



## **ANNUAL DISCLOSURE REPORT** **FOR FISCAL YEAR 2021-2022**

Filed Pursuant to the Agency's  
Continuing Disclosure Undertaking With Respect to  
the Following Bonds:

**Power Supply Revenue Bonds**  
**2022 Series A (Tax-Exempt)**  
**2022 Series B (Federally Taxable)**

Filed With the  
Municipal Securities Rulemaking Board

Dated as of  
March 31, 2023

**INTERMOUNTAIN POWER AGENCY**  
10653 South River Front Parkway, Suite 120  
South Jordan, Utah 84095

**Board of Directors**

[Vacant] – Chair

Nick Tatton – Vice Chair	Eric Larsen – Secretary
Allen Johnson – Treasurer	Joel Eves
Mark Montgomery	Bruce Rigby

**Management**

Cameron R. Cowan – General Manager  
Vance K. Huntley – Treasury Manager  
Linford E. Jensen – Accounting Manager  
Cody R. Combe – Audit Manager

**Power Purchasers**

**Utah**

Beaver City*	Fillmore City*	Hyrum City*	Morgan City*
City of Bountiful*	Flowell Electric	Kanosh Town*	Mt. Pleasant City*
Bridger Valley Electric	Association, Inc.*	Kaysville City*	Mt. Wheeler Power, Inc.*
Association, Inc.*	Garkane Energy	Lehi City*	Murray City*
Dixie-Escalante Rural	Cooperative, Inc.*	City of Logan*	Town of Oak City*
Electric Association, Inc.*	Heber Light & Power	Meadow Town	Parowan City*
City of Enterprise*	Company*	Monroe City	Price City*
Ephraim City*	Holden Town*	Moon Lake Electric	Spring City*
City of Fairview*	City of Hurricane*	Association, Inc.*	

**California**

City of Anaheim	Department of Water and Power	City of Pasadena
City of Burbank*	of The City of Los Angeles*	City of Riverside
City of Glendale*		

\* Renewal Power Purchaser

**Coordinating Committee**

Chairman – Cameron R. Cowan

<b>Power Purchaser(s) Represented</b>	<b>Representative</b>	<b>Power Purchaser Represented</b>	<b>Representative</b>
Murray City .....	Greg Bellon (alt.)	Department of Water and Power	
City of Logan .....	Mark Montgomery	of The City of Los Angeles.....	Paul R .Schultz
All Other Utah Municipal Purchasers ..	Eric Larsen	City of Anaheim .....	Dukku Lee
Moon Lake Electric Association, Inc. ...	Yankton Johnson	City of Burbank .....	Dawn Roth Lindell
Mt. Wheeler Power, Inc. ....	Kevin Robison	City of Glendale.....	Mark Young
All Other Cooperative Purchasers.....	LaDel Laub	City of Pasadena .....	Kelly Nguyen (alt.)
		City of Riverside.....	Todd M. Corbin

**Trustee, Bond Registrar  
and Paying Agent**

The Bank of New York Mellon  
Woodland Park, New Jersey

**Project Manager and Operating Agent**

Department of Water and Power of The City of Los Angeles

**Counsel to the Agency**

Holland & Hart LLP  
Salt Lake City, Utah

**Bond Counsel to the Agency**

Orrick, Herrington & Sutcliffe LLP  
New York, New York

**Municipal Advisor**

Stifel, Nicolaus & Company,  
Incorporated  
Salt Lake City, Utah

## TABLE OF CONTENTS

INTRODUCTION .....	1
General .....	1
Certain Definitions .....	2
Continuing Disclosure Undertakings .....	2
Security for the Bonds .....	2
The Agency .....	3
The Power Purchasers and the Renewal Power Purchasers .....	3
The Project and the Generation Renewal Project .....	5
Hydrogen Facilities .....	6
STS Renewal Project .....	7
Other .....	7
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION .....	8
RISK FACTORS .....	10
Drought .....	10
Wildfire .....	10
Cyber Security .....	11
Credit Ratings .....	11
Credit Risk .....	11
Governmental Requirements .....	12
Permits .....	12
Operating Uncertainties .....	13
Dangers and Risks Involved in Generation and Transmission of Electricity .....	13
Legal Proceedings .....	14
COVID-19 Pandemic .....	14
Disruptions in the Financial Markets .....	15
Construction of the Generation Renewal Project and the STS Renewal Project .....	15
INDEBTEDNESS OF THE AGENCY .....	16
General .....	16
Additional Bonds .....	16
Payment of Bonds .....	16
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS .....	17
Pledge Effected by the Resolution .....	17
Flow of Funds .....	18
Initial Subaccount in Debt Service Reserve Account .....	19
Construction Fund .....	20
STS Capital Improvement Construction Fund .....	21
Decommissioning Funds .....	21
Agency Rate Covenant .....	21
Additional Bonds .....	21
Power Sales Contracts .....	22
Renewal Power Sales Contracts .....	25
Excess Power Sales Agreement .....	28
Agreement for Sale of Renewal Excess Power .....	29
Budgeting .....	29
Generation Renewal Project .....	30
Hydrogen Facilities .....	31
Other Amendments to Material Contracts .....	31
ELECTRIC INDUSTRY RESTRUCTURING .....	31
General .....	31
Federal Electric Energy Actions .....	32
California Electric Energy Actions .....	36
Utah Electric Energy Actions .....	37
Other Factors .....	39
ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY .....	40
General .....	40

Air Emissions .....	41
Regulation of Greenhouse Gases .....	46
Other Environmental Regulation .....	48
INTERMOUNTAIN POWER AGENCY .....	50
History .....	50
The Interlocal Cooperation Act .....	50
Membership .....	51
Organization and Management .....	51
Investment Policy and Controls .....	52
THE AGENCY'S FINANCING PROGRAM .....	53
General .....	53
Estimated Cost and Schedule of Generation Renewal Project .....	54
SCPPA Financing of the Southern Transmission System .....	55
FISCAL YEAR 2022-2023 ANNUAL BUDGET .....	57
COORDINATING COMMITTEE .....	58
RENEWAL CONTRACT COORDINATING COMMITTEE .....	58
PROJECT OPERATIONS .....	60
General .....	60
Management and Operation of the Project .....	60
Project Energy Delivery .....	61
Interconnections to the Project .....	62
Fuel Supply .....	63
Water Supply .....	64
Permits, Licenses and Approvals .....	64
Insurance .....	64
LITIGATION .....	65
General .....	65
Appeals of Fees in Lieu of Property Taxes .....	65
FINANCIAL STATEMENTS .....	68
	<u>Page</u>
APPENDIX A—Summary of Certain Provisions of the Resolution .....	A-1
APPENDIX B—Summaries of Certain Provisions of Agreements .....	B-1
APPENDIX C—Continuing Disclosure Resolution .....	C-1
APPENDIX D—Debt Service Requirements .....	D-1
APPENDIX E—Consolidated Financial Statements for the Years Ended June 30, 2022 and 2021 and Independent Auditors' Report .....	E-1

**ANNUAL DISCLOSURE REPORT  
FOR FISCAL YEAR 2021-2022**

**RELATING TO**

**INTERMOUNTAIN POWER AGENCY**

(a political subdivision of the State of Utah)

**Power Supply Revenue Bonds  
2022 Series A (Tax-Exempt)  
2022 Series B (Federally Taxable)**

**INTRODUCTION**

**General**

This Annual Disclosure Report for Fiscal Year 2021-2022 (together with the Appendices hereto and all information incorporated by reference herein, this “Annual Report”) is furnished by Intermountain Power Agency (the “Agency”), a political subdivision of the State of Utah (the “State”), to provide information concerning (i) the Agency, (ii) the Intermountain Power Project (the “Project”), (iii) the Agency’s Bonds (as defined below) that are outstanding or may be issued after the date of this Annual Report and (iv) certain of the Power Purchasers (as defined below). THIS ANNUAL REPORT IS BEING FURNISHED SOLELY FOR THE BENEFIT AND USE OF THE PERSONS LISTED IN CLAUSES (1) AND (2) IN THE LAST PARAGRAPH OF THE SECTION CAPTIONED “CONTINUING DISCLOSURE UNDERTAKINGS” HEREIN.

This Annual Report is being filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”), currently located at <https://emma.msrb.org>. Rule 15c2-12, as amended, promulgated by the United States Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended, requires, in general, that all brokers, dealers or municipal securities dealers acting as an underwriter in a primary offering of municipal securities with an aggregate principal amount over \$1,000,000 determine that the issuer of such municipal securities, or an “obligated person” with respect to such municipal securities, has entered into a written agreement for the benefit of the holders of such securities to disclose certain information. Rule 15c2-12, as amended, calls for the disclosure of the required information to the MSRB and to provide such information in an electronic format, accompanied by identifying information as prescribed by the MSRB. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through EMMA.

The Agency may, but is not required to, incorporate all or portions of this Annual Report into any Official Statement, Offering Memorandum or other disclosure document relating to any Bonds or Subordinated Indebtedness (as defined below) that the Agency may issue or that may be reoffered on behalf of the Agency in the secondary market hereafter. To the extent the Agency elects to incorporate all or portions of this Annual Report into any such Official Statement, Offering Memorandum or other disclosure document, this Annual Report shall constitute a part thereof as if the incorporated portions were set forth in full therein, subject to any provision of such Official Statement, Offering Memorandum or other disclosure document modifying, supplementing or deleting any such incorporated portion.

**None of the information on the Agency’s website is included by reference herein.**

## **Certain Definitions**

Certain capitalized terms used in this Annual Report are defined under “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Definitions” in APPENDIX A hereto. In addition, as used in this Annual Report, the following terms shall have the following meanings:

“Bonds” shall have the meaning ascribed to such term in the Resolution.

“Continuing Disclosure Resolution” shall mean the Agency’s Resolution No. IPA-2022-013, adopted April 28, 2022, entitled “Master Resolution (2022) as to the Provision of Certain Continuing Disclosure Information With Respect to Certain Designated Series of IPA Bonds,” a copy of which is attached hereto as APPENDIX C.

“Covered Bonds” shall mean all of the bonds listed on the front cover of this Annual Report, the principal amount of which, as of the date of this Annual Report, is \$797,605,000.

“Resolution” shall mean the Agency’s Power Supply Revenue Bond Resolution adopted on September 28, 1978, as supplemented, amended and restated from time to time.

“Subordinated Indebtedness” shall have the meaning ascribed to such term in the Resolution.

## **Continuing Disclosure Undertakings**

The Agency’s continuing disclosure undertakings pursuant to which this Annual Report is being filed arise under the Continuing Disclosure Resolution. The Continuing Disclosure Resolution specifies the Agency’s disclosure obligations with respect to the Covered Bonds.

THIS ANNUAL REPORT IS PROVIDED SOLELY FOR THE BENEFIT AND USE OF THE FOLLOWING PERSONS: (1) HOLDERS AND BENEFICIAL OWNERS OF THE COVERED BONDS, WHICH CONSTITUTE THE ONLY OUTSTANDING BONDS OF THE AGENCY THAT ARE SUBJECT TO THE CONTINUING DISCLOSURE RESOLUTION AS OF THE DATE OF THIS ANNUAL REPORT; AND (2) PURCHASERS AND POTENTIAL PURCHASERS OF BONDS THAT THE AGENCY MAY ISSUE OR THAT MAY BE REOFFERED ON BEHALF OF THE AGENCY IN THE SECONDARY MARKET HEREFTER, BUT ONLY TO THE EXTENT THIS ANNUAL REPORT IS INCORPORATED INTO THE OFFICIAL STATEMENT, OFFERING MEMORANDUM OR OTHER DISCLOSURE DOCUMENT WITH RESPECT TO ANY SUCH BONDS. NO OTHER PERSON SHALL HAVE ANY RIGHT TO RELY ON OR USE THIS ANNUAL REPORT NOR MAY ANY OF THE PERSONS LISTED ABOVE RELY ON OR USE THIS ANNUAL REPORT FOR ANY PURPOSE OTHER THAN IN CONNECTION WITH THE APPLICABLE BONDS DESCRIBED ABOVE.

## **Security for the Bonds**

The principal or redemption price of, and interest on, the Bonds is payable from and secured by the Trust Estate (as defined in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge Effected by the Resolution” herein). If specified in the Supplemental Resolution (as defined in the Resolution) authorizing the Bonds of one or more Series, the principal of, and interest on, such Bonds also is payable from and secured by the amounts on deposit in the Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the Resolution as may from time to time be available therefor (including the investments held as a part of such Account). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Initial Subaccount in Debt Service Reserve Account” herein.

## **The Agency**

The Agency was organized in June 1977 by several Utah municipalities under the Utah Interlocal Cooperation Act, Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the “Act”), and pursuant to the Intermountain Power Agency Organization Agreement, dated May 10, 1977 (as amended, the “Intermountain Power Agency Organization Agreement”). See “INTERMOUNTAIN POWER AGENCY” herein.

## **The Power Purchasers and the Renewal Power Purchasers**

The Agency has sold the entire capability of the Project through June 15, 2027 to 35 entities (the “Power Purchasers”) on a “take-or-pay” basis pursuant to separate power sales contracts between the Agency and each Power Purchaser (which power sales contracts, as amended, are referred to herein as the “Power Sales Contracts”). The Power Purchasers are 35 utilities consisting of the Department of Water and Power of The City of Los Angeles (the “Department”) and the California cities of Anaheim, Riverside, Burbank, Glendale and Pasadena (collectively, the “California Purchasers”); the 23 members of the Agency (collectively, the “Utah Municipal Purchasers”); and six rural electric cooperatives serving loads in the States of Utah, Arizona, Colorado, Nevada and Wyoming (collectively, the “Cooperative Purchasers” and, together with the Utah Municipal Purchasers, collectively, the “Utah Purchasers”). The California Purchasers, the Utah Municipal Purchasers and the Cooperative Purchasers have contracted, pursuant to their Power Sales Contracts, to purchase 78.943%, 14.040% and 7.017%, respectively, of the net capability of the Generation Station. For information regarding the Department and Anaheim (the Department and Anaheim being the only Power Purchasers having responsibility for in excess of 10% of the costs of the Project under the Power Sales Contracts), see: (i) the Department’s Annual Report (for its Power System) for its fiscal year 2021-2022 (the “Department Disclosure Report”); and (ii) the Anaheim Continuing Disclosure Report (for its Electric System) for its fiscal year 2021-2022 (the “Anaheim Disclosure Report” and, together with the Department Disclosure Report, the “Incorporated Information”). In accordance with the requirements of the Continuing Disclosure Resolution, the Incorporated Information is incorporated into this Annual Report by this reference, and shall constitute a part of this Annual Report as though set forth herein, to the extent the Incorporated Information updates, modifies, supplements or otherwise provides any information that the Agency is required to include in its annual reports filed pursuant to the Continuing Disclosure Resolution. The Incorporated Information has been filed with the MSRB through EMMA. For information regarding the respective rights, duties and obligations of the Power Purchasers under the Power Sales Contracts, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Power Sales Contracts” herein.

The Agency has sold the entire capability of the Project for the period beginning on June 16, 2027 (the “Transition Date”) and ending on June 15, 2077 to 30 entities (the “Renewal Power Purchasers”) on a “take-or-pay” basis pursuant to separate renewal power sales contracts between the Agency and each Renewal Power Purchaser (which renewal power sales contracts, as amended, are referred to herein as the “Renewal Power Sales Contracts”). The Renewal Power Purchasers are 30 utilities consisting of the Department and the California cities of Burbank and Glendale (collectively, the “California Renewal Purchasers”); the 21 entities that will remain as members of the Agency from and after June 16, 2027 (collectively, the “Utah Municipal Renewal Purchasers”); and the six Cooperative Purchasers (together with the Utah Municipal Renewal Purchasers, collectively, the “Utah Renewal Purchasers”). The California Renewal Purchasers, the Utah Municipal Renewal Purchasers and the Cooperative Purchasers have contracted, pursuant to their Renewal Power Sales Contracts, to purchase 78.943%, 13.975% and 7.082%, respectively, of the net capability of the Generation Station. For information regarding the respective rights, duties and obligations of the Renewal Power Purchasers under the Renewal Power Sales Contracts, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Renewal Power Sales Contracts” herein.

Pursuant to the Excess Power Sales Agreement referred to in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Excess Power Sales Agreement” herein (as amended, the “Excess Power Sales Agreement”), through June 15, 2027, the Utah Purchasers have sold to the Department and the California cities of Pasadena, Burbank and Glendale (collectively, the “Excess Power Purchasers”) their entitlements to the use of the capability of the Project except for any portion of any such entitlement that a Utah Purchaser has, from time to time, recalled under the Excess Power Sales Agreement. So long as no such recall is in effect, the California Purchasers are committed to take or pay for 100% of the capability of the Generation Station, *provided, however*, the Utah Purchasers remain, and will remain, primarily obligated to the Agency under their respective Power Sales Contracts to pay for the Project capability they have sold to the Excess Power Purchasers, but are discharged from such obligation to the extent the Excess Power Purchasers make payments to the Agency on their behalves pursuant to the Excess Power Sales Agreement. However, to the extent set forth in the table below entitled “Percentages of Capability of Generation Station to be Purchased,” certain of the Utah Purchasers have recalled portions of their entitlements to the use of the capability of the Project. While such recall, or any recall that the Utah Purchasers may elect to make hereafter, is in effect, the percentage of the capability of the Generation Station that the Excess Power Purchasers will be committed to take or pay for shall be reduced by the percentage of capability of the Generation Station that has been recalled, and each recalling Utah Purchaser will be the only Power Purchaser committed to take or pay for the percentage of capability so recalled by such Power Purchaser. The Utah Purchasers may, subject to the lead times and other requirements of the Excess Power Sales Agreement, recall from the Excess Power Purchasers all or any portion of their aggregate 21.057% entitlements to the use of the capability of the Project.

Recalls under the Excess Power Sales Agreement are made with respect to a “Summer Season” or a “Winter Season” (each a “Season”). The Excess Power Sales Agreement defines a “Summer Season” as each period beginning on March 25 and ending on the following September 24 and a “Winter Season” as each period beginning on September 25 and ending on the following March 24.

