

*Subject to compliance by UAMPS and the Participants with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Series 2014 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the opinion of Bond Counsel, under existing laws of the State of Utah presently enacted and construed, interest on the Series 2014 Bonds will be exempt from taxes imposed by the Utah Individual Income Tax Act. See “TAX EXEMPTION.”*

**\$21,390,000**

**UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS  
VEYO HEAT RECOVERY PROJECT  
REVENUE BONDS  
SERIES 2014 (GREEN BONDS)**

**Dated:** Date of original issuance**Due:** March 1, as shown on the inside cover

The Series 2014 Bonds are being issued to finance a portion of the Cost of acquisition and construction of the Veyo Heat Recovery Project, including the cost of retiring bond anticipation notes previously issued by UAMPS, funding the Debt Service Reserve Requirement for the Series 2014 Bonds, providing capitalized interest and paying costs of issuance of the Series 2014 Bonds.

The Series 2014 Bonds are initially issuable in book-entry form only through The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2014 Bonds.

Interest on the Series 2014 Bonds is payable on each March 1 and September 1, commencing March 1, 2015. The Series 2014 Bonds are subject to optional and sinking fund redemption prior to maturity.

The Series 2014 Bonds are special obligations of UAMPS and are payable from and secured by a pledge of the Revenues derived by UAMPS from the Veyo Heat Recovery Project and certain funds pledged under the Indenture, subject to the application of the Revenues under the terms of the Indenture. The Series 2014 Bonds are not an obligation of the State of Utah, the Participants, any other Member of UAMPS or any other political subdivision of the State of Utah (other than UAMPS). Neither the faith and credit nor the taxing or appropriation power of the State of Utah or any political subdivision thereof is pledged to the payment of the Series 2014 Bonds. UAMPS has no taxing power.

The Series 2014 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Chapman and Cutler LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for UAMPS by Chapman and Cutler LLP, and for the Underwriter by Ballard Spahr LLP. It is expected that the Series 2014 Bonds will be available for delivery in book-entry form on or about December 16, 2014.

Zions Bank Public Finance has acted as Financial Advisor to UAMPS in connection with the Series 2014 Bonds.

**BofA Merrill Lynch**

This cover page contains general information for quick reference only. It is not a summary. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. This Official Statement is dated December 9, 2014 and the information contained herein speaks only as of such date.

## MATURITY SCHEDULE

\$21,390,000  
UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS  
VEYO HEAT RECOVERY PROJECT  
REVENUE BONDS  
SERIES 2014

DUE MARCH 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP (917328)
2017	\$ 485,000	3.00%	0.95%	QR0
2018	500,000	5.00	1.33	QS8
2019	525,000	5.00	1.65	QT6
2020	555,000	3.00	1.97	QU3
2021	570,000	5.00	2.23	QV1
2022	600,000	5.00	2.49	QW9
2023	630,000	5.00	2.67	QX7
2024	660,000	5.00	2.83	QY5
2025	690,000	5.00	3.00	QZ2
2026	725,000	5.00	3.09 <sup>†</sup>	RA6
2027	765,000	5.00	3.15 <sup>†</sup>	RB4
2028	800,000	3.25	3.43	RC2
2029	825,000	3.25	3.53	RD0
2030	855,000	5.00	3.33 <sup>†</sup>	RE8
2031	895,000	3.50	3.63	RF5
2032	925,000	5.00	3.43 <sup>†</sup>	RG3
2033	975,000	3.50	3.73	RH1
2034	1,010,000	5.00	3.53 <sup>†</sup>	RJ7

\$4,495,000 4.00% Term Bonds due March 1, 2038, priced to yield 3.98%<sup>†</sup>, CUSIP 917328RK4

\$3,905,000 5.00% Term Bonds due March 1, 2041, priced to yield 3.77%<sup>†</sup>, CUSIP 917328RL2

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<sup>†</sup> Priced to par call on March 1, 2025.

## **UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS**

155 North 400 West, Suite 480  
Salt Lake City, Utah 84103  
(801) 566-3938

### **BOARD OF DIRECTORS**

Allen Johnson	Chairman
Matt Draper	Vice Chairman
Dwight F. Day	Secretary
Dave Imlay	Treasurer

Casey Anderson	Jackie Flowers	Kent Kummer	Jason Norlen	Paul Simmons
Dave Burnett	Leon Fredrickson	Dwight Langer	Ted Olson	Bill Stewart
Roger Carter	Blaine Haacke	Eric Larsen	Daniel Peterson	Nick Tatton
Ron Crump	Chris Hogge	Ray Loveless	Jeremy Redd	Jack Taylor
Joel Eves	Steve Hollabaugh	Von Mellor	Bruce Rigby	James VanFleet
Robert Erquiaga	Isaac Jones	Mark Montgomery	Gene Shawcroft	Les Williams
Adam Ferre				Shane Ward

### **MANAGEMENT**

Doug Hunter <i>General Manager</i>	Marshall Empey <i>Chief Operations Manager</i>
Scott Fox <i>Chief Financial Officer</i>	Ted Rampton <i>Manager of GPA, IT &amp; Compliance</i>
Jackie Coombs <i>Manager of Corporate &amp; Member Relations</i>	Mason Baker <i>General Counsel</i>

### **PROJECT PARTICIPANTS**

Kaysville	Santa Clara
Lehi	Spring City
Truckee Donner Public	Logan
Utility District	Washington

### **TRUSTEE**

Zions First National Bank  
One South Main Street, 12th Floor  
Salt Lake City, Utah 84111

### **BOND COUNSEL**

Chapman and Cutler LLP  
201 South Main Street, Suite 2000  
Salt Lake City, Utah 84111

### **FINANCIAL ADVISOR**

Zions Bank Public Finance  
One South Main Street, 18th Floor  
Salt Lake City, Utah 84111

## **GENERAL INFORMATION AND CERTAIN DISCLAIMERS**

The information contained in this Official Statement has been furnished by UAMPS, the Participants, DTC and other sources that are believed to be reliable. No dealer, broker, salesperson or any other person has been authorized by UAMPS or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon as having been authorized by UAMPS or the Underwriter.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made thereunder shall under any circumstances create any implication that there has been no change in the affairs of UAMPS or the Participants, or in any other information contained herein, since the date of this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE SERIES 2014 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

This Official Statement contains “forward-looking statements” that are based upon UAMPS’ current expectations and its projections about future events. When used in this Official Statement, the words “project,” “estimate,” “intend,” “expect,” “scheduled”, “proforma” and similar words identify forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and factors that are outside of the control of UAMPS. Actual results could differ materially from those contemplated by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. UAMPS has no plans to issue any updates or revisions to these forward-looking statements based on future events.

## TABLE OF CONTENTS

SECTION	PAGE
INTRODUCTION.....	1
UAMPS .....	1
The Series 2014 Bonds.....	1
The Veyo Heat Recovery Project.....	2
The Participants .....	4
Power Sales Contracts .....	5
Security and Source of Payment.....	6
Availability of Continuing Information.....	7
Tax Matters.....	8
Conditions of Delivery .....	8
Additional Information.....	8
THE SERIES 2014 BONDS.....	9
General .....	9
Optional Redemption .....	9
Mandatory Sinking Fund Redemption .....	9
Selection of Bonds for Redemption .....	10
Notice of Redemption.....	11
BOOK-ENTRY SYSTEM.....	11
PLAN OF FINANCING .....	14
SOURCES AND USES OF FUNDS .....	16
DEBT SERVICE REQUIREMENTS .....	17
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.....	18
Pledge of the Indenture.....	18
Flow of Funds.....	19
Power Sales Contracts .....	20
Rate Covenant .....	23
Debt Service Reserve Requirement.....	23
Additional Bonds and Bank Loans.....	24
THE PROJECT .....	24
General .....	24
Interconnection and Transmission.....	29
Licenses, Permits and Approvals .....	30
Host Agreement.....	32
Engineering, Procurement and Construction Contract.....	36
Project Consultants.....	39
Construction Schedule and Status; .....	39
Estimated Cost of Construction.....	40
Operation of the Project .....	40
Green Project and Green Bonds .....	41
THE PARTICIPANTS .....	42
Schedule of Entitlement and Debt Service Shares .....	42
Participant Information.....	43
UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS.....	44

SECTION	PAGE
History .....	44
The Interlocal Cooperation Act .....	44
Membership .....	45
Board of Directors .....	47
Project Management Committees .....	47
Officers of the Board of Directors .....	48
Management .....	49
Retirement Plan .....	50
System Energy and Peak Demand .....	50
General Financial Matters .....	51
UAMPS Projects .....	52
INVESTMENT CONSIDERATIONS .....	54
Special Obligations .....	54
No Claim on General Revenues or Assets .....	55
Certain Provisions of the Power Sales Contracts and Other Agreements .....	55
Risks Relating to the Project .....	56
PacifiCorp FERC Filings .....	57
Certain Factors Affecting the Electric Utility Industry .....	58
Certain Environmental Matters Affecting the Project .....	62
Environmental Matters Affecting Other Generating Facilities .....	64
Property and Casualty Insurance .....	67
LITIGATION .....	67
FINANCIAL STATEMENTS .....	68
FINANCIAL ADVISOR .....	68
UNDERWRITING .....	68
TAX EXEMPTION .....	69
Federal .....	69
State of Utah .....	72
CONTINUING DISCLOSURE .....	72
LEGAL MATTERS .....	74
RATINGS .....	74
MISCELLANEOUS .....	74
FIGURE 1 — UAMPS MEMBER MAP .....	v
FIGURE 2 — SOUTHWESTERN UTAH REGIONAL MAP .....	26
FIGURE 3 — THE PROJECT .....	28
APPENDIX A — THE MAJOR PARTICIPANTS	
APPENDIX B — CERTAIN DEFINITIONS; SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE	
APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS	
APPENDIX D — AUDITED FINANCIAL STATEMENTS OF UAMPS FOR THE FISCAL YEARS ENDED MARCH 31, 2014 AND 2013	
APPENDIX E — UAMPS POWER SUPPLY AND TRANSMISSION RESOURCES	
APPENDIX F — FORM OF CONTINUING DISCLOSURE UNDERTAKING	
APPENDIX G — FORM OF OPINION OF BOND COUNSEL	

**FIGURE 1 — UAMPS MEMBER MAP**



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## **OFFICIAL STATEMENT**

### **UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS**

#### **\$21,390,000 VEYO HEAT RECOVERY PROJECT REVENUE BONDS SERIES 2014 (GREEN BONDS)**

### **INTRODUCTION**

This Official Statement, which includes the cover page and the Appendices, provides information in connection with the issuance by Utah Associated Municipal Power Systems (“UAMPS”), of its \$21,390,000 Veyo Heat Recovery Project Revenue Bonds, Series 2014 (the “*Series 2014 Bonds*”).

### **UAMPS**

UAMPS was established in 1980 under the Utah Interlocal Cooperation Act, Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the “*Act*”), and is a political subdivision of the State of Utah. Its 45 members (the “*Members*”) include public power utilities in eight states: Utah, Arizona, California, Idaho, Nevada, New Mexico, Oregon and Wyoming. Each of the Members has entered into the UAMPS Agreement for Joint and Cooperative Action (the “*Organization Agreement*”), which provides for the organization and operation of UAMPS. UAMPS’ purposes include the planning, financing, development, acquisition, construction, operation and maintenance of various projects for the generation, supply, transmission and management of electric energy for the benefit of the Members.

UAMPS is a project-based organization and presently operates 16 separate projects (including the Veyo Heat Recovery Project) that provide a variety of power supply, transmission and other services to the Members that participate in them. The Members make their own elections to participate in UAMPS’ projects and are not obligated to participate in any particular project. In general, UAMPS and its Members that elect to participate in a project enter into a contract that specifies the services or product to be provided by UAMPS from the project, the payments to be made by the participating Members in respect of the costs of the project and other matters relating to the project. See “UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS.”

### **THE SERIES 2014 BONDS**

The Series 2014 Bonds are being issued pursuant to the Act and other applicable provisions of Utah law, and the Trust Indenture dated as of July 1, 2014 (the “*Trust Indenture*”), as supplemented by the Second Supplemental Trust Indenture, dated as of December 1, 2014. The Trust Indenture, as so supplemented and as it may be supplemented and amended by future Supplemental Indentures is referred to herein as the “*Indenture*”. Zions First National Bank, Salt Lake City, Utah, is the initial trustee (the “*Trustee*”) under the Indenture.

The Series 2014 Bonds are being issued to finance a portion of the Cost (as defined in the Indenture) of the Veyo Heat Recovery Project (also sometimes referred to as the “*Project*”). Proceeds from the sale of the Series 2014 Bonds, together with other available funds, will be used to pay all of the estimated Cost of acquisition and construction of the Initial Facilities (as defined in the Indenture) of the Project, including (1) the cost of retiring UAMPS’ Veyo Heat Recovery Project Revenue Bond Anticipation Notes, Series 2014 (the “*Series 2014 Notes*”), (2) the deposit to the Construction Fund of moneys estimated to be sufficient to pay the remaining construction costs of the Project and contingency amounts; (3) the deposit to the Series 2014 Debt Service Reserve Subaccount of an amount equal to the Debt Service Reserve Requirement, (4) capitalized interest on the Series 2014 Bonds to October 15, 2016, and (5) the costs of issuance of the Series 2014 Bonds. See “SOURCES AND USES OF FUNDS”.

UAMPS has designated the Veyo Heat Recovery Project as a “Green Project” and the Series 2014 Bonds as “Green Bonds.” The purpose of such designation is to allow investors to invest directly in bonds which finance environmentally-beneficial projects. The terms “Green Project” and “Green Bonds” are neither defined in, nor related to the Indenture, and their use herein is for identification purposes only and is not intended to provide or imply that the holders of the Series 2014 Bonds are entitled to any additional terms or security in addition to those provided in the Indenture. See “THE PROJECT-*Green Project and Green Bonds*” below.

The Series 2014 Bonds are issued in book-entry form only and, as long as the book-entry system is in effect, the registered Owner of the Series 2014 Bonds will be The Depository Trust Company, New York, New York (“*DTC*”), and payments of principal and interest and transfers of the Series 2014 Bonds will be made through the facilities and under the procedures of DTC. See “BOOK-ENTRY SYSTEM.” For a description of the terms and provisions of the Series 2014 Bonds, see “THE SERIES 2014 BONDS.”

The Series 2014 Bonds, together with any Additional Bonds and Refunding Bonds that may be issued from time to time pursuant to the Indenture, are referred to herein as the “*Bonds*.” UAMPS may also execute Bank Loans (as defined in the Indenture) pursuant to the Indenture from time to time. Unless otherwise specified, initially-capitalized terms used and not defined in this Official Statement have the meanings assigned to such terms in the Indenture. See “CERTAIN DEFINITIONS” in APPENDIX B.

## THE VEYO HEAT RECOVERY PROJECT

The primary feature of the Veyo Heat Recovery Project is a 7.8 Megawatt (“*MW*”) recovered energy generation system (the “*Recovered Energy Generation System*”) that is being constructed adjacent to a natural gas compressor station (the “*Veyo Compressor Station*”) owned and operated by Kern River Gas Transmission Company (“*Kern River*”) in Southwestern Utah. The Project is located near the unincorporated community of Veyo, Utah, which is approximately 20 miles northwest of the City of St. George, Utah.

The Veyo Compressor Station includes three natural gas turbine compressors, related plant equipment, lines of pipe, buildings and other equipment, materials and facilities. It is used by Kern River in connection with its operation of an interstate gas transmission pipeline and

produces exhaust waste heat from three natural gas turbines. The Recovered Energy Generation System will be constructed on land administered by the United States Bureau of Land Management (“BLM”) pursuant to a right-of-way (the “*Right-of-Way*”) to be granted by the BLM for use of the land (the “*Site*”).

The Recovered Energy Generation System will interconnect with the Veyo Compressor Station and utilize the waste heat in the generation of electricity. UAMPS and Kern River have entered into a Host Agreement, dated as of February 21, 2014 (as it may be amended or supplemented from time to time, the “*Host Agreement*”) providing for the acquisition, construction and interconnection of the Recovered Energy Generation System and other Project components adjacent to the Veyo Compressor Station, and the acquisition by UAMPS of the waste heat for the Recovered Energy Generation System during the term of the Host Agreement.

UAMPS has entered into an Engineering, Construction and Procurement Contract, dated as of October 30, 2014 (as it may be amended or supplemented from time to time, the “*EPC Contract*”) with Ormat Nevada Inc. (the “*EPC Contractor*”), pursuant to which the EPC Contractor will design, engineer, procure, construct, commission, test and deliver the Recovered Energy Generation System on a “lump sum turnkey” basis. Construction on the Recovered Energy Generation System will commence once all the necessary permits and approvals are obtained and commercial operation is expected in September 2016. The EPC Contractor has begun work under the EPC Contract.

Initial construction financing for the Project has been provided pursuant to a Loan Agreement, dated as of July 1, 2014 (the “*Note Agreement*”), between UAMPS and the Bank of America, N.A. (the “*Bank*”), pursuant to which UAMPS has drawn funds to pay Costs of the Project. To evidence its repayment obligations under the Note Agreement, UAMPS issued the Series 2014 Notes pursuant to the Indenture. UAMPS will retire the Series 2014 Notes on the issue date of the Series 2014 Bonds.

*The Project.* The Project is being undertaken to complement UAMPS’ existing generation portfolio mix and to further UAMPS’ objectives as an organization to provide diverse mix of power supply resources to its Members. The Project will also help Participants located in Utah in satisfying the requirements of the Utah Municipal Electric Utility Carbon Emission Reduction Act, which requires 20% of the adjusted retail electric sales of municipal electric utilities in the state of Utah to consist of qualifying electricity or renewable energy certificates by 2025, to the extent that it is cost-effective to do so. The Project is also in furtherance of the goals of the Environmental Protection Agency’s (“*EPA*”) recently proposed Clean Power Plan Rule which aims to reduce carbon dioxide emissions from the electric power sector, as well as the policies of the Energy Policy Act of 2005 which encourage the study and development of renewable energy resources throughout the United States, particularly on federal lands in the West.

As used in this Official Statement and in the Indenture and the Power Sales Contracts, the terms “*Project*” and “*Veyo Heat Recovery Project*” mean UAMPS’ acquisition, construction, ownership and operation of the Initial Facilities, the rights, interests, obligations and liabilities of UAMPS under the Project Agreements and any Additional Facilities that may be undertaken in

the future under the terms of the Indenture and the Power Sales Contracts. “Initial Facilities” means the Recovered Energy Generation System and all other real and personal property, facilities, structures, improvements and equipment to be acquired and constructed in connection with the initial operation of the Project.

The term “*Project Agreements*” is defined in the Power Sales Contracts and includes the EPC Contract, the Host Agreement, the Interconnection Agreement, the Right-of-Way, any Operating Agreement and other agreements.

For additional information about the Project, see “THE PROJECT”.

## THE PARTICIPANTS

UAMPS has sold all of the output of the Project to seven of its Members (the “*Participants*”) under substantially identical Veyo Heat Recovery Project Power Sales Contracts (collectively, the “*Power Sales Contracts*”).

The Participants consist of six municipal utilities and political subdivisions of the State of Utah and one California public utility district. Each of the Participants owns and operates a local electric utility system and will use its share of the output of the Project to meet a portion of its power supply requirements.

The Participants presently provide integrated electric utility service to approximately 65,492 residential, commercial, industrial and other customers, representing an estimated total population of 161,581. For their most recent years of operation, the Participants sold a total of 1,189,024 megawatt hours (“*MWh*”) of electricity and had aggregate (noncoincident) peak demands of 296 megawatts (“*MW*”).

Five of the seven Participants have committed to purchase over 94% of the output of the Project and are responsible for paying a corresponding percentage of all costs of the Project and over 90% of the debt service on the Bonds. These Participants are referred to herein as the “Major Participants.” The following table shows the Participants’ initial Entitlement Shares and Debt Service Shares (each as defined below) under the Power Sales Contracts, together with the amount of generating capacity represented by their Entitlement Shares.

PARTICIPANT	GENERATING CAPACITY <sup>(1)</sup>	ENTITLEMENT SHARE (%) <sup>(2)</sup>	DEBT SERVICE SHARE (%) <sup>(2)(3)</sup>
Lehi	1,950	25.00	0.00
TDPUD <sup>(4)</sup>	1,792	22.97	34.40
Logan	1,772	22.72	18.47
Washington	1,004	12.87	20.72
Kaysville	841	10.78	17.34
Santa Clara	341	4.37	7.03
Spring City	<u>100</u>	<u>1.28</u>	<u>2.05</u>
TOTAL	7,800	100.00%	100.00%

(1) Generating Capacity in kilowatts (“kW”).

(2) Entitlement Shares and Debt Service Shares have been rounded to the nearest 0.00%; columns do not total due to rounding. The Participants’ Entitlement Shares and Debt Service Shares are subject to change from time to time as provided in the Power Sales Contracts. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — The Power Sales Contracts.”

(3) Preliminary; subject to change. Debt Service Shares reflect Capital Contributions made by the Participants to pay the Costs of the Project and show the amounts of Debt Service Costs on the Bonds that will be billed to each Participant. See “PLAN OF FINANCING — Capital Contributions.”

(4) Truckee Donner Public Utility District, California.

For additional information regarding the Participants, see “THE PARTICIPANTS” and APPENDIX A.

## POWER SALES CONTRACTS

Under the Power Sales Contracts, UAMPS has agreed to sell to each Participant, and each Participant has agreed to purchase from UAMPS, the electric energy allocable to such Participant’s share of the output of the Project. Each Participant’s share of the output of the Project (as it may be revised from time to time in accordance with the Power Sales Contracts) is referred to as an “*Entitlement Share*.” Under the Power Sales Contracts, each Participant is obligated to pay its Entitlement Share of the “Operation and Maintenance Costs” of the Project, and a specified percentage of the “Debt Service Costs” of the Project (the Participant’s “*Debt Service Share*,” as it may be revised from time to time in accordance with the Power Sales Contracts). See “THE PARTICIPANTS” below for a schedule listing all of the Participants and their initial Entitlement Shares and initial Debt Service Shares.

Each Participant is obligated to make the payments required by the Power Sales Contracts on a “take-or-pay” basis, whether or not the Project or any portion thereof is acquired, completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of the Project or any termination of the Project Agreements for any reason whatsoever, in whole or in part. The obligation of each Participant to make such payments is not subject to any reduction, whether by offset, counterclaim, or otherwise, and is not conditioned upon the performance by UAMPS under the respective Power Sales Contracts or any other agreement or instrument.

The payment obligations of the Participants under the Power Sales Contracts are not general obligations of the Participants, but constitute operating expenses of the respective Participants' electric systems, payable solely from the revenues derived from such electric systems. As described below, the Power Sales Contracts include a "step-up" provision that requires the Participants to accept an increase of up to 25% in their original Entitlement Shares in the event of a default by another Participant.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Power Sales Contracts."

#### SECURITY AND SOURCE OF PAYMENT

*The Series 2014 Bonds are secured and payable as provided in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in this Official Statement (except as otherwise stated, the cross references below are to the subheadings under that caption).*

*Pledge of the Indenture.* All Bonds and Bank Loans are equally and ratably secured under the Indenture and are payable on a parity with one another. The Bonds and Bank Loans are special obligations of UAMPS, payable from and secured by a pledge and assignment of the Revenues derived by UAMPS from the Project and certain funds established under the Indenture. The Revenues consist primarily of payments to be made by the Participants under the Power Sales Contracts. The Bonds and Bank Loans are not obligations of the State of Utah, the Participants, any other Member of UAMPS or any other political subdivision of the State of Utah (other than UAMPS), and neither the faith and credit nor the taxing or appropriation power of the State of Utah or any other political subdivision thereof, including the Participants and any other Member of UAMPS, is pledged to the payment of the Bonds or Bank Loans. UAMPS has no taxing power. See "Pledge of the Indenture."

*Flow of Funds.* The Indenture provides for the allocation of the Revenues to the funds and accounts established by the Indenture and for the use of the Revenues to pay all of the costs of the Project, including the debt service on the Bonds and Bank Loans. The Revenues will be applied first to the Operation and Maintenance Fund to pay the Operation and Maintenance Costs of the Project as they become due and to provide necessary working capital for Project operations. The Revenues will next be transferred to the Bond Fund to pay the debt service on the Bonds and Bank Loans and to replenish any amount that has been withdrawn from the Debt Service Reserve Account. The Revenues are then to be transferred to the Subordinated Indebtedness Fund and the Reserve and Contingency Fund to meet the purposes of those funds. The Revenues may only be used for purposes of the Project. See "Flow of Funds."

*Debt Service Reserves.* The payment of the Series 2014 Bonds is further secured by the Series 2014 Debt Service Reserve Subaccount within the Debt Service Reserve Account held by the Trustee under the Indenture. A portion of the proceeds of the Series 2014 Bonds will be deposited into the Series 2014 Debt Service Reserve Subaccount to satisfy the initial Debt Service Reserve Requirement for the Series 2014 Bonds.

Additional Series of Bonds may be secured by the Series 2014 Debt Service Reserve Subaccount. See "Debt Service Reserve Requirements."

*Power Sales Contracts.* UAMPS has covenanted in the Indenture that (i) it will enforce the provisions of the Power Sales Contracts and duly perform its covenants and agreements under them and (ii) it will not consent to any rescission or amendment of the Power Sales Contracts that will reduce the aggregate amount of the payments required under the Power Sales Contracts or that will materially impair or adversely affect the rights of UAMPS under the Power Sales Contracts or the rights or security of the Bondowners or Bank Lenders under the Indenture. See “Power Sales Contracts.”

*Rate Covenant.* UAMPS has covenanted to at all times establish and collect rates and charges for the output of the Project that will provide Revenues at least sufficient in each fiscal year, together with other available funds, to pay: (i) Operation and Maintenance Costs; (ii) the Aggregate Debt Service for such fiscal year; (iii) the amount required to be paid into the Debt Service Reserve Account; and (iv) all other charges or amounts payable out of Revenues. See “Rate Covenant.”

*Additional Bonds and Bank Loans.* UAMPS may issue one or more Series of Additional Bonds from time to time under the Indenture to finance unpaid items of the Cost of the Project, the Cost of Additional Facilities and any other item included within the “Cost of the Project” under (and as defined in) the Power Sales Contracts, and for the other purposes authorized under the Indenture, and may also issue one or more Series of Refunding Bonds from time to time under the Indenture.

The Series 2014 Bonds and any such Additional Bonds and Refunding Bonds that may be issued by UAMPS pursuant to the Indenture are referred to collectively herein as the “Bonds.” Such Bonds include Direct Purchase Bonds, which are Bonds purchased directly by a bank or other financial institution and issued under the Indenture to evidence UAMPS’ obligation to repay principal and interest on a loan, line of credit or other extension of credit by the bank or other financial institution to UAMPS to finance or refinance the Cost of the Project.

In addition, under the Indenture UAMPS may, from time to time, execute one or more Bank Loans for any of the purposes for which Bonds may be issued. A Bank Loan is a loan, line of credit or other extension of credit by a bank or other financial institution (a “Bank Lender”), other than a loan, line of credit or other extension the repayment obligations of which are evidenced by Direct Purchase Bonds.

All Bonds and Bank Loans will rank on a parity with each other with respect to the pledge of the Revenues and other amounts under the Indenture. See “Additional Bonds.”

#### AVAILABILITY OF CONTINUING INFORMATION

UAMPS will enter into a Continuing Disclosure Undertaking (the “Undertaking”) for the benefit of the Beneficial Owners of the Series 2014 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board pursuant to the requirements of Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The proposed form of the Undertaking is attached as APPENDIX F hereto. See also “CONTINUING DISCLOSURE” herein.

## TAX MATTERS

Subject to compliance by UAMPS and the Participants with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Series 2014 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the opinion of Bond Counsel, under existing laws of the State of Utah presently enacted and construed, interest on the Series 2014 Bonds will be exempt from taxes imposed by the Utah Individual Income Tax Act. See “TAX EXEMPTION.”

## CONDITIONS OF DELIVERY

The Series 2014 Bonds are offered, subject to prior sale, when, as, and if issued, subject to the approval of legality by Chapman and Cutler LLP, Bond Counsel to UAMPS, and certain other conditions. Certain legal matters will be passed on for UAMPS by Chapman and Cutler LLP and for the Underwriter by Ballard Spahr LLP. See “LEGAL MATTERS.”

## ADDITIONAL INFORMATION

In preparing this Official Statement, UAMPS has relied upon information furnished by the Participants, as well as certain information supplied by DTC and others. This Official Statement also includes summaries of the terms of the Series 2014 Bonds, the Indenture, certain provisions of the Act, the Power Sales Contracts and certain contracts and documents relating to the Project. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument. Descriptions of the Indenture, the Series 2014 Bonds and the Power Sales Contracts are also qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity with jurisdiction. A composite Power Sales Contract has been posted on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) website at: [www.emma.msrb.org/marketactivity/RecentPS.aspx](http://www.emma.msrb.org/marketactivity/RecentPS.aspx).

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between UAMPS and the purchasers or owners of any of the Series 2014 Bonds. The statements of UAMPS herein are not to be construed as statements by any member of the Board of Directors of UAMPS or any employee of UAMPS.



## THE SERIES 2014 BONDS

### GENERAL

The Series 2014 Bonds will be issued as fully registered bonds, initially in full book-entry form only, in the aggregate principal amount shown on the cover page of this Official Statement. The Series 2014 Bonds will be issued in denominations of \$5,000 and natural multiples thereof. The Series 2014 Bonds will be dated their date of original issuance and delivery and will bear interest from that date (calculated on the basis of a 360-day year consisting of twelve 30-day months) at the interest rates per annum set forth on the inside cover page of this Official Statement payable on March 1 and September 1 of each year, commencing March 1, 2015. The Series 2014 Bonds will mature on March 1 of the years and in the principal amounts set forth on the inside cover page of this Official Statement.

The principal of and premium, if any, and interest on the Series 2014 Bonds will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts. If any payment on the Series 2014 Bonds is due on a non-Business Day, it will be made on the next Business Day (defined below), and no interest will accrue as a result of such later payment.

Principal and Redemption Price on the Series 2014 Bonds when due shall be payable at the principal corporate trust office of the Trustee as Paying Agent, or of its successor as Paying Agent. Payment of interest on the Series 2014 Bonds shall be made to the registered Owner thereof and shall be paid (1) by check or draft mailed to the person who is the registered Owner of record as of the close of business on the fifteenth day of the month next preceding each interest payment date (the "*Fixed Rate Record Date*") at his address as it appears on the registration books of the Trustee or at such other address as is furnished in writing by such registered Owner to the Trustee prior to the Fixed Rate Record Date or (2) with respect to units of \$1,000,000 or more of Bonds, by wire transfer to an account located in the United States, to the registered Owner thereof upon written notice by such Owner to the Trustee given not later than the Fixed Rate Record Date prior to an interest payment date.

### OPTIONAL REDEMPTION

The Series 2014 Bonds maturing on or after March 1, 2026, are subject to redemption prior to maturity at the option of UAMPS on or after March 1, 2025, in whole or in part on any date, at a redemption price equal to 100% of the principal amount of each Series 2014 Bond or portion thereof to be so redeemed plus accrued interest to the redemption date.

### MANDATORY SINKING FUND REDEMPTION

The Series 2014 Bonds maturing on March 1, 2038 are subject to mandatory sinking fund redemption on March 1, 2035 and on each March 1 thereafter to and including March 1, 2037, at a redemption price equal to 100% of the principal amount of each Series 2014 Bond to be so

redeemed, plus accrued interest to the redemption date, on the dates and in the amounts set forth below.

REDEMPTION DATE (MARCH 1)	PRINCIPAL AMOUNT TO BE REDEEMED
2035	\$1,060,000
2036	1,100,000
2037	1,145,000
2038*	1,190,000

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\* Stated Maturity.

The Series 2014 Bonds maturing on March 1, 2041 are subject to mandatory sinking fund redemption on March 1, 2039 and March 1, 2040, at a redemption price equal to 100% of the principal amount of each Series 2014 Bond to be so redeemed, plus accrued interest to the redemption date, on the dates and in the amounts set forth below.

REDEMPTION DATE (MARCH 1)	PRINCIPAL AMOUNT TO BE REDEEMED
2039	\$1,240,000
2040	1,300,000
2041*	1,365,000

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\* Stated Maturity.

In determining the amount of any sinking fund payment, there will be deducted from such sinking fund payment the principal amount of any Series 2014 Bonds of the maturity to which such payment applies which have been redeemed or purchased preceding the date on which such payment is due from moneys accumulated in the Debt Service Account with respect to such payment.

#### SELECTION OF BONDS FOR REDEMPTION

If less than all of the Series 2014 Bonds are to be redeemed and if such Series 2014 Bonds mature on more than one date, UAMPS may select the maturity or maturities to be redeemed. If less than all of the Series 2014 Bonds of any maturity are to be redeemed, the particular Series 2014 Bonds or portion of such Bonds of such maturity shall be selected by the Trustee in such manner as the Trustee in its sole discretion may deem fair and appropriate. The portion of any Series 2014 Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof, and in selecting portions of such Bonds for redemption the Trustee will treat each such Bond as representing that number of such Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

## NOTICE OF REDEMPTION

The Indenture requires the Trustee to give notice of any redemption of the Series 2014 Bonds by first class mail, postage prepaid to the registered owners of such Series 2014 Bonds to be redeemed not less than 30 nor more than 45 days prior to the redemption date. Such notice is to be sent to such registered owners at their respective addresses as they appear on the bond registration books of the Trustee or at such address as may have been filed by such Bond owner with the Trustee for such purpose. Neither failure to mail any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Series 2014 Bonds.

If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all Series 2014 Bonds called for redemption, such notice shall state that it is conditional upon the deposit of moneys sufficient to redeem all Series 2014 Bonds so called for redemption with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited. If moneys sufficient to redeem all Series 2014 Bonds called for redemption have not been deposited with the Trustee by the redemption date, the notice of redemption shall be rescinded, none of the Series 2014 Bonds described in such notice shall be redeemed, the Redemption Price shall not be due and payable under the Indenture, and the Trustee shall, as soon as possible after the redemption date, give notice to the registered owners of the Series 2014 Bonds called for redemption of the rescission of such notice of redemption.

So long as the Series 2014 Bonds are in book-entry form and DTC is the registered owner of the Series 2014 Bonds, the Trustee is to send notice of redemption to DTC. Any failure of DTC to advise any Direct or Indirect Participant, or of any Direct or Indirect Participant to notify any Beneficial Owner, of any such notice or its content or effect will not affect the validity of the call for redemption of any of the Series 2014 Bonds.

## BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2014 Bond certificate will be issued for each maturity of the Series 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also

facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2014 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2014 Bond documents. For example, Beneficial Owners

of the Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an omnibus proxy to UAMPS as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

As long as the book-entry system is in effect, redemption proceeds, distributions, and interest payments on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from UAMPS or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Paying Agent, or UAMPS, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of UAMPS or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to UAMPS or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2014 Bond certificates are required to be printed and delivered.

UAMPS may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2014 Bond certificates will be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that UAMPS and the Underwriter believe to be reliable, but neither UAMPS nor the Underwriter take any responsibility for the accuracy thereof.*

*So long as the book-entry system is in effect for the Series 2014 Bonds, DTC or its nominee will be the registered owner of the Series 2014 Bonds and references to the*

*Bondowners or the Owners of the Series 2014 Bonds herein and in the Indenture mean DTC or its nominee and do not mean the Beneficial Owners of the Series 2014 Bonds.*

## **PLAN OF FINANCING**

*Series 2014 Bonds.* A portion of the proceeds of the Series 2014 Bonds will be deposited into a separate subaccount in the Debt Service Account (the “*Series 2014 Notes Debt Service Subaccount*”) in an amount sufficient to pay the Redemption Price of and interest the Series 2014 Notes. The Series 2014 Notes will be redeemed on the issue date of the Series 2014 Bonds at a redemption price of 100% of their principal amount plus accrued interest. Upon the payment of the redemption price of the Series 2014 Notes, the Note Agreement will be terminated and the Series 2014 Notes will no longer be secured by the pledge of the Trust Estate under the Indenture.

All other proceeds of the Series 2014 Bonds will be deposited with the Trustee in the accounts established and maintained in the Indenture described in the table below under “SOURCES AND USES OF FUNDS”. UAMPS will direct the expenditure and investment of proceeds in accordance with the terms of the Indenture.

*Capital Contributions.* Under the Power Sales Contracts, each Participant has the option to make a Capital Contribution with respect to all or a portion of the Cost of the Initial Facilities that is allocable to its Entitlement Share. Capital Contributions made by the Participants reduce their initial Debt Service Shares (the percentage of Debt Service Costs for which they will be billed) under the Power Sales Contracts. Lehi has elected to make a Capital Contribution in an amount equal to all of the Cost of the Initial Facilities that is allocable to its Entitlement Share and, as a result, will have an initial Debt Service Share of 0.00%. Each other Participant has elected to make a partial Capital Contribution in varying amounts set forth below.

The following table shows each Participant’s share of the estimated Cost of the Initial Facilities, the amount of its Capital Contribution and its resulting Debt Service Share:

PARTICIPANT	ENTITLEMENT SHARE (%)	SHARE OF PROJECT COSTS <sup>(1)</sup>	CAPITAL CONTRIBUTION	DEBT SERVICE SHARE (%) <sup>(2)</sup>
Lehi	25.00	\$7,875,000	\$ 7,875,000	0.00
TDPUD	22.97	7,236,904	570,934	34.40
Logan	22.72	7,156,139	3,577,891	18.47
Washington	12.87	4,054,617	39,787	20.72
Kaysville	10.78	3,396,362	36,986	17.34
Santa Clara	4.37	1,377,117	15,022	7.03
Spring City	<u>1.28</u>	<u>403,862</u>	<u>7,235</u>	<u>2.05</u>
TOTAL	100.00% <sup>(3)</sup>	\$31,500,000 <sup>(3)</sup>	\$12,122,856 <sup>(3)</sup>	100.00% <sup>(3)</sup>

- (1) Each Participant's share of the Cost of the Initial Facilities is equal to the product of its Entitlement Share and the estimated \$31.5 million Cost of the Initial Facilities. See "THE PROJECT — Estimated Cost of Construction."
- (2) Preliminary; subject to change. Debt Service Shares reflect Capital Contributions made by the Participants to pay the estimated Costs of the Initial Facilities, and show the amounts of Debt Service Costs on the Series 2014 Bonds that will be billed to each Participant.
- (3) Amounts have been rounded. Columns may not total due to rounding.

The Participants' Entitlement Shares and Debt Service Shares may change from time to time during the term of the Series 2014 Bonds as a result of, among other things, the issuance of Additional Bonds, future Capital Contributions, assignments (whole or partial) of a Participant's interests under its Power Sales Contract, and the reallocation of a defaulting Participant's Entitlement Share and Debt Service Share among the non-defaulting Participants. See "POWER SALES CONTRACTS" below and "SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS" in APPENDIX C for a more detailed description of the terms of the Power Sales Contracts.

## SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series 2014 Bonds are estimated to be approximately as follows:

### SOURCES:

Series 2014 Bond Proceeds <sup>(1)</sup>	\$23,044,213
Participant Capital Contributions	12,122,856
Other Available Moneys <sup>(2)</sup>	<u>774,364</u>
 TOTAL SOURCES	 \$35,941,433

### USES:

Deposit to Construction Fund <sup>(3)</sup>	\$29,984,598
Retirement of Series 2014 Notes <sup>(4)</sup>	2,288,800
Capitalized Interest <sup>(5)</sup>	1,734,017
Debt Service Reserve Account <sup>(6)</sup>	1,436,463
Costs of issuance <sup>(7)</sup>	<u>497,555</u>
 TOTAL USES	 \$35,941,433

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(1) The principal amount of the Series 2014 Bonds plus net initial issue premium of \$1,654,213.

(2) Unspent proceeds of the Series 2014 Notes on deposit in the Construction Fund.

(3) Equal to the remaining estimated cost of construction of the Project, less costs previously paid with proceeds of the Series 2014 Notes. See "THE PROJECT—Estimated Cost of Construction" below.

(4) Net amount necessary to retire the principal of and estimated interest on the Series 2014 Note on the issue date of the Series 2014 Bonds.

(5) Interest on the Series 2014 Bonds to October 15, 2016.

(6) Equals the Debt Service Reserve Requirement for the Series 2014 Bonds.

(7) Includes Underwriter's discount, legal, financial advisory, rating agency and Trustee fees and expenses, and other miscellaneous costs.



## DEBT SERVICE REQUIREMENTS

The following table shows the annual debt service requirements on the Series 2014 Bonds:

YEAR <sup>(1)</sup>	PRINCIPAL	INTEREST	TOTAL
2015	\$ -	\$ 197,346.35	\$ 197,346.35
2016	-	947,262.50	947,262.50
2017	485,000	947,262.50	1,432,262.50
2018	500,000	932,712.50	1,432,712.50
2019	525,000	907,712.50	1,432,712.50
2020	555,000	881,462.50	1,436,462.50
2021	570,000	864,812.50	1,434,812.50
2022	600,000	836,312.50	1,436,312.50
2023	630,000	806,312.50	1,436,312.50
2024	660,000	774,812.50	1,434,812.50
2025	690,000	741,812.50	1,431,812.50
2026	725,000	707,312.50	1,432,312.50
2027	765,000	671,062.50	1,436,062.50
2028	800,000	632,812.50	1,432,812.50
2029	825,000	606,812.50	1,431,812.50
2030	855,000	580,000.00	1,435,000.00
2031	895,000	537,250.00	1,432,250.00
2032	925,000	505,925.00	1,430,925.00
2033	975,000	459,675.00	1,434,675.00
2034	1,010,000	425,550.00	1,435,550.00
2035	1,060,000	375,050.00	1,435,050.00
2036	1,100,000	332,650.00	1,432,650.00
2037	1,145,000	288,650.00	1,433,650.00
2038	1,190,000	242,850.00	1,432,850.00
2039	1,240,000	195,250.00	1,435,250.00
2040	1,300,000	133,250.00	1,433,250.00
2041	<u>1,365,000</u>	<u>68,250.00</u>	<u>1,433,250.00</u>
TOTAL	<u>\$21,390,000</u>	<u>\$15,600,171.35</u>	<u>\$36,990,171.35</u>

(1) Bond years ended each March 1. For all purposes of the Indenture, Debt Service is calculated on the basis of Fiscal Years of UAMPS ended March 31.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### PLEDGE OF THE INDENTURE

All Bonds and Bank Loans are equally and ratably secured under the Indenture. Pursuant to the Indenture, UAMPS has pledged as security for the Bonds and Bank Loans the proceeds of the Bonds and Bank Loans, the Revenues and the funds (other than the Rebate Fund) established by the Indenture, including the investments, if any, thereof, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture does not mortgage or pledge any of the properties comprising the Project to secure the payment of the Bonds or Bank Loans.

“Revenues” is defined in the Indenture as all revenues, fees, income, charges, rents and receipts derived by UAMPS from or attributable to the Project and the Power Sales Contracts and any other sale of the output, capacity, services or environmental attributes of the Project, including the proceeds of any insurance covering business interruption loss, all as determined in accordance with Generally Accepted Accounting Principles. The Revenues consist primarily of the amounts payable by the Participants under the Power Sales Contracts and any other amounts realized by UAMPS from any other sale of the output or capacity of the Project. “Revenues” also includes any Interest Rate Swap Receipts, Swap Termination Payments received by UAMPS and all interest, profits or other income derived from the investment of any moneys held pursuant to the Indenture and required to be paid into the Revenue Fund. “Revenues” does not include: (i) insurance proceeds resulting from casualty damage to the Project (other than insurance proceeds deposited into a special account in the Bond Fund for the redemption of Bonds or prepayment of Bank Loan Repayment Obligations); (ii) the proceeds from the sale of the Bonds or drawn under Bank Loans; or (iii) moneys received under any Security Instrument or Reserve Instrument.

“Operation and Maintenance Costs” includes, in general, all operation and maintenance costs related to the Project actually incurred by, or charged to, UAMPS, including amounts reasonably required to be set aside in reserves for the payment of Operation and Maintenance Costs in the future. Operation and Maintenance Costs also includes, but is not limited to: “Operation and Maintenance Costs” and “Transmission Costs,” each as defined in the Power Sales Contracts and amounts paid by UAMPS pursuant to any Operating Agreement, the Host Agreement and the other Project Agreements in respect of the costs of operating and maintaining the Project; costs of any Bank Loans, Security Instruments or Reserve Instruments or associated with Direct Purchase Bonds (but not including principal, interest or redemption price); costs, collateral deposits and other amounts (other than Interest Rate Swap Payments) necessary to maintain any Interest Rate Swaps; fees and expenses of fiduciaries, financial consultants, accountants, engineers, legal counsel and other consultants and technical advisors; taxes, payments in lieu of taxes and other governmental charges; and any other current expenses or obligations required to be paid by UAMPS under the provisions of the Project Agreements or by law, all to the extent properly allocable to the Project. See “CERTAIN DEFINITIONS” in APPENDIX B.

Each Series of Bonds and each Bank Loan is secured by the Debt Service Reserve Account only to the extent that the Supplemental Indenture providing for the issuance of such Series of Bonds or Bank Loan specifically provides that such Series or Bank Loan shall be secured by a Series Subaccount in the Debt Service Reserve Account established for such Series of Bonds or Bank Loan or by a Series Subaccount previously established for another Series of Bonds or Bank Loan. A Series Subaccount in the Debt Service Reserve Account has been established for the Series 2014 Bonds. See “Debt Service Reserve Requirements” below.

ALL BONDS AND BANK LOANS ARE SPECIAL OBLIGATIONS OF UAMPS AND ARE NOT AN OBLIGATION OF THE STATE OF UTAH OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN UAMPS) OR OF ANY MEMBER OF UAMPS OR OF ANY PARTICIPANT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF UTAH OR ANY POLITICAL SUBDIVISION THEREOF OR ANY MEMBER OF UAMPS OR ANY PARTICIPANT IS PLEDGED FOR THE PAYMENT OF THE BONDS OR BANK LOANS. NO BONDHOLDER OR BANK LENDER OR RECEIVER OR TRUSTEE IN CONNECTION WITH THE PAYMENT OF THE BONDS OR BANK LOAN SHALL HAVE THE RIGHT TO COMPEL THE STATE OF UTAH OR ANY POLITICAL SUBDIVISION THEREOF OR ANY MEMBER OF UAMPS OR ANY PARTICIPANT TO EXERCISE ITS APPROPRIATION OR TAXING POWERS. UAMPS HAS NO TAXING POWER.

#### FLOW OF FUNDS

UAMPS is required by the Indenture to promptly deposit all Revenues to the credit of the Revenue Fund, which is held by UAMPS. On or before the last Business Day of each month (or the Business Day before the date on which payment is due on any Repayment Obligation, Interest Rate Swap Payment or Subordinated Indebtedness), UAMPS is required, after the transfer of amounts required to be transferred to the Operation and Maintenance Fund pursuant to the Indenture, from and to the extent of the moneys on deposit in the Revenue Fund, to transfer and deposit into the following funds amounts set forth below in the following order:

*first*, in the Bond Fund for credit to the Debt Service Account, the amount required so that the balance in each Series Subaccount in the Debt Service Account shall equal the Accrued Debt Service on the Series of Bonds or Bank Loan for which such Series Subaccount was established,

*second*, into the Bond Fund for credit to the Debt Service Reserve Account, such amount as is necessary to restore the balance in each Series Subaccount to the Debt Service Reserve Requirement for such Series Subaccount following any withdrawal of moneys from such Series Subaccount or to reimburse the issuer of any Reserve Instrument following any drawing on it,

*third*, into the Subordinated Indebtedness Fund, such amount as is required to be deposited under each Supplemental Indenture authorizing the issuance of Subordinated Indebtedness, and

*fourth*, into the Reserve and Contingency Fund such amount as shall be necessary so as to cause the amount set forth in the Annual Budget for the then-current Fiscal Year to be deposited into the Reserve and Contingency Fund by the end of such Fiscal Year.

Amounts remaining on deposit in the Revenue Fund after the transfers described above may be transferred from time to time by UAMPS into the Stabilization Fund, *provided, however*, that after any such transfer (1) the sum of the amounts on deposit in the Revenue Fund and the Debt Service Account shall equal the Accrued Debt Service on all Series of Bonds Outstanding and all Bank Loans outstanding, (2) the Debt Service Reserve Requirement shall be on deposit in each Series Subaccount in the Debt Service Reserve Account, and (3) the required amounts of working capital shall be on deposit in the Revenue Fund. Amounts in the Stabilization Fund may be used for any lawful purpose of UAMPS in connection with the Project.

See “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Flow of Funds” in APPENDIX B, for a further description of provisions of the Indenture relating to the application of Revenues.

#### POWER SALES CONTRACTS

*Purchase and Sale of Energy.* Pursuant to the Power Sales Contracts each of the Participants has agreed to purchase from UAMPS the electric energy allocable to each Participant’s Entitlement Share. Payments for such energy are to be made by the Participants under the Power Sales Contracts on a “take or pay” basis, that is, whether or not the Project or any portion thereof is acquired, completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of the Project for any reason whatsoever, including termination of any of the Project Agreements. The obligations of the Participants to make such payments are not subject to any reduction, whether by offset, counterclaim or otherwise, and are not conditioned upon the performance by UAMPS under the Power Sales Contracts or any other agreement or instrument.

*Participants’ Obligations.* The payments made by each Participant under its Power Sales Contract constitute an obligation of each Participant and an operating expense of the Participant’s electric system payable solely from the revenues and other available funds of the electric system and constitute a cost of purchased power and energy. The Power Sales Contracts provide that the obligations of the Participants under their respective Power Sales Contracts are several not joint (*i.e.*, each Participant is responsible only for the performance and payment of the obligations contained in its Power Sales Contract with UAMPS and is not responsible or liable for the performance or payments required to be made by any other Participant). As described below, the Power Sales Contracts include a “step-up” provision that requires the Participants to accept an increase of up to 25% in their original Entitlement Shares in the event of a default by another Participant.

*Participant Payments.* During each Contract Year (which currently commences on each April 1), each Participant is obligated to pay its share of Debt Service Costs, Operation and Maintenance Costs and Transmission Costs. Such costs are required to be billed at least

monthly. The sum of these costs represents the Participants' cost of energy from the Project. These costs are allocated among the Participants as follows:

- Debt Service Costs (which include debt service on the Bonds and related amounts) are allocated among the Participants based upon their Debt Service Shares. A Participant's Debt Service Share is based upon its Entitlement Share, adjusted to reflect whether or not the Participant has made a capital contribution in respect of some or all of its share of the Costs of Construction or has contributed funds to pay costs of issuance. Some of the Participants contributed funds to pay costs of issuance and, as a result, the Participants' Debt Service Shares are slightly different than their Entitlement Shares.
- Operation and Maintenance Costs (which include all other costs and expenses attributable to the Project) are allocated among the Participants based upon their Entitlement Shares.
- Transmission Costs (which include the cost of transmitting energy from the Project site to each Participant's point of delivery) are allocated to each Participant based upon criteria attached to the Power Sales Contracts that determine the actual cost incurred by UAMPS in delivering energy from the Project to the Participant.

*Participant Covenants.* Each Participant has covenanted in its Power Sales Contract to establish, maintain, revise, charge and collect rates for the electric service it furnishes to customers to provide revenues which, together with other funds reasonably estimated to be available, will be sufficient to meet its obligations under its Power Sales Contract, to pay all other operating expenses of the Participant's electric system and to provide revenues sufficient to enable the Participant to keep its electric system in good working order, and to pay all obligations payable from or constituting a charge or lien on, such revenues and, to the extent being paid from revenues of such electric system, all general obligation bonds of the Participant now or hereafter outstanding. Certain of the Participants have participated in other projects in which they have entered into agreements with payment obligations similar to the Power Sales Contracts. The payment obligations under these agreements rank equally with the obligations of such Participants under the Power Sales Contracts (*i.e.*, as an operating expense and a cost of purchased energy). For certain information concerning the electric systems and financial obligations of the Major Participants see "THE MAJOR PARTICIPANTS" in APPENDIX A hereto.

*Participant Default; Step-Up.* Failure of a Participant to make any payment under its Power Sales Contract within five business days after the due date of any such payment shall constitute a default by that Participant. In such event, UAMPS may proceed to enforce such Participant's payment obligation by action at law or equity and may, upon 30 days' written notice to that Participant, discontinue providing all or any portion of the defaulting Participant's Entitlement Share.

In the event of default by any Participant and the discontinuance of service, UAMPS is required to immediately make a mandatory pro rata allocation of the defaulting Participant's Entitlement Share to all nondefaulting Participants, based upon such Participants' original Entitlement Shares. Following this initial mandatory pro rata allocation of the defaulting

Participant's Entitlement Share, the Power Sales Contracts require UAMPS to follow various procedures to determine the final allocation of the defaulting Participant's Entitlement Share. These procedures could result in certain Participants receiving greater or less than their pro rata allocations and in some circumstances could result in sales of Entitlement Shares or power sales to entities that were not original Participants. As a part of these procedures, no Participant is required to accept a final allocation of the defaulting Participant's Entitlement Share that would increase by more than 25% its original Entitlement Share (as increased by any additional Entitlement Shares that previously have been accepted by the Participant on a voluntarily basis). In no event is the defaulting Participant relieved of its liability for payment of any amounts in default under its Power Sales Contract. See "INVESTMENT CONSIDERATIONS—Certain Provisions of the Power Sales Contracts—*Mandatory Allocation of Defaulting Participant's Entitlement Share; Step-Up Limitation.*"

The provisions of the Power Sales Contracts respecting the reallocation of a defaulting Participant's Entitlement Share are based upon the Entitlement Shares of the nondefaulting Participants, without regard to any Capital Contribution that may have been made by any Participant. The Power Sales Contracts also provide that the Debt Service Share of a defaulting Participant will be reallocated among the nondefaulting Participants along with the defaulting Participant's Entitlement Share. Consequently, all Participants are subject to the step-up provisions of the Power Sales Contract, and a Participant that does not have an initial Debt Service Share or that has an initial Debt Service Shares that is less than its Entitlement Share may in the future have a Debt Service Share or an increased Debt Service Share as the result of the reallocation of a defaulting Participant's Entitlement Share

*Term of the Power Sales Contracts.* Each Power Sales Contract between UAMPS and a Participant constitutes an obligation of the parties and will remain in full force and effect until the determination of the Project Management Committee to terminate the Project and to cause all of the Power Sales Contracts to expire on a date certain following the last to occur of: (i) the date on which all Bonds have been paid in full as to principal, premium and interest, or sufficient funds shall have been irrevocably set aside for the full defeasance thereof and all other obligations of UAMPS under the Financing Documents (as defined in the Power Sales Contracts) and the Project Agreements have been paid or satisfied; and (ii) the date on which the Initial Facilities and any Additional Facilities shall be taken out of service and terminated and all decommissioning costs shall have been paid or fully funded.

As long as any Bonds are outstanding or until provision has been made for the payment of all Bonds outstanding in accordance with the Indenture, the Power Sales Contracts may not be terminated or amended, modified or otherwise altered in any manner which will adversely affect the security for the Bonds afforded by the provisions of the Power Sales Contracts.

*Transfer of Entitlement Share; Requirements of Power Purchase Agreement.* Under the Power Sales Contracts, each Participant has covenanted not to assign all or any part of its Entitlement Share except in accordance with the requirements of the Power Sales Contracts. In order to transfer all or any part of its Entitlement Share, the Participant must give one hundred twenty (120) days' prior written notice to UAMPS. Each of the other Participants then has the option of acquiring all or any portion of the Entitlement Share that is proposed to be transferred.

The Power Sales Contracts further require, as a condition of any sale, assignment or other disposition of all or any portion of a Participant's Entitlement Share, that the Participant and its purchaser, assignee or lessee (the "*Assignee*") satisfy the conditions, including obtaining the approval of UAMPS, that are described more fully in Appendix C.

See "SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS" in APPENDIX C hereto for a further description of certain terms of the Power Sales Contracts.

#### RATE COVENANT

UAMPS has covenanted in the Indenture to at all times establish and collect rates and charges for the use of the capability and output of the Project or the sale of the capacity or service of the Project, as shall be required to provide Revenues at least sufficient in each fiscal year, together with other available funds, for the payment of the sum of: (i) Operation and Maintenance Costs during such fiscal year; (ii) the Aggregate Debt Service for such fiscal year; (iii) the amount, if any, to be paid during such fiscal year into the Debt Service Reserve Account in the Bond Fund; and (iv) all other charges or amounts payable out of Revenues during such fiscal year. See "CERTAIN DEFINITIONS" and "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Particular Covenants — *Rates, Fees and Charges*" in APPENDIX B hereto.

#### DEBT SERVICE RESERVE REQUIREMENT

Payment of the Series 2014 Bonds is secured by a the Series 2014 Debt Service Reserve Subaccount in the Debt Service Reserve Account held by the Trustee under the Indenture. The Series 2014 Debt Service Reserve Subaccount will be funded upon the issuance of the Series 2014 Bonds. Proceeds from the Series 2014 Bonds will be deposited into the Series 2014 Debt Service Reserve Subaccount in an amount equal to the Debt Service Reserve Requirement for such Series Subaccount.

UAMPS may by Supplemental Indenture provide that one or more series of Additional Bonds or Refunding Bonds or Bank Loans will also be secured by the Series 2014 Debt Service Reserve Subaccount on a parity with the Series 2014 Bonds. In this event, UAMPS is required under the Indenture to provide for the deposit of any additional amounts that are necessary to cause the Debt Service Reserve Requirement to be on deposit. UAMPS may, but is not required to, recalculate the Debt Service Reserve Requirement upon the issuance of a Series of Refunding Bonds to reflect the Bonds secured by such Series Subaccount that are Outstanding after such issuance.

