases	662
Lease assets obtained in exchange for new lease liabilities (non-cash) [b]	
Finance	$ -
Operating	90
Weighted-average remaining lease term	
Finance	8.53 years
Operating	21.18 years
Weighted-average discount rate	
Finance	4.41%
Operating	2.08%

(a) No amounts were classified as investing cash flows from leases for the year ended December 31, 2022.

(b) Does not include ROU assets recorded as a result of the adoption of the new lease standard.

In 2022, we terminated a purchased power agreement for 199 MW of solar generation. This agreement was classified as a capital lease in 2021, however, the Company was not considered the asset owner during construction, so no lease obligation had been recorded as of December 31, 2021.

9. DEFERRED CHARGES AND CREDITS

Amounts recorded as deferred charges as of December 31, 2022 and 2021, are as follows:

	2022	2021
Regulatory asset—contract termination cost	$ 3,030	$ 3,422
Regulatory asset—unrealized losses on derivative instruments	21,119	12,454
Fair value of derivative instruments	220,306	5,361
Plant retirement and decommissioning costs	48,763	55,338
Operating ROU Assets	1,837	-
Other deferred charges	1,729	2,221
Total deferred charges and other	$ 296,784	$ 78,796

A power supply contract with Duke Energy Vermillion LLC (Duke Energy) was terminated in 2004 when the Company acquired an ownership interest in the Vermillion generating facility (see Note 5—Plant in Service). Wabash Valley Power received regulatory approval to defer the termination costs and amortize them over the remaining life of the plant (through September 2030).

Wabash Valley Power has FERC approval to defer all unrealized gains and losses on derivative and hedging contracts. Amounts are recorded as a regulatory asset or liability until the derivative is settled, at which time the gain or loss is recognized in earnings.

The Company has power, gas futures and interest rate contracts that qualify as derivative instruments under FASB ASC 815—Accounting for Derivative Instruments and Hedging Activities (ASC 815), as amended. These contracts are recorded at fair value in the consolidated balance sheets. See Note 11—Derivative Instruments for the recovery period of derivative contracts.

Wabash Valley Power has FERC approval to defer all costs associated with the retirement and decommissioning of Wabash River Unit 1 and the discontinued operations of a coal gasification plant. The deferral is being amortized over 14 years, which approximated the remaining lives of the assets, and continues through May 2030.

The Company has entered into certain agreements classified as operating leases. The net book value of the operating right-of-use (ROU) assets associated with these agreements is recorded in deferred charges and other on the consolidated balance sheets as of January 1, 2022.

Amounts recorded as deferred credits as of December 31, 2022 and 2021, are as follows:

	2022	2021
Member buy-out payments	$ 4,178	$ 4,961
Fair value of derivative instruments	21,119	12,454
Regulatory liability—unrealized gains on derivative instruments	220,306	5,361
Asset retirement obligations	5,436	6,431
Collateral from power providers	-	54,970
Other deferred credits	748	1,910
Total deferred credits	$ 251,787	$ 86,087

Paulding Putnam REMC's membership terminated at the end of 2014 and Northeastern REMC's membership terminated on June 30, 2015. The termination fees received were deferred and are being amortized through April 2028 (see Note 13—Members' Patronage Capital Equity).

Under the terms of a long-term power supply agreement, Wabash Valley Power received cash collateral in 2021 as financial security from a power supplier related to contracts where the mark-to-market value exceeded pre-established credit thresholds.

10. ASSET RETIREMENT OBLIGATIONS

The Company records its ownership share of legal obligations associated with the retirement of waste landfills and ash ponds at the Gibson Unit No. 5 production facility and mine reclamation and closure costs at the Prairie State generating facility. The obligations are recorded at fair value when incurred and capitalized as a cost of the related asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. When the asset is retired, the entity settles the obligation for its recorded amount or incurs a gain or loss.

The following table represents the details of Wabash Valley Power's asset retirement obligations, which are included on the consolidated balance sheets in deferred credits.

	2022	2021
Beginning balance	$ 6,431	$ 6,751
Liabilities incurred	-	-
Liabilities settled	(2)	(111)
Accretion	214	236
Cash flow revisions	(1,207)	(445)
Ending balance	$ 5,436	$ 6,431

11. DERIVATIVE INSTRUMENTS

Wabash Valley Power is exposed to various market risks in the normal course of business. Management has established risk management policies to mitigate the potentially adverse effects that these risks may have on member rates. The policies include the use of derivative instruments that generally qualify for the normal purchase and normal sales exception under ASC 815.