Based on the current schedules of power to be sold under the Excess Power Sales Agreement, which schedules are revised annually: (i) the recalling Utah Purchasers have committed, subject to certain permitted adjustments, to sell to the Excess Power Purchasers, until September 24, 2023, their Project capability in excess of that which they have recalled; (ii) certain of the recalling Utah Purchasers have recalled Project capability for various Seasons between March 25, 2022 and March 24, 2027, and may recall all or any portion of their remaining Project capability for those Seasons and also may recall all or any portion of their Project capability for Seasons thereafter until the term of the Excess Power Sales Agreement ends, subject to their compliance with the recall requirements thereof; and (iii) the remaining Utah Purchasers have committed, subject to certain permitted adjustments, to sell to the Excess Power Purchasers, until September 24, 2023, their entire Project capability, but may recall, subject to their compliance with the recall requirements of the Excess Power Sales Agreement, all or any portion of their Project capability for any Season thereafter until the term of the Excess Power Sales Agreement ends.

For a description of the obligations of the respective Power Purchasers to take or pay for capability of the Project, and the rights of the Utah Purchasers to recall capability of the Project, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Power Sales Contracts” and “– Excess Power Sales Agreement” herein and “SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS” and “SUMMARY OF CERTAIN PROVISIONS OF THE EXCESS POWER SALES AGREEMENT” in APPENDIX B hereto.

The following table sets forth, as percentages, the capability of the Generation Station that each California Purchaser and the Utah Municipal Purchasers and the Cooperative Purchasers that have recalled such capability are obligated to purchase and pay for from and after March 25, 2023. The table is based on: (i) the percentage each California Purchaser purchases under its Power Sales Contract and, as to the Excess Power Purchasers, the capability of the Generation Station each is presently committed to purchase



under the Excess Power Sales Agreement; and (ii) the percentage of capability of the Generation Station that has been recalled by certain of the Utah Municipal Purchasers and the Cooperative Purchasers as described above. Any other recalls that may be effected hereafter will correspondingly decrease the percentages shown below for the Excess Power Purchasers. See “POWER PURCHASERS’ COST AND ENTITLEMENT SHARES” and “SUMMARY OF CERTAIN PROVISIONS OF THE EXCESS POWER SALES AGREEMENT – Excess Entitlement Shares” in APPENDIX B hereto.

**Percentages of Capability of  
Generation Station to be Purchased**

<b><u>Power Purchaser</u></b>	<b><u>Winter Season beginning 25 Sep 2023</u></b>	<b><u>Winter Season beginning 25 Sep 2024</u></b>	<b><u>All Other Winter Seasons</u></b>	<b><u>Summer Season beginning 25 Mar 2023</u></b>	<b><u>Summer Season beginning 25 Mar 2024</u></b>	<b><u>All Other Summer Seasons</u></b>
The Department .....	64.303%	63.343%	65.971%	61.163%	61.361%	65.795%
Anaheim.....	13.225	13.225	13.225	13.225	13.225	13.225
Riverside .....	7.617	7.617	7.617	7.617	7.617	7.617
Pasadena.....	5.783	5.699	5.929	5.508	5.525	5.913
Burbank.....	4.058	4.016	4.131	3.921	3.929	4.124
Glendale .....	2.137	2.111	2.183	2.050	2.056	2.178
Utah Municipal Purchasers ....	1.933	3.046	0.000	4.552	5.343	0.204
Cooperative Purchasers.....	0.944	0.944	0.944	1.964	0.944	0.944

Pursuant to the Agreement for Sale of Renewal Excess Power referred to in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Agreement for Sale of Renewal Excess Power” herein, for 50 years from and after the Transition Date, the Utah Renewal Purchasers have sold to the Department their entitlements to the use of the capability of the Project except for any portion of any such entitlement that a Utah Renewal Purchaser may, from time to time, recall under the Agreement for Sale of Renewal Excess Power. See “RENEWAL POWER PURCHASERS’ COST AND ENTITLEMENT SHARES” and “SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT FOR SALE OF RENEWAL EXCESS POWER – Excess Entitlement Shares” in APPENDIX B hereto.

**The Project and the Generation Renewal Project**

The Agency has acquired and constructed and is operating the Project, which consists of (i) a two-unit coal-fired steam-electric generating plant with a net rating of 1,800 MW (the “Intermountain Generating Station”) and a switchyard (the “Switchyard”), located near Lynndyl, in Millard County, Utah, (ii) a  $\pm 500$ -kV direct current transmission line approximately 490 miles in length from and including the Intermountain Converter Station (an alternating current/direct current converter station adjacent to the Switchyard) to and including a corresponding converter station at Adelanto, California (collectively, the “Southern Transmission System”), (iii) two 50-mile 345-kV alternating current transmission lines from the Switchyard to the Mona Switchyard in the vicinity of Mona, Utah and a 144-mile 230-kV alternating current transmission line from the Switchyard to the Gonder Switchyard near Ely, Nevada (collectively, the “Northern Transmission System”), (iv) a microwave communications system, (v) a railcar service center located in Springville, in Utah County, Utah (the “Railcar Service Center”) and (vi) certain water rights and coal supplies (which water rights and coal supplies, together with the Intermountain Generating Station, the Switchyard and the Railcar Service Center, are referred to herein collectively as the “Generation Station”). The operation and maintenance of the Project are being managed for the Agency by the Department in its capacity as Operating Agent.

All of the facilities of the Project have been in full commercial operation since May 1, 1987. See “PROJECT OPERATIONS – Management and Operation of the Project” herein for a description of the operating history of the Project.

The Project facilities have, generally, operated with a high degree of availability, exceeding the national average of coal-fired generating units of comparable size. In recent years, primarily due to market conditions, system demand, relatively low natural gas prices and the GHG Cost Factor (hereinafter defined), the Project has been noncompetitive relative to other resources available to the California Purchasers and, as a result, the Project has operated at less than industry-average capacity levels. Neither the Agency nor the Operating Agent is aware of any operational or equipment problems that would materially and adversely affect future operations of the coal units through the commercial operation date of the natural gas units scheduled for July 1, 2025.

Further to the Agency's strategic planning initiatives (i) in 2015, the Agency and the Power Purchasers amended the Power Sales Contracts to provide, among other things, for the repowering of the Project to consist of gas-fueled power blocks to replace the coal-fired units, with commercial operation of the gas units to be achieved by July 1, 2025 (such amendments to the Power Sales Contracts are hereinafter referred to as the "Power Sales Contracts Amendments," and such repowering of the Project is referred to in the Power Sales Contracts Amendments as the "Gas Repowering"); and (ii) the Coordinating Committee established pursuant to the Power Sales Contracts (the "Coordinating Committee") (see "COORDINATING COMMITTEE" herein) and the Agency's Board of Directors have approved (a) the development of capability to burn a mix of natural gas and hydrogen fuel in the gas units (the "Hydrogen Betterments"), along with (b) the entry into contracts with third parties to provide services for (i) natural gas transportation through 2045 (the "Natural Gas Transportation Contract"), and (ii) conversion of water into hydrogen using renewable energy and the storage of such hydrogen, with the facilities necessary to provide such services (the "Hydrogen Conversion and Storage Capacity" and together with the Hydrogen Betterments, collectively, the "Hydrogen Facilities") to be substantially complete by October 1, 2024. The Gas Repowering, including the Natural Gas Transportation Contract, together with the development of the Hydrogen Facilities, including the Hydrogen Conversion and Storage Capacity, are referred to herein collectively as the "Generation Renewal Project"). Concurrently with the Generation Renewal Project, the Agency also is undertaking the replacement, renewal, and expansion of certain facilities of the Southern Transmission System to provide for an extension of the useful life thereof (as more fully described herein, the "STS Renewal Project").

Following the effectiveness of the Renewal Power Sales Contracts, the Department, in its capacity as a Power Purchaser, requested, and the Project's governing bodies approved, a reduction in the design capacity and changes in the configuration of the natural gas facilities contemplated by the Power Sales Contracts Amendments (known under such contracts as an "Alternative Repowering"). Upon the effectiveness of the Alternative Repowering, the Power Sales Contracts were revised as necessary to describe the Alternative Repowering. Such revisions provide for the construction of two combined-cycle natural gas-fired power blocks, each power block consisting of one gas turbine, a heat recovery steam generator train and a single steam turbine, with an approximate combined net generation capability of 840 MW, where "net generation capability" means gross power generation less auxiliary load for generation and transmission support. See "ELECTRIC INDUSTRY RESTRUCTURING – California Electric Energy Actions – *California Political Environment*," "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Regulation of Greenhouse Gases," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Generation Renewal Project" and "INTERMOUNTAIN POWER AGENCY – The Interlocal Cooperation Act" herein.

## **Hydrogen Facilities**

The costs of the Hydrogen Facilities (consisting of the Hydrogen Betterments and the Hydrogen Conversion and Storage Capacity) are being funded by the Power Purchasers to the extent such elect to facilitate the development of such facilities. The costs of the Hydrogen Betterments are and some of the initial costs of the Hydrogen Conversion and Storage Capacity have been funded by payments to a "Hydrogen Betterments Fund" established by and funded pursuant to resolutions adopted by the

Coordinating Committee, the Renewal Contract Coordinating Committee established pursuant to the Renewal Power Sales Contracts (the “Renewal Contract Coordinating Committee”) (see “RENEWAL CONTRACT COORDINATING COMMITTEE” herein) and the Agency. The balance of the costs of the Hydrogen Conversion and Storage Capacity are being funded pursuant to the Hydrogen Billing Procedure described below. The Department and the Cities of Burbank and Glendale are the only Power Purchasers that have elected to make payments to the Hydrogen Betterments Fund. The Agency bills those Power Purchasers for such payments on a monthly basis. The Hydrogen Betterments Fund is not a fund or account established pursuant to the Resolution and, therefore, is not a part of the Trust Estate, nor is it pledged as security for the payment of the Bonds.

In addition, on March 3, 2022, the Coordinating Committee, the Renewal Contract Coordinating Committee and the Agency approved a Hydrogen Billing Procedure that provides for the Department and any other Power Purchaser that elects to become a Hydrogen Purchaser (as defined in the Hydrogen Billing Procedure) to pay all of the costs associated with the hydrogen capabilities of the Project (including fixed costs for the Hydrogen Conversion and Storage Capacity and the variable costs of the hydrogen conversion and storage services). The costs for the Hydrogen Conversion and Storage Capacity and the variable costs for the use of such are estimated to be approximately \$3,300,000,000 during the term of the contracts providing for such capacity and services, which is expected to be approximately 30 years. The costs addressed under the Hydrogen Billing Procedure represent costs that are not included in Monthly Power Costs (as defined in the Power Sales Contracts). Pursuant to the Hydrogen Billing Procedure, beginning in the Agency’s fiscal year that commenced on July 1, 2022, the Hydrogen Purchaser began funding a reserve of \$60,000,000 at a rate of \$5,000,000 per month. The Hydrogen Billing Procedure provides that the Hydrogen Purchasers will procure their hydrogen fuel from the Agency and that the Agency may condition such procurement on the execution of a fuel procurement contract between the Agency and each Hydrogen Purchaser which fuel procurement contracts would require approval of the Hydrogen Purchasers’ respective governing bodies.

### **STS Renewal Project**

The Coordinating Committee and the Agency also have approved a capital improvement plan for the Southern Transmission System consisting of the replacement, renewal, and expansion of AC switchyards, reactive power equipment and associated facilities at the Adelanto Converter Station and the Intermountain Converter Station (collectively, the “STS Renewal Project”), the Cost of Acquisition and Construction for which is expected to be funded through payments-in-aid of construction to be made by the Southern California Public Power Authority (“SCPPA”) to the Agency from the proceeds of bonds or other obligations of SCPPA to be issued for such purpose, for the benefit of the California Purchasers. See “THE AGENCY’S FINANCING PROGRAM – SCPPA Financing of the Southern Transmission System” herein. As a result, it is not anticipated that such Cost of Acquisition and Construction of the STS Renewal Project will be paid from the proceeds of the Agency’s Bonds or other obligations. The Agency will, however, be responsible for funding a portion of the shared costs incurred with respect to both the Gas Repowering and the STS Renewal Project.

### **Other**

This Annual Report includes summaries of the Bonds, the Resolution, certain provisions of the Act and other statutes, regulations, orders and opinions and certain contracts and other arrangements for the supply of power and energy and the raising of revenues for the payment of the Bonds. The summaries of and references to all documents, statutes, regulations, orders, opinions, 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, regulation, order, opinion, report or instrument. Capitalized terms which are used but not otherwise defined herein shall have the

respective meanings set forth in such documents as appropriate based on the context in which such terms are used.

In connection with the preparation of this Annual Report, the Agency has relied upon certain information relating to the Department and Anaheim furnished to the Agency by such Power Purchasers or included in the Department Disclosure Report or the Anaheim Disclosure Report and upon certain information obtained from other sources. The information contained or incorporated by reference herein is subject to change without notice and the delivery of this Annual Report shall not, under any circumstances, create any implication that there has been no change in the affairs of the Agency, the Power Purchasers or any other person or entity discussed herein since the date hereof, or, in the case of such information included in the Department Disclosure Report or the Anaheim Disclosure Report, since the respective dates of such information.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

The information contained in this Annual Report contains “forward-looking statements” within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Examples of forward-looking statements include, among others, statements concerning purchases of energy by the Power Purchasers, sharing of costs by the Power Purchasers, potential effects of deregulation, potential effects of litigation, current and proposed environmental regulations and related estimated expenditures, access to sources of capital and anticipated uses of capital, the Agency’s liquidity and financial condition, financing activities, estimated sales and purchases of power and energy, and estimated construction and other expenditures.

Forward-looking statements are included, among other places, in the sections of this Annual Report captioned “INTRODUCTION,” “RISK FACTORS,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” “ELECTRIC INDUSTRY RESTRUCTURING,” “ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY,” “INTERMOUNTAIN POWER AGENCY,” “THE AGENCY’S FINANCING PROGRAM,” “FISCAL YEAR 2022-2023 ANNUAL BUDGET” and “LITIGATION.”

The forward-looking statements contained in this Annual Report are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. Accordingly, there can be no assurance that such indicated results will be realized. These risks include but are not limited to:

- changes in the rating of the Agency’s bonds or the credit rating of the Agency, the Department, or a material Power Purchaser;
- the ability and willingness of counterparties of the Agency to make payments as and when due and to perform as required;
- default under any of the Power Sales Contracts or Renewal Power Sales Contracts;
- effects of compliance with changing environmental, safety, licensing, regulatory and legislative requirements in addition to those described herein;
- national, state and local laws, rules, referenda, propositions, initiatives or policies, including those directed at limiting or restricting emissions of carbon dioxide (“CO<sub>2</sub>”) and other greenhouse gases (“GHGs”) or that favor “renewable” or “green” electric generation methods over generation facilities powered by fossil fuels, including the “Affordable Clean Energy” rule promulgated by the United States Environmental Protection Agency (“EPA”);

- physical risks associated with climate change such as changes in weather conditions, changes in precipitation, extreme weather events, temperature and humidity, which could vary customers' energy needs, cause damage or increase operating costs, resulting in positive or negative effects on the Agency's and the Power Purchasers' revenues and financial performance;
- substantial public sentiment against the use of coal as a fuel for electric generating facilities;
- unavailability of or substantial increases in the cost of fuel for the Project or the transportation of such fuel;
- a failure to obtain or maintain permits;
- effects resulting from future changes in national energy policy or the manner in which such policy is implemented;
- effects of deregulation;
- advances in technology available to and used in generation and distribution facilities including technology used by competitors and residential or commercial customers of the Power Purchasers;
- issues relating to the reliability of electric transmission systems and grids, such as the reliability issues highlighted or exposed by power blackouts that have occurred in widespread regions of North America at various times;
- operational, generation, and transmission failures;
- availability and sufficiency of transmission capacity, particularly during times of high demand;
- issues relating to the ability to issue tax-exempt obligations to finance or refinance electric generation or transmission facilities, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations;
- increases in costs and unavailability of capital;
- current and future litigation, regulatory investigations, proceedings, or inquiries;
- war, sanctions, embargos, pandemics, and other global economic and political events that impact generation development, commodity markets and energy supply and consumption;
- inadequate risk management procedures and practices;
- cybersecurity threats;
- seismic activity, wildfires or other natural or human-caused disasters;
- changes in load requirements;
- effects of inflation on the operating and maintenance costs of an electric utility and its facilities;
- investment performance of the Agency's invested funds;
- effects of possible manipulation of electric markets;
- the effect of accounting pronouncements issued periodically by standard-setting bodies;
- effects of changes in the economy; and
- other factors discussed in this Annual Report.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. Current holders and prospective purchasers of the Covered Bonds should not place undue reliance on these forward-looking statements, which reflect management's views only as of the date hereof. The Agency does not undertake any obligation to correct or update any forward-looking statements whether as a result of changes in internal estimates or expectations, new information, subsequent events or circumstances or otherwise.

## **RISK FACTORS**

The following is a discussion of certain risks that could affect payments to be made with respect to the Covered Bonds. Such discussion is not exhaustive, should be read in conjunction with all other parts of this Annual Report and should not be considered a complete description of all risks that could affect payments with respect to the Covered Bonds. Current holders and prospective purchasers of the Covered Bonds should analyze carefully the information contained in this Annual Report, including the Appendices hereto.

### **Drought**

The Project is located in an arid portion of the intermountain west. The flows in the water system from which the Agency's water rights and water shares derive result from runoff of snowpack in the mountains. During 2022, flows in that water system were similar to the lowest level recorded since the mid-1950s. To date, the impact of the low flow conditions has been to reduce the amount of water available for lease to the agricultural users near the Intermountain Generating Station.

The Agency did plan the acquisition and maintenance of its water assets to permit continued operation of the Project to address such record low flows. The Agency cannot guarantee, however, that weather conditions will not worsen beyond such record levels to the point of impacting the operation of the Project. The Agency still has not been able to determine the impact of snowfall during the winter of 2022-2023 on the snowpack feeding the water system from which the Agency's water rights and water shares derive. The Agency cannot predict the impact on its financial condition if drought conditions impact Project operations.