UAMPS may also fund a separate Debt Service Reserve Fund for Additional Bonds and Bank Loans or determine not to secure Additional Bonds or Bank Loans by a Debt Service Reserve Fund. In these events, the Additional Bonds and Bank Loans will have no claim on the Series 2014 Debt Service Reserve Subaccount.

The Debt Service Reserve Requirement for the Series 2014 Debt Service Reserve Subaccount is determined under the a three-prong test: as of any date of calculation, such Debt Service Reserve Requirement is equal to the least of (i) the sum of ten percent of the original

principal amount of the Bonds and Bank Loans secured by such Series Subaccount; (ii) the Maximum Annual Debt Service on all Bonds and Bank Loans secured by such Series Subaccount; and (iii) 125% of the Average Annual Debt Service on all Bonds and Bank Loans secured by the applicable Series Subaccount. See “CERTAIN DEFINITIONS” and “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Flow of Funds” in APPENDIX B hereto.

## ADDITIONAL BONDS AND BANK LOANS

Under the Indenture, in addition to the Series 2014 Bonds, UAMPS is authorized to issue Additional Bonds and Refunding Bonds payable from the Revenues and the funds established under the Indenture (other than any Rebate Fund) on a parity with the Series 2014 Bonds. Additional Bonds may be issued for the purpose of paying or providing for the payment of all or a portion of (i) any unpaid items of the Cost of the Project, the Cost of Additional Facilities and any other item included within the “Cost of the Project” under (and as defined in) the Power Sales Contracts, (ii) Operation and Maintenance Costs, working capital reserves therefor and any other items within the definition of “Cost of the Project,” (iii) principal, Redemption Price and interest on Bond Anticipation Notes or (iv) any combination of (i), (ii) and (iii). Refunding Bonds may be issued for the purpose of refunding all or a portion of the Outstanding Bonds of one or more Series. See “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Bonds” in APPENDIX B hereto.

Under the Indenture UAMPS may also execute Bank Loans for the same purposes for which Bonds may be issued. Such Bank Loans are payable from the Revenues and the funds established under the Indenture (other than any Rebate Fund) on a parity with the Bonds.

UAMPS may undertake additional phases to the Project from time to time by adding additional generation units to be located at the Site or otherwise. Under the Indenture and the Power Sales Contracts, any additional generating facilities located at the Site or otherwise may be (i) undertaken as Additional Facilities, (ii) undertaken as a separate phase of the Project pursuant to the terms of the Power Sales Contracts and (iii) financed with Additional Bonds issued under the Indenture. Separate phases will not constitute a part of the Project and Participants not electing to participate in such separate phases will not be responsible to pay the costs of such separate phases.

## THE PROJECT

### GENERAL

*Need for the Project.* UAMPS is committed to providing a diverse mix of power supply resources to its Members through the construction of electric generating facilities that minimize their reliance on any single source of electric power. The Project will complement and diversify UAMPS’ existing generation portfolio mix and will further other organizational objectives. UAMPS’ Smart Energy Initiative and 2012 Integrated Resource Plan (“IRP”) emphasize supply-side development of renewable energy resources, with planning objectives that call for diversity in the type and location of these resources. The IRP states that UAMPS’ energy portfolio



resource mix should include small and renewable energy options such as heat recovery technologies. Opportunities to use existing electrical infrastructure to harness renewable and low-carbon resources for electric power generation are particularly desirable in meeting UAMPS' energy initiatives and plans because they directly meet UAMPS' IRP objectives, criteria for screening alternatives, and Smart Energy Initiative.

The Project will also help the Utah Participants meet the provisions of the Utah Municipal Electric Utility Carbon Emission Reduction Act. This statute, enacted in 2008, requires 20% of the adjusted retail electric sales of municipal electric utilities in the State of Utah to consist of qualifying electricity or renewable energy certificates by 2025, to the extent that it is cost-effective to do so. The Utah Participants will be able to count the acquisition of waste heat generation and other renewable energy towards meeting this future statewide standard.

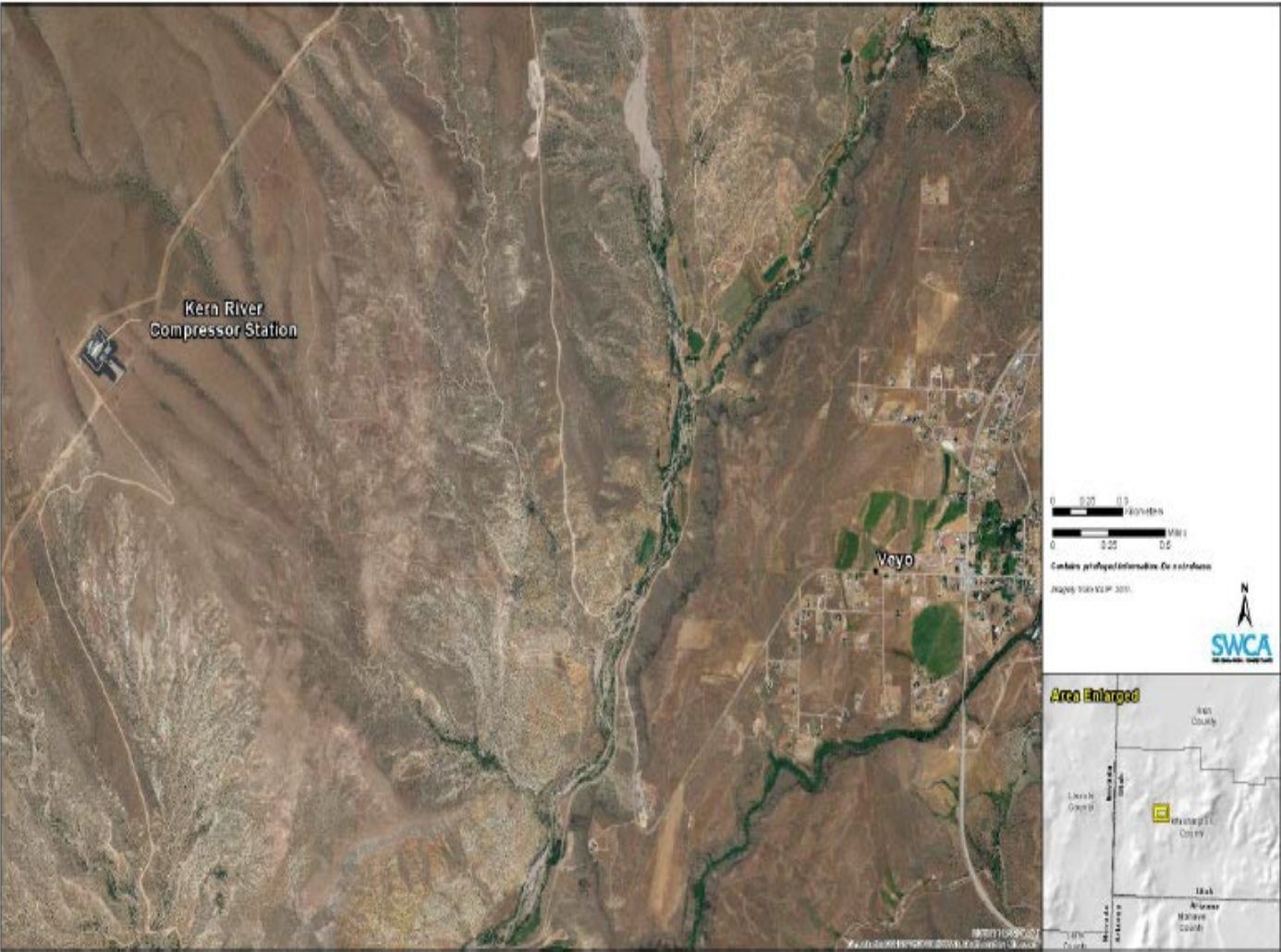
The Environmental Protection Agency's ("EPA") recently proposed Clean Power Plan Rule ("CPPR") requires the reduction of carbon dioxide from existing fossil-fueled power plants by four proposed compliance measures with the goal of reducing carbon dioxide emissions from the electric power sector; one proposed compliance measure calls for substituting higher intensity carbon generation (coal and natural gas plants) with lower or carbon-free forms of electric power generation. The Project is consistent with CPPR's objective of replacing higher intensity carbon generation with lower or carbon-free forms of electric power generation.

Finally, the policies of the Energy Policy Act of 2005 encourage the study and development of renewable energy resources throughout the United States, particularly on federal lands in the West, which will be furthered by developing the Project, because it will be sited on BLM land.

See "INVESTMENT CONSIDERATIONS - *Certain Factors Affecting the Electric Utility Industry.*"

*Location.* The Project is located in Veyo, Utah, which is approximately 20 miles northwest of the City of St. George, Utah, and approximately 137 miles northeast of Las Vegas, Nevada. The portion of the Recovered Energy Generation System not constructed within the Veyo Compressor Station fence line will be located on approximately four acres of land immediately north of and adjacent to the Veyo Compressor Station.

**FIGURE 2 — LOCATION OF THE PROJECT**



*Veyo Compressor Station Operational Data.* The following table provides summary operating data for the Veyo Compressor Station for the last five years:

YEAR	AGGREGATE ANNUAL HOURS OF COMPRESSOR OPERATION	AVERAGE ANNUAL PER UNIT HOURS OF OPERATION <sup>(1)</sup>	OPERATING AVAILABILITY <sup>(2)</sup>
2009	26,059	8,686	99.15%
2010	25,057	8,352	95.35
2011	24,802	8,267	94.38
2012	25,650	8,550	97.34
2013	22,090	7,363	84.06 <sup>(3)</sup>

Source: Kern River FERC Form 2 filings.

(1) Aggregate annual hours of operation divided by three, the number of compressors at Veyo.

(2) Operating availability is the average annual per unit hours of operation divided by the number of hours in a year.

(3) Kern River reports that the reduced operating availability in 2013 resulted from reduced demand on the Kern River Pipeline.

*Projected Project Output.* The electric output of the Recovered Energy Generation System will depend upon both the operating availability of the gas-fired compressor turbines at the Veyo Compressor Station as well as the volume of exhaust gasses emitted by the compressor turbines. The volume of exhaust gasses emitted will vary based on the operating loads on the compressor turbines to meet the gas demand on the Kern River Pipeline. Ormat has advised UAMPS that the Recovered Energy Generation System has been designed to operate at its optimal capacity when (i) it is using the combined exhaust gasses of the three compressor turbines and (ii) each of the turbines is operating at or above 85% of its certified power rating of 15,000 horsepower. Based upon these and other factors, UAMPS projects that the annual electrical output of the Project will be approximately 58,000 MWh.

*Recovered Energy Generation System.* The Recovered Energy Generation System will include:

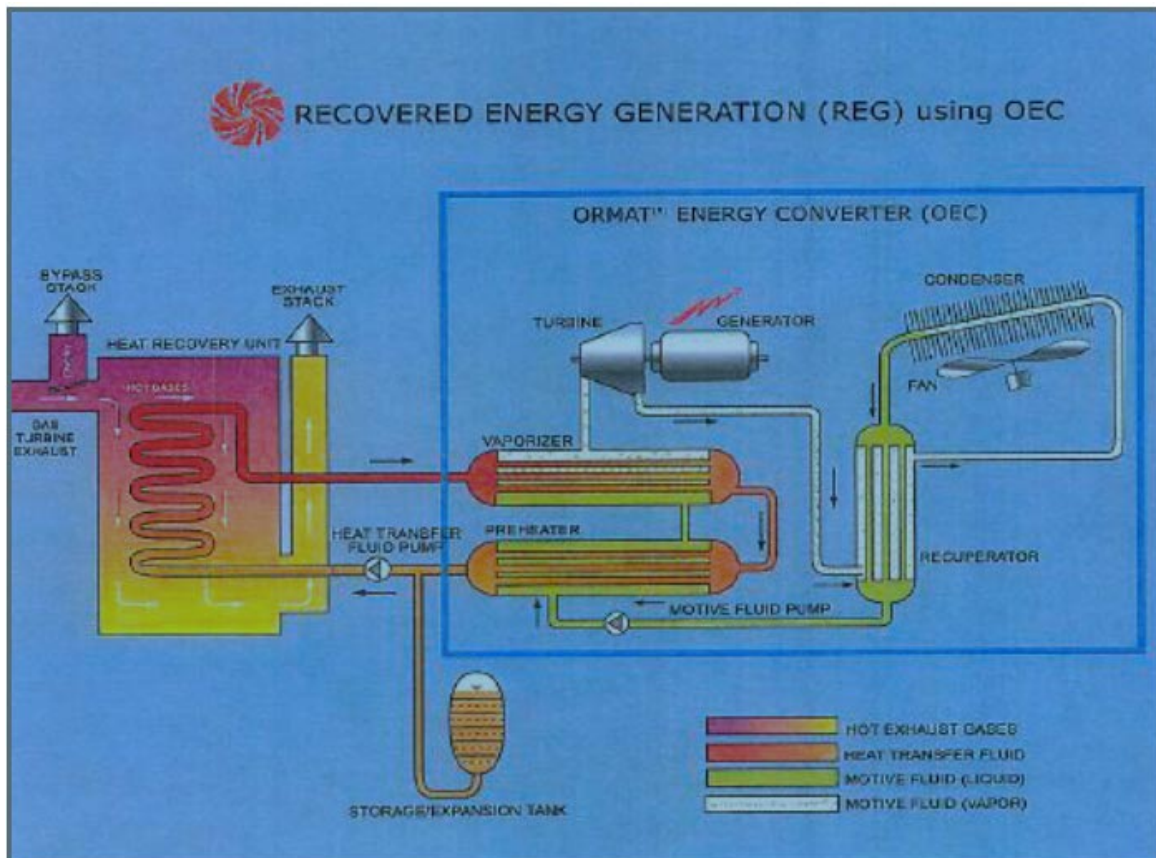
- a. Three waste heat oil heaters installed on the exhaust streams of the three Solar Mars 100 gas-fired compressor turbines located at the Veyo Compressor Station;
- b. A thermal oil circulation system connecting the waste heat oil heaters to the Ormat Energy Converter (“OEC”), including piping, valves, circulation pumps and a thermal oil storage/expansion tank; and
- c. The OEC, with a designed (net) capacity of 7,800 kW, consisting of a preheater, a vaporizer/superheater, a turbine-generator, an air-cooled condenser, a recuperator,

feed pumps, an emergency back-up diesel generator, instrumentation and control and interface systems.

At the existing Veyo Compressor Station, one waste heat oil heater will be installed at each of the three exhaust stacks from the three gas turbine compressors. The waste heat oil heaters will capture and transfer the waste heat from the turbine exhaust to a heat-stable thermal oil. This thermal oil will circulate from the waste heat oil heater via an overhead piping system to the OEC. The OEC, a tube and shell heat exchanger, will receive the heated thermal oil where it will vaporize a motive fluid (pentane or similar fluid). From the OEC vaporizer, the thermal oil will loop through the pre-heater and be piped back to the waste heat oil heater within a closed loop system to continue the process. The vaporized pentane will power the turbine and generate electricity. The pentane vapor exhausted from the turbine will then be captured and condensed back to liquid in a bank of air-cooled condensers. From the condensers, the pentane will flow into a heat exchanger/recuperator where it will be preheated before it is cycled back to the vaporizer in a separate closed loop system. Both the thermal oil and the pentane will be circulated in separate closed loop systems.

The waste heat oil heater, circulating system and storage tank will contain 140,000 pounds (~17,285 gallons) of thermal oil. The OEC vaporizer heat exchanger would circulate approximately 47,250 pounds (~9,000 gallons) of pentane through a separate closed loop system.

**FIGURE 3 — RECOVERED ENERGY GENERATION SCHEMATIC**



*Other Project Components.* A step-up transformer and associated equipment will be installed to convert the output from the turbine-generators to the transmission interconnection voltage (34.5 kilovolts). Other interconnection facilities meeting the requirements of the Interconnection Agreement between UAMPS and PacifiCorp will also be constructed, including a new distribution line extension and an upgrade to an existing overhead distribution line. See “Interconnection and Transmission” below for a more detailed description of the interconnection and transmission facilities. A back-up electric generator will also be installed at the Project site to provide emergency electricity during transmission outages.

New telecommunication components (including microwave dishes, enclosure, batteries, Ethernet, cable) will be installed at the Project and at PacifiCorp’s transmission facilities to upgrade the existing grid communication system.

The Project will also include a container for spare parts storage and an electrical shelter. The electrical shelter will include a dry fire protection sprinkler system.

## INTERCONNECTION AND TRANSMISSION

To interconnect the Project with the transmission grid, UAMPS has executed a Generation Interconnection Agreement with PacifiCorp (the “*Interconnection Agreement*”) with PacifiCorp. The Interconnection Agreement is the standard form Interconnection Agreement under PacifiCorp’s Open Access Transmission Tariff (“*OATT*”). The Interconnection Agreement has an initial term of 10 years, and automatically renews for successive one-year terms after the expiration of the initial term.

The Project will interconnect with PacifiCorp’s existing 34.5 kV transmission line adjacent to the Veyo Compressor Station. Electric interconnection facilities will include a substation, a step-up transformer, control, metering and communications equipment, and improvements to the existing 34.5 kV transmission line.

A new step-up transformer will convert the generated electricity to 34.5 kV. A new 34.5-kV line extension of several hundred feet will be installed to connect the Project to the existing PacifiCorp overhead distribution line adjacent to the Project site. To accept this new load to the grid, the existing overhead distribution line will need to be upgraded for a length of approximately 2.5 miles according to PacifiCorp. Other parts of the PacifiCorp distribution system will need to be upgraded as well. Most of these interconnection activities will occur on privately owned land on existing PacifiCorp right-of-ways. However, some of the interconnection activities will occur on BLM-administered land, including transmission line poles would be upgraded from 35 to 45 feet tall along with upgraded conductors. One small section of transmission line located on BLM-administered land will be removed as part of the interconnection. Any new line or reconductoring would occur either under an amendment to, or as a maintenance activity under, PacifiCorp’s right-of-way from BLM, and terms and conditions as authorized by BLM for the PacifiCorp right-of-way. The scope of work associated with the proposed interconnection activities may qualify for “categorical exclusion” under National Environmental Policy Act guidelines, thus not requiring an environmental assessment.

PacifiCorp estimates it will require approximately 18 months to design and build the various upgrades and other items of work it is responsible for *after* procurement of all necessary permits and rights of way to interconnect the Project. Currently, full completion of the interconnection is expected in May 2016. The current estimated cost of PacifiCorp's work to complete the interconnection is approximately \$1.7 million, and is subject to change as provided in the Interconnection Agreement. Costs associated with the work UAMPS is responsible for in completing the interconnection are currently estimated at \$1.6 million.

*Transmission Agreements.* UAMPS has a network transmission agreement (the Amended and Restated Transmission Service and Operating Agreement, as amended, or "ARTSOA") with PacifiCorp that will provide network service to Participants connected to the PacifiCorp transmission system in Utah. All Utah Participants are currently points of delivery on the network transmission agreement.

Transmission service charges for the Project from PacifiCorp will include (a) a low voltage transmission charge (currently \$0.75 per kW-month) and line losses (3.56%), based on the 34.5 kV interconnection voltage, and (b) a network transmission charge, which is determined annually in PacifiCorp's formula rate filing with FERC, and line losses (4.26%). UAMPS aggregates these charges and other transmission related costs to develop a per-MWh rate charge for transmission service to its members. For its fiscal year 2015, UAMPS charges its members a rate of \$0.00481 per kWh for low voltage and network transmission service.

For Truckee Donner PUD, which is connected to the NV Energy transmission system, UAMPS' network transmission agreement with PacifiCorp will be used for transmission to NV Energy's transmission system at Gonder, Nevada. Transmission from Gonder to Truckee Donner PUD's point of receipt will be made under their transmission agreements with NV Energy. Transmission service charges from Gonder to points of delivery on the NV Energy will be determined under Participant's transmission arrangements with NV Energy.

For additional information regarding the ARTSOA, see "INVESTMENT CONSIDERATIONS–PacifiCorp FERC Filings" below and "TRANSMISSION OF POWER SUPPLY RESOURCES" in APPENDIX E.

*PacifiCorp.* PacifiCorp is an investor-owned utility that serves approximately 1.8 million customers in six western states and a service area of approximately 136,000 square miles (as of December 31, 2013). PacifiCorp is an indirect wholly-owned subsidiary of Berkshire Hathaway Energy Holdings Company.

#### LICENSES, PERMITS AND APPROVALS

The Project is subject to a wide range of federal, state and local laws, regulations and permitting requirements.

*BLM Permanent Right-of-Way.* The Recovered Energy Generation System and other Project facilities will be located on land administered by the U.S. Bureau of Land Management ("BLM"). On June 27, 2014, UAMPS applied to BLM for a right-of-way (a "Right-of-Way") to



construct and operate the Recovered Energy Generation System. As a federal agency, BLM is required to comply with various regulatory requirements, including compilation of an environmental assessment under the National Environmental Policy Act (“NEPA”) and compliance with the National Historic Preservation Act and the Endangered Species Act, before it can grant the Right-of-Way. Compliance with these various laws and regulations will be evaluated as part of the environmental assessment being compiled by the BLM. UAMPS has retained SWCA Environmental Consultants (“SWCA”) to prepare a plan-of-development that was submitted to the BLM with UAMPS’ application for the Right-of-Way. The plan-of-development is intended to inform the environmental assessment required by NEPA. UAMPS expects BLM will adopt the plan-of-development to satisfy NEPA review and grant the Right-of-Way in February 2015. It is possible that the BLM Right-of-Way would not be granted until after such date. Typically, the BLM approval process takes four to twelve months from the date of submission of the application.

*BLM Temporary Right-of-Way; Kern River Right-of-Way; PacifiCorp Right-of-Way.* UAMPS has requested temporary rights-of-way from BLM to facilitate temporary activities during the construction of the Project.

Portions of the Project will overlies and encroach on existing BLM right-of-way grants to Kern River for the Veyo Compressor Station and to UNEV Pipeline, LLC (“UNEV”) for a petroleum products pipeline that runs along the Project site. Agreements from Kern River and UNEV will be required for BLM’s approval of UAMPS’ Right-of-Way application. UAMPS expects that these agreements will be obtained in due course as a part of BLM’s approval of UAMPS’ Right-of-Way application.

As described above, the extension or reconductoring of existing overhead distribution lines is expected to occur either under an amendment to, or as a maintenance activity under, PacifiCorp’s existing right-of-way, and in compliance with such terms and conditions as may be established by BLM.

*Air Permits.* The operation of the Project will require modifications to the existing air quality permit for the Veyo Compressor Station under Title V of the Clean Air Act and may require a new minor source air quality permit for the Recovered Energy Generation System. The need for a new minor air quality permit for the Recovered Energy Generation System will not be known until further engineering is performed by the EPC Contractor to inform the required air modeling to determine the need for the permit. The Utah Division of Air Quality is the agency responsible for these permits. UAMPS expects that these permits will be obtained in due course and will not impact the construction schedule for the Project.

*Construction and Use Permits.* Construction and operation of the Project requires building and use permits from Washington County, Utah. UAMPS expects to begin the permitting process upon issuance of the Right-of-Way by BLM and as site-specific design details are determined. The permitting process with Washington County is expected to take from three to six months and has been incorporated into Project timelines.

*Additional Permits.* In connection with the use and handling of pentane or other working fluid for the Recovered Energy Generation System and other hazardous materials, UAMPS must obtain a Utah Solid Waste Hazardous Waste Permit from the Utah Department of Environmental Quality. UAMPS expects that this permit will be obtained in due course and will not impact the construction schedule for the Project.

A storm water pollution prevention plan and a storm water discharge permit under the Clean Water Act (Utah Division of Water Quality) will be required in connection with the construction of the Project.

It is possible, though UAMPS does not expect, the Project will require a wastewater discharge permit and a spill prevention containment control plan (Utah Division of Water Quality) and a Section 404 dredge and fill permit (US Army Corps of Engineers) will be required for the construction of the interconnection facilities as the existing transmission line crosses an ephemeral creek.

UAMPS does not expect any road permits will be required by Washington County and Utah Department of Transportation to facilitate the transport of large equipment to construct the Project.

UAMPS expects that these permits will be obtained in due course and will not impact the construction schedule for the Project.

#### HOST AGREEMENT

The Host Agreement provides the terms for (i) UAMPS to construct and operate the Project at the Veyo Compressor Station and (ii) Kern River to sell waste heat from the Veyo Compressor Station to UAMPS for use in the Project.

*Term.* The initial term of the Host Agreement begins upon its execution and ends twenty (20) years after commercial operation of the Project, *provided* that commercial operation shall be not later than June 30, 2017, unless otherwise agreed to in writing by the parties.

UAMPS has the option to extend the Host Agreement for up to three renewal terms of five years each upon 180 days' notice.

Subject to force majeure events, either party may terminate the Host Agreement in the event that either (i) UAMPS has not received all required Project permits on or before January 1, 2016; (ii) UAMPS has not entered into the EPC Contract on or before August 1, 2015 (which shall provide for Substantial Completion to occur on or before June 30, 2017) or (iii) Substantial Completion does not occur on or before June 30, 2017.

UAMPS has the right to terminate the Host Agreement for additional reasons, including convenience (subject to payment of a specified termination payment), inability to procure permits or interconnect the Project or procure required insurance.



*Project Construction.* Under the Host Agreement UAMPS is responsible to finance, design, engineer, procure, furnish, install, construct, start up, commission and test the Project in accordance with Good Construction Practices. The Host Agreement sets forth various specific responsibilities required of UAMPS in connection with the construction of the Project, including various activities that require coordination with, and in some cases approval by, Kern River. For example, UAMPS must:

- manage the process of obtaining a modified Kern River air permit in consultation with Kern River,
- conduct clearing and excavation and related activities per Kern River's construction specifications,
- design and construct and operate the Project so that exhaust back-pressure to the Veyo Compressor Station gas turbines will not exceed the pre-Project levels and add new tapping in the exhaust system to measure backpressure, and
- coordinate with Kern River all construction work for the interconnection of the Project with the Veyo Compressor Station.

The Project design must satisfy the specifications and standards set forth in the Host Agreement and UAMPS must submit to Kern River, for review and approval, construction plans prior to construction commencement. UAMPS (or the EPC Contractor) must submit monthly written reports to Kern River.

Kern River's responsibilities include, generally, cooperation and coordination with UAMPS in acquiring, constructing and operating the Project. For example, Kern River must cooperate with UAMPS in obtaining the BLM Right-of-Way for the Project site and other Project permits, provide for reasonable coordination of the shutdown of each of the Veyo Compressor Station natural gas turbines for a period of no more than 72 hours to interconnect the Project with the Veyo Compressor Station, provide access to the Kern River site, provide relevant drawings, manuals and other information (including environmental impact assessments) relating to Kern River's facilities and perform backpressure and other testing.

*Provision of Waste Heat.* Commencing on the commissioning phase of the Project, Kern River agrees to provide all of the waste heat produced during any period of time that any of the three existing Veyo Compressor Station natural gas turbines are operating for use by the Project.

Waste heat available to the Recovered Energy Generation System will not include any exhaust waste heat from any natural gas turbine that may be added as part of an additional compressor package at the Veyo Compressor Station in the future.

Kern River agrees that it will notify UAMPS of planned maintenance outages at the same time it notifies its shippers of such outages. Kern River will endeavor, in good faith and fair dealing, but is not obligated, to plan or coordinate scheduled outages with UAMPS.

Kern River agrees that it will, when practical and using commercially reasonable efforts, notify UAMPS of unplanned interruptions of the Veyo Compressor Stations.

Kern River may take such actions in its sole discretion that it believes are in the interest or protecting, operating and maintaining Kern River's facilities, which may reduce the availability of waste heat.

*No Obligation to Provide Waste Heat.* Under the terms of the Host Agreement, Kern River has no obligation to:

- deliver any specified or minimum quantity of waste heat to UAMPS,
- operate its facilities for the purpose of making waste heat available for the Project
- retain the existing turbine equipment at the Veyo Compressor Station, and may convert, modify, uprate, add or remove any or all of the turbine equipment.

*Consequently, no assurance can be given that Kern River will continue to supply waste heat to UAMPS during the term of the Series 2014 Bonds. Reductions or interruptions in the delivery of waste heat to the Project will correspondingly reduce or interrupt the generation of electricity from the Project. While UAMPS believes that it is unlikely that a permanent shut-down of the Veyo Compressor Station would occur during the term of the Series 2014 Bonds, any such shut-down would result in a corresponding discontinuance of Project operations. In this event, the Participants would remain obligated under the terms of the Power Sales Contracts to pay all of UAMPS' costs associated with the Project, including the remaining scheduled debt service on the Series 2014 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS AND BANK LOANS — Power Sales Contracts — Purchase and Sale of Energy."*

*Operation and Maintenance of Project.* UAMPS is responsible for the repair, operation and maintenance of the Project. Access across Kern River's site will be controlled by Kern River. Modifications, removals and additions, if any, to the Project require approvals by Kern River in accordance with the terms of the Host Agreement. UAMPS is required to mitigate, and shall be responsible for any damage or loss or revenue that results from, any material interference by the Project with Kern River's facilities or its certificate(s) of public convenience and necessity issued by FERC, or any material cost increase to Kern River to operate its facilities caused by the Project. UAMPS has no obligation to Kern River to operate the Project to generate electricity.

*Payment.* Commencing upon the commercial operation date, UAMPS must pay to Kern River a waste heat fee no later than twenty (20) days following a production month. UAMPS must make a minimum payment per year to Kern River, if UAMPS determines for economic reasons not to generate energy. If UAMPS renews the Host Agreement for additional 5-year renewal terms, the waste heat fee is subject to re-negotiation.

In the case of any outage of one or more of the turbine units at the Veyo Compressor Station as a direct or indirect result of the Project (including outages that will be necessary in

order to facilitate installation of the Project), UAMPS must compensate Kern River for any “revenue impairment” caused by a decrease in gas transported on Kern River’s system as a result of each outage. Kern River will calculate the “revenue impairment” by calculating a net rate that is applied to the projected lost daily transportation quantity. The reimbursement amount to Kern River will be reduced or eliminated if Kern River has any operationally available capacity at the end of Kern River’s daily scheduling cycle.

If, after construction of the Project, Kern River cannot operate one or all of the turbine units at the Veyo Compressor Station as a direct or indirect result of the Project, UAMPS must compensate Kern River for “revenue impairment” as described in the preceding paragraph. Revenue impairment calculations are further described in the Host Agreement.

During any such outages, UAMPS also must reimburse Kern River for any reservation demand charge credits Kern River provides its shippers.

UAMPS must reimburse Kern River for any direct costs that are incurred in connection with the Project and Kern River will invoice UAMPS on a monthly basis for such costs. UAMPS must also bear other costs associated with the Project, including, for example, fees for maintenance of access roads. Kern River has ongoing inspection rights, and UAMPS is responsible for the costs of inspection.

All amounts owed to Kern River under the terms of the Host Agreement are a Cost of the Project under the Power Sales Contracts. In the Host Agreement UAMPS makes representations, warranties and covenants with regard to the Power Sales Contracts, including that UAMPS will duly enforce the obligations of the Participants under the Power Sales Contracts, that UAMPS will observe and perform each of its material obligations under the Power Sales Contracts, and that UAMPS will not consent or agree to any termination, rescission or amendment of any Power Sales Contract that will materially and adversely affect its ability to pay timely all of its obligations under the Host Agreement.

*Insurance.* Each of UAMPS, any O&M provider (after commercial operation) and Kern River are required to maintain specified types and amounts of insurance and deliver certificates of insurance. UAMPS is required to maintain builders all risk insurance, commercial general liability insurance, automobile liability insurance, workers’ compensation insurance, excess liability insurance (in an amount equal to Kern River’s total loss of its Veyo Compressor Station facilities) and pollution liability insurance.

*Default.* Events of default (by either party) include the failure to pay when due any undisputed payment, failure to comply with any other material provision of the Host Agreement, bankruptcy and other insolvency-type related events, and abandonment by UAMPS of the Project and abandonment by Kern River of the Veyo Compressor Station and related real property, subject to specified cure periods (as applicable). Upon such an event of default, the non-defaulting party may terminate the Host Agreement, withhold payments due under the Host Agreement, set-off obligations owed and/or suspend performance, and pursue any other remedies available.

*Indemnification.* UAMPS indemnifies Kern River against various liabilities and claims, suits, demands and other proceedings, including environmental liabilities and liens against Kern River's facilities, arising out of or resulting from the Project, including work to construct the Project and its operation and maintenance. Kern River indemnifies UAMPS against certain liabilities and claims, suits, demands and other proceedings, including environmental-related liabilities and liens on the Project or Project site arising from or related to the Veyo Compressor Station or Kern River's activities.

*Limitations on Liability; Force Majeure.* Kern River is not liable to UAMPS for indirect, consequential, punitive or other similar damages. Each party's obligations under the Host Agreement shall be suspended to the extent a force majeure event prevents performance.

*Dispute Resolution.* In the event a dispute arises with respect to the Host Agreement, the parties' appointed representatives will meet. If they cannot resolve the issue within specified timeframes, the parties' respective officers will meet to discuss the issue. If they cannot resolve the issue, either party may request nonbinding mediation, except that in the case of "Technical Disputes", Kern River may make a final determination, which must be made in good faith and fair dealing and in accordance with prudent gas compression practices. Technical Disputes includes any dispute between the parties concerning (i) the design, layout, configuration, specifications, construction methods, timing of a shutdown of any of the three natural gas turbines, means, techniques, sequences and procedures, installation or testing of the Project and the interconnection thereof with the Veyo Compressor Station and (ii) the operation and maintenance of the Project. Technical Disputes does not include disputes with respect to amounts owed by UAMPS to Kern River under the Host Agreement (*e.g.*, fees paid for use of the waste heat), the termination of the Host Agreement or the standards of care under which rights and obligations must be performed under the Host Agreement.

*Kern River.* Kern River is a subsidiary of Berkshire Hathaway Energy, and is based in Salt Lake City, Utah. Kern River operates an interstate natural gas pipeline extending from the oil and gas producing fields of southwestern Wyoming, through Utah and Nevada, to the San Joaquin Valley near Bakersfield, California.

The original Kern River Pipeline was placed into service in February 1992. The Pipeline totals 1,717 miles of 36- and 42-inch diameter steel pipe buried at least three feet underground, and includes 12 automated compressor stations located in Wyoming, Utah (including the Veyo Compressor Station), Nevada and California. The compressor units at these stations have a total system compression of approximately 384,220 horsepower. The pipeline currently has a design capacity of 2.17 billion cubic feet per day.

#### ENGINEERING, PROCUREMENT AND CONSTRUCTION CONTRACT

UAMPS has entered into the EPC Contract with the EPC Contractor to design, engineer, acquire, construct, commission, test and deliver the Project on a lump sum turnkey basis.

*Scope of EPC Contractor's Work; Warranty.* Under the EPC Contract, the EPC Contractor will perform generally all necessary and incidental work to bring the Recovered

Energy Generation System to full completion and operation, such that the Project may be operated as a fully-integrated project. The work will be completed in accordance with a project schedule with specified milestones and completion dates. The EPC Contractor may be required to pay damages in the event an item is not completed by its scheduled completion date, and the amount of such damages is limited to 25% of the contract price.

The EPC Contractor will provide a twenty-four month warranty from the substantial completion date for any item of work, equipment and other materials provided under the EPC Contract, subject to certain exclusions. The warranty period of any item of the work, equipment or other material that is repaired, replaced, modified or otherwise altered by the EPC Contractor shall be extended until the later of the remaining warranty period or six months from the date of completion of such repair, replacement, modification or alteration; provided, the warranty period shall in no event exceed a total aggregate period of thirty months from the substantial completion date.

*Performance Testing.* Prior to substantial completion, the EPC Contractor is required to conduct a range of tests to confirm mechanical completion and the performance of the Project. The performance tests include a trip test, a reliability test, a capacity test and back-pressure tests. The EPC Contractor is required to take remedial actions to correct performance test failures. The EPC Contract establishes various testing protocols and procedures, which Kern River has agreed to.

*Substantial Completion.* The EPC Contractor shall certify the substantial completion of the Project when:

- the Project can be operated in a safe and efficient manner in accordance with the drawing and specifications, applicable laws, regulations,
- the performance tests have been successfully passed and the net deliverable capacity equals or exceeds the guaranteed minimum capacity (6.3 MW), provided that there is a capacity deficiency at the time of substantial completion, then the EPC Contractor shall have paid the applicable liquidated damages,
- the Project is capable of generating electricity to the electrical grid,
- the Project has received all certificates and governmental authorizations required for the commencement of operation to be provided by the EPC Contractor,
- all quality assurance documentation has been provided to UAMPS in accordance with the quality control and quality assurance plan,
- the EPC Contractor has provided all training required under the EPC Contract,
- the EPC Contractor and UAMPS have agreed to a list of punchlist items, including the estimated cost of, and schedule for, completion thereof, and

- the Project has been properly constructed in accordance with the EPC Contract with no known defects, and all work has been installed, insulated and protected where required for such operation, correctly adjusted, tested and commissioned, is mechanically, electrically and structurally sound as set forth in the drawings and specifications.

*Guaranteed Capacity.* The EPC Contractor guarantees that the Project will have a net capacity of 7.8 MW at specified design point conditions. If the Project fails to meet this capacity guarantee, EPC Contract requires the EPC Contractor to take remedial actions or, in certain circumstances, to pay liquidated damages for the difference between the capacity guaranty (less a 150 kW “margin of error”) and the actual net capacity of the Project, which shall be not less than 6.3 MW.

*Contract Price.* The EPC Contract provides for the payment of a fixed price of \$22,300,000 for all work and materials provided by the EPC Contractor. UAMPS has the option of purchasing spare parts for the Project at an additional cost of \$250,000. The fixed price may be adjusted to account for any changes to the scope of work under the EPC Contract. In addition to the contract price, UAMPS may be responsible to pay other costs, such as interest on delayed payments, sales tax reimbursement, costs associated with indemnification and a termination payment in the event the EPC Contract is terminated by UAMPS without cause, as authorized by the EPC Contract.

The contract price will be payable from time to time pursuant to a milestone payment schedule provided in the EPC Contract. A percentage of each payment will be withheld as retainage as security for the performance of EPC Contractor’s obligations under the EPC Contract. In lieu of such retainage the EPC Contractor may elect to obtain a standby letter of credit issued by a reputable financial institution reasonably acceptable to UAMPS, The retained amounts will be fully released, and any retainage security will be canceled, upon substantial completion of all work under the EPC Contract by the EPC Contractor.

*Default and Termination.* The EPC Contract specifies events that constitute a default by either party, including, with respect to the EPC Contractor, a material breach by it under the EPC Contract and, with respect to UAMPS, the failure to make payment when due (in each case, subject to specified cure periods). In the event of an EPC Contractor default, UAMPS may terminate the EPC Contract and take possession and use of various equipment located at the job site for the purpose of completing the remaining work, subject to the terms and conditions provided in the EPC Contract. In the event of a default by UAMPS, the EPC Contractor may suspend service and/or terminate the EPC Contract, in which case the EPC Contractor shall be entitled to a termination payment as specified in the EPC Contract.

It is possible the EPC Contract may also terminate as a consequence of, among other things, an event of force majeure, upon satisfaction of the procedures and payment of a termination payment as described in the EPC Contract.

*Miscellaneous Provisions.* The EPC Contract contains provisions, among others, relating to indemnification, limitations on liability of the EPC Contractor, limitations on assignment of the EPC Contract and dispute resolution.

*The EPC Contractor.* Ormat Nevada Inc. is a wholly-owned subsidiary of Ormat Technologies Inc. (“Ormat Technologies”). Ormat Technologies has over 40 years’ experience in the development of geothermal and recovered energy generation and other projects and has developed energy recovery systems on gas pipeline compressor stations, cement plants, gas processing plants and other industrial processing plants. Ormat Technologies designs, develops, builds, owns and operates geothermal energy and recovered energy-based power plants in the United States and other countries. It also designs, manufactures and sells power units and other power generating equipment for geothermal power plants and recovered energy-based electricity generation.

Ormat’s geothermal power plants and other products are based on the Ormat Energy Converter with 77 patents world-wide. Ormat’s experience with recovered energy electric generation systems on natural gas pipeline compressor stations (*i.e.*, systems similar to the Project) include: (i) two projects in Canada with a total generating capacity of 10.2 MW for which Ormat acted as equipment supplier for the recovered energy generation system; (ii) four projects in the United States that Ormat constructed, owns and operates with a total generating capacity of 53 MW; and (iii) ten projects in the U.S. and Canada with a total generating capacity of 57.8 MW for which Ormat acted as EPC contractor, two of which were installed at compressor stations that utilized the same gas turbine compressors as those at the Veyo Compressor Station.

Ormat Technologies was founded in 1965 and employs over 1100 people worldwide.

#### PROJECT CONSULTANTS

UAMPS has retained SWCA to assist with agency coordination in obtaining the permits necessary for the construction and operation of the Project, including the environmental assessment required prior to BLM’s issuance of the Right-of-Way for the Project and the development of environmental management documents for the operation of the Project.

UAMPS has retained Sunrise Engineering as owner’s engineer to corroborate Project design and work by the EPC Contractor, and to provide construction management and related support services to UAMPS.

GDS Associates, Inc. has advised UAMPS with respect to various aspects of the EPC Contract.

#### CONSTRUCTION SCHEDULE AND STATUS

Various factors will affect the proposed construction schedule and completion date of the Project.

The engineering, procurement and construction of the Project is currently estimated to require approximately 23 months from the date the execution of the EPC Contract. UAMPS executed the EPC Contract on October 30, 2014. The current construction schedule calls for construction of the Project to commence once all the necessary permits and approvals are

obtained and commercial operation is expected in September 2016. Delays in the BLM or any other permitting process, or the construction under the EPC Contract, could cause construction delays. The Host Agreement requires substantial completion of construction of the Project by June 30, 2017.

#### ESTIMATED COST OF CONSTRUCTION

The following table summarizes the estimated cost of construction of the Initial Facilities of the Project:

EPC Contract <sup>(1)</sup>	\$22,550,000
Transmission Interconnection <sup>(2)</sup>	2,829,400
Project Substation	1,600,000
Development, Engineering, Permitting and Other <sup>(3)</sup>	1,832,200
Contingency <sup>(4)</sup>	<u>2,688,400</u>
 TOTAL CONSTRUCTION COSTS	 \$31,500,000

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(1) Fixed price payable under the EPC Contract of \$22.3 million, plus \$250,000 cost of spare parts that UAMPS may elect to purchase from Ormat.

(2) Includes costs of upgrades and improvements to the transmission facilities interconnecting with the Project Substation and costs of transmission network upgrades.

(3) Includes expense reimbursements payable to Kern River under the Host Agreement, costs of preliminary Project development, engineering, environmental permits and approvals, insurance premiums, legal and consulting fees and interim financing costs.

(4) Contingency amounts vary by cost category and average 9.33% of all other cost categories.

#### OPERATION OF THE PROJECT

The OEC is an organic Rankine cycle power generation system using thermal fluids to produce electrical energy, which is designed for remotely-controlled, unattended operation. Ormat reports that this design has resulted in low maintenance requirements.

The OEC control system has a design based on a programmable logic controller (PLC) and protection relay unit containing the following items:

- PLC central processing unit with analog and digital input and output modules and communication control unit.
- Protection relay to perform the generator protections such as under/over voltage, reverse power, loss of excitation, generator differential, phase over current, stator ground fault, phase balance, etc.
- Synchronizer, synchronization check relay, voltage and VAR controller.



- Operation mode selector switch and reset push buttons for local operation. The same switch and push button capabilities are duplicated by soft switch at the HMI computer screen for remote operation of the OEC from a local control room.

The system also includes a human-machine interface that includes a personal computer with dedicated software which will enable the operator to operate the power plant and monitor its functioning during operation.

The control system, when started, automatically accelerates the generator to synchronous speed and then synchronizes the generator to the bus. After being linked with the bus, the control system monitors and controls the operation of the OEC. Pressures, temperatures, voltages, speed, kilowatts, currents, etc., are checked and monitored during each scan of the PLC and compared with preset values in the memory to detect an alarm or failure condition. Once the unit is in operation, it continues to run in an automatic, unmanned mode where these values are continually checked and monitored automatically and the unit will run continuously as long as the waste heat stream continues to be available. This can also be switched to allow for remote operation or on-site operation.

In case of failure in the system, the OEC unit is disconnected from the bus and shut down in a pre-programmed sequence. After a failure condition is rectified, the generating unit can be automatically started after a manual reset signal.

The Recovered Energy Generation System will be interfaced with both a local control on site and a remote control location. The remote supervision link will permit remote users to access the control system using a standard web browser through a secured link through the internet. Depending on the access rights defined for the specific user and on the station server computer, the remote functionality will range from full control to monitoring only. The control system provides an access to all the analog and digital signals at the PLC through a communication link. Using the communication link, UAMPS, the plant operator and any designated third party can monitor any parameter inside the PLC, or send the OEC stop signals from another PLC or computer with the proper software.

Communications are achieved through a standard commercial high speed internet connection provided by UAMPS. Measures for a secure internet connection will be taken through VPN and firewall technologies.

*Other Project Maintenance.* Ongoing maintenance of the Project will include compliance with BLM requirements in connection with the Right-of-Way, periodic equipment systems inspections, preventative maintenance and repair activities, and waste and hazardous materials management in connection with the thermal oil and pentane products and other hazardous materials used and/or stored in normal Project operations.

## GREEN PROJECT AND GREEN BONDS

Based on its assessment of the environmental and social benefits of the Project, UAMPS has designated the Veyo Heat Recovery Project as a “Green Project” and the Series 2014 Bonds

as “Green Bonds.” The Project will function as a carbon-neutral base-load generation facility that offers a number of environmental benefits. Unused waste heat from the Veyo Compressor Station will provide all the energy needed for the Project to operate, without any additional fuel consumption or emissions. Closed loop systems for circulation of thermal oil and pentane are expected to result in no operational loss of oil and minimal fugitive pentane emissions which are further mitigated by a pentane vapor recovery unit.

Energy generated by the Project is expected to displace CO<sub>2</sub> emissions that would otherwise be emitted if the energy were generated by a fossil fuel-based electric generating facility. UAMPS believes that comparable amounts of energy generated from a natural gas combined cycle plant would emit approximately 26,000 tons of CO<sub>2</sub> annually, and that comparable coal-fired power plant would emit approximately 63,000 tons of CO<sub>2</sub> annually. UAMPS expects that over the Project’s expected 30-year life, it has the potential to reduce CO<sub>2</sub> emissions that would otherwise be emitted in the magnitude of 737,000 tons had the same amount of energy come from a natural gas combined cycle plant, or 1,887,000 tons if the same amount of energy came from a coal-fired power plant.

Additional environmental benefits include:

- No water consumption during operation of the Project because it is air cooled;
- Minimal disturbance to ground or water resources because the Project is being constructed adjacent to existing gas pipeline infrastructure, within an energy corridor as designated by the BLM and over 2.5 miles away from the nearest stream; and
- Marginal impact on view shed because the Project is co-located with the existing pipeline and Veyo Compressor Station.

## **THE PARTICIPANTS**

### **SCHEDULE OF ENTITLEMENT AND DEBT SERVICE SHARES**

Seven Members of UAMPS (the “*Participants*”) have entered into Power Sales Contracts with UAMPS pursuant to which each such Participant will purchase the electric energy from the Project allocable to its Entitlement Share.

See “INTRODUCTION–The Participants” for a table showing each Participant’s Entitlement Share, the amount of generating capacity represented by such Entitlement Share and each Participant’s Debt Service Share.

The five Major Participants (those Participants with Entitlement Shares greater than 10%) account for over 94% of all Entitlement Shares and over 90% of all Debt Service Shares. The ability of UAMPS to pay principal of and interest on the Bonds will be dependent upon the

performance by the Major Participants of their payment obligations to UAMPS under the Power Sales Contracts.

In addition to the general information provided for all of the Participants under “Participant Information” below, selected financial and operating information for each of the Major Participants is included as APPENDIX A.

## PARTICIPANT INFORMATION

Each Participant owns and operates a local electric utility system that provides integrated electric service at retail to residential, commercial, industrial and other customers located in, and in some cases around, the Participant’s boundaries. Various external power supply and transmission resources are utilized by each of the Participants. The most significant of these resources are described below under “UAMPS POWER SUPPLY, TRANSMISSION AND OTHER RESOURCES” below and in APPENDIX E. Many Participants also own and operate their own hydroelectric and thermal generating resources and certain Participants purchase wholesale supplies of energy from suppliers other than UAMPS.

The electric utility systems operated by the Participants have generally been in operation for many years—in some cases for over 100 years. Each of the utility systems is under the governance of the Participant’s city council or other governing board. Many of these governing bodies have established utility boards or power advisory boards to provide them with advice and recommendations on the operations of the electric utility. Each Participant has complete operational control over its electric utility, and most have electric system managers that are responsible for the day to day operations of the utility.

Each of the Participants has the exclusive right and obligation to provide all utility services within its corporate boundaries. Out of the seven Participants, six are located in Utah. Under Utah law, the Participants may exercise this right and discharge this obligation either by providing such utility services themselves or by granting franchises to others (*i.e.*, private or cooperative utilities) to provide such services. With respect to electric utility services, such Participants have elected to exercise and discharge their right and obligation by providing such services directly. Any entity desiring to provide competing electric utility services within the boundaries of any of the Participants in Utah would be required to obtain a franchise from such Participant. The Power Sales Contracts contain certain covenants and agreements of the Participants regarding the granting of such franchises. See APPENDIX C.

The electric system rates of each Participant are set by its governing body. The authority of the Participants to impose and collect rates and charges for the electric services provided by them is not subject to regulation by any Federal agency or any state agency or commission in their respective states.

The following table provides summary information with respect to the Participants:

	POPULATION <sup>(1)</sup>	ELECTRIC CUSTOMERS <sup>(2)</sup>	2013-14 ENERGY SALES (KWH) <sup>(2)</sup>	2013-14 PEAK DEMAND (KW) <sup>(2)</sup>
Kaysville	28,876	8,863	145,068,879	43,400
Lehi	54,382	16,445	280,825,464	82,220
Logan	48,913	18,019	475,160,003	93,964
Santa Clara	6,526	2,184	37,814,467	13,973
Spring City	994	525	2,988,795	843
TDPUD	n/a	13,283	145,224,659	29,633
Washington	<u>21,890</u>	<u>6,173</u>	<u>101,941,810</u>	<u>32,271</u>
TOTALS:	<u>161,581</u>	<u>65,492</u>	<u>1,189,024,077</u>	<u>296,304</u>

(1) Source: 2013 U.S. Census Bureau estimate.

(2) All information is as of UAMPS fiscal year ended March 31, 2014. Information under “Electric Customers” is as of the close of the Participants’ most recent fiscal years.

## UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS

### HISTORY

UAMPS is a separate legal entity and a political subdivision of the State of Utah (the “State”). UAMPS was organized in 1980 under the Act and operates under the UAMPS Organization Agreement. UAMPS’ purposes, as set forth in the Organization Agreement, include planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining projects (or an ownership interest or capacity right therein) for the generation and transmission of electric energy for the benefit of some or all of its members (the “Members”). The Organization Agreement expires on the latest to occur of: (1) fifty years after the latest amendment to the Organization Agreement; (2) five years after UAMPS has fully paid or otherwise discharged all of its indebtedness; (3) five years after UAMPS has abandoned, decommissioned, conveyed or transferred all of its projects; or (4) five years after UAMPS’ projects are no longer useful as determined under the applicable power sales or transmission service contracts.

### THE INTERLOCAL COOPERATION ACT

The Act authorizes local governmental units to make the most efficient use of their powers by enabling them to cooperate with other governmental units on the basis of mutual advantage to provide services and facilities that will best accommodate the needs and development of local communities. Its purpose also includes provision of the benefits of economy of scale, economic development and utilization of natural resources for the overall promotion of the general welfare of the State.

An interlocal entity may be formed under the Act when two or more eligible public agencies enter into an agreement with one another for joint or cooperative action pursuant to the Act. An interlocal entity is a political subdivision of the State with various powers and duties, as provided in the Act. UAMPS is an energy services interlocal entity under the Act with power, among other things, to: (1) own and operate, individually or with others, facilities or improvements for the generation, transmission and transportation of electric energy or related fuel supplies; (2) enter into contracts for supplies of electric power and energy and ancillary services, transmission and transportation services, and supplies of fuels necessary for the operation of generation facilities; (3) enter into contracts for the sale of wholesale services provided by the energy services interlocal entity; (4) issue revenue bonds and secure their payment by pledge of the revenues and receipts from the facilities, improvements or services it provides; and (5) adopt and implement risk management policies and strategies for energy.

In addition, UAMPS' Members may contract with UAMPS to perform any governmental service, activity or undertaking which the Members themselves are authorized by law to perform.

#### MEMBERSHIP

The Members of UAMPS include the 45 public power utilities that have entered into the Organizational Agreement. The following table lists the Members of UAMPS and the projects they participate in through UAMPS.

# project participation

	HUNTER	SAN JUAN	IPP	CRSP	FIRM POWER SUPPLY	CENTRAL - ST. GEORGE	CRAIG-MONA	PAYSON	POOL	RESOURCE	MEMBER SERVICES	GOVT. & PUBLIC AFFAIRS	HORSE BUTTE WIND	NATURAL GAS*	FREEDOM	VEYO PROJECT
BEAVER CITY	o	o	o	o	o				o	o	o	o	o			
BLANDING CITY		o		o	o				o	o	o	o	o	o		
CITY OF BOUNTIFUL		o	o	o			o		o	o	o	o				
BRIGHAM CITY									o	o	o		o			
CENTRAL UTAH WATER CONSERVANCY DISTRICT				o							o	o				
EAGLE MOUNTAIN CITY					o				o	o	o	o	o	o		
CITY OF ENTERPRISE	o	o	o	o	o	o	o		o	o	o	o	o			
EPHRAIM CITY	o		o	o	o		o	o	o	o	o	o	o			
FAIRVIEW CITY	o		o	o	o			o	o	o	o	o	o	o		
CITY OF FALLON, NV					o				o	o		o	o			
FILLMORE CITY	o	o	o	o	o				o	o	o	o	o			
CITY OF FREDONIA, AZ					o						o					
CITY OF GALLUP, NM									o		o					
HEBER LIGHT AND POWER	o		o		o		o		o	o	o	o	o			
HOLDEN TOWN	o		o	o	o				o	o	o	o				
HURRICANE CITY	o	o	o	o	o	o		o	o	o	o	o	o	o		
HYRUM CITY	o	o	o	o	o			o	o	o	o	o	o			
IDAHO ENERGY AUTHORITY INC., ID									o							
CITY OF IDAHO FALLS, ID					o				o	o	o	o	o			
KANOSH TOWN	o		o	o	o				o	o	o	o				
KAYSVILLE CITY	o	o	o	o	o			o	o	o	o	o	o			o
LASSEN MUNICIPAL UTILITY DISTRICT, CA										o						
LEHI CITY	o	o	o	o	o		o	o	o	o	o	o	o			o
LOGAN CITY	o		o	o	o		o	o	o	o	o	o				o
LOWER VALLEY ENERGY, WY									o				o	o		
MEADOW TOWN	o		o	o	o				o		o	o				
MONROE CITY	o		o	o	o			o	o	o	o	o				
MORGAN CITY	o	o	o	o	o				o	o	o	o	o			
MT. PLEASANT CITY	o		o	o	o			o	o	o	o	o	o			
MURRAY CITY	o	o	o				o		o		o	o				
NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT, OR									o	o					o	
OAK CITY	o		o	o					o	o	o	o				
TOWN OF PARAGONAH		o		o	o				o		o	o	o			
PAROWAN CITY	o		o	o					o		o	o				
PAYSON CITY	o	o		o	o		o	o	o	o	o	o		o		
PLUMUS SIERRA RURAL ELECTRIC COOPERATIVE, CA					o				o	o				o		
PRICE CITY			o		o				o	o	o	o	o			
CITY OF SANTA CLARA	o	o		o	o	o		o	o	o	o	o	o	o		o
SOUTH UTAH VALLEY ELECTRIC SERVICE DISTRICT		o		o	o			o	o	o	o	o				
SPRING CITY	o		o	o	o			o	o	o	o	o				o
SPRINGVILLE CITY		o		o	o		o	o	o	o	o	o	o			
CITY OF ST. GEORGE						o	o		o	o						
TRUCKEE DONNER PUBLIC UTILITY DISTRICT, CA					o			o	o	o		o	o	o		o
WASHINGTON CITY				o	o	o		o	o	o	o	o	o	o		o
WEBER BASIN WATER CONSERVANCY DISTRICT				o	o				o		o	o				

\*Payson Project is a participant in the Natural Gas Project.

The Organization Agreement provides for the admission of additional public power utilities as Members of UAMPS upon being accepted as a participant of a project by a project management committee and being approved as a participant of such project by the Board.

#### BOARD OF DIRECTORS

UAMPS is governed by its Board of Directors (the “*Board*”). The Board consists of Directors representing those Members that are public agencies and have entitlement shares in the various projects undertaken by UAMPS. Up to eleven Directors may be selected from each project. If a project has eleven or fewer participants, all of the participating Members are entitled to be represented by Directors. If a project has more than eleven participants, eleven Directors are selected as follows: the four Members with the largest entitlement shares (determined annually) are entitled to be represented by Directors, with the remaining seven Directors elected for four-year terms by and from the other participants in that project. Directors representing Members who are participants in the UAMPS Power Pool serve for one-year terms.

