Bridging the Gap

2022 Annual Report

CIPCO
Central Iowa Power Cooperative
A Touchstone Energy® Cooperative

PURPOSE

The purpose of CIPCO is to create value for its Member-owners as their preferred business partner in the production, packaging, and delivery of energy services to rural and suburban markets.

MISSION

Our mission is to provide Member-owners with wholesale power and services in a safe, reliable and cost-effective manner.

VISION

The CIPCO Systems, through unity of purpose and progressive leadership, will exceed the competition in service excellence, product value, and resource deployment.

VALUES

Provide outstanding value that powers the success of our Member-owners.

MESSAGE FROM THE CEO

2022 was a thought-provoking year in the energy industry. Over the course of 12 months, reports proliferated from state regulators and regional grid operators lamenting gaps in the stability of our electric grid. The early closure of dispatchable generation sources has compounded the problem, pressing CIPCO to accelerate its search for new sources of generation to help close the gap. This, along with rising sales of, and interest in, electric vehicles and electric vehicle infrastructure, increased the pressure on an already aging electric grid.

Weather volatility prompted the North American Electric Reliability Corporation (NERC) and the Mid-Continent Independent System Operator (MISO) to issue warnings regarding potential capacity shortfalls during both the summer and winter months. MISO actively engaged its members with a warning that the summer peak forecast was 124 GW with 119 GW of projected regularly available generation. Later in the year, as most of us were readying for the holidays, we dealt with Winter Storm Elliott, a "bomb cyclone" of intense wind, snow and frigid temperatures that settled in across Iowa over the course of several days. In both cases, CIPCO met all capacity requirements, while the potential for shortfalls in other areas of the MISO system were monitored.

CIPCO was not alone in experiencing the highs and lows of volatile fuel and energy markets that reacted to sharp inflation across the industry. These occurrences underscored the value of an all-of-the-above strategy that would alleviate too much reliance on one source of generation. Fortunately, we were able to avoid potential outages and serve our Member-owners when they needed us the most. We called on all available resources to bridge the gap and ensure our 13 Members-owners continued receiving safe, reliable, and cost-effective power.

Our need to stay engaged in policies impacting the electric utility industry has never been more prominent. We continue to look for ways to promote our support of an all-of-the-above energy strategy that balances dispatchable, well-tested generation options with new technologies while maintaining capacity and grid stability. For the second year in a row, I was privileged to testify before Congress on issues impacting our industry, this year before the U.S. House Committee on Agriculture. Once again, my testimony stressed the importance of direct-pay tax credits, the ongoing energy transition, the importance of Rural Utilities Service (RUS) loans to rural America, and support for electric cooperative programs, particularly those in the Farm Bill. My comments included the following:

Electric cooperatives return excess revenues to our consumer-members. CIPCO is dedicated to efficient, cost-effective operations and has returned more than $120 million to our member distribution systems since its inception. This commitment to cost-effective measures has created steady, affordable electric rates at a time of great change in the energy industry. As a not-for-profit electric provider, CIPCO is committed to judiciously maintaining and growing a system that supplies safe, reliable, and affordable electricity around the clock. I offer the Committee a few key points based on CIPCO's experience and that of many other electric cooperatives:

- *Rural Utilities Service (RUS) loans are critical to providing affordable, reliable power to rural America.*
- *The ongoing energy transition must be inclusive of all energy sources and incentives to support this transition should be accessible to all electric utilities.*
- *USDA is a key partner with not-for-profit electric cooperatives to serve our communities and provide benefits well beyond electrification.*

After a multi-year process, CIPCO and its Member-owners came to an agreement on an innovative new Wholesale Power Contract that will guide CIPCO operations for years to come. All parties developed and negotiated meaningful solutions within the contract as an investment in the future of all CIPCO Member-owners as well as their member-consumers at the end of the line. I'm immensely proud of our system managers, board and staff who worked tirelessly to bring the agreement to fruition.

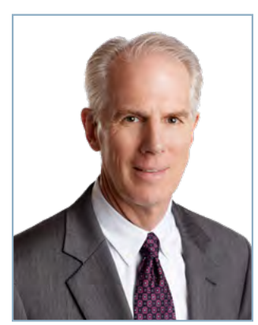
LEADERSHIP TEAM

Mid-year, CIPCO offered a new opportunity for our Member-owners. The Renewable Energy Certificate purchase program allows Member-owners to purchase Renewable Energy Certificates (RECs) for resale to their member-consumers and customers who are interested in meeting energy sustainability goals. RECs are tradable instruments representing the property and reporting rights to the renewable, environmental, emissions, social, and other non-power attributes of renewable electricity generation. The program bridges the gap between CIPCO Member-owners and their member-consumers or customers who want to participate in the support of renewable energy options within their service territories.

CIPCO experienced a significant shift in 2022 related to the New-To-Replace-Old transmission rebuild program. In August, we hired a travel crew of linemen who quickly meshed as an efficient team. Their contributions have already positively impacted the CIPCO transmission system and budget as they work on projects across the CIPCO system.

In March 2022, CIPCO celebrated its 75th annual meeting. The event provided an opportunity to look back at the evolution of our organization and the trailblazers, dreamers, and leaders who set CIPCO's path. Looking back also provided a chance to look forward to the next 75 years, and the challenges, impact and connections facing electric cooperatives in the decades to come.

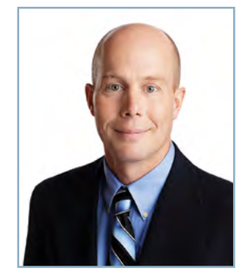
I feel extremely privileged to be a part of the cooperative family and am thankful for our Member-owners, board and staff who make CIPCO an outstanding organization.



BILL CHERRIER
Executive Vice President
& CEO

DAN BURNS
Vice President
Utility Operations

KENDRA GRAVES
Vice President
Portfolio Strategy & Planning



PAUL HOFMAN
Vice President
Information Technology

KERRY KOONCE
Vice President
Communications &
Corporate Relations

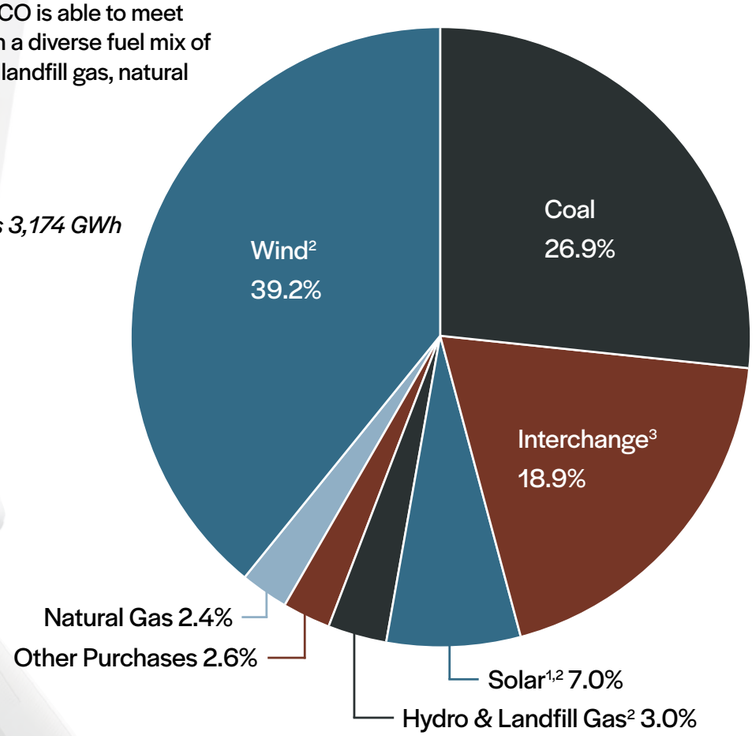
MEMOREA SCHRADER
Vice President
Human Resources

ANDREW ST. JOHN
Vice President
Chief Financial Officer

A BALANCED PORTFOLIO OF ENERGY SOURCES

As a 24/7 energy provider, CIPCO is able to meet its Member-owners' needs with a diverse fuel mix of coal, hydroelectric, wind, solar, landfill gas, natural gas and oil energy resources.

**Represents 3,174 GWh*



[1] CIPCO's purchase power agreement for Wapello Solar, LLC, locks in stable, long-term pricing and avoids the risks associated with rising fuel costs. Renewable Energy Certificates (RECs) are not included in this agreement.

[2] CIPCO invests in the development of renewable energy projects in several ways. We operate six small-scale solar arrays near communities we serve and retain the renewable energy credits associated with each. We also contract with energy producers for the electricity output from wind, hydro, and methane gas from a landfill (converted into electricity). CIPCO cannot claim these resources as renewable within our supply portfolio as we have either sold to third parties or do not receive the renewable attributes associated with the electricity produced from these renewable power sources. By selling these attributes (RECs), we not only support other organizations in meeting their renewable energy goals, we also generate revenue to help us lower our wholesale power rate to our 12 Member-owner distribution cooperatives and 15 municipalities.

[3] A percentage of market purchases exist within the portfolio to meet additional supply needs not covered by existing contracts or CIPCO-produced generation. Weather volatility and unplanned operational events at power plants may also impact market purchases.