### **Wildfire**

The Agency's transmission lines have been impacted on occasion by wildfires near the transmission rights-of-way. While the Project facilities are not located in forested areas, the brushland along the Agency's transmission rights-of-way have fueled significant wildfires. Such brush fires have not damaged the Agency's transmission lines, but have generated smoke and heat that have interfered with the operation of the transmission assets. In 2020, the smoke and heat of the Canal Fire caused transmission lines to go offline. There have been no other wildfire-related incidents on the transmission system since the Canal Fire.

The Department does maintain an active team to patrol the Project's transmission systems, including by helicopter, to identify and repair damage to the Agency's transmission lines and identify potential wildfire hazards. The Agency also follows industry practices for maintaining its facilities to minimize wildfire risks. The Agency cannot guarantee, however, that Project facilities will not be impacted by a wildfire or be identified as the cause of such a fire. The Agency cannot predict the impact on its financial condition if a wildfire did damage Project facilities or if a wildfire were determined to have been caused by the Project facilities.

## **Cyber Security**

Since the Project consists of critical infrastructure, it is considered to be at higher risk of cyberattack. The Project does have members of staff and contracts with consultants dedicated to protecting Project systems from cyberattack. The Agency follows the Department's policy and procedures for complying with NERC's Critical Infrastructure Protection ("CIP") standards with some modification to tailor such policies and procedures to the circumstances of the Project. The Project complies with NERC CIP standards that apply to the Project's facilities. The Project's computer networks are designed, maintained and updated on a regular basis to limit the potential for successful cyberattacks. The Agency also has maintained insurance at least at levels standard for projects similar to the Project. The Agency cannot guarantee, however, that cyberattacks will not succeed in disrupting the operation of the Project. The Agency cannot predict the potential impact of such an attack on the Agency or the extent to which the Agency's insurance may mitigate such impact. Accordingly, the Agency cannot predict the potential impact such an attack could have on the Agency's financial condition.

## **Credit Ratings**

The Covered Bonds have been assigned a rating of "Aa3" by Moody's and a rating of "AA-" by Fitch. The ratings indicate the rating agencies' assessment of the Agency's ability to pay the principal of and interest on the Covered Bonds. A rating is not a recommendation to purchase, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the rating agency that assigned such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the Covered Bonds.

## **Credit Risk**

Credit risk with respect to the Agency's indebtedness is the risk that the Agency will not pay principal or interest when due. The Agency will rely on payments under the Power Sales Contracts and the Renewal Power Sales Contracts to fund the payments of principal of and interest due on the Covered Bonds.

The Agency's ability to make timely payments is subject to counterparty credit risk related to contractual obligations with various parties, including the Power Purchasers and the Agency's suppliers. Adverse economic conditions or other events affecting counterparties with whom the Agency conducts business could impair the ability of the Power Purchasers to pay for services or for contractors to provide services to the Agency on budget and in a timely manner. As the Monthly Power Costs paid by the Power Purchasers provide the funding for, among other things, the Agency's operational expenses and debt service, the Agency depends on the Power Purchasers to be able to make payments on the Agency's indebtedness on a timely basis.

The California Purchasers have contracted, pursuant to their Power Sales Contracts, to purchase 78.943% of the net capability of the Generation Station. Therefore, the failure of the California Purchasers generally, or of any one of them individually (particularly the Department), to remit payments on a timely basis may result in a significant adverse impact on the Agency's business, financial condition and results of operations.

In addition, all of the California Purchasers and most of the Utah Purchasers are municipalities. Any of these Power Purchasers may be authorized to initiate proceedings under Chapter 9 of the Federal Bankruptcy Code without prior notice to or consent of its creditors, which may enable it to reject its existing executory contracts, such as the Power Sales Contracts and the Renewal Power Sales Contracts, relieving the municipality of any further obligation to perform thereunder.

Furthermore, the Power Sales Contracts and the Renewal Power Sales Contracts provide that the obligations of the respective Power Purchasers are several and not joint. This provision and the requirement of Coordinating Committee or Renewal Contract Coordinating Committee, as applicable, approval for changes in the Agency's annual budget may limit the Agency's ability to make up shortfalls in revenues resulting from a Power Purchaser's default.

In addition, to the extent that the Agency is able to enforce provisions of the Power Sales Contracts or the Renewal Power Sales Contracts that permit the Agency to bill non-defaulting Power Purchasers for shortfalls in revenues (notwithstanding the several liability of the Power Purchasers), the increased billings to the non-defaulting Power Purchasers may exceed the financial capabilities of one or more of the non-defaulting Power Purchasers. In such a situation, there can be no guarantee that the increased billings would be paid in a timely fashion, or at all. To the extent the amount to be paid by the non-paying Power Purchaser is not offset by revenues received from other Power Purchasers or from sales of the non-paying Power Purchaser's entitlement to the output of the Project to third parties, the Agency may not be able to pay when due principal of or interest on the Agency's indebtedness.

### **Governmental Requirements**

Electric utilities are subject to extensive governmental requirements with respect to the operation, maintenance and improvement of facilities, including regulations governing safety and security, air and water quality, land use, hazardous and solid waste, and other environmental factors and the potential health effects from electric and magnetic fields associated with power lines and related sources. The fossil fuel-fired electrical generating industry also is experiencing increased scrutiny by some sectors of the public regarding climate change. Federal, state and local requirements are subject to changes arising from legislative, executive and judicial action. Consequently, although the Agency believes that the Project currently complies with all applicable governmental requirements, there can be no assurance that the Project will remain subject to the requirements currently in effect or in compliance with future requirements, or will be able to continue to satisfy existing requirements. Evolving requirements could result in additional capital or operating expenditures, reduced operating levels or the complete shutdown of individual electric generating units ("EGUs").

The Agency cannot predict what impact climate change regulation, environmental regulations and concerns regarding electric and magnetic fields might have on the business, operations and financial condition of the Agency, the Project or the Power Purchasers, but their influence could be significant. See "ELECTRIC INDUSTRY RESTRUCTURING" and "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY" herein.

### **Permits**

Among the various governmental requirements applicable to the Agency, the Agency must comply with the requirements of licenses and permits from various regulatory authorities and abide by their respective orders. Although the Agency believes that it has obtained all licenses and permits necessary for the ownership and operation of the Project, the licenses and permits impose continuing obligations on the Agency. Should the Agency or the Department (as Operating Agent under the terms of the Construction Management and Operating Agreement, as defined in the Resolution) be unsuccessful in maintaining current necessary licenses or permits (or obtaining additional licenses or permits that may become necessary) or should regulatory authorities with jurisdiction over the Project initiate any investigations or enforcement actions, revoke any necessary licenses or permits or impose penalties on the Agency, the Project or the Department, or issue orders to the Agency, the Project or the Department to cease or modify operations, the business, financial condition and results of operations of the Agency or the Power Purchasers could be adversely affected. See "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Air Emissions – *Section 114 Information Requests*" herein.



Moreover, the Agency has agreed to indemnify the Department from all liability and expense on account of any and all damages, claims or actions including injury to or death of persons or damage to property arising from any act or failure to act (including a failure to obtain or maintain a required permit), except for the Department's acts of intentional wrongdoing or acts of gross negligence. This agreement could limit the Agency's ability to replace reserves or revenues that may be lost as a result of action by regulatory authorities.

### **Operating Uncertainties**

The Agency's business, including the operation of the Agency's electric generation and transmission systems, involves many risks, including breakdown or failure of expensive and sophisticated equipment; potential design flaws; wear and tear from operating the generating units at the Project at varying levels of production (including cycling of generation to accommodate peak demand); processes and personnel performance; operating limitations that may be imposed by equipment conditions, environmental or other regulatory requirements; fuel supply or fuel transportation reductions or interruptions; transmission scheduling constraints; and catastrophic events such as fires, including wildfires, explosions, earthquakes, drought, severe weather, pandemic health events, or other similar occurrences.

In addition, the Agency's information technology systems and network infrastructure may be vulnerable to internal or external cyberattack, unauthorized access, computer viruses or other attempts to harm the Agency's systems or misuse the Agency's confidential information. Cybersecurity threats are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. These events could damage the Agency's reputation and lead to financial losses from remedial actions, loss of business or potential liability.

The catastrophic events that could potentially have an adverse impact on the Project's operation include earthquakes. Some, if not all, of the Project exists in areas subject to seismic activity. Although the Agency maintains some earthquake insurance, no assurance can be given that a future seismic event will not materially adversely affect the operation of the Project or the Agency's financial condition.

The Agency has implemented training and preventive maintenance programs and has security systems and related protective infrastructure in place, but there is no assurance that these programs will prevent or minimize future breakdowns, outages or failures of the Agency's generation or transmission facilities or related business processes. In those cases, the Power Purchasers may need either to produce replacement power from their other facilities or to purchase power from other suppliers at potentially volatile and higher cost in order to serve their loads. There is no guarantee that such replacement power would be available.

These and other operating events may increase the cost of Project power and energy and may materially affect the business, financial condition and results of operations of the Agency and the Power Purchasers.

### **Dangers and Risks Involved in Generation and Transmission of Electricity**

Electricity is dangerous for employees and the general public should they come in contact with power lines or electrical equipment. Injuries caused by such contact can subject the Agency to liability that, despite the existence of insurance coverage, can be significant. In light of the potential impact of natural disasters, which can cause damage to facilities and outages, the Agency's focus includes public

safety issues. Penalties and liabilities for failure to sufficiently address public safety issues could be significant but are very difficult to predict.

## **Legal Proceedings**

The Agency is occasionally subject to suits related to its business. Such litigation has included claims for very sizeable damages, including punitive damages, and injunctive relief.

While the Agency intends to defend itself in litigation that may be brought against the Agency, litigation is subject to many uncertainties, and the Agency cannot predict the outcome of individual matters. It is possible that the final resolution of some of the matters in which the Agency is involved could result in additional payments in excess of established reserves over an extended period of time and in amounts that could be material. Similarly, it is also possible that the terms of resolution could require that the Agency change business practices and procedures. Further, litigation could result in the imposition of financial penalties or injunctions which could limit the Agency's ability to take certain desired actions or the denial of needed permits, licenses or regulatory authority to conduct the Agency's business, including the siting or permitting of facilities. Any of these outcomes could adversely affect the Agency's business, financial condition and results of operations, including operation of the Project. See "LITIGATION" herein.

## **COVID-19 Pandemic**

The COVID-19 pandemic that has affected the United States and the world since early 2020 resulted in prolonged efforts to maintain a social distance among individuals in order to reduce the spread of the virus. As of the date of this Annual Report, most of the restrictions on movement and distancing requirements across the United States have been eased. The virus causing COVID-19 has not yet been contained, though, and resurgences of the virus resulted previously in reimposition of restrictions. The Agency cannot predict instances of resurgence of the virus (including any of the numerous variants of COVID-19) and if restrictions on movements could once again be re-imposed.

During the period of greatest threat from COVID-19, Intermountain Power Service Corporation ("IPSC"), the employer of the personnel that operate the Project, implemented procedures to limit the employees on site to essential personnel, quarantined employees who had been exposed to the virus causing COVID-19, deferred Project maintenance and repairs where possible to limit contact with outside contractors and encouraged safe work practices to minimize the risk of spreading COVID-19 among IPSC's workforce. COVID-19 protocols are no longer in place at IPSC. All deferred maintenance has been completed and the Project's normal maintenance schedule has been reinstated.

Although IPSC's response to the COVID-19 pandemic has not had significant impacts on operations of the Project, any resurgence in the COVID-19 pandemic may create uncertainty around the potential impact on the Project. These impacts may include significant loss of productivity among IPSC personnel or the inability to complete maintenance and repairs in a timely manner as a result of unavailability of equipment, materials or personnel among the Project's vendors.

The COVID-19 pandemic has impacted the labor market and logistics. Labor shortages and logistics issues have impacted the Agency's ability to obtain coal for the Project for an extended period. The Agency cannot predict how the impact of labor shortages and logistics issues will impact its future operations.

The Power Purchasers have identified risks to their operations and financial condition related to the COVID-19 pandemic. Those risks include impairment of the ability to generate revenues from the operation of their utilities. That may result in a reduction in funds available for Power Purchasers to pay amounts due to the Agency under the Power Sales Contracts. Since the inception of the COVID-19

pandemic, the Power Purchasers have not missed any payments nor made any late payments under the Power Sales Contracts.

The Agency cannot predict (i) the duration or extent of the COVID-19 pandemic; (ii) to what extent the COVID-19 pandemic may affect the operations and revenues of the Project; (iii) to what extent COVID-19 may disrupt the economic factors that impact the Project, manufacturing or supply chain, or whether any such disruption may adversely impact Project-related construction, the cost, sources of funds, schedule or implementation of the Project's capital improvement program, or other Project operations; (iv) to what extent the Agency may be asked to provide deferrals, forbearances, adjustments or other changes to Power Purchasers; (v) whether any of the foregoing may have a material adverse effect on the finances and operations of the Agency, the Project or the Power Purchasers; or (vi) whether another similar outbreak will occur. Prospective investors should consider that the restrictions and limitations instituted related to COVID-19 may increase (even after they are decreased), and upheaval to the national and global economies may re-occur and/or be exacerbated, at least over the near term, and the recovery may be prolonged, and therefore, COVID-19 may adversely impact Project revenues.

### **Disruptions in the Financial Markets**

Certain market disruptions could constrain, at least temporarily, the Agency's ability to maintain sufficient liquidity and to access capital on favorable terms or at all. These disruptions include: (a) market conditions generally; (b) an economic downturn or recession; (c) a pandemic such as COVID-19; (d) instability or uncertainty in the financial markets; (e) a tightening of lending and lending standards by banks and other credit providers; (f) the overall health of the energy industry; (g) negative events in the energy industry, such as a bankruptcy of an unrelated energy company; (h) war or threat of war; or (i) cyber or terrorist attacks or threatened attacks on the Agency's facilities or the facilities of unrelated energy companies. If the Agency is unable to access the financial and credit markets to meet liquidity and capital expenditure needs, it may adversely affect the Agency's liquidity, credit ratings, financial condition and the timing and amount of the Agency's capital expenditures. Furthermore, such disruptions may impair the Power Purchasers' ability to make timely payments to the Agency, impair their financial condition, or negatively impact their credit ratings, which in turn could impair the Agency's financial condition and credit ratings.

### **Construction of the Generation Renewal Project and the STS Renewal Project**

The construction of large, complex generating units and the work on the STS Renewal Project involve significant financial risk. The Agency relies on the Department as its Project Manager and third-party contractors for the oversight of the construction of the Generation Renewal Project and the STS Renewal Project and does not exercise direct control over the construction process. The Power Purchasers are responsible for construction costs based on their cost shares. Factors that could lead to further cost increases and schedule delays or even the inability to complete the Generation Renewal Project and the STS Renewal Project include:

- performance by the Department and the third-party contractors in management of construction processes and costs;
- subcontractor and supplier performance, including compliance with the design specifications approved and quality standards set forth by applicable regulatory bodies;
- shortages, increased costs or inconsistent quality of labor, equipment and materials;
- changes in labor costs, availability and productivity;
- performance by manufacturers and contractors under long-term service and maintenance contracts;

- loss of access to intellectual property rights necessary to construct or operate the Generation Renewal Project and the STS Renewal Project;
- increases in the Agency's cost of debt financing as a result of changes in market interest rates or as a result of construction schedule delays;
- engineering or design problems;
- delays in construction, testing and start-up activities;
- operational readiness;
- erosion of public and policymaker support;
- contract disputes;
- permits, approvals and other regulatory matters;
- changes in project design or scope;
- impacts of new and existing laws and regulations, including environmental laws and regulations;
- adverse weather conditions; and
- work stoppages.

The ultimate outcome of these matters cannot be determined at this time; however, these risks could continue to impact the in-service dates and cost of the Generation Renewal Project and the STS Renewal Project which would increase the cost of electric service the Agency provides to the Power Purchasers, according to their cost shares, and, as a result, could affect their ability to perform their contractual obligations to the Agency.

## **INDEBTEDNESS OF THE AGENCY**

### **General**

As of July 1, 2022, the Agency's indebtedness consisted of \$797,605,000 principal amount of the Covered Bonds. The estimated debt service requirements of the Agency with respect to the Covered Bonds as of the date of this Annual Report are set forth in APPENDIX D hereto. The principal of and interest on the Covered Bonds are senior lien indebtedness under the Resolution and rank equally, and are on a parity, as to security and source of payment.

### **Additional Bonds**

The Agency reserves the right under the Resolution to issue additional Bonds for purposes of the Project and on the terms and conditions specified in the Resolution, which will rank equally and be on a parity, as to security and source of payment, with all other Bonds, if any. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Additional Bonds" in APPENDIX A hereto.

### **Payment of Bonds**

The Bank of New York Mellon is the Trustee under the Resolution for Bonds.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **Pledge Effected by the Resolution**

The Resolution provides that the Bonds shall be direct and special obligations of the Agency payable solely from and secured solely by the Trust Estate, which is defined to mean (i) the proceeds of the sale of the Bonds, (ii) the Revenues, and (iii) all Funds and Accounts established by the Resolution (other than (X) the Debt Service Reserve Account in the Debt Service Fund, (Y) any Decommissioning Fund which may be established pursuant to the Resolution and (Z) the STS Capital Improvement Construction Fund), including the investments and investment income, if any, thereof, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein.

“Revenues” is defined in the Resolution to mean (a) all revenues, income, rents and receipts derived or to be derived by the Agency from or attributable to the ownership and operation of the Project, including all revenues attributable to the Project or to the payment of the costs thereof received or to be received by the Agency under the Power Sales Contracts and the Renewal Power Sales Contracts or under any other contract for the sale of power, energy, transmission or other service from the Project or any part thereof or any contractual arrangement with respect to the use of the Project or any portion thereof or the services, output or capacity thereof, (b) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering business interruption loss relating to the Project, and (c) interest received or to be received on any moneys or securities (other than in the Construction Fund or the STS Capital Improvement Construction Fund) held pursuant to the Resolution and required to be credited to the Revenue Fund.