The Organization Agreement provides that, except for a decision to enter into a project, which requires a majority of all the Directors present constituting a quorum, a decision by the Board of Directors with respect to a project shall require a majority of the Directors representing the participants in the project who are present and constitute a quorum, unless a weighted vote is called for by a Director representing a Member who is a participant in that project. If a weighted vote is called for, a decision on a project shall require both (1) a majority of the Directors representing the Members participating in the project who are present and constitute a quorum, and (2) a majority of the entitlement shares in the project represented by the Directors who are present and constitute a quorum. A decision not related to a specific project shall be made by a simple majority of the Directors who are present and constitute a quorum. A quorum consists of 51 percent of the Directors eligible to vote.

#### PROJECT MANAGEMENT COMMITTEES

The Organization Agreement provides that the operations of each project of UAMPS will be under the direct supervision of a Project Management Committee comprised of representatives of all of the Members and other entities participating in the Project.

The Power Sales Contracts for the Veyo Heat Recovery Project establish a Project Management Committee for the purpose of, among other things, (i) reviewing, providing advice and recommendations to, and consulting with, UAMPS regarding the Project, the Project Agreements, operating and scheduling procedures and related matters; (ii) reviewing, modifying and recommending the annual budget for the Project to the Board; and (iii) reviewing, recommending and approving any Additional Facilities to the Board. The Project Management Committee consists of one representative from each Participant, each of which has one vote. Except for a decision that would result in the termination of the Project, which requires unanimous approval, a decision of the Project Management Committee requires the approval of a majority of representatives voting. A quorum, which consists of that number of the representatives of the Participants that represent a majority of the entitlement shares in the

Project (and no less than one-third of the representatives), must be present for any decision of the Project Management Committee to be valid. So long as a Participant is in default under its Power Sales Contract, the representative of such Participant is not entitled to vote on any matter and is not required to constitute a quorum of the Project Management Committee, and such Participant's consent is not required to obtain any unanimous consent.

#### OFFICERS OF THE BOARD OF DIRECTORS

*Allen Johnson, Chairman.* Mr. Johnson has been the UAMPS representative for Bountiful since 2007 and is currently serving as the Chairman. He has worked for Bountiful for the past 35 years and has been the Power Department Director since 2007. He is responsible for the budget, power supply, planning, and the operations of the department. He was the Generation Superintendent for 16 years before being appointed the Power Department Director and was directly responsible for the maintenance and operation of the Power Department's natural gas plant, two hydroelectric projects, engineering and Bountiful's six substations.

*Matt Draper, Vice Chairman.* Mr. Draper has worked in the utility industry for over 15 years and is currently the power superintendent for Hyrum City. Mr. Draper began his career with Mt. Pleasant City in the water and streets department before moving to the electric department, where he served for 26 years, with the last eight as the power superintendent. Mr. Draper received his journeyman lineman's certification from Utah Valley University in 2002. Mr. Draper also worked for the Mt. Pleasant fire department for 23 years and held various leadership positions prior to his retirement in 2010. Mr. Draper has been a UAMPS Board member since 2009, has served as the vice chairman since 2013 and served as the Chair of the Project Management Committee of the Horse Butte Wind Project from 2011 to 2013.

*Dwight F. Day, Secretary.* Mr. Day has been involved with the electric utility industry for over 30 years. He started by managing the electric system of Fillmore as its City Administrator and was elected to the Board in 1980. During his tenure he has served as Chairman of the Board from 1984 through 1986, Vice Chairman of the Board in 1983, Secretary of the Board in 1994 through 1996, 2000 through 2002 and 2013 to present, and Treasurer of the Board from 2011 through 2012. Mr. Day has also served on the Board of Directors of American Public Power Association ("APPA") and as Chairman of the APPA Policy Board Advisory Committee for several years in the 1980s.

*Dave Imlay, Treasurer.* Mr. Imlay has worked in the utility industry for over 29 years. He began as an apprentice lineman for Pacific Gas & Electric in California and later became a journey lineman. He has worked for Hurricane City for 22 years, beginning as a lineman, then a line crew foreman, and later becoming Power Superintendent. He has been the Power Department Director since 2004. Mr. Imlay is responsible for budgeting, planning, power supply and overall operations of the Hurricane City Power Department.

The Chair, Vice-Chair, Secretary and Treasurer comprise the Executive Committee of UAMPS. The Executive Committee is responsible for performing specific duties delegated to it by the Board.



## MANAGEMENT

The management of UAMPS is under the direction of the General Manager who reports directly to the Board. The General Manager is responsible for administering staff activities and carrying out policy directives of the Board.

*Doug Hunter, General Manager.* Mr. Hunter joined UAMPS in December 1983. Prior to his appointment as General Manager in 1995, he served as Assistant General Manager and Manager of Municipal Resources of UAMPS. Mr. Hunter holds a Master of Business Administration degree from Utah State University and a Bachelor of Science degree in Biochemistry from the University of California, Davis. He currently serves as the Vice Chair of the APPA Board of Directors and on the Executive Committee of the APPA Board of Directors.

*Scott Fox, Chief Financial Officer.* Mr. Fox joined UAMPS in January 1995 and served as internal auditor and controller prior to his appointment as Chief Financial Officer in 2005. Mr. Fox received Bachelor of Science and Master's degrees in Accounting from Brigham Young University.

*Ted Rampton, Government and Public Affairs Manager.* Mr. Rampton began his career in public power in 1976 with UAMPS' predecessor organization, Intermountain Consumer Power Association. He has been involved in areas such as power supply, contract negotiations and federal power resource issues. Mr. Rampton coordinates UAMPS' activities with the Utah State Legislature and Governor's office, and is UAMPS' liaison to Utah's congressional offices. Mr. Rampton holds a Bachelors of Science degree from Weber State University in Business Administration and a Masters of Public Administration from Brigham Young University.

*Marshall Empey, Chief Operations Manager.* Mr. Empey joined UAMPS in February 1989. Prior to his position as Chief Operations Manager, Mr. Empey served UAMPS in various scheduling, power accounting and contract administration positions. During his career with UAMPS, Mr. Empey has held various positions with industry groups such as Western Energy Coordinating Council, Northern Tier Transmission Group, Desert STAR, RTO West and Grid West. Prior to working for UAMPS, Mr. Empey worked for Deseret Generation & Transmission Co-operative for 3 years in scheduling and power accounting and the Union Pacific Railroad for 10 years in various positions in the freight accounting area. Mr. Empey holds a Bachelor of Science degree in Economics from Idaho State University and a Master of Business Administration degree from Westminster College of Salt Lake City.

*Jackie Coombs, Manager of Corporate and Member Relations.* Ms. Coombs joined UAMPS in March 1989. Prior to her position as the Manager of Corporate and Member Relations, she was the Administrative Assistant to the General Manager and Assistant General Manager of UAMPS. Prior to working at UAMPS, Ms. Coombs worked for Deseret Generation & Transmission Co-operative from 1982 to 1989.

*Mason Baker, General Counsel.* Mr. Baker joined UAMPS in May 2011. Mr. Baker holds a law degree from the University of Utah and a Bachelor of Arts degree from Colorado College.

UAMPS currently employs a staff of 43, which includes 11 employees at the Payson Power Project's Nebo Generating Station.

#### RETIREMENT PLAN

UAMPS has a defined contribution pension plan that covers all employees. Contribution levels are established by the Board, and all contributions are funded out of current revenues. See Note 10 to the audited financial statements of UAMPS attached as APPENDIX D.

#### SYSTEM ENERGY AND PEAK DEMAND

The following tables show the total energy and peak demand requirements of all of UAMPS' Members that are participants in the Pool Project and the off-system energy sales of UAMPS for the last five fiscal years (ended March 31):

	FISCAL YEARS ENDED MARCH 31,				
	2010	2011	2012	2013	2014
Total System Energy <sup>1</sup>	5,898,128	5,763,729	5,442,062	5,286,267	5,330,736
UAMPS Energy Sales <sup>2</sup>	4,577,920	4,375,413	4,011,904	3,883,891	3,914,902
Sales to Members <sup>3</sup>	3,361,109	3,229,897	3,182,087	3,302,344	3,328,782
Off-System Sales <sup>4</sup>	1,216,811	1,145,516	829,817	581,547	586,120
Total System Peak <sup>5</sup>	727	758	885	943	977

1 Total System Energy is shown in MWh and includes all energy generated and purchased by UAMPS and the Members.

2 UAMPS Energy Sales is shown in MWh and includes all energy sold by UAMPS to the Members and others.

3 Sales to Members is shown in MWh and includes all energy sold by UAMPS to the Members.

4 Off-System Sales is shown in MWh and includes all energy sold by UAMPS to purchasers other than Members and market sales.

5 Total System Peak is shown in MW and includes the aggregate coincident peak demand of all of the Members, excluding, in years 2010 and 2011 only, that portion of the Members' peak demand met by their own generating resources. Total System Peak for fiscal years 2012, 2013 and 2014 includes Members' internal generation.

UAMPS Energy Sales and Off-System Sales declined between 2010 and 2013 as a result in declines in off-system sales to Iberdrola S.A. (successor to PacifiCorp Power Marketing ("*Iberdrola*") and Morgan Stanley.

UAMPS has an agreement with Iberdrola pursuant to which UAMPS sold power from the Horse Butte Wind Project at specified transmission delivery points in exchange for power from the Pleasant Valley Wind farm. Iberdrola S.A. has gradually acquired its own transmission so UAMPS no longer sells much power from the Horse Butte Wind Project to Iberdrola.

With respect to sales to Morgan Stanley, UAMPS had been receiving power (approximately 36,500 MWh per month) from the City of Los Angeles as a result of certain settlement arrangements. The power was immediately re-sold to Morgan Stanley. Power deliveries from Los Angeles ended December 2010.

Total System Peak increase significantly from 2011 and 2012 because in 2012 UAMPS began including in the Total System Peak figures Members' peak demand met by their own generating resources. See footnote (5) in the table above.

## GENERAL FINANCIAL MATTERS

*Management's Discussion and Analysis.* For management's discussion and analysis of UAMPS' financial performance and position and an overview of UAMPS' activities for the years ended March 31, 2014 and 2013, see "MANAGEMENT'S DISCUSSION AND ANALYSIS" in audited financial statements of UAMPS for the fiscal years ended March 31, 2014 and 2013, APPENDIX D to this Official Statement.

*Annual Budget and Budgetary Process.* The Indenture and the Power Sales Contracts require UAMPS to: (i) prepare an Annual Budget prior to the beginning of each Fiscal Year that details the Revenues, Operation and Maintenance Costs and other costs of the Veyo Heat Recovery Project for the forthcoming Fiscal Year; and (ii) review the Annual Budget at the end of each quarter and revise it as necessary in the event such review indicates that the Annual Budget does not or will not substantially correspond with actual receipts or expenditures, or to reflect any unexpected or extraordinary receipts or expenditures. The Annual Budget and any revision to it are required to be reviewed and recommended by the Project Management Committee for the Veyo Heat Recovery Project and approved by the Board.

UAMPS prepares separate annual budgets for each of its projects. In advance of the annual budgetary process, the Board adopts a budget policy that sets forth the assumptions and standards to be used by management in the preparation of the annual budget regarding project operations and costs, the allocation of administrative and general costs and other matters. A separate budget committee, comprised of the members of the Executive Committee and the chair of each project management committee, is constituted to oversee the preparation of the annual budget. The annual budget for each project is then reviewed, and (as necessary) revised, by the project management committee for that project and recommended to the Board for approval. The Board reviews and approves the annual budgets for each project, which are then consolidated into UAMPS' comprehensive annual budget. Pursuant to the budget policy, management reports monthly financial information (actual and actual compared to budget) to the project management committee for each project.

The annual budget for each project is prepared to include all known or likely costs and expenditures of the project, with costs considered unlikely and unforeseen costs being addressed through budget revisions. For its generation projects (Veyo Heat Recovery, Horse Butte Wind, Hunter, San Juan and Payson), UAMPS has in recent years budgeted, billed and collected from the project participants amounts to fund major maintenance overhaul reserve accounts for the expected costs of future capital renewals, replacements and improvements shown on capital budgets provided by the project operating agents.

*Lines of Credit.* UAMPS meets the working capital requirements of its projects under separate lines of credit with two banks. The total amount available to be drawn under these credit lines is \$25,000,000, which UAMPS believes is sufficient to support its current working

capital requirements. Currently each credit line is renewable every other year. UAMPS typically makes multiple drawings under these credit lines each month to pay the current expenses of its projects, and repays the amounts drawn promptly upon its receipt of amounts billed Members. The amounts drawn under the credit lines bear interest at floating rates. UAMPS has agreed with the line of credit banks that it will repay the amounts drawn and interest due under the credit lines as an operating and maintenance expense of its projects.

*Bond Compliance Policy.* UAMPS has adopted a written policy that sets forth procedures for compliance with the federal tax and securities law requirements applicable to its bonds. The policy includes pre-issuance procedures that are intended to establish and confirm the tax status of bonds prior to their issuance and the accuracy and completeness of the disclosure documents provided by UAMPS in connection with the initial offering of bonds. The policy also includes post-issuance procedures that are intended to maintain compliance with the federal tax and securities law requirements that must be satisfied on an on-going basis, including (among other things) arbitrage rebate and continuing disclosure requirements.

*Variable Rate Debt and Interest Rate Hedging Policy.* UAMPS has adopted a written policy to govern the use by UAMPS of variable rate debt, interest rate hedges and related transactions. This policy establishes guidelines for the use of variable rate debt and the purposes and objectives for which hedging transactions may be executed and the circumstances under which a hedging transaction is prohibited. The policy also requires consultation with bond counsel to determine whether a proposed hedge transaction is legal and in compliance with the requirements of the Utah State Money Management Act, requires the identification and evaluation of various financial and other risks and other considerations prior to approval of the transaction, and addresses various other aspects of and requirements for hedging transactions.

## UAMPS PROJECTS

The original Members of UAMPS met their power supply requirements through the purchase of electric power and energy from the federal Colorado River Storage Project (“CRSP”), Member-owned electric generating facilities and the purchase of power and energy attributable to UAMPS’ interest in the Hunter 2 Generating Unit (the “Hunter Project”). The UAMPS Power Pool was originally created to enable the Members to pool their CRSP and Hunter Project power, and now provides a range of services, including wholesale market power purchases, to enable the Members to manage their power supply resources and meet their system loads. See “Power Pool” in APPENDIX E.

With the addition of new Members and growth in their power and energy requirements, UAMPS has undertaken additional projects, including:

- *Firm Power Project*, which provides and manages firm energy purchased under medium-term and long-term power purchase contracts with various wholesale suppliers.
- *IPP Project*, which manages the output of the Intermountain Power Project that is purchased by certain of the Members.

- *San Juan Project*, under which UAMPS acquired an ownership interest (representing 35 MW of capacity) in Unit 4 of the San Juan Generating Station located in northwestern New Mexico.
- *Payson Project*, a 140 MW combined cycle natural gas-fired electric generating facility located in Payson, Utah and owned by UAMPS.
- *Horse Butte Wind Project*, pursuant to which UAMPS buys all the power and output of (and has a buyout option for) a 57.6 MW nameplate capacity wind farm comprised of 32 wind turbines and related facilities located in Bonneville County, Idaho.
- *Veyo Heat Recovery Project*, as described in this Official Statement.
- *Craig-Mona Transmission Project*, under which UAMPS acquired capacity entitlements in the transmission capability of two interconnected 345 kV transmission lines, running from near Craig, Colorado through the Bonanza Generating Station in eastern Utah to the Mona Substation in central Utah.
- *Central-St. George Transmission Project*, consisting of the construction and operation of various substations, switching stations and 138 kV, 69 kV and 46 kV transmission lines to provide reliable transmission service to UAMPS' Members in Washington County, Utah (southwestern Utah).
- *Natural Gas Project*, which was formed in 2008 by various Members of UAMPS and the Payson Power Project to acquire economical supplies of natural gas as fuel for electric generation. The Payson Power Project acquires all of its gas supplies through this Project.
- *Member Services Project*, which has been undertaken by UAMPS to address community needs. The Member Services Project is available for equipment purchases or special services that improve service for the Members' customers.
- *Freedom Project*, which was formed in 2012 to undertake a small hydroelectric project for the benefit of Northern Wasco PUD.

In addition to the projects listed UAMPS has established the Resource Project and the Government and Public Affairs Project, which are described in APPENDIX E. Only one Member is required to form a UAMPS project. Individual UAMPS projects may become participants in other UAMPS projects.

Each of the Participants also participates in one or more of UAMPS' projects. See "UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS—Membership" for a listing of all Members, including the Participants, and the UAMPS projects in which they participate.

The primary arrangement used by UAMPS for transmitting the electric energy from its various power supply resources to its members is the Amended and Restated Transmission Service and Operation Agreement ("ARTSOA") between UAMPS and PacifiCorp. The

ARTSOA is summarized in APPENDIX E under the caption “TRANSMISSION OF POWER SUPPLY RESOURCES” and recent developments affecting the ARTSOA are described under “INVESTMENT CONSIDERATIONS—PacifiCorp FERC Filings” below.

Since its creation, UAMPS has developed new electric power supplies for its Members through the construction of, or acquisition of interests in, electric generating facilities and through the development of transmission access to power supply markets in adjacent states. Through a diversity of power supply resources, the Members are able to benefit from a mix of power supply resources that minimizes their reliance on any single source of electric power. UAMPS is continually analyzing new projects and potential generating options to further procure long term, stable energy supplies for its Members. UAMPS may establish additional projects and procure additional resources on an opportunistic basis.

UAMPS sells the capacity or service provided by each of its projects under contractual arrangements with its Members. Not all of UAMPS’ Members have participated in every project that has been undertaken by UAMPS. See “UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS – Membership” above. To the extent that UAMPS has issued or will issue bonds to finance the capital or other costs of a project, such bonds constitute special obligations of UAMPS and are secured solely by payments made to UAMPS by those Members that participate in the respective project. There has never been a payment default by any Member participating in any UAMPS project.

As described in this Official Statement, the Series 2014 Bonds are payable solely from the revenues derived by UAMPS from the Veyo Heat Recovery Project and are not payable from the revenues derived by UAMPS from any other UAMPS project. Correspondingly, no other project of UAMPS has a claim against the amounts pledged to the payment of the Series 2014 Bonds.

See APPENDIX E for additional descriptions of the various power supply, transmission and other resources of UAMPS.

## **INVESTMENT CONSIDERATIONS**

### **SPECIAL OBLIGATIONS**

The Series 2014 Bonds and all other Bonds issued under the Indenture are special obligations of UAMPS. The Bonds are not an obligation of the State of Utah or any political subdivision of the State (other than UAMPS), nor are the Bonds an obligation, debt or liability of the Participants or of the other Members of UAMPS. Neither the faith and credit nor the taxing power of the State of Utah or any of its political subdivisions or any Participant or Member of UAMPS is pledged for the payment of the Bonds. No Bondholder or receiver or trustee in connection with the payment of the Bonds shall have the right to compel the State of Utah, any political subdivision of the State, any Member of UAMPS or any Participant to exercise its appropriation or taxing powers. UAMPS has no taxing power.

## NO CLAIM ON GENERAL REVENUES OR ASSETS

The Series 2014 Bonds are payable and secured solely from the sources described in this Official Statement. The Series 2014 Bonds are not payable from and have no claim or lien upon the revenues or assets of any other project or undertaking of UAMPS. UAMPS is obligated to pay the Series 2014 Bonds only from the Revenues and other funds pledged pursuant to the Indenture. No mortgage or other security interest will be created against the Project to secure the Series 2014 Bonds.

The Participants are obligated to make payments to UAMPS under the Power Sales Contracts solely from the available income and revenues of the local electric utility systems. The Participants are not obligated to make payments under the Power Sales Contracts out of any other funds or revenues. None of the Participants has pledged any of the revenues and income of its electric utility enterprise fund to secure its obligations under its Power Sales Contract with UAMPS and none of the Participants has pledged any other revenues, income or assets to secure such obligations.

## CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS AND OTHER AGREEMENTS

*Transfer of Entitlement Share.* Under the Power Sales Contracts, each Participant has covenanted not to assign all or any part of its Entitlement Share except in accordance with the requirements of the Power Sales Contracts. The Power Sales Contracts provide that a Participant may sell, assign or otherwise dispose of all or a portion of its Entitlement Share to other Participants or UAMPS members (each, an “Assignee”) upon satisfaction of certain conditions. Among several others, those conditions include the requirement that UAMPS shall have received an opinion of nationally recognized bond counsel to the effect that such sale, assignment or disposition will not by itself adversely affect the tax exempt status of interest on any of the Bonds (theretofore issued or thereafter to be issued as tax exempt obligations). In addition, if the Assignee is not a Participant, the senior debt, if any, of the Assignee, must be rated by at least one nationally recognized bond rating agency in a category generally recognized to be “investment grade.”

For a description of the provisions of the Power Sales Contracts relating to the sale, assignment or other disposition of Entitlement Shares, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Power Sales Contracts—*Transfer of Entitlement Share*” and APPENDIX C.

*Mandatory Allocation of Defaulting Participant’s Entitlement Share; Step-Up Limitation.* As described above under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Power Sales Contracts,” UAMPS may, in the event of a default by a Participant, discontinue providing the defaulting Participant’s Entitlement Share. In such event UAMPS is required to immediately make a mandatory pro rata allocation of the defaulting Participant’s Entitlement Share to all non-defaulting Participants, pro rata on the basis of their then-current Entitlement Shares, and otherwise in accordance with the terms and procedures set forth in the Power Sales Contracts. Following this initial allocation, the Power Sales Contracts provide that UAMPS and the non-defaulting Participants may adjust the initial allocations by agreement among them in order to

achieve a final allocation of the defaulting Participant's Entitlement Share. However, no Participant is required to accept a final allocation of a defaulting Participant's Entitlement Share that increases its original Entitlement Share, as adjusted by any additional Entitlement Shares voluntarily accepted by the Participant, by more than 25%. This 25% step-up limitation applies to the total of all mandatory allocations of Entitlement Shares that may be made over the term of the Power Sales Contracts.

As a result of the 25% step-up limitation, there is a possibility that a portion of a defaulting Participant's Entitlement Share could not be allocated fully to the non-defaulting Participants. In the event of a default by any of the Participants with the three largest Entitlement Shares or multiple defaults by two or more Participants, UAMPS may not be able to require the non-defaulting Participants to accept all of the defaulting Participants' Entitlement Share, which could result in a portion of the defaulting Participants' Entitlement Shares not being allocated. If, as a result of the 25% step-up limitation, any portion of a defaulting Participant's Entitlement Share remains unallocated, UAMPS will use commercially reasonable efforts to sell or dispose of any unallocated Entitlement Share or the energy from such Entitlement Shares.

Since UAMPS was organized in 1980, no Member of UAMPS has defaulted on any payment obligation to UAMPS, and it has not been necessary for UAMPS to invoke the step-up provisions of any of its contracts with its Members.

For a more detailed description of the provisions of the Power Sales Contracts with respect to Participant defaults and the allocation of a defaulting Participant's Entitlement Share, see "SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS — Transfer of Entitlement Share After Default" in APPENDIX C hereto.

## RISKS RELATING TO THE PROJECT

There are certain general risks associated with the Veyo Heat Recovery Project. The waste heat necessary to operate the Recovered Energy Generation System comes from the Veyo Compression Station, which is owned and operated by Kern River. Kern River is under no obligation to provide waste heat to the Project. Breakdown or failure of the Veyo Compression Station may result in disruption of the operation of the Project.

Other risks associated with the construction and operation of the Project include:

- The performance by the EPC Contractor of its obligations to construct and install the Recovered Energy Generation System and performance of its continuing obligations under the warranty provisions of the EPC Contract;
- Receipt of and compliance with the Right-of-Way from BLM and all other permits and approvals necessary for the Project;
- Kern River is under no obligation to continue to run the Veyo Compressor Station or to provide any minimum quantity of waste heat to UAMPS. Consequently, there is a risk of a reduction or a discontinuation of electric generation at the



Project during the term of the Series 2014 Bonds (See “THE PROJECT — The Host Agreement — *No Obligation to Provide Waste Heat*” above);

- The performance by UAMPS of its obligations under the Project Agreements;
- Breakdown or failure of energy generation and other equipment of the Project, including turbines, controls and compressors;
- Catastrophic events, such as fires, earthquakes, tornadoes, landslides and other similar events beyond the control of UAMPS;
- Increases in the cost of operating the Project, including costs relating to labor, equipment, and insurance; and
- Serial design or manufacturing defects in the energy generation and other equipment, including the Recovered Energy Generation System, transmission and interconnection equipment, and the availability and timely performance of manufacturer’s warranties.

*Environmental liabilities, permitting or related matters.* The Project may be adversely impacted by environmental regulation and/or liability, permitting matters and related matters. For example, access to the Project requires the Right-of-Way from the BLM as described above under “THE PROJECT-Licenses, Permits and Approvals”. UAMPS is currently in the process of obtaining the Right-of-Way and is not currently aware of any reason for delay, however, delays in the procurement of the Right-of-Way could adversely impact the Project construction schedule. Additionally, no assurance can be provided that regulatory actions, enforcement actions or other proceedings may be initiated against the Project in the future in this regard which may adversely affect operations or revenues. See “Certain Environmental Matters Affecting the Project” below.

#### PACIFICORP FERC FILINGS

On June 28, 2013, the Federal Energy Regulatory Commission (FERC) approved an Implementation Agreement between PacifiCorp and the California Independent System Operator (CAISO) to develop an Energy Imbalance Market (EIM). On March 24, 2014 and February 28, 2014, respectively, PacifiCorp and the CAISO made separate filings with FERC to modify their tariffs proposing to (1) enable the CAISO to provide an EIM mechanism to one or more Balancing Areas and (2) have PacifiCorp’s two Balancing Areas (BA) join the EIM as the first participants with the CAISO BA.

As proposed, the EIM should provide a bid-based security constrained economic dispatch of generators to balance the load and resources across the collective participating BA’s footprints with the intent of providing the most economical solution to balancing load and resources on a 15-minute and 5-minute basis. By combining the participating BA’s into one “market”, the EIM should be able to take advantage of ownership, fuel and geographic diversity and enable a competitive market to provide balancing energy. One major reason given for implementing EIM

is that it would help with the growth in Variable Energy Resources (VER's) in the BA's, such as wind and solar that are not dispatchable, to match load needs thus increasing the need for balancing energy.

UAMPS, along with multiple other parties throughout the west, participated in the stakeholder process and intervened in the FERC filings and identified issues with the proposed EIM design. The CAISO and PacifiCorp made some modifications to the design in response to the stakeholder process and the FERC Orders on the filings required further modifications to the proposal. The EIM is now contemplated to be implemented on November 1, 2014. There are still some modifications to the design being discussed by the CAISO, PacifiCorp and the stakeholders.

The monetary impact to UAMPS with the implementation of the EIM is unknown at this time. Energy Imbalance is a service that PacifiCorp currently provides pursuant to its Open Access Transmission Tariff. In theory, the EIM will provide the same service at a more efficient and economic cost, but whether the EIM will operate as contemplated according to theory remains to be seen. One issue that is recognized by FERC and the CAISO is that there are significant transmission constraints and market power issues that will prevent the EIM to operate efficiently and will require market mitigation measures to be implemented. There is also built into the EIM a market monitor function that will monitor the operations of the EIM and prevent any exercise of market power or abuse.

The operational changes to UAMPS from EIM are that energy imbalances will be measured and priced on a 5-minute and 15-minute basis both on load and generators. Currently, energy imbalances for load and generation are aggregated and netted and settled on an hourly basis. Also different is that currently energy imbalance is measured as the difference between actual metered generation or load compared to scheduled generation or load with the schedules being made up to 20 minutes prior to the scheduled hour. Under EIM, the schedules will have to be made 57 minutes to the scheduled hour, introducing slightly more uncertainty in forecasting the load and variable resources.

Specifically for the Veyo Heat Recovery Project, generator imbalance will be charged to UAMPS for the difference between UAMPS' schedules of generation and the actual generation. Due to the type of generation these charges are anticipated to be minimal and not have an economic impact to UAMPS.

#### CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The U.S. electric utility industry is in a period of significant change and is facing a range of challenges and uncertainties that will continue to impact the financial and operating position of investor-owned, cooperative and municipal electric utilities, including UAMPS and the Participants. Much of the change results from actions taken by legislative and regulatory bodies at the national, regional and state level.

*Clean Power Plan Rule.* On June 2, 2014, EPA proposed its Clean Power Plan Rule ("CPPR") to reduce carbon dioxide emissions from existing fossil fuel-fired electric generating

units. Under the proposal, EPA would establish state-specific rate-based goals for carbon dioxide emissions from each state's existing carbon dioxide emitting power plants, as well as guidelines for states to follow in developing plans to achieve the state-specific goals. The comment period on the CPPR closed on December 1, 2014. Also on June 2, 2014, EPA proposed carbon pollution standards for modified and reconstructed electric generating units. Under the proposal rule there are two alternatives: 1) a CO<sub>2</sub> emission limit based on the unit's best historic annual CO<sub>2</sub> emissions plus an additional 2% reduction or 2) an emission limit dependent on when the unit is modified. The comment period for the modified or reconstructed sources closed October 16, 2014.

*Energy Policy Act of 2005.* On August 8, 2005, the Energy Policy Act of 2005 (the "2005 Energy Policy Act") was signed into law. The Energy Policy Act of 2005 provides incentives for traditional energy production as well as newer, more efficient energy technologies, and conservation. The 2005 Energy Policy Act provides for, among other things: (1) the repeal of the Public Utility Holding Company Act ("PUHCA"), although some responsibilities under PUHCA are transferred to FERC and state regulatory commissions; (2) a grant to FERC of authority to site transmission facilities if states are unwilling or unable to approve siting; (3) a directive to FERC to permit incentive rate policies as a means to encourage transmission expansion; (4) revisions to the Public Utility Regulatory Policies Act; (5) the establishment of service obligation protections for native load customers of utilities in certain areas of the country; (6) the creation of limited FERC jurisdiction over interstate transmission assets of municipal utilities, cooperatives and federal utilities, to permit FERC to order those entities to provide transmission services on rates and terms comparable to those that the entities charge and provide to themselves; (7) the establishment of mandatory electric reliability rules for all market participants and the creation of a self regulatory reliability organization, subject to oversight by FERC; and (8) the provision of certain tax incentives to encourage expansion of transmission facilities and improvement of environmental standards. As directed by the 2005 Energy Policy Act, FERC has adopted many of the applicable implementing regulations.

FERC continues to issue regulations and decisions interpreting and implementing the various provisions of the 2005 Energy Policy Act. UAMPS is not able to predict at this time the effects, if any, that the 2005 Energy Policy Act or the adoption of such regulations will have on UAMPS, the Participants or the Project.

*FERC Transmission Regulation.* The National Energy Policy Act of 1992 (the "Energy Policy Act") included provisions that promoted competition in wholesale electric markets by, among other things, easing restrictions on wholesale power producers and by allowing FERC to order transmission access for wholesale buyers and sellers of electricity over transmission systems owned by "transmitting utilities."

In 1996, FERC issued its Order 888, which requires jurisdictional utilities to file wholesale transmission tariffs providing pricing and terms for transmission access for wholesale purposes. FERC Order 888 also requires non-jurisdictional utilities (including municipal and consumer-owned utilities) that purchase transmission services from a jurisdictional utility to provide, in turn, non-discriminatory, open access transmission services back to the jurisdictional utility upon terms and conditions that are comparable to the transmission service that they

provide to themselves. FERC Order 889 (1) imposes certain standards of conduct intended to restrict transmission-owning utilities from using those facilities to obtain an unfair competitive advantage in power sales transactions and (2) requires utilities to post information electronically regarding the availability and pricing of their transmission services.

The Energy Policy Act does not permit FERC to order transmission access for purchases or sales of electricity at retail (commonly known as “*retail wheeling*”). However, various bills have been introduced in prior sessions of Congress that would require existing utilities to allow competitors to use their transmission and distribution facilities to provide electric service to retail customers of the existing utilities. Various states have implemented or are considering legislative or regulatory proposals that would also allow such use of utility property by competitors to serve the retail customers of the existing utilities.

*FERC Transmission Reliability Initiative.* Section 215 of the Federal Power Act which was enacted by the 2005 Energy Policy Act, provides for FERC to establish a system of mandatory, enforceable reliability standards. FERC has designated the North American Electric Reliability Council (“*NERC*”) as the Electric Reliability Organization to develop the reliability standards for submittal to FERC for approval and then administer the approved standards with the industry.

The reliability standards apply to all users, owners and operators of the bulk power system within the United States (other than Alaska or Hawaii) and requires that each reliability standard identify the subset of users, owners and operators to which that particular reliability standard applies. Violations of the reliability standards may result in penalties, which FERC continues to monitor and adjust. UAMPS is in compliance with all of the current applicable reliability standards but is not able to predict the effects, if any, that future standards or changes to current standards will have on UAMPS, the Participants or the Project.

*Renewable Portfolio Standards.* Certain states are now implementing renewable portfolio standards (RPS) which typically require electricity providers to obtain a minimum percentage of their power from renewable energy resources by a certain date. In 2008 the Utah Legislature adopted legislation implementing an optional RPS for municipal electric utilities and electrical corporations. See “*Utah Legislative Activities*” below.

California established an RPS in 2002 and the program was accelerated in 2006. In April 2011 the governor of California signed California SB X1-2, the California Renewable Energy Resources Act (“*SB X1-2*”), implementing a more aggressive RPS that requires California electric utilities to obtain at least 33% of their energy from “eligible renewable energy resources” by 2020 and comply with various other requirements. In addition to applying to “retail sellers” (including investor-owned utilities, or IOUs), SB X1-2 applies the RPS, for the first time, to publicly-owned utilities (POUs). Under prior California law, POUs were merely required to implement and enforce a RPS that recognized the intent of the California Legislature to encourage renewable resources, while taking into consideration other factors such as the effect of the RPS on rates.

The 33% RPS requirement under SB X1-2 applies to TDPUD, a California POU and a one of the Major Participants in the Project. A summary of SB X1-2 and a description of TDPUD's compliance with SB X1-2 are provided in APPENDIX A.

*Utah Legislative Activities.* In 2008 the Utah Legislature adopted S.B. 202 – Energy Resource and Carbon Emission Reduction Initiative (“S.B. 202”), which provides that 20% of a municipal electric utility’s or electrical corporation’s adjusted retail electric sales beginning in 2025 come from renewable energy resources or renewable energy certificates, if cost effective. S.B. 202 does not provide for any incremental targets or goals before 2025, but does require reports concerning a municipal electric utility’s progress in acquiring qualifying resources. S.B. 202 does not require an electric utility to (1) substitute renewable energy resources for existing energy sources, including existing power purchase contracts and generation units or (2) enter into any additional power sales contracts or any other arrangement for the sale or disposition of electricity that such electric utility would not otherwise enter into. The financial and operational impact, if any, on UAMPS and the Participants resulting from the adoption of S.B. 202 is not known at this time.

In recent legislative sessions, the Utah Legislature has considered and adopted several other bills and resolutions relating to various energy policy matters, including economic development incentives for alternative energy projects and encouragement of municipally-owned utilities to consider participating in renewable energy projects.

The financial and operational impact, if any, on UAMPS and the Participants resulting from the bills and resolutions adopted by the Utah Legislature is not known at this time.

*Other Factors.* In addition to these legislative and regulatory actions, a number of other factors are having or may have significant impacts on the electric utility industry generally and on the financial and operating condition of individual utilities. These factors include, among other things:

- changes resulting from conservation and demand-side management programs on the timing and use of electric energy;
- the development and impact of alternate energy sources;
- the lack of a comprehensive national energy policy;
- effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions and strategic alliances of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity;
- increased competition from independent power producers and marketers, brokers and federal power marketing agencies;

- “self-generation” or “distributed generation” (such as rooftop solar, microturbines and fuel cells) by industrial and commercial consumers and others;
- changes in systems, including systems that would provide certain customers with the ability to generate their own electrical power and reduce or eliminate their dependency on power provided by UAMPS and the Participants;
- volatility in the price of energy purchased on the wholesale market that may occur in times of high peak demand;
- unavailability of or substantial volatility in the cost of coal or natural gas used as fuel for generation facilities;
- availability and sufficiency of transmission capacity, particularly during times of high demand; and
- local, regional and national economic conditions.

It is not possible to predict what impact these and other factors will have on the financial and operating position of UAMPS or the Participants. The foregoing discussion is a general summary of complex matters. This discussion is not comprehensive or definitive and the matters discussed are subject to change.

#### CERTAIN ENVIRONMENTAL MATTERS AFFECTING THE PROJECT

UAMPS must obtain and maintain certain environmental permits and approvals from state and federal agencies in order to construct and operate the Project.

As discussed above under “THE PROJECT”, in order to obtain the BLM Right-of-Way the various potential environmental impacts of the Project must be analyzed in accordance with NEPA review. Environmental impacts to be analyzed generally include the Project’s potential effects on land use, air quality, cultural and paleontological resources, vegetation, wildlife, wetlands and waters and visual resources.

There are currently no known conflicts with respect to most of these categories because the Project will be located on vacant land managed by BLM, within an existing utility corridor designated by BLM and next to the existing Veyo Compressor Station. The following is a summary of potentially material environmental considerations.

*Air Quality.* The OEC vaporizer heat exchanger will circulate approximately 47,250 pounds (~9,000 gallons) of pentane through a closed loop system. Because the pentane to be used is a vapor in the motive section of the system, small quantities of fugitive pentane emissions from flanges, gaskets, and pump seals will be emitted to the atmosphere during normal OEC operations. Also during normal OEC operations, as air enters the pentane loop in the OEC air condenser, small quantities of pentane will be released as it is vented through a stack back to the atmosphere. A pentane Vapor Recovery Unit (VRU) will be integrated into the OEC to remove

nearly all of the pentane from this air by condensing it to a liquid under pressure. Total normal fugitive and stack operational pentane emissions from similarly sized OECs would be estimated to be in the range of 20-40 pounds per day (7,300–14,600 pounds per year). These emission rates are based on the EPC Contractor's operational experience at similar facilities and on the design limitations of the OEC.

To conduct major maintenance activities on the pentane side of the OEC, the pentane will be transferred to a pentane storage tank. However, not all of the pentane can be removed in this manner, and that small quantity of pentane which will remain in the OEC will be discharged to the atmosphere as fugitive air emissions when the OEC is opened. This may amount to an additional estimated 1,000–2,000 pounds of Volatile Organic Compounds (VOCs) per maintenance event. Based on similar projects, the EPC Contractor expects on average, one maintenance event per year.

An emergency diesel engine-electric generator (less than 385 hp) will also be installed at the Project site for operations. This generator will be used for emergency power needed to run electrical control equipment during electrical outages. This generator may run for approximately one (1) hour each week to ensure its availability in an emergency. Criteria and hazardous air pollutant emissions would occur from the site due to diesel combustion during its use. These air emissions will be quantified by the EPC Contractor once additional information on the exact size and type of generator is determined.

As discussed above, modifications to Kern River's existing air quality permit for the Veyo Compressor Station under Title V of the Clean Air Act will be required.

Air permits to be obtained from the Utah Department of Environmental Quality will cover the foregoing matters. See "THE PROJECT—Licenses, Permits and Approvals."

*Hazardous Materials Management.* Hazardous materials used or stored in normal Project operations will include oil, lubricants and hydraulic fluids. Pentane, a regulated highly hazardous substance, also requires special precautions when handling or transporting. UAMPS will obtain proper permits from the Utah Department of Environmental Quality and have in place proper procedures relating to the handling and transport, and accidental release, of pentane and all other hazardous materials. All hazardous materials will be stored, handled, used and disposed of per applicable regulations, including the State Fire Marshall's Office, OSHA, EPA, DOT and Washington County Fire Code.

Environmental regulations applicable to electric utilities are subject to change as a result of legislative, regulatory and judicial action. Consequently, there is no assurance that the Project will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required permits.

*Fire Hazard.* The potential for fire hazard exists at the interface of the Veyo Compressor Station exhaust gas stacks and the waste heat oil heater installations within the stacks. The thermal oil is a Class IIIB combustible liquid. The waste heat oil heater system operates at temperatures 300°F less than the thermal oil's auto ignition temperature. The thermal

oil system is designed in accordance with all applicable engineering standards and other protections are in place to mitigate risk.

Pentane also poses a fire risk and is a Class IA flammable liquid. Risks will be mitigated by following specific storage and handling practices per applicable federal law and state permitting requirements.

UAMPS will, as part of the scope of the EPC Contract, add fire detection and protection equipment. This system will send status signals directly from the end devices to Kern River's turbine control systems and will be electrically isolated from the balance of the Project to limit risk of unintended shutdown of the Veyo Compressor Station facilities. All systems will be designed and installed in accordance with applicable National Fire Prevention Association (NFPA) standards.

*General Wildlife.* The Project site will be located within mule deer winter range. Common reptile and small mammal species ubiquitous throughout the area are also expected to be present within the Project area. Depending on the time of year prior to start of construction, a qualified biologist will conduct avian surveys for migratory and ground-nesting birds. If nesting birds or behavior is observed, areas would be flagged for avoidance by construction activities until birds fledge.

#### ENVIRONMENTAL MATTERS AFFECTING OTHER UAMPS GENERATING FACILITIES

Although the environmental and technological matters discussed below do not have the potential to significantly affect recovered energy electrical generating facilities like the Project, many of these matters do or will significantly affect other types of generation that UAMPS or the Participants own or from which they receive power. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of individual electric generating units not in compliance. The sections below outline environmental matters relevant to various generating facilities utilized by UAMPS and the Participants.

*Clean Air Act.* Legislation was enacted in 1990 that substantially revised the Clean Air Act (the "1990 Amendments"). The 1990 Amendments seek to improve ambient air quality throughout the United States. A main objective of the 1990 Amendments is the reduction of sulfur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>) emissions caused by electric utility power plants, particularly those fueled by coal. The Clean Air Act requires the EPA to set National Ambient Air Quality Standards ("NAAQS") for the criteria pollutants ozone, particulate matter, nitrogen oxides, carbon monoxide, sulfur oxides and lead. EPA must review and revise the standards as necessary every five years to ensure that they sufficiently protect public health and welfare.

*Greenhouse Gas and Climate Change Issues.* In April 2009, the EPA issued final findings that (1) the current and projected concentrations of the mix of six key greenhouse gases (GHGs)—carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride—in the atmosphere threaten the public health and welfare of current and future generations; and (2) the combined emissions of these well-mixed GHGs from new motor



vehicles and new motor vehicle engines contribute to the GHG pollution, which threatens public health and welfare.

On May 13, 2010, the EPA issued a final rule that requires Prevention of Significant Deterioration (“PSD”) and Title V operating permits to be obtained by stationary sources, including power plants, satisfying certain thresholds and other criteria in connection with GHG emissions. PSD permitting requirements in connection with GHGs would require a “best available control technology” (“BACT”) analysis. EPA has been gradually phasing in these requirements, focusing on the largest emitters first.

On September 20, 2013, EPA proposed a performance standard for new fossil fuel-fired electric generating units. Under the proposed rule, conventional coal-fired power plants will be required to employ partial carbon capture and sequestration technology to meet emission standards for carbon dioxide. For new natural gas-fired units, EPA has concluded that compliance should be achievable without additional controls. The performance standard will not apply to existing plants.

There have been numerous judicial and legislative challenges to the EPA’s efforts to regulate GHGs that may impact the regulatory status outlined above. UAMPS cannot predict the outcome of such challenges or the effects on UAMPS, its projects or the Participants of current or subsequent rulemaking by the EPA with regard to GHGs.

*Coal Combustion Byproducts.* On May 4, 2010, the EPA issued a proposed rulemaking to regulate coal combustion byproducts (“CCBs”). The proposal asked for public comment on two approaches for regulating CCBs. One option is to regulate CCBs as a hazardous waste under Subtitle C of the RCRA, which allows the EPA to create a comprehensive federal program for waste management and disposal of CCBs. The other option is to regulate CCBs as a non-hazardous waste under Subtitle D of the RCRA, which provides the EPA with the authority to develop performance standards for waste management facilities handling the CCBs and would be enforced primarily through citizen suits. EPA has held extensive public comment periods on the proposed rule, the most recent of which closed in September of 2013. EPA has yet to issue a final rule. In April 2012, environmental groups filed a lawsuit to force EPA to do so. UAMPS is unable to predict the effects of the EPA’s proposed rulemaking regarding CCBs on UAMPS, its projects or the Participants. On January 29, 2014, EPA entered into a consent decree directing EPA to publish its final action regarding whether or not to pursue the proposed non-hazardous waste option for CCBs by December 19, 2014.

*Regional Haze.* The EPA’s Regional Haze Rule requires emissions controls using best available retrofit technology (“BART”) for industrial facilities emitting air pollutants that impair visibility in Class I areas (national parks and wilderness areas). Such pollutants include fine particulate matter (“PM<sub>2.5</sub>”) and compounds that contribute to PM<sub>2.5</sub> such as nitrogen oxides, sulfur dioxides, certain volatile organic compounds and ammonia. As a result of the Regional Haze Rule and of significance to UAMPS’ San Juan Project and Hunter Project.

For UAMPS’ San Juan Project, the EPA proposed a federal implementation plan (FIP) for the State of New Mexico in August 2011. The FIP included a regional haze BART

determination for the San Juan Project that requires installation of costly selective catalytic reduction (SCR) on all four units by September 2016. On February 15, 2013, participants in the San Juan Project executed a non-binding alternative BART determination (“*BART Alternative*”) with EPA and the State of New Mexico that will require retirement of San Juan Unit 2 and Unit 3 by December 31, 2017 and the installation of selective non-catalytic reduction (“*SNCR*”) technology on San Juan Unit 1 and Unit 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP from the State of New Mexico. The EPA issued final approval of the BART Alternative on October 9, 2014 and withdrew the FIP on October 9, 2014.

For UAMPS’ Hunter Project, EPA disapproved the State of Utah’s Regional Haze State Implementation Plan (“*SIP*”), which set forth a BART determination for the Hunter Project in December 2013. The State of Utah has noticed the public of intent to supplement its Regional Haze SIP with additional information to support its previous BART determination. This supplemental information will be subject to public comment prior to approval by the State of Utah. If the supplement is approved, then it will be submitted to EPA for its approval. UAMPS cannot predict the outcome of this regulatory process.

*Mercury and Air Toxics Standards.* On December 16, 2011, the EPA issued final rules titled “Mercury and Air Toxics Standards.” The rules establish national emission standards for mercury and other hazardous air pollutants from coal- and oil-fired power plants. They require significant reductions in mercury and acid gas emissions from coal-fired power plants and would provide facilities with up to four years to meet the new standards. The rules apply to coal- and oil-fired electric generating units greater than 25 MW. On July 20, 2012, EPA agreed to review new technical information submitted by industry groups regarding toxic air pollution limits for new power plants under the Mercury and Air Toxics Standards, but this reconsideration does not cover the standards set for existing power plants. There have been efforts in Congress to repeal the rules, but none have been successful so far. While UAMPS believes that its Hunter and San Juan Projects are well-positioned to meet the new Mercury Air Toxics Standards due to installation of recent pollution control devices and the fact that coal burned at these plants has low mercury content, at this time UAMPS is unable to predict the full effects of the Mercury and Air Toxics Standards on UAMPS, its projects and the Participants.

*Bald and Golden Eagle Protection Act; Migratory Bird Treaty Act; Endangered Species Act.* Bald and golden eagles occur in the area of the Horse Butte Wind Project, and the owner of the Horse Butte Wind Project submitted an incidental take permit in October 2012 for bald and golden eagles for operations at the Horse Butte Wind Project under the Bald and Golden Eagle Protection Act.

Migratory birds occur in the area of the Horse Butte Wind Project. The project owner has made significant efforts since the inception of development of the Horse Butte Wind Project to document and monitor migratory bird populations and to develop measures to protect migratory birds, including developing a Bird and Bat Conservation Strategy that will include measures to reduce the likelihood of taking migratory birds.

The greater sage-grouse, which occurs in the area of the Horse Butte Wind Project, has been designated as a candidate species for listing under the Endangered Species Act and could be listed in the future.

At this time, UAMPS is unable to predict the full effects of the foregoing on the Horse Butte Wind Project.

#### PROPERTY AND CASUALTY INSURANCE

The Indenture requires UAMPS to secure and maintain, or cause there to be secured and maintained pursuant to the Project Agreements, with responsible insurers, insurance on the physical properties of the Veyo Heat Recovery Project with a value in excess of \$100,000 and public liability insurance, in each case subject to the conditions that similar insurance is usually carried by utilities constructing and operating electric generation facilities comparable to the Project and that such insurance is obtainable at reasonable rates and upon reasonable terms and condition.

The Indenture requires that in the event any useful portion of the Project shall be damaged or destroyed, UAMPS shall determine whether to proceed with the reconstruction or replacement thereof or to terminate the Project. In making such determination, UAMPS shall obtain (and shall be entitled to rely upon) a report of a Qualified Engineer (as defined in the Indenture) setting forth such engineer's recommendations as to the reconstruction, replacement or termination of the Project. In the event that UAMPS determines not to reconstruct or replace the Project, the proceeds of any insurance received by UAMPS on account of such damage or destruction (other than any business interruption loss insurance), shall be deposited into a special account in the Bond Fund and shall be used, together with other legally available moneys for such purpose, to redeem or defease Bonds.

In the event that UAMPS determines to proceed with the reconstruction or replacement of the Project, the proceeds of any insurance not applied to repair or replace damaged or destroyed property are required to be deposited in the Revenue Fund.

The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund.

#### LITIGATION

There is no litigation pending or threatened against UAMPS questioning or in any manner relating to or affecting, among other things, the validity or enforceability of the Series 2014 Bonds or the Power Sales Contracts, the Project Agreements, the Project, the authority of UAMPS to own the Project or the collection and pledge of and lien on the Revenues pursuant to the Indenture. It is a condition of closing that each of the Participants deliver a certificate to the effect that, among other things, there is no litigation pending or threatened against it questioning or in any manner relating to or affecting the validity or enforceability of its Power Sales Contract with UAMPS.

## **FINANCIAL STATEMENTS**

The audited financial statements of UAMPS for the fiscal years ended March 31, 2014 and 2013 have been audited by Ernst & Young LLP, independent auditors, as stated in their report, and are included as APPENDIX D to this Official Statement. Ernst & Young LLP has not been engaged to perform and has not performed, since the date of such report (i) any procedures on the financial statements addressed in their report or (ii) any procedures relating to this Official Statement.

The balance sheet, statement of revenues and expenses and statement of cash flows information set forth in such financial statements reflect the financial activities of all of UAMPS' projects. As described herein, the Series 2014 Bonds are special obligations of UAMPS, payable solely from the revenues and funds pledged under the Indenture and not from the revenues or funds derived from any other project of UAMPS. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" above.

## **FINANCIAL ADVISOR**

UAMPS has engaged Zions Bank Public Finance, Salt Lake City, Utah as Financial Advisor in connection with the Series 2014 Bonds (the "*Financial Advisor*"). The Financial Advisor has provided financial recommendations and guidance to UAMPS with respect to preparation for and timing of the sale of the Series 2014 Bonds, bond market conditions, costs of issuance and other factors relating to the sale of the Series 2014 Bonds. The Financial Advisor has also read and participated in the drafting of certain provisions of this Official Statement. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to UAMPS, with respect to accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting accuracy and completeness of, or any other matters related to, this Official Statement. Financial Advisor fees are contingent upon the sale and delivery of the Series 2014 Bonds.

## **UNDERWRITING**

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "*Underwriter*"), has agreed, subject to certain conditions, to purchase all of the Series 2014 Bonds from UAMPS at a price of \$22,880,694.30 (representing the principal amount of the Series 2014 Bonds, plus \$1,654,212.50 of net initial offering premium, less \$163,518.20 of underwriter's discount).

The Series 2014 Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriter reserves the right to lower such initial offering prices as it deems necessary in connection with the marketing of the Series 2014 Bonds. The Underwriter may offer and sell the Series 2014 Bonds to certain dealers (including dealers depositing the Series 2014 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2014 Bonds to

the public. The obligation of the Underwriter to accept delivery of the Series 2014 Bonds is subject to the terms and conditions set forth in the Bond Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Series 2014 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for UAMPS, for which they received or will receive customary fees and expenses.

UAMPS intends to use a portion of the proceeds from this offering to retire the Series 2014 Notes. To the extent the Underwriter or an affiliate thereof is an owner of the Series 2014 Notes, the Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2014 Bonds contemplated herein in connection with such Series 2014 Notes being retired by UAMPS.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of UAMPS.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **TAX EXEMPTION**

### **FEDERAL**

Federal tax law contains a number of requirements and restrictions which apply to the Series 2014 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. UAMPS and the Participants have covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2014 Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2014 Bonds to become

includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to compliance by UAMPS and the Participants with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2014 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Series 2014 Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of UAMPS and the Participants with respect to certain material facts solely within UAMPS' and the Participants' knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "*Code*"), includes provisions for an alternative minimum tax ("*AMT*") for corporations in addition to the regular corporate tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("*AMTI*"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Series 2014 Bonds.

Ownership of the Series 2014 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2014 Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "*Issue Price*") for each maturity of the Series 2014 Bonds is the price at which a substantial amount of such maturity of the Series 2014 Bonds is first sold to the public. The Issue Price of a maturity of the Series 2014 Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the Issue Price of a maturity of the Series 2014 Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Series 2014 Bonds (the "*OID Bonds*") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the

condition that UAMPS and the Participants comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners who dispose of Series 2014 Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2014 Bonds in the initial public offering, but at a price different from the Issue Price or purchase Series 2014 Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2014 Bond is purchased at any time for a price that is less than the Series 2014 Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "*Revised Issue Price*"), the purchaser will be treated as having purchased a Series 2014 Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2014 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2014 Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2014 Bonds.

An investor may purchase a Series 2014 Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2014 Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Series 2014 Bond. Investors who purchase a Series 2014 Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its affect on the Series 2014 Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2014 Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the

federal tax matters referred to above or affect the market value of the Series 2014 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2014 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “*Service*”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2014 Bonds. If an audit is commenced, under current procedures the Service may treat UAMPS as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2014 Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2014 Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2014 Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2014 Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

#### STATE OF UTAH

In the opinion of Bond Counsel, under the existing laws of the State of Utah presently enacted and construed, interest on the Series 2014 Bonds (including “original issue discount” thereon to the extent excludable from federal gross income as described above) will be exempt from taxes imposed by the Utah Individual Income Tax Act.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2014 Bonds. Prospective purchasers of the Series 2014 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

#### CONTINUING DISCLOSURE

UAMPS will enter into a Continuing Disclosure Undertaking (the “*Undertaking*”) for the benefit of the Beneficial Owners of the Series 2014 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “*Rule*”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence



basis and the other terms of the Undertaking, including termination, amendment and remedies, are set forth in the Undertaking, the proposed form of which is attached as APPENDIX F.

As set forth in the Undertaking, UAMPS has agreed to provide Annual Financial Information and Audited Financial Statements (each as defined in the Undertaking) relating to the Major Participants. UAMPS has previously agreed in prior undertakings pursuant to the Rule (together with the Undertaking, the “*Continuing Disclosure Undertakings*”), to provide comparable information relating to other UAMPS project participants that are “Obligated Persons” (as defined in the Rule) with respect to bonds previously issued by UAMPS. The Major Participants and other project participants have agreed to provide their audited financial statements and certain other financial and operating information to UAMPS by such dates as will enable UAMPS to meet its obligations under the Continuing Disclosure Undertakings. A failure by any of the Major Participants or such other project participants to provide their information to UAMPS on a timely basis can result in noncompliance by UAMPS with the Continuing Disclosure Undertakings.

A failure by UAMPS to comply with the Undertaking will not constitute an Event of Default under the Indenture and Beneficial Owners of the Series 2014 Bonds are limited to the remedies described in the Undertaking. UAMPS must report any failure to comply with the Undertaking in accordance with the Rule. Any broker, dealer or municipal securities dealer must consider such report before recommending the purchase or sale of the Series 2014 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2014 Bonds and their market price.

UAMPS reports that there have been no instances in the previous five years in which UAMPS failed to comply, in all material respects, with its prior Continuing Disclosure Undertakings, except for the late filings of Audited Financial Statements for certain project participants described below:

- Fallon City, Nevada: audited financial statements were due February 5, 2014. They were filed on February 28, 2014 (23 days late);
- Washington City, Utah: audited financial statements were due January 26, 2011. They were filed on May 3, 2011 (97 days late); and
- Lehi City, Utah (a participant in the Project): audited financial statements were due December 27, 2010. They were filed on January 10, 2011 (10 days late).

Each of these late filings resulted from a delay in the completion of the project participant’s Audited Financial Statements. In each case, UAMPS filed promptly on the EMMA system: (a) event notices with regard to the failure to timely file such Audited Financial Statements; and (b) such Audited Financial Statements when they were provided by the project participant.

## LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series 2014 Bonds are subject to the approval of Chapman and Cutler LLP, Bond Counsel. Certain matters will be passed upon for UAMPS by Bennett Tueller Johnson & Deere and Chapman and Cutler LLP, and for the Underwriter by Ballard Spahr LLP. The approving opinion of Bond Counsel, in substantially the form set forth in APPENDIX G to this Official Statement, will be delivered with the Series 2014 Bonds.

UAMPS has previously received opinions from counsel or special counsel to each of the Participants, to the effect that the Power Sales Contract between UAMPS and each respective Participant has been duly authorized, executed and delivered by such Participant and constitutes the legal, valid and binding obligation of such Participant enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or usual equity principles in the event equitable remedies are sought. Such opinions will be confirmed on the date of delivery of the Series 2014 Bonds.

## RATINGS

Standard & Poor's Credit Market Services ("*S&P*") and Fitch Ratings. ("*Fitch*"), have assigned municipal bond ratings of "A-" and "A," respectively, to the Series 2014 Bonds. These ratings reflect only the views of S&P and Fitch, and any desired explanation of the significance of such ratings should be obtained from S&P or Fitch, respectively.

