

Powering  
Progress  
Together



2023  
Annual Report

# 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

- Reliability
- Member-Focused
- Transparency
- Safety
- Service Excellence



A CIPCO line crew pulls wire near Hamlin  
December 2023



# REPORT TO THE MEMBERSHIP

CIPCO's Annual Meeting theme for 2023 is "Powering Progress Together." As the energy landscape continues to shift around us, we continue to operate with the shared belief that we're stronger when we work together.

The year commenced with our new wholesale power contract taking effect January 1. We are ever-thankful to our Member-owners for their renewed long-term commitment to CIPCO.

**“ Together, we are proud of the modernized contract that provides a framework to integrate new technologies, flexibility for our Member-owners, and will serve as the foundation for critical long-term resource decisions on the horizon. ”**

At the start of 2023, CIPCO faced a landscape of both opportunities and challenges. The year unfolded against a backdrop of economic uncertainty, persistent inflation, and ongoing supply-chain disruptions. Fortunately, after several years of severe volatility, wholesale markets somewhat calmed and CIPCO's financial results reflect a year of strong performance and competitive rates. CIPCO set an all-time peak demand of 675 MW in August, more than 5% higher than the previous record due to a period of sustained high temperatures. Total energy sales, however, decreased slightly due to seasonal weather patterns the rest of the year. CIPCO realized a net margin of \$26.9 million in 2023, a return to strong performance compared to a net loss experienced in 2022. Our average system rate finished the year at 6.48 cents/kWh. Despite the modest average rate increase, CIPCO is proud to maintain competitive rates that, today, remain below rates charged to Member-owners more than 10 years ago.

Operationally, tornadoes and hailstorms tested CIPCO's infrastructure, underscoring the importance of a robust transmission system and preparation. We commend our line crews for swift restoration efforts and our employees who formulated strategies to keep our Member-owners informed during rapidly changing conditions.

Throughout the year, our dedicated employees completed vital transmission projects to improve reliability across our service territory and prepare for the future. A major achievement was the energization of a 20-mile stretch of 161/69 kV double circuit line in the growing corridor between Iowa City and Cedar Rapids. By year's end, our strategic New-To-Replace-Old initiative resulted in the rebuild of 10.6 miles of 161 kV and 40.75 miles of 69 kV lines. We also prioritized generation reliability with a comprehensive overhaul of combustion turbine number one at our Summit Lake Generating Station, revitalizing its role as a dependable generation asset for years to come.

In September, we received the positive news that the Department of Energy's Office of Clean Energy Demonstration selected CIPCO's joint application with other generation and transmission cooperatives for funding. This grant supports the development of long-duration energy storage vanadium redox flow batteries. As economics allow, energy storage technology will help balance the supply of energy with demand and improve the efficiency of the electric grid.

Although CIPCO had an exceptional year, complex challenges lie ahead. CIPCO and our industry peers are experiencing a convergence of risks, including physical and cyber threats, exposure to volatile energy and fuel markets, capacity constraints, powerful storms, and increased demand for electricity from emerging loads with unique characteristics. Further, at a time when demand for power is rapidly increasing, several factors are constraining supply. One of the foremost challenges we face is the imposition of unreasonable energy policies and mandates, exemplified by the EPA's recent proposed regulations.

# LEADERSHIP TEAM

These rules are designed to restrict existing and new always-available power plants. They include unrealistic goals, timeframes, and rely on technologies that have yet to attain commercial viability to achieve substantial reductions in carbon emissions from electricity providers. Should these rules be implemented, they will accelerate the disorderly retirement of existing generation assets, hinder the construction of new always-available capacity, and put additional pressure on reliability and costs. CIPCO stands united with our cooperative and industry peers, challenging detrimental regulations and advocating for sensible energy policies. We firmly believe in the all-of-the-above strategy. Intermittent resources such as wind and solar are a valuable portion of our energy mix, but always-available generation such as coal and natural gas generators are critical to preserve reliability, minimize emissions, and keep electricity rates at an affordable level.

Assuming the role of Executive Vice President and CEO in June, I express my gratitude to my predecessor, Bill Cherrier, for his dedicated service to CIPCO. Bill's tenure included a pandemic, derechos, the early closure of Duane Arnold Energy Center, and several severe winter storms. We're thankful for his leadership during those times.

Looking ahead to 2024, strategic planning, long-term resource planning, and, if invited, submitting a full application for the Rural Utilities Service's New ERA grant program are our top priorities. As stewards of our Member-owners' dollars, we remain dedicated to the cooperative business model, and we're honored to bring safe, reliable, and cost-effective energy to rural Iowa.



**ANDREW ST. JOHN**  
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

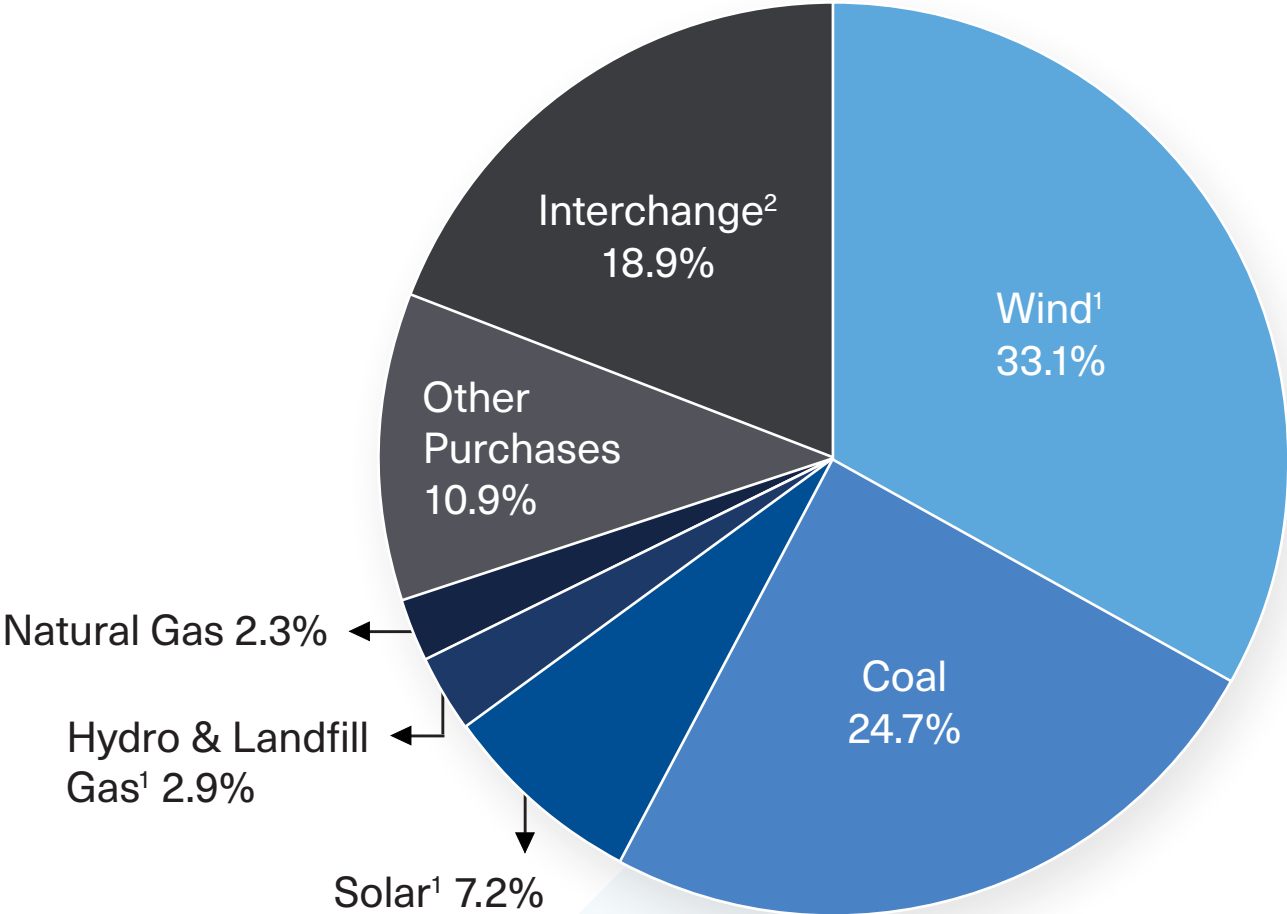


**DAVE NICHOLSON**  
Vice President  
Chief Financial Officer

# 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 3,096 GWh*



<sup>1</sup>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 certificates associated with each. We also contract with energy producers for the electricity output from wind, solar, 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.