CIPCO AT A GLANCE

GENERATION FACILITIES & RESOURCES

WIND
Elk Wind Farm, Delaware County
Hawkeye Wind Farm, Fayette County
Heartland Divide Wind Energy Center, Audubon & Guthrie counties
Independence Wind, Delaware County
Pioneer Grove Wind Farm, Cedar County
Rippey Wind Farm, Greene County

HYDROELECTRIC
Western Area Power Administration

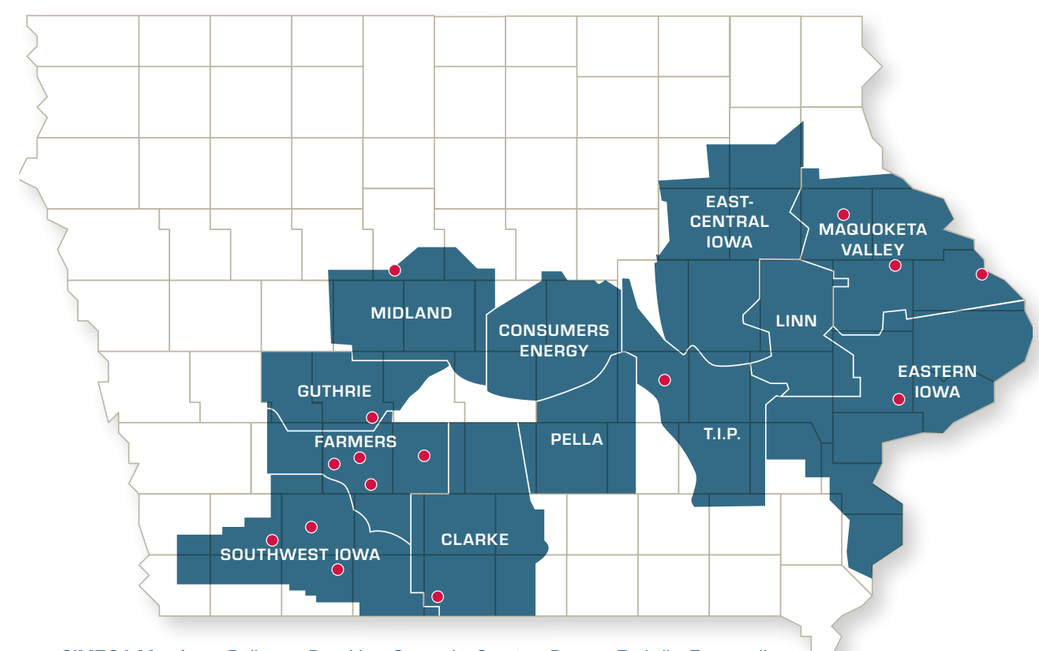
COAL
Louisa Generating Station, Muscatine
Walter Scott, Jr., Energy Centers #3 & #4, Council Bluffs

SOLAR
Clarke Solar Farm, Osceola
Eastern Iowa Solar, Wilton
Marshalltown Gateway Centre Solar Array, Marshalltown
Southwest Solar, Corning
Urbana Solar Acres, Urbana
Wapello Solar, Louisa County
ZON VELD (Sun Field), Pella

NATURAL GAS
Summit Lake Generating Station, Creston

LANDFILL GAS
Linn County Solid Waste Agency, Linn County

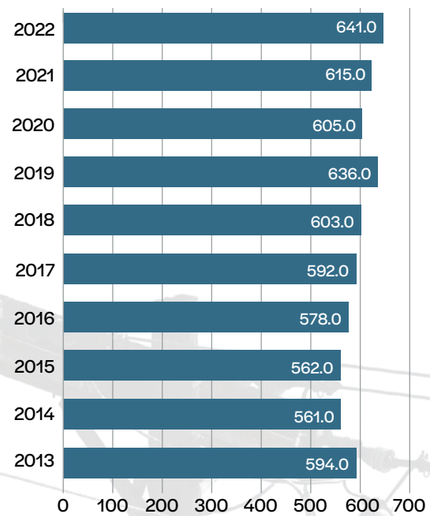
MEET OUR MEMBER-OWNERS



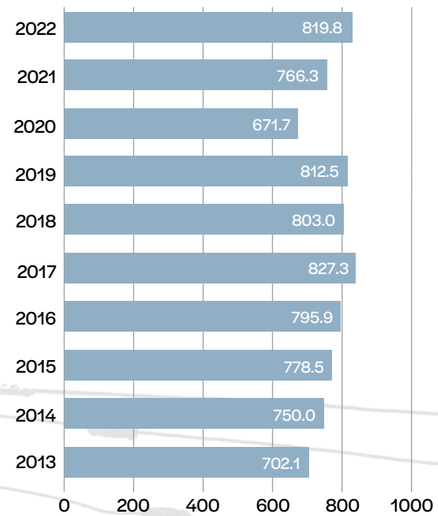
SIMECA Members: Bellevue, Brooklyn, Cascade, Corning, Durant, Earlville, Fontanelle, Gowrie, Greenfield, Lamoni, Lenox, Orient, Stuart, Villisca and Winterset

STATS AND GRAPHS

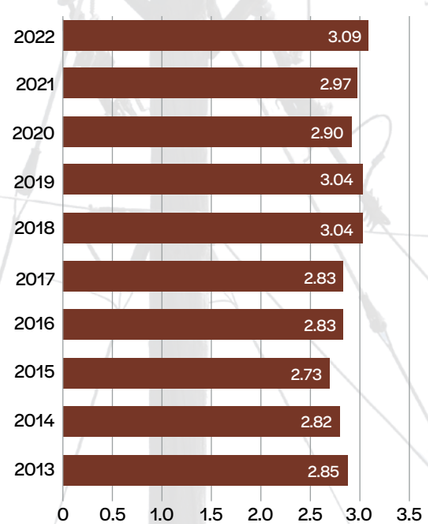
SYSTEM PEAK DEMAND
in megawatts



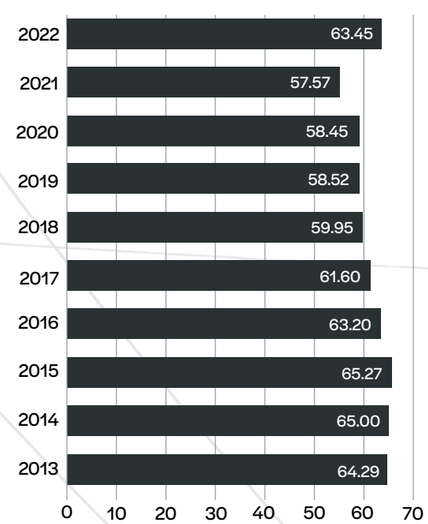
UTILITY PLANT INVESTMENT
$ in millions



ENERGY SALES
in millions MWhs



AVERAGE SYSTEM RATE
in mills/kWh



Year Founded: 1946

Office locations: Cedar Rapids, Creston, Des Moines and Wilton

Employees: 103

Ownership: Not-for-profit cooperative owned by 13 member-owned rural electric cooperatives and associations

Profits: Earnings above the cost of providing electric service are returned to Member-owners as patronage dividends

Territory: Stretches 300 miles diagonally across Iowa, including 12 of Iowa's 17 cities with populations greater than 25,000 and serving 58 of Iowa's 99 counties

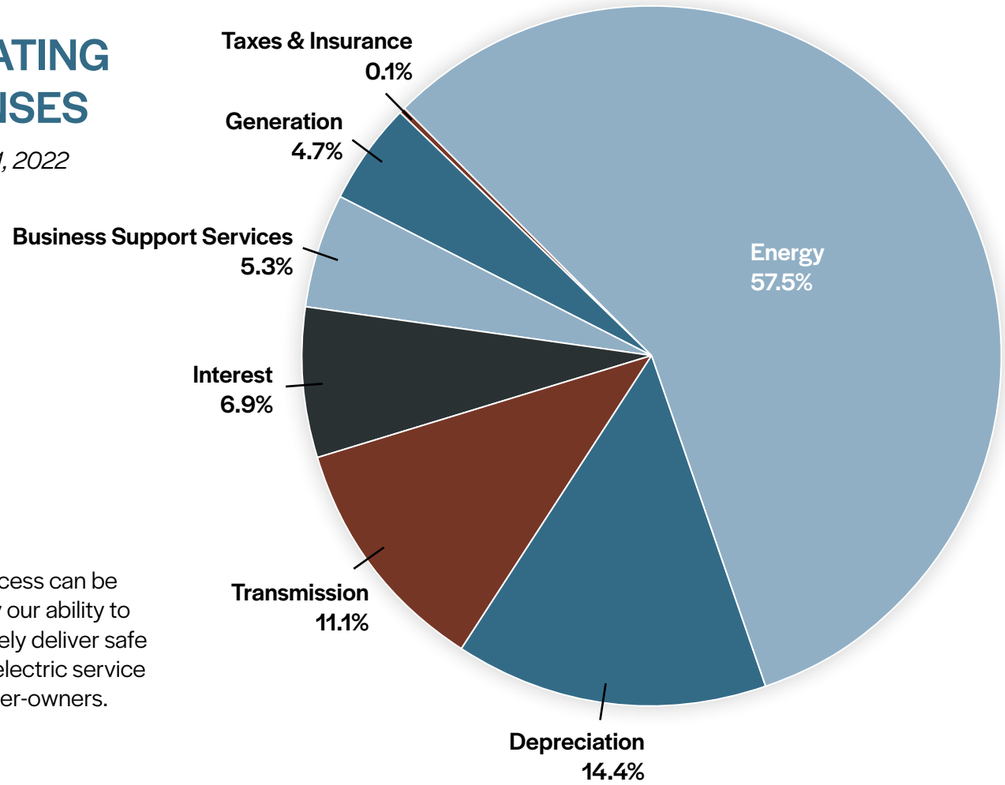
Approximate population served: 300,000

APPROXIMATE MILES OF TRANSMISSION LINES: 1,920

JUMPING TO THE NUMBERS

2022 OPERATING EXPENSES

As of Dec. 31, 2022



CIPCO's success can be measured by our ability to cost-effectively deliver safe and reliable electric service to our Member-owners.