A securities rating is not a recommendation to buy, sell or hold securities. There is no assurance that a rating, once obtained, will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the opinion of the rating agency, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the marketability or market price of the Series 2014 Bonds. UAMPS has not undertaken any responsibility after issuance of the Series 2014 Bonds to assure the maintenance of the ratings applicable thereto or to oppose any revision or withdrawal of such ratings.

## MISCELLANEOUS

The descriptions and summaries herein of the Indenture, the Series 2014 Bonds, certain statutory provisions, the Project Agreements and certain other contracts to which UAMPS and the Participants are parties do not purport to be complete. Reference is made to such documents, laws and contracts for full and complete statements of the terms and provisions thereof. Copies of such documents and contracts are on file at the office of UAMPS and may be obtained as provided under "INTRODUCTION — Additional Information."

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, is intended as such and not as a representation of fact. The various projections and statements as to future events are based upon certain assumptions and no assurance can be given that such projections will prove to be correct. The Appendices attached

hereto are an integral part of this Official Statement and must be read in conjunction with the foregoing material.

The delivery of this Official Statement has been duly authorized by the Board of Directors of UAMPS.

UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS

By /s/ Scott Fox  
Chief Financial Officer

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## **APPENDIX A**

### **THE MAJOR PARTICIPANTS**

This Appendix contains descriptions of the five Participants with the largest Entitlement Shares under the Power Sales Contracts for the Veyo Heat Recovery Project (the “*Major Participants*”), together with selected financial and operating information for the electric utility systems of the Major Participants.

The information contained in this Appendix has been obtained from the Major Participants and other sources believed to be reliable. While UAMPS believes, and has taken steps to confirm, that the following information is a fair summary of the matters presented, UAMPS cannot guarantee the accuracy or completeness of the information set forth below.

#### **LEHI**

##### **GENERAL**

The City of Lehi, Utah, was originally settled in 1850 and has a current population of approximately 51,000. Lehi is located 12 miles north of Provo, Utah, and 23 miles south of Salt Lake City, in Utah County. Lehi has an incorporated area of approximately 27 square miles.

##### **ELECTRIC SYSTEM DESCRIPTION**

Lehi’s electric utility system was originally constructed in 1927. It includes approximately 311 miles of transmission and distribution lines. The service area of the electric utility covers approximately 27 square miles and serves 25 customers outside city limits. The electric utility is overseen by the City Council and the City Administrator, and the day-to-day operations are managed by a Power Director. There are 22 employees in Lehi’s electrical department.

##### **SOURCES OF POWER AND ENERGY**

In addition to participating in the Horse Butte Wind Project, to meet the power and energy requirements of its electric system, Lehi purchases power and energy by participating in the following UAMPS Projects: (1) the Horse Butte Wind Project, (2) CRSP, (3) Hunter Project, (4) San Juan Project, (5) Payson Power Project, (6) Intermountain Power Project, (7) Firm Power Project and (8) UAMPS Power Pool.

Lehi also purchases power, through UAMPS, from the Jordanelle hydroelectric facility in Wasatch County, Utah.

##### **LICENSES, PERMITS AND APPROVALS**

Lehi reports that it holds all licenses, permits and approvals necessary for the operation of its electric utility.

## LARGEST CUSTOMERS

Lehi's largest customer accounts for approximately 1.74% of total power sales revenues. No other single customer accounts for more than 1.5% of total power sales revenues.

## FINANCIAL AND OPERATING INFORMATION

The following table presents summary financial and operating information for Lehi's electric utility for each of the last three fiscal years.

# SELECT OPERATING STATISTICS

	FISCAL YEAR ENDED JUNE 30,			
	2014	2013	2012	2011
Total Energy Requirements (MWh)	281,918	271,680	238,411	232,075
Peak Demand (MW)	82.2	75.0	70.0	62.2
Annual Load Factor (%)	39.2%	41.4%	38.9%	42.6%
System Generation	-	-	-	-
Number of Customers (Average)				
Residential	15,376	14,944	14,146	13,497
Commercial	1,307	1,295	1,210	1,221
Industrial	-	-	-	-
Agricultural and other	<u>213</u>	<u>206</u>	<u>201</u>	<u>117</u>
Total Customers	<u>16,896</u>	<u>16,445</u>	<u>15,557</u>	<u>14,835</u>
Energy Sales (MWh)				
Residential	153,689	149,362	138,655	134,476
Commercial	91,423	83,097	69,035	66,147
Industrial	-	-	-	-
Agricultural and other	<u>24,938</u>	<u>26,443</u>	<u>24,060</u>	<u>22,815</u>
Total Energy Sales	<u>270,050</u>	<u>258,902</u>	<u>231,750</u>	<u>223,438</u>
Energy Sales (\$)				
Residential	\$13,489,651	\$13,103,776	\$12,153,738	\$11,709,774
Commercial	8,517,641	7,730,970	6,447,786	5,966,970
Industrial	-	-	-	-
Agricultural and other	<u>2,310,639</u>	<u>2,185,462</u>	<u>2,008,299</u>	<u>1,908,074</u>
Total Energy Sales	<u>\$24,317,931</u>	<u>\$23,020,208</u>	<u>\$20,609,823</u>	<u>\$19,584,818</u>
Financial Information†				
Operating Revenues	\$28,948,402	\$25,857,917	\$22,711,390	\$20,907,913
Operating Expenses*	<u>22,324,365</u>	<u>21,786,781</u>	<u>18,216,123</u>	<u>19,138,673</u>
Net Revenues Available for				
Debt Service**	<u>\$ 6,624,037</u>	<u>\$ 4,071,136</u>	<u>\$ 4,495,267</u>	<u>\$ 1,769,240</u>
Bonds Outstanding	\$ 4,560,000	\$ 5,200,000	\$ 5,900,000	\$ 6,500,000
Debt Service	\$ 794,032	\$ 749,249	\$ 717,490	\$ 728,398
Debt Service Coverage	8.34x	5.43x	6.27x	2.43x
Total Non-Current Assets***	\$48,807,120	\$43,799,254	\$41,483,279	\$39,486,381

† Financial Information for 2014 is unaudited.

\* Lehi's payment obligations under its Power Sales Contract constitute Operating Expenses.

\*\* Net Revenues Available for Debt Service includes all operating and non-operating revenues and excludes depreciation and amortization charges and other non-operating expenses. Net Revenues Available for Debt Service shows amounts available to pay debt service, if any.

\*\*\* Total Non-Current Assets includes nondepreciable capital assets and depreciable capital assets (net), as well as the following: (i) for fiscal year ended June 30, 2014, restricted cash and cash equivalents in the amount of \$6,560,256 (unaudited), (ii) for fiscal year ended June 30, 2013, restricted cash and cash equivalents in the amount of \$5,044,585; (iii) for fiscal year ended June 30, 2012, bond issue costs (net) in the amount of \$114,727 and restricted cash and cash equivalents in the amount of \$3,376,086 and (iv) for fiscal year ended June 30, 2011, bond issue costs (net) in the amount of \$121,892 and restricted cash and cash equivalents in the amount of \$2,156,905.

## TRUCKEE DONNER PUBLIC UTILITY DISTRICT

### GENERAL

Truckee Donner Public Utility District (“TDPUD” or the “District”) is a California public utility district that was created in 1927 to provide electric service in the Truckee, California area. Its water utility was added in the 1950s. The District is a non-profit, publicly-owned utility governed by a locally-elected Board of Directors.

### ELECTRIC SYSTEM DESCRIPTION

The District’s electric service territory covers approximately 44 square miles in eastern Nevada County, California, and approximately 1.5 square miles in adjacent Placer County. The electric system serves the vast majority of the service area of the District and has more than 218 miles of 12.47 kV and 14.4 kV distribution lines, including about 83 miles of underground distribution cables. The District has 34 employees in its electrical department.

The District is a transmission-dependent utility located high on the Eastern slope of the Sierra Nevada Mountains, within NV Energy’s control area, and is not interconnected with any other utility. The District is a network transmission service customer under the currently effective joint NV Energy Open-Access Transmission Tariff. The District uses this network service to import into and transport across NV Energy’s grid all of the electricity necessary to serve the District’s load. This load is served from four substations and one distribution interconnection with NV Energy. The substations and interconnection voltages are Donner Lake Substation (60kV), Tahoe Donner Substation (60kV), Truckee Substation (60kV), Martis Valley Substation (120kV) and Glenshire Recloser (14.4kV). The District has entered into an agreement with NV Energy for transmission service through December 31, 2027.

### SOURCES OF POWER AND ENERGY

In addition to its Entitlement Share in the Veyo Heat Recovery Project, the District obtains power supply from the following UAMPS Projects: (1) the Horse Butte Project, (2) the Payson Power Project, (3) the Firm Power Supply Project and (4) the UAMPS Power Pool.

In addition to power supply from UAMPS, the District also has a Western Area Power Administration (WAPA) power purchase agreement for the output from the Stampede Dam generation project that is shared with the City of Fallon, Nevada (another UAMPS member). Under this agreement, Fallon is entitled to half of the output, however, all of Fallon’s share is sold to the District through an exchange agreement under the UAMPS Power Pool. TDPUD receives most of the RECs associated with the carbon-free output of the Stampede Dam. This WAPA agreement commenced in August 2007 and continues through December 21, 2024.

The District has also entered into an agreement with the WAPA to receive an allocation of power generated by the Central Valley Project. Because of transmission constraints that make the delivery of this power to the District difficult, the District has assigned the output from its Central Valley Project allocation to Plumas Sierra REC (also a member of UAMPS). TDPUD



then uses the value of this power to offset power purchases from UAMPS or other deliverable power purchases. This agreement extends from August 1, 2014 until December 31, 2024.

*Purchases for RPS Compliance.* To comply with SB X1-2, the California Renewable Energy Resource Act, and TDPUD's RPS Procurement Program (each defined and discussed below), TDPUD purchases landfill gas (approximately 20,000 MWh per year) from Murray City, Utah, through the UAMPS Power Pool and receives bundled RECs pursuant to this purchase for a 13-year term effective January 1, 2011.

TDPUD also takes a small amount of generation from the Pleasant Valley wind project pursuant to its entitlement share in the UAMPS Firm Power Supply Project and received bundled RECs pursuant to this purchase.

#### LICENSES, PERMITS AND APPROVALS

The District reports that it holds all licenses, permits and approvals necessary for the operation of its electric utility.

#### LARGEST CUSTOMERS; CUSTOMER BASE DESCRIPTION

The District's largest customer, the District Water Department (part of TDPUD's operations), accounts for approximately 5.5% of total power sales revenues. The District's next largest customers are (a) the local sewer and sanitation agency, accounting for approximately 4.2% of total power sales revenues, (b) the local hospital district, accounting for approximately 4.0% of total power sales revenues, (c) the local school district, accounting for approximately 1.7% of total power sales revenues and (d) a grocery store chain, accounting for approximately 1.1% of total power sales revenues.

#### CALIFORNIA SB X1-2; TDPUD COMPLIANCE

*SB X1-2.* As discussed in the Official Statement under the caption "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—*Renewable Portfolio Standards*," in 2011 the governor of California signed California SB X1-2, the California Renewable Energy Resources Act, implementing a more aggressive RPS that requires California electric utilities to obtain at least 33% of their energy from "eligible renewable energy resources"<sup>1</sup> by 2020 and comply with various other requirements. The new 33% RPS requirement applies to TDPUD, a California Publicly Owned Utility ("*POU*").

In addition to requiring POUs and other California electric utilities to obtain at least 33% of their energy from eligible renewable energy resources by 2020, the law sets forth interim compliance periods. California SB X1-2 further imposes a "balanced portfolio" requirement,

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<sup>1</sup> To be an "eligible renewable energy resource" the generating facility must (a) use certain specified renewable resources to generate electricity, including wind, geothermal, biomass, solar thermal, photovoltaic, fuel cells using renewable fuels and landfill gas, and (b) generally must either (i) be located in California, or have its first point of interconnection to the transmission network of a balancing authority area in California; or (ii) have a first point of interconnection outside California, but within the Western Electricity Coordinating Council (WECC) service area, and (c) satisfy certain other requirements.

meaning that specified percentages of the utility's eligible renewable energy resources procured to satisfy the 33% renewable portfolio standard described above must be procured from specified *categories* of eligible resources. The balanced portfolio requirements essentially place limitations on the use of power generated outside the State of California and the use of renewable energy credits (RECs) to satisfy RPS requirements.

*TDPUD Compliance.* TDPUD has adopted Renewable Energy Resources Procurement Plan (a "*RPS Procurement Plan*") and an enforcement program pursuant to the requirements of SB X1-2. TDPUD reports that its RPS Procurement Plan and enforcement program comply in all respects with the requirements of SB X1-2, and that TDPUD is presently meeting all required targets. TDPUD does not expect that it will have to impose any significant increase in its retail electric rates to cover the cost of these renewable power supply resources.

The Veyo Heat Recovery project does not qualify as an eligible renewable energy resource under SB X1-2.

*Resource Mix.* The following table gives a description of TDPUD's energy sources currently being utilized to meet the requirements of SB X1-2 and the RPS Procurement Plan:

Eligible Renewable Energy Resources:	2013	
Small hydro (Stampede Dam)	3.48%*	
Landfill gas (Murray)	15.98%	
Wind (Horse Butte and Pleasant Valley)	25.81%	
Solar (internal)	>0.1%	
Total Eligible Renewable Energy Resources	45.3%	45.3%
Natural Gas		11.7%
Market (UAMPS Power Pool)		<u>43.0%</u>
TOTAL		100.0%

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\* Total delivered energy from Stampede Dam was 8.87%, but only 3.48% included bundled RECs. The difference is allocated to the Market percentage.

## FINANCIAL GOALS; RESERVES

The District has established various financial goals to promote and maintain the financial strength of the District. These goals include various planning goals, revenue goals, debt goals and reserves (cash, capital and debt) goals.

The District also maintains a ten-year Financial Master Plan for its electric system and reviews the Financial Master Plan together with the annual budget to ensure the proposed budget is consistent with long-term goals.

On August 1, 2012, the District's Board of Directors approved increasing its cash reserve goal to an amount equal to 180 days of annual expenditures, effective fiscal year 2014. The District expects that this goal will be met by fiscal year 2017. The District does not expect that it will be necessary for it to increase its electric rates through 2017 in order to meet this goal, although small increases may be required in later years to maintain the targeted reserve level.

As shown in the “SELECTED OPERATING STATISTICS” table below, the District’s debt service coverage has declined from 2011 to 2013 and was anticipated by TDPUD. The outstanding 2003 Certificates of Participation (COP) matured January 1, 2013. Rather than temporarily raising customer rates for 2011-2013, the Board of Directors determined to, during those three years, reduce contributions to cash reserves, which were and are substantial (exceeding \$11 million). TDPUD’s 10-Year Financial Plan projects that no customer rate increase is required until 2018 to achieve its goal of an unrestricted reserve balance of \$15 million by 2017, and that the reserve can be maintained after 2017 with rate increases equal to or less than CPI.

TDPUD’s only remaining debt is a pension obligation bond. In 2004, when TDPUD joined the CalPERS Miscellaneous Risk Pool, an employer side fund was created to account for the difference between the funded status of the pool and the funded status of the District’s plan. The side fund used the actuarial assumption of a 7.75% investment return and it was amortized on a closed basis, ending in 2022. On June 30, 2011, the District refinanced the existing \$7.8 million pension side fund obligation with amortized payments through 2022 and a 5% rate. The new refunding rate of 5% reduces the District’s annual pension costs by almost \$100,000 through 2022. Prior to 2011, this liability was not required to be reported on the District’s balance sheet, but the future pension expense was included in budget and rate calculations. The water utility reimburses 37% of the pension obligation to the electric utility. Even without the reimbursement from the water utility, TDPUD’s debt service coverage for 2014 is expected to be 3.5x and for 2015 is expected to be 3.1x.

#### SUMMARY FINANCIAL AND OPERATING INFORMATION

The following table presents summary financial and operating information for the District’s electric utility for each of the last three fiscal years. TDPUD’s audited financial statements are available on TDPUD’s website at <http://www.tdpud.org/about-us/budgets-and-financials>.

# SELECT OPERATING STATISTICS

	FISCAL YEAR ENDED DECEMBER 31,			
	2013	2012	2011	2010
Total Energy Requirements (MWh)	153,925	152,869	160,544	158,494
Peak Demand (MW)	34.3	36.9	32.8	37.9
Annual Load Factor (%)	51.2%	47.3%	55.9%	47.7%
System Generation	-	-	-	-
Number of Customers (Average)				
Residential	11,787	11,719	11,682	11,643
Commercial	1,496	1,500	1,503	1,502
Industrial	-	-	-	-
Total Customers	<u>13,283</u>	<u>13,219</u>	<u>13,185</u>	<u>13,145</u>
Energy Sales (MWh)				
Residential	77,990	77,162	80,536	78,191
Commercial	69,400	68,852	69,442	69,343
Industrial	-	-	-	-
Total Energy Sales	<u>147,390</u>	<u>146,076</u>	<u>149,978</u>	<u>147,456</u>
Energy Sales (\$)				
Residential	\$12,001,085	\$11,869,215	\$12,334,993	\$12,008,819
Commercial	10,284,196	10,227,168	10,309,277	10,358,877
Industrial	-	-	-	-
Total Energy Sales	<u>\$22,285,281</u>	<u>\$22,096,383</u>	<u>\$22,644,270</u>	<u>\$22,367,696</u>
Financial Information				
Operating Revenues	\$24,223,850	\$23,252,972	\$23,860,439	\$23,656,844
Operating Expenses*	<u>20,106,635</u>	<u>18,010,608</u>	<u>18,753,199</u>	<u>17,853,963</u>
Net Revenues Available for				
Debt Service**	<u>\$ 4,117,215</u>	<u>\$ 5,242,364</u>	<u>\$ 5,107,240</u>	<u>\$ 5,802,881</u>
Bonds Outstanding	\$ 6,807,567	\$10,360,169	\$10,028,527	\$ 9,380,741
Debt Service	\$ 4,277,571	\$ 4,264,362	\$ 3,845,652	\$ 3,513,013
Debt Service Coverage	0.96x	1.23x	1.33x	1.65x
Total Utility Plant***	\$42,535,768	\$41,434,065	\$41,035,844	\$40,083,780

\* TDPUD's payment obligations under its Power Sales Contract constitute Operating Expenses.

\*\* Net Revenues Available for Debt Service includes all operating and non-operating revenues and excludes depreciation and amortization charges and other non-operating expenses. Net Revenues Available for Debt Service shows amounts available to pay debt service, if any.

\*\*\* Total Utility Plant includes utility plant, net of accumulated depreciation, and construction work in progress.

## LOGAN

### GENERAL

Logan was founded in 1866 and is the county seat of Cache County, Utah. Logan is located about 85 miles northeast of Salt Lake City. Logan encompasses an estimated area of approximately 13.5 square miles and has an estimated population of approximately 49,000.

### ELECTRIC SYSTEM DESCRIPTION

Logan has owned and operated its electric system since 1904. It has a service area of approximately 17.97 square miles and includes approximately 230.25 miles of transmission and distribution lines. Logan does not provide electric service to any customers outside its service area. Logan's electric system is controlled by its City Council. A director of the power department, appointed by the Mayor, manages the electric system. There are 32 employees in Logan's electrical department.

### GENERATING FACILITIES

The Logan electric system includes two hydroelectric generating stations on the Logan River. These units have an aggregate generating capacity of approximately 7.0 MW, with most energy produced during the spring and early summer when stream flows are highest. The Logan electric system also includes a natural gas/diesel-fired generating facility that includes three combustion turbines with a total capacity of 15 MW that were installed in the summer of 2002.

During fiscal year 2011, Logan commissioned and placed into service its Dewitt Springs Hydroelectric Plant, which provides 230 kW of renewable energy from excess pressures provided from Logan's culinary water supply line.

### LICENSES, PERMITS AND APPROVALS

Logan reports that it holds all licenses, permits and approvals necessary for the operation of its electric utility, including all licenses from the Federal Energy Regulatory Commission for the operation of its facilities and all air quality permits necessary for the operation of its natural gas generating facility. Logan reports that the natural gas generating facility presently operates within all emissions limits imposed by the air quality permit.

### PURCHASED POWER AND ENERGY

In addition to participating in the Veyo Heat Recovery Project, to meet its power and energy requirements, Logan purchases power and energy through its participation in the following UAMPS Projects: (1) the Payson Power Project, (2) CRSP, (3) Hunter Project, (4) Intermountain Power Project, and (5) UAMPS Power Pool. Certain of Logan's purchased firm and non-firm energy is transmitted by the Craig-Mona Transmission Project of UAMPS. See "POWER SUPPLY AND TRANSMISSION RESOURCES."

Logan has a power purchase contract with Deseret Generation & Transmission Co-operative for 20 MW of baseload and intermediate capacity and energy from the Bonanza Power Plant through June 30, 2015.

#### LARGEST CUSTOMERS

Logan's largest customer (a printing firm) accounts for approximately 5.81% of total power sales revenues. Its next three largest customers – a dairy manufacturer, a state university and a cheese manufacturer – account for 5.37%, 5.04% and 3.81%, respectively. No other single customer accounts for more than 3.12% of total power sales revenues.

#### SUMMARY FINANCIAL AND OPERATING INFORMATION

The following table presents summary financial and operating information for Logan's electric utility for each of the last three fiscal years.

# SELECT OPERATING STATISTICS

	FISCAL YEAR ENDED JUNE 30,			
	2014	2013	2012	2011
Total Energy Requirements (MWh)	475,251	467,377	471,012	442,616
Peak Demand (MW)	94.0	93.0	96.4	92.2
Annual Load Factor (%)	57.7%	57.4%	55.8%	54.8%
System Generation	17,204	13,031	35,956	26,995
Number of Customers (Average)				
Residential	16,043	16,281	16,173	16,344
Commercial	1,965	1,978	1,946	2,178
Industrial	10	10	10	10
Agricultural and other	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
Total Customers	<u>18,019</u>	<u>18,270</u>	<u>18,130</u>	<u>18,532</u>
Energy Sales (MWh)				
Residential	95,375	98,105	96,101	96,289
Commercial	176,833	174,408	172,496	167,831
Industrial	114,601	118,660	113,353	110,970
Agricultural and other	<u>23,313</u>	<u>30,975</u>	<u>20,905</u>	<u>26,981</u>
Total Energy Sales	<u>410,122</u>	<u>422,148</u>	<u>402,855</u>	<u>402,071</u>
Energy Sales (\$)				
Residential	\$ 9,864,777	\$ 10,284,728	\$ 10,284,728	\$ 9,591,491
Commercial	15,500,557	15,447,705	15,259,180	13,980,462
Industrial	7,979,057	8,178,887	8,115,879	7,763,521
Agricultural and other	<u>1,771,318</u>	<u>2,966,755</u>	<u>2,544,868</u>	<u>2,474,236</u>
Total Energy Sales	<u>\$35,115,709</u>	<u>\$36,878,075</u>	<u>\$36,204,655</u>	<u>\$33,809,710</u>
Financial Information				
Operating Revenues	\$38,636,007	\$37,802,343	\$37,739,790	\$36,700,008
Operating Expenses*	<u>29,824,191</u>	<u>27,378,492</u>	<u>26,221,850</u>	<u>27,776,447</u>
Net Revenues Available for				
Debt Service**	<u>\$ 8,681,816</u>	<u>\$10,423,851</u>	<u>\$11,517,940</u>	<u>\$ 8,923,561</u>
Bonds Outstanding	\$ -	\$ -	\$ 0	\$ 960,000
Debt Service	\$ -	\$ -	\$ 976,320	\$ 977,520
Debt Service Coverage	-	-	11.80x	9.13x
Total Noncurrent Assets***	\$28,388,185	\$27,989,565	\$27,438,325	\$27,119,631

\* Logan's payment obligations under its Power Sales Contract constitute Operating Expenses.

\*\* Net Revenues Available for Debt Service includes all operating and non-operating revenues and excludes depreciation and amortization charges and other non-operating expenses. Net Revenues Available for Debt Service shows amounts available to pay debt service, if any.

\*\*\* Total Noncurrent Assets includes capital assets not being depreciated and capital assets net of depreciation, as well as, for fiscal year ended June 30, 2011 only, cash and cash equivalents in the amount of \$5 and deferred costs in the amount of \$19,954.

## WASHINGTON

### GENERAL

Washington City was settled in 1857. The City has a current population of approximately 20,800.

### ELECTRIC SYSTEM DESCRIPTION

Washington's electric system was acquired from Utah Power & Light in 1988. Washington's system presently includes approximately 115 miles of transmission and distribution lines. The service area of the system is approximately 20 square miles. In addition to power utility services, Washington provides water, sewer, police, fire and other municipal services.

The City Council has ultimate responsibility for the operation of the system. The Power Manager, under the direction of the City Manager, is responsible for the day-to-day operations of the system. There are 10 employees in Washington's electrical department.

### SOURCES OF POWER AND ENERGY

Washington participates in the UAMPS Member Services Project pursuant to which UAMPS financed for Washington one natural gas-fired generating unit in 2007 and two additional natural gas-fired generating units in 2008. Each of these generating units has a capacity of 1.9 MW. Washington presently has the right to all of the capacity of these generating units.

In addition to participating in the Veyo Heat Recovery Project, to meet its power and energy requirements, Washington purchases power and energy through its participation in the following UAMPS Projects: (1) the Horse Butte Wind Project, (2) the Colorado River Storage Project; (3) the UAMPS Power Pool; (4) Payson Project; (5) the UAMPS' Firm Power Project; and (5) St. George Transmission Project.

### LICENSES, PERMITS AND APPROVALS

Washington reports that it holds all licenses, permits and approvals necessary for the operation of its electric utility.

### LARGEST CUSTOMERS

For its most recent fiscal year, one customer, a large retail/commercial customer, accounted for 5.0% of Washington's total power sales revenues. No other customer accounted for more than 2.5% of total power sales revenues.

### SUMMARY FINANCIAL AND OPERATING INFORMATION

The following table presents summary financial and operating information for Washington's electric utility for each of the last three fiscal years.



# SELECT OPERATING STATISTICS

	FISCAL YEAR ENDED JUNE 30,			
	2014	2013	2012	2011
Total Energy Requirements (MWh)	102,539	102,675	98,153	97,769
Peak Demand (MW)	31.6	31.5	29.3	29.0
Annual Load Factor (%)	37.0%	37.2%	38.2%	38.5%
System Generation	2,507	1,689	891	1,702
Number of Customers (Average)				
Residential	5985	5,706	5,578	5,478
Commercial	431	466	444	384
Industrial	1	1	1	1
Agricultural and other	-	-	-	-
Total Customers	<u>6,417</u>	<u>6,173</u>	<u>6,023</u>	<u>5,863</u>
Energy Sales (MWh)				
Residential	58,645	58,573	55,437	55,416
Commercial	43,188	37,293	36,564	33,389
Industrial	311	225	322	279
Agricultural and other	-	-	-	-
Total Energy Sales	<u>102,144</u>	<u>96,091</u>	<u>92,323</u>	<u>89,084</u>
Energy Sales (\$)				
Residential	\$ 5,116,047	\$ 4,961,857	\$ 4,720,625	\$ 5,464,235
Commercial	3,959,637	3,573,383	3,521,265	3,335,787
Industrial	26,715	25,214	28,081	24,565
Agricultural and other	-	-	-	-
Total Energy Sales	<u>\$ 9,102,399</u>	<u>\$ 8,560,454</u>	<u>\$ 8,269,971</u>	<u>\$ 8,824,587</u>
Financial Information				
Operating Revenues	\$10,436,225	\$10,349,433	\$ 9,993,724	\$ 9,847,205
Operating Expenses*	<u>9,212,494</u>	<u>8,605,560</u>	<u>8,369,746</u>	<u>9,072,258</u>
Net Revenues Available for Debt Service**	<u>\$ 1,223,731</u>	<u>\$ 1,743,873</u>	<u>\$ 1,623,978</u>	<u>\$ 774,947</u>
Bonds Outstanding	\$ 7,872,000	\$ 8,326,000	\$ 5,775,000	\$ 6,100,000
Debt Service	\$ 631,190	\$ 602,305	\$ 603,860	\$ 599,345
Debt Service Coverage	1.94x	2.90x	2.69x	1.29x
Total Noncurrent Assets***	\$24,713,662	\$23,495,508	\$21,407,178	\$21,647,524

\* Washington's payment obligations under its Power Sales Contract constitute Operating Expenses.

\*\* Net Revenues Available for Debt Service includes all operating and non-operating revenues and excludes depreciation and amortization charges and other non-operating expenses. Net Revenues Available for Debt Service shows amounts available to pay debt service, if any.

\*\*\* Total Noncurrent Assets includes capital assets, net of accumulated depreciation, as well as the following: (i) for fiscal year ended June 30, 2014, restricted cash and cash equivalents in the amount of \$465,591; (ii) for fiscal year ended June 30, 2013, restricted cash and cash equivalents in the amount of \$3,027,832, (iii) for fiscal year ended June 30, 2012, restricted cash and cash equivalents in the amount of \$534,630 and bond issuance costs (net) in the amount of \$136,703 and (iv) for fiscal year ended June 30, 2011, restricted cash and cash equivalents in the amount of \$495,994 and bond issuance costs (net) in the amount of \$149,130.

## KAYSVILLE

### GENERAL

Kaysville was incorporated in 1868 and is located in Davis County, which is north of Salt Lake City. Kaysville encompasses an estimated area of approximately 10.5 square miles. Kaysville has a population of approximately 28,700.

### ELECTRIC SYSTEM DESCRIPTION

Kaysville's electric utility system has a service area of approximately 10.5 square miles, serves four customers outside city limits and includes approximately 140.7 miles of transmission and distribution lines.

The Kaysville City Council and the City Manager oversee the electric utility. A director of the Power Department, appointed by the City Manager, manages the day-to-day operations of the electric system. There are 14 employees in the Power Department. In addition to the essential utility functions these employees perform, the Department uses the Kaysville City administration services for billing, accounting, inspections, data processing, personnel and legal services.

### SOURCES OF POWER AND ENERGY

In addition to participating in the Veyo Heat Recovery Project, Kaysville purchases power and energy through its participation in the following UAMPS projects: (1) the Horse Butte Wind Project, (2) CRSP, (3) Hunter Project, (4) San Juan Project, (5) Payson Power Project, (6) Intermountain Power Project, (7) UAMPS Pool Project, (8) Firm Power Project, and (9) UAMPS Power Pool.

### LICENSES, PERMITS AND APPROVALS

Kaysville reports that it holds all licenses, permits and approvals necessary for the operation of its electric utility.

### LARGEST CUSTOMER

The local school district accounts for approximately 5.3% of Kaysville's total power sales revenues. No other single customer accounts for more than 2.7% of total power sales revenues.

### SUMMARY FINANCIAL AND OPERATING INFORMATION

The following table presents summary financial and operating information for Kaysville's electric utility for each of the last three fiscal years.

# SELECT OPERATING STATISTICS

	FISCAL YEAR ENDED JUNE 30,			
	2014	2013	2012	2011
Total Energy Requirements (MWh)	138,483	144,928	138,890	136,779
Peak Demand (MW)	43.4	41.9	42.2	39.3
Annual Load Factor (%)	36.4%	39.5%	37.6%	39.7%
System Generation	-	-	-	-
Number of Customers (Average)				
Residential	8,168	8,012	7,818	7,722
Commercial	724	722	718	702
Industrial	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Customers	<u>8,893</u>	<u>8,735</u>	<u>8,537</u>	<u>8,425</u>
Energy Sales (MWh)				
Residential	91,159	93,129	87,437	86,124
Commercial	46,179	44,584	43,568	43,733
Industrial	<u>1,146</u>	<u>1,347</u>	<u>1,189</u>	<u>980</u>
Total Energy Sales	<u>138,484</u>	<u>139,060</u>	<u>132,194</u>	<u>130,837</u>
Energy Sales (\$)				
Residential	\$ 8,727,564	\$ 8,582,043	\$ 8,132,672	\$ 7,993,849
Commercial	3,822,662	3,626,853	3,554,946	3,533,175
Industrial	<u>87,246</u>	<u>97,680</u>	<u>88,865</u>	<u>77,766</u>
Total Energy Sales	<u>\$12,637,472</u>	<u>\$12,306,576</u>	<u>\$11,776,483</u>	<u>\$11,604,790</u>
Financial Information				
Operating Revenues	\$14,401,829	\$13,699,634	\$12,832,904	\$12,205,767
Operating Expenses*	<u>12,355,638</u>	<u>12,178,174</u>	<u>11,474,534</u>	<u>11,895,102</u>
Net Revenues Available for				
Debt Service**	<u>\$ 2,046,191</u>	<u>\$ 1,521,460</u>	<u>\$ 1,358,370</u>	<u>\$ 310,665</u>
Bonds Outstanding	-	-	-	-
Debt Service	-	-	-	-
Debt Service Coverage	-	-	-	-
Total Noncurrent Assets***	\$17,514,555	\$21,318,596	\$20,328,632	\$19,851,950

\* Kaysville's payment obligations under its Power Sales Contract constitute Operating Expenses.

\*\* Net Revenues Available for Debt Service includes all operating and non-operating revenues and excludes depreciation and amortization charges and other non-operating expenses. Net Revenues Available for Debt Service shows amounts available to pay debt service, if any.

\*\*\* Total Noncurrent Assets includes capital assets (land and net depreciable capital assets) as well as: (i) for fiscal year ended June 30, 2014, \$103,475 Cash Restricted and (ii) for fiscal year ended June 30, 2013, \$101,095 of Cash Restricted.

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## **APPENDIX B**

### **CERTAIN DEFINITIONS; SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

#### **CERTAIN DEFINITIONS**

Set out below are certain definitions contained in the Indenture, the Power Sales Contracts and the Project Agreements and used elsewhere in this Official Statement.

*“Accreted Amount”* means, with respect to Capital Appreciation Bonds of any Series and as of the date of calculation, the amount established pursuant to the Supplemental Indenture authorizing such Capital Appreciation Bonds as the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds.

*“Accrued Debt Service”* means, as of any date of calculation, the amount of Debt Service that has accrued with respect to any Series of Bonds and Bank Loans, calculating the Debt Service that has accrued with respect to each Series of Bonds and Bank Loans as an amount equal to the sum of (i) the interest on the Bonds of such Series and Bank Loans that has accrued and is unpaid and that will have accrued by the end of the then current calendar month, and (ii) that portion of all Principal Installments and principal components of Bank Loan Repayment Obligations payable within the twelve (12) month period following the date of calculation for the Bonds of such Series and Bank Loans (other than Bond Anticipation Notes and Bank Loans executed for such purposes) that would have accrued (if deemed to accrue in the same manner as interest accrues) by the end of the then current calendar month.

*“Additional Bonds”* means any Bonds issued for a purpose described under “ISSUANCE OF BONDS—Additional Bonds” in this APPENDIX B.

*“Additional Facilities”* means capital additions, betterments and replacements and other capital items directly and functionally related to the Project, including electric transmission and related facilities, additional heat recovery electric generating and related facilities and other facilities, improvements and properties located at the Project site or another site as approved by the Project Management Committee, and any other facilities, improvements and properties approved by the Project Management Committee. Additional waste heat electric generating facilities not undertaken as Additional Facilities may be undertaken as a separate phase of the Project as provided in the Power Sales Contracts.

*“Aggregate Debt Service”* means, as of any date of calculation and with respect to any period, the sum of the amounts of Debt Service for all Series of Bonds Outstanding and all Bank Loans outstanding; *provided, however*, that for purposes of calculating the Debt Service Reserve Requirement for any Series Subaccount in the Debt Service Reserve Account, Aggregate Debt Service shall be calculated only with respect to the Series of Bonds or Bank Loans secured by such Series Subaccount.

*“Authorized Amount”* means, with respect to a Commercial Paper Program, the maximum principal amount of commercial paper which is then authorized by UAMPS to be outstanding at any one time pursuant to such Commercial Paper Program.

*“Average Annual Debt Service”* means, as of any date of calculation, the total of the Aggregate Debt Service as computed for each Bond Year during which any Series of Bonds is Outstanding, divided by the number of such Bond Years.

*“Bank Bonds”* means any Bonds that have been pledged or delivered to a Security Instrument Issuer or in which any interest has otherwise been granted to a Security Instrument Issuer as collateral security for Security Instrument Repayment Obligations.

*“Bank Loan”* means a loan, line of credit or other extension of credit by a Bank Lender, other than a loan, line of credit or other extension the repayment obligations of which are evidenced by Direct Purchase Bonds.

*“Bank Loan Document”* means a loan agreement, line of credit agreement or other credit agreement or similar instrument entered into in connection with a Bank Loan.

*“Bank Lender”* means a bank or other financial institution that provides a Bank Loan to UAMPS to finance or refinance the Cost of the Project.

*“Bank Products”* means (i) Security Instruments and (ii) Bank Loans.

*“Bond Anticipation Notes”* means Bonds issued by UAMPS pursuant to the Indenture in advance of the permanent financing of UAMPS for the Veyo Heat Recovery Project.

*“Bond Payment Date”* means each date on which (i) interest on the Bonds is due and payable or (ii) principal of the Bonds is payable at maturity or pursuant to sinking fund installments.

*“Bond Year”* means, for purposes of calculating the Average Annual Debt Service and the Maximum Annual Debt Service on a Series of Bonds, each Year ending on the date on which the Principal Installments for such Series are payable.

*“Bondowner”* or *“Owner,”* or any similar term, means the owner of any Bond or Bonds. In the case of a fully-registered Bond, Bondowner means the registered owner of such Bond.

*“Bonds”* means bonds, notes, commercial paper or other obligations (other than Subordinated Indebtedness and Repayment Obligations) authorized by and at any time Outstanding pursuant to the Indenture, including Bond Anticipation Notes and Direct Purchase Bonds.

*“Business Day”* means a day of the year which is not a Saturday, Sunday or legal holiday in New York, New York, or Salt Lake City, Utah, or a day on which the Trustee or any Bank Lender or any Security Instrument Issuer is authorized or obligated to close.

*“Capital Appreciation Bonds”* means Bonds the interest on which (i) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Bonds and designating them as Capital Appreciation Bonds, and (ii) is scheduled to be payable upon maturity or redemption of such Bonds.

*“Capital Contribution”* means a payment made to UAMPS by the Participant pursuant to the Power Sales Contracts in an amount equal to the product of Participant’s Entitlement Share and the Prepayment Amount or in such lesser amount as may be permitted as provided in the Power Sales Contracts.

*“Capitalized Interest Account”* means the Capitalized Interest Account in the Bond Fund.

*“Code”* means the Internal Revenue Code of 1986, as amended and supplemented from time to time including the United States Treasury Regulations thereunder, including temporary and proposed regulations.

*“Commercial Paper Program”* means commercial paper obligations with maturities of not more than two hundred seventy (270) days from the dates of issuance thereof which are issued and reissued by UAMPS from time to time pursuant to Article II of the Indenture and are outstanding up to an Authorized Amount.

*“Construction Agreements”* means each contract or agreement providing for the acquisition or construction of any part of the Initial Facilities, including the EPC Agreement, and each contract providing for the acquisition and construction of any Additional Facilities.

*“Construction Fund”* means the Fund by that name established in the Indenture.

*“Cost”* means all costs and expenses paid or incurred by UAMPS in connection with the Initial Facilities, the Additional Facilities or the Project (as the context requires), whether prior or subsequent to the Effective Date (as defined in the Power Sales Contracts), including but not limited to all costs and expenses incurred by UAMPS in its investigation, negotiation and review of the Project and the Project Agreements and all expenses preliminary and incidental thereto. *“Cost”* includes but is not limited to all costs incurred by UAMPS in connection with the planning, designing, acquisition, construction and placing in operation the Initial Facilities, Additional Facilities and amounts paid or payable under the Construction Agreements. As and to the extent properly allocable to the Project at any time, *“Cost”* also includes, but is not limited to, the following:

- (1) payments to UAMPS or any Participant to reimburse advances and payments made or incurred for costs preliminary or incidental to the development, acquisition or construction of the Initial Facilities or any Additional Facilities;
- (2) planning and development costs; engineering and contractors’ fees; fiduciaries’, auditors’ and accountants’ fees; costs of obtaining all Permits and Approvals; the cost of real property, labor, materials, equipment, supplies, training and

testing costs; insurance premiums; legal, financial advisory, financing and Bond issuance costs; amounts payable under the Project Agreements during or in connection with the acquisition or construction of the Initial Facilities or any Additional Facilities; administrative and general costs; costs relating to the interconnection of the Project; and all other costs properly allocable to the acquisition or construction of the Initial Facilities or any Additional Facilities or placing the same in operation;

(3) interest on Bonds for such period as may be reasonably necessary for placing the Initial Facilities or any Additional Facilities in operation in accordance with the provisions of the Financing Documents (as defined in the Power Sales Contracts);

(4) the payment of principal or redemption price of and interest on any Bonds issued as bond anticipation notes;

(5) working capital and reserve requirements of the Project, including, without limitation, amounts for deposit into the Reserve and Contingency Fund and those items set forth in the definition of Operation and Maintenance Costs;

(6) deposits into the Bond Fund and any other fund or account required to be funded by the Financing Documents;

(7) all costs relating to litigation, claims or judgments not otherwise covered by insurance and arising out of the acquisition, construction or operation of the Project or otherwise related to the Project, the Project Agreements, the Power Sales Contracts or the transactions contemplated thereby;

(8) federal, state and local taxes or payments in lieu of such taxes relating to the Project and incurred during the period of the acquisition or construction thereof; and

(9) all other costs incurred by UAMPS, and properly allocable to the acquisition and construction of the Project, including all costs financed by the issuance of Additional Bonds.

*“Current Interest Bonds”* means Bonds not constituting Capital Appreciation Bonds. Interest on Current Interest Bonds is payable periodically on the interest payment dates provided therefor in a Supplemental Indenture.

*“Debt Service”* means (subject to certain assumptions and exclusions set forth in the Indenture), for any particular Fiscal Year and for any Series of Bonds, an amount equal to the sum of:

(1) all interest (for purposes of computing UAMPS’ compliance with the rate covenant set forth in the Indenture, net of any amount deposited with the Trustee representing capitalized interest and available to pay interest on Bonds) payable during such Fiscal Year on such Bonds outstanding, plus



(2) the Principal Installments payable during such Fiscal Year on such Bonds outstanding (other than Bond Anticipation Notes), calculated on the assumption that Bonds outstanding on the day of calculation cease to be outstanding by reason of, but only by reason of, payment either upon maturity or application of any sinking fund installments required by the Indenture; plus

(3) Bank Loan Repayment Obligations payable during such Fiscal Year;

*provided, however that:*

(a) except as provided in clause (b) below, when calculating interest payable during such Fiscal Year for any Series of Variable Rate Bonds or on any Variable Rate Bank Loans, such Series of Variable Rate Bonds or Variable Rate Bank Loans shall be assumed to bear interest at such fixed rate of interest as shall, in the opinion of UAMPS' financial advisor, underwriter, remarketing agent or similar agent, represent a prevailing market rate, taking into account the rates on comparable obligations (including particularly other Bonds, Bank Loans, bonds or bank loans of UAMPS), recognized market indices, average interest rates for prior years and such other factors as the advisor, underwriter or agent shall deem appropriate for purposes of its opinion;

(b) when calculating interest payable during such Fiscal Year for any Series of Variable Rate Bonds or on any Variable Rate Bank Loans which are issued with an Interest Rate Swap in which UAMPS has agreed to pay a fixed interest rate, such Series of Variable Rate Bonds or Variable Rate Bank Loans shall be deemed to bear interest at the effective fixed annual rate thereon as a result of such Interest Rate Swap; provided that such effective fixed annual interest rate may be utilized only so long as such Interest Rate Swap is contracted to remain in full force and effect;

(c) when calculating interest payable during such Fiscal Year for any Series of Bonds or on any Variable Rate Bank Loans which are issued with a fixed interest rate and with respect to which an Interest Rate Swap is in effect in which UAMPS has agreed to pay a floating amount, such Series of Bonds or Bank Loans shall be deemed to bear interest as though they were Variable Rate Bonds or Variable Rate Bank Loans at an interest rate equal to the floating payments to be made by UAMPS under the Interest Rate Swap; *provided* that such net amounts may be utilized only for a period equal to the stated term of the Interest Rate Swap;

(d) when calculating interest payable during such Fiscal Year with respect to any Commercial Paper Program, "*Debt Service*" shall mean an amount equal to the sum of all principal and interest payments that would be payable during such Fiscal Year assuming that the Authorized Amount of such Commercial Paper Program is amortized on a level debt service basis over a period of 30 years beginning on the date of calculation or the period during which obligations can be issued under such Commercial Paper Program, and bearing interest at the greater of (i) the average commercial paper rate for the preceding twelve-month period and (ii) the SIFMA Municipal Swap Index plus 50 basis points at the time of calculation or, if the SIFMA Municipal Swap Index is

no longer available, at an interest rate certified by UAMPS' financial advisor, underwriter or other agent, including a Remarketing Agent, to be the rate of interest that obligations of the Commercial Paper Program would bear if issued on the date of computation in the Authorized Amount, with the same security, bearing interest at a variable rate and maturing over a period of 30 years beginning on the date of calculation;

(e) if the calculation of the Debt Service Reserve Requirement for any Series Subaccount in the Debt Service Reserve Account in the Bond Fund takes into account Debt Service, then, for purposes of such calculation, Debt Service shall be calculated only with respect to the Series of Bonds or Bank Loans secured thereby;

(f) Reserve Instrument Repayment Obligations shall be excluded from Debt Service in all circumstances, and Security Instrument Repayment Obligations shall be excluded from Debt Service to the extent that payments of Debt Service on Bank Bonds relating to such Repayment Obligations satisfy UAMPS' obligation to pay such Repayment Obligations; and

(g) for all purposes of the Indenture, principal and interest due on the first day of a Fiscal Year shall be deemed to have been payable and paid on the last day of the immediately preceding Fiscal Year.

*"Debt Service Reserve Requirement"* means, with respect to any Series Subaccount that has been established in the Debt Service Reserve Account in the Bond Fund, unless otherwise specified in a Supplemental Indenture establishing such Series Subaccount, as of any date of calculation, an amount equal to the least of: (i) the sum of ten percent of the original principal amount of each Series of Bonds secured by such Series Subaccount; (ii) the Maximum Annual Debt Service on the Bonds secured by such Series Subaccount; and (iii) 125% of the Average Annual Debt Service on the Bonds secured by such Series Subaccount. With respect to a Bank Loan, *"Debt Service Reserve Requirement"* shall mean the amount, if any, set forth in the Supplemental Indenture relating thereto.

The Debt Service Reserve Requirement for each Series Subaccount in the Debt Service Reserve Account shall be calculated on the date of original issuance of the first Series of Bonds secured thereby, or the date of execution of the first Bank Loan secured thereby, and shall be recalculated on the date of original issuance of any Series of Additional Bonds secured thereby, or on the date of execution of any additional Bank Loan secured thereby. UAMPS may, but shall be under no obligation to, recalculate the Debt Service Reserve Requirement upon the issuance of a Series of Refunding Bonds to reflect the Bonds secured by such Series Subaccount that are Outstanding after such issuance.

*"Direct Purchase Bonds"* means Bonds purchased directly by a bank or other financial institution and issued hereunder to evidence UAMPS' obligation to repay principal and interest on a loan, line of credit or other extension of credit by the bank or other financial institution to UAMPS to finance or refinance the Cost of the Project.

*“EPC Agreement”* means the Engineering, Procurement and Construction Agreement between UAMPS and the EPC Contractor, and any other similar agreement entered into for the engineering, procurement and construction of additional generating units that constitute Additional Facilities, as such may be amended and supplemented from time to time.

*“EPC Contractor”* means the firm or corporation appointed as the engineering, procurement and construction contractor pursuant to an EPC Agreement, and its successors and assigns pursuant to the EPC Agreement.

*“Fiscal Year”* means the annual accounting period of UAMPS as from time to time in effect, initially a period commencing on April 1 of each calendar year and ending on the next succeeding March 31.

*“Government Obligations”* means:

(1) Direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of Treasury of the United States of America, obligations unconditionally guaranteed as to principal and interest by the United States of America, and evidences of ownership interests in such direct or unconditionally guaranteed obligations;

(2) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which: (a) are not callable at the option of the obligor prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice; (b) are rated in the highest rating category of S&P and Moody’s; and (c) are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in clause (i) above, which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable notice, as appropriate; and

(3) Any other bonds, notes or obligations of the United States of America or any agency or instrumentality thereof which, if deposited with the Trustee for the purpose of defeasing the Bonds as provided in the Indenture, will result in a rating on the Bonds which are deemed to have been paid pursuant to the Indenture that is in the highest Rating Category of each Rating Agency that is then maintaining a rating on such Bonds.

*“Host”* means Kern River Gas Transmission Company and its successors and assigns pursuant to the Host Agreement, and any other provider of waste heat for the Project.

*“Host Agreement”* means the Host Agreement between the Host and UAMPS, providing for the use by the Project of the waste heat produced by the Veyo Compressor Station, as it may be amended and supplemented from time to time, and any other agreement entered into by or on behalf of UAMPS for or relating to the provision of waste heat for the operation of the Project.

*“Indenture”* means this Trust Indenture as it may be from time to time supplemented and amended in accordance with its terms.

*“Initial Facilities”* means the real and personal property, facilities, structures, improvements and equipment to be acquired and constructed in connection with the initial operation of the Project as described in the Power Sales Contracts.

*“Interconnection Agreement”* means the Interconnection Agreement between PacifiCorp and UAMPS providing for the interconnection of the Initial Facilities with the transmission facilities of PacifiCorp and, in the case of additional generating units that constitute Additional Facilities, any similar agreement providing for the interconnection of such Additional Facilities with the transmission facilities of PacifiCorp or other transmission provider, in each case, including all supplements and amendments thereto, together with any successor or replacement agreement providing for the interconnection of such Initial Facilities or Additional Facilities with the transmission grid.

*“Interest Rate Swap”* means an agreement between UAMPS or the Trustee and a Swap Counterparty related to all or a portion of the interest on the Bonds of one or more Series whereby a fixed or a variable rate cash flow on a principal or notional amount is exchanged for a variable or fixed rate of return, as the case may be, on an equal notional amount.

*“Interest Rate Swap Payment”* means as of each scheduled payment date specified in an Interest Rate Swap, the amount, if any, payable to the Swap Counterparty by UAMPS (or by the Trustee on behalf of UAMPS).

*“Interest Rate Swap Receipt”* means as of each scheduled payment date specified in an Interest Rate Swap, the amount, if any, payable to UAMPS (or to the Trustee for the account of UAMPS) by the Swap Counterparty.

*“Investment Securities”* means any of the following securities, if and to the extent that the same are at the time legal for investment of UAMPS’ funds:

- (1) Government Obligations;
- (2) The fund held by the Treasurer for the State of Utah and commonly known as the Utah State Public Treasurer’s Investment Fund;
- (3) Money market funds rated “AAAm” or “AAAm--G” or better by S&P;
- (4) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of at least “A-1” by S&P and “P-1” by Moody’s and maturing not more than 360 days after the date of purchase;

(5) Bonds, notes or other evidences or indebtedness rated “AAA” by S&P and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(6) Obligations of any federal agency that represent full faith and credit obligations of the United States of America;

(7) Obligations of the Resolution Funding Corporation and senior debt obligations of the Federal Home Loan Bank System;

(8) Investment agreements, subject to such limitations as may be imposed by a Supplemental Indenture; and

(9) Such other obligations as may be legal obligations for the investment of UAMPS’ funds as specified in a Supplemental Indenture.

*“Maximum Annual Debt Service”* means the greater of (i) the Aggregate Debt Service during the current Fiscal Year or (ii) the Aggregate Debt Service in any future Fiscal Year.

*“Operating Agreement”* means any agreement providing for the operation and maintenance of all or any portion of the Initial Facilities or any Additional Facilities.

*“Operation and Maintenance Costs”* means all actual operation and maintenance costs related to the Veyo Heat Recovery Project incurred by UAMPS in any particular Fiscal Year or period to which said term is applicable or charges made therefor during such Fiscal Year or period, but only if such charges are made in accordance with Generally Accepted Accounting Principles, including amounts reasonably required to be set aside in reserves for items of Operation and Maintenance Costs the payment of which is not then immediately required.

Operation and Maintenance Costs include, but are not limited to, “Operation and Maintenance Costs” and “Transmission Costs,” each as defined in the Power Sales Contracts and all costs, expenses, reimbursements, fees and working capital deposits payable by UAMPS under the Host Agreement, any Operating Agreement and the other Project Agreements; water supply and utility costs and charges; rentals and other amounts payable by UAMPS under the Right-of-Way; fuel costs; the costs of ordinary repairs, renewals, and replacements to the Veyo Heat Recovery Project; the costs of maintaining, protecting and defending all licenses, permits and approvals necessary for the continuing operation of the Veyo Heat Recovery Project; salaries and wages, employees’ health, hospitalization, pension, retirement and other expenses; fees and expenses for services, materials and supplies; costs and expenses incurred in the sale or marketing of any output of the Veyo Heat Recovery Project that may from time to time be surplus to the requirements of the Participants; rents, administrative and general expenses; insurance expenses; costs of any Bank Loans, Security Instruments or Reserve Instruments (but not including Repayment Obligations) or associated with Direct Purchase Bonds (but not including principal, interest or redemption price); costs, collateral deposits and other amounts (other than Interest Rate Swap Payments) necessary to maintain any Interest Rate Swaps; Fiduciaries’ fees and expenses; Remarketing Agents’ and other agents’ fees and expenses; legal,

engineering, accounting, financing and financial advisory fees and expenses, and fees and expenses of other consulting and technical services; training of personnel; taxes; payments in lieu of taxes and other governmental charges; costs, and any other current expenses or obligations required to be paid by UAMPS under the provisions of the Project Agreements or by law, all to the extent properly allocable to the Veyo Heat Recovery Project. Operation and Maintenance Costs shall also include, in the case of working capital lines of credit, the repayment of all amounts drawn thereunder and the interest thereon.

Operation and Maintenance Costs do not include depreciation or obsolescence charges or reserves therefor; amortization of intangibles or other bookkeeping entries of a similar nature; interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of UAMPS, or costs, or charges made therefor; any Repayment Obligations; any Swap Termination Payments; the costs or charges for capital improvements to or retirements from the Veyo Heat Recovery Project which under Generally Accepted Accounting Principles are properly chargeable to the capital account or the reserve for depreciation and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the Veyo Heat Recovery Project; or such property items which are capitalized pursuant to the then existing accounting practice of UAMPS.

*“Power Sales Contracts”* means the several Veyo Heat Recovery Project Power Sales Contracts, dated as of April 1, 2014, entered into between UAMPS and the Participants, together with any other contracts providing for the sale by UAMPS of all or a portion of the output of the Veyo Heat Recovery Project, as the same may be amended or supplemented in accordance with their terms and the terms of the Indenture.

*“Principal”* means (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof, and (ii) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity; *provided, however*, that for purposes of all consents, votes, directions, notices, approvals and other actions taken by the Bondowners under Article VIII or Article IX of the Indenture, (a) the principal of each Capital Appreciation Bond shall be deemed to be the Accreted Amount thereof as of the most recent compounding or accretion date, and (b) the principal of each Bond Anticipation Note shall be deemed to be zero

*“Principal Installment”* means, as of any date of calculation, with respect to any Series of Bonds, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installment due on a certain future date for Bonds of such Series. With respect to Bank Loans, *“Principal Installment”* means, as of any date of calculation, with respect to any Bank Loan, the principal component of the Bank Loan Repayment Obligation due on a certain future date.

*“Project Agreements”* means all Construction Agreements, any Operating Agreement, the Interconnection Agreement, the Host Agreement, the Right-of-Way and the Transmission Agreements.

*“Project Management Committee”* means the committee of the Participants established pursuant to the Power Sales Contracts.

*“Rating Agency”* means Fitch, Moody’s or S&P or any other rating agency so designated in a Supplemental Indenture.

*“Record Date”* means, with respect to any interest payment date for any Series of Bonds, the date specified as the Record Date in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

*“Redemption Price”* means, with respect to any Bond, the principal thereof plus the applicable premium, if any, payable upon redemption thereof.

*“Refunding Bonds”* means all Bonds, whether issued in one or more Series, issued for the purpose of refunding any outstanding Bonds.

*“Repayment Obligations”* means the amounts payable by UAMPS (i) to reimburse or repay the issuer of a Security Instrument or a Reserve Instrument for amounts paid or advanced thereunder and (ii) to a Bank Lender with respect to the regularly scheduled principal and interest due on a Bank Loan.

*“Reserve Instrument”* means a letter of credit, surety bond or similar instrument issued by a bank, insurance company or other financial institution, in any case rated at the time of its deposit into the Debt Service Reserve Account “Aaa” by Moody’s or “AAA” by S&P, in order to satisfy all or any portion of the Debt Service Reserve Requirement for any Series Subaccount. The term “Reserve Instrument” shall also include the reimbursement agreement, credit agreement or other agreement with the Reserve Instrument Issuer providing for the issuance of and the repayment of amounts drawn on the Reserve Instrument.

*“Reserve Instrument Issuer”* means any financial institution, insurance company or other institution issuing a Reserve Instrument.

*“Revenues”* means all revenues, fees, income, charges, rents and receipts derived by UAMPS from or attributable to the Veyo Heat Recovery Project and, the Power Sales Contracts, and any other sale of the output, capacity, services or environmental attributes of the Veyo Heat Recovery Project, including the proceeds of any insurance covering business interruption loss, all as determined in accordance with Generally Accepted Accounting Principles. “Revenues” also includes any Interest Rate Swap Receipts or Swap Termination Payments received by or on behalf of UAMPS and all interest, profits or other income derived from the investment of any moneys held pursuant to the Indenture and required to be paid into the Revenue Fund. Revenues shall not include: (i) insurance proceeds resulting from casualty damage to the Veyo Heat Recovery Project (other than insurance proceeds deposited into a special account in the Bond Fund for the redemption of Bonds or prepayment of Bank Loan Repayment Obligations); (ii) the proceeds from the sale of the Bonds or drawn under Bank Loans; or (iii) moneys received under any Security Instrument or Reserve Instrument.