<sup>2</sup>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, Greeley  
Bethel Wind Energy Center, Hawkeye  
Heartland Divide Wind Energy Center,  
Audubon & Guthrie counties  
Independence Wind, Ryan  
Pioneer Grove Wind Farm, Mechanicsville  
Rippey Wind Farm, Grand Junction

### 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

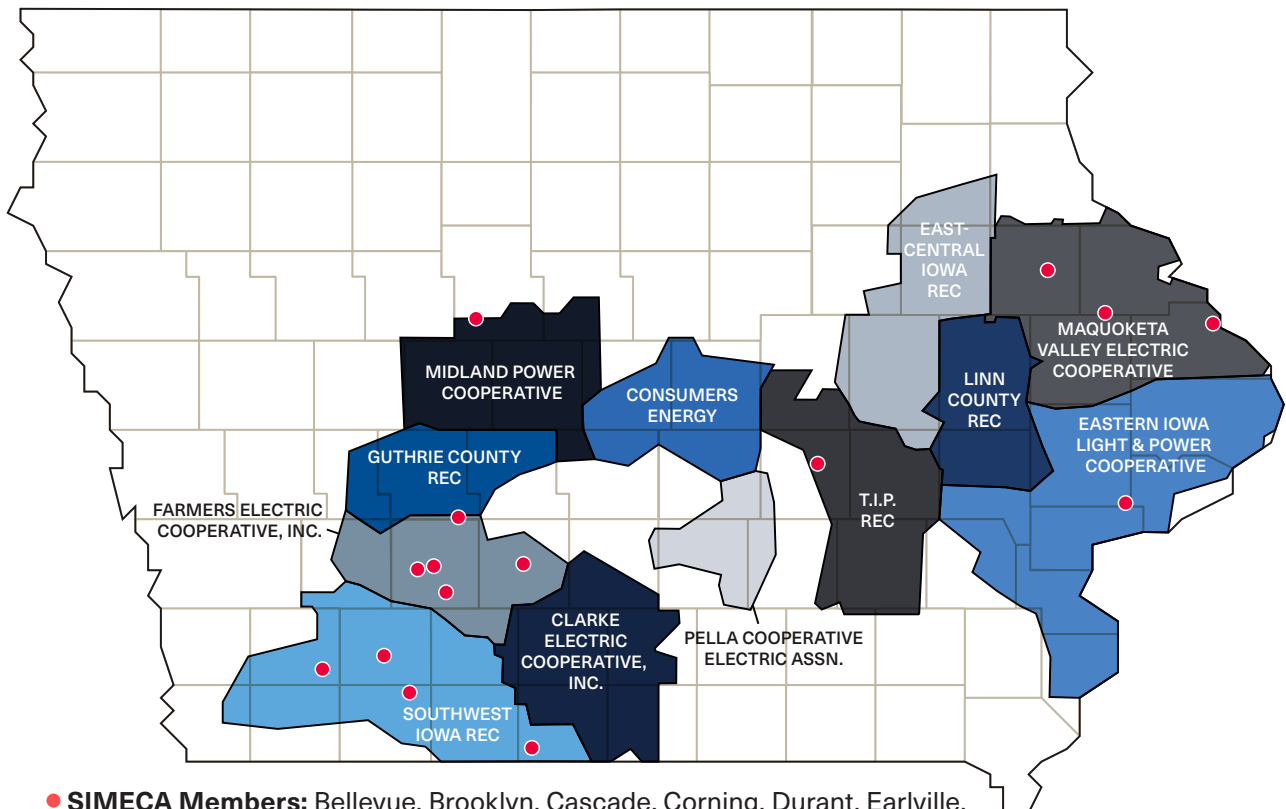
### Natural Gas & Oil

Summit Lake Generating Station, Creston

### Landfill Gas

Linn County Solid Waste Agency, Marion

## MEET OUR MEMBER-OWNERS

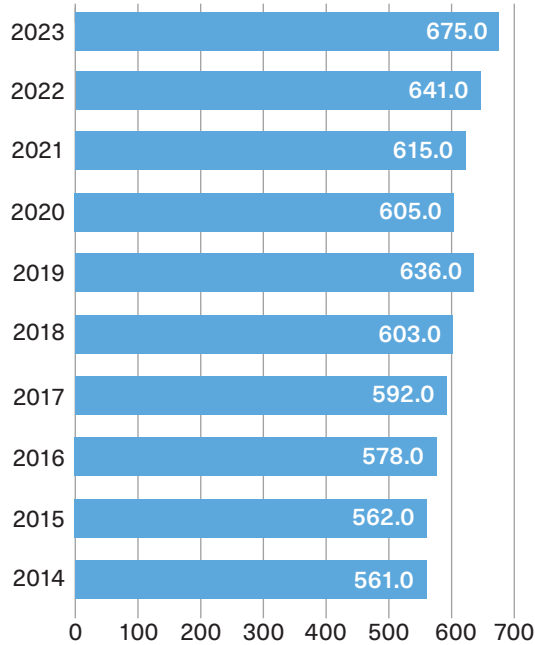


● **SIMECA Members:** Bellevue, Brooklyn, Cascade, Corning, Durant, Earlville, Fontanelle, Gowrie, Greenfield, Lamoni, Lenox, Orient, Stuart, Villisca and Winterset