Principal of and interest on the Covered Bonds rank on a parity with each other and with each other Series of Bonds which the Agency may issue hereafter. See “INDEBTEDNESS OF THE AGENCY – Additional Bonds” herein.

The Bonds are solely obligations of the Agency and are not obligations of the State or any political subdivision thereof, other than the Agency, or any member of the Agency, any Power Purchaser or the Project Manager or Operating Agent and neither the faith and credit nor the taxing power of the State or any political subdivision thereof or any city or town which is either a member of the Agency or a Power Purchaser or both is pledged for the payment of the Bonds. No holder of Bonds or receiver or trustee in connection with the payment of Bonds will have the right to compel the State, any political subdivision thereof or any city or town which is either a member of the Agency or a Power Purchaser or both to exercise its appropriation or taxing powers. The Agency has no taxing power.

See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Pledge Effected by the Resolution” and “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Nature of Obligation” in APPENDIX A hereto.

## Flow of Funds

The Resolution establishes the following Funds for the application of Revenues while Bonds are Outstanding:

<u>Fund</u>	<u>Held By</u>
Revenue Fund .....	Agency
Debt Service Fund.....	Trustee
Debt Service Account	
Debt Service Reserve Account	
Subordinated Indebtedness Fund .....	Trustee
Subordinated Indebtedness Debt Service Account	
Such other accounts as may be established by the Agency in such Fund	
Self-Insurance Fund .....	Agency

Pursuant to the Resolution, all Revenues received are to be deposited promptly in the Revenue Fund. Each month, amounts in the Revenue Fund are to be used to pay Operating Expenses for such month. After such payment (or provision for payment) of Operating Expenses, monthly payments in the amounts indicated below are to be made from the Revenue Fund to the following Funds and Accounts in the following order of priority:

1. To the Debt Service Account and to each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, the respective amounts required so that the balances in such Account and subaccounts (excluding, in the case of the Debt Service Account, the amount set aside from the proceeds of Bonds or other evidences of indebtedness of the Agency for payment of interest on Bonds in excess of the amount thereof to be applied to pay interest accrued and unpaid and to accrue on Bonds to the last day of the then current calendar month) equal the Accrued Aggregate Debt Service and the Debt Service Reserve Requirement related thereto, respectively. The Trustee will apply amounts in the Debt Service Account to the payment of principal or sinking fund redemption price of and interest on Bonds when due.

2. To the Subordinated Indebtedness Debt Service Account in the Subordinated Indebtedness Fund and each other account within the Subordinated Indebtedness Fund, such amounts as shall be required to be deposited thereto so that the balance therein or the amount deposited thereto, as the case may be, shall equal the amount required to be on deposit therein as of the end of such month or the amount required to be deposited thereto during such month, as applicable, determined as provided in the respective resolutions, indentures or other instruments, including any Supplemental Resolution, relating to such account or the Subordinated Indebtedness (as defined in the Resolution) payable therefrom or secured thereby. The Trustee will apply amounts in the Subordinated Indebtedness Debt Service Account and such other accounts to the purposes specified with respect thereto in the respective resolutions, indentures or other instruments, including any Supplemental Resolution, applicable thereto.

3. To the Self-Insurance Fund, one-twelfth of the total amount provided for such purpose in the then current Annual Budget (as defined in the Power Sales Contracts), *provided, however*, that if a deficiency in said Fund is to be restored over a period which extends beyond the fiscal year during which such restoration shall have commenced pursuant to the provisions of the Resolution, then the deposits in each month to said Fund during such subsequent fiscal year shall be in the amount determined pursuant to the Resolution.

Funds paid by SCPPA to the Agency for deposit into the STS Capital Improvement Fund and funds paid by the Power Purchasers to the Agency for deposit into any Decommissioning Fund will be deposited directly into those funds. Funds held in any Decommissioning Fund will not be part of the Trust Estate. For a more detailed discussion of the application of monies deposited in the various funds and accounts, see “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Application of Revenues” in APPENDIX A hereto.

### **Initial Subaccount in Debt Service Reserve Account**

Pursuant to the Agency’s Sixty-First Supplemental Power Supply Revenue Bond Resolution relating to the Covered Bonds adopted on April 28, 2022 (the “Sixty-First Supplemental Resolution”), the Agency has established a subaccount in the Debt Service Reserve Account in the Debt Service Fund known as the “Initial Subaccount,” which Subaccount is for the benefit and security of all holders of the Bonds of each Additionally Secured Series secured by the Initial Subaccount. The term “Additionally Secured Series” is defined in the Sixty-First Supplemental Resolution to mean (a) the Covered Bonds and (b) any Series of Bonds issued after the date of adoption of the Sixty-First Supplemental Resolution for which the Supplemental Resolution authorizing the Bonds of such Series shall provide that the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of such Series shall be secured, in addition to the pledge and assignment created pursuant to the Resolution in favor of all of the Bonds, by a pledge and assignment of amounts on deposit in the Initial Subaccount; *provided, however*, that no Variable Interest Rate Bonds shall be additionally secured by amounts on deposit in the Initial Subaccount; and *provided, further*, that if any Series of Bonds is to be an Additionally Secured Series, then it will be a condition to the issuance of the Bonds of such Series that the amount on deposit in the Initial Subaccount after giving effect to the issuance the Bonds of such Series is equal to the Initial Subaccount Debt Service Reserve Requirement (hereinafter defined).

Pursuant to the Sixty-First Supplemental Resolution, the amounts on deposit in the Initial Subaccount as may from time to time be available therefor (including the investments held as a part of such Subaccount) are pledged and assigned to the holders of the Bonds of each Additionally Secured Series secured by the Initial Subaccount, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

Amounts in the Initial Subaccount are to be applied to make payment of the principal or sinking fund redemption price of, or interest on, the Bonds of each Additionally Secured Series secured by the Initial Subaccount when due in the event that amounts on deposit in the Debt Service Account in the Debt Service Fund are not sufficient therefor, ratably, based on the deficiency that exists with respect to each Additionally Secured Series secured thereby.

Pursuant to the Sixty-First Supplemental Resolution, the Agency is required to deposit and maintain, or cause to be deposited and maintained, in the Initial Subaccount moneys and Investment Securities (as defined in the Resolution) in an amount equal to the Initial Subaccount Debt Service Reserve Requirement. The term “Initial Subaccount Debt Service Reserve Requirement” is defined in the Sixty-First Supplemental Resolution to mean, as of any date of calculation, an amount equal to the greatest amount of Aggregate Debt Service (as defined in the Resolution) on all Bonds of each Additionally Secured Series secured by the Initial Subaccount for the then current or any future Fiscal Year. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Definitions” in APPENDIX A hereto for the definition of Aggregate Debt Service.

Whenever the amount on deposit in the Initial Subaccount exceeds the Initial Subaccount Debt Service Reserve Requirement, such excess will be deposited in the Revenue Fund established pursuant to the Resolution and applied to the purposes to which other amounts in the Revenue Fund are required to be applied (see “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Application of

Revenues” in APPENDIX A hereto); *provided, however*, that unless otherwise approved by the Agency and by the Coordinating Committee, such excess must be applied to the purchase, redemption or provision for payment of Bonds or Subordinated Indebtedness.

In the event of the refunding or defeasance of any Bonds of an Additionally Secured Series secured by the Initial Subaccount, the Trustee will, upon the direction of an authorized officer of the Agency, withdraw from the Initial Subaccount all or any portion of the amounts accumulated therein and transfer the amount so withdrawn to itself, as such Trustee, to be held for the payment of the principal or redemption price, if applicable, and interest on such Bonds being refunded or defeased; *provided, however*, that such withdrawal will not be made unless (i) immediately thereafter, the Bonds being refunded or defeased shall be deemed to have been paid within the meaning of the Resolution and (ii) the amount remaining in the Initial Subaccount, after giving effect to the issuance of any Bonds being issued to refund any Bonds being refunded and the disposition of the proceeds thereof, shall not be less than the Initial Subaccount Debt Service Reserve Requirement.

### **Construction Fund**

The Resolution establishes a Construction Fund, to be held by the Agency, into which will be paid amounts required by the provisions of the Resolution and any Supplemental Resolution and, at the option of the Agency, any moneys received for or in connection with the Project by the Agency, unless required to be otherwise applied as provided in the Resolution. In addition, proceeds of insurance for physical loss or damage to the Project, including proceeds of any self-insurance fund, or of contractors’ performance bonds pertaining to the period of construction of the Project will be paid into the Construction Fund. Within the Construction Fund, a separate account will be established for any Capital Improvements, the Cost of Acquisition and Construction of which is to be paid out of the Construction Fund.

The Agency will pay from the Construction Fund the Cost of Acquisition and Construction of each Capital Improvement, the Cost of Acquisition and Construction of which is to be paid out of the Construction Fund.

The completion of construction of any Capital Improvements shall be evidenced by a certificate or certificates of an Authorized Officer, filed with the records of the Agency, stating (i) that such Capital Improvements have been completed in accordance with the plans and specifications applicable thereto and in accordance with the Construction Management and Operating Agreement, (ii) the date of such completion, and (iii) the amount, if any, required in the opinion of the signer or signers for the payment of any remaining part of the Cost of Acquisition and Construction thereof. Upon the filing of such certificate, the balance in the separate account in the Construction Fund established therefor in excess of the amount, if any, stated in such certificate shall be transferred to the Trustee for deposit to each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, such amount as shall be necessary to make the amount of such subaccount equal to the Debt Service Reserve Requirement related thereto (or, if the amount to be so transferred shall not be sufficient to make the deposits required to be made pursuant to this clause with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such amount to be so transferred shall be applied ratably, in proportion to the amount necessary for deposit into each such subaccount), and any balance shall be transferred to the Revenue Fund for application to the retirement of Bonds by purchase or redemption or for application to the reduction of the cost of Project power and energy to the Power Purchasers under the Power Sales Contracts. If subsequent to the filing of such certificate it shall be determined that any amounts specified in such certificate as being required for the payment of any remaining part of the Cost of Acquisition and Construction are no longer so required, such fact shall be evidenced by a certificate or certificates of an Authorized Officer filed with the records of the Agency stating such fact and any amount shown therein as no longer being required shall be transferred to the Trustee for deposit to each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, such amount as shall be necessary to make the amount of such subaccount equal to



the Debt Service Reserve Requirement related thereto (or, if the amount to be so transferred shall not be sufficient to make the deposits required to be made pursuant to this clause with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such amount to be so transferred shall be applied ratably, in proportion to the amount necessary for deposit into each such subaccount), and any balance shall be transferred to the Revenue Fund for application to the retirement of Bonds by purchase or redemption or for application to the reduction of the cost of Project power and energy to the Power Purchasers under the Power Sales Contracts.

### **STS Capital Improvement Construction Fund**

The Resolution establishes an STS Capital Improvement Construction Fund, to be held by the Agency, into which will be paid all payments-in-aid of construction received by the Agency from SCPPA in respect of the STS Renewal Project and certain other Capital Improvements to the Southern Transmission System that SCPPA determines shall be financed by SCPPA. (See “THE AGENCY’S FINANCING PROGRAM – SCPPA Financing of the Southern Transmission System” herein.) Amounts in the STS Capital Improvement Construction Fund shall be applied to the Cost of Acquisition and Construction of the STS Renewal Project or such other Southern Transmission System Capital Improvements.

The STS Capital Improvement Construction Fund shall not be a part of the Trust Estate and, therefore, is not pledged to the payment of the Bonds.

### **Decommissioning Funds**

At such time as the Agency shall determine, there may be established by Supplemental Resolution one or more Decommissioning Funds to provide for costs of decommissioning, retirement or disposal of facilities of the Project. Each Decommissioning Fund shall be held by the Agency. The amounts to be credited to any such Fund, and the purposes to which amounts in any such Fund are to be applied, shall be set forth in the Supplemental Resolution establishing such Fund.

Each Decommissioning Fund shall not be a part of the Trust Estate and, therefore, is not pledged to the payment of the Bonds.

### **Agency Rate Covenant**

The Agency has represented in the Resolution that it has, and will have as long as any Bonds are Outstanding, good right and lawful power to establish and collect rates and charges with respect to the Project, subject only to the terms of the Power Sales Contracts, the Renewal Power Sales Contracts, the Construction Management and Operating Agreement and other related contracts. Pursuant to the Resolution, the Agency has covenanted at all times to establish and collect rates and charges with respect to the Project to provide Revenues at least sufficient, together with other available funds, for the payment in each fiscal year of the sum of: (i) Operating Expenses, (ii) Aggregate Debt Service with respect to Bonds, (iii) the amount, if any, required to be paid into each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, established under the Resolution, (iv) the amount to be paid into each separate account in the Subordinated Indebtedness Fund, and all other amounts payable in respect of, Subordinated Indebtedness, (v) the amount, if any, to be paid into the Self-Insurance Fund established under the Resolution and (vi) all other charges or liens payable out of Revenues.

### **Additional Bonds**

The Agency reserves the right under the Resolution to issue additional Bonds for purposes of the Project and on the terms and conditions specified in the Resolution, which will rank equally and be on a

parity, as to security and source of payment, with all other Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Additional Bonds” in APPENDIX A hereto.

### **Power Sales Contracts**

**General.** Under the Power Sales Contracts, the Power Purchasers are entitled to Project generation and transmission capabilities based on their respective Generation Entitlement Shares (as defined in the Power Sales Contracts) and transmission entitlements and are obligated to make payments therefor.

Each Power Sales Contract between the Agency and a Power Purchaser constitutes an obligation of the parties until the terms of all of the Power Sales Contracts expire on June 15, 2027. As long as any Bonds or Subordinated Indebtedness is outstanding or until provision has been made for the payment of all outstanding Bonds and Subordinated Indebtedness, the Power Sales Contracts may not be terminated or amended in any manner which will reduce the amount of, or extend the time for, the payments that are pledged as security for Bonds and Subordinated Indebtedness or which will impair or adversely affect the rights of the holders of Bonds or Subordinated Indebtedness. The Agency caused all such Bonds and Subordinated Indebtedness to have been legally defeased such that, based on the Agency’s interpretation of the effect of Transition Project Indebtedness on such expiration, no indebtedness of the Agency will preclude the expiration of the Power Sales Contracts on June 15, 2027. “Transition Project Indebtedness” is defined in the Power Sales Contracts to mean Bonds (as defined in the Power Sales Contracts) or other obligations issued by the Agency prior to June 16, 2027 that by their terms shall be scheduled to remain outstanding after June 16, 2027.

The Agency does not interpret the foregoing restrictions on termination and amendment of the Power Sales Contracts to cause the Power Sales Contracts to be extended beyond the stated termination date in the Power Sales Contracts, notwithstanding the existence of Bonds or Subordinated Indebtedness constituting Transition Project Indebtedness on such date. The Agency amended the Resolution to express that intention.

Payments are to be made by the Power Purchasers on a “take-or-pay” basis; that is, whether or not the Project or any part thereof has been completed, is operating or operable, or its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatever. The payment obligations under the Power Sales Contracts constitute operating expenses of the respective California Purchasers and Utah Municipal Purchasers payable solely from their electric revenue funds, and general obligations of the respective Cooperative Purchasers.

Each Power Purchaser that is a municipally-owned electric system has covenanted in its Power Sales Contract to establish, maintain and collect rates and charges for the electric service it furnishes sufficient to provide revenues which, together with its available electric system reserves, are adequate to enable it to pay to the Agency all amounts payable under its Power Sales Contract and to pay all other amounts payable from, and all liens on and lawful charges against, its electric system revenues. See “SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS – Nature of Obligation” in APPENDIX B hereto.

The Power Sales Contracts provide that the obligations of the respective Power Purchasers are several and not joint. A failure by a Power Purchaser to make payments when due under its Power Sales Contract may result in larger payments being made by the other Power Purchasers in subsequent periods for the purpose of enabling the Agency to pay operating expenses, debt service and other costs of the Project and to maintain required reserves therefor. To the extent the amount to be paid by the non-paying Power Purchaser is not offset by revenues from sales of power or transmission service derived by the Agency in

respect of such non-paying Power Purchaser's Generation Entitlement Share or transmission entitlement, such non-payment may result in deficits in funds and accounts established under the Resolution. In such event, the Agency would be required to amend, in accordance with the Power Sales Contracts and the Resolution, the Annual Budget to provide increases in subsequent billings to all Power Purchasers, including the non-paying Power Purchaser, equal to the amount of such deficiency. Such increased billings are not conditioned upon any transfer of the non-paying Power Purchaser's Generation Entitlement Share or transmission entitlement to the other Power Purchasers. Amounts thereafter collected from such non-paying Power Purchaser are to be credited against the next billings of such other Power Purchasers as appropriate. In the event, however, of a termination of the Project and a resultant default by the Agency under the Resolution, each Power Purchaser would, under its Power Sales Contract, be severally obligated to pay only its respective Generation Cost Share (as defined in the Power Sales Contracts) and Transmission Cost Share (as defined in the Power Sales Contracts), if any, of the debt service on Bonds and on Subordinated Indebtedness, as well as other fixed costs.

In the event of a default or inability to perform by a Power Purchaser under its Power Sales Contract, the Agency may proceed to enforce the Power Purchaser's covenants or obligations thereunder, or seek damages for the breach thereof, by action at law or in equity. The Power Sales Contracts also provide that if a payment due under the Power Sales Contracts remains unpaid when due, the Agency may, upon 120 days' written notice to the Power Purchaser, discontinue the delivery of capacity and energy to, and the use of Project facilities by, such Power Purchaser while the default continues. Except as a result of a transfer of the defaulting Power Purchaser's rights to delivery of capacity and energy and the use of Project facilities, the discontinuance by the Agency of delivery of capacity and energy to and the use of the Project facilities by a defaulting Power Purchaser will not reduce the obligation of such Power Purchaser to make payments under its Power Sales Contract. For information regarding certain acts adopted by the California Legislature in recent years that may limit the Agency's ability to sell or otherwise transfer a defaulting Power Purchaser's Generation Entitlement Share or electric energy attributable thereto to California investor-owned or publicly owned electric utilities to recover lost revenues resulting from such default, see "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Regulation of Greenhouse Gases – *Federal and California Greenhouse Gas Initiatives*" herein.