*“Security Instrument”* means an instrument or other device issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds or with respect to a Bank Loan. The term *“Security Instrument”* includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit and other credit enhancement or liquidity devices. The term *“Security Instrument”* shall also include the reimbursement agreement, credit agreement or other agreement with the Security Instrument Issuer providing for the issuance of and the repayment of amounts drawn on the Security Instrument.

*“Security Instrument Issuer”* means a bank, insurance company, financial guarantor or other financial institution that issues a Security Instrument for one or more Series of Bonds.

*“Series”* means all of the Bonds designated as being of the same Series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

*“Series Subaccount”* means, as applicable, (i) each separate Subaccount created for one or more Series of Bonds, one or more Bank Loans, or for one or more Interest Rate Swaps in the Debt Service Account or (ii) each separate subaccount in the Debt Service Reserve Account.

*“Stabilization Fund”* means the Fund by that name established pursuant to the Indenture.

*“Subordinated Indebtedness”* means any bond, note, loan, line of credit or other evidence of indebtedness or extension of credit which is expressly made subordinate and junior in right of payment to the Bonds and Bank Loans which complies with the provisions of the Indenture. Subordinated Indebtedness shall not be, nor shall be deemed to be, Bonds or Bank Loans for purposes of the Indenture, except as may be expressly provided by Supplemental Indenture.

*“Supplemental Indenture”* means any indenture supplementing or amending the Indenture entered into in accordance with the terms of the Indenture.

*“Swap Counterparty”* means a member of the International Swap Dealers Association (ISDA) rated in one of the three top Rating Categories by at least one Rating Agency, provided that if such Swap Counterparty is not rated in one of the top three Rating Categories, UAMPS shall require such Swap Counterparty to agree to such collateral and security arrangements as UAMPS shall determine to be necessary to protect its interests.

*“Swap Termination Payment”* means the amount, if any, payable by UAMPS (or by the Trustee for the account of UAMPS) or by the Swap Counterparty as a result of the termination of any Interest Rate Swap.

*“Transmission Agreements”* means each transmission contract, agreement or tariff entered into by UAMPS or the Participant that is used or necessary for the delivery of Electric Power and Electric Energy from the Point of Delivery to the Participant’s System Point of Receipt, whether by direct transmission, displacement, exchange or otherwise.



*“Trustee”* means Zions First National Bank, acting in its capacity as trustee under the Indenture, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

*“Variable Rate Bank Loan”* means a Bank Loan that bears interest at other than fixed rates to maturity.

*“Variable Rate Bonds”* means Bonds that bear interest at other than fixed rates to maturity.

*“Veyo Heat Recovery Project”* or *“Project”* is defined in the Power Sales Contracts and means the Veyo Heat Recovery Project undertaken by UAMPS for the use and benefit of the Participants as provided in the Power Sales Contracts, consisting of the acquisition, construction, ownership and operation of the Initial Facilities, the acquisition, construction, ownership, operation, improvement and equipping of any Additional Facilities, and the rights, interests, obligations and liabilities of UAMPS under the Project Agreements.

## **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

### **GENERALLY**

The following is a summary of certain provisions of the Indenture. This summary is not to be considered a full statement of the terms of such Indenture and accordingly is qualified in its entirety by reference thereto and is subject to the full text thereof. Capitalized terms not defined herein or elsewhere in this Official Statement have the meanings set forth in the Indenture. Certain of the capitalized terms used herein are defined in “CERTAIN DEFINITIONS” above.

### **ESTABLISHMENT OF FUNDS AND ACCOUNTS**

The following funds and accounts are established under the Indenture:

- (1) Construction Fund, to be held by the Trustee, in which Trustee shall, if provided by Supplemental Indenture, establish separate Project Accounts for each Series of Bonds (other than Refunding Bonds) and each Bank Loan;
- (2) Revenue Fund, to be held by UAMPS;
- (3) Operation and Maintenance Fund, to be held by UAMPS;
- (4) Bond Fund, to be held by the Trustee, consisting of (i) a Debt Service Account, in which the Trustee shall establish a separate Series Subaccount for each Series of Bonds, Bank Loan and Interest Rate Swap, (ii) a Debt Service Reserve Account, in which the Trustee may establish a separate Series Subaccount for one or more Series of Bonds or Bank Loans and (iii) a Capitalized Interest Account, in which the Trustee

shall establish a separate Series Subaccount for each Series of Bonds or Bank Loan with respect to which proceeds thereof shall be used to pay capitalized interest thereon;

(5) Subordinated Indebtedness Fund, to be held by the Trustee; and

(6) Stabilization Fund, to be held by UAMPS.

UAMPS may, by Supplemental Indenture, establish one or more additional Funds or accounts.

#### PLEDGE OF THE INDENTURE

The Bonds and Bank Loans are special obligations of UAMPS payable from and secured by the Revenues, moneys, securities and Funds pledged therefor. As provided in the Granting Clauses of this Indenture, there are pledged for the payment of principal and Redemption Price of and interest on the Bonds and the Repayment Obligations in accordance with their terms and the provisions of the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all right, title and interest of UAMPS in and to (i) the proceeds of sale of the Bonds and Bank Loans, (ii) the Revenues, and (iii) all Funds established by the Indenture (except for any Rebate Fund), including the investments, if any, thereof, subject to any required rebate of all or a portion of the earnings on such investments to the United States of America pursuant to the requirements of the Code; *provided, however*, that each Series of Bonds or Bank Loan is secured by the Debt Service Reserve Account only if and to the extent that the Supplemental Indenture providing for the issuance of such Series of Bonds or Bank Loan specifically provides that such Series or Bank Loan shall be secured by a Series Subaccount in the Debt Service Reserve Account established for such Series of Bonds or Bank Loan or by a Series Subaccount previously established for another Series of Bonds or Bank Loan.

#### FLOW OF FUNDS

*Allocation of Revenues to Special Funds.* All Revenues shall be promptly deposited by UAMPS to the credit of the Revenue Fund. UAMPS shall not less frequently than monthly transfer amounts from the Revenue Fund to the Operation and Maintenance Fund as shall be necessary for the payment of all Operation and Maintenance Costs which are unpaid and which will become due prior to the end of the current calendar month. UAMPS shall also transfer to the Operation and Maintenance Fund from the Revenue Fund such amounts as shall be necessary to provide a working capital reserve not less than an amount reasonably estimated to pay the Operation and Maintenance Costs of the Veyo Heat Recover Project for two months, and such working capital shall be maintained (i) on deposit in the Operation and Maintenance Fund, (ii) in working capital deposits with the contractor under any Operating Agreement, (iii) through a loan agreement, line of credit or similar facility entered into pursuant to the Indenture, or (iv) by a combination of (i), (ii) and (iii).

The Operation and Maintenance Costs shall be paid by UAMPS out of the amounts on deposit in the Operation and Maintenance Fund, from time to time as such costs become due and

payable. UAMPS may accumulate such additional amounts in the Operation and Maintenance Fund as are reasonably necessary to provide for the payment of items of Operation and Maintenance Costs which accrue over time and which are payable less frequently than monthly.

On or before the last Business Day of each month (or the Business Day before the date on which payment is due on any Repayment Obligation, Interest Rate Swap Payment or Subordinated Indebtedness), UAMPS shall, after the transfer of amounts to the Operation and Maintenance Fund described above, from and to the extent of the moneys on deposit in the Revenue Fund, transfer and deposit into the following Funds the amounts set forth below in the following order:

(i) first, into the Bond Fund for credit to the Debt Service Account, the amount, if any, required so that the balance in each of the Series Subaccounts in the Debt Service Account shall equal (A) the Accrued Debt Service on the Series of Bonds or Bank Loan for which such Series Subaccount was established (net of any amounts available to pay interest on such Series of Bonds or Bank Loan in a Series Subaccount in the Capitalized Interest Account or otherwise available to pay such interest as specified in a Supplemental Indenture), (B) any Security Instrument Repayment Obligations coming due, as provided in the Supplemental Indenture authorizing the related Security Instrument, and (C) any Interest Rate Swap Payment coming due, as provided in the Supplemental Indenture authorizing the related Interest Rate Swap; *provided* that if there are not sufficient moneys to satisfy the requirements of this paragraph (1) with respect to all Series Subaccounts in the Debt Service Account, all moneys available for distribution among such Series Subaccounts shall be deposited into the Debt Service Account and distributed on a *pro rata* basis to the deficient Series Subaccounts in the Debt Service Account, such distribution to be determined by multiplying the amount available for distribution by the proportion that the deficiency in each Series Subaccount bears to the total deficiency in all Series Subaccounts;

(ii) second, into the Bond Fund for credit to each Series Subaccount established within the Debt Service Reserve Account, if moneys shall ever have been paid out such Series Subaccount for the purpose specified in the Indenture or a draw on a Reserve Instrument shall have been made or if for any other reason moneys in the Debt Service Reserve Account shall have been removed and in any such case if such moneys shall not have been replaced from any source, such amount of the money remaining in the Revenue Fund, or all of the money so remaining if less than the amount necessary, until either the amount so paid out of or removed from such Series Subaccount or drawn on the Reserve Instrument shall have been replaced, so as to cause an amount equal to the Debt Service Reserve Requirement for such Series Subaccount to be on deposit therein (or, if the amount on deposit in the Revenue Fund shall not be sufficient to make the deposits required to be made pursuant to the Indenture with respect to two or more Series Subaccounts in the Debt Service Reserve Account, then such amount on deposit in the Revenue Fund shall be applied ratably, in proportion to the deficit in each such Series Subaccount);

(iii) third, into the Subordinated Indebtedness Fund such amount as shall be required to be deposited under each Supplemental Indenture authorizing the issuance of Subordinated Indebtedness; and

(iv) fourth, into the Reserve and Contingency Fund established under the Power Sales Contracts, such amount as shall be necessary so as to cause the amount set forth by UAMPS in its annual budget for the then-current Fiscal Year to be deposited into the Reserve and Contingency Fund by the end of such Fiscal Year.

So long as cash and Investment Securities shall be held in the Bond Fund in an amount sufficient to pay in full all Outstanding Bonds, Repayment Obligations and Interest Rate Swap Payments in accordance with their terms, no deposits shall be required to be made into the Bond Fund.

Amounts on deposit in the Revenue Fund may be transferred from time to time by UAMPS into the Stabilization Fund, *provided, however*, that after any such transfer (i) the sum of the amounts on deposit in the Revenue Fund and the Debt Service Account shall equal the amount of Debt Service that has accrued on all Series of Bonds that are outstanding and all Bank Loans outstanding, (ii) the Debt Service Reserve Requirement shall be on deposit in each Series Subaccount in the Debt Service Reserve Account, and (iii) there shall be on deposit in the Operation and Maintenance Fund the amount of working capital required by the Indenture.

*Bond Fund – Debt Service Account.* Each Supplemental Indenture providing for the issuance of a Series of Bonds shall establish a separate Series Subaccount in the Debt Service Account for each such Series of Bonds issued and each Bank Loan executed; *provided, however*, that such a separate Series Subaccount shall not be established for a Series of Bonds or Bank Loan if such Series of Bonds or Bank Loan is secured by a Series Subaccount in the Debt Service Reserve Account that also secures one or more other Series of Bonds or Bank Loans as contemplated by the Indenture (in which case the Supplemental Indenture shall provide for the payment of such Series of Bonds or Bank Loans from the same Series Subaccount in the Debt Service Account as such other Series of Bonds or Bank Loans). There shall be transferred and deposited into each Series Subaccount such amounts from the Revenue Fund pursuant to the Indenture as shall be necessary to provide for the timely payment of the Debt Service on the applicable Series of Bonds or Bank Loan.

The Trustee shall pay out of the appropriate Series Subaccount in the Debt Service Account: (i) on each interest payment date for each Series of Bonds and each Bank Loan, the amount required for the interest payable on such date; (ii) on each Principal Installment due date, the amount required for the Principal Installment payable on such due date; (iii) on any redemption date for each Series of Bonds or prepayment date for a Bank Loan, the amount required for the payment of Redemption Price of or prepayment of and accrued interest on such Bonds or Bank Loans then to be redeemed or prepaid; and (iv) on the due date of each Interest Rate Swap Payment the amount required for the payment thereof. The Trustee shall also pay out of the appropriate Series Subaccount in the Debt Service Account any Security Instrument Repayment Obligation. If payment is made on Bank Bonds held for the benefit of the Security Instrument Issuer, a corresponding payment on the Security Instrument Repayment Obligation

shall be deemed to have been made (without requiring an additional payment by UAMPS) and the Trustee shall keep its records accordingly.

Except as otherwise provided in a Supplemental Indenture authorizing a Series of Bonds, amounts accumulated in any Series Subaccount in the Debt Service Account with respect to any sinking fund installment (together with amounts accumulated therein with respect to interest on the Bonds for which such sinking fund installment was established) shall, if so directed by a written request of UAMPS delivered not less than 30 days before the due date of such sinking fund installment, be applied by the Trustee to (i) the purchase of Bonds of the Series and maturity for which such sinking fund installment was established, (ii) the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms, or (iii) any combination of (i) and (ii).

*Bond Fund – Debt Service Reserve Account.* Each Supplemental Indenture providing for the issuance of a Series of Bonds or a Bank Loan may (i) establish in the Debt Service Reserve Account a separate Series Subaccount for such Series of Bonds or Bank Loan or (ii) provide for such Series of Bonds or Bank Loan to be secured by a Series Subaccount previously established. Any Supplemental Indenture that establishes a separate Series Subaccount shall specify (x) the Debt Service Reserve Requirement for such Series Subaccount, (y) whether future Bonds, Additional Bonds, Refunding Bonds or Bank Loans may be secured by such Series Subaccount and (z) the manner in which such Series Subaccount shall be funded.

In the case of any Debt Service Reserve Requirement established with respect to a Bank Loan, the applicable Supplemental Indenture shall specify the manner of payment out of the Series Subaccount in the Debt Service Reserve Account and any other applicable provisions.

Subject to any limitations contained in a Supplemental Indenture, UAMPS may satisfy all or any portion of any Debt Service Reserve Requirement by means of a Reserve Instrument (or may substitute one Reserve Instrument for another). No Swap Counterparty and no holder or owner of Subordinated Indebtedness shall have any claim upon the amounts on deposit in any Series Subaccount in the Debt Service Reserve Account and no Swap Payments, Termination Payments or payments on Subordinated Indebtedness shall be made from any Series Subaccount in the Debt Service Reserve Account.

If on the Business Day immediately preceding each Bond Payment Date, after the deposit of moneys described herein under the section entitled “Allocation of Revenues to Special Funds” above, the amount in any Series Subaccount in the Debt Service Account shall be less than the amount required to be in such Series Subaccount, the Trustee will: (i) apply amounts from the corresponding Series Subaccount in the Debt Service Reserve Account to the extent necessary to make good the deficiency; and (ii) to the extent that moneys and investments available in the corresponding Series Subaccount in the Debt Service Reserve Account are not sufficient to eliminate the deficiency in the Series Subaccounts in the Debt Service Account and Reserve Instruments are in effect for the corresponding Series of Bonds, immediately make a demand for payment on all such Reserve Instruments, pursuant to the Indenture.

Whenever the moneys on deposit in a Series Subaccount in the Debt Service Reserve Account, including investment earnings and the amounts available under any Reserve Instrument with respect thereto, shall exceed the Debt Service Reserve Requirement for such Series Subaccount, such excess shall be transferred by the Trustee and paid to UAMPS for deposit into the Revenue Fund, but only if no Reserve Instrument Repayment Obligations are outstanding and unpaid.

Whenever the amount in a Series Subaccount in the Debt Service Reserve Account, excluding the amounts available under any Reserve Instrument, together with the amounts in the corresponding Series Subaccount in the Debt Service Account are sufficient to pay in full all Outstanding Bonds payable from and secured by such Series Subaccount in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in such Series Subaccount in the Debt Service Reserve Account shall be transferred to the corresponding Series Subaccount in the Debt Service Account and no further deposits shall be required to be made into such Series Subaccount in the Debt Service Reserve Account.

Unless otherwise provided in a Supplemental Indenture authorizing a Series of Bonds or a Bank Loan, in calculating the amount on deposit in a Series Subaccount in the Debt Service Reserve Account, any amount available under a Reserve Instrument will be treated as an amount on deposit therein.

Unless otherwise specified in the Supplemental Indenture authorizing a Series of Bonds, no Reserve Instrument for such Series of Bonds shall be allowed to expire unless and until cash has been deposited into the appropriate Series Subaccount in the Debt Service Reserve Account, or a new Reserve Instrument has been issued in place of the expiring Reserve Instrument, in an amount or to provide coverage at least equal to the applicable Debt Service Reserve Requirement.

*Bond Fund – Capitalized Interest Account.* In the event and to the extent that proceeds of the sale of Bonds or Bank Loans are to be used to pay capitalized interest on such Bonds or Bank Loans, the Supplemental Indenture providing for the issuance of such Series of Bonds or Bank Loans shall establish a separate Series Subaccount in the Capitalized Interest Account for each such Series of Bonds. The Trustee shall, during the period for which such interest was capitalized, transfer from the appropriate Series Subaccount in the Capitalized Interest Account, to the appropriate Series Subaccount in the Debt Service Account, the amounts required to pay interest on the Bonds when due, subject to any provisions contained in the Supplemental Indenture authorizing such Bonds.

*Reserve and Contingency Fund.* The amounts in the Reserve and Contingency Fund, established under the Power Sales Contracts and funded from time to time by UAMPS according to its annual budget, are not subject to the pledge and lien of the Indenture, but shall, from time to time, be applied by UAMPS to the payment of unusual or extraordinary Operation and Maintenance Costs and the Cost of any part of the Veyo Heat Recovery Project, and may provide reserves for these purposes.

*Subordinated Indebtedness Fund.* The Trustee shall apply amounts in each separate account in the Subordinated Indebtedness Fund at the times, in the amounts and to the purposes specified with respect thereto in the respective resolutions, indentures or other instruments, including any Supplemental Indenture, relating to such account and the Subordinated Indebtedness payable therefrom or secured thereby.

*Stabilization Fund.* If on the Business Day preceding any Bond Payment Date, or, if so provided by Supplemental Indenture, a scheduled payment date of Bank Loan Repayment Obligations, the amount in any Series Subaccount in the Debt Service Account is less than the amount required to be in such Series Subaccount, and there are not sufficient moneys on deposit in the corresponding Series Subaccount in the Debt Service Reserve Account to cure such deficiency, UAMPS shall transfer from the Stabilization Fund to the Trustee for deposit into such Series Subaccount in the Debt Service Account the amount necessary (or all the moneys in the Stabilization Fund, if less than the amount necessary) to make up such deficiency, in accordance with the Indenture.

Amounts in the Stabilization Fund not required to meet a deficiency as described in the previous paragraph may be transferred from time to time by UAMPS from the Stabilization Fund free and clear of the lien of the Indenture and deposited into any funds or accounts established by UAMPS to be used for any lawful Veyo Heat Recovery Project purpose.

*Construction Fund.* There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Indenture or any Supplemental Indenture. The Trustee shall establish within the Construction Fund a separate Project Account for each Series of Bonds (other than Refunding Bonds) and may establish one or more subaccounts in each Project Account. Amounts in each Project Account shall be applied to pay the Cost of the Project, Cost of Additional Facilities or other items of Cost, as applicable.

The substantial completion of acquisition and construction of the Initial Facilities and any Additional Facilities shall be evidenced by a written certificate of UAMPS, filed with the Trustee. Upon the filing of such certificate, the balance in the Project Account in the Construction Fund in excess of the amount, if any, stated in such certificate as being required for payment of any remaining part of the Cost of Initial Facilities or Additional Facilities shall, subject to any provision in a Supplemental Indenture, be (i) used to purchase Bonds as provided in the Indenture, (ii) deposited into the Debt Service Reserve Account to fund any amounts required to be deposited therein, (iii) deposited into the Debt Service Account, (iv) transferred into another Project Account to pay the Costs of other Additional Facilities, (v) to redeem Bonds or pay Bank Loans, if and as provided in the Supplemental Indenture providing for their issuance; or (vi) used for any other purpose for which proceeds of Bonds may be used under applicable law and the covenants and agreements of UAMPS regarding the use of proceeds of Bonds, including a transfer into the Operation and Maintenance Fund to provide working capital and reserves for the payment of Operation and Maintenance Costs.

## INVESTMENT OF FUNDS

Moneys held in any Fund or account shall be invested and reinvested by UAMPS or the Trustee to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund or account.

Subject to any required rebate of earnings on investments in any Fund or account to the United States of America pursuant to Section 148(f) of the Code and except as otherwise provided in a Supplemental Indenture establishing a Project Account or a Series Subaccount: (i) all moneys earned as an investment of moneys in each Project Account in the Construction Fund shall be retained in such Project Account; (ii) net income earned on any moneys or investments in the Revenue Fund, the Operation and Maintenance Fund, the Stabilization Fund and the Debt Service Account shall be transferred to the Revenue Fund; (iii) net income earned on any moneys or investments in the Capitalized Interest Account established with respect to a Series of Bonds shall be transferred to the Series Subaccount in the Debt Service Account for the same Series of Bonds; and (iv) whenever a Series Subaccount in the Debt Service Reserve Account is in its full required amount, net income earned on any moneys or investments therein shall be transferred to the Revenue Fund as provided in the Indenture, otherwise, to be retained therein.

## ISSUANCE OF BONDS AND BANK LOANS

*General Provisions.* Whenever UAMPS shall determine to issue any Series of Bonds, UAMPS shall enter into a Supplemental Indenture with the Trustee which shall specify the information required by the Indenture.

The Bonds of any Series shall be executed by UAMPS for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to UAMPS or upon the written request of UAMPS but only upon receipt by the Trustee of the documents required by the Indenture, including an opinion of counsel and a certificate setting forth the Debt Service and the Aggregate Debt Service for each Fiscal Year of the Bonds of such Series, provided however, that this requirement shall not apply with respect to the First Series of Bonds.

*Initial Bonds.* Initial Bonds may be issued only upon a determination by UAMPS that they are being issued in a principal amount sufficient, together with the amount of any Capital Contributions and other moneys available to UAMPS for such purpose, to provide for: (1) the full payment of the estimated Cost of the Initial Facilities, including all fees and incentives that are reasonably expected to be payable to the EPC Contractor under the EPC Agreement, (2) the full payment of the principal or Redemption Price of and interest on any Bond Anticipation Notes then outstanding, and (3) the deposit, payment or application of the proceeds of such Bonds to any other item of the Cost of the Initial Facilities. The portion of the proceeds of the Initial Bonds described in (2) shall be deposited into a separate and segregated subaccount in the Bond Fund held by the Trustee and shall be used solely for the payment of the principal or Redemption Price of and interest on the Bond Anticipation Notes then outstanding.



*Additional Bonds.* One or more Series of Additional Bonds may be authenticated and delivered upon original issuance from time to time in such principal amount for each such Series as may be determined by UAMPS for the purpose of paying or providing for the payment of all or a portion of (i) any unpaid items of the Project, the Cost of Additional Facilities and any other item included within the definition of “Cost”, (ii) Operation and Maintenance Costs, working capital reserves therefor and any other items within the definition of “Cost of the Project,” (iii) principal, Redemption Price and interest on Bond Anticipation Notes or (iv) any combination of (i), (ii) and (iii).

Each Supplemental Indenture authorizing the issuance of a Series of Additional Bonds:

(1) Shall specify the items of Cost for which the proceeds of such Series of Additional Bonds will be applied; and

(2) May require UAMPS to deposit a specified amount of money from the proceeds of the sale of such Series of Additional Bonds or from other legally available sources into the applicable Project Account sufficient to pay when due all or a portion of the interest on such Series of Additional Bonds accrued and to accrue to the estimated completion date of the Additional Facilities set forth in the written certificate of UAMPS delivered with respect to such Series of Additional Bonds pursuant to the Indenture, plus interest to accrue on such Series of Additional Bonds after the estimated completion date of the Additional Facilities for up to one year (or such different period as may then be permitted by law).

Each Series of Additional Bonds shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents described under “*General Provisions*” above) of a written certificate of UAMPS containing the following:

(1) The estimated Cost of the Project being financed by such Series of Bonds and the Estimated Completion Date of any Additional Facilities, as and to the extent applicable;

(2) A statement that, upon the authentication and delivery of the Bonds of such Series, no Event of Default has occurred and is then continuing under the Indenture and no event has or will have occurred which, with the passage of time or the giving of notice, or both, would give rise to an Event of Default under the Indenture; and

(3) A statement that the issuance of such Series of Bonds complies with the requirements of the Indenture and the Power Sales Contracts.

The proceeds, including accrued interest, of each Series of Additional Bonds shall be deposited simultaneously with the delivery of such Bonds in the Construction Fund and, to the extent permitted by law and the provisions of the Indenture, in any other Funds or such other funds or accounts as may be established by the Supplemental Indenture, in such amount, if any, as may be provided in the Supplemental Indenture authorizing the issuance of such Series of Additional Bonds.

There may also be deposited from any legally available source, to the extent permitted by law and the provisions of the Indenture, in the Funds or such other funds or accounts as may be established by the Supplemental Indenture, such amounts, if any, as may be provided in the Supplemental Indenture authorizing the issuance of such Series of Additional Bonds.

UAMPS may enter into one or more Bank Loans, loan agreements, lines of credit or similar facilities (including facilities that provide working capital for all of UAMPS' operations or for multiple projects of UAMPS) in order to provide working capital and liquidity for purposes of the Project. The repayment obligations of UAMPS under any such Bank Loan or any such facility shall be payable as an item of Operation and Maintenance Costs.

*Refunding Bonds.* One or more Series of Refunding Bonds may be issued in such principal amount which, when taken together with other legally available funds, will provide UAMPS with funds sufficient to accomplish the refunding of all or a part of the outstanding Bonds of one or more Series, including in each case the payment of all expenses in connection with such refunding.

Each Supplemental Indenture authorizing the issuance of a Series of Refunding Bonds shall specify the Bonds to be refunded.

Each Series of Refunding Bonds shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required under "*General Provisions*" above) of the following documents or moneys or securities:

(1) A written certificate of UAMPS stating that the issuance of such Series of Refunding Bonds complies with the requirements of the Indenture and the Power Sales Contracts;

(2) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of any redemption of the Bonds to be refunded on the redemption date or dates specified in such instructions;

(3) If, within the next succeeding 90 days, the Bonds to be refunded do not mature, are not redeemable or are not to be redeemed, irrevocable instructions to the Trustee satisfactory to it, to mail the notice provided for in the Indenture to the Owners of the Bonds being refunded; and

(4) Either (A) moneys in an amount sufficient to effect payment of the principal or the applicable Redemption Price of the Bonds to be refunded, together with accrued interest to the maturity or redemption date, as the case may be, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for the Bonds to be refunded, or (B) Investment Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of the Indenture, which Investment Securities and moneys shall be held in trust and used only as provided in the Indenture.

A Series of Refunding Bonds may be combined with a Series of Additional Bonds.

*Bond Anticipation Notes.* One or more Series of Bond Anticipation Notes may be authenticated and delivered upon original issuance from time to time in such principal amount for each such Series as may be determined by UAMPS for the purpose of paying or providing for the payment of all or a portion of the Cost of the Project, or the refunding of Bond Anticipation Notes, or a combination of such purposes. UAMPS covenants in the Indenture to apply so much of the proceeds of the Bonds in anticipation of which such Bond Anticipation Notes have been issued as shall be necessary to provide for the payment of all Principal Installments on such Bond Anticipation Notes.

The payment of the interest on Bond Anticipation Notes shall be on a parity with the lien and charge created in the Indenture for the payment of the principal of and interest on Bonds and Bank Loans. The payment of the Principal Installments on Bond Anticipation Notes shall be paid *first*, from the proceeds of Bonds or Bank Loans issued by UAMPS and *second*, to the extent not so paid, as an item of Debt Service or of Subordinated Indebtedness as specified in the Supplemental Indenture pursuant to which any Series of Bond Anticipation Notes is issued. If such Principal Installments are payable as an item of Subordinated Indebtedness, such Supplemental Indenture shall also provide that each of such Bond Anticipation Notes shall state on its face that the payment of Principal Installments thereof is so subordinated, and shall contain certain other requirements listed in the Indenture.

*Bank Loans.* UAMPS may, from time to time, execute one or more Bank Loans for any of the purposes for which Bonds may be issued. Whenever UAMPS shall determine to execute a Bank Loan, UAMPS shall enter into a Supplemental Indenture with the Trustee containing the specific items outlined in the Indenture.

In connection with the execution of a Bank Loan, the requirements relating to the Additional Bonds, Refunding Bonds and Bond Anticipation Notes, as applicable, shall be satisfied with respect to such Bank Loan, and the documents, moneys and securities required by such Sections, as applicable, shall be delivered to the Trustee together with the other deliverables required by the Indenture. UAMPS may enter into such Bank Loan Documents as shall be deemed necessary or appropriate in connection with such Bank Loan.

Under the captions below titled “PARTICULAR COVENANTS”, “CONCERNING THE TRUSTEE”, “EVENTS OF DEFAULT”, “ACCELERATION”, “BONDHOLDER RIGHTS”, “APPOINTMENT OF RECEIVER”, AND “MODIFICATION OR AMENDMENT OF INDENTURE”, unless the context otherwise requires, with respect to Bank Loans: references to the “Owners” and “Bonds” are deemed to include Bank Lenders and Bank Loans; references to “Outstanding” are deemed to mean a principal amount equal to the amount outstanding under such Bank Loans; references to “Series” are disregarded; and references to payment of interest or Principal on Bonds are deemed to include the interest and principal components of Bank Loan Repayment Obligations.

*Direct Purchase Bonds.* In connection with the issuance of Direct Purchase Bonds, UAMPS may enter into such loan agreements, line of credit agreements or other credit

agreements or similar instruments with the purchaser of such Direct Purchase Bonds as UAMPS determines to be necessary or appropriate and may authorize such terms and provisions of such Bonds as are not inconsistent with the provisions of the Indenture.

#### PROVISIONS REGARDING INTEREST RATE SWAPS

(a) UAMPS may determine from time to time to enter into one or more Interest Rate Swaps pursuant to the provisions of the State Money Management Act, provided that UAMPS and the Trustee execute a Supplemental Indenture which shall include provisions that:

(1) Specify (A) the Bonds or Bank Loans for which such Interest Rate Swap is a hedge, (B) the notional amount of such Interest Rate Swap which shall correspond to the principal amount of the hedged Bonds or Bank Loan Repayment Obligations Outstanding from time to time and (C) the manner or method for the calculation of the Interest Rate Swap Payments and Interest Rate Swap Receipts and the scheduled payment dates therefor;

(2) Provide that Interest Rate Swap Payments shall be made by UAMPS (or by the Trustee for the account of UAMPS) out of a special subaccount in the Debt Service Account, on a parity with the principal of and interest on the Bonds or Bank Loan Repayment Obligations;

(3) Notwithstanding the provisions of Section 5.04(a) of the Indenture (requiring all Revenues be promptly deposited by UAMPS to the credit of the Revenue Fund), may provide that Interest Rate Swap Receipts received by UAMPS or the Trustee shall be deposited directly into the Debt Service Account (or a subaccount therein); and

(4) Provide that any Swap Termination Payment (A) owed by UAMPS shall be payable solely from amounts on deposit in the Subordinated Indebtedness Fund or an account or subaccount therein or (B) received by UAMPS or the Trustee shall be deposited promptly upon receipt into the Revenue Fund.

Nothing in under the heading “PROVISIONS REGARDING INTEREST RATE SWAPS” shall preclude UAMPS from entering into an Interest Rate Swap under which all Interest Rate Swap Payments and Swap Termination Payments owed by UAMPS are to be made solely from the Subordinated Indebtedness Fund or an account or subaccount therein.

(b) The Trustee shall execute the Supplemental Indenture described in (a) only upon its receipt of the following:

(1) A written certificate of UAMPS satisfying the requirements of the Indenture stating that the execution and performance of the Interest Rate Swap by UAMPS complies with the requirements of the Indenture and the Power Sales Contracts;

(2) Opinions of counsel to the effect that the Interest Rate Swap has been duly authorized and executed by UAMPS and the Swap Counterparty and constitutes their

respective valid and binding obligation and, in the case of the opinion of counsel to UAMPS, that the Interest Rate Swap has been entered into in compliance with the requirements of the State Money Management Act of Utah;

(3) Evidence that the requirements contained in the definition of “Swap Counterparty” have been satisfied; and

(4) An executed counterpart of the Interest Rate Swap.

#### PARTICULAR COVENANTS

*Punctual Payment.* UAMPS will punctually pay or cause to be paid (i) the principal, Redemption Price, all sinking fund installments and interest on the Bonds in strict conformity with the terms of the Bonds and the Indenture, and (ii) the Repayment Obligations in strict conformity with the terms of the each Bank Loan, Security Instrument Agreement and Reserve Instrument Agreement.

*Operation and Maintenance.* UAMPS shall, subject to the provisions of the Project Agreements and consistent with the terms and provisions thereof and with prudent utility practice, (a) cause the Veyo Heat Recovery Project to be operated, maintained and managed in an efficient and economical manner consistent with the Power Sales Contracts, (b) cause the Veyo Heat Recovery Project to be maintained, preserved and kept in good repair, working order and condition, and (c) cause all necessary and proper repairs, replacements and renewals to be made in a timely and efficient manner.

*Power to Own Veyo Heat Recovery Project and Collect Charges; Maintenance of Revenues.* UAMPS has, and will have as long as any Bonds are outstanding and any Repayment Obligations are unpaid, good, right and lawful power to own the Veyo Heat Recovery Project and to sell the capacity or output thereof upon the terms and conditions contained in the Power Sales Contracts. UAMPS shall promptly collect all amounts payable under the Power Sales Contracts as the same become due, and shall at all times maintain and promptly and vigorously enforce its rights against any Participant who does not pay such charges when due. UAMPS will at all times comply with all terms, covenants and provisions, express and implied, of the Project Agreements and the Power Sales Contracts and all other contracts or agreements affecting or involving the Veyo Heat Recovery Project or business of UAMPS with respect thereto. UAMPS will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Indentures and such further accounts, instruments and transfers as may be reasonably required for the better assuring, pledging and confirming to the Trustee all and singular the Revenues, including the payments to be made by the Participants or other users, and the other amounts pledged by the Indenture to the payment of the principal of, Redemption Price and interest on the Bonds. UAMPS will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Revenues, except as specifically authorized in the Indenture.

*Power Sales Contracts and Project Agreements.* UAMPS agrees that if an Event of Default exists and is continuing under the Indenture (see “EVENTS OF DEFAULT” below), the Trustee in its name or in the name of UAMPS may enforce all rights of UAMPS and all

obligations of the Participants and UAMPS under and pursuant to the Power Sales Contracts for and on behalf of the Bondowners.

UAMPS shall collect and forthwith deposit in the Revenue Fund all amounts payable to it by the Participants pursuant to the Power Sales Contracts or pursuant to any other contract for the use or sale of the capacity or output of the Veyo Heat Recovery Project or any part thereof. UAMPS shall enforce the provisions of the Power Sales Contracts and duly perform its covenants and agreements thereunder. UAMPS will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with the Power Sales Contracts which will reduce the aggregate amount of the payments required thereunder or which will in any manner materially impair or materially adversely affect the rights of UAMPS thereunder or the rights or security of the Bondowners under the Indenture. So long as the Bonds are outstanding, UAMPS shall not establish a "Billing Period" (as defined in the Power Sales Contracts) that is longer than one month.

If for any reason any of the Power Sales Contracts is no longer in force and effect, UAMPS, to the extent permitted by law, shall enter into one or more power sales contracts or make other arrangements for the disposition of capacity or output of the Veyo Heat Recovery Project to purchasers in order to provide Revenues. UAMPS shall, to the extent permitted by law, provide for the payment of Revenues pursuant to any power sales contracts so entered into or other arrangements so made which will be fully sufficient to pay the principal or Redemption Price and interest to become due in respect of all Bonds in strict conformity with the terms of the Bonds and the Indenture.

Failure of a Participant to make to UAMPS any of the payments for which provision is made in its Power Sales Contract within 5 business days after the due date of any such payment shall constitute an immediate default on the part of such Participant under its Power Sales Contract. Upon the occurrence of such an event of default under any Power Sales Contract, UAMPS shall immediately take all actions authorized by the Power Sales Contract against such Participant and with respect to its Entitlement Share pursuant to the terms of the Power Sales Contract.

UAMPS covenants and agrees that it will duly perform its obligations under the Project Agreements and will enforce the provisions thereof against the other parties thereto. UAMPS will not consent or agree to any termination of or amendment to any of the Project Agreements which, in the judgment of UAMPS, will materially and adversely affect its rights thereunder.

Notwithstanding any other provision of the Indenture, UAMPS may revise the Entitlement Shares and Debt Service Shares of the Participants shown on Schedule I to the Power Sales Contracts in connection with a sale or assignment permitted under and in accordance with the provisions of the Power Sales Contracts, so long as the sum of all of the Entitlement Shares and the sum of all of the Debt Service Shares listed thereon each equal 100%.

*Observance of Law and Regulations.* UAMPS will keep, observe and perform all valid and lawful obligations or orders or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State of Utah, or by any officer,

board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege, license or franchise now owned or hereafter acquired by UAMPS relating to or affecting the Veyo Heat Recovery Project or the Participants, including its right to exist and carry on business, to the end that such rights, privileges, license and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired; *provided, however*, that UAMPS shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith.

*Rates, Fees and Charges.* UAMPS shall at all times establish and collect rates and charges for the use of the capacity and output of the Veyo Heat Recovery Project or the sale of the capacity or service of the Veyo Heat Recovery Project, as shall be required to provide Revenues at least sufficient in each Fiscal Year, together with other available funds, for the payment of the sum of:

- (1) Operation and Maintenance Costs during such Fiscal Year;
- (2) An amount equal to the Aggregate Debt Service and Repayment Obligations for such Fiscal Year;
- (3) The amount, if any, to be deposited during such Fiscal Year into the Debt Service Reserve Account in the Bond Fund;
- (4) The amount, if any, required by the Indenture or the Power Sales Contracts to be deposited during such Fiscal Year into the Subordinated Indebtedness Fund or the Reserve and Contingency Fund, or set forth in the Annual Budget for deposit into the Subordinated Indebtedness Fund, the Reserve and Contingency Fund or the Stabilization Fund; and
- (5) All other charges or amounts payable out of Revenues during such Fiscal Year.

*Payment of Taxes and Charges.* UAMPS will from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or required payments in lieu thereof, lawfully imposed upon the properties of the Veyo Heat Recovery Project or upon the Revenues when the same become due (except those taxes, assessments, charges or claims which UAMPS shall in good faith contest by proper legal proceeding if UAMPS shall in all such cases have set aside on its books reserves deemed adequate with respect thereto), and will duly observe and conform to all valid requirements of any governmental authority relative to any such properties. UAMPS will keep the Veyo Heat Recovery Project and all parts thereof free from judgments, mechanics' and materialmen's liens (except those arising by mere operation of law from the acquisition of any Additional Facilities which are paid in due course) and free from all other liens, claims, demands and encumbrances of whatsoever prior nature or character, to the end that the priority of the lien of the Indenture on the Revenues may at all times be maintained and preserved, and be free from any claim or liability which might embarrass or hamper UAMPS in conducting its business.

*Insurance.* Subject in each case to the conditions that similar insurance is usually carried by utilities constructing and operating waste heat recovery electric generation facilities comparable to the Veyo Heat Recovery Project and that such insurance is obtainable at reasonable rates and upon reasonable terms and conditions, (i) UAMPS will secure and maintain, or cause there to be secured and maintained, insurance on the physical properties of the Veyo Heat Recovery Project with a value in excess of \$100,000, and public liability insurance in the amounts and against such risks as are usually insurable in connection with similar facilities and are normally carried by municipal corporations engaged in the operation of similar properties; (ii) UAMPS will secure and maintain adequate fidelity insurance or bonds on the positions of any person or persons handling or responsible for funds of UAMPS related to the Veyo Heat Recovery Project; and (iii) UAMPS may, in its sole discretion, obtain business interruption insurance with respect to the Veyo Heat Recovery Project. UAMPS will annually file with the Trustee, a written statement describing the insurance then in effect, any damage or destruction to any portion of the Veyo Heat Recovery Project and the amount of insurance proceeds covering such loss.

*Accounts and Reports.* UAMPS will at all times keep, or cause to be kept, proper books of record and accounts, separate and apart from all other records and accounts of UAMPS, in which complete and accurate entries shall be made of all transactions relating to the Veyo Heat Recovery Project, the Revenues, the Funds and the Power Sales Contracts. The Indenture requires UAMPS to place on file with Trustee from time to time various audited and unaudited financial statements and various reports relating to the Veyo Heat Recovery Project, the Revenues, the Funds and the Power Sales Contracts. Such records and filings are available at all times during business hours for inspection by the Owners of not less than five percent of the Bonds then outstanding and by other parties.

*Creation of Liens.* UAMPS shall not issue any bonds, notes, debentures, or other evidences of indebtedness of similar nature, other than the Bonds and the Bond Anticipation Notes, payable out of or secured by a pledge or assignment of the Revenues or other moneys, securities or funds held or set aside by UAMPS or by the fiduciaries under the Indenture and shall not create or cause to be created any lien or charge on the Revenues, or such moneys, securities or funds; *provided, however*, that UAMPS may enter into Interest Rate Swaps and may incur Subordinated Indebtedness upon the terms and conditions set forth in the Indenture.

UAMPS will not create, and will use its good faith efforts to prevent the creation of, any mortgage or lien upon the Veyo Heat Recovery Project or any property essential to the proper operation of the Veyo Heat Recovery Project or to the maintenance of the Revenues. UAMPS will not create, or permit the creation of, any pledge, lien, charge or encumbrance upon the Revenues except only as provided in or permitted by the Indenture.

*Eminent Domain.* If all or any part of the Project shall be taken by eminent domain proceedings or conveyance in lieu thereof, the net proceeds realized by UAMPS therefrom shall be (a) applied to replace the lost portion of the Project or (b) deposited with the Trustee in a special fund in trust and applied and disbursed by the Trustee subject to the following conditions:



(1) If such funds are sufficient to provide for the payment of the entire amount of principal due or to become due upon all of the outstanding Bonds, together with all of the interest due or to become due thereon and any redemption premiums thereon, so as to enable UAMPS to retire all of the Bonds then outstanding, either by call and redemption at the then current Redemption Prices or by payment at maturity or partly by redemption prior to maturity and partly by payment at maturity, the Trustee shall apply such moneys to such retirement or payment, as appropriate, and to the payment of such interest. Pending the application of such proceeds for such purpose, such moneys shall be invested by the Trustee in Government Obligations. The balance of such moneys, if any shall be transferred to UAMPS.

(2) If such proceeds are insufficient to provide the moneys required for the purposes described in subparagraph (i) above, UAMPS shall request the Trustee in writing to apply such proceeds for one of the following purposes: (a) to the purchase, redemption or retirement of Bonds; (b) to the cost of additions, improvements or extensions to the Project; or (c) for deposit into the Revenue Fund.

*Reconstruction; Application of Insurance Proceeds.* If any useful portion of the Project shall be damaged or destroyed, UAMPS shall determine whether to proceed with the reconstruction or replacement thereof or to terminate the Veyo Heat Recovery Project. In making such determination, UAMPS shall obtain (and shall be entitled to rely upon) a report of an independent engineer setting forth such engineer's recommendations as to the reconstruction or replacement or termination of the Veyo Heat Recovery Project. In the event that UAMPS determines not to reconstruct or replace the Facility, the proceeds of any insurance received by UAMPS on account of such damage or destruction (other than any business interruption loss insurance), shall be deposited into a special account in the Bond Fund and shall be used, together with other legally available moneys for such purpose, to redeem or defease Bonds.

In the event that UAMPS determines to proceed with the reconstruction or replacement of the Project, the proceeds of any insurance received by UAMPS on account of such damage or destruction (other than any business interruption loss insurance), shall, if the appropriate Project Account in the Construction Fund has not been closed, be paid into the Construction Fund, or if the Construction Fund has been closed, shall be held by the Trustee in a special account and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement. Pending such application, such proceeds may be invested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such costs of reconstruction or replacement. Interest earned on such account or investments shall be deposited in the Revenue Fund. The proceeds of any insurance received by UAMPS and not applied within three Years after receipt thereof by UAMPS to repairing or replacing damaged or destroyed property, or in respect of which notice in writing of intention to apply the same to the work of repairing or replacing the property damaged or destroyed shall not have been given to the Trustee by UAMPS within such three Years, or which UAMPS shall at any time notify the Trustee are not to be so applied, shall be deposited in the Revenue Fund.

If the proceeds of insurance to be applied to the reconstruction or replacement of any portion of the Veyo Heat Recovery Project are insufficient for such purpose, the deficiency may

be supplied out of moneys in the Stabilization Fund or other legally available monies. The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund.

*Construction of the Initial Facilities and Additional Facilities.* UAMPS shall cause the acquisition and construction of the Initial Facilities and any Additional Facilities to be accomplished in a sound and economic manner and as expeditiously as is practicable, in accordance with the provisions of the Project Agreements. UAMPS shall, as expeditiously as is practicable, take all action on its part necessary to acquire all regulatory permits and approvals necessary to acquire, construct, own, and maintain the Veyo Heat Recovery Project. UAMPS will enforce and defend its rights under the Project Agreements and will not consent or agree to any amendment of the Project Agreements that materially and adversely affects its rights thereunder.

*Annual Budget; Limitation on Operation and Maintenance Costs.* Prior to the beginning of each Fiscal Year, UAMPS shall prepare and file with the Trustee for the ensuing Fiscal Year an Annual Budget recommended by the Project Management Committee and approved by the Board of Directors of UAMPS. The Trustee is under no obligation to review any Annual Budget filed with the Trustee. UAMPS shall not expend any amount from the Operation and Maintenance Fund for Operation and Maintenance Costs for any Fiscal Year in excess of the amounts provided therefor in the Annual Budget as then in effect except under certain circumstances enumerated in the Indenture.

#### CONCERNING THE TRUSTEE

The Trustee shall perform the trusts contained in the Indenture as a corporate trustee ordinarily would perform such trusts under a corporate indenture, upon and subject to the express terms and conditions set forth in the Indenture. The Trustee shall perform such duties and only such duties as are specifically set forth in the Indenture and shall also act as registrar and paying agent.

The Trustee may resign at any time by giving not less than 60 days' notice to UAMPS; *provided* that no such resignation of the Trustee shall take effect until a successor Trustee shall have been appointed and shall have accepted the duties of the Trustee under the Indenture. So long as no Event of Default has occurred and is continuing hereunder, UAMPS may at any time and shall following the breach by the Trustee of the trusts set forth in the Indenture, remove the Trustee and appoint a successor. The Trustee also may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then outstanding or their attorneys-in-fact duly authorized. Notice of any resignation or removal of the Trustee shall be given to the Bond owners as provided in the Indenture.

UAMPS covenants and agrees in the Indenture to pay to the Trustee its reasonable compensation and its reasonable expenses, disbursements and advances and to indemnify the Trustee against certain liabilities arising out of the performance of its duties under the Indenture. The Indenture grants to the Trustee a lien prior to the lien of the Bonds upon all property or

funds held or collected by the Trustee (other than funds held in trust for particular Bonds) to secure UAMPS' obligations to compensate and indemnify the Trustee.

#### EVENTS OF DEFAULT

The occurrence of one or more of the following events shall constitute an "*Event of Default*":

(1) failure by UAMPS to make the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(2) failure by UAMPS to make the due and punctual payment of any installment of interest on any Bond or any sinking fund installment when and as such interest installment or sinking fund installment shall become due and payable;

(3) failure by UAMPS to observe any of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, and failure to remedy the same within a period of sixty (60) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to UAMPS by the Trustee, or to UAMPS and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time outstanding;

(4) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of Title 11, United States Code (as the same may from time to time be amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against UAMPS and if instituted against UAMPS, said proceedings are consented to or are not dismissed within 30 days after such institution; *provided, however*, that such event shall not constitute an Event of Default unless in addition, (a) UAMPS is unable to meet its debts with respect to the Veyo Heat Recovery Project as such debts become due or (b) any plan of adjustment or other action in such proceeding would affect in any way the Revenues or the Veyo Heat Recovery Project; or

(5) any Event of Default specified in a Supplemental Indenture.

#### ACCELERATION

Upon the occurrence of an Event of Default, unless the principal of all the Bonds shall have already become due and payable:

(1) the Trustee may, or

(2) upon receipt of the written request of (i) the Owners of not less than 25% of the aggregate principal amount of the Bonds at the time Outstanding (subject to any limitations specified in a Supplemental Indenture authorizing a Series of Bonds with respect to the rights of the Owners of such Bonds), (ii) Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 25% in aggregate Principal amount of the Bonds at the time Outstanding, or (iii) any combination of Bondowners and Security Instrument Issuers described in clauses (i) and (ii) representing not less than 25% in aggregate Principal amount of the Bonds at the time Outstanding, the Trustee shall

declare upon notice in writing to UAMPS the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. Upon such declaration such principal and interest shall be immediately due and payable, notwithstanding anything to the contrary contained in the Indenture or in the Bonds.

The right of the Trustee to make any such declaration as described above, however, is subject to various conditions set forth in the Indenture and any such declaration may be rescinded and annulled as provided in the Indenture.

#### BONDHOLDER RIGHTS

No Owner of any Bond, any Security Instrument Issuer or any Reserve Instrument Issuer shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Owner, Security Instrument Issuer or Reserve Instrument Issuer has previously given written notice to the Trustee of a continuing Event of Default;

(2) either (a) the Owners of not less than 25% in aggregate Principal amount of the Outstanding Bonds (subject to any limitations specified in a Supplemental Indenture authorizing a Series of Bonds with respect to the rights of the Owners of such Bonds), (b) Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure 25% in aggregate Principal amount of the Bonds at the time Outstanding, or (c) any combination of Bondowners and Security Instrument Issuers described in clauses (a) and (b) representing not less than 25% in aggregate Principal amount of the Bonds at the time Outstanding, shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Owners or Security Instrument Issuer has offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by (a) the Owners of a majority in Principal amount of the Outstanding Bonds (subject to any limitations specified in a Supplemental Indenture authorizing a Series of Bonds with respect to the rights of the Owners of such Bonds), (b) Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure a majority in aggregate Principal amount of the Bonds then Outstanding, or (c) any combination of Bondowners and Security Instrument Issuers described in clauses (a) and (b) representing a majority in aggregate Principal amount of the Bonds at the time Outstanding;

it being understood and intended that no one or more Owners of Bonds, Security Instrument Issuers or Reserve Instrument Issuers shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other such parties, or to obtain or to seek to obtain priority or preference over any other such parties or to enforce any right under the Indenture, except in the manner herein and therein provided and for the equal and ratable benefit of all such parties in accordance with the provisions of the Indenture.

Notwithstanding any other provision in the Indenture, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of the Principal of, Redemption Price and interest on such Bond on the respective stated maturities expressed in such Bond (or, in the case of redemption, on the redemption date of such Bond) and to institute suit for the enforcement of any such payment, subject only to any conditions of any Security Instrument Issuer providing a Security Instrument securing such Bond. Such right to receive payment shall not be impaired without the consent of such Owner.

The Owners of a majority of the Principal amount of the Outstanding Bonds (subject to any limitations specified in a Supplemental Indenture authorizing a Series of Bonds with respect to the rights of the Owners of such Bonds), Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure a majority in aggregate Principal amount of the Bonds then Outstanding, or any combination of such Bondowners and Security Instrument Issuers representing a majority in aggregate Principal amount of the Bonds at the time Outstanding, shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that:

(1) such direction shall not be in conflict with any rule of law or the Indenture,

(2) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Owners and Security Instrument Issuers not taking part in such direction, and

(3) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

No remedy conferred in the indenture upon or reserved to the Trustee or to the Owners of Bonds or, with respect to Repayment Obligations, to Security Instrument Issuers and Reserve Instrument Issuers, as appropriate, is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the Trustee, the Owner of any one or more of the Bonds or, with respect to Repayment Obligations, by Security Instrument Issuers and Reserve Instrument Issuers, as appropriate. Nothing in the Indenture shall permit the levy of any attachment or execution upon any of the properties of UAMPS, nor shall any properties of UAMPS be subject to forfeiture by reason of any default hereunder, it being expressly understood and agreed by each and every Bondowner by the acceptance of any Bond and by each and every Security Instrument Issuer and Reserve Instrument Issuer by entering into Security Instrument Agreements and Reserve Instrument Agreements, as appropriate, that the rights of all such Bondowners, Security Instrument Issuers and Reserve Instrument Issuers are limited and restricted to the use and application of Revenues, Funds and other moneys, securities and funds pledged under the Indenture in accordance with the terms of the Indenture.

#### APPOINTMENT OF RECEIVER

Upon the occurrence of an Event Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondowners, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the trust estate created by the Indenture, including, without limitation, the proceeds of the sale of the Bonds, the Revenues and the Funds, including the investments, if any, thereof, pending such proceedings, with such powers as a court making such appointments shall confer.

#### MODIFICATION OR AMENDMENT OF INDENTURE

UAMPS and the Trustee may from time to time and at any time enter into a Supplemental Indenture modifying or amending the Indenture or any Supplemental Indenture and the rights and obligations of UAMPS, the Trustee and of the Owners of the Bonds pursuant to the affirmative vote at a meeting of Bondowners, or with the written consent without a meeting, (i) (A) of the Owners of at least a majority in principal amount of the Bonds then outstanding, or (B) in case less than all of the several Series of Bonds then outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Bonds of each Series so affected and then outstanding, and (ii) in case the modification or amendment changes the terms of any sinking fund installment, of the Owners of at least 60% in principal amount of the Bonds of the particular Series and maturity entitled to such sinking fund installment and then outstanding; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain outstanding, the consent of the Owners of Bonds of such Series shall not be required and Bonds

of such Series shall not be deemed to be outstanding for the purpose of any calculation of outstanding bonds under the Indenture.

UAMPS and the Trustee may also from time to time and at any time enter into a Supplemental Indenture modifying or amending the Indenture or any Supplemental Indenture and the rights and obligations of UAMPS and the Owners of the Bonds, without the consent of any Bondowners for any of the following purposes:

- (1) to provide additional covenants and agreements of UAMPS;
- (2) to surrender any right or power reserved to or conferred upon UAMPS by the Indenture;
- (3) to limit the principal amount of Bonds that may be issued under the Indenture;
- (4) to make such provisions for the purpose of curing any ambiguity, or of curing or correcting any defective provision contained in the Indenture or in regard to questions arising under the Indenture, as UAMPS may deem necessary or desirable, and which, in accordance with the Indenture, shall not adversely affect the interests of the Owners of the Bonds;
- (5) to provide for the issuance of a Series of Bonds, the delivery of an Alternate Letter of Credit or a replacement Security Instrument, the execution of an Interest Rate Swap or the issuance or occurrence of Subordinated Indebtedness in accordance with the provisions of the Indenture;
- (6) to provide for the issuance of the Bonds pursuant to a book-entry system or as uncertificated registered public obligations pursuant to the provisions of the Registered Public Obligations Act, Chapter 7 of Title 15 of the Utah Code Annotated 1953, as amended, or any successor provision of law;
- (7) to make any change which, in the judgment of the Trustee, shall not materially adversely affect the rights or interests of the Owners of any outstanding Bonds and is required by a Rating Agency in order to obtain or maintain any rating on the Bonds;
- (8) to make any change necessary (A) to establish or maintain the exemption from federal income taxation of interest on any Series of Bonds as a result of any modifications or amendments to Section 148 of the Code (or any successor provision of law) or interpretations thereof by the Internal Revenue Service, or (B) to comply with the provisions of Section 148(f) of the Code (or any successor provision of law), including provisions for the payment of all or a portion of the investment earnings of any of the Funds established under the Indenture to the United States of America;
- (9) to evidence the appointment of a successor Trustee;

(10) if the Bonds affected by such change are rated by a Rating Agency, to make any change which does not result in a reduction of the rating applicable to any of the Bonds so affected, *provided* that if any of the Bonds so affected are secured by a Security Instrument, such change must be approved in writing by the issuer of such Security Instrument;

(11) if the Bonds affected by such change are secured by a Security Instrument, to make any change approved in writing by the issuer of such Security Instrument, *provided* that if any of the Bonds so affected are rated by a Rating Agency, such change shall not result in a reduction of the rating applicable to any of the Bonds so affected; and

(12) to the extent permitted by a Supplemental Indenture authorizing a Series of Additional Bonds (or Bond Anticipation Notes), the designation of additions, improvements and extensions to the Veyo Heat Recovery Project as Additional Facilities by such Supplemental Indenture may be modified or amended if UAMPS delivers to the Trustee an engineer's certificate to the effect that such modification or amendment will not adversely impact UAMPS' ability to perform the covenants relating to rates or charges contained in the Indenture.

No modification or amendment shall be permitted pursuant to paragraph (10), (11) or (12) unless UAMPS delivers to the Trustee an opinion of counsel of nationally recognized standing in the field of law relating to municipal bonds to the effect that such modification or amendment will not adversely affect the tax-exempt status or validity of any Bonds affected by such modification or amendment.

No modification or amendment permitted by the Indenture shall (i) extend the fixed maturity of any Bond, or reduce the principal amount or Redemption Price thereof, or reduce the rate or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Indenture, without the consent of the Owners of all of the Bonds then outstanding, or (iii) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Each Supplemental Indenture modifying or amending the Indenture as described above shall become effective as of the date of its execution and delivery by UAMPS and the Trustee or such later date as shall be specified in such Supplemental Indenture.