2022 KEY FIGURES

Total Operating Revenue: $213,712,243

Net Margin: ($1,977,485)

Total Assets: $890,992,042

Amount Returned as Patronage Since Inception: $130 million

2022 FINANCIAL RATIOS

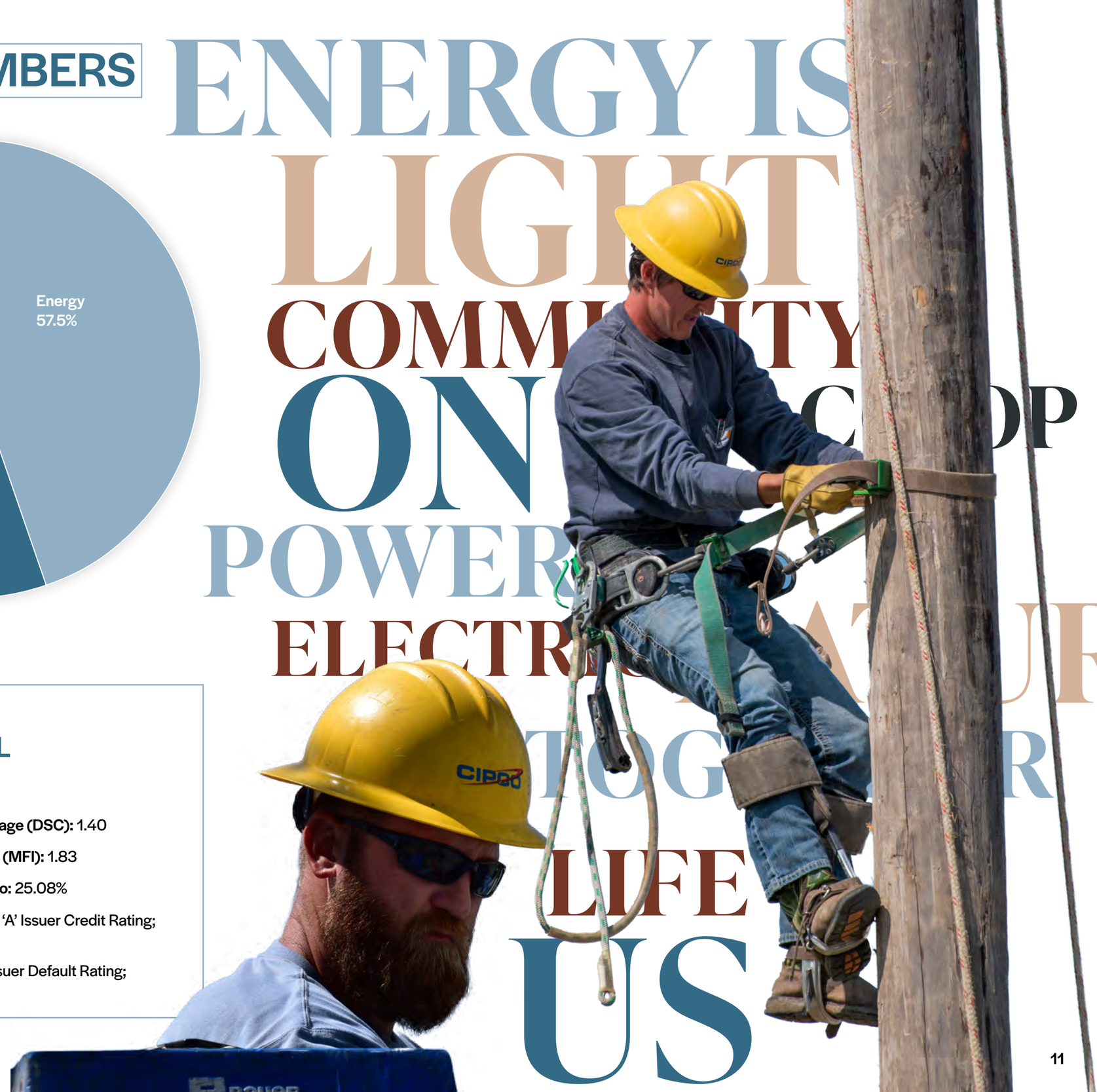
Debt Service Coverage (DSC): 1.40

Margins for Interest (MFI): 1.83

Equity to Asset Ratio: 25.08%

Standard & Poor's - 'A' Issuer Credit Rating; Outlook Stable

Fitch Ratings - 'A' Issuer Default Rating; Outlook Stable



BOARD OF DIRECTORS

DUANE ARMSTEAD
Greenfield

STEVE BIRELINE
Adair

ARDEN GREINER
Colo

PAUL HEINEMAN
Ogden
President

KIRK HILAND
North Liberty

GARY KESTER
Burlingon

GENE MANTERNACH
Cascade
Secretary-Treasurer

GARY MCKENNA
Vinton

RANDY ROUSE
Allerton

CRAIG STALLMAN
Williamsburg

DALE WALKUP
Redding

DAN WESTPHAL
Bridgewater
Vice President

DUANE VER PLOEG
Pella
Asst. Secretary-Treasurer

SYSTEM MANAGERS

DAVID OPIE
General Manager
Clarke Electric
Cooperative

BRIDGET ITZEN
CEO/General Manager
Consumers Energy

THERESA FLOYD
CEO
East-Central Iowa REC

KIRK TREDE
CEO
Eastern Iowa Light
& Power

Holi Weston
CEO
Farmers Electric
Cooperative, Inc.

COZY NELSEN
CEO
Guthrie County REC

TERRY SULLIVAN
CEO/General Manager
Linn County REC

JEREMY RICHERT
CEO & EVP
Maquoketa Valley
Electric Cooperative

BILL MCKIM
CEO
Midland Power
Cooperative

DOUG STEWART
CEO
Pella Cooperative
Electric Association

TIM LARSEN
Treasurer
SIMECA

PHIL KINSER
Manager/CEO
Southwest Iowa REC

DEAN HULS
General Manager
T.I.P. REC

SUSTAINING RELIABILITY

TRANSMISSION, SUBSTATION AND GENERATION

As the energy landscape evolves, a reliable electric grid is paramount to supporting the adoption of renewable energy assets coupled with a robust all-of-the-above energy strategy that ensures rural and suburban Iowa communities have continued access to safe, reliable, and cost-effective power now and into the future.

In 2022, CIPCO focused on improving transmission grid reliability by completing the reconstruction of 50 miles of 69 kV and 161 kV lines and several substations. Throughout the year, CIPCO completed work on the Mt. Vernon-Wyoming 161 kV line, Line 20/60, the White Oak REC Tap, Tipton REC Tap, Hastings REC Tap, Chapel Hill Tap, and the Brooklyn Muni Tap. CIPCO also completed several essential substation rebuilds and upgrades throughout the year, including the Muscatine Switching, Grand Junction, and Murray substations. Maintaining substation infrastructure is critical to the long-term success and efficiency of the electric grid.

The multi-year, 20-mile double circuit 161/69 kV transmission project in the North Liberty/Tiffin Area entered its final stages of construction in 2022. For more than 10 years, CIPCO has partnered with ITC Midwest on a joint solution to accommodate the energy growth of residents and businesses in the Iowa City-Cedar Rapids corridor. Twenty miles of double circuit line was erected and several new substations were built including Johnson (near Hills), Clear Creek (in Tiffin), and Swan Lake (near North Liberty). Substation construction commenced in 2018, followed by line construction in 2020. Heavy construction took place throughout 2022, and the project was completed in early 2023.

NEW TRAVEL CREW

In August 2022, following extensive analysis and planning, CIPCO introduced its new travel crew. Historically, the number of miles rebuilt each year varied from time to time. The inconsistency made it difficult for CIPCO to do this work in-house. It made better sense to hire contractors for New-To-Replace-Old (NTRO) line work. More recently, CIPCO's NTRO program rebuild mileage rate has stabilized at 33 miles of line per year. This opened the door for an in-house team of linemen to replace the work of for-profit contractors. With them on board, CIPCO can better plan and budget projects, uphold consistent standards and quality, and have more linemen available to quickly respond to storm damage.

In September, the new crew began its first project to rebuild approximately three miles of 69 kV line for the Tipton REC tap. Following the successful completion of the Tipton project ahead of schedule, the travel crew began installing Optical Ground Wire (OPGW) on roughly 20 miles of 161 kV line near Huxley and completed the substation exit line project at Mt. Vernon. The team is presently working on rebuilding nearly 23 miles of 69 kV line between the CIPCO Summit Lake substation and the CIPCO Murray substation in southwest Iowa. There are also a number of smaller construction projects slated for the crew in 2023.

DUANE ARNOLD ENERGY CENTER IN SAFSTOR

The Duane Arnold Energy Center (DAEC) was a 622 MW nuclear plant, of which CIPCO owned a 20% share. After 45 years of providing safe and reliable energy, DAEC ceased operations in August 2020. In early 2022, the fuel assemblies were successfully moved into long-term storage casks marking a significant milestone. The process was completed in just 20 months, a quick pace that positioned DAEC as an industry leader in the process. This allowed decommissioning to move into the next phase and prepare for safe storage (SAFSTOR) dormancy.

PIVOTAL PUBLIC POLICY

In an ever-changing energy environment, CIPCO's board of directors and staff continuously engage state and federal officials, their staff, and policy organizations. Collaboratively working to educate our elected officials ensures issues impacting rural electric cooperatives are carefully considered.

Following multiple years of virtual meetings prompted by the global COVID-19 pandemic, we returned to in-person meetings and personal engagement opportunities in 2022. In the spring and fall, CIPCO directors and staff traveled to Washington, D.C., for meetings with Iowa's elected delegation. While there, cooperative representatives discussed permitting reform, the Farm Bill, land use issues with renewable energy siting, supply chain issues, and direct-pay tax credits with elected officials and staff.

In late August, CIPCO was honored to host Representative Mariannette Miller-Meeks' energy tour. Joining the representative were fellow congressional members from Michigan and Georgia who were also members of the House Committee on Energy and Commerce. Leaders from CIPCO, ITC Midwest, Alliant, the Iowa Conservative Energy Forum, and the Iowa Renewable Fuels Association attended an energy roundtable at the CIPCO office in Des Moines. The group later visited Consumers Energy to learn more about solar installations. The event provided a unique opportunity to showcase CIPCO's diverse energy portfolio.