See "SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS" in APPENDIX B hereto.

**Monthly Power Costs.** During each Power Supply Year (as defined in the Power Sales Contracts), each Power Purchaser is obligated to pay its share of Monthly Power Costs, which consist, generally, of all of the Agency's costs resulting from the ownership, operation and maintenance of, and renewals and replacements to, the Project, to the extent not paid from the proceeds of Bonds and Subordinated Indebtedness or from notes or other evidences of indebtedness issued in anticipation thereof. Such costs, which consist of a minimum cost component and a variable cost component, are billed monthly. Power Supply Years coincide with the Agency's fiscal years, which end at 12:01 a.m. on July 1.

The minimum cost component is billed each month for the then current month based on the estimates contained in the Annual Budget prepared by the Agency prior to the beginning of each Power Supply Year, as such Annual Budget may be amended during such year. For each month, the minimum cost component includes:

- (i) the amounts which the Resolution requires the Agency to pay or deposit during such month into funds or accounts for debt service on, and reserve requirements for, Bonds and Subordinated Indebtedness;

(ii) one-twelfth of the amount which the Agency is required under the Resolution to pay or deposit during the Power Supply Year which includes such month into any other fund or account established by the Resolution, including any amount needed to eliminate a deficiency in any fund established under the Resolution whether or not resulting from a default in payments by any Power Purchaser of amounts due under any Power Sales Contract;

(iii) one-twelfth of the costs of producing and delivering capacity and energy from the Project during the Power Supply Year which includes such month, including ordinary operation and maintenance costs, costs of water, overhead and certain fixed costs of fuel for the Project; and

(iv) one-twelfth of the amount necessary during the Power Supply Year which includes such month to pay or provide reserves for payment of amounts required to be paid pursuant to the Act to counties, municipalities and school districts affected by the Project, Payments in Lieu of Ad Valorem Taxes (as defined in the Power Sales Contracts) and all other taxes which the Agency is required to pay.

The variable cost component is billed each month for the immediately preceding month. The variable cost component of Monthly Power Costs consists of all costs of fuel not included in the minimum cost component and is to be billed based on the cost of fuel utilized during such month.

If there is any revision of the Annual Budget after the commencement of any Power Supply Year, the amounts determined pursuant to clauses (ii), (iii) and (iv) above are to be appropriately adjusted to evenly apportion any increase or decrease over the remaining months of such Power Supply Year. For a further discussion of the Agency's budgeting process, see "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Budgeting" herein and "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Annual Budget" in APPENDIX A hereto.

The Agency allocates the minimum cost component of Monthly Power Costs among the Generation Station, the Northern Transmission System and the Southern Transmission System in accordance with an Operating Cost Allocation Procedure approved by the Coordinating Committee and the Agency's Board of Directors. Under the Power Sales Contracts, the amount of Monthly Power Costs to be paid by each Power Purchaser for any month is the sum of: (i) its Generation Cost Share times the minimum cost component for such month allocated to the Generation Station; (ii) its Northern Transmission Cost Share, if any, times the minimum cost component for such month allocated to the Northern Transmission System; (iii) its Southern Transmission Cost Share, if any, times the minimum cost component for such month allocated to the Southern Transmission System; and (iv) the percentage of the energy delivered from the Project to it during the preceding month times the variable cost component. See "FISCAL YEAR 2022-2023 ANNUAL BUDGET" herein.

On May 22, 2000, the Coordinating Committee adopted by resolution a "Fuel Acquisition and Transportation Cost Billing Procedure for Fiscal Year 2000-2001 and Thereafter" (the "Billing Procedure"). Pursuant to the Billing Procedure the Coordinating Committee has taken the following actions with respect to the 2000-2001 fiscal year and each fiscal year thereafter and the Agency intends to continue to take such actions unless and until the Billing Procedure is repealed or modified to provide otherwise: (i) approved, pursuant to the authority delegated to the Coordinating Committee under the Power Sales Contracts, the inclusion in the minimum cost component of Monthly Power Costs of the minimum or guaranteed payments that the Agency is required to make under certain coal purchase contracts to which it is a party; (ii) directed that there be included in the variable cost component, rather than the minimum cost component, of Monthly Power Costs, transportation costs with respect to coal the cost of which is included in the variable cost component of Monthly Power Costs; (iii) approved a procedure for billing the variable cost component of Monthly Power Costs based upon the energy produced by the burning of coal the cost of which is included in the variable cost component; and (iv) approved a procedure permitting any Power Purchaser, to the extent

that it does not schedule all of the energy produced by the burning of the coal the cost of which is included in its pro rata share of the minimum cost component of Monthly Power Costs during a particular month (an “Underburn Energy Balance”), to “bank” such energy for scheduling during subsequent months of the same fiscal year. From time to time subsequent to its adoption of the Billing Procedure, the Coordinating Committee has elected, pursuant to the Power Sales Contracts, to treat for billing purposes other coal purchase contracts to which the Agency is a party in the same manner as those referenced in the immediately preceding clause (i).

On August 21, 2012, the Coordinating Committee amended the Billing Procedure to make technical changes and to permit each Power Purchaser to “bank” an Overburn Energy Balance. The amendment provides that an “Overburn Energy Balance” is equal to the amount by which the energy scheduled by such Power Purchaser for a month exceeds the energy produced by the burning of the coal the cost of which is included in its pro rata share of the minimum cost component of Monthly Power Costs during such month. Each Power Purchaser may apply its Overburn Energy Balance to the extent of such balance to offset, during the same fiscal year in which such Overburn Energy Balance accrued, any future Underburn Energy Balance.

The Agency believes that the implementation of the Billing Procedure resulted in utilization levels of the Project that were higher than if the Billing Procedure had not been in effect. Although the Agency believes that the 2012 amendment to the Billing Procedure will reduce the incentive of the Power Purchasers to schedule power during the latter part of any Power Supply Year, the Agency expects that the continued implementation of the Billing Procedure will continue to result in utilization levels of the Project that are higher than if the Billing Procedure were not in effect. This is due in part to the Power Purchasers being able to use an Overburn Energy Balance (which is more likely to accrue during the first part of a Power Supply Year) to offset an Underburn Energy Balance (which is more likely to occur during the middle months of a Power Supply Year).

***Year-End Reconciliation.*** Within 120 days after the end of each Power Supply Year, the Agency is required to submit to each Power Purchaser a statement of the actual aggregate Monthly Power Costs and other amounts payable under the Power Sales Contracts for all months of such year and any adjustments to such costs and amounts for any prior year, based on the annual audit required by the Power Sales Contracts. If for any Power Supply Year the actual aggregate Monthly Power Costs and other amounts payable under the Power Sales Contracts exceed the amount which the Power Purchasers have been billed, the Power Purchasers shall promptly pay the amount of such excess to the Agency. If such costs and other amounts, for any Power Supply Year, are less than the amounts billed, the Agency will credit the excess against the Power Purchasers’ next monthly payments.

See “SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS” in APPENDIX B hereto.

## **Renewal Power Sales Contracts**

***General.*** Under the Renewal Power Sales Contracts, from and after the Transition Date, the Renewal Power Purchasers are entitled to Project (as defined in the Renewal Power Sales Contracts) generation and transmission capabilities based on their respective Generation Entitlement Shares and transmission entitlements and are obligated to make payments therefor.

Each Renewal Power Sales Contract between the Agency and a Renewal Power Purchaser constitutes an obligation of the parties until the terms of all of the Renewal Power Sales Contracts expire on June 16, 2077. As long as any Bonds or Subordinated Indebtedness is outstanding or until provision has been made for the payment of all outstanding Bonds and Subordinated Indebtedness, the Renewal Power Sales Contracts may not be terminated or amended in any manner which will reduce the amount of, or

extend the time for, the payments that are pledged as security for Bonds and Subordinated Indebtedness or which will impair or adversely affect the rights of the holders of Bonds or Subordinated Indebtedness.

Payments are to be made by the Renewal Power Purchasers on a “take-or-pay” basis; that is, whether or not the Project or any part thereof is operating or operable, or its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatever. The payment obligations under the Renewal Power Sales Contracts constitute operating expenses of the respective Renewal Power Purchasers payable solely from their electric revenue funds.

Each Renewal Power Purchaser has covenanted in its Renewal Power Sales Contract, from and after the Transition Date, to establish, maintain and collect rates and charges for the electric service it furnishes sufficient to provide revenues which, together with its available electric system reserves and other available funds, are adequate to enable it to pay to the Agency all amounts payable under its Power Sales Contract and to pay all other amounts payable from, and all liens on and lawful charges against, its electric system revenues. See “SUMMARY OF CERTAIN PROVISIONS OF THE RENEWAL POWER SALES CONTRACTS – Nature of Obligation” in APPENDIX B hereto.

The Renewal Power Sales Contracts provide that the obligations of the respective Power Purchasers are several and not joint. A failure by a Renewal Power Purchaser to make payments when due under its Renewal Power Sales Contract may result in larger payments being made by the other Renewal Power Purchasers in subsequent periods for the purpose of enabling the Agency to pay operating expenses, debt service and other costs of the Project and to maintain required reserves therefor. To the extent the amount to be paid by the non-paying Renewal Power Purchaser is not offset by revenues from sales of power or transmission service derived by the Agency in respect of such non-paying Renewal Power Purchaser’s Generation Entitlement Share or transmission entitlement, such non-payment may result in deficits in funds and accounts established under the Resolution. In such event, the Agency would be required to amend, in accordance with the Renewal Power Sales Contracts and the Resolution, the Annual Budget (as defined in the Renewal Power Sales Contracts) to provide increases in subsequent billings to all Renewal Power Purchasers, including the non-paying Renewal Power Purchaser, equal to the amount of such deficiency. Such increased billings are not conditioned upon any transfer of the non-paying Renewal Power Purchaser’s Generation Entitlement Share or transmission entitlement to the other Renewal Power Purchasers. Amounts thereafter collected from such non-paying Renewal Power Purchaser are to be credited against the next billings of such other Renewal Power Purchasers as appropriate. In the event, however, of a termination of the Project and a resultant default by the Agency under the Resolution, each Power Purchaser would, under its Power Sales Contract, be severally obligated to pay only its respective Generation Cost Share (as defined in the Renewal Power Sales Contracts) and Transmission Cost Share (as defined in the Renewal Power Sales Contracts), if any, of the debt service on Bonds and on Subordinated Indebtedness, as well as other fixed costs.

In the event of a default or inability to perform by a Renewal Power Purchaser under its Renewal Power Sales Contract, the Agency may proceed to enforce the Renewal Power Purchaser’s covenants or obligations thereunder, or seek damages for the breach thereof, by action at law or in equity. The Renewal Power Sales Contracts also provide that if a payment due under the Renewal Power Sales Contracts remains unpaid when due, the Agency may, upon 120 days’ written notice to the Renewal Power Purchaser, discontinue the delivery of capacity and energy to, and the use of Project facilities by, such Renewal Power Purchaser while the default continues. Except as a result of a transfer of the defaulting Renewal Power Purchaser’s rights to delivery of capacity and energy and the use of Project facilities, the discontinuance by the Agency of delivery of capacity and energy to and the use of the Project facilities by a defaulting Renewal Power Purchaser will not reduce the obligation of such Renewal Power Purchaser to make payments under

its Renewal Power Sales Contract. See “ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Regulation of Greenhouse Gases” herein.

See “SUMMARY OF CERTAIN PROVISIONS OF THE RENEWAL POWER SALES CONTRACTS” in APPENDIX B hereto.

**Monthly Power Costs.** During each Power Supply Year (as defined in the Renewal Power Sales Contracts) occurring from and after the Transition Date, each Renewal Power Purchaser is obligated to pay its share of Monthly Power Costs (as defined in the Renewal Power Sales Contracts), which, generally, consist of all of the Agency’s costs resulting from the ownership, operation and maintenance of, and renewals and replacements to, the Project, to the extent not paid from the proceeds of Bonds and Subordinated Indebtedness or from notes or other evidences of indebtedness issued in anticipation thereof. Such costs, which consist of a minimum cost component and a variable cost component, are billed monthly. Power Supply Years coincide with the Agency’s fiscal years, which, from and after the Transition Date, end on June 30.

The minimum cost component is to be billed each month occurring from and after the Transition Date for the then current month based on the estimates contained in the Annual Budget prepared by the Agency prior to the beginning of each Power Supply Year, as such Annual Budget may be amended during such year. For each such month, the minimum cost component includes:

- (i) the amounts which the Resolution requires the Agency to pay or deposit during such month into funds or accounts for debt service on, and reserve requirements for, Bonds and Subordinated Indebtedness;
- (ii) one-twelfth of the amount which the Agency is required under the Resolution to pay or deposit during the Power Supply Year which includes such month into any other fund or account established by the Resolution, including any amount needed to eliminate a deficiency in any fund established under the Resolution whether or not resulting from a default in payments by any Renewal Power Purchaser of amounts due under any Renewal Power Sales Contract;
- (iii) one-twelfth of the costs of producing and delivering capacity and energy from the Project during the Power Supply Year which includes such month, including ordinary operation and maintenance costs, costs of water, overhead and certain fixed costs of natural gas procured by the Agency for use in the Generation Station (as defined in the Renewal Power Sales Contracts) (“Project Fuel”) (but excluding, from the Monthly Power Costs of Renewal Power Purchasers who elect to procure their own fuel, minimum or guaranteed contract payments that the Renewal Contract Coordinating Committee has determined to include in the minimum cost component and excluding for such procuring Renewal Power Purchasers the transportation costs for Project Fuel); and
- (iv) one-twelfth of the amount necessary during the Power Supply Year which includes such month to pay or provide reserves for payment of amounts required to be paid pursuant to the Act to counties, municipalities and school districts affected by the Project, Tax Equivalent Payments (as defined in the Renewal Power Sales Contracts) and all other taxes which the Agency is required to pay.

The variable cost component is to be billed each month for the immediately preceding month occurring from and after the Transition Date. The variable cost component of Monthly Power Costs consists of all costs of Project Fuel that was used to generate a Renewal Power Purchaser’s Generation Entitlement Share and that was not included in the minimum cost component.

If there is any revision of the Annual Budget after the commencement of any Power Supply Year occurring from and after the Transition Date, the amounts determined pursuant to clauses (ii), (iii) and (iv) above are to be appropriately adjusted to evenly apportion any increase or decrease over the remaining months of such Power Supply Year. Subject to the election by Renewal Power Purchasers to procure their own fuel and any modifications provided in the Fuel Management Practices and Procedures (as defined in the Renewal Power Sales Contracts), as described below, the Agency anticipates following the same budgeting process from and after the Transition Date as that described in “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Budgeting” herein and “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Annual Budget” in APPENDIX A hereto.

The Agency is to allocate the minimum cost component of Monthly Power Costs among the Generation Station (as defined in the Renewal Power Sales Contracts), the Northern Transmission System (as defined in the Renewal Power Sales Contracts) and the Southern Transmission System (as defined in the Renewal Power Sales Contracts) in accordance with the Renewal Power Sales Contracts. Under the Renewal Power Sales Contracts, the amount of Monthly Power Costs to be paid by each Power Purchaser for any month occurring from and after the Transition Date is the sum of: (i) its Generation Cost Share times the minimum cost component for such month allocated to the Generation Station; (ii) its Northern Transmission Cost Share, if any, times the minimum cost component for such month allocated to the Northern Transmission System; (iii) its Southern Transmission Cost Share, if any, times the minimum cost component for such month allocated to the Southern Transmission System; and (iv) the percentage of the energy delivered from the Project to it during the preceding month times the variable cost component.

The Renewal Power Sales Contracts contemplate the adoption of Fuel Management Practices and Procedures (as defined in the Renewal Power Sales Contracts). To the extent that any of the Fuel Management Practices and Procedures modifies the payment responsibility of any of the Renewal Power Purchasers for costs of Project Fuel acquisition or the costs of Project Fuel transmission or transportation, as then determined under the Renewal Power Sales Contracts, then such modification would require affirmation by Renewal Contract Coordinating Committee representatives of Purchasers having Voting Rights (as defined in the Renewal Power Sales Contracts) equal to 100%. The Renewal Contract Coordinating Committee approved the Hydrogen Billing Procedure as part of the Fuel Management Practices and Procedures.

***Year-End Reconciliation.*** Within 120 days after the end of each Power Supply Year, the Agency is required to submit to each Renewal Power Purchaser a statement of the actual aggregate Monthly Power Costs and other amounts payable under the Renewal Power Sales Contracts for all months of such year and any adjustments to such costs and amounts for any prior year, based on the annual audit required by the Renewal Power Sales Contracts. If for any Power Supply Year the actual aggregate Monthly Power Costs and other amounts payable under the Renewal Power Sales Contracts exceed the amount which the Renewal Power Purchasers have been billed, the Renewal Power Purchasers shall promptly pay the amount of such excess to the Agency. If such costs and other amounts, for any Power Supply Year, are less than the amounts billed, the Agency will credit the excess against the Renewal Power Purchasers’ next monthly payments.

See “SUMMARY OF CERTAIN PROVISIONS OF THE RENEWAL POWER SALES CONTRACTS” in APPENDIX B hereto.

### **Excess Power Sales Agreement**

Because a portion of the capability of the Project purchased by the Utah Purchasers was expected to be surplus to their needs, these Power Purchasers each entered into the Excess Power Sales Agreement in 1980, pursuant to which they may sell their respective excess Generation Entitlement Shares to the Excess Power Purchasers. Payments by the Excess Power Purchasers under such agreement are to be made



monthly to Utah Associated Municipal Power Systems (“UAMPS”), successor to Intermountain Consumer Power Association (“ICPA”), as agent for the sellers under the Excess Power Sales Agreement, and forwarded promptly by it to the Agency for the accounts of the respective sellers. The Excess Power Sales Agreement does not reduce or modify the obligations of such Utah Purchasers under their Power Sales Contracts.