# STATS AND GRAPHS

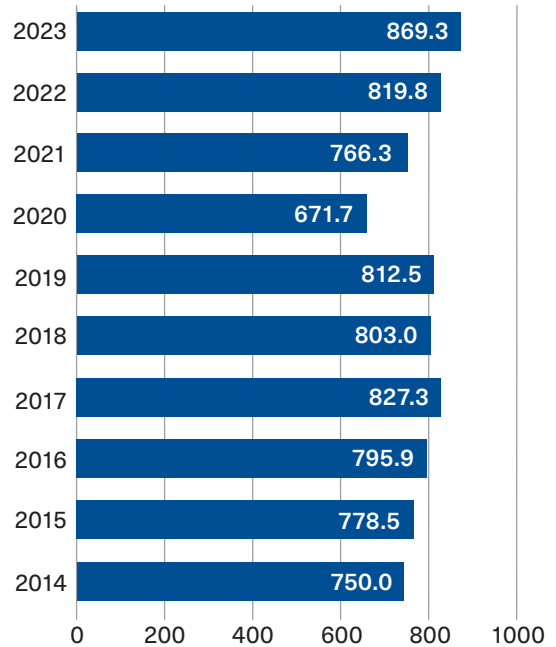
## SYSTEM PEAK DEMAND

in megawatts



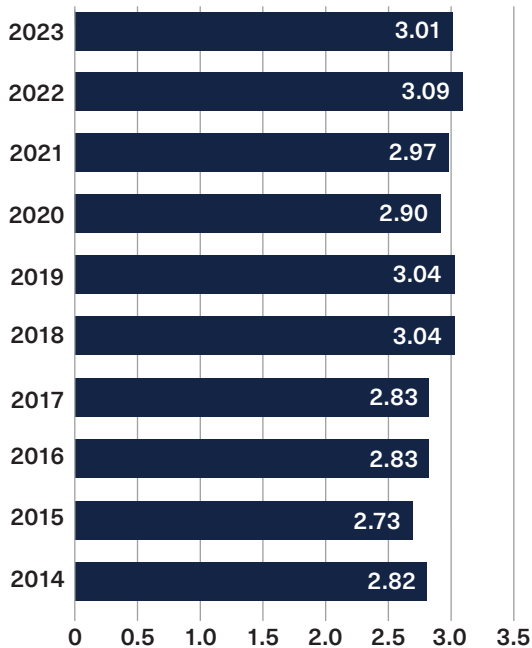
## UTILITY PLANT INVESTMENT

\$ in millions



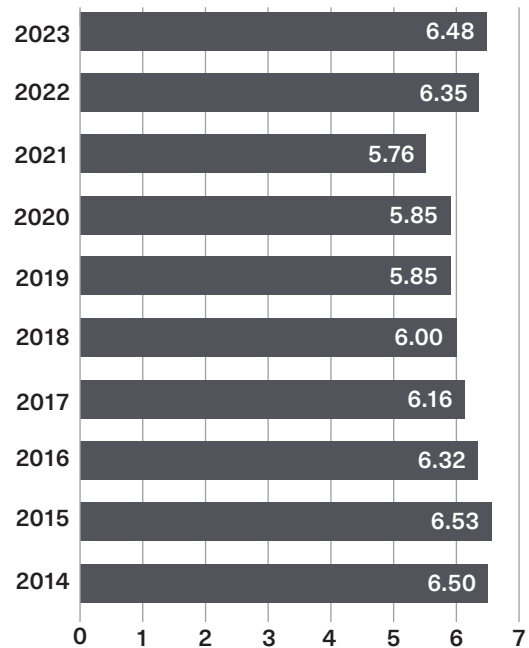
## ENERGY SALES

in millions MWhs



## AVERAGE SYSTEM RATE

in cents/kWh



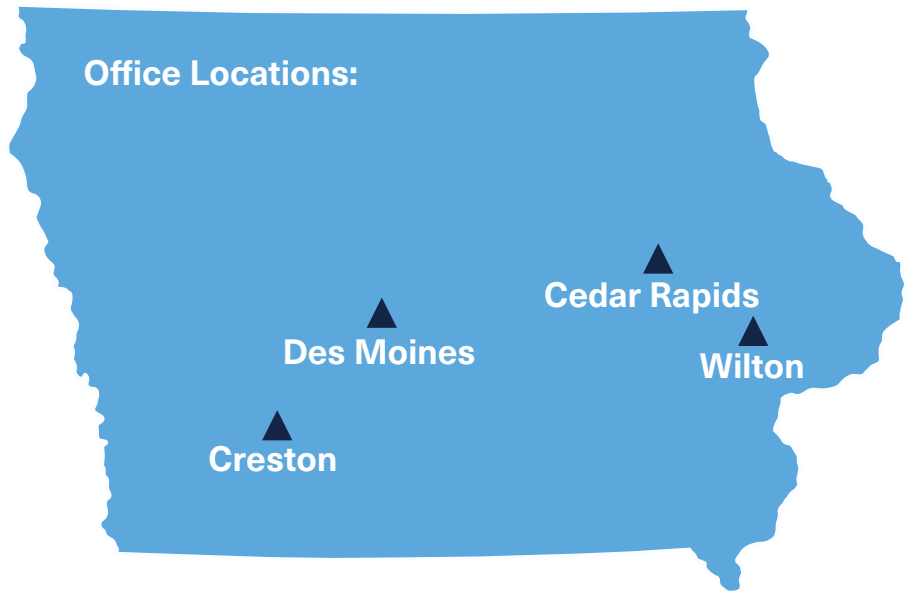


Year Founded:

1946



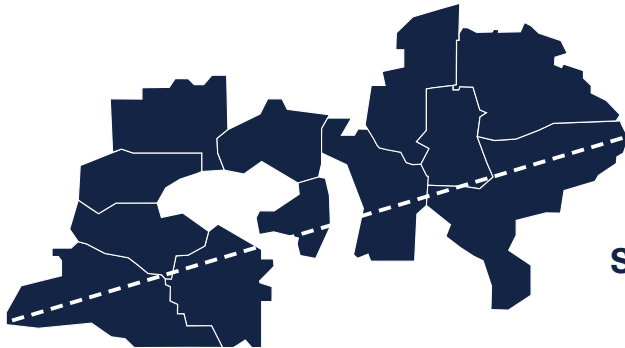
110 Employees



**Ownership:** Not-for-profit cooperative owned by 13-member distribution cooperatives and associations

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

**Territory:** CIPCO stretches 300 miles diagonally across Iowa, adjoining 12 of Iowa's 18 cities with populations greater than 25,000 and serving 58 of Iowa's 99 counties



Serving 58 counties

Approximate population served:

300,000

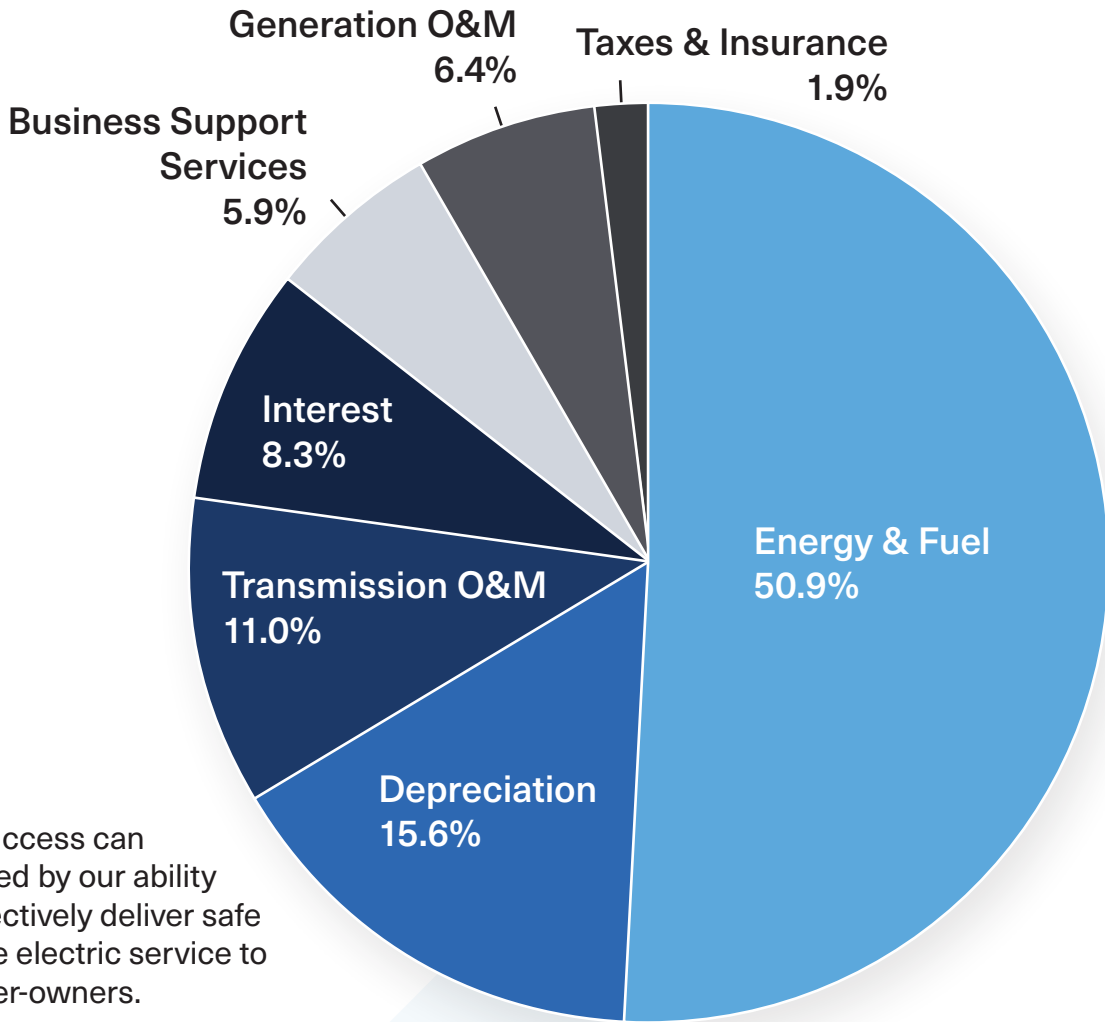
Miles of transmission lines: 1,997



# JUMPING TO THE NUMBERS

## 2023 OPERATING EXPENSES

As of Dec. 31, 2023



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

## 2023 KEY FIGURES

Total Operating Revenue: \$214,285,785

Net Margin: \$26,929,352

Total Assets: \$909,309,520

Amount Returned as Patronage  
Since Inception: More than \$137 million

## 2023 FINANCIAL RATIOS

Debt Service Coverage (DSC): 1.66

Margins for Interest (MFI): 2.60

Equity to Asset Ratio: 26.71%

CIPCO contractors deliver a new  
127,600 pound transformer into  
the Coggon substation  
February 2023



# BOARD OF DIRECTORS



**PAUL HEINEMAN**  
Ogden  
*President*



**DAN WESTPHAL**  
Bridgewater  
*Vice President*



**GENE  
MANTERNACH**  
Cascade  
*Secretary-Treasurer*



**DUANE VER PLOEG**  
Pella  
*Assistant  
Secretary-Treasurer*



**STEVE BIRELINE**  
Adair



**ARDEN GREINER**  
Colo



**KIRK HILAND**  
North Liberty



**GARY KESTER**  
Burlington



**TIM LARSEN**  
Corning



**GARY MCKENNA**  
Vinton



**RANDY ROUSE**  
Allerton



**CRAIG STALLMAN**  
Williamsburg



**DALE WALKUP**  
Redding

# MEMBER MANAGERS



DAVID OPIE  
General Manager  
Clarke Electric  
Cooperative, Inc.



BRIDGET ITZEN  
CEO/  
General Manager  
Consumers Energy



TERESA 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



SCOTT TONDERUM  
Director  
SIMECA



PHIL KINSER  
CEO/Manager  
Southwest  
Iowa REC



SCOTT LONG  
CEO/  
General Manager  
T.I.P. REC

# POWERING PROGRESS FOR A RELIABLE FUTURE

CIPCO remains committed to reinvesting in our transmission system to ensure rural and suburban Iowa communities have continued access to safe, reliable, and cost-effective power now and into the future. Throughout 2023, CIPCO executed on our strategic New-To-Replace-Old (NTRO) program, commissioned new line segments, and completed significant substation projects. Our ambitious projects included completion of the 20-mile 161/69 kV Linn County Loop, a key component for supporting ongoing growth in eastern Iowa. Other reliability-focused initiatives include completion of the 69 kV Corsair REC Tap, the 23-mile 69 kV Summit Lake – Murray line, the Mt. Vernon – Bertram 161 kV line, and the nearly 14-mile 69 kV Dundee – Bond line. Additionally, two major transformers were delivered to the Coggon and Bertram substations. By year's end, the NTRO initiative resulted in the installation of 10.6 miles of 161 kV and 40.75 miles of 69 kV lines, highlighting our commitment to reinvesting in Iowa's transmission infrastructure.

The demand for reliable power continues to grow as our economy expands and technological advancements electrify new devices, vehicles, and more. CIPCO's dedication to delivering safe, reliable, and cost-effective power relies on prudent long-term generation decisions to maintain a portfolio of energy and capacity resources that is diverse, competitive, and provides stability now and into the future. CIPCO's Summit Lake Generating Station, equipped with highly efficient natural gas-fired reciprocating engines and combustion turbines, is a prominent piece of our energy portfolio. During 2023, CIPCO invested in the comprehensive overhaul of combustion turbine number one, pictured below, revitalizing its role as a reliable, dependable generation asset for years to come.

During the year, CIPCO also began planning for a new wave of energy and capacity resources that will be needed to meet the growing demand for power in our region. We remain focused on growing our broad energy portfolio through an all-of-the-above strategy. Our Member-owners expect and deserve a safe, reliable, and affordable power supply. It is through that lens we will evaluate energy proposals and plan for the needs of the cooperative.





A CIPCO line crew repairs damage created by wind storm  
March 2023

## UNPREDICTABLE WEATHER

Severe weather events underscore the need for a robust transmission system, preparation, and dedicated staff to respond when events test the system's resilience. For 2023, CIPCO maintained an overall outage rate of 0.209 hours per customer, one of the best years for reliability in CIPCO's history.

On March 31, a widespread tornado outbreak swept through the eastern part of Iowa, unleashing 30 confirmed tornadoes, including F4 tornadoes with wind speeds exceeding 165 mph. For CIPCO, the event caused 23 system outages and 47 damaged transmission structures. In response, CIPCO linemen, mobilizing from various parts of Iowa, swiftly mitigated all of the damage within four days. Shortly thereafter, hailstorms battered portions of southern Iowa, causing significant panel damage to the Clarke Solar Farm in Osceola. A total of 310 panels, representing 20 percent of the installation, fell victim to the severe weather event.

On August 23, CIPCO reached a new, all-time peak of 675 MW during a period of sustained high temperatures. As weather has an outsized influence on the electric grid, the risks of unpredictable events remain on the horizon. However, CIPCO and MISO, the Regional Transmission Organization serving our region, are adapting to handle these events, protecting reliability for CIPCO's Member-owners.

## NEW OPPORTUNITIES

Our nation's energy mix has changed dramatically over the past 20 years, and nowhere is that more evident than in Iowa. Technological advances in energy storage will make intermittent renewable sources like wind and solar more reliable and dependable, which are the top reasons why natural gas and coal have been reliable "always-available" generation sources for many years.

As economic conditions allow, CIPCO continuously explores new and innovative options to meet the growing energy needs of our Member-owners, while balancing the supply of energy with demand. In a collaborative effort with strategic partners including the National Renewables Cooperative Organization (NRCO) and three other generation and transmission cooperatives nationwide, CIPCO proudly announced it will receive a portion of the \$325 million long-duration energy storage grant from the Department of Energy's Office of Clean Energy Demonstration. Aligned with a shared vision, this initiative will accelerate the advancement of long-duration energy storage through the utilization of vanadium redox flow batteries (VRFB).

These innovative batteries operate by charging during periods of low energy prices and discharging during peak usage, thereby significantly contributing to the reliability and efficiency of the electric grid. By embracing cooperation among cooperatives, CIPCO and its partners are working together to shape the future of a more robust and reliable energy infrastructure that powers our Member-owners' needs.