No amendment shall be permitted which shall affect (1) the rights or duties of a Security Instrument Issuer or Reserve Instrument Issuer of a Security Instrument or a Reserve Instrument, as the case may be, then in full force and effect and not in default on a payment obligation, or (2) the Series of Bonds for which a Security Instrument Issuer or Reserve Instrument Issuer provides security, without the consent of such Security Instrument Issuer or Reserve Instrument Issuer, as the case may be.



## TAX COVENANT

UAMPS covenants that neither the output of the Veyo Heat Recovery Project nor moneys on deposit in any Fund, whether or not such moneys were derived from proceeds of sales of Bonds or from any other sources, will be used in a manner which will cause any Bonds, the interest on which is to be exempt from federal income taxation or eligible for tax credits under the Code, to be “private activity bonds” or “arbitrage bonds” within the meaning of Section 148 of the Code; *provided, however*, that this covenant shall not prevent the issuance of a Series of Bonds the interest on which is subject to Federal income taxation under the Code.

## DISCHARGE OF INDEBTEDNESS

If UAMPS shall pay or cause to be paid, or there shall otherwise be paid, subject to any limitations contained in a Supplemental Indenture with respect to a Series of Bonds, to the Owners of all Bonds the Principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture and if all Repayment Obligations owed to Bank Lenders, Security Instrument Issuers and Reserve Instrument Issuers shall have been paid in full, then the pledge of any Revenues and other moneys, securities and Funds pledged under the Indenture and all covenants, agreements and other obligations of UAMPS to the Bondowners, Bank Lenders, Security Instrument Issuers and Reserve Instrument Issuers shall thereupon cease, terminate and become void and be discharged and satisfied.

If UAMPS shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of any outstanding Bonds the Principal or Redemption Price, if applicable, and interest due or to become due thereon, and to all Bank Lenders the Bank Loan Repayment Obligations, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of UAMPS to the Owners of such Bonds and Bank Lenders shall thereupon cease, terminate and become void and be discharged and satisfied.

All or any portion of the Bonds of any Series or maturity shall prior to the maturity or redemption date thereof be deemed to have been paid if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, UAMPS shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in the Indenture notice of redemption of such Bonds on said date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, *provided* that if there is deposited with the Trustee Government Obligations, there shall be filed with the Trustee a cash flow verification report that shows the sufficiency of the cash flows provided by such Government Obligations to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, and (iii) in the event said Bonds do not mature, are not redeemable or are not to be

redeemed, in each case, within the next succeeding 90 days, UAMPS shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, first class postage prepaid, a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

Neither Government Obligations nor moneys deposited with the Trustee pursuant to the Indenture nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; *provided* that any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to UAMPS, as received by the Trustee, free and clear of any trust, lien or pledge.

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS

The following is a summary of certain provisions of the Veyo Heat Recovery Project Power Sales Contracts between UAMPS and each of the Participants (the “*Power Sales Contracts*”). This summary is not to be considered a full statement of the terms of such Power Sales Contracts and accordingly is qualified in its entirety by reference thereto and is subject to the full text thereof. Capitalized terms not defined herein or elsewhere in this Official Statement have the meanings set forth in the Power Sales Contracts. Certain of the capitalized terms used herein are defined in “CERTAIN DEFINITIONS” in APPENDIX B to this Official Statement.

#### TERM

The Power Sales Contracts remain in effect, unless earlier terminated in accordance with their terms, until the determination of the Project Management Committee to terminate the Project and to cause all of the Power Sales Contracts to expire on a date certain following the last to occur of: (i) the date on which all Bonds have been paid in full as to principal, premium and interest, or sufficient funds shall have been irrevocably set aside for the full defeasance thereof and all other obligations of UAMPS under the Financing Documents and the Project Agreements have been paid or satisfied; and (ii) the date on which the Initial Facilities and any Additional Facilities shall be taken out of service and terminated and all decommissioning costs shall have been paid or fully funded.

“*Financing Documents*” is defined in the Power Sales Contracts as the bond resolution, indenture, trust agreement or other instrument or instruments providing for the issuance of and the security for Bonds and all amendments thereof and supplements thereto.

#### SALE AND PURCHASE; PAYMENTS

During the term of the Power Sales Contracts, UAMPS is to sell to each Participant, and each Participant is to purchase from UAMPS the Participant’s Entitlement Share. In respect of its Entitlement Share, each Participant shall, in accordance with and subject to the provisions of the Power Sales Contracts, pay to UAMPS in each Billing Period: (i) until the date of the first issuance of Bonds, the product of its Entitlement Share and all Costs of the Project associated with the development thereof for such Billing Period, (ii) from and after the first issuance of Bonds, the product of its Debt Service Share and all Debt Service Costs for such Billing Period; (iii) the product of its Entitlement Share and all Operation and Maintenance Costs for such Billing Period; and (iv) the Transmission Costs, if any, incurred by UAMPS for the account of the Participant for such Billing Period.

For information concerning each Participant’s Entitlement Share and Debt Service Share see “THE PARTICIPANTS—Schedule of Entitlement and Debt Service Shares” in this Official Statement.

*“Debt Service Costs”* is defined in the Power Sales Contracts as, for each Billing Period of each Contract Year, an amount equal to the sum of:

- (1) the interest accruing on Bonds during such Billing Period, calculated (or estimated) in accordance with the Financing Documents, except to the extent that amounts are on deposit under the Financing Documents to pay such interest, together with any other amounts required by the Financing Documents to be deposited into the Bond Fund in respect of the interest payments on the Bonds;
- (2) the portion of the next due principal installment accruing on Bonds during such Billing Period, calculated in accordance with the Financing Documents, together with any other amounts required by the Financing Documents to be deposited into the Bond Fund in respect of the principal payments on the Bonds;
- (3) the amounts payable during such Billing Period under any Interest Rate Contract;
- (4) any amounts required by the Financing Documents to be deposited into the Bond Fund to provide or replenish debt service reserve requirements for Bonds;
- (5) the accruing principal of and interest on any obligations subordinate to the Bonds issued by UAMPS pursuant to the Financing Documents and amounts necessary to provide or replenish any necessary reserves in connection with such obligations;
- (6) Trustee, paying agent, escrow agent and other fiduciaries’ fees and expenses payable under the Financing Documents; fees and expenses of remarketing agents, broker-dealers, auction agents and others providing services with respect to Bonds; and
- (7) the amounts required to be paid to maintain any credit or liquidity facilities for and ratings on the Bonds and other costs payable by UAMPS from time to time in connection with the Bonds.

*Provided, however,* that the additional interest expense on or in respect of any Bonds or subordinate obligations that are subject to federal income taxation (and not eligible for tax credits or interest subsidy payments) may, as determined by the Project Management Committee pursuant to the terms of the Power Sales Contract, be allocated to those Participants whose legal status or use of the Project Capability or the Project Output adversely affects the Tax Status of such Bonds. In the event of such allocation, the Debt Service Costs payable by such Participants shall be increased to include amounts sufficient to pay any such additional interest expense.

*“Debt Service Percentage”* is defined in the Power Sales Contracts as, with respect to each Participant and as of any date of determination, the percentage obtained by subtracting the Participant’s Capital Contribution Percentage from the Participant’s Entitlement Share. The Participant’s initial Debt Service Percentage is set forth in the Power Sales Contract.

*“Debt Service Share”* is defined in the Power Sales Contracts as, with respect to each Participant and as of any date of determination, the percentage of Debt Service Costs payable by the Participant, determined by dividing the Participant’s Debt Service Percentage (expressed as a decimal) by the sum (expressed as a decimal) of the Debt Service Percentages of all Participants, including the Participant whose Debt Service Share is being determined. The Participant’s initial Debt Service Share is set forth in the Power Sales Contract.

*“Operation and Maintenance Costs”* is defined in the Power Sales Contracts as with respect to each Billing Period, all costs and expenses (other than Transmission Costs and Debt Service Costs) attributable to the Project that are paid, payable, incurred or accrued by UAMPS during each Billing Period resulting from the ownership, operation, maintenance, decommissioning and termination of, and repairs, renewals, replacements, additions, improvements, and betterments and modifications to, the Project, including amounts payable by UAMPS under the Project Agreements.

Without limiting the generality of the foregoing (it being the intention and understanding of UAMPS and the Participants that “Operation and Maintenance Costs” shall include all of UAMPS costs with respect to the Project (other than Transmission Costs and Debt Service Costs)), Operation and Maintenance Costs shall further include, without limitation, the following items of cost:

- (1) the costs of operating and maintaining the Initial Facilities and any Additional Facilities and of producing and delivering Electric Power and Electric Energy to the Point of Delivery during such Billing Period, including the operation and maintenance expenses of the Project and fees, expenses, incentives and other amounts payable under the Host Agreement, the Right-of-Way and any Operating Agreement;

- (2) any amount which UAMPS may be required during such Billing Period to pay for the prevention or correction of any unusual loss or damage or for renewals, replacements, repairs, additions, improvements, modifications and betterments which arise out of or are required by the Project Agreements for which UAMPS shall be obligated, and amounts necessary to fund or replenish reserves hereof, but only to the extent not funded by Bonds or Capital Contributions;

- (3) legally required federal, state and local taxes, including gross receipts taxes and ad valorem taxes or payments in lieu of ad valorem taxes, in each case related to the Project;

- (4) the Cost of Additional Facilities, but only to the extent not paid or financed as part of the Cost of the Project;

- (5) the costs of, or reserves for the costs of, decommissioning or removing from service all or any part of the Project;

- (6) the portion of UAMPS’ administrative and general expenses allocable or directly charged to the Project, working capital and reserves for the payment of operation

and maintenance expenses, and all other costs and expenses (but excluding depreciation) not included in the costs specified in the other items of this definition and properly chargeable to the Project;

(7) amounts to be deposited into the Reserve and Contingency Fund established pursuant to the Power Sales Contracts;

(8) legal, engineering and accounting fees and expenses, the cost of any litigation related to the Project, the Project Agreements, the Power Sales Contracts and the interests and transactions contemplated by the Project Agreements and the Power Sales Contracts, and the costs of technical and advisory services, of all Permits and Approvals and of certifying, qualifying or registering Environmental Attributes associated with the Project, all to the extent allocable to the Project; and

(9) costs imposed upon the Project by an independent system operator, regional transmission organization or similar entity, costs of ancillary services and other operational costs necessary to comply with reliability requirements.

*“Transmission Costs”* is defined in the Power Sales Contracts as, for each Billing Period of each Contract Year, all capital, operating and other costs and expenses paid, payable, incurred or accrued by UAMPS during such Billing Period for the transmission of Electric Energy from the Point of Delivery to the Participant’s System Point of Receipt pursuant to the Transmission Agreements or otherwise. The Participant shall be responsible for the payment of Transmission Costs to UAMPS under the Power Sales Contracts only to the extent that UAMPS has, at the request of the Participant, entered into or utilized Transmission Agreements for the transmission of Electric Energy from the Point of Delivery to the Participant’s System Point of Receipt.

#### CAPITAL CONTRIBUTIONS

The Power Sales Contracts authorize each Participant to make a payment (a *“Capital Contribution”*) to UAMPS in an amount up to the product of Participant’s Entitlement Share and the Reference Project Costs of the Initial Facilities in accordance with the procedures set forth in the Power Sales Contracts. Participants making partial Capital Contributions (an amount less than the product of Participant’s Entitlement Share and the Reference Project Costs of the Initial Facilities) are required to pay such partial Capital Contribution using retained earnings or other legally available funds not derived from any external borrowing.

In connection with the Capital Contribution that may be made by a Participant pursuant to the Power Sales Contracts, the Participant acknowledges and agrees with UAMPS that:

(1) each Capital Contribution shall be held and invested in accordance with the Financing Documents;

(2) UAMPS’ calculation and determination of the Cost of the Initial Facilities and the Participant’s Capital Contribution Percentage and resulting Debt Service

Percentage and Debt Service Share shall be conclusive and binding upon UAMPS and the Participant;

(3) the Participant's election to make a Capital Contribution shall be irrevocable and under no circumstances whatsoever shall the Participant be entitled to a return or rebate of all or any portion of any Capital Contribution in the event that Uncontrollable Force, termination of any Project Agreements or other circumstances result in the suspension, interruption, interference, reduction, curtailment or termination of the Project or the Project Output;

(4) the Capital Contribution shall not be deemed to constitute an investment by the Participant and the Participant shall not be entitled to any investment earnings or rate of return on the Capital Contribution, except with respect to interest earnings on the Capital Contribution pending its application as provided in the Power Sales Contracts; and

(5) any Capital Contribution made by the Participant shall not change or affect UAMPS' ownership in the Project or any of the rights and obligations of UAMPS and the Participant under the Power Sales Contract, except as specifically provided therein, including the right of UAMPS to suspend or terminate the Participant's right to receive the Electric Energy allocable to its Entitlement Share as provided in the Power Sales Contracts.

*"Reference Project Costs"* means the amount determined by UAMPS prior to the proposed issuance of Bonds to finance the Costs of the Initial Facilities for purposes of calculating the amount of any Capital Contribution to be made by the Participant as provided in the Power Sales Contract. Reference Project Costs shall equal the estimated final Cost of the Initial Facilities less any Costs properly attributable solely to the issuance of Bonds, including debt service reserves and costs of issuance of Bonds, and any other items in the definition of Cost of the Project not properly allocable to Reference Project Costs.

In the event that the Project Management Committee approves the issuance of additional Bonds, it shall determine whether to make a capital contribution option available to the Participants and the procedures therefore.

## DEVELOPMENT, ACQUISITION AND CONSTRUCTION OF THE PROJECT; CONSTRUCTION OF ADDITIONAL FACILITIES

Under the Power Sales Contracts, UAMPS has agreed to, among other things, use Commercially Reasonable Efforts consistent with and subject to the terms and provisions of the Project Agreements to cause the Project to be expeditiously and economically acquired and constructed pursuant to the Construction Agreements and the Host Agreement. As soon as practicable after the Commercial Operation Date of the Initial Facilities and additional generating units constituting Additional Facilities, UAMPS shall prepare a complete statement and reconciliation of the final (or substantially final) Cost of the Initial Facilities and Additional Facilities and submit the same to the Project Management Committee for its review and acceptance.

UAMPS may from time to time recommend the acquisition or construction of Additional Facilities to improve or add to the Initial Facilities. Any Additional Facilities shall be approved by the Project Management Committee. Additional Facilities shall not include additional generating units unless approved by the Project Management Committee. Additional generating units constituting Additional Facilities shall become a part of the Project for all purposes of the Power Sales Contract.

Additional generating units not constituting Additional Facilities may be developed, constructed, operated and financed as a separate phase of the Project and may use facilities common to both the Initial Facilities and the Additional Facilities for such prices as may be determined by the Project Management Committee. Upon the approval of the Project Management Committee, UAMPS may enter into or approve such amendments and supplements to the Project Agreements as it deems necessary or desirable in connection with such separate phase. UAMPS shall offer the Participants the opportunity to participate in such separate phase under a supplement to the Power Sales Contract or under a separate agreement, as determined by the Project Management Committee. Each Participant may elect to participate in such separate phase with an entitlement share up to its then-current Entitlement Share. In the event that any Participant elects not to participate in the separate phase or elects a reduced entitlement share, the available entitlement shares shall first be offered by UAMPS to the other Participants and then to such other entities as directed by the Project Management Committee. The supplement to the Power Sales Contracts for any separate phase of the Project shall constitute a separate agreement between the parties for all purposes.

## BILLING PROCEDURES

The payments to be made by each Participant to UAMPS are based upon a budget for each Contract Year that is to be delivered by UAMPS to each Participant on or before the beginning of each Contract Year. A Contract Year (other than the initial Contract Year) commences on the first day of UAMPS' fiscal year (currently April 1). Such budgets are to show an annual estimate for the following Contract Year of (i) Operation and Maintenance Costs and Debt Service Costs, and the Participant's share of each, and (ii) the Transmission Costs payable by the Participant. The Participant is, to the extent and in the manner deemed



appropriate by the Participant, to incorporate the estimates shown on the budget in its annual budgetary process.

The Power Sales Contracts provide for quarterly or more frequent review by UAMPS of its budget of Operation and Maintenance Costs and Debt Service Costs for the Contract Year, and for adjustment thereof as necessary to accommodate extraordinary receipts, credits or expenditures substantially affecting Operation and Maintenance Costs and Debt Service Costs.

For so long as the Billing Period is a Month, on or before the 25th day after the end of each Billing Period, UAMPS shall render to the Participant a billing statement showing the amount payable by the Participant for such Billing Period in respect of: (i) Operation and Maintenance Costs; (ii) Transmission Costs; (iii) Debt Service Costs; and (iv) any other amounts, adjustments or reconciliations payable by or credited to the Participant pursuant to the Power Sales Contract or the Financing Documents and not otherwise shown, including items of the Cost of the Project not then or not to be financed by the issuance of Bonds or Capital Contributions which have theretofore been incurred or are then due and payable by UAMPS.

The billing statement for each Billing Period shall be based, to the fullest extent practicable, upon the actual operation of the Project during such Billing Period. To the extent that any billing statement rendered by UAMPS shall have included any estimated amounts in respect of the Participant's share of Operation and Maintenance Costs, Debt Service Costs or the Transmission Costs or other costs allocable to the Participant, such estimated amounts shall be reconciled at least once during each Contract Year with the actual operation and scheduling of the Project and the Participant shall receive a bill or credit, as applicable, to reflect such reconciliations.

Amounts shown on the statements are due and payable to UAMPS on the on the 10th day of the Month following the Month in which the billing statement was rendered or at such other time as may be established by UAMPS pursuant to the Power Sales Contracts. Delayed payment charges may be imposed for late payment. In the event of a dispute as to any monthly payment, such Participant is required nonetheless to pay the amount shown due pending final determination by agreement or by determination by the Board of Directors of UAMPS.

In order to promote the efficient and economic administration of the Veyo Heat Recovery Project, UAMPS may, at any time after the end of the initial Contract Year and from time to time thereafter, adopt another standard period of time as the Billing Period under the Power Sales Contracts. In addition, UAMPS may, upon the approval of the Project Management Committee, from time to time revise the billing and payment procedures provided for in the Power Sales Contracts to promote the efficient and economic administration of the Veyo Heat Recovery Project or to conform such billing procedures to those utilized in connection with other projects of UAMPS.

#### PARTICIPANT PAYMENTS ARE TAKE-OR-PAY OBLIGATIONS, OPERATING EXPENSES

The obligation of a Participant to make the payments for Operation and Maintenance Costs, Transmission Costs, Debt Service Costs and other amounts payable by the Participant

pursuant to its Power Sales Contract is a several obligation and not a joint obligation with those of any other Participant. The obligation of the Participant to make such payments shall constitute an obligation of the Participant and an operating expense of the Participant's electric system payable solely from the revenues and other available funds of the electric system and shall constitute a cost of purchased Electric Power and Electric Energy, and in no event shall the Participant be obligated or required to levy or collect ad valorem property taxes or assessments to meet its payment obligations under the Power Sales Contract. Such payments shall be made whether or not the Project or any portion thereof is acquired, completed, operable or operating and notwithstanding the damage or destruction of the Project, the suspension, interruption, interference, reduction or curtailment of the Project Output, termination of any of the Project Agreements, loss or interruption of transmission from the Point of Delivery or termination of any Transmission Agreement, for any reason whatsoever, in whole or in part. The obligations of the Participant to make such payments shall not be subject to any reduction, whether by offset, counterclaim, or otherwise, and shall not be conditioned upon the performance by UAMPS under the Power Sales Contract or any other agreement or instrument.

#### SCHEDULING OF DELIVERIES

UAMPS shall schedule the Electric Energy allocable to each Participant's Entitlement Share in accordance with the Power Sales Contracts and the provisions of the Project Agreements. In its discretion, the Project Management Committee may adopt operating and scheduling procedures to promote the efficient utilization of the Project.

Each Participant has executed and delivered to UAMPS the Pooling Agreement and an appendix thereto that assigns the Electric Energy allocable to the Participant's Entitlement Share under the Power Sales Contracts to the UAMPS Pool. Any surplus Electric Energy attributable to the Participant's Entitlement Share shall be sold or otherwise disposed of by the Participant only in accordance with the provisions of such appendix. In addition to any sales of surplus Electric Energy requested by the Participant through the UAMPS Pool, UAMPS will utilize Commercially Reasonable Efforts to sell, exchange or otherwise dispose of any incidental surplus Electric Power and Electric Energy attributable to the Project for the benefit of the Participants.

The assignment of the Electric Energy allocable to the Participant's Entitlement Share pursuant to the Pooling Agreement and appendix shall be solely for operating and scheduling purposes and shall not constitute an assignment or transfer of the Participant's right, title and interest in and to such Electric Energy. At any time the Veyo Heat Recovery Project is operable or operating, a Participant shall not be entitled to schedule in any hour Electric Energy in excess of that which is allocable to the Participant's Entitlement Share, unless arrangements have been made for a planned purchase of such Electric Energy through the UAMPS Pool.

#### TRANSMISSION; DELIVERY; INTERRUPTIONS

The Electric Energy allocable to the Participant's Entitlement Share shall be delivered at the Point of Delivery. The Participant shall be responsible for, and shall pay all costs of, (i) the transmission of Electric Energy from the Point of Delivery to its System Point of Receipt and (ii)

the distribution and delivery of Electric Energy from its System Point of Receipt to its customers.

Upon the request of the Participant, UAMPS will use Commercially Reasonable Efforts to enter into one or more Transmission Agreements, or will utilize its transmission rights under existing Transmission Agreements, to provide for transmission service for the Electric Energy allocable to the Participant's Entitlement Share from the Point of Delivery to the Participant's System Point of Receipt. Any Transmission Agreements entered into by UAMPS for or on behalf of the Participant shall be approved by UAMPS and the Participant, and the Participant shall pay all Transmission Costs thereunder. The Participant agrees that it shall maintain (or cause UAMPS to maintain) during the term of the Power Sales Contract, such Transmission Agreements as shall be necessary for the firm transmission of the Electric Energy allocable to its Entitlement Share from the Point of Delivery to its System Point of Receipt, except as may be otherwise approved by the Project Management Committee.

Electric Energy delivered under the Power Sales Contract and risk of loss shall pass from UAMPS to the Participant at the Point of Delivery.

Deliveries of Electric Energy to the Point of Delivery may be interrupted or reduced if: (a) deliveries to UAMPS are interrupted or reduced pursuant to the terms of the Power Purchase Agreement; (b) any operator of the Initial Facilities determines that such interruption or reduction is necessary in case of emergencies affecting the Initial Facilities or any Additional Facilities, in order to install equipment, to make repairs and replacements to, to make investigations and inspections of, or to perform maintenance work on, the Initial Facilities or any Additional Facilities or otherwise carry out its obligations in respect of Project operations; (c) such interruption or reduction is required under the Interconnection Agreement or by any regulatory body, independent system operator, regional transmission organization or similar entity; or (d) Electric Energy from the Project is otherwise unavailable whether due to an event of Uncontrollable Force or otherwise.

#### NON-USE OF ENVIRONMENTAL ATTRIBUTES

If the Participant determines not to use the Environmental Attributes associated with its Entitlement Share, it shall give UAMPS notice to dispose of such Environmental Attributes for the benefit of the Participant. UAMPS will use Commercially Reasonable Efforts to sell, remarket or otherwise cause such Environmental Attributes to be advantageously utilized, subject to any restrictions and limitations, including those necessary to maintain the Tax Status of the Bonds. The Project Management Committee may establish standards and procedures for the disposition of Environmental Attributes. The other Participants shall have a right of first refusal to acquire such Environmental Attributes at prevailing market prices or such other prices as the Project Management Committee may determine to be reasonable in its sole discretion.

#### INSURANCE

In the Power Sales Contracts, UAMPS has agreed to maintain or, pursuant to the Project Agreements, cause there to be maintained, as part of the Cost of the Project or Operation and

Maintenance Costs, as appropriate, insurance with responsible insurers with policies against risk or direct physical loss, damage or destruction of the Initial Facilities, including liability insurance and employers' liability insurance, all to the extent consistent with Prudent Utility Practice and to the extent available at reasonable cost, but in no case less than will satisfy applicable regulatory requirements and requirements of the Financing Documents.

#### ACCOUNTING; AVAILABILITY OF PROJECT INFORMATION; PARTICIPANT INFORMATION

In the Power Sales Contracts, UAMPS has agreed that it will keep accurate records and accounts relating to the Project, the Project Agreements, the Cost of the Project, Operation and Maintenance Costs, Transmission Costs and Debt Service Costs in accordance with the Financing Documents and the Uniform System of Accounts, separate and distinct from its other records and accounts; *provided* that UAMPS may establish revenue and operation and maintenance funds that account for more than one project of UAMPS so long as UAMPS shall maintain books and records adequate to show the amounts in each of such funds allocable to each such project. Said accounts shall be audited annually.

UAMPS has also agreed in the Power Sales Contracts to make available for examination by the Participants (subject to their availability to UAMPS under the applicable provisions of the Project Agreements) books of accounts, records, documentation, contracts, data, reports and other information relating to the operation and financing of the Project.

Each Participant has covenanted and agreed with UAMPS that it will provide to UAMPS all information with respect to the Participant and its electric system as may be requested by UAMPS or its counsel in connection with the financing of the Project, the issuance of Bonds and compliance with continuing disclosure undertakings pursuant to Rule 15c2-12 of the Securities and Exchange Commission (or other law or regulation).

#### ISSUANCE OF ADDITIONAL BONDS, OTHER OBLIGATIONS

Additional Bonds may be sold and issued by UAMPS in accordance with the provisions of the Financing Documents at any time and from time to time for the purpose of financing the Cost of the Project. UAMPS may issue and sell refunding Bonds in accordance with the Financing Documents. UAMPS may incur other obligations pursuant to the Financing Documents to achieve purposes deemed beneficial to the Project.

Additional Bonds shall be secured by the pledge made pursuant to the Financing Documents of the payments required to be made by the Participant under the Power Sales Contracts, as such payments may be increased and extended by reason of the issuance of additional Bonds, and of other revenues of UAMPS attributable to the Project. Additional Bonds may be issued in amounts sufficient to pay the full amount of such costs and to provide such reserves as may be determined by UAMPS to be reasonably necessary.

## COVENANTS OF EACH PARTICIPANT

*Maintenance of Rates.* Each Participant agrees to establish, maintain, revise, charge and collect rates for electric service rendered by it to its customers so that such rates shall provide revenues which, together with other funds reasonably estimated to be available, will be sufficient to meet the Participant's obligations to UAMPS under the Power Sales Contract, to pay all other operating expenses of the Participant's electric system and to provide revenues sufficient to pay all obligations of the Participant payable from, or constituting a charge or lien on, the revenues of its electric system and, to the extent being paid from the revenues of its electric system, all general obligation bonds of the Participant outstanding from time to time.

*Maintenance of Revenues.* Each Participant agrees to promptly collect all charges due for electric utility services supplied by it as the same become due. The Participant shall at all times maintain, and shall exercise Commercially Reasonable Efforts to enforce, its rights against any person, customer or other entity that does not pay such charges when due.

*Sale or Assignment of Electric System or Power Sales Contract.* The Participant shall not sell, lease or otherwise dispose of all or substantially all of its electric system, except upon compliance with the following provisions respecting the transfer or assignment of its Entitlement Share.

The Participant shall not assign or transfer all or any part of its Entitlement Share or any or all of its interests under the Power Sales Contract, except upon one hundred twenty (120) days' prior written notice to UAMPS and compliance with the provisions set forth below. Within thirty days after receipt of such notice from the Participant (and if such notice indicates that the Participant proposes to assign its Entitlement Share), UAMPS shall notify all of the other Participants of the proposed assignment or transfer by the Participant of all or part of its Entitlement Share. Each of the other Participants shall have the option of acquiring all or any portion of the Entitlement Share that is proposed to be assigned or transferred and shall notify UAMPS of its exercise of such option within forty-five days of its receipt of the notice from UAMPS referred to in the preceding sentence. In the event that two or more of the other Participants shall exercise their options with respect to the Entitlement Share that is proposed to be assigned or transferred in amounts which exceed the total Entitlement Share proposed to be assigned, UAMPS shall, to the extent necessary, make a pro rata allocation of the such Entitlement Share among the Participants which have exercised their options, based upon the existing Entitlement Shares of the requesting Participants. In the event that less than all of such Entitlement Share shall be acquired by other Participants, UAMPS shall notify the other Members of UAMPS of the proposed assignment of an Entitlement Share and shall provide such Members with an opportunity to acquire the remaining portion of the Participant's Entitlement Share.

In the event that less than all of the Entitlement Share proposed to be transferred or assigned is to be acquired by other Participants or other Members of UAMPS, the Participant may proceed to transfer or assign its Entitlement Share and its rights under the Power Sales Contract upon satisfaction of the following conditions: (A) at the sole option of UAMPS either (i) the purchaser or assignee shall assume all obligations of the Participant under the Power Sales

Contract in such a manner as shall assure UAMPS to its sole satisfaction that the Participant's Entitlement Share to be purchased and the amounts to be paid herefore will not be reduced, and if and to the extent deemed necessary by UAMPS in its sole discretion to reflect such assignment and assumption, UAMPS and such purchaser or assignee shall enter into an agreement supplemental to the Power Sales Contract to clarify the terms upon which the Participant's Entitlement Share is to be sold by UAMPS to such purchaser or assignee; or (ii) such purchaser or assignee shall enter into a new contract with UAMPS for the purchase of the Participant's Entitlement Share at a price and on terms which UAMPS in its sole discretion determines not to be less beneficial to it and the other Participants than the Power Sales Contract; (B) the senior debt, if any, of such purchaser or assignee, if such purchaser or assignee is not a Participant shall be rated by at least "Baa2" or "BBB", as applicable, by at least one Rating Agency; (C) the Project Management Committee shall by resolution determine that such sale, lease or other disposition will not adversely affect UAMPS, the other Participants or the security for the payment of Bonds; and (D) UAMPS shall have received an opinion of Bond Counsel to the effect that such sale, assignment or disposition will not by itself adversely affect the Tax Status of Bonds theretofore issued or thereafter issuable. UAMPS shall make all such determinations required in connection with the transfer or assignment within one hundred twenty (120) days of receipt by UAMPS of the notice referred to in the first sentence of this subparagraph and shall provide a written copy of such determinations to the Participant.

In the event any sale, lease or other disposition is permitted pursuant to the Power Sales Contract, UAMPS may require as additional security to assure the flow of revenues under the Power Sales Contract, and the transferring and assigning Participant shall provide or cause to be provided, either a prepayment or a security deposit for amounts due under the Power Sales Contract in such amounts as shall be determined by the Project Management Committee.

Upon the completion of any such sale, lease or other disposition, UAMPS shall prepare and send to each of the Participants a revised SCHEDULE I to the Power Sales Contracts, setting forth the Entitlement Shares, Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares of the Participants, as revised to reflect such sale, lease or other disposition.

*Prudent Utility Practice.* Each Participant agrees to, in accordance with Prudent Utility Practice, (A) at all times operate its electric system and the business thereof in an efficient manner, (B) maintain its electric system in good repair, working order and condition, (C) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to the electric system, so that at all times the business thereof shall be properly conducted and (D) duly perform its obligations under all power supply and transmission service agreements to which it is a party.

*Operating Expenses.* The payments to be made by the Participant to UAMPS pursuant to the Power Sales Contract (A) will be payable and as an operating expense of the Participant's electric system and a cost of purchased electric power and energy and (B) will be payable (together with all other operating expenses) as a first charge on the revenues derived from the operation of its electric system. Each Participant covenants to and agrees with UAMPS that it will include the annual payments required to be made by it under the Power Sales Contract as a cost of purchased electric power and energy as an operating expense in the annual operating

budget of its electric system and in any resolution, ordinance or indenture providing for future borrowings for the Participant's electric system.

*Tax Status.* Each Participant has made various covenants and agreements relating to the Tax Status of the Bonds, including that it agrees that it will apply all of the Electric Energy acquired under the Power Sales Contract to a "Qualified Use" (as defined in the Power Sales Contract), and that it will not take or omit to take any action which could, either alone or in conjunction with any other similar actions by the Participant or other Participants, adversely affect the Tax Status of any Bond or Bonds theretofore issued or thereafter issuable by UAMPS. Upon any breach of the foregoing covenants, the Participant shall take and pay the costs of all remedial actions as may be directed by UAMPS in order to maintain the Tax Status of the Bonds.

"*Tax Status*" means (i) the exclusion from gross income for federal income tax purposes of the interest on any Bonds issued as tax exempt obligations or (ii) the right of a bondowner (or other investor) to receive tax credits or the right of UAMPS to receive interest subsidy payments on any Bonds issued as tax credit bonds or interest subsidy bonds, respectively, in each case pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and the applicable U.S. Treasury Regulations thereunder.

#### DEFAULT

Each of the following constitutes a "default" by the Participant under the Power Sales Contract:

(a) failure of the Participant to make to UAMPS any of the payments for which provision is made in the Power Sales Contract within five business days after the due date of any such payment; or

(b) failure by the Participant to observe any of the covenants, agreements or obligations on its part contained in the Power Sales Contract and failure to remedy the same for a period of sixty days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given by or on behalf of UAMPS; or

(c) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Title 11, Chapter 9, United States Code or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors, are instituted by or against the Participant and, if instituted against the Participant, said proceedings are consented to or are not dismissed within thirty days after such institution.

In the event of any such default, the Participant shall not be relieved of its liability for payment of any amounts in default or its failure to observe its covenants, agreements and obligations hereunder and UAMPS shall have the right to recover from the Participant any amount in default. In enforcement of any such right of recovery, UAMPS may bring any suit, action, or proceeding in law or in equity, including mandamus and action for specific

performance, as may be necessary or appropriate to enforce any covenant, agreement or obligation of the Participant hereunder or the obligation of the Participant to make any payment for which provision is made in the Power Sales Contract. In addition, UAMPS may, upon not less than thirty days' written notice from UAMPS to the defaulting Participant, suspend or terminate the Participant's right to receive its Entitlement Share under the Power Sales Contract. UAMPS shall have no obligation to provide further notice of the default and its consequences to the defaulting Participant.

In connection with its determination to suspend or terminate a defaulting Participant's Entitlement Share, UAMPS shall take into account, among such other matters as UAMPS in its sole discretion shall deem relevant, the amounts and due dates of its payment obligations under the Project Agreements and the Financing Documents and the funds and revenues available to UAMPS to enable it to meet its obligations thereunder.

The suspension or termination of a defaulting Participant's right to receive its Entitlement Share and any actions taken by UAMPS in connection with the transfer of such Entitlement Share following such default (see below) shall not terminate, reduce or modify the defaulting Participant's obligations and liabilities under its Power Sales Contract.

In the event that UAMPS has suspended (but not terminated) a defaulting Participant's right to receive the Electric Energy allocable to its Entitlement Share, such Participant may restore its right to receive such Electric Energy by (i) taking all actions on its part necessary to cure or remedy the default, (ii) paying all amounts necessary to compensate the nondefaulting Participants and UAMPS for fees, costs, expenses and losses incurred by them as a result of such default, and (iii) taking such other action and paying such amounts, including providing such adequate assurances of performance (such as a prepayment or the posting of a security deposit) as may be reasonably required by the Project Management Committee.

#### TRANSFER OF ENTITLEMENT SHARE AFTER DEFAULT

In the event of a default by any Participant and suspension or termination of the Participant's right to receive its Entitlement Share as described above, but only if the Project has not been terminated, UAMPS and the nondefaulting Participants shall take the following actions in the order set forth below:

- (1) UAMPS shall immediately allocate all of the defaulting Participant's Entitlement Share among all of the nondefaulting Participants, pro rata on the basis of their then-current Entitlement Shares. UAMPS shall provide written notice to the nondefaulting Participants of the initial allocation of the defaulting Participant's Entitlement Share which notice shall (A) set forth the date of the initial allocation, (B) include a revised SCHEDULE I to the Power Sales Contracts showing the increased Entitlement Shares and (to the extent applicable) the revised Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares of the nondefaulting Participants as a result of such allocation, (C) direct each of the nondefaulting Participants to make an election pursuant to subparagraph (2) below, and (D) set forth the date by which each of the nondefaulting Participants must notify UAMPS of such



election. The initial allocation of the defaulting Participant's Entitlement Share and the increased Entitlement Shares and the revised Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares of the nondefaulting Participants as a result of such allocation (as shown on the revised SCHEDULE I prepared by UAMPS) shall remain in effect only until the completion of the procedures specified in the Power Sales Contracts relating to the transfer of an Entitlement Share after a Participant default. During such period, each of the nondefaulting Participants shall have all of the rights, benefits, obligations and responsibilities associated with its increased Entitlement Share and its revised Capital Contribution Percentage, Debt Service Percentage and Debt Service Share as a result of such allocation.

(2) Within sixty days after the initial allocation of the defaulting Participant's Entitlement Share, each nondefaulting Participant shall notify UAMPS in writing of its election to: (A) retain all of its initial allocation of the defaulting Participant's Entitlement Share; or (B) retain none or less than all of such allocation. Any Participant that elects to retain all of its initial allocation of the defaulting Participant's Entitlement Share shall be deemed to have fully satisfied its step-up obligations under the Power Sales Contracts and shall not thereafter be required to accept any additional allocation of the defaulting Participant's Entitlement Share; *provided* that any such nondefaulting Participant may give notice to UAMPS of its request to acquire additional amounts of the defaulting Participant's Entitlement Share as may be available.

(3) Within thirty days after its receipt of the elections of all nondefaulting Participants pursuant to subparagraph (2), UAMPS shall determine whether the nondefaulting Participants have elected to retain all of the defaulting Participant's Entitlement Share. In the event that one or more of the nondefaulting Participants elected to retain less than all of the initial allocations of the defaulting Participant's Entitlement Share, UAMPS shall reallocate the remaining amounts of the defaulting Participant's Entitlement Share proportionally among those nondefaulting Participants that have requested additional amounts of the defaulting Participant's Entitlement Share. To the extent that any part of the defaulting Participant's Entitlement Share is then unallocated, UAMPS shall next reallocate the remaining portion of the defaulting Participant's Entitlement Share proportionally among those Participants that did not elect to retain all of their initial allocations of such Entitlement Share. Proportional reallocations shall be based upon the Entitlement Shares of the nondefaulting Participants in effect immediately prior to the defaulting Participant's default.

(4) In no event shall the final allocation of a defaulting Participant's Entitlement Share pursuant to subparagraph (3) (or the total of all such allocations in the event of multiple Participant defaults) cause any nondefaulting Participant's Entitlement Share to increase by more than 25% over its "Adjusted Entitlement Share" without such Participant's consent. The "Adjusted Entitlement Share" is the Participant's Entitlement Share shown on SCHEDULE I on and as of the effective date of the Power Sales Contracts, as such Entitlement Share may have previously been increased upon the Participant's election pursuant to the Power Sales Contracts.

(5) Each allocation or reallocation of a defaulting Participant's Entitlement Share shall also allocate or reallocate the defaulting Participant's Capital Contribution Percentage and Debt Service Percentage to the nondefaulting Participants receiving such allocation or reallocation. The Capital Contribution Percentage and the Debt Service Percentage of the defaulting Participant shall be allocated to each of such nondefaulting Participants proportionally based upon the respective amounts of the defaulting Participant's Entitlement Share that are allocated or reallocated to them.

(6) UAMPS shall deliver, promptly after making the foregoing determinations and reallocations, a notice to the nondefaulting Participants which notice shall (A) set forth the final allocation of the defaulting Participant's Entitlement Share pursuant to subparagraph (3), and the effective date of the final allocation, and (B) include a revised SCHEDULE I showing the revised Entitlement Shares, Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares, respectively, of the nondefaulting Participants upon the final allocation pursuant to subparagraph (3). The Entitlement Shares, Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares shown on such revised SCHEDULE I shall thereafter be the Entitlement Shares, Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares of the nondefaulting Participants.

(7) Any portion of the Entitlement Share of a defaulting Participant allocated or reallocated to a nondefaulting Participant pursuant to the foregoing provisions shall become a part of and shall be added to the Entitlement Share of the nondefaulting Participant, and from and after the date of such transfer the nondefaulting Participant shall be obligated to pay for its increased Entitlement Share pursuant to the terms and provisions of the Power Sales Contract. The defaulting Participant shall remain liable to UAMPS and the nondefaulting Participants for costs incurred and damages suffered by them in connection with the foregoing actions taken with respect to the defaulting Participant's Entitlement Share.

If, as a result of the limitation stated in subparagraph (4) above, any portion of a defaulting Participant's Entitlement Share remains unallocated or upon the request of any nondefaulting Participant, UAMPS shall use Commercially Reasonable Efforts to sell or dispose of the unallocated or designated Entitlement Share or the associated Project Capability and Environmental Attributes. In the event that UAMPS, based upon the advice of Bond Counsel, determines that any such sale or disposition could adversely affect the Tax Status of any Bonds, UAMPS will, in a Commercially Reasonable manner, take such remedial actions as may be designated by Bond Counsel in order to maintain the Tax Status of such Bonds. The defaulting Participant shall be liable for the costs, fees and expenses incurred by UAMPS in connection with any such sale, disposition or remedial action.

In connection with any action taken by it pursuant to the foregoing provisions, UAMPS shall take into account the proceeds realized or the revenues to be received from such sale or disposition and shall, to the extent necessary, make adjustments to the Entitlement Share, Capital Contribution Percentage, Debt Service Percentage and Debt Service Share of each of the nondefaulting Participants to reflect such sale or disposition and to ensure the receipt of revenues

sufficient to enable UAMPS to meet its obligations under the Project Agreements and the Financing Documents. Such adjustments may, under certain circumstances, result in a change in a Participant's share of Operation and Maintenance Costs and Debt Service Costs without a corresponding change in the Participant's Entitlement Share. Upon the completion of the procedures provided above, UAMPS shall prepare and send to each of the Participants a final revised SCHEDULE I, setting forth the Entitlement Shares, the Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares, respectively, of the nondefaulting Participants reflecting the procedures and actions taken pursuant to the foregoing provisions.

#### TERMINATION OR AMENDMENT OF THE POWER SALES CONTRACTS

Each Power Sales Contract shall not be terminated by either party under any circumstances, whether based upon the default of the other party under the Power Sales Contract or any other instrument or otherwise except as specifically provided in the Power Sales Contract. See "TERM" above.

The Power Sales Contracts shall not be amended, modified, or otherwise altered in any manner that will adversely affect the security for the Bonds afforded by the provisions of the Power Sales Contracts. So long as any of the Bonds are outstanding or until adequate provisions for the payment thereof have been made in accordance with the provisions of the Financing Documents, the Power Sales Contracts shall not be amended, modified, or otherwise altered in any manner which will reduce the payments pledged as security for the Bonds or extend the time of such payments provided in the Power Sales Contracts or which will in any manner impair or adversely affect the rights of the owners from time to time of the Bonds. Actions taken by UAMPS or the Participant under or pursuant to the Power Sales Contract that are required or permitted by the Power Sales Contract shall not be deemed to constitute an amendment, modification or alteration of the Power Sales Contract within the meaning of this paragraph.

No Power Sales Contract entered into between UAMPS and another Participant may be amended so as to provide terms and conditions that are substantially and materially different from those contained in the other Power Sales Contracts except upon written notice to and written consent or waiver by each of the other Participants, and upon similar amendment being made to the Power Sales Contracts of any other Participants requesting such amendment after receipt by such Participants of notice of such amendment. No amendment to the Power Sales Contract shall become effective until all Required Approvals have been obtained by or on behalf of the Participant.

#### DISPOSITION OR TERMINATION OF THE PROJECT

Except with regard to the transfer of an Entitlement Share after a Participant default, UAMPS may not sell, lease or otherwise dispose of the Project or any substantial part of the Project without the consent of all of the Participants. Subject to the provisions of the Financing Documents and the Project Agreements, a merger or consolidation or sale of all or substantially all of the property of UAMPS is not prohibited.

Subject to the applicable provisions of the Project Agreements, if the Project shall be terminated, UAMPS shall use Commercially Reasonable Efforts to cause the Project to be economically salvaged, discontinued, disposed of or sold in whole or in part.

**APPENDIX D**

**AUDITED FINANCIAL STATEMENTS OF  
UAMPS FOR THE FISCAL YEARS ENDED  
MARCH 31, 2014 AND 2013**

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FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES

Utah Associated Municipal Power Systems  
Years Ended March 31, 2014 and 2013  
With Report of Independent Auditors

Ernst & Young LLP



Building a better  
working world

Utah Associated Municipal Power Systems  
Financial Statements and Supplemental Schedules

Years Ended March 31, 2014 and 2013

**Contents**

Management’s Discussion and Analysis .....	1
Report of Independent Auditors.....	9
Financial Statements	
Statements of Net Position.....	12
Statements of Revenues and Expenses and Changes in Net Position.....	14
Statements of Cash Flows.....	15
Notes to Financial Statements.....	17
Supplemental Schedules	
Schedules of Project Financial Statements – Balance Sheet .....	46
Schedules of Project Financial Statements – Statement of Revenues and Expenses .....	48
Other Reports	
Report of Independent Auditors on State of Utah Legal Compliance .....	49
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	51



# Utah Associated Municipal Power Systems

## Management's Discussion and Analysis

### **Introduction**

The following is a discussion and analysis of Utah Associated Municipal Power Systems' (UAMPS) financial performance and position, providing an overview of UAMPS' activities for the years ended March 31, 2014, 2013, and 2012.

### **Description of Business**

UAMPS is a political subdivision of the state of Utah (the State). Its 45 members (the Members) include public power utilities in Utah, Oregon, Arizona, Idaho, Nevada, New Mexico, California, and Wyoming. UAMPS' purposes include the planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining projects or ownership interests or capacity rights therein for the generation, transmission, and distribution of electric energy for the benefit of its Members. UAMPS is governed by its Board of Directors (the Board). The Board consists of directors representing Members that have entitlement shares in the various projects undertaken by UAMPS. UAMPS is a project-based organization and presently operates 14 separate projects that provide a variety of power supply, transmission and other services to the Members that participate in them. The Members make their own elections to participate in UAMPS' projects and are not obligated to participate in any particular project. In general, UAMPS and its Members that elect to participate in a project enter into a contract that specifies the services or product to be provided to UAMPS from the project, the payments to be made by participating Members in respect of the costs of the project and other matters relating to the project.

Providing the Members with better methods to share resources and information about electric power issues is an important role for UAMPS. Through the Government and Public Affairs (GPA) project the Members are able to participate in the political process at the state and federal levels and to monitor current political issues that could directly impact the future of the electric industry.

The Board has ultimate control of UAMPS, maintaining managerial, financial and operational responsibility. UAMPS functions as an autonomous company supported solely from its own revenues. All assets, debts and obligations of UAMPS are separate and distinct from the assets, debts and obligations of the State. Upon dissolution of UAMPS, any monies not needed to liquidate UAMPS' obligations would be returned to its Members.

# Utah Associated Municipal Power Systems

## Management's Discussion and Analysis (continued)

### Highlights

UAMPS posted a change in net position for the years ended March 31, 2014, 2013, and 2012 of \$3.2 million, \$18.7 million, and \$3.6 million, respectively. The decrease at March 31, 2014 from March 31, 2013, is attributable largely to a \$17.0 million fee earned by UAMPS, acting as Developer of the Horse Butte Wind project, which was completed and began commercial operation during fiscal year 2013. The development fee was distributed during fiscal year 2013 and was applied to pay costs of the project not funded by the Horse Butte Wind Project Revenue Bonds. The Members may elect to receive refunds of the 2014 excess of revenues over expenses during fiscal year 2015.

### Overview of the Financial Statements

This report includes UAMPS' audited financial statements presented in accordance with accounting principles generally accepted in the United States. The audited financial statements include four components: statements of net position, statements of revenues and expenses and changes in net position, statements of cash flows and notes to the financial statements. The statements of net position provide information at a particular point in time; the statements of revenues and expenses show the results of the organization for the fiscal period, providing information regarding future cash flows. The changes in net position allow a look at the changes in equity over the period, including additions due to the excess of revenue over expenses and decreases due to distributions. The statements of cash flows illustrate the cash that is received from and expended on various activities over the period.

UAMPS' financial statements were audited in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* issued by the Comptroller General of the United States. All statements are prepared on the accrual basis of accounting. All revenues and expenses are recognized when earned or incurred regardless of when cash is received or spent.

Notes to the financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements.

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

#### Financial Analysis

Total cash and invested assets at March 31, 2014, 2013, and 2012, were \$57.0 million, \$52.3 million, and \$42.5 million, respectively. The increase of \$4.7 million from March 31, 2013 to March 31, 2014, is due to a few key items. First, the Payson Project overhaul account increased \$2.0 million due to the financing of certain outage related expenses. Second, the Hunter Project overhaul account increased \$1.7 million, as contributions exceeded consumption. Third, the San Juan overhaul account decreased by \$1.0 million due to outage expenses. Finally, there was an increase of unrestricted cash of \$1.6 million due to a bank delay in processing a payment at the end of the year. The increase from March 31, 2012 to March 31, 2013, is due to the following, first, as the Horse Butte Wind Project began commercial operation, there were increases totaling \$11.8 million for debt service, liquidity, and operation accounts. Second, there was an increase of \$2.4 million in the Hunter Project overhaul account. Third, these increases were offset by a decrease of \$3.9 million in the member funds, retained at their request, for future use. There were other minor account fluctuations due to refinancing and overhaul fund usage.

The components of investments at March 31, 2014, 2013, and 2012, consisted of the following:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Investment in U.S. Treasury notes	<b>21.0%</b>	23.0%	28.0%
Investment in Debenture issued by Government Sponsored Enterprise	<b>1.0</b>	1.0	1.0
Utah Public Treasurer's Investment Fund	<b>78.0</b>	76.0	71.0
	<b>100.0%</b>	100.0%	100.0%

# Utah Associated Municipal Power Systems

## Management's Discussion and Analysis (continued)

### Financial Analysis (continued)

At March 31, 2014, 2013, and 2012, accounts receivable totaled \$22.0 million, \$21.7 million, and \$20.6 million, respectively. The slight increase of \$0.3 million from March 31, 2013 to March 31, 2014, is due to normal fluctuations in receipt of payments. The \$1.1 million increase from March 31, 2012 to March 31, 2013, is predominantly the result of increase billing amounts due to the Horse Butte Wind Project beginning commercial operation during fiscal year 2013. The table below summarizes UAMPS' net position at March 31, 2014, 2013, and 2012:

	2014	2013	2012
Capital assets, net	\$ 152,009	\$ 166,304	\$ 176,791
Other assets	190,232	191,021	68,503
	<b>342,241</b>	<b>357,325</b>	<b>245,294</b>
Deferred outflows of resources	632	737	690
Total assets and deferred outflows of resources	<b>\$ 342,873</b>	<b>\$ 358,062</b>	<b>\$ 245,984</b>
Current liabilities	\$ 30,846	\$ 29,391	\$ 25,628
Long-term liabilities	227,336	237,806	150,466
Other liabilities	45,345	43,311	14,225
Total liabilities	<b>303,527</b>	<b>310,508</b>	<b>190,319</b>
Deferred inflows of resources	34,171	42,489	47,206
Net position:			
Net investment in capital assets	17,941	9,993	691
Restricted for project costs	4,438	7,324	4,472
Unrestricted	(17,204)	(12,252)	3,296
	<b>5,175</b>	<b>5,065</b>	<b>8,459</b>
Total liabilities, deferred inflows of resources, and net position	<b>\$ 342,873</b>	<b>\$ 358,062</b>	<b>\$ 245,984</b>

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

#### **Financial Analysis of Operations**

Operating revenue from power sales for the years ended March 31, 2014, 2013, and 2012, was \$172.0 million, \$161.0 million, and \$167.9 million, respectively. The increase of \$11.0 million in fiscal year 2014 from fiscal year 2013 is due to operating and economic conditions for various projects. First, the IPP project decreased \$6.2 million as a result of decreased callback of energy. Horse Butte Wind project revenue increased \$3.2 million, largely as a result of a full year of operations compared with a partial operating year in fiscal year 2013. Pool project revenue increased \$10.2 million on increased MWh and activity. Nebo project revenue increased due to higher gas prices. Amortization of unearned revenue increased \$1.0 million due to a full year of Horse Butte Wind project, and additional revenue associated with the Payson project overhaul financing and prepayment. The remainder is due to smaller fluctuations within other projects.

The decrease of \$6.9 million in fiscal year 2013 from fiscal year 2012 is due to fluctuations in several projects. The largest contributor to the decrease is the decline in revenue for the IPP project of \$37.5 million due to the reduction in megawatt hours (MWh) scheduled. Hunter project revenues decreased \$5.5 million largely due the decline in debt service resulting from the maturity of all outstanding debt. CRSP project revenues decreased \$2.6 million due to reduced hydroelectric generation within this project as a result of a drought conditions in the Colorado River Basin. These declines were offset by increases in the Horse Butte Wind project revenues, which increased \$9.2 million as a result of the commencement of commercial operation in August 2012. Pool project had increased MWh, resulting in increased revenue of \$25.1 million. And finally, Payson project also had increased MWh, resulting in an increase in revenues of \$4.6 million due to favorable natural gas prices and market conditions. Other income for March 31, 2014, 2013, and 2012, was \$2.0 million, \$18.6 million, and \$0.8 million, respectively. The decrease from fiscal 2013 to fiscal 2014 related to the increase of \$17.8 million from fiscal year 2012 to fiscal year 2013, in fiscal year 2014 UAMPS earned fee income by acting as developer for the Horse Butte Wind project.

Investment income (expense) for March 31, 2014, 2013, and 2012, was \$(0.3) million, \$(1.7) million, and \$1.1 million, respectively. The decrease in expense of \$1.4 million from fiscal year 2013 to fiscal year 2014 is due to an unrealized loss on investments that UAMPS held at March 31, 2014, of \$0.8 million, compared to a gain in fiscal 2013 of \$0.3 million. Additionally, per GASB #65, the Company included the current period costs of bond issuance \$0.1 million in fiscal 2014, compared to costs of bond issuance of \$2.6 million in fiscal 2013. Overall investment income was relatively unchanged. The change from \$1.1 million investment income in fiscal 2012 to \$(1.7) expense in fiscal year 2013 is due to two factors. First there was a higher gain on investments held at March 31, 2012, of \$1.2 million, offset by lesser amount of current period costs of issuance of \$0.5 million.

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

#### Financial Analysis of Operations (continued)

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2014, 2013, and 2012:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Revenue:			
Power sales	\$ 172,025	\$ 160,969	\$ 167,933
Investment and other income (expense)	(296)	(1,736)	1,409
Other income	2,003	18,553	805
	<b>173,732</b>	<b>177,786</b>	<b>170,147</b>
Expenses:			
Cost of power	144,310	131,199	128,098
Other expenses	26,234	27,895	38,423
	<b>170,544</b>	<b>159,094</b>	<b>166,521</b>
Change in net position	3,188	18,692	3,626
Net position at beginning of year	5,064	8,459	7,312
Distributions	(3,078)	(22,087)	(2,479)
Net position at end of year	<b>\$ 5,174</b>	<b>\$ 5,064</b>	<b>\$ 8,459</b>

#### Cash Flow and Liquidity

UAMPS' sources of cash include power sales, services, issuance of debt and investment income. The cash balance at March 31, 2014, 2013, and 2012, was \$1.70 million, \$0.02 million, and \$0.00 million, respectively. The amount will fluctuate primarily due to timing of the transfer from the revolving line of credit and cash transfers.

In order to manage cash flow requirements, UAMPS has a revolving line of credit with two financial institutions with total available cash lines of \$25.0 million. The rates from both financial institutions are variable with one being in relation to the prime rate and the other in relation to LIBOR. Of the combined \$25.0 million available on the revolving lines of credit, the outstanding balance was \$12.4 million, \$9.4 million, and \$7.6 million, as of March 31, 2014, 2013, and 2012, respectively.

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

#### **Budgets and Billing**

The UAMPS Board is presented a budget for its approval prior to the start of each fiscal year and power billings are based on that budget. Monthly reports are presented to the Board describing the operating costs compared to the budget and the revenues derived from the billing process. Any deviations are explained and the budgets are amended as necessary.

#### **Significant Capital Assets and Long-Term Debt Activity**

On March 31, 2014, 2013, and 2012, the construction work-in-progress balance was \$0.0.

On May 1, 2013, UAMPS issued the Payson Overhaul Revenue Bonds, Series 2013, Direct Placement with Wells Fargo (totaling \$2.0 million) at 1.76% interest. The Payson Series 2013 Bonds are not subject to optional redemption prior to maturity. The bonds were issued for the purpose of providing an amount sufficient, together with the prepayments made by certain Participants, to provide for payment of cost of planned maintenance and various improvements, as well as costs of issuance.

On June 20, 2013, UAMPS issued the Member Services Project Generator Revenue Refunding Bonds (Hurricane City project and Washington City project) Series 2013 Revenue Refunding Bonds (totaling \$2.0 million and \$1.0 million, respectively) at 2.30% interest. The Series 2013 Bonds are subject to redemption prior to maturity, at the election of UAMPS on or after November 1, 2020, in whole (but not in part), at a redemption price equal to 100.00% of the principal plus accrued interest. The Bonds were issued to refund the outstanding Hurricane-Washington Generating Project Revenue Bonds Series 2007A and B, and to pay costs of issuance.

#### **Western Electric Energy Markets**

The energy markets in the Western Interconnection have remained fairly stable due to low natural gas prices and general economic conditions. The rate for participants from Western Area Power Administration (WAPA) remained stable from fiscal year 2013 into fiscal year 2014. Energy amounts delivered per the CRSP contract were at normal levels. While the current national economic conditions continue to be essentially flat, Utah's economic indicators are positive. UAMPS' loads have recovered to 2007 levels and appear to be growing in the 1% – 2% range. UAMPS continues efforts to evaluate new generation resources and also in working with the various regional transmission providers in order to see that the needed transmission infrastructure is built in a timely fashion.