See “INTRODUCTION – The Power Purchasers and the Renewal Power Purchasers” herein for a discussion of certain recalls of Project capability made by certain of the Utah Purchasers and the status of the entitlements to Project capability of the remaining Utah Purchasers.

For a discussion of certain additional provisions of the Excess Power Sales Agreement, including those relating to adjustments of the amounts of capacity sold thereunder, see “SUMMARY OF CERTAIN PROVISIONS OF THE EXCESS POWER SALES AGREEMENT” in APPENDIX B hereto.

### **Agreement for Sale of Renewal Excess Power**

Because a portion of the capability of the Project (as defined in the Renewal Power Sales Contracts) purchased by the Utah Purchasers (as defined in the Renewal Power Sales Contracts) was expected still to be surplus to their needs from and after the Transition Date, these Renewal Power Purchasers each entered into the Agreement for Sale of Renewal Excess Power in 2017, pursuant to which they may sell their respective excess Generation Entitlement Shares to the Department. Payments by the Department under such agreement are to be made monthly to the Agency, as agent for the sellers under the Agreement for Sale of Renewal Excess Power, for the accounts of the respective sellers. The Agreement for Sale of Renewal Excess Power does not reduce or modify the obligations of such Utah Purchasers under their Renewal Power Sales Contracts.

The Agreement for Sale of Renewal Excess Power permits the Utah Purchasers to recall all or a portion of the entitlement that they have sold to the Department. Recalls under the Agreement for Sale of Renewal Excess Power are made with respect to a “Summer Season” or a “Winter Season” (each a “Season”). The Agreement for Sale of Renewal Excess Power defines a “Summer Season” as each period beginning at 12:01 a.m. on June 1 and ending at 12:01 a.m. on the following October 1 and a “Winter Season” as each period beginning at 12:01 a.m. on October 1 and ending at 12:01 a.m. on the following June 1.

Based on the current schedules of power to be sold under the Agreement for Sale of Renewal Excess Power, which schedules are to be revised, if at all, at least twelve months prior to the Transition Date and, thereafter, upon notice to be provided at least twelve months prior to the commencement of any Season, the Utah Purchasers have elected to sell to the Department, commencing on the Transition Date, all of their Project capability. Any election by a Utah Purchaser to sell such Project capability must remain in effect for three calendar years following the commencement of the Season with respect to which such election has been made. The Utah Purchasers may recall all or a portion of such Project capability over the course of at least two calendar years following the expiration of such three-calendar-year period.

For a discussion of certain additional provisions of the Agreement for Sale of Renewal Excess Power, including those relating to adjustments of the amounts of capacity sold thereunder, see “SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT FOR SALE OF RENEWAL EXCESS POWER” in APPENDIX B hereto.

### **Budgeting**

The Power Sales Contracts and, from and after the Transition Date, the Renewal Power Sales Contracts require the Agency to adopt an Annual Budget at least 30 days but not more than 45 days prior

to the beginning of each Power Supply Year (as defined, prior to the Transition Date, in the Power Sales Contracts and, from and after the Transition Date, the Renewal Power Sales Contracts) and permit the amendment of the Annual Budget (as defined, prior to the Transition Date, in the Power Sales Contracts and, from and after the Transition Date, the Renewal Power Sales Contracts) from time to time thereafter. Each such budget is to set forth a detailed estimate of the Monthly Power Costs and all Revenues, income or other funds to be applied to such costs, for and applicable to such Power Supply Year. See “Power Sales Contracts” above. The Resolution requires the Agency to adopt Annual Budgets, and amendments to such Annual Budgets, as and when required by the Power Sales Contracts. See “FISCAL YEAR 2022-2023 ANNUAL BUDGET” herein.

### **Generation Renewal Project**

To facilitate the continued involvement of the California Purchasers in the Project following the termination of the Power Sales Contracts (provided to occur on June 15, 2027), the Agency and each of the Power Purchasers amended the Power Sales Contracts to provide for the Gas Repowering. The Power Sales Contracts, as so amended, provide for the Gas Repowering to be completed by July 1, 2025. The Power Sales Contracts, as so amended, also provide that the costs of retiring and decommissioning facilities of the Project that are not used in the Gas Repowering are to be funded through indebtedness to be incurred by the Agency in connection with the Gas Repowering.

As a condition to proceeding with the Gas Repowering, pursuant to Section 44 of the Power Sales Contracts, the Coordinating Committee and the Agency adopted a plan for retirement and decommissioning of facilities of the Project not expected to be used in connection with the Gas Repowering (as described in the Power Sales Contracts, the “Section 44 Retirement Plan”). The Section 44 Retirement Plan provides for the retirement and decommissioning of Agency assets as soon as July 2025, following the cessation of operations at the existing Intermountain Generation Station. Legislation enacted recently by the Utah legislature purports to restrict the decommissioning of Agency assets constituting the Agency’s coal-powered electrical generation facility. See “ELECTRIC INDUSTRY RESTRUCTURING – Utah Electric Energy Actions – *H.B. 425*” herein.

Section 45 of the Power Sales Contracts, as so amended, further provide that in the event the Gas Repowering is not undertaken as provided in the Power Sales Contracts, and there is no Transition Project Indebtedness, as defined in the Power Sales Contracts, outstanding, the Project would consist of transmission facilities with sufficient generation capacity to support such transmission facilities. The entitlements to such facilities would be sold to the Power Purchasers who elect to renew their entitlements in the Project pursuant to a transmission services agreement. The California Renewal Purchasers would be offered 100% of the entitlements in the Southern Transmission System and 60% of the entitlements in the Northern Transmission System. The Utah Renewal Purchasers would be offered 40% of the entitlements in the Northern Transmission System. The term of the Power Sales Contracts would be extended to the earlier of the completion of decommissioning and retirement of the facilities not necessary to maintain and support such transmission facilities and January 1, 2032. In that event, the Renewal Power Sales Contracts and the Agreement for Sale of Renewal Excess Power would terminate.

The Covered Bonds constitute Transition Project Indebtedness. Accordingly, the Agency believes that the provisions of Section 45 of the Renewal Power Sales Contracts will not become operative.

See “INTRODUCTION – The Project and the Generation Renewal Project,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Power Sales Contracts” and “– Excess Power Sales Agreement,” “ELECTRIC INDUSTRY RESTRUCTURING – California Electric Energy Actions – *California Political Environment*,” “ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Regulation of Greenhouse Gases” and “INTERMOUNTAIN POWER AGENCY – The Interlocal Cooperation Act” herein and “SUMMARY OF CERTAIN

PROVISIONS OF THE POWER SALES CONTRACTS” and “SUMMARY OF CERTAIN PROVISIONS OF THE EXCESS POWER SALES AGREEMENT” in APPENDIX B hereto.

### **Hydrogen Facilities**

The Agency has contracted for the Hydrogen Facilities which consist of (a) the Hydrogen Betterments that are expected to minimize the costs associated with increasing the capabilities of the gas units to burn a fuel mix including green hydrogen, and (b) the Hydrogen Conversion and Storage Capacity to provide hydrogen fuel production and storage for use in connection with the Hydrogen Betterments. See “INTRODUCTION – Hydrogen Facilities” herein.

### **Other Amendments to Material Contracts**

The Agency and the Department have negotiated the amendment and restatement of the Construction Management and Operating Agreement for changes required as a result of the amendment of the Power Sales Contracts and the execution of the Renewal Power Sales Contracts as well as other changes that are desirable to update the relationship between the Agency and the Department, in the Department’s capacities as Project Manager and Operating Agent. Such amendment and restatement is in the process of receiving approval of the necessary governing bodies of the Department. See “SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION MANAGEMENT AND OPERATING AGREEMENT” in APPENDIX B hereto.

The Agency has amended its organizational documents from time to time to extend the Agency’s existence, to facilitate the Generation Renewal Project and to update such documents to conform to changes in Utah law.

As of the date of this Annual Report, neither the Department nor the other California Purchasers have requested that the Agency amend their Power Sales Contracts to shorten the term of those contracts (each of which continues through June 15, 2027) or otherwise provide for their early termination.

## **ELECTRIC INDUSTRY RESTRUCTURING**

### **General**

Traditionally, and to ensure universal and cost-effective service, electric utilities have operated as heavily regulated monopolies. In recent decades, however, this regulatory climate has been changed dramatically. The Federal Power Act (the “FPA”), as amended by the Energy Policy Act of 1992 and as implemented by FERC, now encourages increased competition in the wholesale electric markets. The Energy Policy Act of 2005 also amended the FPA to make significant changes in federal regulation of the electric utility industry. Additionally, some states, such as California, have also enacted legislation for the purpose of increasing competition among electric utilities in the wholesale and retail markets. Since 2006, California has prohibited new long-term contracts for the purchase of power from sources that emit in excess of specified amounts of GHGs (effectively prohibiting such purchases from coal-fired plants). The general political climate in other states increasingly disfavors coal-fired power plants. The Agency continues to monitor policy statements and proposed legislation that may impact the Project.

The restructuring of the electric power industry, both nationally and in California, has had and may continue to have significant effects on the Agency, the Project and the Power Purchasers. As discussed in this Annual Report, the Agency and the Power Purchasers have taken certain actions in response to electric industry restructuring and expect to take additional actions in the future to ensure compliance with all applicable laws and regulations. Also, the Agency will continue to take actions to cause the Project to be

operated consistent with the Construction Management and Operating Agreement, the Power Sales Contracts, the Renewal Power Sales Contracts and Prudent Utility Practice (as defined in the Resolution). The Agency cannot, however, predict how the future business, affairs or financial condition of the Agency, the Project (including, without limitation, the demand for the Project's generating capacity or the utilization of the Project's transmission resources) or the Power Purchasers will be affected by such matters.

### **Federal Electric Energy Actions**

***Energy Policy Act of 1992.*** The Energy Policy Act of 1992 amended the FPA to effect fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased competition. In particular, the Energy Policy Act of 1992 provided FERC with the authority, upon application by certain entities, to require a transmitting utility to provide transmission services to such applicants essentially on a cost-of-service basis. Municipally-owned electric utilities are "transmitting utilities" for purposes of these provisions of the Energy Policy Act of 1992, thus arguably giving FERC limited jurisdiction over the Agency to the extent it is a transmitting utility (except with respect to limited circumstances not applicable to the Agency).

***FERC Open-Access Transmission Initiatives.*** To effectuate the transmission access provisions of the Energy Policy Act of 1992, FERC issued two rules on April 24, 1996. The first of these rules, Order No. 888: (i) requires all "public utilities" (the term FERC uses for utilities that are generally subject to FERC regulations) to offer non-discriminatory, open-access transmission services to entities seeking to effect wholesale power transactions, under terms and conditions that are comparable to the services that they provide to themselves; and (ii) requires "non-public utilities" (the term FERC uses for utilities that are not generally subject to FERC regulations including municipal utilities, such as the Agency, and consumer-owned utilities) that purchase transmission services from a public utility to provide, in turn, non-discriminatory, open-access transmission services back to such public utility under terms and conditions that are comparable to the services that they provide to themselves (the requirement described in clause (ii) above that applies to non-public utilities is referred to herein as the "Reciprocity Requirement"). The second rule, Order No. 889: (i) implements standards of conduct to ensure that utilities that offer open-access transmission services and their affiliates do not have an unfair competitive advantage in using their position as a transmission services provider to sell power; and (ii) requires those utilities to share electronically (via the internet) important information regarding the pricing and availability of transmission services.

Order Nos. 888 and 889 also established a pro forma Open Access Transmission Tariff ("OATT") for adoption by public utilities. Non-public utilities may elect to file an OATT that complies with FERC's pro forma OATT on a voluntary basis for, among other reasons, the purpose of complying with the Reciprocity Requirement pursuant to a "safe harbor" established by FERC. Such a safe harbor OATT is also known as a reciprocity tariff.

In December 1999, FERC issued Order No. 2000 which was a further measure in FERC's attempt to foster competition in wholesale power markets by encouraging all transmission-owning utilities, including municipal utilities, electric cooperatives and other non-public utilities, to join Regional Transmission Organizations ("RTOs"), which are organizations that regulate and manage the flow of electricity over a region's transmission system to provide equal access to such transmission system for all power generators and to avoid system failure due to system overload. An RTO is to be operated independently of generation interests, and is to be responsible for, among other things, short-term reliability, regional planning and market monitoring. On September 17, 2020, FERC issued Order No. 2222 requiring RTOs to permit distributed energy aggregators to participate in capacity, energy, and ancillary service markets operated by RTOs or Independent System Operators ("ISOs"). To date, no RTO has been formed that encompasses within its territory the service area of any of the Power Purchasers. The CAISO (as

defined below), is an ISO and serves some of the functions of an RTO within the State of California. See “California Electric Energy Actions – *California Independent System Operator*” herein. Further, there has been increased traction in the Western interconnect to implement an RTO, with both Colorado and Nevada requiring RTO adoption by 2030.

On February 16, 2007, FERC issued Order No. 890 amending the regulations and the pro forma OATT adopted under Order Nos. 888 and 889. Such amendments were adopted to correct certain deficiencies FERC perceived in such regulations and the pro forma OATT and better ensure that transmission services are provided on a basis that is just, reasonable and not unduly discriminatory or preferential. Order No. 890 was designed to: (i) strengthen the pro forma OATT so that it achieves its original purpose of remedying undue discrimination; (ii) provide greater specificity to reduce opportunities for undue discrimination; (iii) better facilitate FERC’s enforcement ability; and (iv) increase transparency in the rules applicable to planning and use of the national transmission system.

On July 21, 2011, FERC issued Order No. 1000 amending Order No. 890 and adopting additional regulations addressing transmission planning and cost allocations for public utilities. Order No. 1000 (as affirmed by FERC in 2012) requires (i) regional planning for all new transmission capacity, including the development of a regional transmission plan by the public utilities in a region, (ii) coordination among public utilities across neighboring transmission planning regions, and (iii) the allocation of cost of new transmission capacity developed through regional or interregional planning efforts to the beneficiaries of such capacity. Order No. 1000 required providers of transmission services to file, for FERC’s evaluation, proposed revisions to their respective OATTs to reflect the changes effected by the orders.

In affirming Order No. 1000, FERC noted that certain non-public utilities have elected to satisfy the Reciprocity Requirement by adopting a reciprocity tariff. Based on FERC’s finding that non-public utilities have participated in regional planning and FERC’s expectation that such participation would continue, FERC declined, however, to assert jurisdiction over non-public utilities under Section 211A of the FPA (added to the FPA by the Energy Policy Act of 2005 discussed below), thus declining to require such utilities to comply with Order No. 1000.

Because the Agency has not purchased any transmission capacity or services from a public utility and does not believe that FERC has otherwise elected to require non-public utilities to comply with FERC’s open-access requirements, the Agency does not believe that the Reciprocity Requirement or other open-access requirements apply to the Project. Consistent with the Agency’s view, the Agency has not adopted a reciprocity tariff or complied in certain respects with FERC’s open-access requirements, including participation in regional planning of transmission. See “– *FERC Transmission Reliability Initiative*” below.

The Agency has adopted, however, an interconnection procedure and has prepared a standard interconnection agreement template to help it evaluate future interconnection requests. The interconnection procedure provides for the Agency to review a new interconnection request on its merits and to permit interconnection only if such request is not detrimental to the Agency or the Project and certain other specific requirements are met or if required by applicable law. Pursuant to the Agency’s interconnection procedure, the Agency has granted interconnection rights as described below and in “PROJECT OPERATIONS – Interconnections to the Project” herein.

Pursuant to a request made by Milford Wind Corridor Phase I, LLC (“Milford Wind I”) that was purported to have been made under certain of the FERC orders and regulations discussed above, the Agency has granted rights to Milford Wind I to permanently interconnect, by way of transmission facilities developed by Milford Wind I, its wind turbine generation project (the “Milford Wind I Project”) located near Milford, Utah, to the Agency’s transmission system at the Switchyard. See “PROJECT OPERATIONS – Interconnections to the Project” herein.

The Agency did not believe it was bound under then-current law to grant Milford Wind I's request. The Agency believed that the Reciprocity Requirement did not apply in the Milford Wind I case because the Agency had not purchased or requested transmission services from Milford Wind I and, therefore, Milford Wind I was not entitled to request transmission services from the Agency under the Reciprocity Requirement. The Agency further believed that FERC did not have the jurisdiction to order the Agency to allow the requested interconnection.

The Agency nevertheless granted such request for the following reasons, among others: (i) the Agency expected the interconnection to benefit certain of the California Purchasers who have purchased, and may purchase additional, entitlements to generation capacity of the Milford Wind I Project; (ii) the Agency anticipated the interconnection might benefit the Project in certain ways, including by making available a possible additional source of "black-start" electric energy; (iii) Milford Wind I was willing to agree to certain terms and conditions, including a condition that it continuously maintain in force a letter of credit to secure its obligations to the Agency with respect to its interconnection to the Switchyard, that minimize financial and operational risk to the Agency and the Project resulting from such interconnection; and (iv) the Agency wished to avoid a possible challenge to FERC by Milford Wind I if it denied Milford Wind I's interconnection request. It wished to avoid such a challenge because of the cost and time commitment that would be required to defend against it and the possibility that FERC might have interpreted existing law expansively to uphold Milford Wind I's request. Such risks were considered unacceptable by the Agency inasmuch as it did not view the Milford Wind I interconnection, under the terms and conditions to which Milford Wind I had agreed, as having any material adverse impact on the Project and viewed it as providing possible benefits to the Project, as mentioned above.

The Agency has consented to Milford Wind I's assignment of a portion of Milford Wind I's original interconnection entitlement to Milford Wind Corridor Phase II, LLC ("Milford Wind II") with respect to an additional wind turbine project located near Milford, Utah (the "Milford Wind II Project" and together with the Milford Wind I Project, the "Milford Wind Projects").