*Vanadium redox flow battery photos courtesy of Invinity Energy Systems*







A CIPCO line crew works on transmission lines outside a substation near Lorimor  
September 2023

# POWERING PROGRESS FOR RESPONSIBLE ENERGY POLICIES

Our board of directors and staff remain steadfast in their commitment to proactively engage with state and federal officials, their staff and policy organizations. Our collaborative efforts focus on educating our elected leaders to ensure they consider issues affecting rural electric cooperatives. The increasing demand for reliable power poses challenges in maintaining a

secure, dependable, and cost-effective power supply. As CIPCO continues to diversify its generation mix, we encounter hurdles from impractical policies that hinder the responsible modernization of the energy grid, particularly those policies that seek to mandate new technologies that are not yet commercially viable.



CIPCO's directors, Member-owners, and staff are dedicated advocates for responsible legislation and regulations. This advocacy centers on facilitating reasonable modifications in permitting reform, endorsing an all-inclusive approach to energy supply, and upholding Iowa's existing service territory laws. In pursuit of these objectives, CIPCO directors and staff make multiple visits to Washington, D.C., each year, aiming to educate policy makers about the repercussions of policies that impose unreasonable requirements and timeframes. Simultaneously, CIPCO and its Member-owners actively engage state-level officials in discussions regarding reliability and energy needs impacting Iowa.

As we reflect on 2023 and look to the future, we encourage legislators, regulators, and the energy industry at large to always remember reliability and how it impacts the daily lives of those they serve.

# POWERING PROGRESS IN OUR COMMUNITIES

We believe in the collective power of progress, where our commitment to community is woven into the fabric of our values. Together, we power progress to build a brighter future for all.

## BUSINESS DEVELOPMENT

In collaboration with our Member-owners, CIPCO aims to advance economic prosperity by supporting business growth in the communities we serve. Our commitment to powering progress is evident through our provision of flexible, low-cost financing assistance, strategic investments in transmission infrastructure, tailored and competitive C&I rate structures, and CIPCO's Rate R, which provides a pathway for renewable energy certificate use.

In 2023, we facilitated growth by awarding \$250,000 from the Revolving Loan Fund to support a library project in the City of Cascade and the Brooklyn Estates – Bear Creek Kids Campus initiative.

Moreover, CIPCO successfully secured approval for applications from the USDA Rural Economic Development Loan & Grant (REDL&G) program. These approvals benefited projects such as Brooklyn Estates, LLC – Bear Creek Kids Campus, Opportunity Knocks, LLC – Vive IV Therapy (Peosta), and the Muscatine Health Support Fund – Mulberry Health Clinic. Throughout the year, we continued to champion progress by submitting additional applications to the REDL&G program for S&M Holdings, LLC; Ihle Fabrication; Freedom Racing Tool & Auto; and the Knoxville Raceway Hall of Fame and Museum. Together, we power progress for sustained growth and development.



# COOPERATIVE GIVING AND EDUCATIONAL SUPPORT

CIPCO is committed to community empowerment, actively supporting local nonprofits, educational organizations, and community initiatives throughout the year. These collaborations play a pivotal role in enhancing the quality of life in the areas served by rural electric cooperatives and exemplify our commitment to powering progress together.

In 2023, CIPCO extended its support to nature centers, youth organizations, fire departments, and various educational programs across the state. Our ongoing partnership with CoBank's Sharing Success Program helps us make a meaningful impact. Through this program, dollars were matched to bolster the St. Luke's Foundation's Rural Healthcare Grant, providing crucial funds for rural EMS operations to acquire equipment and develop programs that can better serve rural residents. Additionally, support was extended to the Iowa State University PrISUm Solar Car Team, a student-run organization fostering critical thinking in engineering, mathematics, and leadership.

The collaborative spirit of Iowa's rural electric cooperatives shone brightly at CIPCO's annual charity golf event in 2023, during which members and partners came together to raise \$10,000. These funds were directed to the Leukemia & Lymphoma Society of Iowa's Dare to Dream Project, that will power innovative research, new and safer treatments, supportive services, and advocacy for children with blood cancers. Together, through shared efforts, we continue to power progress by making a positive impact on the communities we serve.



# NURTURING THE NEXT GENERATION



In our commitment to nurturing the next generation, CIPCO goes beyond merely participating in college career fairs. We actively engage in early education to enlighten Iowa's youth about future career opportunities with rural electric cooperatives. Our efforts at the Iowa State Fair helped engage younger students with basic lineworker information.



In 2023, seventh graders from Bedford Community Schools and high school students from the Creston Community School District visited CIPCO's Summit Lake Generating Station, a great opportunity to showcase the diversity of energy sector careers. Additionally, CIPCO conducted presentations throughout the year for middle school students at the STEAM Institute, an event that emphasized careers in science, technology, engineering, arts, and mathematics. CIPCO embraced the opportunity to spotlight various careers at the Iowa Skilled Trades' Build My Future event, where several thousand high school students participated in hands-on demonstrations and interactive sessions. By instilling knowledge and passion early on, we empower the future workforce to contribute to the ongoing progress of our communities.



# POWERING PROGRESS WITH FINANCIAL STRENGTH

CIPCO's financial results reflect a year of strong performance and competitive rates, despite challenging wholesale markets, inflationary pressures, and supply chain constraints. CIPCO set an all-time peak demand of 675 MW in August 2023, more than 5 percent higher than the previous record. While summer demand set a record during the August heat wave, energy sales totaled 3.0 million MWhs hours in 2023, a decrease of 2.5 percent, primarily due to moderate seasonal weather patterns the rest of the year. Electric revenue was \$195 million, a slight decrease compared to 2022 due to slightly lower energy sales. CIPCO realized a net margin of \$26.9 million in 2023, a return to strong performance compared to the net loss of almost \$2 million for 2022. Also, 2023 was a year of executing on our long-term strategy of re-investing in the system to maintain and improve reliability. As of December 31, 2023, total utility plant investment increased to \$869.3 million due to capital expenditures of \$38.6 million to complete important transmission projects and generation improvements.

“Success can be measured by our ability to cost-effectively deliver safe and reliable electric service to Member-owners.”

CIPCO's average system rate was 6.48 cents/kWh in 2023, an increase of two percent from the prior year. Despite the modest average rate increase, CIPCO is proud to maintain competitive rates that, today, remain below rates charged to Member-owners 10 years ago. Further, retirement of patronage capital is a fundamental component of the cooperative business model. Since its inception, CIPCO has returned \$137 million in patronage to its Member-owners, including \$7.5 million returned in 2023.

Navigating complex challenges is much easier when you approach them from a position of strength. Relying on our financial strength and long-term strategy the Board of Directors, member CEOs and the CIPCO management team are focused on finding solutions that balance the reliable, affordable, and sustainable energy our Member-owners expect and deserve. No matter the complex issues before us, cooperative solutions are the answer.

## CREDIT RATING REMARKS:

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

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

CIPCO crews work through the night during a planned outage to reduce the impact on our Member-owners  
September 2023



Utility Operations staff inspect bucket truck controls during a pole-top safety meeting

September 2023







**CIPCO**

**2023 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](http://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, 2023 and 2022, 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, 2023 and 2022, 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:

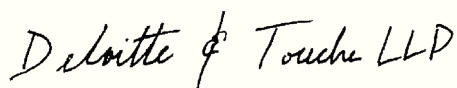
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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.