COMMUNITY SUPPORT

Concern for Community is an integral part of CIPCO's commitment to help our communities grow and thrive utilizing economic development support, cooperative giving, and educational opportunities for Iowa's youth.

ECONOMIC DEVELOPMENT

Community prosperity and vitality are crucial to the success of Iowa's rural and suburban areas. CIPCO is bridging economic growth gaps through flexible, low-cost financing assistance and frequent investments in energy infrastructure to support community growth.

In 2022, CIPCO awarded Revolving Loan Fund applications of $250,000 each to Perry Economic Development, Inc., for a spec building, and to Brooklyn Estates, LLC, for the new Bear Creek Kids Campus.

Additionally, CIPCO received approval for previously submitted applications from the USDA Rural Economic Development Loan & Grant program for Genesis Equities and Edgewood Locker. New applications were supported for Brooklyn Estates, LLC – Bear Creek Kids Campus, Mulberry Health Clinic, and Opportunity Knocks – Vive IV Therapy.

COOPERATIVE GIVING AND SPONSORSHIPS

CIPCO continued its commitment to community throughout the year with support for local nonprofits, educational organizations, and local sponsorships. Organizations and educational programs across the state provide vital programs to communities served by rural electric cooperatives.

In 2022, CIPCO supported nature centers, youth organizations, fire departments, educational programs, and more. We continued our partnership with CoBank's Sharing Success Program to double the impact of our giving. Organizations benefitting from these efforts included the St. Luke's Foundation's Rural Health Care Grant that provided matching funds for rural EMS to purchase equipment and develop programming; the Iowa State University PrISUm Solar Car, a student-run organization that supports critical thinking in engineering and mathematics; and the Dragoon Trace Nature Center's accessible trails project that created paved trails and outdoor spaces for those with mobility issues.

Once again, CIPCO Member-owners, business partners and friends of Iowa's rural electric cooperative system came together for CIPCO's Annual Charity Golf Event. In 2022, $10,000 was raised to support Variety – The Children's Charity of Iowa's specialized mobility equipment program. Each year, the program provides adaptive bikes, strollers, car seats, and other equipment to enhance mobility options for children across the state.

2022 FINANCIALS

Independent Auditors' Report

Deloitte.

Deloitte & Touche LLP
699 Walnut Street
Suite 1800
Des Moines, Iowa 50309
USA

Tel: +1 515 288 1200
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members of
Central Iowa Power Cooperative and subsidiaries
Des Moines, Iowa

Opinion

We have audited the consolidated financial statements of Central Iowa Power Cooperative and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of revenue and expenses, equity, 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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

March 28, 2023

CIPCO and Subsidiaries-December 31, 2022 and 2021

Consolidated Balance Sheets

Assets		2022	2021
Electric utility plant, at cost:			
In service	$	819,769,827	766,290,683
Less accumulated depreciation		324,237,872	303,769,028
Electric utility plant in service, net		495,531,955	462,521,655
Construction work in progress		32,723,147	39,090,262
Electric utility plant, net		528,255,102	501,611,917
Railroad and nonutility property, at cost less accumulated depreciation and amortization of $3,740,921 in 2022 and $3,372,424 in 2021		4,918,982	5,295,979
Investments and notes receivable:			
Investments in associated organizations and notes receivable, net		30,697,403	30,332,169
Decommissioning funds		146,073,872	169,015,491
Other investments		72,583,298	91,552,123
Total investments and notes receivable		249,354,573	290,899,783
Current assets:			
Cash and cash equivalents		8,710,133	10,060,455
Restricted cash		615,849	—
Accounts receivable, members		19,930,432	14,236,334
Government grants and receivables		23,204,750	18,874,808
Other receivables		3,936,887	4,966,665
Fossil fuel, materials, and supplies		10,757,215	9,604,359
Prepaid expenses and interest receivable		510,818	586,690
Regulatory asset		6,185,292	6,185,292
Total current assets		73,851,376	64,514,603
Regulatory assets		34,612,009	37,111,752
Total assets	$	890,992,042	899,434,034

Capitalization and Liabilities			
Capitalization:			
Members' equity:			
Membership fees and contributed capital credits	$	40,682,444	40,682,444
Deferred patronage capital		94,078,516	93,078,516
Other equities		88,403,157	99,380,642
Total members' equity		223,164,117	233,141,602
Noncontrolling interest in CBEC Railway, Inc.		339,414	348,780
Total equity		223,503,531	233,490,382
Long-term debt, less current maturities		453,999,474	432,319,334
Total capitalization		677,503,005	665,809,716
Other liabilities:			
DAEC decommissioning liability		146,768,298	145,271,899
Other asset retirement obligations		3,096,571	6,773,814
Regulatory liability		—	13,714,291
Lease obligations		6,705,066	—
Deferred income taxes		14,147	1,520,467
Total other liabilities		156,584,082	167,280,471
Commitments and contingencies			
Current liabilities:			
Current maturities of long-term debt		25,890,804	24,575,091
Accounts payable		18,372,444	19,519,012
Accrued property taxes and other expenses		9,921,707	13,729,744
Current portion of DAEC decommissioning liability		2,720,000	8,520,000
Total current liabilities		56,904,955	66,343,847
Total capitalization and liabilities	$	890,992,042	899,434,034

See notes to consolidated financial statements.

CIPCO and Subsidiaries-Years Ended December 31, 2022 and 2021

Consolidated Statements Of Revenue And Expenses

		2022	2021
Operating revenue:			
Electric revenue	$	195,840,260	170,892,454
Wheeling		8,682,843	7,130,348
Miscellaneous		8,307,880	5,320,984
Railroad		881,260	770,962
Total operating revenue		213,712,243	184,114,748
Operating expenses:			
Purchased power		97,897,869	89,718,536
Operations:			
Production plant - fuel		21,558,160	16,129,940
Production plant - other		5,592,294	6,796,479
Transmission plant		18,558,911	16,451,302
Maintenance:			
Production plant		4,223,635	3,713,196
Transmission plant		4,606,035	3,872,046
Business support services		11,122,134	11,218,392
Depreciation and amortization		29,843,442	27,706,693
Property and other taxes and insurance		1,535,093	1,512,834
Other		257,844	271,485
Total operating expenses		195,195,417	177,390,903
Net operating margin		18,516,826	6,723,845
Other revenue (expense):			
Net realized investment income		2,627,059	8,940,806
Net unrealized (loss) gain on investments		(12,780,718)	6,674,864
Patronage capital allocations		1,644,907	1,539,762
Miscellaneous revenue, net		1,019,727	90,242
Total other revenue (expense), net		(7,489,025)	17,245,674
Net margin before interest charges and income taxes		11,027,801	23,969,519
Interest charges:			
Interest on long-term debt		14,304,107	12,889,923
Allowance for borrowed funds used during construction		—	(350,628)
Net interest charges		14,304,107	12,539,295
Net (loss) margin before income taxes		(3,276,306)	11,430,224
Income tax (benefit) expense:			
Current income tax expense		192,865	1,145,294
Deferred income tax (benefit) expense		(1,506,320)	1,329,150
Total income tax (benefit) expense		(1,313,455)	2,474,444
Net (loss) margin		(1,962,851)	8,955,780
Noncontrolling interest in CBEC Railway, Inc.		14,634	4,119
Net (loss) margin attributable to the Company	$	(1,977,485)	8,951,661

See notes to consolidated financial statements.

CIPCO and Subsidiaries-Years Ended December 31, 2022 and 2021

Consolidated Statements Of Equity

	Membership Fees & Contributed Capital Credits	Deferred Patronage Capital	Other Equities	Noncontrolling Interest In CBEC Railway, Inc.	Total Equity
Balance January 1, 2021	$ 40,682,444	90,078,516	103,428,981	362,661	234,552,602
Net margin	—	—	8,951,661	4,119	8,955,780
Patronage capital paid	—	(10,000,000)	—	—	(10,000,000)
Patronage capital allocated	—	13,000,000	(13,000,000)	—	—
Distribution of earnings	—	—	—	(18,000)	(18,000)
Balance December 31, 2021	40,682,444	93,078,516	99,380,642	348,780	233,490,382
Net (loss) margin	—	—	(1,977,485)	14,634	(1,962,851)
Patronage capital paid	—	(8,000,000)	—	—	(8,000,000)
Patronage capital allocated	—	9,000,000	(9,000,000)	—	—
Distribution of earnings	—	—	—	(24,000)	(24,000)
Balance December 31, 2022	$ 40,682,444	94,078,516	88,403,157	339,414	223,503,531

See notes to consolidated financial statements.