FERC issued Order No. 842 on February 15, 2018 and Order No. 845 on April 19, 2018, which create additional requirements for pro forma generator interconnection agreements. First, Order No. 842 requires both newly interconnecting generating facilities and existing generating facilities that take an action requiring a new interconnection agreement to ensure controls capable of providing primary frequency response. Next, Order No. 845 (and Order No. 845-A issued February 21, 2019) reforms generator interconnection procedures and agreements to enhance transparency and timeliness for potential generation projects. Because the Agency is not a utility for purposes of such orders, it is not required to comply with these orders but may choose to mirror them in its interconnection agreements.

Most recently, FERC initiated an advanced rulemaking on July 15, 2021, requesting comment on a more holistic process for transmission planning, cost allocation, and generator interconnection. FERC recognized that generators are moving further away from population centers, placing higher demand on transmission facilities. FERC's goal is to explore revised rules that facilitate efficient, regional planning of transmission and system upgrades. On April 21, 2022, FERC issued a formal notice of proposed rulemaking. As of the date of this Annual Report, FERC is still collecting comments on the proposed rules and has not issued an order adopting any new or amended rules regarding regional transmission planning and cost allocation and generator interconnection. It is possible that any rules promulgated pursuant to this rulemaking may impact the Agency and its planning processes.

***Energy Policy Act of 2005.*** On August 8, 2005, the Energy Policy Act of 2005, an amendment to the FPA, was signed into law. The Energy Policy Act of 2005 was intended to establish a comprehensive, long-range energy policy. It provided incentives for traditional energy production as well as newer, more efficient energy technologies and conservation. The Energy Policy Act of 2005 provided for, among other things: (i) the repeal of the Public Utility Holding Company Act ("PUHCA"), *provided, however*, the

Energy Policy Act of 2005 transferred some of the existing responsibilities of the SEC under PUHCA to FERC and state regulatory commissions; (ii) a grant to FERC of authority to site transmission facilities within certain congested transmission corridors if states are unwilling or unable to approve siting; (iii) a directive to FERC to permit incentive rate policies as a means to encourage transmission expansion; (iv) revisions to the Public Utility Regulatory Policies Act; (v) the establishment of service obligation protections for native load customers of utilities in certain areas of the country; (vi) 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 (as provided in Section 211A of the FPA); (vii) 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 (viii) the provision of certain tax incentives to encourage expansion of transmission facilities and improvement of environmental standards. As directed by the Energy Policy Act of 2005, FERC has adopted many of the applicable implementing regulations.

***FERC Transmission Reliability Initiative.*** On July 20, 2006, FERC approved the North American Electric Reliability Corporation (“NERC”) as the Electric Reliability Organization under Section 215 of the FPA. On March 16, 2007, FERC issued Order No. 693 pursuant to Section 215 of the FPA, adopting a Notice of Proposed Rulemaking adopting 83 reliability standards that had been developed by NERC. Since then, FERC has continued to adopt and clarify reliability standards (the “Reliability Standards”).

Order No. 693 provides that the Reliability Standards apply to all users, owners and operators of the bulk electric system (the “BES”) within the United States (other than Alaska and Hawaii). On November 18, 2010, FERC issued Order No. 743 to revise the definition of the BES to include owners and operators of all transmission facilities with a rating of 100 kV or above.

On March 5, 2013, FERC’s Order No. 773, a final rule revising the definition of the BES, became effective. FERC noted that the rule is necessary to establish uniformity in how the Reliability Standards would apply to transmission facilities across the various regions of the United States. The final BES rule establishes a “bright line” threshold that includes all facilities operated at or above 100 kV in the BES (subject to certain exclusions for certain facility configurations). The final BES rule also establishes a process for facilities to be reviewed on a case-by-case basis to determine whether the facilities have been improperly classified as part of the BES. The Agency understands from the Operating Agent that the Project complies with the Reliability Standards applicable to the Project with the exception of certain matters that have been self-reported to the Western Electricity Coordinating Council. The Agency does not anticipate, however, that such matters will have any material impact on the operation of the Project or the financial condition of the Agency.

***FERC Reporting Initiative.*** On September 21, 2012, FERC issued Order No. 768 pursuant to Section 220 of the FPA, approving final rules that require market participants to report power and transmission sales transaction data to FERC in the form of Electric Quarterly Reports (the “Reporting Requirements”). Order No. 768 expressly applies to non-public utilities (such as the Agency). While acknowledging that Section 205 of the FPA limits FERC’s jurisdiction with respect to non-public utilities, FERC interpreted Section 220 of the FPA to extend to non-public utilities.

Order No. 768 exempts from the Reporting Requirements those non-public utilities that have engaged in annual transactions that amount to less than the de minimis market presence threshold established by FERC. Although the Agency’s wholesale sales appear to exceed the de minimis amount established by FERC, on July 24, 2014, in response to a petition filed on behalf of the Agency, FERC issued its order stating that the Agency is not required to comply with the Reporting Requirements. FERC based its order on the understanding that the Agency’s sale of 100% of the Project’s generation output to the

Power Purchasers pursuant to the Power Sales Contracts is at cost without being influenced by the wholesale market to determine either pricing or volumes sold.

***Access to Interconnection Customer's Interconnection Facilities.*** On March 19, 2015, FERC issued Order No. 807, establishing a blanket waiver for Interconnection Customer's Interconnection Facilities ("ICIF") from the Open Access Transmission Tariff requirements of 18 C.F.R. 35.28, the Open Access Same-Time Information System requirements of 18 C.F.R. 37, and the Standards of Conduct requirements of 18 C.F.R. 358. Under Order No. 807, those seeking interconnection and transmission service over ICIF subject to the blanket waiver may follow procedures applicable to requests for interconnection and transmission service under Sections 210, 211, and 212 of the FPA, which allows the contractual flexibility for entities to reach mutually agreeable access solutions. Although Order No. 807 does not apply to the Project directly, it may apply to the ICIF owned and used by other generators to interconnect with the Project's transmission system. In turn, this could increase the number of generators seeking transmission service on the Project's transmission system.

With the exception of the Reciprocity Requirement, the Reliability Standards and the Reporting Requirements, the orders discussed above have targeted public utilities rather than non-public utilities. The Energy Policy Act of 1992 and the Energy Policy Act of 2005 and the orders promulgated under those acts evidence, however, an increasing legislative and regulatory intent to extend FERC's jurisdiction over non-public utilities. In addition, legislation has been introduced in past sessions of the United States Congress that would have brought the Agency and the Power Purchasers completely under FERC jurisdiction had such laws been enacted. It is possible that similar legislation will be introduced and passed in the current or future sessions of Congress.

Even without additional legislation, FERC may elect to rely on existing provisions of the FPA as the basis for extending its jurisdiction over non-public utilities, as it has done pursuant to Section 220 of the FPA or has indicated that it could do pursuant to Section 211A of the FPA. If the Agency or the Power Purchasers are at some future time subjected generally to FERC jurisdiction, the full panoply of FERC orders issued both before and after that time could apply to them.

Despite the uncertainty of the limits of FERC's authority to regulate municipal utilities, such as the Agency, the Agency intends to comply with the FPA and FERC's rules to the extent that they are applicable to municipal utilities similarly situated to the Agency. The FPA and such regulations could have a significant impact, beyond what is discussed above, on the Agency, the Project and the Power Purchasers. For example, under Order No. 888, wholesale customers of the Power Purchasers may have substantially greater access to alternative power supplies which could reduce their demand for power generated at the Project. The Agency does not believe, however, that such compliance will prevent or significantly impair it from operating the Project and conducting its business in substantially the same manner as it is currently doing.

The Agency has not conducted a comprehensive review of how the FPA or FERC's orders may apply to or affect the Agency, the Project or the Power Purchasers directly or indirectly under possible scenarios that may arise in the future. Consequently, except as mentioned above, the Agency is not able to predict the effects that such legislation or regulations will have on the Agency, the Project or the Power Purchasers.

## **California Electric Energy Actions**

Developments in California energy markets to promote energy efficiency, promote competition among electric utilities, mitigate risks, and advance other policy objectives (including cutting GHG emissions and encouraging the development of renewable energy generation) have changed the regulatory climate. In September 2022, Governor Newsom signed into law SB 1020, which revised the policy of



California established by SB 100 to provide that eligible renewable energy resources and “zero-carbon resources” supply 90% of all retail sales of electricity to California end-use customers by December 31, 2035, 95% by December 31, 2040, 100% by December 31, 2045, and 100% of electricity procured to serve all California state agencies by December 31, 2035. For a discussion of these see the Official Statement of the Department with respect to Power System Revenue Bonds, 2023 Series A, dated March 16, 2023, as filed with EMMA on March 23, 2023 (the “Department Official Statement”). All references to the Department Official Statement in this Annual Report relate to discussions of California law, only, and do not relate to discussions of federal laws, including proposed or final federal regulations, litigation or proceedings. The Agency disclaims any obligations with respect to the accuracy or completeness of the Department Official Statement.

Notwithstanding the foregoing developments in California policy and regulation, as of the date of this Annual Report, both the Power Sales Contracts and the Renewal Power Sales Contracts of the California Purchasers continue to be in effect and the Agency does not anticipate any request to modify the Power Sales Contracts or the Renewal Power Sales Contracts in any manner that would impair such Power Sales Contracts or Renewal Power Sales Contracts as security for the Covered Bonds. Furthermore, the Department’s 2017 Strategic Long-Term Resource Plan (the plan into which the Department’s Power Integrated Resource Plan was expanded starting in 2017) affirms that the Power Sales Contracts are “take-or-pay” contracts with which the Department must comply at risk of “monetary/legal” penalties. The draft 2022 Strategic Long-Term Resource Plan of the Department notes that the contractual arrangements for power from the Project will expire on June 15, 2027. And the goal of the Generation Renewal Project is to accelerate the Department’s coal divestiture by two years and the 2022 Strategic Long-Term Resource Plan assumes the combined-cycle units replacing the Project are green hydrogen-ready, with the capability to use a blend of 30% green hydrogen and 70% natural gas, by volume. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Power Sales Contracts” and “– Generation Renewal Project” herein.

### **Utah Electric Energy Actions**

Utah Governor Spencer Cox has maintained Utah’s historic all-of-the-above approach to responsible energy development. The Agency expects this policy to continue for the foreseeable future. This approach is consistent with H.B. 338, which became law on July 1, 2021 and codifies that the energy policy of the state must promote “adequate, reliable, affordable, sustainable, and clean energy resources.” To do so, H.B. 388 does not favor any resource type, requiring consideration of all resources. In May 2022, Governor Cox and the Utah Office of Energy Development released Utah’s new “State Energy and Innovation Plan” to guide decision-making to encourage investment in a diverse portfolio of energy solutions to ensure adequate, reliable, affordable, sustainable, and clean energy resources to power Utah’s future. The State Energy and Innovation Plan states that the State of Utah is committed to the following:

- An “any of the above” energy future, supporting efforts and policies that provide a variety of tools and resources that citizens, communities, businesses, and industries can choose from to deliver or obtain affordable, reliable energy.
- American energy independence, pursuing policies and actions that will enable more domestic energy development and enhance global energy security.
- Pragmatic, market-driven climate solutions that enable innovative energy production. This includes a focus on supporting Utah-based research and development, ensuring the State stays a good steward of the environment for future generations of Utahns.
- Supporting rural communities through economic development and diversification efforts, infrastructure investment, and workforce training and development.

- Supporting an environmentally responsible energy future through a strong and sensible mining program for critical minerals; investment in emerging energy technology such as hydrogen, storage, and energy efficiency; and air quality research and incentive programs.
- Collaboration with its local, regional, and federal partners to pursue infrastructure and innovation projects such as EV charging, transmission, emerging fuel hubs, and coal community support and diversification.

The State Energy and Innovation Plan proposes that it is time to reevaluate Utah’s renewable portfolio standard enacted in March 2008 by the Utah legislature through the Energy Resource and Carbon Emissions Reduction Initiative (S.B. 202). S.B. 202 requires all investor-owned utilities, municipal utilities, and cooperative utilities to pursue renewable energy when it is cost-effective. Each utility has a goal for 20% of its adjusted retail electricity sales to be generated from qualifying renewable sources by 2025 (the “Utah RPS”). While this renewable goal does not apply to the Project and the Agency does not know the status of the Utah Purchasers’ compliance with the Utah RPS, it may impact the Utah Purchasers’ determinations to take power from the Project.

During recent legislative sessions, the Agency has been the subject of legislation addressing electric energy issues, as summarized below:

**S.B. 2002.** S.B. 2002, which became law on November 16, 2021, made the Agency subject to the auditing authority of the Office of the Legislative Auditor General (the “Office”). The Office is a staff position of the Utah legislature. On October 13, 2022, the Office commenced a performance audit of the Agency and the Project. The Agency understands that the audit is to be completed during calendar year 2023.

**H.B. 215.** H.B. 215, which became law on May 4, 2022, established the Project Entity Oversight Committee (the “PEOC”). The Agency is designated as a project entity under Utah law because it is an interlocal entity that owns a generation and transmission facility. The PEOC consists of legislative and executive branch appointees and representatives of governmental agencies and the Agency. The PEOC has the mandate (a) to review publicly available financial and operating information regarding the Agency, (b) receive input from the local community and stakeholders with respect to concerns about the Agency and the Agency’s planned projects, (c) communicate concerns the PEOC receives to the Agency, and (d) prepare a report describing the information, input and concerns received and communicated and submit the report to a committee of the Utah legislature by October 30 of each year. The PEOC held meetings on November 1, 2022, January 9, 2023 and February 10, 2023. The Agency presented at and participated in each of those meetings. As of the date of this Annual Report, the PEOC has not communicated concerns to the Agency nor provided a report to the legislative committee (including the report that was due in October 2022).

**H.B. 425.** H.B. 425, which will become law on May 3, 2023, provides for a study of, among other things, the viability of the continued operation of the Agency’s existing coal-powered electrical generation facility. The study is to consider environmental regulations and permits necessary for such continued operation, the best available technology for such continued operation, economic opportunities for such continued operation, the potential ownership structures and methods for the state to acquire ownership of such facility. The results of the study are to be reported to a legislative committee by September 2023. The report is also to include recommendations for legislation to be introduced in the 2024 session of the Utah legislature to enable such continued operation. H.B. 425 also requires that the Agency (a) provide 180 days’ notice of the decommissioning of such facility or the disposal of any Agency asset that is essential for the generation of electricity in such facility, and (b) not “intentionally prevent the functionality” of such facility; provided, however, that the Agency may take any action necessary to transition to a new electrical generation facility powered by natural gas, hydrogen, or a combination of natural gas and hydrogen. The Agency and the Department believe that H.B. 425 does not adversely affect the continued operation of the

existing Intermountain Generating Station or the continued construction and future operation of the Generation Renewal Project, including use of the assets forming a part of the Project for such construction and operation. The Agency and the Department are still assessing the potential impact of H.B. 425 on the Agency's plans for decommissioning of the existing Intermountain Generating Station, including the Section 44 Retirement Plan, following the cessation of operations at the Intermountain Generating Station.

### **Other Factors**

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. In addition to the factors discussed above, such factors include, among others:

- effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements in addition to those described herein;
- changes resulting from conservation and demand-side management programs on the timing and use of electric energy;
- effects resulting from future changes in national energy policy or the manner in which such policy is implemented;
- 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;
- other legislative changes, voter initiatives, referenda and statewide propositions, including, on the one hand, those directed at limiting or restricting emissions of CO<sub>2</sub> and other GHGs, including the future of EPA's regulation of GHG emissions from power plants, and, on the other hand, those directed at preserving coal-fueled electric generation facilities;
- national, state and local initiatives or policies that favor, on the one hand, "renewable" or "green" electric generation methods over generation facilities powered by fossil fuels, and, on the other hand, coal-fueled electric generation facilities;
- substantial public sentiment against the use of coal and natural gas as a fuel for electric generating facilities and competing sentiment favoring the preservation of coal-fueled electric generation facilities;
- increased competition from independent power producers and marketers, brokers and federal power marketing agencies;
- "self-generation" or "distributed generation" (such as microturbines, fuel cells and solar installations) by industrial and commercial consumers and others;
- issues relating to the ability to issue tax-exempt obligations to finance or refinance electric generation or transmission facilities, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations;
- effects of inflation on the operating and maintenance costs of an electric utility and its facilities;
- future changes in load requirements;
- increases in costs and uncertain availability of capital;

- sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in California and in recent drought conditions;
- unavailability of or substantial increases in the cost of coal or natural gas used as fuel for generation facilities;
- inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity;
- issues relating to the reliability of electric transmission systems and grids, such as the reliability issues highlighted or exposed by power blackouts that have occurred in widespread regions of North America at various times;
- availability and sufficiency of transmission capacity, particularly during times of high demand;
- effects of changes in the economy; and
- effects of possible manipulation of electric markets.

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways. The Agency cannot predict what effects such factors will have on the business, operations and financial condition of the Agency, the Project or the Power Purchasers, but the effects could be significant.

## **ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY**

### **General**

Electric utilities are subject to extensive governmental requirements with respect to the siting and licensing of facilities, safety and security, air and water quality, land use, hazardous and solid waste, and other environmental factors. The coal-fired electrical generating industry also is experiencing increased scrutiny from EPA and some sectors of the public regarding various environmental issues, including climate change. EPA Administrator Michael Regan, for example, has consistently stated that EPA will rely on a suite of environmental regulations to push investment away from coal-fired electrical generation. Indeed, federal, state and local environmental standards are subject to changes arising from legislative, regulatory and judicial action. Consequently, although the Agency believes that the Project currently complies with all applicable environmental regulations, there can be no assurance that the Project will remain subject to the regulations currently in effect or in compliance with future regulations, or will be able to retain the current conditions in all required operating permits. Evolving environmental standards could result in additional capital or operating expenditures, reduced operating levels or the complete shutdown of individual EGUs.

The Agency cannot predict what impact climate change regulation, environmental regulations and concerns regarding electric and magnetic fields might have on the business, operations and financial condition of the Agency, the Project or the Power Purchasers, but their influence could be significant. The following briefly discusses how some of these factors specific to Utah, its regulatory climate, and the Project might affect the present and future operation and financial condition of the Project. This discussion, however, is neither comprehensive nor definitive and the following matters are subject to change.