March 26, 2024

# CIPCO and Subsidiaries-December 31, 2023 and 2022

## Consolidated Balance Sheets

Assets	2023	2022
Electric utility plant, at cost:		
In service	\$ 869,339,031	819,769,827
Less accumulated depreciation	344,286,751	324,237,872
Electric utility plant in service, net	525,052,280	495,531,955
Construction work in progress	16,149,595	32,723,147
Electric utility plant, net	541,201,875	528,255,102
Railroad and nonutility property, at cost less accumulated depreciation and amortization of \$3,001,343 in 2023 and \$3,740,921 in 2022	4,651,220	4,918,982
Investments and notes receivable:		
Investments in associated organizations and notes receivable, net	32,804,066	30,697,403
Decommissioning funds	163,185,526	146,073,872
Other investments	80,568,636	72,583,298
Total investments and notes receivable	276,558,228	249,354,573
Current assets:		
Cash and cash equivalents	11,697,940	8,710,133
Restricted cash	—	615,849
Accounts receivable, members	15,084,863	19,930,432
Government grants and receivables, net	9,564,253	23,204,750
Other receivables	3,578,747	3,936,887
Fossil fuel, materials, and supplies	15,344,564	10,757,215
Prepaid expenses and interest receivable	662,541	510,818
Regulatory asset	6,185,292	6,185,292
Total current assets	62,118,200	73,851,376
Regulatory and other assets	24,779,997	34,612,009
Total assets	\$ 909,309,520	890,992,042
<b>Capitalization and Liabilities</b>		
Capitalization:		
Members' equity:		
Membership fees and contributed capital credits	\$ 40,682,444	40,682,444
Deferred patronage capital	90,578,516	94,078,516
Other	111,332,509	88,403,157
Total members' equity	242,593,469	223,164,117
Noncontrolling interest in CBEC Railway, Inc.	324,151	339,414
Total equity	242,917,620	223,503,531
Long-term debt, less current maturities	449,043,176	453,999,474
Total capitalization	691,960,796	677,503,005
Other liabilities:		
DAEC decommissioning liability	143,640,154	146,768,298
Other asset retirement obligations	2,892,746	3,096,571
Regulatory liability	9,244,854	—
Lease obligations	5,955,679	6,705,066
Deferred income taxes	1,129,412	14,147
Total other liabilities	162,862,845	156,584,082
Commitments and contingencies		
Current liabilities:		
Current maturities of long-term debt	28,399,569	25,890,804
Accounts payable	17,057,657	18,372,444
Accrued property taxes and other expenses	7,267,510	9,921,707
Current portion of DAEC decommissioning liability	1,761,143	2,720,000
Total current liabilities	54,485,879	56,904,955
Total capitalization and liabilities	\$ 909,309,520	890,992,042

See notes to consolidated financial statements.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Consolidated Statements Of Revenue And Expenses

	2023	2022
Operating revenue:		
Electric revenue	\$ 195,058,892	195,840,260
Wheeling	8,769,713	8,682,843
Miscellaneous	9,590,659	8,307,880
Railroad	866,521	881,260
Total operating revenue	214,285,785	213,712,243
Operating expenses:		
Purchased power	87,093,891	97,897,869
Operations:		
Production plant - fuel	15,109,365	21,558,160
Production plant - other	7,790,767	5,592,294
Transmission plant	18,186,790	18,558,911
Maintenance:		
Production plant	5,115,810	4,223,635
Transmission plant	3,884,908	4,606,035
Business support services	11,840,552	11,122,134
Depreciation and amortization	31,294,379	29,843,442
Property and other taxes and insurance	1,720,776	1,535,093
Other	219,908	257,844
Total operating expenses	182,257,146	195,195,417
Net operating margin	32,028,639	18,516,826
Other revenue (expense):		
Net realized investment income	5,416,669	2,627,059
Net unrealized gain (loss) on investments	6,808,865	(12,780,718)
Patronage capital allocations	1,328,134	1,644,907
Miscellaneous revenue, net	273,754	1,019,727
Total other revenue (expense), net	13,827,422	(7,489,025)
Net margin before interest charges and income taxes	45,856,061	11,027,801
Interest on long-term debt	16,707,841	14,304,107
Net margin (loss) before income taxes	29,148,220	(3,276,306)
Income tax expense (benefit) :		
Current income tax expense	1,088,866	192,865
Deferred income tax expense (benefit)	1,115,265	(1,506,320)
Total income tax expense (benefit)	2,204,131	(1,313,455)
Net margin (loss)	26,944,089	(1,962,851)
Noncontrolling interest in CBEC Railway, Inc.	14,737	14,634
Net margin (loss) attributable to the Company	\$ 26,929,352	(1,977,485)

See notes to consolidated financial statements.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Consolidated Statements Of Equity

	Membership Fees and Contributed Capital Credits	Deferred Patronage Capital	Other	Noncontrolling Interest In CBEC Railway, Inc.	Total Equity
<b>Balance January 1, 2022</b>	\$ 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)
<b>Balance December 31, 2022</b>	40,682,444	94,078,516	88,403,157	339,414	223,503,531
Net margin	—	—	26,929,352	14,737	26,944,089
Patronage capital paid	—	(7,500,000)	—	—	(7,500,000)
Patronage capital allocated	—	4,000,000	(4,000,000)	—	—
Distribution of earnings	—	—	—	(30,000)	(30,000)
<b>Balance December 31, 2023</b>	\$ 40,682,444	90,578,516	111,332,509	324,151	242,917,620

See notes to consolidated financial statements.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Consolidated Statements Of Cash Flows

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net margin (loss)	\$ 26,944,089	(1,962,851)
Adjustments to reconcile net margin (loss) to net cash provided by operating activities:		
Depreciation and amortization	32,128,273	30,386,395
Settlements of asset retirement obligations	(3,366,834)	(11,055,840)
Patronage capital allocations not received in cash	(497,970)	(575,547)
Realized net gain on disposal of investments	(3,394,795)	(1,081,882)
(Gain) loss on disposal of electric utility plant and nonutility property	(47,942)	32,246
Net unrealized (gain) loss on investments	(6,808,865)	12,780,718
Net gain from equity method investees	(26,158)	(40,885)
Other, net	379,234	557,479
Changes in certain assets and liabilities:		
Receivables	9,892,205	(6,020,345)
Fossil fuel, materials, and supplies	(4,587,349)	(1,152,856)
Prepaid expenses and interest receivable	(151,723)	81,137
Accounts payable, accrued liabilities, and other liabilities	(3,832,242)	(4,679,003)
Deferred income taxes	1,115,265	(1,506,320)
Net cash provided by operating activities	47,745,188	15,762,446
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to electric utility plant	(38,597,565)	(44,365,317)
Proceeds from the sale of electric utility plant and nonutility property	91,282	69,425
Purchases of investments	(111,276,144)	(158,248,553)
Sales of investments	115,245,480	167,255,760
Interest and dividend income reinvested	(1,724,856)	(1,696,332)
Distributions received from decommissioning funds	2,513,628	5,292,552
Receipt of prior years' patronage capital allocation	44,976	53,512
Additions to notes receivable	(4,500,000)	(2,250,000)
Payments from notes receivable	2,846,331	2,420,181
Other	(38,829)	—
Net cash used in investing activities	(35,395,697)	(31,468,772)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	(25,947,533)	(24,590,147)
Proceeds from long-term borrowings	4,000,000	96,086,000
Principal payments on line of credit	(127,500,000)	(211,500,000)
Proceeds from line of credit borrowings	147,000,000	163,000,000
Distribution of earnings to noncontrolling interest in CBEC Railway, Inc.	(30,000)	(24,000)
Patronage capital paid	(7,500,000)	(8,000,000)
Net cash (used in) provided by financing activities	(9,977,533)	14,971,853
Net increase (decrease) in cash, cash equivalents and restricted cash	2,371,958	(734,473)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	9,325,982	10,060,455
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	\$ 11,697,940	9,325,982
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash payments for interest	\$ 16,444,525	14,338,960
Cash payments for income taxes	\$ 159,630	959,338
Purchases of electric utility plant in accounts payable	\$ 5,923,736	5,855,969

See notes to consolidated financial statements.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## 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 electric 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 2023 or 2022.