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

New regulations governing greenhouse gas emissions and other environmental issues affecting all operating electric utilities as well as the new regulatory rules concerning reliability of the electric grid are significantly affecting UAMPS' resource and transmission planning. UAMPS believes that it is in compliance with all of the current rules and statutes and is looking at all of the many proposed rules that may be implemented in its planning and decision-making process.

#### **Requests for Information**

This financial report is designed to provide a general overview of UAMPS' finances for all those with an interest in UAMPS' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Controller, UAMPS, 155 North 400 West, Suite #480, Salt Lake City, Utah 84103.



## Report of Independent Auditors

The Board of Directors of  
Utah Associated Municipal Power Systems

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Utah Associated Municipal Power Systems as of and for the year ended March 31, 2014, and 2013, and the related notes to the financial statements, which collectively comprise the Utah Associated Municipal Power System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Associated Municipal Power Systems as of March 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 1 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of project financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of project financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedules of project financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated August 11, 2014 on our consideration of Utah Associated Municipal Power Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Associated Municipal Power Systems' internal control over financial reporting and compliance.

*Ernst & Young LLP*

August 12, 2014

# Utah Associated Municipal Power Systems

## Statements of Net Position

	<b>March 31</b>	
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 1,663,220	\$ 26,490
Receivables	22,005,220	21,678,180
Prepaid expenses and deposits	6,415,052	5,857,972
Investments	5,474,245	4,766,809
Current portion of energy prepayment	5,724,341	5,724,341
	<u>41,282,078</u>	<u>38,053,792</u>
Restricted assets:		
Interest receivable	53,567	52,863
Investments	49,859,729	47,466,226
	<u>49,913,296</u>	<u>47,519,089</u>
Capital assets:		
Generation	263,676,496	261,347,204
Transmission	84,669,469	84,669,469
Furniture and equipment	1,071,183	1,171,210
	<u>349,417,148</u>	<u>347,187,883</u>
Less accumulated depreciation	<u>(197,408,223)</u>	<u>(180,884,163)</u>
	<u>152,008,925</u>	<u>166,303,720</u>
Other assets:		
Energy prepayment, less current portion	99,036,797	105,448,353
<b>Deferred outflows of resources</b>		
Deferred refunding charges	631,770	737,246
 Total assets and deferred outflows of resources	 <u><u>\$ 342,872,866</u></u>	 <u><u>\$ 358,062,200</u></u>

	<b>March 31</b>	
	<b>2014</b>	<b>2013</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 11,580,295	\$ 12,753,532
Accrued liabilities	4,395,715	5,240,595
Lines of credit	12,400,000	9,401,418
Current portion of unearned revenue	2,469,830	1,995,179
	<b>30,845,840</b>	<b>29,390,724</b>
Liabilities payable from restricted assets:		
Accrued interest payable	2,940,560	3,050,175
Current portion of long-term debt	12,563,790	12,315,541
	<b>15,504,350</b>	<b>15,365,716</b>
Long-term debt:		
Bonds payable, less current portion	212,829,000	221,460,000
Unamortized bond discount	(252,553)	(280,406)
Unamortized bond premium	14,759,735	16,626,379
	<b>227,336,182</b>	<b>237,805,973</b>
Other liabilities:		
Unearned revenue, less current portion	29,840,505	27,945,757
<b>Deferred inflows of resources</b>		
Net costs advanced through billings to members	34,170,425	42,489,038
<b>Net position</b>		
Net investment in capital assets	17,940,678	9,993,129
Restricted for project costs	4,438,565	7,324,005
Unrestricted	(17,203,679)	(12,252,142)
	<b>5,175,564</b>	<b>5,064,992</b>
Total liabilities, deferred inflows of resources, and net position	<b>\$ 342,872,866</b>	<b>\$ 358,062,200</b>

*See accompanying notes.*

# Utah Associated Municipal Power Systems

## Statements of Revenues and Expenses and Changes in Net Position

	<b>Year Ended March 31</b>	
	<b>2014</b>	<b>2013</b>
Operating revenues:		
Power sales	\$ 172,024,520	\$ 160,969,130
Other	2,002,973	18,553,445
	<u>174,027,493</u>	<u>179,522,575</u>
Operating expenses:		
Cost of power	144,309,557	131,199,044
In lieu of ad valorem taxes	788,008	727,137
Depreciation	16,760,581	16,409,897
General and administrative	9,022,623	7,407,758
	<u>170,880,769</u>	<u>155,743,836</u>
Operating income	3,146,724	23,778,739
Nonoperating revenues (expenses):		
Interest expense	(7,981,532)	(6,917,286)
Investment and other income (expense), net	(295,516)	(1,735,649)
Deferred inflows of resources – net costs advanced	8,318,613	3,566,665
Total nonoperating expenses, net	<u>41,565</u>	<u>(5,086,270)</u>
Change in net position	3,188,289	18,692,469
Net position at beginning of year	5,064,992	8,459,377
Distributions to members	(3,077,717)	(22,086,854)
Net position at end of year	<u>\$ 5,175,564</u>	<u>\$ 5,064,992</u>

*See accompanying notes.*

# Utah Associated Municipal Power Systems

## Statements of Cash Flows

	<b>Year Ended March 31</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating activities</b>		
Cash received from customers	\$ 171,238,737	\$ 177,032,306
Cash payments to suppliers for goods and services	(144,049,439)	(130,092,747)
Cash payments to employees for services	(5,451,616)	(4,142,074)
Cash payments for ad valorem taxes	(782,774)	(718,804)
Unearned Revenue	4,831,116	24,927,005
Net cash provided by operating activities	25,786,024	67,005,686
<b>Capital and related financing activities</b>		
Disbursements for utility plant and equipment	(2,465,786)	(5,922,909)
Proceeds from issuance of long-term debt	2,025,000	83,936,531
Disbursement for bond refunding	(2,936,000)	(83,583,513)
Principal disbursement on revenue bonds	(10,393,000)	(7,843,000)
Interest disbursement on revenue bonds	(9,908,214)	(8,481,419)
Bond issuance costs	(103,181)	(2,591,569)
Distribution	(3,077,717)	(4,965,442)
Net cash used in capital and related financing activities	(26,858,898)	(29,451,321)
<b>Noncapital and related financing activities</b>		
Draws on lines of credit	152,587,391	160,881,214
Disbursements on lines of credit	(149,588,809)	(159,029,796)
Outstanding checks in excess of transfers	—	(887,662)
Proceeds from issuance of long-term debt	3,005,000	102,034,334
Distribution	—	(17,121,412)
Payment for energy prepayment	—	(114,574,795)
Net cash used in noncapital and related financing activities	6,003,582	(28,698,117)

# Utah Associated Municipal Power Systems

## Statements of Cash Flows (continued)

	<b>Year Ended March 31</b>	
	<b>2014</b>	<b>2013</b>
<b>Investing activities</b>		
Cash received from investments	\$ 411,917	\$ 3,950,995
Cash paid for investments	(1,119,353)	—
Restricted assets:		
Cash received from investments	2,177,609	7,633,878
Cash paid for investments	(5,328,864)	(20,983,691)
Interest income received	564,713	569,060
Net cash (used in) provided by investing activities	(3,293,978)	(8,829,758)
Increase (decrease) in cash	1,636,730	26,490
Current assets – cash balance at beginning of year	26,490	—
Current assets – cash balance at end of year	\$ 1,663,220	\$ 26,490
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 3,146,724	\$ 23,778,739
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	16,760,581	16,409,897
Amortization of unearned revenue	(2,461,716)	(1,436,871)
Unearned revenue	4,831,116	24,927,005
Amortization of prepaid energy	6,411,556	3,402,101
(Increase) decrease in current receivables	(327,040)	(1,053,398)
Increase in prepaid expenses and deposits	(557,080)	(579,403)
Increase (decrease) in accounts payable	(1,173,237)	2,983,398
Decrease in accrued liabilities	(844,880)	(1,425,782)
Net cash provided by operating activities	\$ 25,786,024	\$ 67,005,686

*See accompanying notes.*



# Utah Associated Municipal Power Systems

## Notes to Financial Statements

March 31, 2014

### **1. Summary of Significant Accounting Policies**

#### **Organization and Purpose**

Utah Associated Municipal Power Systems (UAMPS), a separate political subdivision of the state of Utah, was established pursuant to the provisions of the Utah Interlocal Co-operation Act of November 1980, and was organized under the Amended and Restated Utah Associated Municipal Power Systems Agreement for Joint Cooperative Action. UAMPS' membership consists of 35 municipalities, one joint action agency, one electric service district, two public utility districts, two water conservancy districts, two co-ops, one municipal utility district, and one nonprofit corporation (collectively, the Members). The Members are located in Utah, Oregon, Arizona, Idaho, Nevada, New Mexico, California, and Wyoming.

UAMPS is a separate legal entity that possesses the ability to establish its own budget, incur debt, sue and be sued, and own and lease property. No other governmental units in Utah exercise significant control over UAMPS. As such, UAMPS is not a component unit as defined by the Governmental Accounting Standards Board (GASB) in its Section 2100, *Defining the Financial Reporting Entity*. Further, as defined in this Statement, UAMPS has no component units that should be included in the accompanying financial statements.

UAMPS' purposes include the planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining projects or ownership interests or capacity rights therein for the generation, transmission, and distribution of electric energy for the benefit of its Members.

#### **Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting. The accounting and reporting policies of UAMPS conform with the accounting rules prescribed by the GASB.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Recent Accounting Developments**

###### *GASB Statement No. 61*

In December 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Statement is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those statements were issued. The Statement amends the criteria for including component units within the primary governments' financial statements by ensuring that the financial reporting entity includes only organizations for which they are financially accountable or that the entity determines would be misleading to exclude. The Statement amends the criteria for blending so that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government and will clarify which component units have that characteristic and will require condensed combining information to be included in the notes to the financial statements. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2012, with earlier application encouraged. The Company has reviewed the requirements of GASB 61 and its adoption did not impact financial position, results of operations or cash flows.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### *GASB Statement No. 63*

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for financial statements prepared for periods beginning after December 15, 2011, with earlier application encouraged. The Company implemented GASB statement No. 63 in fiscal year 2013, which changes the name of the first schedule from Balance Sheet to Statement of Net Position. It also changes the designation of equity from Net Assets to Net Position.

#### *GASB Statement No. 65*

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reporting by a transferor government in a qualifying services concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. The Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The Statement is effective for financial statements prepared for periods beginning after December 15, 2012, with earlier application encouraged. The Company has implemented GASB Statement No. 65 during the 2014 fiscal year.

The implementation effect was to reclassify \$0.7 million and \$0.7 million respectively of defeasance costs from refunding to deferred outflows of resources at March 31, 2013 and 2012, with no effect on net position. Additionally the Company reclassified \$46.0 million and \$47.2 million respectively of net costs advanced through billings to Members to deferred inflows of resources as of March 31, 2013 and 2012, with no effect on net position. The Company wrote off \$3.5 million and \$2.8 million respectively of bond issuance costs at March 31, 2013 and 2012. Due to the fact that these costs are collectable from members, a corresponding adjustment to net costs advanced to members was made to offset the write-off and net position was not impacted. The table below presents the effect of this adjustment on prior year balances.

	<b>March 31</b>	
	<b>2013</b>	<b>2012</b>
	<i>(In Millions)</i>	
Net costs as previously reported	\$ 46.0	\$ 47.2
Reduction for write off of bond issuance costs	3.5	2.8
Net costs as adjusted and restated	42.5	44.4

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### *GASB Statement No. 66*

In March 2012, the GASB issued Statement No. 66, *Technical Corrections–2012—an amendment of FASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchase loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity*. The Statement is effective for financial statements prepared for periods beginning after December 15, 2012, with earlier application encouraged. The Company has reviewed the requirements of GASB 66 and does not expect its adoption to impact financial position, results of operations or cash flows.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### *GASB Statement No. 68*

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The Statement is effective for financial statements prepared for fiscal years beginning after June 15, 2014, with earlier application encouraged. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

#### *GASB Statement No. 69*

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Until now, governments have accounted for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment, generally APB Opinion No. 16, *Business Combinations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The Statement is effective for financial statements prepared for fiscal years beginning after December 15, 2013, with earlier application encouraged. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### *GASB Statement No. 70*

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The Statement is effective for financial statements prepared for fiscal years beginning after June 15, 2013, with earlier application encouraged. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

#### *GASB Statement No. 71*

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

#### **Revenue**

UAMPS distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the organization. The principal operating revenues and expenses of UAMPS are associated with the planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining projects or ownership interests or capacity rights therein for the generation, transmission, and distribution of electric energy for the benefit of its Members. All other revenues and expenses, such as interest income and interest expense and are reported as nonoperating revenues and expenses.

#### **Investments**

All investments are recorded at fair value. UAMPS' investment in the Utah Public Treasurer's Investment Fund (PTIF) has a fair value equivalent to the value of the pool shares. This pool is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act.

#### **Receivables**

Receivables consist primarily of current power billings to Members.

#### **Capital Assets**

Generation assets, transmission assets, furniture, and equipment with an initial cost of more than \$500 are stated at cost, less accumulated depreciation. Interest incurred in the construction and implementation of fixed assets is capitalized into the cost of the fixed assets. Expenditures that increase values or extend useful lives are capitalized and routine maintenance and repairs are charged to expense in the period incurred. Leasehold improvements are capitalized and amortized over the lesser of the asset life or lease term. Depreciation is calculated using the straight-line method at rates that are designed to depreciate the cost of the assets over estimated useful lives ranging from three to 26 years.



# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Net Costs Advanced or to be Recovered Through Billings to Members

Billings to Members are designed to recover power costs as defined by the power sales contracts, which principally include current operating expenses, scheduled debt principal, and interest and deposits into certain funds. Pursuant to GASB Re10, *Regulated Operations*, expenses determined in accordance with GAAP, which are not currently billable as power costs, or amounts billed as power costs and recovered in advance of being recognized for GAAP are recorded as deferred inflows of resources in the accompanying statements of net position. For a company to report under GASB Re10, a company's rates must be designed to recover its costs of providing services, and the company must be able to collect those rates from customers. If it were determined, whether due to competition or regulatory action, that these standards no longer applied, UAMPS could be required to write off its regulatory deferred inflows. Management believes that UAMPS currently meets the criteria for continued application of GASB Re10, but will continue to evaluate significant changes in the regulatory and competitive environment to assess continuing applicability of the criteria.

#### Income Taxes

UAMPS is not subject to federal or state income taxes under provisions of Section 115 of the Internal Revenue Code.

#### Unearned Revenue

Certain participants of the Payson project, the San Juan project, the Hunter II Project, the Central-St. George project, and the Horse Butte Wind project have elected to prepay certain costs of acquisition and debt service during the refinancing and/or construction of their projects. These prepayments, which represent the portion of Debt Service Costs that would be applicable to the participant's entitlement share in each of the respective projects future power generation capability, have been treated as unearned revenue and will be amortized to revenue over the life of the respective bond issues.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Risk Management

UAMPS is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters and insures against these losses. UAMPS purchases plant and machinery insurance from a commercial carrier. There have been no significant reductions in insurance coverage from that in the prior year, and settlements have not exceeded insurance coverage for the past three fiscal years. Additionally, UAMPS purchases the following categories of insurance: Property, which includes Earthquake and Flood, General Liability, and Commercial Auto; Difference in Conditions, which includes Earthquake and Flood, Umbrella, Workers Compensation, Directors and Officers/Employment Practices Liability and Crime; and Travel insurance.

#### Net Position

Net position is classified into three components:

- Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, other long-term borrowings, or deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted: This component of net position consists of amounts subject to external constraints on their use imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted: This component of net position consists of amounts that do not meet the definition of “restricted” or “net investment in capital assets”. As of March 31, 2014 and 2013, UAMPS reported a negative balance in unrestricted net position. The deficit is a result of a long-term prepayment of future power sales.

The accounting policies and practices of UAMPS conform to the accounting principles generally accepted in the United States applicable to an enterprise fund of a government unit.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **2. Power Sales and Transmission Service Contracts Relating to Bonds**

UAMPS has entered into power sales and/or transmission service contracts (the Contracts) with various participants (the Purchasers). The Contracts are as follows:

- UAMPS has contracted with five municipalities to provide transmission capabilities from the Central-St. George project to deliver electric power to the purchasers. Each contract term extends, at a minimum, to the date all principal and interest on the Series 2009, 2011, and 2012 Bonds have been paid.
- UAMPS has contracted with 15 municipalities and one electric service district in the San Juan project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the Series 2008 and 2011 Bonds have been paid.
- UAMPS has contracted with 14 municipalities, one public utility district, and one electric service district in the Payson project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the 2012 Bonds have been paid.
- UAMPS has contracted with 21 municipalities, one joint action agency, one co-op, and one public utility district in the Horse Butte Wind Project to supply power from the project. UAMPS executed a 20-year power purchase agreement, prepaying for the expected minimum energy output of the project (known as the P99 output). UAMPS will also purchase all additional energy produced as well as all RECs associated with the prepaid and additional energy on a pay-as-you-go basis. The prepayment of the energy output has been recorded as energy prepayment on the statement of net position.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 3. Net Costs Advanced or to be Recovered Through Billings to Members

Net costs advanced or to be recovered through billings to Members for the years ended March 31, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
<b>Items billable to members not currently recognizable in accordance with GAAP</b>		
Balance at beginning of year	\$ (42,489,038)	\$ (46,055,704)
Depreciation, accretion, and amortization of bond issuance costs	16,863,763	19,001,465
Excess bond proceeds (used to pay Interest/CWIP)	538,152	369,370
Amortization of unearned revenue	(2,461,716)	(1,436,871)
Utility plant renewals and replacements	1,499,158	(5,917,959)
Plant inventory	(243,579)	—
Principal amounts of debt service	(10,641,444)	(9,687,886)
Amortization of bond premium	(1,922,540)	(1,613,257)
Major overhaul reserve payments	(2,610,867)	(386,097)
Unrealized gain/loss on investment	757,752	(287,855)
Amortization of deceased debt costs	105,476	105,476
Amortization of prepaid energy	6,411,556	3,402,102
Accrued personal leave	22,902	18,178
Net costs advanced to members	<u>\$ (34,170,425)</u>	<u>\$ (42,489,038)</u>

#### 4. Capital Assets

UAMPS' interest in two generating units represents a 14.6% and a 7.0% undivided interest in the PacifiCorp Hunter II and the Public Service Company of New Mexico San Juan Unit IV electric generating units (the Generating Units), respectively. The interest is recorded based on UAMPS' acquisition cost.

UAMPS has a 15.0% entitlement share in the transmission capability of a 105-mile 345 kilovolts (kV) transmission line constructed between Craig, Colorado and the Bonanza Generation Station in Uintah County, Utah. UAMPS is responsible for a like percentage of the costs of acquisition, construction, operation, and maintenance of the line. UAMPS has also purchased an entitlement share of 54 MW of transmission capability on the Bonanza line, which extends from the Bonanza Generation Station to the Mona, Utah Substation.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **4. Capital Assets (continued)**

The Central-St. George project, located in Washington County, Utah, owned and operated by UAMPS, consists of 138 kV transmission facilities, including a 345/138 kV electric substation, approximately 25 miles of 138 kV transmission line, a 138 kV switching yard, a 138/69 kV electric substation, and approximately 16 miles of 69 kV transmission line to provide service to four of its Members in Washington County. Pursuant to the terms of the Joint Operating Agreement, UAMPS and PacifiCorp have undertaken the Phase 3 upgrade to this system, which is the reconstruction of an existing line. The line has been removed, and replaced with twenty miles of new double circuit 345 kV transmission line. The line has been constructed at 345 kV standards and initially operating at 138 kV. The project was placed into service in April 2010.

The Payson project is a combined cycle, natural-gas-fired, electric generating facility with a nominal generating capacity of 143 MW located in Payson, Utah, owned, and operated by UAMPS. The Payson project also includes gas pipelines, electric transmission lines, and other properties, and facilities and equipment necessary for the operation of the generating facility. Engineering, equipment acquisition, and other pre-construction work on the Payson project began in 2002 and was completed in June 2004 at a total cost of approximately \$114.1 million.

The Washington-Hurricane Generator Set consists of three generators. The generator set is rated 1,900 kilowatts (Kw) Continuous, 3,000 foot altitude, 120 degree, 12,740 volt, 3 phase, 1,800 RPM. The capacity of these units is sold to the respective purchasers. The generator set was purchased and placed into service in May 2007.

The Washington-Santa Clara Generator Set consists of two generators. The generator set is rated 1,900 Kw Continuous, 3,000 foot altitude, 120 degree, 12,740 volt, 3 phase, 1,800 RPM. The capacity of these units is sold to the respective purchasers. The generator set was purchased and placed into service in June 2008.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 4. Capital Assets (continued)

A summary of utility, plant and equipment, changes in accumulated depreciation and related depreciation provisions expressed as an average depreciation rate follows:

	Generation	Transmission	Furniture and Equipment	Construction Work-in- Progress	Total
Balance, April 1, 2013	\$ 261,347,204	\$ 84,669,469	\$ 1,171,209	\$ —	\$ 347,187,882
Capital additions	2,334,459	—	131,328	2,140,444	4,606,231
Sales, retirements	(5,167)	—	(231,354)	(2,140,444)	(2,376,965)
Balance, March 31, 2014	<u>\$ 263,676,496</u>	<u>\$ 84,669,469</u>	<u>\$ 1,071,183</u>	<u>\$ —</u>	<u>\$ 349,417,148</u>
Accumulated depreciation, April 1, 2013	\$ (138,040,322)	\$ (42,184,502)	\$ (659,339)	\$ —	\$ (180,884,163)
Depreciation expense	(13,256,181)	(3,288,597)	(215,803)	—	(16,760,581)
Retirements	5,167	—	231,354	—	236,521
Accumulated depreciation, March 31, 2014	<u>\$ (151,291,336)</u>	<u>\$ (45,473,099)</u>	<u>\$ (643,789)</u>	<u>\$ —</u>	<u>\$ (197,408,223)</u>
Average depreciation rate	5.0%	3.9%	19.2%	—	4.8%
	Generation	Transmission	Furniture and Equipment	Construction Work-in- Progress	Total
Balance, April 1, 2012	\$ 255,686,727	\$ 84,669,469	\$ 1,089,876	\$ —	\$ 341,446,072
Capital additions	5,704,741	—	218,166	5,655,779	11,578,686
Sales, retirements	(44,264)	—	(136,832)	(5,655,779)	(5,836,875)
Balance, March 31, 2013	<u>\$ 261,347,204</u>	<u>\$ 84,669,469</u>	<u>\$ 1,171,210</u>	<u>\$ —</u>	<u>\$ 347,187,883</u>
Accumulated depreciation, April 1, 2012	\$ (125,183,407)	\$ (38,895,905)	\$ (576,052)	\$ —	\$ (164,655,364)
Depreciation expense	(12,901,180)	(3,288,597)	(220,119)	—	(16,409,896)
Retirements	44,265	—	136,832	—	181,097
Accumulated depreciation, March 31, 2013	<u>\$ (138,040,322)</u>	<u>\$ (42,184,502)</u>	<u>\$ (659,339)</u>	<u>\$ —</u>	<u>\$ (180,884,163)</u>
Average depreciation rate	5.0%	3.9%	19.5%	—	4.8%

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 5. Investments

At March 31, UAMPS had the following total investments:

	2014	2013
Restricted:		
Investment in U.S. Treasury note	\$ 11,440,769	\$ 12,181,255
Investment in debentures issued by Government Sponsored Enterprise	503,349	526,924
Utah Public Treasurer's Investment Fund	37,915,611	34,758,047
	<u>\$ 49,859,729</u>	<u>\$ 47,466,266</u>
Current:		
Utah Public Treasurer's Investment Fund	\$ 5,474,245	\$ 4,766,809
	<u>\$ 5,474,245</u>	<u>\$ 4,766,809</u>

#### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. UAMPS policy for reducing its exposure to credit risk is to comply with the bond covenants that allow UAMPS to invest in U.S. government securities, obligations of any state, including the Utah Public Treasurer's Investment Fund (PTIF), certificates of deposit and banker's acceptances of banks meeting certain minimum requirements and repurchase agreements.

The PTIF operates and reports to the participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The PTIF was unrated at March 31, 2014.

At March 31, 2014, one investment held by UAMPS had a split rating (AAA: Moody's and AA+: S&P).

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 5. Investments (continued)

At March 31, 2014, UAMPS had the following investments and quality ratings:

	2014	AAA/AA+	Quality Rating Unrated
Money market funds invested in U.S. government securities	\$ —	\$ —	\$ —
Investment in U.S. Treasury note	<b>11,440,769</b>	—	11,440,769
Investment in debentures issued by Government Sponsored Enterprise	<b>503,349</b>	503,349	—
Utah Public Treasurer's Investment Fund	<b>43,389,856</b>	—	43,389,856
	<b>\$ 55,333,974</b>	<b>\$ 503,349</b>	<b>\$ 54,830,625</b>

During the year ended March 31, 2014 and 2013, UAMPS recorded unrealized (losses) or gains on investments of \$(0.8) million and \$0.3 million, respectively.

#### Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and are not collateralized, are collateralized by the pledging financial institution, or is collateralized by the pledging financial institution's trust department or agent, but not in the depositor government's name. UAMPS deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At March 31, 2014, UAMPS had \$1.4 million deposits exposed to custodial credit risk, and in 2013, UAMPS did not have any deposits exposed to custodial credit risk. State statutes do not require that such amounts be collateralized.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. UAMPS uses the Specific Identification Method for identifying interest rate risk. UAMPS policy for reducing its exposure to interest rate risk is to comply with bond covenants as previously discussed.



## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 5. Investments (continued)

At March 31, 2014, UAMPS had the following debt investment balances by investment type and maturity:

	2014	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Investment in U.S. Treasury notes	\$ 11,440,769	\$ —	\$ —	\$ 11,440,769	\$ —
Investment in debentures issued by Government Sponsored Enterprise	503,349	—	503,349	—	—
	<u>\$ 11,944,118</u>	<u>\$ —</u>	<u>\$ 503,349</u>	<u>\$ 11,440,769</u>	<u>\$ —</u>

#### 6. Cash

The cash balance of \$1.70 million at March 31, 2014, consisted of deposits with banks. As of March 31, 2013, there was \$0.02 million cash balance.

As of March 31, 2014, as well as March 31, 2013, there was no balance in restricted cash.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt

Pursuant to the Horse Butte Wind Project Revenue and Variable Rate Demand Revenue Bond Resolution, the San Juan Project Revenue Bond Resolution, the Central-St. George Transmission Project Revenue Bond Resolution, the Payson Power Project Bond Resolution, and the Member Services Revenue Bond Resolution (collectively, the Resolutions), all supplemented from time to time, UAMPS has issued the following revenue and refunding revenue bonds and notes payable:

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31	
				2014	2013
<b>Horse Butte Wind 2012A</b>					
Serial	\$ 67,860,000	0.05%–5.00%	2013–2032	\$ 65,740,000	\$ 67,860,000
<b>Horse Butte Wind 2012B</b>					
<b>Variable Rate Demand</b>					
Term	2,065,000	Variable	2023	<b>2,065,000</b>	2,065,000
Term	2,135,000	Variable	2024	<b>2,135,000</b>	2,135,000
Term	2,205,000	Variable	2025	<b>2,205,000</b>	2,205,000
Term	2,275,000	Variable	2026	<b>2,275,000</b>	2,275,000
Term	2,350,000	Variable	2027	<b>2,350,000</b>	2,350,000
Term	2,425,000	Variable	2028	<b>2,425,000</b>	2,425,000
Term	2,505,000	Variable	2029	<b>2,505,000</b>	2,505,000
Term	2,585,000	Variable	2030	<b>2,585,000</b>	2,585,000
Term	2,670,000	Variable	2031	<b>2,670,000</b>	2,670,000
Term	2,755,000	Variable	2032	<b>2,755,000</b>	2,755,000
	23,970,000				
<b>San Juan 2008A</b>					
Serial	2,345,000	3.50%–4.50%	2009–2022	<b>1,660,000</b>	1,810,000
<b>San Juan 2011</b>					
Serial	22,165,000	2.00%–5.50%	2011–2023	<b>18,865,000</b>	20,390,000
<b>Central-St. George 2009</b>					
Serial	2,350,000	4.00%–5.00%	2010–2019	<b>1,545,000</b>	1,765,000
Term	2,335,000	5.25%	2020	<b>2,335,000</b>	2,335,000
	2,455,000	5.25%	2021	<b>2,455,000</b>	2,455,000
	2,585,000	5.25%	2022	<b>2,585,000</b>	2,585,000
	2,720,000	5.25%	2023	<b>2,720,000</b>	2,720,000
	2,865,000	5.25%	2024	<b>2,865,000</b>	2,865,000
	3,015,000	5.25%	2025	<b>3,015,000</b>	3,015,000
	3,170,000	5.25%	2026	<b>3,170,000</b>	3,170,000
	3,340,000	5.25%	2027	<b>3,340,000</b>	3,340,000
	22,485,000				

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31	
				2014	2013
<b>Central-St. George 2011</b>					
Term	\$ 3,800,000	2.65%	2011–2019	\$ 2,920,000	\$ 3,365,000
<b>Central-St. George 2012</b>					
Serial	11,240,000	2.32%	2012–2019	8,570,000	9,885,000
<b>Payson 2012</b>					
Serial	74,885,000	2.00%–5.00%	2013–2026	70,510,000	74,885,000
<b>Payson 2013</b>					
Serial	2,025,000	1.76%	2014–2023	2,025,000	–
<b>Hurricane-Washington 2007A</b>					
Term	430,000	4.15%	2012	–	–
Term	533,000	4.40%	2017	–	533,000
Term	671,000	4.75%	2022	–	671,000
Term	857,000	5.00%	2027	–	857,000
	<u>2,491,000</u>				
<b>Hurricane-Washington 2007B</b>					
Term	213,000	4.15%	2012	–	–
Term	264,000	4.40%	2017	–	264,000
Term	332,000	4.75%	2022	–	332,000
Term	425,000	5.00%	2027	–	425,000
	<u>1,234,000</u>				
<b>Hurricane City 2013</b>					
Term	2,009,000	2.30%	2013	2,009,000	–
<b>Washington City 2013</b>					
Term	996,000	2.30%	2013	996,000	–
<b>Santa Clara-Washington 2008</b>					
Serial	2,698,000	5.16%	2009–2028	2,259,000	2,356,000
				<u>223,554,000</u>	<u>231,853,000</u>
Less unamortized bond discount				252,553	280,406
Plus unamortized bond premium				14,759,735	16,626,379
Less current portion (excluding current portion of unamortized bond premium and discount)				<u>10,725,000</u>	<u>10,393,000</u>
				<u>\$ 227,336,182</u>	<u>\$ 237,805,973</u>

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **7. Debt (continued)**

On September 6, 2012, UAMPS issued Horse Butte Wind Project Revenue Bonds Series 2012A (totaling \$67.9 million) and Horse Butte Wind Project Variable Rate Demand Revenue Bonds Series 2012B (totaling \$24.0 million). The bonds were issued to finance a prepayment for a specified supply of electricity to be delivered under a 20-year power purchase agreement from a 57.6 MW nameplate capacity wind farm. Bond proceeds also financed certain reserves and costs of issuance. UAMPS has sold all of the prepaid electricity to 24 of its members under Power Sales Contracts that extend for the term of the prepaid power purchase agreement and unconditionally obligate these members to pay all of UAMPS' costs associated with this project, including debt service on the Bonds.

The Series 2012A Bonds mature annually on September 1, 2013 through 2032, and bear interest at a fixed rate of 5.00% (other than the 2013 maturity which bears interest at 0.05%). The Series 2012B Bonds maturing on or after September 1, 2023, are subject to optional redemption by UAMPS at par on and after September 1, 2022.

The Series 2012B Bonds mature on September 1, 2032, and are subject to annual mandatory sinking fund redemption at par beginning September 1, 2023. The Series 2012B Bonds bear interest at a daily, weekly, commercial paper or a long-term interest rate, as elected by UAMPS. The Series 2012B Bonds currently bear interest at a weekly rate determined by BMO Capital Markets, as remarketing agent, subject to a maximum rate of 12%. When interest is payable at a daily or weekly rate, the Series 2012B Bonds are subject to optional redemption by UAMPS at par on any business day.

The Series 2012B Bonds are subject to optional and mandatory tender for purchase. While the weekly rate is in effect, the Series 2012B Bonds are subject to option tender for purchase on seven days' notice by the bondholder at 100% of their principal amount plus accrued interest. The remarketing agent has agreed to use its best efforts to sell all Series 2012B Bonds tendered for purchase at a price equal to 100% of their principal amount plus accrued interest.

While the Series 2012B Bonds bear interest at a daily, weekly, or commercial paper rate, UAMPS is required to maintain a letter of credit or other credit enhancement in an amount sufficient to pay the principal or purchase price of and 45 days of interest on the Series 2012B Bonds at the maximum rate, unless certain rating requirements are met. The Series 2012B Bonds are currently secured by an irrevocable direct-pay Letter of Credit issued by Bank of Montreal that meets these requirements. The Letter of Credit expires on September 8, 2015, unless extended by the Bank in accordance with its terms. The Letter of Credit is subject to early

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 7. Debt (continued)

termination upon the occurrence of various events of default specified in the reimbursement agreement between UAMPS and Bank of Montreal. UAMPS agrees to reimburse the Bank for amounts drawn under the letter of credit, together with interest on advances made by the Bank, and agrees to pay certain costs and expenses.

In the event that Series 2012B Bonds are tendered for purchase and not remarketed within 120 days, Bank of Montreal has, subject to certain conditions specified in the reimbursement agreement, agreed to provide a term loan in an amount equal to the purchase price of the unremarketed bonds. Any term loan will bear interest at a floating rate plus a margin, and is to be repaid through equal semiannual installments over the remaining term of the Letter of Credit. To date, all Series 2012B Bonds tendered for purchase have been remarketed. UAMPS is unable to predict whether and what amount of Series 2012B Bonds may be tendered for purchase and not remarketed in the future. If Series 2012B Bonds become unremarketed bonds and are converted to a term loan, it is possible that UAMPS would not have sufficient liquidity to repay the term loan in accordance with the terms of the reimbursement agreement. In such event, UAMPS would expect to convert the interest on the Series 2012B Bonds to a long-term interest rate or take other actions to refinance the term loan.

UAMPS has not entered into any interest rate swap or other arrangement to hedge its exposure to the floating interest rate on the Series 2012B Bonds.

The San Juan Project Revenue Bonds, Series 2008A (totaling \$2.3 million) maturing on or after June 1, 2019, are subject to redemption prior to maturity on or after June 1, 2018, in whole or in part on any date, at a redemption price equal to 100% of the principal amount of each bond or portion thereof plus accrued interest.

The San Juan Project Refunding Revenue Bonds, Series 2011 (totaling \$22.2 million), maturing June 1, 2023, at 2.00% – 5.50% interest, maturing on and after June 1, 2022, are subject to optional maturity on or after June 1, 2021, in whole at any time or in part on any date, at redemption price equal to 100.00% of the principal amount plus accrued interest.

The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2011, (totaling \$3.8 million), at 2.65% interest, is subject to optional redemption on or after December 1, 2015, at 101.00% of the principal amount of the Series 2011 Bond to be so redeemed plus accrued interest to the redemption date.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **7. Debt (continued)**

The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2012, (totaling \$11.2 million), at 2.32% interest, is subject to optional redemption on or after June 1, 2016, at 101.00% of the principal amount of the Series 2012 Bond to be so redeemed plus accrued interest to the redemption date.

The Payson Power Project Refunding Revenue Bonds, Series 2012, (totaling \$74.9 million) maturing on April 1, 2026, at 2.00% – 5.00% interest, maturing on or after April 1, 2022, are subject to redemption on or after October 1, 2021, in whole or in part on any date, at a redemption price of 100.00% of the principal amount of each Series 2012 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date. The bonds were issued to advance refund all of the outstanding principal amount of Series 2003A Bonds, repurchase and refinance all of the outstanding principal amount of the Series 2007 Bonds, and to pay certain costs related to the issuance of the Bonds.

On May 1, 2013, UAMPS issued the Payson Overhaul Revenue Bonds, Series 2013, Direct Placement with Wells Fargo (totaling \$2.0 million) at 1.76% interest. The Payson Series 2013 Bonds are not subject to optional redemption prior to maturity. The bonds were issued for the purpose of providing an amount sufficient, together with the prepayments made by certain Participants, to provide for payment of cost of planned maintenance and various improvements, as well as costs of issuance.

On June 20, 2013, UAMPS issued the Member Services Project Generator Revenue Refunding Bonds (Hurricane City project and Washington City project) Series 2013 Revenue Refunding Bonds (totaling \$2.0 million and \$1.0 million, respectively) at 2.30% interest. The Series 2013 Bonds are subject to redemption prior to maturity, at the election of UAMPS on or after November 1, 2020, in whole (but not in part), at a redemption price equal to 100.00% of the principal plus accrued interest. The Bonds were issued to refund the outstanding Hurricane-Washington Generating Project Revenue Bonds Series 2007A and B, and to pay costs of issuance.

The Hurricane-Washington Generating Project Revenue Bonds, Series 2007 A & B, (totaling \$3.7 million) maturing on or after May 1, 2014, were refunded on June 20, 2013. The refunding reduced total debt service payments by \$0.6 million and results in an economic gain (i.e., the difference between the present value of the debt service payments on the old and new debt) of \$0.5 million. The outstanding principal amount of the Bonds refunded was \$3.0 million.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **7. Debt (continued)**

The Santa Clara-Washington Generating Project Revenue Bonds, Series 2008, (totaling \$2.7 million) maturing July 1, 2028, at 5.16% interest are subject to redemption price equal to 100.00% of the principal amount of the bonds plus accrued interest. The bonds were issued to provide funds for the purchase of two generators for the cities of Santa Clara and Washington, the costs of issuance, and the sale of the related bonds.

Restricted cash and investments are restricted only for the purposes stipulated in the Resolutions. When both restricted and unrestricted resources are available for use, UAMPS' Project Management Committee determines which resources are used first.

The Bond Resolutions include certain provisions and covenants including among others, the requirement that UAMPS shall at all times establish and collect rates and charges to provide Revenues at least sufficient in each fiscal year, together with other available funds, for the payment of the sum of operation and maintenance costs, debt service, and debt service reserve account for the fiscal year. UAMPS will punctually pay or cause to be paid the principal, redemption price and interest on the Bonds and any repayment obligations in strict conformity with the terms of the Bonds, any security instrument agreement, any reserve instrument agreement, and the indenture, and UAMPS will punctually pay or cause to be paid all sinking fund installments which may be established for any series of bonds. UAMPS is required file an annual budget with the respective trustees of each of their bonds and is required to keep proper books of records and accounts, and file with the Trustee annually financial statements.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

The scheduled maturities and related interest, based on scheduled rates for fixed rate bonds and the existing rates at March 31, 2014, for variable rate bonds, of long-term debt are as follows:

<b>Year ending March 31</b>	<b>Revenue and Refunding Revenue Bonds</b>	<b>Interest</b>	<b>Total Debt Service Requirements</b>
2015	\$ 10,725,000	\$ 9,394,400	\$ 20,119,400
2016	11,181,000	8,936,314	20,117,314
2017	11,631,000	8,458,401	20,089,401
2018	12,118,000	7,959,441	20,077,441
2019	12,598,000	7,439,264	20,037,264
2020–2024	70,633,000	27,699,526	98,332,526
2025–2029	64,863,000	11,094,364	75,957,364
2030–2034	29,805,000	2,215,944	32,020,944
	<u>\$ 223,554,000</u>	<u>\$ 83,197,654</u>	<u>\$ 306,751,654</u>

UAMPS incurred interest costs of \$8.0 million and \$6.9 million for the years ended March 31, 2014 and 2013, respectively.



# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

The table below shows the changes in net long-term debt balances that occurred during the year ended March 31, 2014.

	March 31, 2013	Additions	Reductions	March 31, 2014	Amount Due Within One Year
Horse Butte Wind 2012A – Serial	\$ 67,860,000	\$ –	\$ 2,120,000	\$ 65,740,000	\$ 2,155,000
Horse Butte Wind 2012B – Term	2,065,000	–	–	2,065,000	–
Horse Butte Wind 2012B – Term	2,135,000	–	–	2,135,000	–
Horse Butte Wind 2012B – Term	2,205,000	–	–	2,205,000	–
Horse Butte Wind 2012B – Term	2,275,000	–	–	2,275,000	–
Horse Butte Wind 2012B – Term	2,350,000	–	–	2,350,000	–
Horse Butte Wind 2012B – Term	2,425,000	–	–	2,425,000	–
Horse Butte Wind 2012B – Term	2,505,000	–	–	2,505,000	–
Horse Butte Wind 2012B – Term	2,585,000	–	–	2,585,000	–
Horse Butte Wind 2012B – Term	2,670,000	–	–	2,670,000	–
Horse Butte Wind 2012B – Term	2,755,000	–	–	2,755,000	–
San Juan 2008A – Serial	1,810,000	–	150,000	1,660,000	155,000
San Juan 2011 – Serial	20,390,000	–	1,525,000	18,865,000	1,590,000
Central-St. George 2009 – Serial	1,765,000	–	220,000	1,545,000	225,000
Central-St. George 2009 – Term	2,335,000	–	–	2,335,000	–
Central-St. George 2009 – Term	2,455,000	–	–	2,455,000	–
Central-St. George 2009 – Term	2,585,000	–	–	2,585,000	–
Central-St. George 2009 – Term	2,720,000	–	–	2,720,000	–
Central-St. George 2009 – Term	2,865,000	–	–	2,865,000	–
Central-St. George 2009 – Term	3,015,000	–	–	3,015,000	–
Central-St. George 2009 – Term	3,170,000	–	–	3,170,000	–
Central-St. George 2009 – Term	3,340,000	–	–	3,340,000	–
Central-St. George 2011 – Serial	3,365,000	–	445,000	2,920,000	455,000
Central-St. George 2012 – Serial	9,885,000	–	1,315,000	8,570,000	1,350,000
Payson 2012	74,885,000	–	4,375,000	70,510,000	4,335,000
Payson 2013	–	2,025,000	–	2,025,000	175,000
Hurricane-Washington 2007A – Term	–	–	–	–	–
Hurricane-Washington 2007A – Term	533,000	–	533,000	–	–
Hurricane-Washington 2007A – Term	671,000	–	671,000	–	–
Hurricane-Washington 2007A – Term	857,000	–	857,000	–	–
Hurricane-Washington 2007B – Term	–	–	–	–	–
Hurricane-Washington 2007B – Term	264,000	–	264,000	–	–
Hurricane-Washington 2007B – Term	332,000	–	332,000	–	–
Hurricane-Washington 2007B – Term	425,000	–	425,000	–	–
Hurricane City 2013 – Term	–	2,009,000	–	2,009,000	123,000
Washington City 2013 – Term	–	996,000	–	996,000	60,000
Santa Clara-Washington 2008	2,356,000	–	97,000	2,259,000	102,000
	231,853,000	5,030,000	13,329,000	223,554,000	10,725,000
Less unamortized discount	308,487	–	28,081	280,406	27,853
Plus unamortized premium	18,577,001	–	1,950,622	16,626,379	1,866,644
	\$ 250,121,514	\$ 5,030,000	\$ 15,251,541	\$ 239,899,973	\$ 12,563,790

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

The table below shows the changes in net long-term debt balances that occurred during the year ended March 31, 2013.

	March 31, 2012	Additions	Reductions	March 31, 2013	Amount Due Within One Year
Horse Butte Wind 2012A – Serial	\$ –	\$ 67,860,000	\$ –	\$ 67,860,000	\$ 2,120,000
Horse Butte Wind 2012B – Term	–	2,065,000	–	2,065,000	–
Horse Butte Wind 2012B – Term	–	2,135,000	–	2,135,000	–
Horse Butte Wind 2012B – Term	–	2,205,000	–	2,205,000	–
Horse Butte Wind 2012B – Term	–	2,275,000	–	2,275,000	–
Horse Butte Wind 2012B – Term	–	2,350,000	–	2,350,000	–
Horse Butte Wind 2012B – Term	–	2,425,000	–	2,425,000	–
Horse Butte Wind 2012B – Term	–	2,505,000	–	2,505,000	–
Horse Butte Wind 2012B – Term	–	2,585,000	–	2,585,000	–
Horse Butte Wind 2012B – Term	–	2,670,000	–	2,670,000	–
Horse Butte Wind 2012B – Term	–	2,755,000	–	2,755,000	–
San Juan 2008A – Serial	1,955,000	–	145,000	1,810,000	150,000
San Juan 2011 – Serial	21,855,000	–	1,465,000	20,390,000	1,525,000
Central-St. George 2009 – Serial	1,970,000	–	205,000	1,765,000	220,000
Central-St. George 2009 – Term	2,335,000	–	–	2,335,000	–
Central-St. George 2009 – Term	2,455,000	–	–	2,455,000	–
Central-St. George 2009 – Term	2,585,000	–	–	2,585,000	–
Central-St. George 2009 – Term	2,720,000	–	–	2,720,000	–
Central-St. George 2009 – Term	2,865,000	–	–	2,865,000	–
Central-St. George 2009 – Term	3,015,000	–	–	3,015,000	–
Central-St. George 2009 – Term	3,170,000	–	–	3,170,000	–
Central-St. George 2009 – Term	3,340,000	–	–	3,340,000	–
Central-St. George 2011 – Serial	3,800,000	–	435,000	3,365,000	445,000
Central-St. George 2012 – Serial	11,240,000	–	1,355,000	9,885,000	1,315,000
Payson 2003	81,710,000	–	81,710,000	–	–
Payson 2007	2,038,000	–	2,038,000	–	–
Payson 2012 – Serial	–	74,885,000	–	74,885,000	4,375,000
Hurricane-Washington 2007A – Term	93,000	–	93,000	–	–
Hurricane-Washington 2007A – Term	533,000	–	–	533,000	98,000
Hurricane-Washington 2007A – Term	671,000	–	–	671,000	–
Hurricane-Washington 2007A – Term	857,000	–	–	857,000	–
Hurricane-Washington 2007B – Term	46,000	–	46,000	–	–
Hurricane-Washington 2007B – Term	264,000	–	–	264,000	48,000
Hurricane-Washington 2007B – Term	332,000	–	–	332,000	–
Hurricane-Washington 2007B – Term	425,000	–	–	425,000	–
Santa Clara-Washington 2008	2,448,000	–	92,000	2,356,000	97,000
	152,722,000	166,715,000	87,584,000	231,853,000	10,393,000
Less unamortized discount	336,783	–	28,295	308,488	28,082
Plus unamortized premium	6,328,548	19,255,865	7,007,412	18,577,001	1,950,622
	\$ 158,713,765	\$ 185,970,865	\$ 94,563,117	\$ 250,121,513	\$ 12,315,540

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 8. Lines of Credit

In August 2001, UAMPS obtained a \$3.0 million revolving line of credit for cash flow purposes at a rate of 75.00% of the financial institution's prime lending rate, which rate was 2.44% as of March 31, 2014. In January 2012, UAMPS obtained an additional \$3.0 million from the same financial institution upon substantially the same terms and conditions. In March 2006, UAMPS obtained a revolving line of credit totaling \$11.0 million at a variable rate in relation to LIBOR, which rate was 1.06% as of March 31, 2014. In September 2006, UAMPS obtained an additional \$8.0 million from the same financial institution upon substantially the same terms and conditions. The outstanding balance on the combined \$25.0 million available lines of credit was \$12.4 million and \$9.4 million at March 31, 2014 and 2013, respectively. The additional revolving lines of credit were obtained to assist UAMPS with working capital requirements.

#### 9. Commitments and Contingencies

In the course of ordinary business activities, UAMPS enters into a variety of contractual obligations for future transactions for both energy and natural gas in order to meet Members' load and resource requirements.

UAMPS had the following Purchase Commitments at March 31, 2014:

	<b>Gas</b>	<b>Power</b>
Fiscal year:		
2015	\$ 12,625,229	\$ 29,646,901
2016	12,871,918	30,814,119
2017	12,642,244	29,211,341
2018	12,078,272	1,683,000
2019	13,540,815	—
	<u>\$ 63,758,478</u>	<u>\$ 91,355,361</u>

Under similar agreements UAMPS purchased energy in the amount of \$34.2 million in fiscal year 2014 and \$30.1 million in fiscal year 2013. UAMPS purchased natural gas in the amount of \$11.7 million in fiscal year 2014 and \$11.4 million in fiscal year 2013.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 9. Commitments and Contingencies (continued)

UAMPS shares an ownership interest in the San Juan Generating Station, which has an agreement with the Public Service Company of New Mexico to purchase a minimum annual quantity of coal. Under the agreement currently in place, the San Juan Generating Station and UAMPS, as a part owner of generating unit number 4, have the following estimated commitments over the next five years:

<b>Year</b>	<b>Tons</b>	<b>Total Commitment at the March 31, 2014</b>	<b>UAMPS' Portion of Commitment at March 31, 2014</b>
2014	5,600,000	\$ 275,576,000	\$ 5,976,000
2015	5,600,000	275,576,000	5,976,000
2016	5,600,000	275,576,000	5,976,000
2017	5,600,000	275,576,000	5,976,000
2018	5,600,000	275,576,000	5,976,000
2019	5,600,000	275,576,000	5,976,000

During fiscal years 2014 and 2013, UAMPS incurred minimum coal costs of \$6.7 million and \$6.3 million, respectively, and incremental coal costs of \$.3 million and \$0.4 million respectively, as its portion of the existing San Juan Operating Agreement. Incremental coal costs are comprised of variable costs for the purchase of coal in excess of the minimum purchase requirement and can be negative due to consumption being less than the base purchase requirement.

UAMPS leases office space under a ten-year operating lease expiring in fiscal year 2021. Future minimum lease payments under the operating lease obligation are:

Fiscal year:	
2015	\$ 394,354
2016	402,241
2017	410,286
2018	418,492
2019	426,862
2020-2021	766,822
	<u>\$ 2,819,057</u>

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **9. Commitments and Contingencies (continued)**

Rent expense for the years ended March 31, 2014 and 2013, were \$0.4 million and \$0.4 million, respectively.

During the normal course of conducting its business, UAMPS becomes involved in litigation. It is not possible to determine the eventual outcome of presently unresolved litigation. However, management believes it will not have a material adverse effect on UAMPS' financial position or results of operations.

In October 2010, construction began on the Horse Butte Wind project. The Horse Butte Wind project is a 57.6 MW wind powered electric generating facility located in Bonneville County, Idaho.

UAMPS has executed a 20-year Power Purchase Agreement with the Project Owner. Under the Power Purchase Agreement, UAMPS was required to make a prepayment of at \$114.6 million for the expected minimum energy output of the project (known as the P99 output) over the 20-year term of the Power Purchase Agreement, on or before the commercial operation date of the project. Additionally, UAMPS agreed to purchase all additional energy produced and all RECs associated with the prepaid and additional energy on a pay-as-you-go basis. Under the Power Purchase Agreement, UAMPS has the option to purchase the project on certain specified dates.

#### **10. Retirement Plan**

UAMPS has a noncontributory money purchase defined contribution pension plan, which covers all of its employees. Employees are eligible to participate from the date of employment. Contributions and earnings thereon are always fully vested upon participation in the plan. Contribution levels are established by the Board and are initially equal to 15.3%, increasing to a maximum of 25.0% of each covered employee's compensation. UAMPS' covered payroll amounted to approximately \$3.9 million in 2014 and \$3.7 million in 2013. Contributions, which are approximately 23.5% in 2014 and 2013 of total payroll, totaled approximately \$0.9 million for both the years ended March 31, 2014 and 2013. All contributions are invested using an outside pension administrator, ICMA Retirement Corp. (ICMA). ICMA provides the participants with multiple options for their pension investments.