Wabash Valley Power enters into power contracts with the primary intent of securing wholesale power requirements for members at the minimum cost, while enhancing the value of the Company's assets and managing the risk associated with volatility in power prices. These contracts generally meet the definition of a derivative as defined in ASC 815. Many of these contracts qualify for the normal purchase and normal sales exception and are not recorded in the consolidated financial statements at fair value. Contracts not meeting the normal purchase and normal sales exception are reflected at fair value on the consolidated balance sheets. Wabash Valley Power values its contracts using market prices from brokers. Notional values of these contracts for 2022 and 2021 were 9.3 million megawatt hours (MWh) and 4.0 million MWh, respectively. In 2022, the Company recorded an increase in derivative assets primarily due to one new contract and two existing contracts that no longer met the criteria for the normal purchase and normal sales exception.

Wabash Valley Power holds gas futures contracts for the primary purpose of mitigating volatility in gas prices related to the operation of its gas-fired plants and reducing the effect on member rates due to changes in future gas prices. These contracts qualify as derivatives and are recorded at fair value on the consolidated balance sheets. Notional values under these contracts were 11,830,000 MMBtu (million British thermal units) in 2022 and 9,330,000 MMBtu in 2021.

Wabash Valley Power has entered into three interest rate swap agreements with a total remaining notional value of $54,100 to mitigate the risk associated with changes in floating interest rates on the issuance of variable-rate long-term debt. The swap agreements convert floating rates into fixed rates on a quarterly basis so the Company can more accurately predict future interest costs and protect itself against increases in floating rates. These contracts qualify as derivatives and are reflected at fair value on the consolidated balance sheets. See Note 7—Long-term Obligations for additional detail.

See Note 2—Summary of Significant Accounting Policies for additional information regarding the fair value of these derivatives.

The following reflects the amounts recorded in assets and liabilities at December 31, 2022 and 2021 for the Company's derivative instruments:

	2022	2021
Power contracts:		
Other current assets	$ 13,818	$ 8,894
Deferred charges	214,967	4,436
Gas futures:		
Other current assets	868	84
Deferred charges	2,013	925
Interest rate swaps:		
Deferred charges	3,326	-
Total derivative assets	$ 234,992	$ 14,339
Power contracts:		
Other current liabilities	$ -	$ 4,149
Deferred credits	20,233	8,998
Gas futures:		
Other current liabilities	1,735	214
Deferred credits	886	183
Interest rate swaps:		
Deferred credits	-	3,273
Total derivative liabilities	$ 22,854	$ 16,817

The changes in the fair value of derivative contracts result in unrealized gains and losses, which are reflected in regulatory assets or liabilities, as appropriate, on the consolidated balance sheets (See Note 9—Deferred Charges and Credits). As the contracts are settled, the derivative assets and liabilities and corresponding regulatory assets and liabilities are relieved and amounts are recognized in fuel expense, purchased power, or interest expense, as appropriate.

Net realized losses (gains) recognized in earnings for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Power contracts (purchased power)	$ (24,304)	$ 566
Gas futures (fuel expense or purchased power)	(5,768)	2,010
Interest rate swaps (interest expense)	603	1,160

The realized portion of derivative gains and losses is reflected in net cash from operating activities on the consolidated statements of cash flows.

All power and gas futures contracts reflected at fair value on the consolidated balance sheets at December 31, 2022 mature on or before December 31, 2035. The interest rate swaps mature in January 2032 and July 2032. Based on the Company's current credit rating, Wabash Valley Power had no cash collateral posted under the terms of these agreements as of December 31, 2022 and 2021.

12. RELATED PARTY TRANSACTIONS

Wabash Valley Power is a member of ACES LLC (ACES), which provides wholesale marketing services and efficiencies of combining the marketing of member power resources. The investment in ACES is accounted for using the cost method of accounting. At December 31, 2022 and 2021, Wabash Valley Power's investment in ACES was approximately $500.

13. MEMBERS' PATRONAGE CAPITAL EQUITY

Revenues in excess of current period costs (net margins) in any year are considered capital furnished by the members and are credited to the members' individual accounts pursuant to the provisions of its by-laws. Net margins are held by Wabash Valley Power until they are retired and returned, without interest, at the discretion of the Board of Directors and subject to certain restrictions under the Indenture (see Note 7—Long-term Obligations). Amounts returned to members in 2022 and 2021 were $4,000 and $3,500, respectively.

Wabash Valley Power's Buyout Policy and Procedure (Buyout Policy) describes the process and obligations for withdrawing from membership. Pursuant to the Buyout Policy, a terminating member continues to be an all-requirements purchaser and member for ten years upon execution of a Supplemental Agreement. During the ten-year period, the terminating member is required to deposit specified amounts into an escrow account, together with accrued interest thereon, which is paid to an Escrow Agent. Upon written notice, the terminating member can elect to cancel the Supplemental Agreement prior to the end of the seventh year, receive all escrow funds and continue its membership in Wabash Valley Power.