#### (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.



# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### **(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 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 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, 2023 and 2022.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### **(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 statement 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 June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), which changes how entities account for credit losses on receivables and certain other assets. The guidance requires use of a current expected loss model, which may result in earlier recognition of credit losses than under previous accounting standards. CIPCO adopted the ASU guidance on January 1, 2023. Adoption of this standard did not have a material impact on CIPCO’s consolidated financial statements.

### **(r) Accounting Pronouncements Not Yet Adopted**

On December 14, 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This guidance requires disaggregated information about a business entity’s effective tax rate reconciliation as well as information on income taxes paid. This ASU is effective for fiscal years after December 15, 2025. Early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### 3. ELECTRIC UTILITY PLANT IN SERVICE

The major classes of electric utility plant in service at December 31, 2023 and 2022 and depreciation and amortization for 2023 and 2022 are as follows:

	Cost		Depreciation & Amortization		Composite Depreciation Rates
	2023	2022	2023	2022	%
Production plant	\$ 369,128,235	363,867,009	11,575,471	11,305,903	3.00-9.36
Transmission plant	472,703,092	429,285,165	12,170,691	10,823,424	2.75
Distribution plant	454,256	454,256	—	—	0.00
General plant	26,178,982	25,288,931	1,913,881	1,688,103	3.03-33.33
Intangible plant	874,466	874,466	15,176	15,176	4.00
<b>Electric utility plant in service</b>	<b>\$ 869,339,031</b>	<b>819,769,827</b>	<b>25,675,219</b>	<b>23,832,606</b>	

The following table provides the net balance recorded in electric utility plant in service by production plant facility at December 31, 2023:

Production Plant Facility	Percentage Ownership	Capacity MW	Electric Utility Plant in Service, Net
Summit Lake	100.0%	116	\$ 73,303,510
Walter Scott Energy Center Unit No. 3	11.5	83	28,651,458
Walter Scott Energy Center Unit No. 4	9.5	78	66,680,134
Louisa Generating Station	4.6	35	13,834,680
Right-of-use Solar Generation	Leased	6	5,411,389

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 \$42,563,013 and \$52,025,854 for 2023 and 2022, respectively.

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

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### 5. LEASING TRANSACTIONS

The Company is party to lease agreements for six solar generating facilities with a total installed capacity of 6.4 MW<sub>AC</sub>. 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, 2023, the solar leases have a weighted average remaining lease term of 7.5 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 years ended December 31, 2023 and 2022 are as follows:

Lease Expense	Classification	2023	2022
Amortization of right-of-use assets	Depreciation and amortization	\$ 772,009	749,234
Interest on solar lease liabilities	Production plant - other	184,552	202,945
Interest on office lease liabilities	Business support services	41,084	45,466
		<u>\$ 997,645</u>	<u>997,645</u>

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

	Classification	2023	2022
<b>Assets:</b>			
Right-of-use assets	Electric utility plant, net	\$ 6,600,056	7,372,065
<b>Liabilities:</b>			
Current maturities of lease obligations	Accrued property taxes and other expenses	749,082	721,434
Long-term lease obligations	Lease obligations	5,955,679	6,705,066

As of December 31, 2023, maturities of lease liabilities are as follows:

Years Ending December 31	Scheduled Maturities
2024	\$ 951,071
2025	955,091
2026	880,536
2027	827,111
2028	828,293
Thereafter	3,194,978
Total lease payments	7,637,080
Less imputed interest	(932,319)
Total lease liabilities	6,704,761
Current lease liabilities	(749,082)
Noncurrent lease liabilities	<u>\$ 5,955,679</u>

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### 6. INVESTMENTS AND NOTES RECEIVABLE

As of December 31, 2023 and 2022, investments and notes receivable consisted of the following:

	2023	2022
Investments in associated organizations and notes receivable, net:		
Capital term certificates	\$ 4,486,482	4,486,482
Investments in associated organizations	10,276,244	9,823,250
Notes receivable, net	18,041,340	16,387,671
	<u>32,804,066</u>	<u>30,697,403</u>
Decommissioning funds:		
Investments - decommissioning trust	83,635,638	74,203,035
Investments - internal decommissioning fund	79,549,888	71,870,837
	<u>163,185,526</u>	<u>146,073,872</u>
Other investments:		
Invested reserves	79,603,258	71,128,752
Equity in privately held corporations and funds	220,322	735,648
Equity method investments	745,056	718,898
	<u>80,568,636</u>	<u>72,583,298</u>
<b>Total investments and notes receivable</b>	<b>\$ 276,558,228</b>	<b>249,354,573</b>

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 \$18,041,340 and \$16,387,671 at December 31, 2023 and 2022, 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 December 2033. As of December 31, 2023 and 2022, the Company had established an allowance for credit losses of \$235,230 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. There were no impairment losses recognized during the years ended December 31, 2023 and 2022.

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.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### 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, 2023 and 2022, investments that have readily determinable fair values within decommissioning funds and other investments consisted of the following:

December 31, 2023	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Cash equivalents	\$ 3,537,859	—	—	3,537,859
Equities	103,974,298	27,850,666	(3,500,906)	128,324,058
Fixed income	42,591,126	558,333	(302,527)	42,846,932
Totals	\$ 150,103,283	28,408,999	(3,803,433)	174,708,849

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

# CIPCO and Subsidiaries—Years Ended December 31, 2023 and 2022

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## Notes To Consolidated Financial Statements

### 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.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### 7. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present assets that are measured at fair value on a recurring basis as of December 31, 2023 and 2022:

#### Fair Value Measurements as of December 31, 2023

	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 3,537,859	3,537,859	—	—
Equities - stocks	51,017,074	51,017,074	—	—
Mutual funds:				
Equities	34,945,621	34,945,621	—	—
Fixed income	4,669,734	4,669,734	—	—
Exchange traded funds:				
Equities	42,361,363	42,361,363	—	—
Corporate fixed income	9,846,037	—	9,846,037	—
Government securities	28,331,161	—	28,331,161	—
Subtotal	174,708,849	136,531,651	38,177,198	—
Private equity and hedge funds measured at net asset value	51,701,333			
Total	\$ 226,410,182			

#### 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			



# CIPCO and Subsidiaries—Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### 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, 2023 and 2022:

Alternative Investment Strategy	2023	2022	Redemption Frequency	Redemption Notice Requirements
Private equity & hedge funds	\$ 2,966,882	4,499,237	Allowed quarterly	Varies from 30-65 days
Private equity & hedge funds	1,914,923	1,728,176	Allowed at least annually	90 calendar days plus 5 business days
Private equity & hedge funds	46,819,528	45,474,749	No contractual liquidity	No contractual liquidity
Total private equity & hedge funds measured at net asset value	\$ 51,701,333	51,702,162		

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, 2023, 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, net includes \$2,997,466 and \$5,972,062 for eligible costs that have not yet been reimbursed as of December 31, 2023 and 2022, 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 NextEra Energy Resources (“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, net includes \$6,566,787 and \$17,232,688 for eligible costs that have not yet been reimbursed as of December 31, 2023 and 2022, respectively. The DOE has disputed certain costs submitted for reimbursement. During 2023, an arbitration decision was reached where an independent neutral party disallowed \$3.7 million of claims related to early shutdown costs. Of this \$3.7 million in disallowed costs, \$1.7 million was recognized as an impairment loss in miscellaneous revenue, net in the consolidated statements of revenue and expenses in 2023. The remaining disallowed costs of \$2.0 million related to decommissioning was deferred to a regulatory asset and a withdrawal was made from decommissioning funds for this amount. Based on the arbitration decision, the Cooperative has established an allowance for uncollectible amounts of \$8.2 million for similar costs as of December 31, 2023. This allowance was related to decommissioning and deferred to the regulatory asset. Should these costs be disallowed, they will be withdrawn from decommissioning funds.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### 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 \$163,185,526 and \$146,073,872 at December 31, 2023 and 2022, 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 is recorded in Other AROs. Post-closure decommissioning activities are expected to be completed in 2027.