## Supplemental Schedules

# Utah Associated Municipal Power Systems

## Schedules of Project Financial Statements

### Balance Sheet

March 31, 2014

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Horse Butte Wind	Craig- Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Totals
<b>Assets</b>																
Current assets:																
Cash	\$ 159,657	\$ 4,351,674	\$ (472,554)	\$ 653,297	\$ 595,515	\$ 333,146	\$ 792,631	\$ (1,579,282)	\$ (4,280,279)	\$ (194,907)	\$ 271,265	\$ 793,673	\$ (243,395)	\$ 374,813	\$ 107,966	\$ 1,663,220
Receivables	2,076,607	2,620,783	2,433,406	62,582	514,886	1,860,333	(452,131)	634,047	8,070,637	3,361,618	—	370,911	305,638	52,516	93,387	22,005,220
Prepaid expenses and deposits	—	3,674,000	1,485,269	—	—	—	5,339	—	56,000	1,194,444	—	—	—	—	—	6,415,052
Investment	552,905	707,894	700,181	6,965	78,950	487,302	20,848	155,666	1,522,490	1,146,813	—	41,334	4,624	15,399	32,874	5,474,245
Current portion of energy prepayment	—	—	—	—	—	5,724,341	—	—	—	—	—	—	—	—	—	5,724,341
	2,789,169	11,354,351	4,146,302	722,844	1,189,351	8,405,122	366,687	(789,569)	5,368,848	5,507,968	271,265	1,205,918	66,867	442,728	234,227	41,282,078
Restricted assets:																
Cash	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Investments	—	6,027,373	5,519,091	—	—	11,321,095	—	5,063,172	—	21,327,009	—	—	—	—	601,989	49,859,729
Interest Receivable	—	—	—	—	—	—	—	14,959	—	38,608	—	—	—	—	—	53,567
	—	6,027,373	5,519,091	—	—	11,321,095	—	5,078,131	—	21,365,617	—	—	—	—	601,989	49,913,296
Utility plant and equipment:																
Generation	—	92,263,032	61,485,896	—	—	—	—	—	—	103,098,585	—	—	—	—	6,828,983	263,676,496
Transmission	—	—	—	—	—	—	17,492,388	56,655,344	—	10,521,737	—	—	—	—	—	84,669,470
Furniture and equipment	47,004	65,371	52,730	33,993	20,367	111,933	13,894	31,447	23,550	459,708	(24,592)	114,495	32,777	74,175	14,331	1,071,183
	47,004	92,328,403	61,538,626	33,993	20,367	111,933	17,506,282	56,686,791	23,550	114,080,030	(24,592)	114,495	32,777	74,175	6,843,314	349,417,148
Less accumulated depreciation	(23,429)	(63,968,876)	(37,413,018)	(9,894)	(18,671)	(58,949)	(13,952,454)	(30,536,016)	(44,132)	(48,827,032)	—	(72,179)	(17,953)	(50,150)	(2,415,469)	(197,408,223)
	23,575	28,359,527	24,125,608	24,099	1,696	52,984	3,553,828	26,150,775	(20,582)	65,252,997	(24,592)	42,316	14,824	24,025	4,427,845	152,008,925
Construction work in progress	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	23,575	28,359,527	24,125,608	24,099	1,696	52,984	3,553,828	26,150,775	(20,582)	65,252,997	(24,592)	42,316	14,824	24,025	4,427,845	152,008,925
Other assets:																
Energy Prepayment, less current portion	—	—	—	—	—	99,036,797	—	—	—	—	—	—	—	—	—	99,036,797
	—	—	—	—	—	99,036,797	—	—	—	—	—	—	—	—	—	99,036,797
Deferred outflows of resources	—	—	252,024	—	—	—	—	268,509	—	111,237	—	—	—	—	—	631,770
	<b>\$ 2,812,744</b>	<b>\$ 45,741,251</b>	<b>\$ 34,043,025</b>	<b>\$ 746,943</b>	<b>\$ 1,191,047</b>	<b>\$ 118,815,998</b>	<b>\$ 3,920,515</b>	<b>\$ 30,707,846</b>	<b>\$ 5,348,266</b>	<b>\$ 92,237,819</b>	<b>\$ 246,673</b>	<b>\$ 1,248,234</b>	<b>\$ 81,691</b>	<b>\$ 466,753</b>	<b>\$ 5,264,061</b>	<b>\$ 342,872,866</b>

# Utah Associated Municipal Power Systems

## Schedules of Project Financial Statements (continued)

### Balance Sheet

March 31, 2014

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Horse Butte Wind	Craig- Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Totals
<b>Membership capital and liabilities</b>																
Current liabilities:																
O/S checks in excess of transfer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,358,170	803,409	885,480	36,451	245,245	761,041	6,875	109,575	6,108,830	1,132,118	-	65,321	8,290	59,286	204	11,580,295
Accrued liabilities	68,995	405,837	662,986	89,194	35,343	184,003	36,771	40,950	2,197,376	377,031	-	151,272	36,442	109,489	26	4,395,715
Members' advance billings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lines of credit	1,252,414	1,603,488	1,586,017	15,777	178,834	1,103,814	47,224	352,606	3,448,672	2,597,706	-	93,627	10,473	34,882	74,466	12,400,000
Current portion of unearned revenue	-	-	412,772	-	-	1,255,335	-	116,445	44,196	641,082	-	-	-	-	-	2,469,830
	2,679,579	2,812,734	3,547,255	141,422	459,422	3,304,193	90,870	619,576	11,799,074	4,747,937	-	310,220	55,205	203,657	74,696	30,845,840
Liabilities payable from restricted assets:																
Accrued interest payable	1,041	1,332	352,631	13	149	347,609	39	511,599	2,865	1,665,228	-	78	9	29	57,938	2,940,560
Current portion of long-term debt	-	-	1,873,773	-	-	2,923,380	-	2,002,146	-	5,479,491	-	-	-	-	285,000	12,563,790
	1,041	1,332	2,226,404	13	149	3,270,989	39	2,513,745	2,865	7,144,719	-	78	9	29	342,938	15,504,350
Long-term debt:																
Bonds payable, less current portion	-	-	18,780,001	-	-	87,554,999	-	33,490,000	-	68,025,000	-	-	-	-	4,979,000	212,829,000
Less: unamortized bond discount	-	-	-	-	-	-	-	(252,553)	-	-	-	-	-	-	-	(252,553)
Plus: unamortized bond premium	-	-	543,852	-	-	8,199,934	-	-	-	6,015,949	-	-	-	-	-	14,759,735
	-	-	19,323,853	-	-	95,754,933	-	33,237,447	-	74,040,949	-	-	-	-	4,979,000	227,336,182
Unearned revenue, less current portion	-	-	10,274,750	-	-	23,846,131	-	2,800,267	-	6,156,057	-	-	-	-	-	43,077,205
Accumulated amortization of unearned revenue	-	-	(7,316,548)	-	-	(2,057,261)	-	(2,263,764)	-	(1,599,127)	-	-	-	-	-	(13,236,700)
Net unearned revenue	-	-	2,958,202	-	-	21,788,870	-	536,503	-	4,556,930	-	-	-	-	-	29,840,505
Deferred inflows of resources	(9,223)	41,063,098	5,751,480	7,389	(34,422)	(5,805,953)	4,069,263	(6,015,971)	(6,337,367)	1,821,824	-	2,427	(86)	(8,125)	(333,909)	34,170,425
Net position	141,347	1,864,087	235,831	598,119	765,898	502,966	(239,657)	(183,454)	(116,306)	(74,540)	246,673	935,509	26,563	271,192	201,336	5,175,564
	\$ 2,812,744	\$ 45,741,251	\$ 34,043,025	\$ 746,943	\$ 1,191,047	\$ 118,815,998	\$ 3,920,515	\$ 30,707,846	\$ 5,348,266	\$ 92,237,819	\$ 246,673	\$ 1,248,234	\$ 81,691	\$ 466,753	\$ 5,264,061	\$ 342,872,866



# Utah Associated Municipal Power Systems

## Schedules of Project Financial Statements

### Statement of Revenues and Expenses

Year Ended March 31, 2014

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Craig Mona	Central St. George	Pool	Payson	IPP #3	Resource	Resource	Government and Public Affairs	Member Services	Total
Operating revenues:																
Power sales to members	\$ 13,472,281	\$ 17,585,174	\$ 17,131,723	\$ 736,279	\$ 2,384,774	\$ 14,208,875	\$ 446,042	\$ 3,948,379	\$ 64,594,668	\$ 36,257,795	\$ —	\$ 12,170	\$ 107,348	\$ 388,896	\$ 750,116	\$ 172,024,520
Other	(4)	(627)	(207)	103	(25)	(9)	20	55	(4,044)	(389)	—	2,007,904	49	147	—	2,002,973
	13,472,277	17,584,547	17,131,516	736,382	2,384,749	14,208,866	446,062	3,948,434	64,590,624	36,257,406	—	2,020,074	107,397	389,043	750,116	174,027,493
Operating expenses:																
Cost of power	13,249,861	14,758,855	11,376,234	473,375	2,259,439	12,753,611	369,246	221,483	60,187,467	27,299,424	—	1,157,668	—	26,342	176,552	144,309,557
In lieu of ad valorem taxes	—	335,387	201,256	3,583	—	185,402	62,380	—	—	—	—	—	—	—	—	788,008
Depreciation	7,655	4,701,678	2,924,224	9,082	4,579	25,679	595,476	2,703,726	1,100	5,425,267	—	20,574	7,139	17,300	317,102	16,760,581
General and administrative	183,733	732,086	593,033	188,382	111,829	933,898	76,433	235,594	2,289,948	2,707,303	—	536,455	96,397	332,318	5,214	9,022,623
	13,441,249	20,528,006	15,094,747	674,422	2,375,847	13,898,590	1,103,535	3,160,803	62,478,515	35,431,994	—	1,714,697	103,536	375,960	498,868	170,880,769
Operating income	31,028	(2,943,459)	2,036,769	61,960	8,902	310,276	(657,473)	787,631	2,112,109	825,412	—	305,377	3,861	13,083	251,248	3,146,724
Nonoperating revenues (expenses):																
Investment and other income (expense)	—	27,389	21,607	—	—	60,170	—	(109,919)	—	(249,138)	—	—	—	—	(45,625)	(295,516)
Interest expense	(11,138)	(14,261)	(969,957)	(140)	(1,590)	(2,753,296)	(420)	(1,652,344)	(30,671)	(2,342,827)	—	(833)	(93)	(310)	(203,652)	(7,981,532)
Deferred outflows of resources - net costs advanced	2,003	2,823,689	(827,015)	(1,003)	2,343	2,722,719	594,083	911,820	1,100	2,055,700	—	6,066	3,360	5,189	18,559	8,318,613
	(9,135)	2,836,817	(1,775,365)	(1,143)	753	29,593	593,663	(850,443)	(29,571)	(536,265)	—	5,233	3,267	4,879	(230,718)	41,565
Change in net position	\$ 21,893	\$ (106,642)	\$ 261,404	\$ 60,817	\$ 9,655	\$ 339,869	\$ (63,810)	\$ (62,812)	\$ 2,082,538	\$ 289,147	\$ —	\$ 310,610	\$ 7,128	\$ 17,962	\$ 20,530	\$ 3,188,289

## Other Reports

## Report of Independent Auditors on State of Utah Legal Compliance

The Board of Directors of  
Utah Associated Municipal Power Systems

### **Report on Compliance**

We have audited Utah Associated Municipal Power Systems' compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended March 31, 2014. The general compliance requirements applicable to the Company are identified as follows:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Other General Issues

Utah Associated Municipal Power Systems did not receive any major or non-major state grants during the year ended March 31, 2014.

### ***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the Company's management.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance with those requirements based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. Our audit does not provide a legal determination of the Company's compliance with those requirements.

***Opinion on Compliance***

In our opinion, the Utah Associated Municipal Power Systems complied, in all material respects, with the compliance requirements identified above that could have a direct and material effect on the general compliance requirements referred to above for the year ended March 31, 2014.

***Purpose of Report***

The purpose of this report is solely to describe the scope of our testing of compliance and express an opinion thereon, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst & Young LLP*

August 12, 2014

## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and the Board of Directors of  
Utah Associated Municipal Power Systems

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Utah Associated Municipal Power Systems, which comprise the statements of net position as of March 31, 2014, and 2013, and the related statements of revenues and expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Utah Associated Municipal Power Systems' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Utah Associated Municipal Power Systems' internal control. Accordingly, we do not express an opinion on the effectiveness of Utah Associated Municipal Power Systems' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

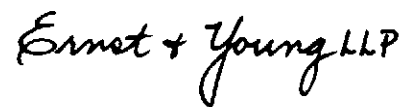
As part of obtaining reasonable assurance about whether Utah Associated Municipal Power Systems' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. In connection with our audit procedures, we became aware of a matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2014-1.

## **UAMPS' Response to Findings**

UAMPS' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. UAMPS' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

August 12, 2014

## Schedule of Findings and Responses

### *Finding No. 2014-1*

#### **Condition**

An employee embezzled funds from UAMPS from 2007-2013.

#### **Context**

The fraud was discovered by U.S. Department of Treasury Agents who were conducting an investigation of an employee in connection with her personal tax issues. The agents informed UAMPS management, and who then reported the fraud to us during our audit of the financial statements. Management's counsel hired a forensic specialist to identify how the fraud was perpetrated and to quantify the total amount of funds embezzled by the employee and to determine what journal entries were made to cover up the fraud. The forensic specialists identified 135 checks that were fraudulently written out to petty cash and then cashed by the employee. All of the checks were for less than \$5,000. For the majority of the checks, the employee made entries to an accounts payable clearing account to record the fraudulent disbursements.

#### **Effect**

Approximately \$570,000 was stolen from the Company in small amounts over a period of several years. As a result of fraudulent entries recorded to conceal the embezzlement, the statement of net position was misstated by an immaterial amount.

#### **Cause**

An employee of UAMPS embezzled funds from UAMPS by forging a live signature on checks. The employee had access to blank checks, and exploited the low dollar threshold that required one live signature on a check. In addition, the employee was able to conceal these low dollar amounts by recording these entries in an A/P clearing account. This situation where the same employee had custody of blank checks and the ability to record journal entries in the general ledger represented an improper segregation of duties.

#### **Recommendation**

We recommend that management implement proper segregation of duties (including routine review thereof) as well as additional review controls in order to prevent similar incidents from occurring in the future.

#### **UAMPS response and planned corrective action**

The Company has mitigated the risk of a similar event occurring by limiting what an employee can perform in a given process or accounting function (i.e., limiting signing authority on checks to a lower dollar threshold, as well as limiting the accounts an employee can record journal entries to, etc.) and evaluating any areas of weakness, such as inadequate segregation of duties.

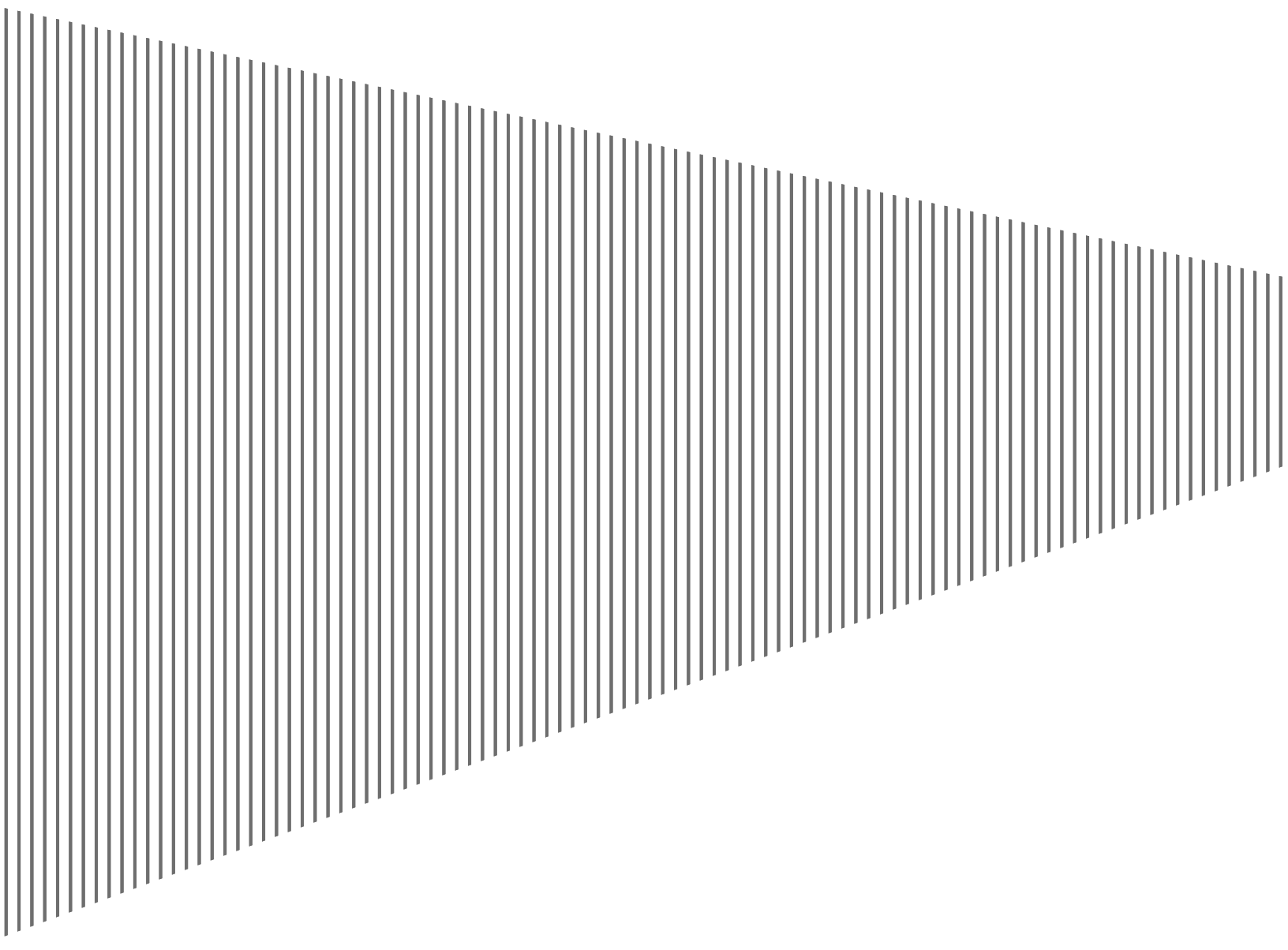
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## APPENDIX E

### UAMPS POWER SUPPLY, TRANSMISSION AND OTHER RESOURCES

The following is a summary of the various power supply, transmission and other projects undertaken by UAMPS on behalf of its Members. Any bonds issued or to be issued by UAMPS to finance the capital or other costs of a project, and any other costs or obligations of such project, constitute special obligations of UAMPS and are secured solely by or payable solely from payments made to UAMPS by those Members that participate in the respective project. Obligations of UAMPS and members participating in a project are independent—there is no cross-default between contracts. There has never been a payment default by any Member participating in any UAMPS project.

Member participation in projects is shown in the forepart of this Official Statement, see “UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS—Membership.”

#### POWER POOL

The UAMPS Power Pool has been established through power pooling agreements (the “*Pooling Agreements*”) which UAMPS has entered into with 42 of its 45 Members, including the Participants in the Veyo Heat Recovery Project (collectively, the “*Pool Participants*”). Pursuant to the Pooling Agreements UAMPS acts as agent for: (1) the scheduling and dispatch of power and energy; (2) the purchase of any power and energy required to meet such Pool Participant’s electric system loads or to provide reserves for such loads; (3) the sale of any power and energy available to a Pool Participant which is deemed surplus to meet its electric system loads; (4) the utilization of transmission rights and provision of transmission service to effect power and energy deliveries to, and sales by, each Pool Participant; (5) the administration of payments with respect to each Pool Participant’s purchase and sale of power and energy and transmission services; and (6) conducting power supply and transmission studies and developing programs for the acquisition or construction of power and transmission resources.

Most of the Pool Participants purchase from the Power Pool all of their supplemental power and energy requirements that exceed their power supply resources (which may include both physical resources and contractual supplies). Power supplied by the pool is priced according to whether the purchase is “planned” or “unplanned” within the meaning of the Pooling Agreements. “Planned” purchases are those amounts of power and/or energy that a Pool Participant has scheduled through UAMPS at least one hour before such power and/or energy is required. “Unplanned” purchases are those amounts of power and/or energy that the Pool Participant required, as determined by the Pool Participant’s meter(s), that do not come from the Pool Participant’s own resources, including planned purchases under the Pooling Agreements.

Pool Participants may participate in the All-In Cost Pool that provides for participants to sell surplus resources at the all-in cost or purchase their deficit resource needs at an all-in cost from other participants. After all of the participants have satisfied their resource needs, any unutilized resource surplus is purchased by the unplanned pool and any deficit resource need is purchased from the unplanned pool.

In addition to the Power Pool, UAMPS operates an electronic power exchange through which the Members are able to enter into forward transactions with one another or with UAMPS for the purchase and sale of power and energy.

The resources presently dedicated to the UAMPS Power Pool generally consist of power and energy from the following resources: (1) the Pool Participants' allocations of CRSP power and energy; (2) electric generating facilities owned and operated by certain of the Pool Participants; (3) power and energy generated by UAMPS' Hunter, San Juan, Payson and Horse Butte Projects; (4) power and energy purchased by UAMPS under the Firm Power Project; (5) non-firm contracts with, and market purchases from, power suppliers, marketers and others throughout the West; and (6) resources owned or contracted for by individual Pool Participants that they dedicate to the Power Pool for scheduling to their loads by UAMPS.

UAMPS has entered into fixed-price, firm power purchase agreements for approximately 100 MW/year of electricity through March 2022 from several established sellers in the Western energy markets. UAMPS has entered into firm power sale arrangements with over twenty of its Members for the re-sale of this electricity at prices that cover its cost and administrative expenses. Favorable conditions in the Western energy markets enabled UAMPS and the Members participating in these transactions to obtain fixed-price supplemental power supplies from a diverse mix of suppliers for the next several years. The participating Members use the supplemental power supplies to meet their power supply requirements, and a number of the Members use the supplemental supplies to displace higher-priced resources. To date, most of these transactions have been executed through the Power Pool, although UAMPS expects to execute future long-term market purchases through the Firm Power Project.

#### COLORADO RIVER STORAGE PROJECT

The Colorado River Storage Project (officially referred to as the "*Salt Lake City Area Integrated Projects*") ("*CRSP*") is owned by the United States of America and operated by the United States Bureau of Reclamation. One purpose of CRSP is the production of hydroelectric capacity and energy. The Western Area Power Administration ("*Western*") is responsible for the marketing and transmission of federal power in 15 western and central states. Western's 670 customers in this 1,300,000 square mile area include municipal power systems, such as the Members, cities and towns, rural electric cooperatives, public utility and irrigation districts, federal and state agencies, Native American tribes, investor-owned utilities (only one of which has an allocation of federal hydropower from Western) and marketers. Western annually markets and transmits 10,489 MW of electric power generated by fifty-seven hydropower plants operated by the United States Bureau of Reclamation, the Corps of Engineers and the International Boundary and Water Commission. Western operates and maintains 17,008 circuit miles of transmission lines, 296 substations and related electric facilities.

Several of the Participants have firm allocations of CRSP capacity and energy that are purchased pursuant to an Integrated Contract for Electric Service between Western and UAMPS, as amended from time to time including by the Replacement Purchase Options Amendment, and a parallel contract between UAMPS and each of the Participants (collectively, the "*CRSP Contract*"). Under the CRSP Contract, Western is obligated to furnish firm electric service,

subject to the available capacity of substation and transmission facilities, to the points of delivery. UAMPS acts as a single purchasing agent and schedules purchases of CRSP energy for the Participants and the other Members of UAMPS. The current CRSP Contracts became effective on December 1, 1989 and extend through September 30, 2024. The CRSP Contracts contain mechanisms for addressing operational changes and reduced generating levels resulting from the Record of Decision for the Glen Canyon Dam Environmental Impact Statement, including provision by Western or UAMPS to supply the additional necessary resources in the event Western lacks sufficient hydroelectric generation to meet its commitment to UAMPS' Members, and the costs and charges associated with acquiring this additional power.

Western is obligated to review annually its rates for CRSP energy to ensure that such rates generate sufficient revenues to cover the operating and other expenses of CRSP. Western's current composite rate of 29.62 mills/kWh (2.962¢/kWh) has been in effect since October 1, 2009. The current rate schedule will expire September 30, 2015, and may be adjusted upon evaluation of changed costs in the operation, maintenance, purchased power expense and interest expense from the continued drought in the Colorado River Region. In addition, Western established a Cost Recovery Charge ("CRC") in order to recover costs in times when hydropower generation is low and actual purchased power expenses are higher than forecasted. There is no CRC for 2014.

The Bureau of Reclamation is preparing an environmental impact statement (EIS) on the adoption of a long-term experimental plan for the future operation of Glen Canyon Dam and other associated management activities, which could result in changes in power production due to modifications of water releases during experimentation and drought. Western will be required to obtain replacement power during these periods of experimentation. The magnitude and duration of such purchases resulting from the long-term experimentation plan has not yet been determined. The CRC may be utilized as a method to recover short term revenue deficiencies.

#### HUNTER PROJECT

The Hunter Project consists of UAMPS' undivided 14.582% ownership interest in Hunter 2, a 446 MW coal-fired electric generating unit located in Emery County, Utah (the "*Hunter Project*"). Hunter 2 has been in commercial operation since June 1, 1980. Hunter 2 is jointly owned by PacifiCorp, UAMPS and Deseret Generation & Transmission Co-operative ("*Deseret G&T*") and is operated by PacifiCorp pursuant to an Ownership and Management Agreement among the co-owners. Under the Ownership and Management Agreement, PacifiCorp has agreed, subject to the occurrence of certain uncontrollable forces, to supply sufficient quantities of coal and water to permit operation of Hunter 2 at an average plant factor of 65% for a 35-year period extending to 2015.

UAMPS sells the output of the Hunter Project to 21 participating Members under power sales contracts dated as of June 1, 1982, as amended, with two other Members participating in the Hunter Project under assignments from original participants (the "*Hunter 2 Contracts*"). The Hunter 2 participants are required to pay all of UAMPS' operating, fuel, debt service, administrative and other costs of Hunter 2 equal to the percentage of output that they are entitled

to receive from UAMPS' ownership interest. Such costs are billed monthly. Payments by the Hunter 2 participants are made on a "take-or-pay" basis.

To the date of this Official Statement, Hunter 2 has proved to be a highly reliable generating unit.

The Hunter 2 participants have agreed in their Hunter 2 Contracts that they will charge and collect rates and charges for the electric service they provide to provide sufficient revenues to meet timely their payment obligations under their Hunter 2 Contracts and to pay timely all other amounts constituting a charge on their electric revenues.

All Hunter Project revenue bonds issued by UAMPS have been retired in full.

#### SAN JUAN PROJECT

UAMPS acquired its San Juan Project from Public Service Company of New Mexico ("*PNM*") in 1994. UAMPS' San Juan Project consists of a 7.028% undivided ownership interest, providing approximately 35 MW of capacity, in Unit 4 of the San Juan Generating Station, together with undivided interests in certain common facilities and certain related interests and equipment.

UAMPS sells the output of the San Juan Project to 16 participating Members under Power Sales Contracts dated as of July 1, 1993 (collectively, the "*San Juan Power Sales Contracts*") to meet a portion of their needs for baseload power supplies. Pursuant to the San Juan Power Sales Contracts, each of the San Juan participants has agreed to make payments to UAMPS in respect of the San Juan Project on a "take-or-pay" basis.

UAMPS' ownership of the San Juan Project is governed by the Amended and Restated San Juan Project Participation Agreement dated March 23, 2006 (the "*Project Participation Agreement*"). Under the Project Participation Agreement, PNM, as operating agent, has agreed, among other things, to maintain a supply of coal consistent with prudent utility practice and operate the San Juan Station in compliance with the contracts under which water is delivered to the San Juan Station. The Project Participation Agreement will expire on July 1, 2022.

UAMPS issued its San Juan Project Refunding Revenue Bonds, Series 2011 ("*San Juan Project Revenue Bonds*") to finance and refinance a portion of the cost of acquisition of the San Juan Project. Approximately \$17 million of San Juan Project Revenue Bonds are now outstanding, with maturities through 2023.

As set forth more fully in "ENVIRONMENTAL MATTERS AFFECTING OTHER UAMPS GENERATING FACILITIES—*Regional Haze*," the EPA has issued final approval of the Bart Alternative, which will require retirement of San Juan Units 2 and 3 by December 31, 2017 and the installation of SNCR technology on San Juan Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP from the State of New Mexico.

The owners, including UAMPS, of the San Juan Generating Station are currently negotiating how to facilitate the shutdown of San Juan Units 2 and 3 and the installation of SNCR technology on San Juan Units 1 and 4. Certain of the owners located and operating in California have indicated that, under California law, they may be prohibited from making significant capital improvements to the San Juan Generating Station, including payment of the costs associated with the installation of SNCR technology, and have expressed their intent to relinquish their ownership interests in the San Juan Generating Station (including their ownership interest in San Juan Unit 4) before the expiration of the Project Participation Agreement. On June 26, 2014, the owners of the San Juan Generating Station entered into a non-binding resolution (the “*Resolution*”) that identifies the owners who will be exiting active participation in the San Juan Generation Station effective December 31, 2017, and outlines the ownership interest of the remaining owners. The Resolution provides the essential terms of the restructured ownership and indicates that the exiting owners would remain obligated for their proportionate shares of environmental and other legacy liabilities that are attributed to activities that occurred prior to their exit. The owners continue to negotiate the final terms of these agreements and UAMPS is unable to predict the outcome of these negotiations.

At this time, while UAMPS is not expecting its ownership interest in San Juan Unit 4 to change as a result of the proposed exit of certain owners, UAMPS does anticipate that the proposed exit will result in UAMPS paying an increased percentage of the costs of running the common facilities of the San Juan Generating Station. UAMPS will be responsible for a certain percentage of the costs associated with the installation of the SNCR technology on San Juan Unit 4. UAMPS anticipates that its share of these costs will be met through the payments anticipated to be received from the exiting owners. UAMPS anticipates it will enter into lines of credit to resolve any timing gaps between receipt of payments from exiting owners and payment of UAMPS percentage of the costs associated with the installation of the SNCR technology.

#### HORSE BUTTE WIND PROJECT

The primary feature of the Horse Butte Wind Project is a 57.6 MW nameplate capacity wind farm comprised of 32 Vestas V-100 1.8 MW wind turbines and related structures, facilities, equipment, fixtures, improvements and associated real and personal property interests (the “*Facility*”). The Facility is located in Bonneville County, Idaho, approximately 16 miles east of the City of Idaho Falls, Idaho, and is owned by Horse Butte Wind I LLC, a limited liability company, formed for the purpose of owning and operating the Facility.

UAMPS purchases from Horse Butte Wind I LLC all of the energy from the Facility for a 20-year term that commenced on the commercial operation date of August 15, 2012. UAMPS has sold all of the output of the Horse Butte Wind Project to 24 of its Members under substantially identical Horse Butte Wind Project Power Sales Contracts. UAMPS has the option to purchase the Facility beginning on August 15, 2018.

The Participants consist of 21 municipal utilities and political subdivisions of the States of Utah, Nevada and Idaho, one Utah joint action agency, one California public utility district, and one rural electric cooperative utility with an electric service area in Wyoming and Idaho.

Each of the Participants owns and operates a local electric utility system and will use its share of the output of the Project to meet a portion of its power supply requirements.

Approximately \$65 million Horse Butte Wind Project Revenue Bonds, Series 2012A Bonds are now outstanding, with maturities through 2032, and \$23,970,000 Horse Butte Wind Project Variable Rate Demand Revenue Bonds, Series 2012B Bonds are now outstanding, with a term maturity of September 1, 2032.

## PAYSON PROJECT

The Payson Project consists of a combined cycle, natural gas-fired, electric generating facility with a nominal generating capacity of 140 MW located in Payson City, Utah. The Payson Project also includes approximately six miles of gas pipeline to provide access to natural gas supplies and suppliers, and 15 miles of 138 kV and 46 kV transmission lines, as well as new and additional substation facilities, to interconnect the Payson Project with the regional transmission grid for the delivery of project output to the participants in the Payson Project.

The Payson Project was completed in 2004 at a total cost of approximately \$115 million. UAMPS issued its \$100,850,000 Payson Power Project Revenue Bonds, 2003 Series A (the "*Payson Project Revenue Bonds*") to finance the cost of construction of the Payson Project. Approximately \$66 million in Payson Power Project Refunding Revenue Bonds are now outstanding, with maturities through 2026.

UAMPS sells the output of the Payson Project to 16 of its Members under substantially identical Payson Project Power Sales Contracts, dated as of June 1, 2002, as supplemented (as so supplemented, the "*Payson Power Sales Contracts*"), between UAMPS and each respective Payson Project participant, pursuant to which each of the Payson Project participants has agreed to make payments to UAMPS in respect of all of the costs of the Payson Project on a "take-or-pay" basis, in each case in amounts proportionate to the participant's entitlement share in the Payson Project. The payment obligations of the Payson participants under the Payson Power Sales Contracts constitute operating expenses of the Payson Participants' respective electric utility systems, payable solely from the available revenues of the related system. The Payson Power Sales Contracts cannot be terminated while any of the Payson Power Project Revenue Bonds are outstanding and constitute the principal source of the revenues pledged to the payment of the Payson Power Project Revenue Bonds.

Natural gas for the operation of the Payson Project is purchased through UAMPS' Natural Gas Project. These purchases include both short-term purchases to meet the current gas requirements of the Payson Project, as well as forward purchases at fixed prices. See "Natural Gas Project" below.

## IPP PROJECT

Intermountain Power Agency (“*IPA*”) is a political subdivision of the State of Utah and was organized in 1977 by 23 Utah municipalities under the Act. The Intermountain Power Project (“*IPP*”) is currently in operation and includes a two-unit, coal-fired, steam-electric generation station, having a net capability of 1,800 MW, together with associated transmission lines and converter stations. The Department of Water and Power of the City of Los Angeles (the “*Department*”) is the operating agent for IPP. The generation station is located near Lynndyl, Utah, approximately 100 miles southwest of Salt Lake City. As a portion of IPP, IPA has constructed transmission facilities to certain points of delivery to serve its participants, consisting of a northern and southern system. The northern transmission system includes two 345 kV alternating current lines connecting the generation station with the PacifiCorp transmission system near Mona, Utah, and a 230 kV alternating current line connecting the generation station and the Gonder Substation near Ely, Nevada. IPA and PacifiCorp have interconnected the 345 kV lines with the PacifiCorp system. The California Purchasers (defined below) in IPP utilize the direct current southern transmission system to transmit their entitlements in IPP and pay the costs associated with such system.

IPA has outstanding approximately \$2 billion of bonds, notes and other obligations (including notes issued to the Department in exchange for certain prepayments made by it to IPA) that were issued to finance and refinance the costs of IPP.

The purchasers of electric power and energy supplied by IPP are 36 utilities (the “*Purchasers*”) consisting of: the Department and the California cities of Anaheim, Riverside, Burbank, Glendale and Pasadena (collectively, the “*California Purchasers*”); PacifiCorp; 23 Utah municipalities (collectively, the “*Utah Purchasers*”); and six rural electric cooperatives which provide electric service in Utah, Arizona, Colorado, Nevada and Wyoming (collectively, the “*Cooperative Purchasers*”).

*IPA Power Sales Contracts.* IPA has sold the entire capability of the IPP to the 36 Purchasers pursuant to separate power sales contracts between IPA and each Purchaser (the “*IPA Power Sales Contracts*”). Under the IPA Power Sales Contracts, each Purchaser, including certain of the Participants, is entitled to IPP generation and transmission capabilities based on its respective generation entitlement share and transmission entitlement share and is obligated to make payments therefor on a “take-or-pay” basis, that is, whether or not IPP or any part thereof has been completed, is operating or is operable or its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part. The payment obligations under the IPA Power Sales Contracts constitute operating expenses of the respective California Purchasers and Utah Purchasers, including certain of the Participants, payable solely from their electric revenue funds, and constitute general obligations of PacifiCorp and the other Cooperative Purchasers.

The following table sets forth the percentages and amounts of the net generation capability of IPP available to the California Purchasers, PacifiCorp, the Utah Purchasers, including the Major Purchasers and the Cooperative Purchasers under the IPA Power Sales Contracts.

	GENERATION ENTITLEMENT SHARE	CAPABILITY (MW)
California Purchasers	74.943%	1,349.0
PacifiCorp	4.000	72.0
Utah Purchasers	14.040	252.7
Cooperative Purchasers	<u>7.017</u>	<u>126.3</u>
Totals	<u>100.000%</u>	<u>1,800.0</u>

*Excess Power Sales Agreement.* Because the capability of IPP purchased by the Utah Purchasers and the Cooperative Purchasers was expected to be in excess of their needs, these Purchasers, entered into an Excess Power Sales Agreement, as amended (the “*Excess Power Sales Agreement*”), in 1980 providing for the sale of all or part of their IPP capability to four of the California Purchasers, the Department, Burbank, Glendale and Pasadena (the “*Excess Power Purchasers*”).

Although the Excess Power Sales Agreement does not reduce or modify the obligations of the Utah Purchasers under the IPA Power Sales Contracts, the Excess Power Purchasers are obligated to make payments under the Excess Power Sales Agreement, on a “take-or-pay” basis, equal to the amounts due by the Utah Purchasers under the IPA Power Sales Contracts with respect to the capacity sold pursuant to the Excess Power Sales Agreement and, to the extent such payments are made, the Utah Purchasers are relieved from their obligations under their IPA Power Sales Contracts.

Under the provisions of the Excess Power Sales Agreement, the Utah Purchasers may recall, and from time to time have recalled, from the Excess Power Purchasers all or any portion of their aggregate 14.040% entitlements to the use of the capability of IPP, subject to the lead times and other requirements of the Excess Power Sales Agreement. The Utah Purchasers have currently committed to sell to the Excess Power Purchasers through March 24, 2015, all of their entitlements to IPP capability.

UAMPS (in its capacity as successor to Intermountain Consumer Power Association) acts as agent of the Utah Purchasers under the Excess Power Sales Agreement. All of the Utah Purchasers are Members of UAMPS, and they have established the IPP Project within UAMPS to coordinate and optimize the utilization of their capacity entitlements in IPP.

*Recent Developments.* IPA has been in discussions with the Department and the other Purchasers with respect to the possibility of the repowering of the IPP to be fueled by natural gas before the termination of the IPA Power Sales Contracts on June 15, 2027. This is conditioned, however, on the execution by 100% of the Purchasers of IPA Power Sales Contracts amendments and execution of renewal power sales contracts (requiring subscription by the Purchasers for at least 85% of the net generation capability of the Project, as repowered). At this time UAMPS cannot predict whether the repowering of IPP will be effectuated and its effects on UAMPS.



## FIRM POWER PROJECT

UAMPS has established the Firm Power Project to provide for the acquisition by UAMPS of firm supplies of power and energy under contracts with other power suppliers. The firm power supplies acquired by UAMPS are resold to the participants in the Firm Power Project at cost under the Firm Power Supply Agreements between UAMPS and the participating Members. The Firm Power Supply Agreements are master agreements that can accommodate multiple power supply transactions.

UAMPS, through the Firm Power Project, has a long-term power purchase and exchange agreement with Iberdrola SA for up to 15.6 MW of the output from a wind turbine electrical generation facility in Uinta County, Wyoming. Energy deliveries under the power purchase agreement began in January 2004 and extend for 25 years. UAMPS has sold all of the energy available to it under the power purchase agreement to 19 of its Members at a fixed price that recovers all of UAMPS' costs in purchasing and delivering the energy to each of the participating Members.

## CRAIG-MONA TRANSMISSION PROJECT

The Craig-Mona Transmission Project consists of the acquisition by UAMPS of the right to use a portion of the transmission capability of two interconnected 345 kV transmission lines, together with the right to use a portion of the capacity of certain related facilities. UAMPS utilizes the Craig-Mona Project to provide transmission access to suppliers of electric energy generated in eastern Utah, Colorado and Wyoming and has purchased both firm and non-firm energy on behalf of the Craig-Mona participants from these suppliers. Purchased energy is transmitted by the Craig-Mona Project to the Mona Substation, which is owned and operated by PacifiCorp.

UAMPS has sold all of the transmission capacity of the Craig-Mona Transmission Project to its ten participating Members pursuant to Transmission Service Contracts (the "*Transmission Service Contracts*"). Payments are to be made by the Craig-Mona participants under the Craig-Mona Transmission Service Contracts on a "take-or-pay" basis. Payments made by the Craig-Mona participants under the Transmission Service Contracts constitute operating expenses of their respective electric systems, payable solely from the revenues and other available funds of such systems. The obligation of each of the Craig-Mona participants under its respective Transmission Service Contracts is several and is not joint. All of the Craig-Mona Transmission Project Revenue Bonds issued by UAMPS have been retired.

## CENTRAL-ST. GEORGE TRANSMISSION PROJECT

UAMPS has undertaken the Central-St. George Transmission Project on behalf of five of its Members in Washington County, Utah, to improve the quality and reliability of transmission service. The Central-St. George Transmission Project presently includes the following components: (1) a 345-138 kV substation; (2) 21 miles of double-circuit 138 kV transmission line; (3) a 138 kV switching station; (4) various 138 kV and 69 kV transmission lines and 138-69 kV substations; (5) an approximately 54% ownership interest in a 21-mile double circuit 345 kV

transmission line (presently only one circuit has been energized at 138 kV, with the other circuit being energized as load growth requires) jointly owned with PacifiCorp; and (6) certain related facilities and improvements.

UAMPS has sold all of the transmission capacity of the Central-St. George Transmission Project to the Central-St. George participants pursuant to Transmission Service Agreements (the “*Central-St. George Transmission Service Agreements*”). Payments are to be made by the Central-St. George participants under the Central-St. George Transmission Service Agreements on a “take-or-pay” basis. Payments made by the Central-St. George participants under the Central-St. George Transmission Service Agreements constitute operating expenses of their respective electric systems, payable solely from the revenues and other available funds of such systems. The obligation of each of the Central-St. George participants under its respective Central-St. George Transmission Service Agreement is several and is not joint.

Approximately \$24 million Central-St. George Transmission Project Revenue Bonds are now outstanding, with maturities through 2027.

#### TRANSMISSION OF POWER SUPPLY RESOURCES

The ARTSOA between UAMPS and PacifiCorp is utilized by UAMPS to transmit most of the power supply resources described above, other than CRSP, to its Members. Under the ARTSOA, PacifiCorp has agreed to provide firm transmission service to UAMPS from various points of receipt to certain points of delivery, as scheduled by UAMPS. The ARTSOA is a network transmission agreement and provides for the wheeling by PacifiCorp of power and energy from resources specified by UAMPS to UAMPS’ Members at a Formula Rate that is updated annually based on actual and projected costs of PacifiCorp. The Formula Rate is the same as that charged by other transmission service agreements and PacifiCorp’s Open Access Transmission Tariff (OATT).

The ARTSOA permits UAMPS to designate additional points of receipt into PacifiCorp’s transmission system for new power supply resources, as well as additional points of delivery for new Members and loads.

The current ARTSOA was entered into by UAMPS and PacifiCorp in August 2014, and is the fourth such agreement between the parties dating back to 1992. The ARTSOA provides that it will remain in full force and effect so long as UAMPS is interconnected with PacifiCorp’s system as set forth in the ARTSOA. The ARTSOA can be suspended or terminated only if both parties agree to implement a new agreement.

See “INVESTMENT CONSIDERATIONS—Certain Factors Affecting the Electric Utility Industry” in the Official Statement for a discussion of various federal regulatory actions and initiatives regarding electric transmission.

## NATURAL GAS PROJECT

The Natural Gas Project was formed in 2008 to acquire economical supplies of natural gas as fuel for electric generation (*i.e.*, purchase, sell, transport, hedge or store). Natural gas purchases may include spot, daily, monthly, long-term, forward and prepaid transactions. The Natural Gas Project provides all of the fuel required for the operation of the Payson Project. In order to fix the price of a portion of the gas required for Payson Project operations in future years, UAMPS has entered into natural gas purchase agreements with two highly-rated suppliers for the purchase of a total 24 million MMBtu of gas at fixed prices for delivery between 2015 and 2024.

## RESOURCE PROJECT

Through its Resource Project, UAMPS conducts analyses and studies of new power supply and transmission projects for its Members. Separate studies are conducted for each new resource and the Members have the option of participating in all, some or none of these studies. The new resources presently under study include various thermal and renewable power supply projects in Utah and other states.

Through the Resource Project UAMPS has developed its Smart Energy Efficiency Program, designed to lower energy demand and cut costs for both its Members and the consumers they serve. The Smart Energy Efficiency Program helps participating Members track and improve energy efficiency for their own municipalities, identify and apply for local and federal grants, utilize Renewable Energy Certificates, evaluate and adopt appropriate net metering policies. The Smart Energy Efficiency Program also includes consumer education programs and incentives to reduce energy consumption and will include other programs in the future. The Smart Energy Efficiency Program is open to all Resource Project Participants.

## MEMBER SERVICES PROJECT

The Member Services Project has been undertaken by UAMPS to address community needs. This project is available for equipment purchases or special services that improve service for the Members' customers. Services may include educational programs, material purchases and customer satisfaction surveys.

Hurricane and Washington have used the Member Services Project to acquire and finance gas-fired generating units to provide peaking power and voltage support for their electric utility systems. Five separate generating units have been acquired and installed and are now in operation. Washington is entitled to receive all of the output of three of the generating units and Hurricane is entitled to receive all of the output of two of the generating units. Pursuant to capacity purchase agreements between UAMPS and these Participants, each Participant is responsible to pay the debt service and operations and maintenance costs attributable to each of its generators on a "take-or-pay" basis, and such costs constitute an operating expense of the Participant's electric utility system. UAMPS has issued its Member Services Project Generator Revenue Bonds to finance such projects. Approximately \$3 million of Member Services Project Revenue Bonds are now outstanding.

## GOVERNMENT AND PUBLIC AFFAIRS PROJECT

The Government and Public Affairs Project was formed to allow UAMPS to protect Members' interest by monitoring, influencing, suggesting legislation and educating governmental and regulatory agencies on a local, state and federal level. Members may choose to participate in political services for federal and/or state legislative activities. Additional political services may be added with the interest of the Members.

## APPENDIX F

### FORM OF CONTINUING DISCLOSURE UNDERTAKING CONTINUING DISCLOSURE UNDERTAKING

FOR THE PURPOSE OF PROVIDING  
CONTINUING DISCLOSURE INFORMATION  
UNDER SECTION (b)(5) OF RULE 15c2-12

[TO BE DATED THE CLOSING DATE]

This Continuing Disclosure Undertaking (the “*Agreement*”) is executed and delivered by Utah Associated Municipal Power Systems (“*UAMPS*”) in connection with the issuance of its \$21,390,000 Veyo Heat Recovery Project Revenue Bonds, Series 2014 (the “*Bonds*”). The Bonds are being issued pursuant to a Trust Indenture dated as of July 1, 2014, as previously supplemented (the “*Trust Indenture*”), and as further supplemented by the Second Supplemental Trust Indenture dated as of December 1, 2014, each between Zions First National Bank (the “*Trustee*”) and UAMPS. The Trust Indenture, as supplemented by the Second Supplemental Indenture, is referred to herein as the “*Indenture*.”

In consideration of the issuance of the Bonds by UAMPS and the purchase of such Bonds by the beneficial owners thereof, UAMPS covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by UAMPS as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). UAMPS represents that it and the Major Participants (as defined below) are the only entities that constitute “obligated persons” within the meaning of the Rule (collectively, the “*Obligated Persons*”) at the time the Bonds are delivered to the Participating Underwriters. Other persons may become Obligated Persons with respect to the Bonds at any time after issuance of the Bonds if any such person satisfies the Objective Criteria set forth below.

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data relating to the Major Participants and any other Obligated Person, as described in *Exhibit I*.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of UAMPS, the Major Participants and any other Obligated Person, prepared pursuant to the standards and as described in *Exhibit I*.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by UAMPS and which has filed with UAMPS a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Major Participants*” means, for purposes of and as of the date of this Agreement, the Cities of Kaysville, Logan and Washington, Utah and Truckee Donner Public Utility District, California, together with any other Participant that may in the future have a Debt Service Share (as defined in the Power Sales Contracts) with respect to the Bonds that is greater than 10%.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Objective Criteria*” means a person or entity having payment responsibility in conjunction with the Veyo Heat Recovery Project (as defined in the Indenture) that is greater than or equal to ten percent (10%) of the annual debt service requirement of the Veyo Heat Recovery Project, as set forth in UAMPS’ annual budget for any fiscal year.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

“*Reportable Event*” means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II*.

“*Reportable Events Disclosure*” means dissemination of a notice of a Reportable Event as set forth in Section 5.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Utah.

“*Undertaking*” means the obligations of UAMPS pursuant to Sections 4 and 5.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds maturing in each of the following years are as follows:

MATURITY (MARCH 1)	PRINCIPAL AMOUNT	CUSIP (917328)
2017	\$ 485,000	QR0
2018	500,000	QS8
2019	525,000	QT6
2020	555,000	QU3
2021	570,000	QV1
2022	600,000	QW9
2023	630,000	QX7
2024	660,000	QY5
2025	690,000	QZ2
2026	725,000	RA6
2027	765,000	RB4
2028	800,000	RC2
2029	825,000	RD0
2030	855,000	RE8
2031	895,000	RF5
2032	925,000	RG3
2033	975,000	RH1
2034	1,010,000	RJ7
2038	4,495,000	RK4
2041	3,905,000	RL2

The Final Official Statement relating to the Bonds is dated December 9, 2014 (the “*Final Official Statement*”). UAMPS will include the CUSIP Number in all disclosure described in Sections 4 and 5 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, UAMPS hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, UAMPS will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, UAMPS hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. References to “material” in *Exhibit II* refer to materiality as it is interpreted under the Exchange Act. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Indenture.

6. CONSEQUENCES OF FAILURE OF UAMPS TO PROVIDE INFORMATION. UAMPS shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of UAMPS to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause UAMPS to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause UAMPS to provide the information as required by this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of UAMPS to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, UAMPS by resolution or ordinance authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of UAMPS, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with UAMPS or any of the Obligated Persons (such as the Trustee), or by approving vote of Bondholders pursuant to the terms of the Indenture at the time of the amendment or waiver.



In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, UAMPS shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. TERMINATION OR SUSPENSION OF UNDERTAKING. (a) The Undertaking of UAMPS shall be terminated hereunder if UAMPS shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Indenture. UAMPS shall give notice to EMMA in a timely manner if this Section is applicable.

(b) The Undertaking of UAMPS to provide Annual Financial Information and Audited Financial Statements on behalf of any other Obligated Person shall be (i) terminated hereunder if such Obligated Person shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Indenture, (ii) suspended during such period that such Obligated Person does not satisfy the Objective Criteria, or (iii) terminated if the Undertaking of UAMPS shall have been terminated pursuant to Section 8(a) above and another entity shall have agreed to perform the Undertaking of UAMPS to provide Annual Financial Information and Audited Financial Statements on behalf of all other Obligated Persons.

(c) UAMPS shall give notice to EMMA in a timely manner if this Section is applicable to any Obligated Person.

9. DISSEMINATION AGENT. UAMPS may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent UAMPS from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If UAMPS chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, UAMPS shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event. If UAMPS is changed, UAMPS shall disseminate such information to EMMA.

11. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of UAMPS, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

12. RECORDKEEPING. UAMPS shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such

disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. ASSIGNMENT. UAMPS shall not transfer its obligations under the Indenture unless the transferee agrees to assume all obligations of UAMPS under this Agreement or to execute an Undertaking under the Rule.

14. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

UTAH ASSOCIATED MUNICIPAL POWER  
SYSTEMS

By: \_\_\_\_\_  
Chief Financial Officer  
155 North 400 West, Suite 480  
Salt Lake City, Utah 84103

EXHIBIT I  
ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED  
FINANCIAL STATEMENTS

*“Annual Financial Information”* means financial information and operating data relating to the Major Participants and any other Obligated Person, of the type contained in the Official Statement under the caption, “APPENDIX A — THE MAJOR PARTICIPANTS.”

*“Audited Financial Statements”* means:

(i) with respect to UAMPS, UAMPS’ audited financial statements for its most recent fiscal year, prepared in accordance with generally accepted accounting principles in the United States as promulgated to apply to governmental entities in the United States from time to time (or such other accounting principles as may be applicable to UAMPS in the future pursuant to applicable law);

(ii) with respect to the Major Participants, the audited financial statements of each of the Major Participants, including income statement, balance sheet and cash flow information regarding its electric utility enterprise fund, for its most recent fiscal year, prepared in accordance with generally accepted accounting principles in the United States as promulgated to apply to governmental entities in the United States from time to time (or such other accounting principles as may be applicable to each of the Major Participants in the future pursuant to applicable law); and

(iii) with respect to any other Obligated Person, the audited financial statements of such Obligated Person, including income statement, balance sheet and any cash flow information regarding such Obligated Person’s electric utility enterprise fund for its most recent fiscal year, prepared in accordance with generally accepted accounting principles in the United States as promulgated to apply to governmental entities in the United States from time to time (or such other accounting principles as may be applicable to such Obligated Person in the future pursuant to applicable law).

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. UAMPS shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA, by UAMPS on its own behalf and on behalf of all other Obligated Persons according to the following schedule:

ANNUAL FINANCIAL INFORMATION RELATING TO:	END OF FISCAL YEAR	DATE ANNUAL FINANCIAL INFORMATION IS TO BE PROVIDED BY UAMPS TO EMMA
UAMPS	Currently March 31	180 days after end of UAMPS fiscal year (currently March 31)
Major Participants	For TDPUD, <sup>1</sup> currently December 31; For all others, currently June 30	220 days after end of the Major Participant's fiscal years (currently June 30 or December 31)
Each other Obligated Person, if any	End of such Obligated Person's fiscal year	220 days after end of such Obligated Person's fiscal year

Audited Financial Statements as described above should be filed at the same time as the Annual Financial Information for each respective Obligated Person. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, if available. Audited Financial Statements will be submitted to EMMA within 30 days after availability to UAMPS.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, UAMPS will disseminate a notice of such change as required by Section 4.

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<sup>1</sup> Truckee Donner Public Utility District, California

EXHIBIT II  
EVENTS WITH RESPECT TO THE BONDS  
FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of UAMPS or a Major Participant\*
13. The consummation of a merger, consolidation, or acquisition involving UAMPS or a Major Participant or the sale of all or substantially all of the assets of UAMPS or a Major Participant, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for UAMPS in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of UAMPS, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of UAMPS.

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## APPENDIX G

### PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED THE CLOSING DATE]

Re:                               \$21,390,000  
Utah Associated Municipal Power Systems  
Veyo Heat Recovery Project  
Revenue Bonds, Series 2014

Utah Associated Municipal Power Systems (“UAMPS”) has on this date issued its Veyo Heat Recovery Project Revenue Bonds, Series 2014, in the aggregate principal amount of \$21,390,000 (the “*Series 2014 Bonds*”), dated as of the date hereof, maturing on March 1 of each of the years and bearing interest as follows:

MARCH 1 OF THE YEAR	AMOUNT MATURING	INTEREST RATE
2017	\$ 485,000	3.00%
2018	500,000	5.00
2019	525,000	5.00
2020	555,000	3.00
2021	570,000	5.00
2022	600,000	5.00
2023	630,000	5.00
2024	660,000	5.00
2025	690,000	5.00
2026	725,000	5.00
2027	765,000	5.00
2028	800,000	3.25
2029	825,000	3.25
2030	855,000	5.00
2031	895,000	3.50
2032	925,000	5.00
2033	975,000	3.50
2034	1,010,000	5.00
2038	4,495,000	4.00
2041	3,905,000	5.00

The Series 2014 Bonds are authorized to be issued pursuant to a Trust Indenture dated as of July 1, 2014, as supplemented by a Second Supplemental Trust Indenture dated as of December 1, 2014 (together, the “*Indenture*”), each between UAMPS and Zions First National Bank, as trustee (the “*Trustee*”).

Reference is made to the Indenture for a description of the covenants and undertakings of UAMPS in connection with the Series 2014 Bonds and the pledge and assignment to the Trustee of the revenues, moneys, securities and funds held or set aside under the Indenture for the payment of the principal and redemption price of and interest on the Series 2014 Bonds. Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Indenture.

The Series 2014 Bonds are issued under the authority contained in the Utah Interlocal Cooperation Act, Title 11, Chapter 13, Utah Code Annotated 1953, as amended, and other applicable provisions of law (collectively, the “*Act*”) for the purpose of providing funds sufficient, together with other available moneys, to pay all of the estimated Cost of acquisition and construction of the Initial Facilities of the Project, including (i) the cost of retiring UAMPS’ Veyo Heat Recovery Project Revenue Bond Anticipation Notes, Series 2014, (ii) the deposit to the Construction Fund of moneys estimated to be sufficient to pay the remaining construction costs of the Project and contingency amounts; (iii) the deposit to the Series 2014 Debt Service Reserve Subaccount of an amount equal to the Debt Service Reserve Requirement, (iv) capitalized interest on the Series 2014 Bonds to October 15, 2016, and (v) costs of issuance of the Series 2014 Bonds.

The Series 2014 Bonds are special obligations of UAMPS, payable solely from the Revenues, moneys, securities and funds pledged under the Indenture for the payment of the principal of and interest on the Series 2014 Bonds. No interest in the Project or other property or interest, except the pledge and assignment of the Revenues, moneys, securities and funds provided for in the Indenture, has been pledged or assigned to the Trustee as security for the Series 2014 Bonds.

UAMPS has previously entered into the Veyo Heat Recovery Project Power Sales Contracts (collectively, the “*Power Sales Contracts*”) with seven of its Members (the “*Participants*”), pursuant to which UAMPS has agreed to sell and the Participants have agreed to purchase all of the capacity and energy from the Project in the amounts and upon the terms set forth in the Power Sales Contracts. Amounts received by the Participants under the Power Sales Contracts constitute the primary source of Revenues pledged pursuant to the Indenture for the payment of principal of and interest on the Series 2014 Bonds.

In connection with the issuance of the Series 2014 Bonds, we have examined: (a) the Act and such other provisions of law as we deem relevant; (b) certified copies of the proceedings of record of UAMPS preliminary to and in connection with the issuance of the Series 2014 Bonds; (c) certified copies of the proceedings of record of the governing bodies of each of the



Participants authorizing, among other things, the execution and delivery of their respective Power Sales Contracts; (d) executed counterparts of the Indenture and the Power Sales Contracts; (e) the form of the Series 2014 Bonds set forth in the Indenture; and (f) such other materials, showings and documents as we deem necessary for the purpose of this opinion. Based upon the foregoing, we are of the opinion that:

(1) UAMPS is duly created and validly existing under the Act and has lawful power, right and authority to acquire, own and operate the Project and to issue the Series 2014 Bonds;

(2) The proceedings of UAMPS referred to above show lawful authority for the issuance of the Series 2014 Bonds and the execution and delivery of the Indenture;

(3) Each of the Power Sales Contracts has been duly authorized, executed and delivered by UAMPS and constitutes the valid and binding obligation of UAMPS enforceable in accordance with its respective terms;

(4) Each of the Power Sales Contracts has been duly authorized, executed and delivered by each respective Participant and constitutes the valid and binding obligation of such Participant, enforceable in accordance with its terms;

(5) The Indenture has been duly authorized, executed and delivered by UAMPS and constitutes the legal, valid and binding obligation of UAMPS, enforceable in accordance with its terms;

(6) The Indenture creates the valid pledge which it purports to create of the Revenues, moneys, securities and funds held or set aside under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture;

(7) The Series 2014 Bonds are valid and binding special obligations of UAMPS, enforceable in accordance with their terms and the terms of the Indenture, and the Series 2014 Bonds are entitled to the benefits of the Indenture and the Act. The Series 2014 Bonds have been duly and validly authorized and issued by UAMPS in accordance with the Act and the Indenture. Neither the faith and credit nor the taxing power of the State of Utah or any political subdivision thereof, the Participants or any other member of UAMPS, is pledged to the payment of the principal or redemption price of, or interest on, the Series 2014 Bonds;

(8) All actions, conditions and things required by the Constitution and laws of the State of Utah to happen, to exist and be performed precedent to the sale and issuance of the Series 2014 Bonds have been satisfied;

(9) Subject to compliance by UAMPS and the Participants with certain covenants, under present law, interest on the Series 2014 Bonds is excludable from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Series 2014 Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2014 Bonds. Ownership of the Series 2014 Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2014 Bonds; and

(10) Under the existing laws of the State of Utah, as presently enacted and construed, interest on the Series 2014 Bonds is exempt from taxes imposed by the Utah Individual Income Tax. No opinion is expressed with respect to any other taxes imposed by the State of Utah or any political subdivision thereof. Ownership of the Series 2014 Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2014 Bonds.

The initial public offering price of the Series 2014 Bonds maturing in 2028, 2029, 2031 and 2033 (collectively, the “*OID Bonds*”), is less than the principal amount payable at maturity. The difference between the Issue Price (defined below) of the OID Bonds and the principal amount payable at maturity is, in our opinion, original issue discount. For purposes of this opinion, the “*Issue Price*” for each maturity of the OID Bonds is the price at which a substantial amount of such maturity of the OID Bonds is first sold to the public.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the UAMPS and the Participants comply with their covenants that must be satisfied in order for the interest on the Series 2014 Bonds to be excludible from gross income for federal income tax purposes, it is our opinion (and subject to the assumptions and limitations, and our reliance on certain certifications, set forth in this opinion) that under current law: (a) the full amount of original issue discount with respect to such OID Bond constitutes interest that is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral

federal or state or local income tax consequences in each year even though a corresponding cash payment may not be received until a later year.

We bring to your attention that if an OID Bond is purchased at any time for a price that is less than the Bond's Issue Price plus accreted original issue discount (the "*Revised Issue Price*"), the purchaser may be treated as having purchased such OID Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Such treatment would apply to any purchaser who purchases such OID Bond for a price that is less than its Revised Issue Price and may result in realization of ordinary income.

Owners of OID Bonds who dispose of such Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase OID Bonds in the initial public offering, but at a price different from the Issue Price or purchase OID Bonds subsequent to the initial public offering should consult their own tax advisors.

No opinion is expressed with respect to the federal income tax consequences of (i) the sale or other disposition of an OID Bond, if an OID Bond is not held until it matures, or (ii) the purchase, disposition or ownership of an OID Bond purchased subsequent to the initial offering or at a price different from the Issue Price.

Enforceability of the Series 2014 Bonds, the Indenture and the Power Sales Contracts may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights generally or usual equity principles in the event equitable remedies are sought. The obligations of UAMPS under the Series 2014 Bonds and the Indenture and the respective obligations of UAMPS and the Participants under the Power Sales Contracts are subject to the exercise in the future by the State of Utah and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the power delegated to it by the federal constitution.

We further certify that we have examined the form of Bond prescribed by the Indenture and find the same in due form of law.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2014 Bonds.

In rendering this opinion, we have relied upon certifications of UAMPS and each of the Participants with respect to certain material facts solely within their knowledge relating to the application of the proceeds of the Series 2014 Bonds and the use of the Project. Certain matters have been passed on for the Participants by their respective counsels, to which opinions reference is hereby made. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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