CIPCO and Subsidiaries-Years Ended December 31, 2022 and 2021

Consolidated Statements Of Cash Flows

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) margin	$ (1,962,851)	8,955,780
Adjustments to reconcile net (loss) margin to net cash provided by operating activities:		
Depreciation and amortization	30,386,395	28,221,632
Settlements of asset retirement obligations	(11,055,840)	(14,261,915)
Patronage capital allocations not received in cash	(575,547)	(539,223)
Realized net gain on disposal of investments	(1,081,882)	(6,635,716)
Loss on disposal of electric utility plant and nonutility property	32,246	1,963,022
Net unrealized loss (gain) on investments	12,780,718	(6,674,863)
Net gain from equity method investees	(40,885)	(73,985)
Other, net	557,479	192,907
Changes in certain assets and liabilities:		
Receivables	(6,020,345)	4,452,837
Fossil fuel, materials, and supplies	(1,152,856)	2,286,255
Prepaid expenses and interest receivable	81,137	268,391
Accounts payable, accrued liabilities, and other liabilities	(4,679,003)	1,597,473
Deferred income taxes	(1,506,320)	1,329,150
Net cash provided by operating activities	15,762,446	21,081,745
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to electric utility plant	(44,365,317)	(54,628,952)
Proceeds from the sale of electric utility plant and nonutility property	69,425	75,091
Purchases of investments	(158,248,553)	(84,709,569)
Sales of investments	167,255,760	99,674,988
Interest and dividend income reinvested	(1,696,332)	(3,301,553)
Distributions received from equity method investees	—	50,000
Distributions received from decommissioning funds	5,292,552	10,563,057
Receipt of prior years' patronage capital allocation	53,512	55,677
Additions to notes receivable	(2,250,000)	(2,720,000)
Payments from notes receivable	2,420,181	3,634,062
Net cash used in investing activities	(31,468,772)	(31,307,199)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(24,590,147)	(18,529,238)
Proceeds from long-term borrowings	96,086,000	69,600,000
Principal payments on line of credit	(211,500,000)	(168,500,000)
Proceeds from line of credit borrowings	163,000,000	140,000,000
Distribution of earnings to noncontrolling interest in CBEC Railway, Inc.	(24,000)	(18,000)
Patronage capital paid	(8,000,000)	(10,000,000)
Net cash provided by financing activities	14,971,853	12,552,762
Net (decrease) increase in cash, cash equivalents and restricted cash	(734,473)	2,327,308
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	10,060,455	7,733,147
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	$ 9,325,982	10,060,455
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	$ 14,338,960	12,950,229
Cash payments for income taxes	$ 959,338	844,655
Purchases of electric utility plant in accounts payable	$ 5,855,969	7,773,623

See notes to consolidated financial statements.

Notes To Consolidated Financial Statements

1. ORGANIZATION

Central Iowa Power Cooperative (the "Cooperative" or "CIPCO") is a member-owned electric generation and transmission cooperative providing wholesale electric service to twelve electric distribution cooperatives and one municipal electirc cooperative association engaged in the retail sale of electricity to consumers located in rural and suburban Iowa.

The Cooperative has two for-profit subsidiaries, CMA Ventures, Inc. ("CMAV") and CBEC Railway, Inc. ("CBEC") (collectively, the "Company"). CMAV is an Iowa investment company wholly-owned by the Cooperative. CBEC is a rail spur providing dual rail access for coal deliveries to the Walter Scott Energy Center site in Council Bluffs, Iowa. The Cooperative's ownership interest in CBEC is 94%.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation
The consolidated financial statements include the accounts of the Cooperative and its subsidiaries in which it holds a controlling financial interest as of the financial statement date. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

(b) Use of Estimates
The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Regulatory Matters
The accounting records of the Cooperative are maintained in accordance with the uniform system of accounts prescribed by the Rural Utilities Service ("RUS"), the Cooperative's principal regulatory agency. The Cooperative is not subject to external rate regulation. Rates charged to members for electric service are established annually by the Cooperative's Board of Directors.

The Cooperative's utility operations are subject to the provisions of ASC Topic 980, *Regulated Operations*, which provides that regulated entities record certain costs and credits allowed for in the rate making process in different periods than for nonregulated entities. For regulated entities, certain costs are deferred as regulatory assets or revenues deferred as regulatory liabilities and are recognized in the consolidated statements of revenue and expenses at the time they are reflected in rates.

(d) Electric Utility Plant
The cost of renewals and betterments of units of property includes construction-related material, contract services, direct labor, applicable supervisory and overhead costs, and allowance for funds used during construction, and is charged to electric utility plant accounts. Expenditures for maintenance and repairs, including purchases or renewals of minor items of property (as distinguished from units of property), are charged to expense. Depreciation is based on estimated useful lives at straight-line composite rates. At the time properties are disposed of, the original cost of depreciable units replaced or retired, plus cost of removal less salvage of such property, is charged to accumulated depreciation and no profit or loss is recognized in connection with ordinary retirements of electric utility property units.

(e) Recoverability of Long-Lived Assets
Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value, to the extent that the Cooperative's Board of Directors has not taken action to establish a regulatory asset that will be recovered in future rates.

(f) Allowance for Borrowed Funds Used During Construction
Allowance for borrowed funds used during construction ("AFUDC") represents the cost, during the period of construction, of borrowed funds used for construction purposes. There was no AFUDC in 2022. The composite rate used to calculate the AFUDC for 2021 was approximately 2.2%.

(g) Railroad and Nonutility Property
Railroad and nonutility property primarily consist of the net assets of CBEC, and is carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 34 to 44 years.

(h) Leasing Transactions
The Company evaluates contracts that may contain leases, including power purchase agreements and arrangements for the use of equipment, land, buildings, and vehicles. A contract contains a lease if it conveys the exclusive right to control the use of a specified asset. A contract determined to contain a lease is evaluated further to determine if the arrangement is an operating or finance lease. The Company recognizes the present value of right-of-use assets and a corresponding lease liability at the lease commencement

Notes To Consolidated Financial Statements

date. Leases with an initial term of 12 months or less are classified as short-term leases and are not recognized on the consolidated balance sheet. If a lease contains an option to extend and there is reasonable certainty the option will be exercised, the option is considered in the lease term at inception. If a lease contains a purchase option and there is reasonable certainty the option will be exercised, the option is considered in the lease term and cash flows from inception.

(i) Investments
The Company determines the appropriate classification of investments in debt securities at the acquisition date and re-evaluates the classification at each balance sheet date. All investments in marketable debt securities are currently classified as available-for-sale at the balance sheet date. Available-for-sale debt securities are held in the Cooperative's decommissioning funds and therefore, interest and dividend income are recognized as a change in regulatory assets or liability on the consolidated balance sheets.

All equity securities are reported at fair value, with changes in fair value recognized in net unrealized gains or losses in the consolidated statements of revenues and expenses, unless subject to the effects of regulation. Realized gains and losses are reported as net realized investment income in the consolidated statements of revenues and expenses, unless subject to the effects of regulation. All changes in fair value of equity securities, as well as realized gains and losses, held in the decommissioning funds are recorded in regulatory assets or liability on the consolidated balance sheets since the Cooperative expects to recover any costs in excess of available decommissioning funds through future rates.

Certain investments in privately held corporations and private equity funds that do not have readily determinable fair values, are measured at cost less impairment, if any.

The Company utilizes the equity method of accounting with respect to investments when it possesses the ability to exercise significant influence, but not control, over the investee. In applying the equity method, the Company records the investment at cost and subsequently increases or decreases the carrying value of the investment by the Company's proportionate share of the net earnings, losses, and dividends or equity distributions of the investee. The Company accounts for cash distributions received under the cumulative-earnings approach. Distributions are presumed to be returns on investment and classified as operating cash inflows to the extent cumulative distributions received do not exceed the Company's proportional share of cumulative equity earnings. Any excess is considered return of investment and classified as cash inflows from investing activities on the consolidated statements of cash flows.

(j) Fair Value of Financial Instruments
As defined by GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists.

Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets to estimate fair value. Nonperformance or credit risk is considered in determining fair value. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. Fair value estimates are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(k) Cash, Cash Equivalents, and Restricted Cash
Cash and cash equivalents consist primarily of bank deposits and money market funds. The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Restricted cash consists primarily of cash margin deposits to secure exchange-traded commodity derivatives.

(l) Fossil Fuel, Materials, and Supplies
Fossil fuel, materials and supplies are stated at the lower of average cost or net realizable value.

(m) Commodity Derivatives
As part of its risk management program, the Cooperative may periodically use exchange-traded futures contracts to manage natural gas and energy commodity price fluctuations. CIPCO does not transact commodity derivatives for trading purposes. Realized gains and losses on settled commodity derivatives are recognized as purchased power in the consolidated statements of revenue and expenses. Commodity derivative activity was immaterial for the years ended December 31, 2022 and 2021.

(n) DAEC Decommissioning Liability and Asset Retirement Obligations
The Cooperative recognizes asset retirement obligations ("AROs") when it has a legal obligation to perform decommissioning or removal activities upon retirement of an asset. The Cooperative's AROs relate to the decommissioning of the Duane Arnold Energy Center ("DAEC") and obligations associated with its other generating facilities. The fair value of an ARO liability is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The

Cooperative determines these obligations based upon detailed engineering calculations of the amount and timing of the future decommissioning cash spending for a third party to perform the required work. Cost estimates are escalated for inflation and then discounted at a credit-adjusted, risk-free rate. Subsequent to the initial recognition, the ARO liability is adjusted for revisions to the original estimate of undiscounted cash flows and for accretion of the ARO liability due to the passage of time. Changes in estimates could occur for several reasons, including changes in laws and regulations, plan revisions, inflation and changes in the amount and timing of the expected decommissioning activities.

(o) Revenue Recognition
Electric revenue – Revenues are derived primarily from sales to members pursuant to wholesale power contracts in effect until December 31, 2062. Each contract obligates CIPCO to sell and deliver to the member and obligates the member to purchase and receive from CIPCO, electric energy and transmission it requires for the operation of its system. Rates are established annually by the Board of Directors at levels consistent with the provision of reliable cost-based supply of power and energy to members over the long term. Electric rates primarily consist of three billing components: energy, production demand, and transmission demand. Energy and demand billing components have the same pattern of transfer to members and are both measurements of the electric power provided to members. Therefore, the provision of electric power to members is one performance obligation. The Cooperative's performance obligation is satisfied over time, and the Cooperative recognizes revenue accordingly. Members simultaneously receive and consume the benefits of the Cooperative's performance as energy is delivered. The Cooperative transfers control of the electric power to members over time and members simultaneously receive and consume the benefits of the electric power. The measurement of energy and demand is generally based on meter data, which is collected through the last day of the month. Energy and demand are determined based on the meter data, revenue is recognized, and members are invoiced based on the meter readings.

Wheeling – Wheeling revenue consists of charges to other energy companies for transmitting electricity over the Cooperative's transmission lines. Revenue is recognized when service is provided.