14. COMMITMENTS, CONTINGENCIES AND PENDING LITIGATION

Long-Term Supply Agreements—Wabash Valley Power has several long-term power supply agreements that obligate the Company to purchase power at amounts specified in the agreements without regard to whether it takes delivery of such power. All power supply agreements expire on or before December 31, 2037, and the total amount of these future purchase obligations as of December 31, 2022 by year are as follows:

2023	$ 90,025
2024	91,909
2025	103,353
2026	91,410
2027	91,995
Thereafter	693,799
Total	$ 1,162,491

Wabash Valley Power also has long-term power supply agreements that are supplier cost based. The costs are part of a formulary rate and vary from year to year. Volumes under these agreements are approximately 305 megawatts (MW) per year and all agreements expire on or before December 31, 2032.

Amounts paid under long-term agreements were $309,528 and $271,406 in 2022 and 2021, respectively.

Guarantees—Wabash Valley Power's Board of Directors has authorized the following guarantees related to the Company's 50% ownership of the Holland generating facility.

- Guarantee up to $10,000 of activities related to operations, fuel purchasing, financial and construction activities. A guarantee for $6,000 is outstanding as of December 31, 2022.
- Guarantee up to $100 of MISO activities. A guarantee to MISO for $100 is outstanding as of December 31, 2022.

Pending Litigation—On October 1, 2018, Tipmont Rural Electric Membership Corporation ("Tipmont") filed a Complaint at the Federal Energy Regulatory Commission ("Commission") in Docket No. EL19-2-000 requesting that the Commission find that Tipmont may terminate service early under its wholesale power supply contracts ("Tipmont Contracts") with Wabash Valley Power subject to Tipmont's paying any demonstrated stranded costs that Wabash Valley Power may incur as a result of early termination. On the same date, Tipmont notified Wabash Valley Power that it intended to terminate the purchase of service under the Tipmont Contracts from Wabash Valley Power as of January 1, 2020, and that it is willing to pay fair and appropriate stranded costs approved by the Commission.

On November 5, 2018, Wabash Valley Power filed its Answer to Tipmont's Complaint asking the Commission to reject Tipmont's request to be allowed to terminate service early under the Commission-filed Tipmont Contracts without complying with the ten-year notice and buyout provisions contained in the Tipmont Contracts and reject Tipmont's request that the Commission determine the level of Tipmont's buyout costs under an inapplicable stranded cost formula.

On September 19, 2019, the Commission issued an order holding the Complaint proceeding in abeyance to provide Wabash Valley Power time to prepare a Federal Power Act ("FPA") Section 205 filing proposing rates, terms and conditions to govern the early termination of the Tipmont Contracts.

On February 20, 2020, Wabash Valley Power filed the unexecuted agreement under FPA Section 205 at the Commission in Docket No. ER20-1041-000 ("Section 205 Filing") containing the rates, terms and conditions for the early termination of the Tipmont Contracts and requested that the agreement be effective on April 20, 2020. On that same day, Wabash Valley Power filed a second status report with the Commission in the Complaint proceeding notifying the Commission that it had filed the unexecuted agreement in the Section 205 Filing.

On March 12, 2020, Tipmont filed a protest and motion for partial summary disposition to Wabash Valley Power's Section 205 Filing alleging it is unjust and unreasonable because Wabash Valley Power did not use the Commission's formula for calculating stranded costs and is requesting a substantially excessive stranded cost number.

On April 20, 2020, the Commission took final action on the Tipmont Complaint, granting the complaint in part, denying it in part, and dismissing it in part as moot ("Complaint Order"). In the Complaint Order, the Commission denied Tipmont's request to terminate the 1977 Contract under Commission Order No. 888. The Commission also "dismiss[ed] as moot the parties' arguments concerning the applicability of the stranded cost provisions of Order No. 888," because "[t]hese issues are before the Commission as part of the Agreement filed by Wabash in the Section 205 Filing."

In a concurrent Order in the Section 205 Filing, the Commission accepted, suspended for a nominal period, to become effective April 20, 2020, subject to refund, the proposed Termination Agreement between Wabash Valley Power and Tipmont, and established hearing and settlement judge procedures. The Commission set two issues for hearing: (1) "the just and reasonable buyout amount for the entire remaining terms of the 1977 Contract and the 2006 Contract (Full Buyout Amount)" and (2) "the just and reasonable term of the [Termination] Agreement." The Commission also denied Tipmont's several requests for summary disposition.