For DAEC, periodic decommissioning costs studies are performed to update the estimated future ARO costs. The most recent cost study was conducted in 2023, which resulted in a reduction in the estimated costs in determining the decommissioning liability.

The following table reconciles the beginning and ending balances of the DAEC decommissioning liability and Other AROs for the years ended December 31, 2023 and 2022:

	2023		2022	
	DAEC Decommissioning Liability	Other AROs	DAEC Decommissioning Liability	Other AROs
Balance-January 1	\$ 149,488,298	5,131,073	153,791,899	10,672,866
Additions	—	—	—	—
Settlements	(1,829,880)	(1,536,954)	(7,513,556)	(3,542,284)
Change in estimated costs	(7,957,167)	(568,857)	(2,786,824)	(2,321,958)
Accretion	5,700,046	153,597	5,996,779	322,449
Balance-December 31	145,401,297	3,178,859	149,488,298	5,131,073
Expected to settle in the next twelve months	\$ 1,761,143	286,113	2,720,000	2,034,502

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, 2023 and 2022.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### 10. REGULATORY ASSETS AND LIABILITY

At December 31, 2023 and 2022, regulatory assets and liability consists of the following:

	2023	2022
Regulatory asset - current		
DAEC unrecovered plant	\$ 6,185,292	6,185,292
Regulatory assets		
DAEC decommissioning	—	3,685,549
DAEC unrecovered plant	24,741,168	30,926,460
	\$ 27,741,168	34,612,009
Regulatory liability		
DAEC decommissioning	\$ 9,244,854	—

**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, 2023, a regulatory liability was recorded reflecting an overfunded present value status. As of December 31, 2022, a regulatory asset was recorded reflecting an underfunded 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, 2023 and 2022, members' equity—other consists of the following:

	2023	2022
Unallocated margin (loss)	\$ 26,929,352	(1,977,485)
Reserve for contingent losses	51,278,840	60,630,107
Statutory surplus	33,124,317	29,750,535
	\$ 111,332,509	88,403,157

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 \$9,351,268 and \$48,339 from reserve for contingent losses during the years ended December 31, 2023 and 2022, respectively.

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 \$3,373,782 and \$0 to statutory surplus during the years ended December 31, 2023 and 2022, respectively.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### 12. LONG-TERM DEBT AND LINES OF CREDIT

At December 31, 2023 and 2022, long-term debt consists of the following:

	2023	2022
FFB obligations, 1.017% to 4.932% due in quarterly principal and interest installments through January 2046	\$ 291,804,380	305,165,587
CFC obligations, 2.35% due in quarterly principal and interest installments through December 2031	36,000,000	40,912,796
CFC variable rate credit facility borrowings, interest installments due quarterly, principal due October 2028	—	45,000,000
CoBank obligations, 3.86% to 5.02% due in quarterly principal and interest installments through March 2042	54,333,308	59,573,617
CoBank variable rate obligations, 4.66% to 7.45% due in monthly principal and interest installments through March 2032	3,712,431	4,281,599
CoBank variable rate credit facility borrowings, 6.60% to 7.45% interest installments due monthly, principal due June 2028	72,500,000	8,000,000
USDA and other economic development loans, 0% to 4.91% due in monthly principal and interest installments through December 2033	14,817,626	12,681,679
USDA economic development grants due upon termination of the rural economic development loan fund	4,275,000	4,275,000
Total long-term debt	477,442,745	479,890,278
Less current maturities	28,399,569	25,890,804
Total long-term debt, less current maturities	\$ 449,043,176	453,999,474

Scheduled maturities of long-term debt as of December 31, 2023, are as follows:

Years ending December 31	Scheduled Maturities
2024	\$ 28,399,569
2025	28,414,417
2026	28,201,243
2027	28,051,527
2028	100,161,714
Thereafter	264,214,275
<b>Totals</b>	<b>\$ 477,442,745</b>

To provide for interim financing capabilities, the Cooperative has arranged revolving lines of credit. The Cooperative had available a \$100,000,000 line of credit agreement with CoBank with \$72,500,000 and \$8,000,000 outstanding at December 31, 2023 and 2022, respectively. The Cooperative also had available a \$40,000,000 revolving line of credit agreement with CFC with no borrowings outstanding at December 31, 2023 and 2022.

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, 2023 and 2022.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### 13. INCOME TAXES

The Company's income tax expense (benefit) consists of the following for the years ended December 31, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Current:		
Federal	\$ 773,900	134,845
State	314,966	58,020
	<u>1,088,866</u>	<u>192,865</u>
Deferred:		
Federal	849,366	(1,053,348)
State	265,899	(452,972)
	<u>1,115,265</u>	<u>(1,506,320)</u>
Total income tax expense (benefit)	<u>\$ 2,204,131</u>	<u>(1,313,455)</u>

Income taxes for 2023 and 2022 differ from the expense computed using the statutory rates as follows:

	<b>2023</b>	<b>2022</b>
Federal tax at the statutory rate	\$ 6,226,698	1,281,016
State tax at the statutory rate	2,474,939	565,282
Tax-exempt (income) loss of Cooperative	(7,880,190)	(2,070,985)
Other, net	1,382,684	(1,088,768)
Total income tax expense (benefit)	<u>\$ 2,204,131</u>	<u>(1,313,455)</u>

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, 2023 and 2022, are as follows:

	<b>2023</b>	<b>2022</b>
Deferred tax assets:		
Securities impairments	\$ 482,005	1,084,793
Privately held corporations and funds	74,666	745
Total deferred tax assets	<u>556,671</u>	<u>1,085,538</u>
Deferred tax liabilities:		
Basis difference on fixed assets	401,233	480,970
Privately held corporations and funds	814,828	72,669
Unrealized gains on available-for-sale securities	470,022	546,046
Total deferred tax liabilities	<u>1,686,083</u>	<u>1,099,685</u>
Net deferred tax liability	<u>\$ 1,129,412</u>	<u>14,147</u>

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 2020 and forward. Generally, tax years 2019 and forward are subject to audit by state tax authorities depending on the tax code in each jurisdiction.

# CIPCO and Subsidiaries-Years Ended December 31, 2023 and 2022

## Notes To Consolidated Financial Statements

### 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, 2023 and 2022:

Plan	EIN/Plan Number	Funded Status December 31,		Company Contributions	
		2023	2022	2023	2022
Hawkeye Pension Plan	42-1438152 / 001	At least 80%	At least 80%	\$ 2,843,000	2,540,000

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, 2023 and 2022, the Company's contributions exceeded 5% of the total contributions to the Plan by all participating employers.

# CIPCO and Subsidiaries—Years Ended December 31, 2023 and 2022

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## Notes To Consolidated Financial Statements

### 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 \$10,173,127 as of December 31, 2023.

**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 26, 2024, which is the date the consolidated financial statements were available to be issued.







Des Moines Office:  
515-362-7643  
2600 Grand Ave., Suite 300  
Des Moines, IA 50312

Cedar Rapids Office:  
319-366-8011  
1400 Highway 13 SE  
Cedar Rapids, IA 52403