Miscellaneous – Miscellaneous revenue consists of the sale of renewable energy credits, rent of facilities, and other miscellaneous revenues of the Cooperative. Renewable energy credits are sold at prevailing market prices. The performance obligation is complete, and revenue is recognized, when control is transferred.

Railroad – CBEC earns a fixed fee per ton of coal delivered to Walter Scott Energy Center over its rail spur in accordance with a long-term agreement with the majority owner and operator of Walter Scott Energy Center. CBEC is obligated to provide rail access for coal deliveries. The performance obligation is complete, and revenue is recognized, when coal is delivered.

(p) Income Taxes
The Cooperative has received a tax determination letter from the IRS indicating it is exempt from federal and state income taxes under applicable tax laws. As such, the Cooperative is taxed only on any net unrelated business income under Section 511 of the Internal Revenue Code.

CMAV and CBEC are subject to income tax. Deferred income tax assets and liabilities are based on differences between the financial statements and tax bases of assets and liabilities using the estimated tax rates in effect for the year in which the differences are expected to reverse. Changes in deferred income tax assets and liabilities are included as a component of income tax expense. Valuation allowances are established for deferred income tax assets where management determines that realization is not likely.

(q) Accounting Pronouncements Recently Adopted
In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), followed by related amendments (collectively, "the new lease standard"). The new lease standard supersedes the lease recognition requirements in ASC 840, *Leases* (Topic 840). The Company adopted the new lease standard on January 1, 2022, using the modified retrospective approach. The Company elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification, and initial direct costs. For land easement contracts, the Company has elected the practical expedient provided by ASU No. 2018-01, Leases: Land Easement Practical Expedient for Transition to Topic 842, and as a result, only those easement contracts entered on or after January 1, 2022, have been evaluated to determine if lease treatment is appropriate. In addition, the Company did not elect to apply the hindsight practical expedient. Other than first-time recognition of operating leases on its consolidated balance sheet, the implementation of the new lease standard did not have a significant impact on the Company's consolidated financial statements. Adoption resulted in recognition of approximately $8.1 million of operating lease right-of-use assets and current/noncurrent operating lease liabilities.

In November 2021, the FASB issued ASU No. 2021-10, *Government Assistance*, which creates ASC Topic 832, *Government Assistance*. This guidance requires additional disclosures regarding governmental assistance received by business entities. Specifically, the type of assistance received, the accounting for the assistance, and the effect of the assistance on the financial statements. The Company adopted this guidance as of January 1, 2022. Adoption of this guidance did not have a significant impact on the Company's consolidated financial statements. See footnote 8 to the consolidated financial statements for additional disclosures.

3. ELECTRIC UTILITY PLANT IN SERVICE

The major classes of electric utility plant in service at December 31, 2022 and 2021 and depreciation and amortization for 2022 and 2021 are as follows:

	Cost		Depreciation & Amortization		Composite Depreciation Rates
	2022	2021	2022	2021	%
Production plant	$ 363,867,009	347,381,700	11,305,903	9,839,081	3.0-9.08%
Transmission plant	429,285,165	396,353,386	10,823,424	10,295,484	2.75
Distribution plant	454,256	454,256	—	—	0.00
General plant	25,288,931	21,226,875	1,688,103	1,518,102	3.03-33.33
Intangible plant	874,466	874,466	15,176	15,176	4.00
Electric utility plant in service	$ 819,769,827	766,290,683	23,832,606	21,667,843	

The following table provides the net balance recorded in electric utility plant in service by production plant facility at December 31, 2022:

Production Plant Facility	Percentage Ownership	Capacity MW	Electric Utility Plant in Service-Net
Summit Lake	100.0%	110	$ 75,810,570
Walter Scott Energy Center Unit No. 3	11.5	83	25,879,723
Walter Scott Energy Center Unit No. 4	9.5	78	69,878,016
Louisa Generating Station	4.6	34	14,869,270
Right-of-use Solar Generation	Leased	6	6,032,094

Under joint facility ownership agreements, the Cooperative has undivided interests in jointly owned electric generating facilities with other utilities. The Cooperative accounts for its proportionate share of each facility, and each joint owner has provided financing for its share of each facility. Operating costs of each facility are assigned to joint owners based on their percentage of ownership or energy production, depending on the nature of the cost. The Cooperative's share of expenses associated with these jointly owned units is included in operations and maintenance expenses in the consolidated statements of revenue and expenses.

4. POWER PURCHASE AGREEMENTS

The Cooperative has entered into long-term supply contracts and is purchasing energy and capacity from various wind, solar, hydro, and landfill gas generation resources totaling 439.5 MW with expiration dates between 2025 and 2050. Total purchases are based upon the energy generation output of the resources. Contract prices vary and may escalate over the term. These contracts are settled by physical delivery, among other criteria, and are designated as normal purchase contracts. Payments are recognized as purchased power in the consolidated statements of revenue and expenses. The Cooperative's purchases under these agreements were $52,025,854 and $41,071,417 for 2022 and 2021, respectively.

The Cooperative has entered into an additional long-term supply contract to purchase energy and capacity from Coggon Solar, LLC, a 100 MW_{AC} solar generation resource that has not been constructed.

5. LEASING TRANSACTIONS

The Company is party to lease agreements for six solar generating facilities with a total installed capacity of 6.4 MW_{AC}. The initial lease terms are 12 years, after which the Company may purchase the facilities, or the leases automatically renew for an additional two years. Exercise of the purchase option is not reasonably certain. Therefore, payments associated with the automatic renewal period are included in the measurement of the lease liabilities and right-of-use assets. As of December 31, 2022, the solar leases have a weighted average remaining lease term of 8.5 years. In addition, the Company is party to an office space lease that extends through 2030. All agreements are classified as operating leases. Interest on lease liabilities is based on a weighted average discount rate of 3.2%.

Components of lease expense for the year ended December 31, 2022 are as follows:

Lease Expense	Classification	2022
Amortization of right-of-use assets	Depreciation and amortization	$ 749,234
Interest on solar lease liabilities	Production plant - other	202,945
Interest on office lease liabilities	Business support services	45,466
		$ 997,645

Supplemental balance sheet information relating to leasing transactions is as follows:

	Classification	2022
Assets:		
Right-of-use assets	Electric utility plant, net	$ 7,372,065
Liabilities:		
Current maturities of lease obligations	Accrued property taxes and other expenses	721,434
Long-term lease obligations	Lease obligations	6,705,066

As of December 31, 2022, maturities of lease liabilities are as follows:

Years Ending December 31	Scheduled Maturities
2023	$ 947,070
2024	951,071
2025	955,091
2026	880,536
2027	827,111
Thereafter	4,023,576
Total lease payments	8,584,455
Less imputed interest	(1,157,955)
Total lease liabilities	7,426,500
Current lease liabilities	(721,434)
Noncurrent lease liabilities	$ 6,705,066

6. INVESTMENTS AND NOTES RECEIVABLE

As of December 31, 2022 and 2021, investments and notes receivable consisted of the following:

	2022	2021
Investments in associated organizations and notes receivable, net:		
Capital term certificates	$ 4,486,482	4,486,482
Investments in associated organizations	9,823,250	9,301,215
Notes receivable, net	16,387,671	16,544,472
	30,697,403	30,332,169
Decommissioning funds:		
Investments - decommissioning trust	74,203,035	88,398,165
Investments - internal decommissioning fund	71,870,837	80,617,326
	146,073,872	169,015,491
Other investments:		
Invested reserves	71,128,752	86,134,203
Equity in privately held corporations and funds	735,648	4,739,907
Equity method investments	718,898	678,013
	72,583,298	91,552,123
Total investments and notes receivable	$ 249,354,573	290,899,783

Capital term certificates are issued by National Rural Utilities Cooperative Finance Corporation ("CFC") and currently bear interest at 3% to 5% maturing between 2025 and 2080. These investments are carried at original cost.

Investments in associated organizations consist primarily of memberships in other cooperatives. These investments are stated at cost, adjusted for patronage capital allocations. The patronage capital allocations are noninterest-bearing and mature based upon the granting cooperatives' policies.

Notes receivable, net consist primarily of economic development notes receivable of $16,387,671 and $16,544,472 at December 31, 2022 and 2021, respectively. The notes receivable bear interest rates between 0% and 4.91%, incur annual administrative fees of 0% to 1%, and have contractual maturity dates through September 2032. As of December 31, 2022 and 2021, the Company had established an allowance for credit losses of $235,230 and $248,610, respectively, based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect collectability. In addition, management monitors the collectability of the notes receivable on an individual basis. Receivables are considered impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms. Impairment losses of $0 and $34,121 were recognized during the years ended December 31, 2022 and 2021, respectively.

Decommissioning funds consist of a legally restricted external trust fund and an internally reserved fund. The Cooperative has established both funds for the decommissioning of the DAEC. Both funds consist primarily of U.S. domestic equities, international equities, REITs, mutual funds, government securities, corporate fixed income, private equity funds, and exchange traded funds, which are carried at fair value or NAV with realized and unrealized gains and losses included in the DAEC decommissioning regulatory asset or liability. Officers of the Cooperative are authorized to act in accordance with the decommissioning trust agreement and request distributions from the decommissioning trust to reimburse the Cooperative for decommissioning expenditures. The authority granted to officers of the Cooperative to request distributions from the decommissioning trust is capped at $10 million per calendar year. If distribution requests will exceed $10 million in any calendar year, specific authorization by the CIPCO board of directors, as Trust Protector, is required. There are currently no restrictions regarding the internal decommissioning fund.

6. INVESTMENTS AND NOTES RECEIVABLE *(CONTINUED)*

Invested reserves consist primarily of U.S. domestic equities, international equities, REITs, mutual funds, government securities, corporate fixed income, and private equity funds, which are carried at fair value or NAV with changes in fair value recognized in net unrealized gains or losses in the consolidated statements of revenue and expenses, unless subject to the effects of regulation.