An Evidentiary Hearing was held beginning on May 20, 2021 through June 8, 2021. On January 28, 2022, the Presiding Administrative Law Judge issued her Initial Decision that with certain adjustments, Wabash Valley Power's Termination Agreement is just and reasonable (i.e. that Tipmont is required to continue to purchase all-requirements service from Wabash Valley Power during the ten-year buyout period and to also pay into escrow amounts for the stranded costs that Wabash Valley Power and its remaining members would incur as a result of Tipmont's early termination of its Contracts).

On March 21, 2022, the parties filed briefs taking exceptions to the Presiding Judge's decisions, and on April 20, 2022 the parties filed briefs opposing the other parties' exceptions. The parties are awaiting the Commission's decision whether to affirm or modify the Presiding Judge's Initial Decision.

Wabash Valley Power is a defendant in various other claims and lawsuits arising in the normal course of business. While the ultimate results of these other lawsuits or proceedings against the Company cannot be estimated with certainty, management does not expect these matters will have a material adverse effect on Wabash Valley Power's financial position, results of operations, or cash flows.

Environmental Matters—The Environmental Protection Agency (EPA) issued the Cross State Air Pollution Rule (CSAPR) in July 2011 that limits sulfur dioxide (SO2) and nitrogen oxide (NOx) emissions at generating facilities, which became effective on January 1, 2015 due to delays in litigation. In 2016, the EPA finalized the Cross-State Air Pollution Rule Update for the 2008 Ozone NAAQS (CSAPR II). CSAPR II replaced the NOx Ozone Season allowance-trading program established in CSAPR. Subsequently, in 2021, the EPA finalized the Revised Cross-State Air Pollution Rule Update for the 2008 Ozone NAAQS (CSAPR III) which established a CSAPR Group 3 Ozone Season NOx allowance trading program to replace the CSAPR Group 2 Ozone Season NOx allowance trading programs for certain states, including Illinois and Indiana. At this time, the Company's assets are subjected to the Acid Rain Program, CSAPR SO2 Group 1, CSAPR Annual NOx and CSAPR III Group 3 Ozone Season NOx allowance trading programs.

In late 2013 and mid-2014, the EPA proposed a suite of standards to regulate carbon emissions from new, existing, modified and reconstructed power plants, known as the Clean Power Plan (CPP). With the advent of the Republican administration, the CPP, which is applicable to existing power plants, was replaced with the Affordable Clean Energy (ACE) Rule on June 19, 2019. In 2021, the Supreme Court of the United States accepted a Writ of Certiorari regarding the ACE Rule, and on June 30, 2022, they determined that the EPA exceeded its authority with the CPP; therefore, the ACE Rule is in effect. To date, the current Administration has yet to take action in light of this decision except to convene a Small Business Advocacy Review (SBAR) regarding potential revisions to carbon rules for existing, modified and reconstructed units. Wabash Valley Power is a member of this SBAR.

In addition, the Clean Water Rule was finalized on April 21, 2020. This is a replacement to the 'Waters of the US' (WOTUS). The Company estimates the cost impact to its facilities to be minimal. However, the Company cannot accurately estimate the impact it will have on the costs charged by suppliers under the Company's various power supply agreements. This rule is under litigation and in January 2022, the Supreme Court of the United States accepted a Writ of Certiorari challenging the WOTUS rules with oral arguments held in October 2022. An opinion has yet to be released. In the meantime, the EPA finalized revisions to WOTUS with an effective date of March 20, 2023. Wabash Valley Power is engaged with NRECA on this matter.

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of coal combustion residuals (CCR) from electric utilities as solid waste. The federal regulation, which became effective in October 2015, classifies CCR as nonhazardous waste and allows for beneficial use of CCR with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. USEPA proposed further revisions to the CCR program in 2020, however, these revisions are under review by the EPA. The Company recorded an asset retirement obligation (ARO) during 2015 because of these new rules. Cost recovery for future expenditures will be pursued through the normal ratemaking process.

The ARO amount recorded on the consolidated balance sheets is based upon estimated closure costs for impacted ash impoundments. The amount recorded represents the discounted cash flows for estimated closure costs based upon closure plans. Actual costs to be incurred will be dependent upon a variety of specific factors. The most significant factors are the method and time frame of closure at the site. The ultimate method and timetable for closure will comply with standards set by federal and state regulations. The ARO amount will be adjusted as additional information is gained through the closure process, including acceptance and approval of compliance approaches that may change management assumptions, and may result in a material change to the balance. Asset retirement costs for operating plants and retired plants are included in Plant in service and the associated AROs are recorded in Deferred Credits (see Note 10—Asset Retirement Obligations).

All rules, regulations and guidance drafted and finalized over the course of the prior Presidential administration are frozen, as applicable, and are under review. The Company is monitoring all these changes to determine the impact.

15. SUBSEQUENT EVENTS

The consolidated financial statements include a review of subsequent events through March 17, 2023, the date the consolidated financial statements were issued.

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