Equity in privately held corporations and funds includes common and preferred stock of privately held corporations. These investments are carried at cost and assessed for impairment annually.

Equity method investments include holdings in privately held corporations in which the Company possesses the ability to exercise significant influence, but not control, over the investee. These investments are recorded at adjusted cost which includes the Company's proportionate share of the net earnings, losses, and distributions of the investee. These investments are assessed for impairment annually. If factors indicate that a decrease in value of an equity method investment has occurred that is other than temporary, an impairment is recognized even if the decrease in value is in excess of what would otherwise be recognized by application of the equity method.

As of December 31, 2022 and 2021, investments that have readily determinable fair values within decommissioning funds and other investments consisted of the following:

December 31, 2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Cash equivalents	$ 3,802,758	—	—	3,802,758
Equities	105,348,260	16,078,623	(9,722,889)	111,703,994
Fixed income	56,016,565	206	(6,023,061)	49,993,710
Totals	$ 165,167,583	16,078,829	(15,745,950)	165,500,462

December 31, 2021	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Cash equivalents	$ 4,967,584	—	—	4,967,584
Equities	117,114,755	43,262,371	(1,513,666)	158,863,460
Fixed income	44,790,818	802,941	(630,495)	44,963,264
Totals	$ 166,873,157	44,065,312	(2,144,161)	208,794,308

7. FAIR VALUE MEASUREMENTS

ASC Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3—Unobservable inputs reflect the Company's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. The Company develops these inputs based on the best information available, including the Company's own data.

Description of the valuation methodologies used for instruments measured at fair value on a recurring basis are set forth below:

Cash and Cash Equivalents—The carrying amounts approximate fair value because of the short-term nature of these instruments.

Mutual Funds, Equities, and Exchange Traded Funds—The fair value of available-for-sale securities is based on quoted market prices from an active exchange or from an active dealer market. All of these investments are classified in Level 1.

Government Securities and Corporate Fixed Income—Bonds are often traded in less active markets with fair values based on quoted prices for similar assets and in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. As such, these investments are classified in Level 2.

Private Equity and Hedge Funds—The fair value of the Company's investments in limited partnership private equity and hedge funds represents the value of its NAV as reported by the fund managers. Valuations utilize financial information supplied by the general partner of each limited partnership and are net of management fees and incentive allocations pursuant to the limited partnership's applicable agreements. Due to the inherent uncertainty of valuation, the value of the Company's investments in limited partnership private equity and hedge funds may differ significantly from the values that would have been used had an active market for the investments held by the Company been available.

7. FAIR VALUE MEASUREMENTS *(CONTINUED)*

The following tables present assets that are measured at fair value on a recurring basis as of December 31, 2022 and 2021:

	Fair Value Measurements as of December 31, 2022			
	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 3,802,758	3,802,758	—	—
Equities - stocks	44,168,239	44,168,239	—	—
Mutual funds:				
Equities	23,314,268	23,314,268	—	—
Fixed income	15,567,808	15,567,808	—	—
Exchange traded funds:				
Equities	44,221,487	44,221,487	—	—
Fixed income	1,918,356	1,918,356	—	—
Corporate fixed income	10,478,868	—	10,478,868	—
Government securities	22,028,678	—	22,028,678	—
Subtotal	165,500,462	132,992,916	32,507,546	—
Private equity and hedge funds measured at net asset value	51,702,162			
Total	$ 217,202,624			

	Fair Value Measurements as of December 31, 2021			
	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 4,967,584	4,967,584	—	—
Equities - stocks	52,876,923	52,876,923	—	—
Mutual funds:				
Equities	34,080,722	34,080,722	—	—
Fixed income	10,519,136	10,519,136	—	—
Exchange traded funds:				
Equities	71,905,815	71,905,815	—	—
Fixed income	6,269,419	6,269,419	—	—
Corporate fixed income	14,486,778	—	14,486,778	—
Government securities	13,687,931	—	13,687,931	—
Subtotal	208,794,308	180,619,599	28,174,709	—
Private equity and hedge funds measured at net asset value	46,355,386			
Total	$ 255,149,694			

7. FAIR VALUE MEASUREMENTS *(CONTINUED)*

Liquidity Restrictions—Certain alternative investments are less liquid than the Company's other investments and are generally accessed via limited partnerships, limited liability corporations, and private equity and hedge funds. There is generally no readily determinable fair value for alternative investments, though certain funds may invest in securities for which there is a public market. These investments are subject to varying degrees of liquidity restrictions. The following table summarizes these investments by investment strategy as of December 31, 2022 and 2021:

Alternative Investment Strategy	2022	2021	Redemption Frequency	Redemption Notice Requirements
Private equity & hedge funds	$ 4,499,237	4,731,314	Allowed quarterly	Varies from 30-65 days
Private equity & hedge funds	1,728,176	3,074,848	Allowed at least annually	90 calendar days plus 5 business days
Private equity & hedge funds	45,474,749	38,549,224	No contractual liquidity	No contractual liquidity
Total private equity & hedge funds measured at net asset value	$ 51,702,162	46,355,386		

Investments in private equity and hedge funds are assumed to have no contractual liquidity if agreements do not permit redemptions through the term of the fund or when redemptions may be accepted periodically at the sole discretion of fund advisors. As of December 31, 2022, investments that do not permit redemptions have fund term dates extending through 2032.

8. GOVERNMENT GRANTS AND RECEIVABLES

The Cooperative is eligible for U.S. Federal Emergency Management (FEMA) and state of Iowa public disaster grant assistance to reimburse certain costs incurred for emergency protective measures and permanent work to restore damaged and destroyed electric utility plant because of Presidentially declared disasters. The Cooperative sustained significant damage to its electric transmission network during high wind events on August 10, 2020 (disaster declaration FEMA-4557-DR), and on December 15, 2021 (disaster declaration FEMA-4642-DR). In total, $7.1 million of eligible costs were incurred because of these disasters. Government grants and receivables includes $5,972,062 and $4,627,343 for eligible costs that have not yet been reimbursed as of December 31, 2022 and 2021, respectively. This form of governmental assistance is reimbursement in nature. Once all grant eligibility and reporting requirements are complete, there are no ongoing grant requirements. Capital expenditures are recognized as construction work in progress, net of disaster grant assistance, and ultimately classified to electric utility plant in-service.

Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy ("DOE") is responsible for development of a repository for the disposal of spent nuclear fuel and high-level radioactive waste. The DOE has not met its statutory obligation. In 2009, a spent fuel settlement agreement was reached which permits NEER to make annual filings on behalf of the DAEC joint owners to recover certain incurred spent fuel storage costs, which are payable by the U.S. Government on an annual basis. Government grants and receivables includes $17,232,688 and $14,247,465 for eligible costs that have not yet been reimbursed as of December 31, 2022 and 2021, respectively. The DOE has disputed certain costs submitted for reimbursement. Final resolution of the dispute cannot be reasonably predicted as of December 31, 2022.

9. DAEC DECOMMISSIONING LIABILITY AND OTHER ASSET RETIREMENT OBLIGATIONS

DAEC Decommissioning Liability— NEER is responsible for planning and managing decommissioning, the cost of which is shared on a pro-rata basis by the joint owners. The Cooperative has recognized an ARO for its 20% ownership share of the estimated cost to decommission DAEC. NEER has submitted a site-specific cost estimate and plan for decontamination and decommissioning to the U.S. Nuclear Regulatory Commission ("NRC"). All spent nuclear fuel housed onsite is expected to be in long-term dry storage until the U.S. Department of Energy fulfills its legal obligation to take possession. NEER expects completion of decommissioning by approximately 2080.

The Cooperative's funding method is designed to accumulate decommissioning funds sufficient to cover the Cooperative's share of decommissioning costs. The total fair value of investments reserved as decommissioning funds totaled $146,073,872 and $169,015,491 at December 31, 2022 and 2021, respectively. Currently, there are no ongoing decommissioning funding requirements. However, the NRC has the authority to require additional funding in the future. The Cooperative assesses the method of funding annually and will make additional contributions to the decommissioning funds as necessary to ensure the investments are sufficient to fund the decommissioning.

Other Jointly Owned Generation Facilities—The Cooperative has recognized other ARO liabilities for its ownership share of jointly owned generation facilities. These obligations pertain to coal-combustion residuals ("CCR") from the operation of coal-fueled generating facilities, including requirements for the operation and closure of surface impoundment and ash landfill facilities.

Fair Station Generating Facility—Fair Station generating facility was retired in 2013. The ARO relating to post-closure activities and monitoring of the ash ponds located on the site was $280,224 and $332,259, which is recorded in Other AROs, as of December 31, 2022 and 2021, respectively. Post-closure decommissioning activities are expected to be completed in 2027.

The following table reconciles the beginning and ending balances of the DAEC decommissioning liability and Other AROs for the years ended December 31, 2022 and 2021:

	2022		2021	
	DAEC Decommissioning Liability	Other AROs	DAEC Decommissioning Liability	Other AROs
Balance-January 1	$ 153,791,899	10,672,866	164,880,111	11,301,292
Additions	—	—	—	—
Settlements	(7,513,556)	(3,542,284)	(13,656,029)	(605,886)
Change in estimated costs	(2,786,824)	(2,321,958)	(3,464,067)	(319,929)
Accretion	5,996,779	322,449	6,031,884	297,389
Balance-December 31	$ 149,488,298	5,131,073	153,791,899	10,672,866
Expected to settle in the next twelve months	2,720,000	2,034,502	8,520,000	3,899,052

The amount expected to settle in the next twelve months for the Other AROs is reflected in Accrued property taxes and other expenses on the consolidated balance sheets as of December 31, 2022 and 2021.

10. REGULATORY ASSETS AND LIABILITY

At December 31, 2022 and 2021, regulatory assets and liability consists of the following:

	2022	2021
Regulatory asset - current		
DAEC unrecovered plant	$ 6,185,292	6,185,292
Regulatory assets		
DAEC decommissioning	3,685,549	—
DAEC unrecovered plant	30,926,460	37,111,752
	$ 34,612,009	37,111,752
Regulatory liability		
DAEC decommissioning	$ —	13,714,291

DAEC Decommissioning—The Cooperative records a regulatory asset or liability depending on the funded status of decommissioning funds compared to the present value of the DAEC decommissioning liability. As of December 31, 2022, a regulatory asset was recorded reflecting an underfunded present value status. As of December 31, 2021, a regulatory liability was recorded reflecting an overfunded present value status. The regulatory asset or liability will be resolved by the long-term appreciation of investments designated as decommissioning funds or through future wholesale rates.

DAEC Unrecovered Plant—To address the financial impacts of DAEC early closure and maintain rate stability to members, the Cooperative established a regulatory asset which is being recovered through a member fixed charge and amortized on a straight-line basis over an 8-year period through December 2028.

11. PATRONAGE CAPITAL AND MEMBERS' EQUITY—OTHER

The Cooperative operates on a not-for-profit basis and, accordingly, seeks to generate revenues to recover cost of service, meet its financial obligations and to establish reasonable equity reserves. Net margin is treated as advances of capital from members and is allocated annually by the Cooperative's Board of Directors. Patronage capital is allocated to members based upon their respective energy and demand purchases from the Cooperative. A portion of net margin may be declared as a current patronage dividend payable. Deferred patronage capital dividends are eligible to be distributed to members in the future, as determined by the Board of Directors, and subject to certain restrictions in the Cooperative's Indenture and the Iowa Code. Amounts allocated to deferred patronage capital are scheduled to be distributed fifteen or forty years from the date of allocation.

Membership fees and contributed capital credits represent permanent member equity in the Cooperative.

At December 31, 2022 and 2021, members' equity—other consists of the following:

	2022	2021
Unallocated (loss) margin	$ (1,977,485)	8,951,661
Reserve for contingent losses	60,630,107	60,678,446
Statutory surplus	29,750,535	29,750,535
	$ 88,403,157	99,380,642

Reserve for contingent losses is an appropriation of net margin by the Board of Directors. There is no statutory restriction of this equity. The Board of Directors authorized the use of $48,339 reserve for contingent losses during the year ended December 31, 2022. The Board of Directors appropriated $2,481,854 to reserve for contingent losses during the year ended December 31, 2021.

In accordance with Iowa Code, the Board of Directors is required to allocate a portion of the current year's net margin to statutory surplus unless such is equal to or greater than thirty percent of total membership capital. The Board of Directors appropriated $0 and $895,183 to statutory surplus during the years ended December 31, 2022 and 2021, respectively.

12. LONG-TERM DEBT AND LINES OF CREDIT

At December 31, 2022 and 2021, long-term debt consists of the following:

	2022	2021
FFB obligations, 1.017% to 4.932% due in quarterly principal and interest installments through 2045	$ 305,165,587	222,603,619
CFC obligations, 2.35% to 5.00% due in quarterly principal and interest installments through December 2031	40,912,796	46,283,389
CFC variable rate credit facility borrowings, 5.55% interest installments due quarterly, principal due October 23, 2028	45,000,000	45,000,000
CoBank obligations, 3.86% to 5.02% due in quarterly principal and interest installments through March 2042	59,573,617	64,813,924
CoBank variable rate obligations, 4.66% to 6.54% due in monthly principal and interest installments through March 2032	4,281,599	4,825,420
CoBank variable rate credit facility borrowings, 6.45% interest installments due monthly, principal due November 30, 2024	8,000,000	56,500,000
USDA and other economic development loans, 0% to 4.91% due in monthly principal and interest installments through September 2032	12,681,679	12,593,073
USDA economic development grants due upon termination of the rural economic development loan fund	4,275,000	4,275,000
Total long-term debt	479,890,278	456,894,425
Less current maturities	25,890,804	24,575,091
Total long-term debt, less current maturities	$ 453,999,474	432,319,334

Scheduled maturities of long-term debt as of December 31, 2022, are as follows:

Years ending December 31	Scheduled Maturities
2023	$ 25,890,804
2024	35,985,088
2025	27,999,921
2026	27,786,757
2027	27,637,040
Thereafter	334,590,668
Totals	$ 479,890,278

To provide for interim financing capabilities, the Cooperative has arranged revolving lines of credit. The Cooperative had available a $105,000,000 line of credit agreement with CoBank with $8,000,000 and $56,500,000 outstanding at December 31, 2022 and 2021, respectively. The Cooperative also had available a $40,000,000 revolving line of credit agreement with CFC with no borrowings outstanding at December 31, 2022 and 2021.

An Indenture of Mortgage, Security Agreement and Financing Statement, dated as of December 21, 2010 ("Indenture") between the Cooperative, as Grantor, to U.S. Bank National Association, as Trustee, as supplemented, provides the RUS, FFB, CFC, and CoBank as secured note holders a pro-rated interest in substantially all owned assets of the Cooperative.

The existing Indenture and certain other debt agreements contain provisions which, among other restrictions, require the Cooperative to maintain certain financial ratios. The Cooperative was in compliance with these financial ratios at December 31, 2022 and 2021.

13. INCOME TAXES

The Company's income tax (benefit) expense consists of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Current:		
Federal	$ 134,845	775,084
State	58,020	370,210
	192,865	1,145,294
Deferred:		
Federal	(1,053,348)	900,542
State	(452,972)	428,608
	(1,506,320)	1,329,150
Total income tax (benefit) expense	$ (1,313,455)	2,474,444

Income taxes for 2022 and 2021 differ from the expense computed using the statutory rates as follows:

	2022	2021
Federal tax at the statutory rate	$ 1,281,016	3,543,400
State tax at the statutory rate	565,282	497,845
Tax-exempt income of Cooperative	(2,070,985)	(2,489,929)
Other, net	(1,088,768)	923,128
Total income tax (benefit) expense	$ (1,313,455)	2,474,444

Deferred tax assets and liabilities related to temporary differences between the financial statement bases and income tax bases of assets and liabilities at December 31, 2022 and 2021, are as follows:

	2022	2021
Deferred tax assets:		
Securities impairments	$ 1,084,793	1,143,829
Privately held corporations and funds	745	—
Other	—	30,502
Total deferred tax assets	1,085,538	1,174,331
Deferred tax liabilities:		
Basis difference on fixed assets	480,970	575,476
Privately held corporations and funds	72,669	1,453,655
Unrealized gains on available-for-sale securities	546,046	665,667
Total deferred tax liabilities	1,099,685	2,694,798
Net deferred tax liability	$ 14,147	1,520,467

The Company determined there is no material liability for unrecognized tax benefits under the provisions of ASC Topic 740, *Income Taxes*. The federal statute of limitations remains open for the years 2019 and forward. Generally, tax years 2018 and forward are subject to audit by state tax authorities depending on the tax code in each jurisdiction.

14. MULTI-EMPLOYER PENSION PLAN

The Cooperative participates in a multi-employer pension plan, Hawkeye Pension Plan, Employer Identification Number: 42-1438152 and Plan No. 001 (the "Plan") which covers substantially all employees. The Plan is intended to be qualified under Section 401 of the Internal Revenue Code. Its associated trust is intended to be tax-exempt under Section 501(a) of the Internal Revenue Code.

The risks of participating in multi-employer plans are different from single-employer plans in the following aspects: (a) assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the multi-employer plan, the unfunded obligations of the multi-employer plan may be borne by the remaining participating employers; and (c) special rules apply to an employer that withdraws from the multi-employer plan, requiring the withdrawing employer to pay to the multi-employer plan an amount based on the underfunded status of the multi-employer plan.

No zone status determination is required for the Plan under the Pension Protection Act of 2006, and therefore no zone status determination has been made. The following table demonstrates the Plan's funded status and the Company's contributions to the Plan as of and for the years ended December 31, 2022 and 2021:

		Funded Status December 31,		Company Contributions	
Plan	EIN/Plan Number	2022	2021	2022	2021
Hawkeye Pension Plan	42-1438152 / 001	At least 80%	At least 80%	$ 2,540,000	3,614,000

Certain of the Company's contributions to the Plan are for Cooperative employees represented by a union and covered under a collective bargaining agreement. These contributions are made in accordance with the terms of the collective bargaining agreement, which requires contributions for these participants to be made in accordance with the Plan provisions. For the years ended December 31, 2022 and 2021, the Company's contributions exceeded 5% of the total contributions to the Plan by all participating employers.

15. COMMITMENTS AND CONTINGENCIES

Nuclear Insurance Program—Liability for accidents at nuclear power plants is governed by the Price-Anderson Act (the "Act"), which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. DAEC obtained an exemption from the NRC and maintains a $100 million private liability insurance limit.

DAEC participates in a nuclear insurance mutual company that provides $50 million of limited insurance coverage per occurrence for property damage, decontamination risks, and non-nuclear perils. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. In the event of an accident at DAEC, the owners could be assessed up to $6.9 million ($1.4 million for the Cooperative), plus any applicable taxes, in retrospective premiums in a policy year.

In the unlikely event of a catastrophic loss at DAEC, the amount of insurance available may not be adequate to cover property damage, decontamination, and premature decommissioning. Uninsured losses, to the extent not recovered through rates, would be borne by the DAEC owners and could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

Capital Commitments—The Company has unfunded capital commitment agreements to certain private equity and hedge funds that may require additional investment totaling $14,096,667 as of December 31, 2022.

Litigation—The Cooperative has been named as a defendant in various lawsuits and claims arising in the normal course of business. Although the outcome of these matters cannot be determined at the present time, it is the opinion of management that these actions can be successfully defended or resolved without a material effect on the consolidated statements of revenue and expenses or cash flows of the Cooperative.

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 28, 2023, which is the date the consolidated financial statements were available to be issued.

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