## Air Emissions

Congressional action related to air emissions has a significant impact on the electric utility industry. The federal Clean Air Act (“CAA”), for example, requires EPA to set National Ambient Air Quality Standards (“NAAQS”) for six common pollutants considered harmful to public health and the environment, which are called criteria pollutants. The criteria pollutants that are regulated under the permit under which the Project operates are sulfur dioxide (“SO<sub>2</sub>”), ozone, nitrogen oxide (“NO<sub>x</sub>”), coarse and fine particulate matter (respectively, “PM<sub>10</sub>” and “PM<sub>2.5</sub>”), and carbon monoxide (“CO”). In 1990, Congress amended the CAA (the “1990 Amendments”) to substantially revise a number of CAA provisions, including those aimed at improving ambient air quality throughout the United States and regulating hazardous air pollutant emissions from specific source categories, including EGUs.

The State of Utah’s air quality laws and regulations, including State Implementation Plans (“SIPs”) adopted by the State and approved by EPA, also regulate the operation of the Project and its air emissions. Along with the requirements of the Utah Air Conservation Act and accompanying rules, the State administers the CAA programs applicable to the Project through the applicable SIP and delegation of other authorities by EPA.

***Title V Permitting.*** The Agency is required to comply with provisions of the 1990 Amendments that require the Project to: (i) obtain an operating permit (or Title V permit) every five years; and (ii) pay an annual fee based on its emission of regulated pollutants. The Project’s Title V permit incorporates all air quality requirements applicable to the Project and requires monitoring and reporting of emissions. The Project’s current operating permit was last renewed on September 12, 2018 and will expire on September 12, 2023. The most recent renewal of the permit did not require any material changes in the overall operation of the Project. The Agency timely filed a renewal application for the Title V permit that incorporates the permit obligations for construction of the planned changes at the Project.

***New Source Review.*** The CAA, as implemented by the State, also contains a pre-construction permitting program for new or modified emissions sources, titled the New Source Review (“NSR”) program. Generally speaking, NSR laws and regulations cover: (i) the construction of new major sources of air pollution emissions; and (ii) modifications to existing facilities that result in a significant increase in emissions of criteria pollutants. The NSR regulations generally require emission sources to obtain a Prevention of Significant Deterioration (“PSD”) permit before constructing new plants or making major modifications to existing plants in attainment areas (as defined below) such as the area in which the Intermountain Generating Station is located. See “– National Ambient Air Quality Standards” below. Routine maintenance, repairs and replacements are generally excluded from the NSR regulations. On November 24, 2020, EPA published a rule providing that emissions increases as well as decreases can be considered in determining whether a proposed physical or operational change would result in a “significant net emissions increase” as the first step of the two-part test to determine whether a major modification will trigger PSD permitting. The final rule went into effect on December 24, 2020. The State has adopted the federal NSR regulations, including those that have survived judicial challenge.

PSD permits are to be issued only if the new plant or major modification includes emissions limits and/or pollution control measures that reflect the best available control technology (“BACT”) and if the emissions will not increase ambient air pollution beyond certain specified limits. The NSR regulations directly impact an electrical utility’s operations because they may affect the repair, replacement or upgrade of boilers and production equipment and, if triggered, may result in lengthy NSR permitting, costly new pollution controls, and challenges to the permitting action by third parties. The Agency believes the Project can continue to operate under the current state and federal NSR regulations.

***New Source Performance Standards.*** The New Source Performance Standards (the “NSPS”), 40 CFR Part 60 Subpart Da and 40 CFR Part 64, apply to the two EGUs at the Intermountain Generating

Station. Since completion of the Intermountain Generating Station, EPA has amended the NSPS at various times. These amendments apply to new, reconstructed or modified steam EGUs. The Agency cannot assess the specific effect of these amendments on the Project until a specific modification is being considered that would result in the Project having a new, reconstructed or modified unit. See also “– Regulation of Greenhouse Gases” below.

***National Ambient Air Quality Standards.*** The CAA requires EPA to establish NAAQS for certain common air pollutants. When EPA establishes a NAAQS, each state must identify each area within its boundaries that does not meet one or more NAAQS (known as a “non-attainment area”) and develop regulatory measures in its SIP to reduce or control the emissions of the air pollutants in order to become an area that meets the NAAQS (known as an “attainment area”). When an area is designated as a non-attainment area, stricter restrictions on the emissions of the air pollutants exceeding the NAAQS are imposed, and it can be more difficult and costly to obtain permits for new major sources or major modifications to existing sources. The following sections discuss the potential impacts on the Project of NAAQS for SO<sub>2</sub>, NO<sub>x</sub>, PM<sub>10</sub>, PM<sub>2.5</sub>, ozone and CO.

***SO<sub>2</sub> Emissions.*** The SO<sub>2</sub> NAAQS was last reviewed in 2019 and EPA retained the existing one-hour standard of 75 ppb. The entire State, including Millard County, is in attainment with the SO<sub>2</sub> NAAQS.

***NO<sub>x</sub> Emissions.*** EPA also has issued regulations implementing the NO<sub>x</sub> provisions of the CAA. These regulations mandate lower NO<sub>x</sub> emission limits for wall-fired boilers (such as those of the Project) and tangentially-fired boilers. According to the Operating Agent, the Project complies with the revised lower limits for NO<sub>x</sub>.

With respect to nitrogen dioxide (“NO<sub>2</sub>”) emissions, on February 9, 2010, EPA published revisions strengthening the health-based NAAQS. EPA set a new one-hour NO<sub>2</sub> standard (designed to protect against exposure to NO<sub>x</sub>) at the level of 100 ppb. The entire State, including Millard County, has been designated by EPA as “unclassifiable/attainment” under the NO<sub>2</sub> NAAQS.

***PM<sub>10</sub> and PM<sub>2.5</sub> Emissions.*** The CAA also regulates the emission of particulate matter in two forms. The PM<sub>10</sub> Standard regulates inhalable coarse particles, which are smaller than 10 micrometers and larger than 2.5 micrometers. The PM<sub>2.5</sub> Standard regulates particles less than 2.5 microns in diameter. The Project’s air permits contain PM limits and the Project is in material compliance with those limits.

Although portions of the Wasatch Front are not attaining the one-hour PM<sub>2.5</sub> NAAQS, Millard County is designated as attaining the standard and, therefore, the measures developed by the State and approved by the Utah Air Quality Board for the PM<sub>2.5</sub> nonattainment SIP for Wasatch Front counties did not implicate the Project.

On December 7, 2020, EPA announced its final decision to retain, without revision, the existing primary and secondary NAAQS for both PM<sub>10</sub> and PM<sub>2.5</sub>. On June 10, 2021, however, EPA announced it would reconsider EPA’s prior decision to retain the particulate matter NAAQS. On January 27, 2023, EPA published a proposed rule to lower only the primary annual PM<sub>2.5</sub> standard from 12 µg/m<sup>3</sup> to a level between 9 and 10 µg/m<sup>3</sup>. The rule proposed to retain the other current primary and secondary standards for PM<sub>2.5</sub> and PM<sub>10</sub>.

At this time, the Agency cannot predict the impact on the Project of any changes to the PM NAAQS, modifications to the SIP, any future revisions to the current Utah PM<sub>2.5</sub> related regulations, or any new Utah PM<sub>2.5</sub> regulations.

***Ozone.*** Ozone is not emitted by the Project; rather it results from the interactions among NO<sub>x</sub>, volatile organic compounds, sunlight, moisture and temperature in the ambient atmosphere. Control of

ambient ozone is a function of limitations on emissions of NO<sub>x</sub> and other ozone precursors. On October 26, 2015, EPA published a final rule lowering both the primary and secondary ozone NAAQS from 75 ppb to 70 ppb. On December 23, 2020, EPA completed its review of the full body of currently available scientific evidence and exposure/risk information and announced its final decision that it would retain, without revision, the existing ozone NAAQS. However, on November 1, 2021, EPA announced it would reconsider the 2020 decision to retain 2015 standards, based on the existing scientific record; EPA is currently targeting the end of 2023 to complete this reconsideration.

On October 26, 2015, EPA published a final rule lowering both the primary and secondary ozone NAAQS from 75 ppb to 70 ppb. On June 4, 2018, EPA published the air quality designations for the ozone NAAQS. On August 14, 2020, EPA proposed to retain the current ozone NAAQS without revision. On December 23, 2020, EPA completed its review of the full body of currently available scientific evidence and exposure/risk information and announced its final decision that it would retain, without revision, the existing ozone NAAQS. However, on November 1, 2021, EPA announced it would reconsider the 2020 decision to retain the 2015 standards, based on the existing scientific record; EPA is currently targeting the end of 2023 to complete this reconsideration.

Portions of the Uinta Basin and the Wasatch Front are designated as “Moderate Nonattainment,” but all other counties in the State, including Millard County, are designated as “Attainment/Unclassifiable” with the 2015 standards.

In early 2023, EPA finalized two rules under its “good neighbor” or “interstate transport” authority pursuant to the Clean Air Act. On February 13, 2023, EPA published a final rule disapproving of SIPs from 19 states, including Utah, to comply with the 2015 ozone NAAQS. On March 15, 2023, EPA finalized a rule finding that the interstate transport of ozone precursor emissions from 23 upwind states, including Utah, are significantly contributing to or interfering with downwind states’ compliance with the 2015 ozone NAAQS. In March 2023, EPA also finalized Federal Implementation Plan (“FIP”) requirements for states whose SIPs EPA disapproved, including Utah, which imposes new ozone season NO<sub>x</sub> emissions budgets in 2023 and substantial reductions in NO<sub>x</sub> emissions for fossil fuel-fired power plants by 2026. The State of Utah is challenging the final rule disapproving of Utah’s SIP and will likely challenge the rule establishing the FIP when it is published. The Agency cannot predict at this time the extent of any impact of this rulemaking on the Project.

**CO Emissions.** On August 31, 2011, EPA published a final rule concluding that the primary CO NAAQS should be retained and that no secondary NAAQS should be set for CO. Millard County is an attainment area with respect to the primary CO NAAQS. The Project complies with applicable limits on CO emissions.

**Mercury Emissions.** The maximum achievable control technology standards rule for mercury emissions (the “MATS Rule”) was published in the Federal Register on February 16, 2012, and is the latest step in a process to evaluate and regulate mercury emissions from coal-fired electric generating plants, which is mandated by the 1990 Amendments. The MATS Rule sets mercury and air toxics standards (“MATS”) for emissions from coal- and oil-fired power plants. On June 29, 2015, the U.S. Supreme Court remanded a lawsuit challenging the MATS Rule to the D.C. Circuit to address EPA’s failure to consider costs when deciding whether to regulate the source category under the hazardous air pollutant provisions of Section 112 of the CAA. The D.C. Circuit remanded the rule to EPA to conduct a cost assessment but without vacatur, allowing the rule to remain in effect until revised by EPA. EPA has issued a variety of rulemakings since the 2015 Supreme Court decision, and in February 2023 EPA finalized its affirmation of its original 2016 determination (reversed in 2020) that the consideration of cost does not alter EPA’s original conclusion that it is “appropriate and necessary” to regulate hazardous air pollutant emissions from EGUs. None of these rulemakings changed the underlying MATS standards.

Performance testing has been conducted with respect to the Project consistent with current MATS requirements. The testing has demonstrated compliance with the current MATS emissions limits. Compliance with the MATS Rule is expected to have ongoing financial impacts. The Operating Agent reports it is continuing to evaluate those financial impacts to the Project and, as a result, the Agency does not yet know the full impact of the MATS Rule on the Project.

In the midst of the uncertainty with respect to federal regulation of mercury emissions, on March 14, 2007, the Utah Air Quality Board adopted a “Designated Facilities Plan to address Mercury Emissions at Coal-Fired EGUs.” This plan includes a state-only rule that establishes minimum performance criteria for existing EGUs and requires that potential increases in mercury emissions from new or modified EGUs be offset (at a ratio of 1:1.1) by contemporaneous reductions of mercury emissions. The State’s minimum performance criteria include a rule that by December 31, 2012, coal-fired power plants were to have met a mercury emissions limit of  $6.5 \times 10^{-7}$  lb/mmBtu or to have had at least a 90% mercury removal efficiency.

In the fall of 2011, the Agency committed, at the State’s request, to perform quarterly stack tests to ensure that the Project is operating in compliance with the mercury emissions limit. With the agreement of the State, the stack tests are now performed on an annual basis. The Agency has timely completed each stack test, and, in each instance, the results have confirmed that the Project is in compliance with the Utah mercury emissions limit.

**Acid Rain.** Under Title IV of the 1990 Amendments (known as the “Acid Rain Program”), SO<sub>2</sub> emission reductions from fossil-fueled electric generation facilities are to be achieved through a cap-and-trade program for SO<sub>2</sub> allowances. The Project is covered by the Acid Rain Program and is subject to its restrictions. The 1990 Amendments contain provisions for allocating annual allowances to power plants based on historical or calculated levels under a cap. An “allowance” is defined as the authorization to emit one ton of SO<sub>2</sub> during a given year, which may also be used for compliance in a future year. EPA has allocated allowances to specific generating units, including each unit of the Intermountain Generating Station. At the end of each year, the source must hold an amount of allowances at least equal to its annual emissions.

The Operating Agent expects, based on analyses of the Intermountain Generating Station’s SO<sub>2</sub> emissions to date and the allowances currently allocated to the Project, to be able to operate the Intermountain Generating Station at projected plant capacity factors in compliance with the Acid Rain Program in the future. The Operating Agent believes that there will not be significant operating, maintenance or capital expenditures required for the Project to meet the requirements of the Acid Rain Program.

**Regional Haze.** EPA adopted its “Regional Haze Rule” in 1999 in an effort to reduce haze at Class I federal areas, such as national parks and wilderness areas. Currently, there are five regional planning organizations in the United States which address regional haze and related issues. These organizations evaluate technical information to better understand how their states impact Class I areas across the country, and develop regional strategies to reduce emissions of particulate matter and other pollutants leading to regional haze. The regional organization in which Utah participates is the Western Regional Air Partnership (“WRAP”), which is a collaborative effort of tribal governments, state governments and various federal agencies that work to implement the recommendations of the CAA’s Grand Canyon Visibility Transport Commission (the “GCVTC”) and to develop the technical and policy tools needed by western states to comply with EPA’s regional haze regulations.

On July 5, 2016, EPA published a supplement to its 2012 rule. The supplement partially approved and partially disapproved a supplement to the State’s Regional Haze SIP. Neither the supplement submitted



by the State to EPA nor EPA's supplemental rule partially approving and partially disapproving the SIP relate to the Project.

EPA is currently considering the State's Regional Haze SIP for the Second Implementation Period, which covers the years 2018 through 2028. On July 6, 2022, the Utah Air Quality Board adopted the Regional Haze SIP for the Second Implementation Period. The SIP establishes an enforceable closure date of no later than December 31, 2027 for the Project's coal-fired units. The State rejected calls to require control upgrades for SO<sub>2</sub> during the interim period. EPA has not yet acted on Utah's SIP and, therefore, the Agency cannot predict whether additional controls will be required that could have an impact on the Project.

***Section 114 Information Requests.*** Under Section 114 of the CAA, EPA has the authority to request from any person who owns or operates an emission source, information and records about operation, maintenance, emissions, and other data relating to such source for the purpose of developing regulatory programs, determining if a violation of the CAA has occurred, or carrying out other statutory responsibilities. If such violations are found to have occurred, EPA or other enforcement authorities could require the installation of new pollution control equipment in addition to modifications that have already been completed or planned and could require the payment of fines and penalties.

On September 28, 2010, EPA sent a letter to the Agency and IPSC requesting information with respect to the Project pursuant to Section 114(a) of the CAA. The request for information indicated that the purpose of the request was to determine whether the Agency has complied with the CAA, but the letter did not allege any specific violations. The Agency and IPSC responded in a timely manner to that request and follow-up requests for information.

The Agency understands that the requests under Section 114 of the CAA are part of a national enforcement initiative undertaken by EPA against owners and operators of electric generating facilities. The initiative generally involves EPA asserting that facilities have failed to comply with the NSR regulations implicated by physical or operational changes at such facilities.

With respect to the Agency, EPA asserts that certain uprate projects undertaken at the Generating Station during the period from 2002 to 2004 triggered the obligation to comply with the regulatory requirements of the NSR program. On February 19, 2015, the Sierra Club sent the Agency and IPSC a formal notice of intent to sue under the citizen suit provisions of the CAA, alleging violations of the NSR provisions of the CAA. The Agency and IPSC have responded to the allegations made in the Sierra Club's notice letter. However, no formal action has been initiated against the Agency or IPSC by the Sierra Club.

Representatives of EPA, the U.S. Department of Justice ("DOJ") and the Agency have met from time to time to discuss the information provided and EPA's conclusions based on that information. Discussions regarding settlement of potential claims related to EPA's inquiries began in 2014 and are continuing. In connection with EPA's inquiries, EPA and the Agency entered into an agreement that provides for the tolling of any applicable statute of limitations that may apply to matters that EPA may pursue arising out of EPA's inquiries. The term of the tolling agreement had previously been extended to December 31, 2018. Although, customarily at EPA's request, EPA and the Agency have extended the tolling agreement on several prior occasions, EPA has not proposed a further extension as of the date of this Annual Report. The Agency cannot predict at this juncture what action EPA may take in the future or the impact of EPA's failure to extend the tolling agreement on its ability to seek legal remedies.

***Air Quality Summary.*** The Project is designed and operated to meet the requirements of federal and state air quality laws. The boilers have been designed and constructed to meet stringent regulatory emission limits for NO<sub>x</sub>. The flue-gas desulfurization equipment (scrubber) for each generating unit at the Project consists of a wet scrubber system designed and constructed to remove 90% of all SO<sub>2</sub>. The baghouse for each generating unit at the Project consists of three modular fabric filters designed and

constructed to remove at least 99.75% of all particulate material. In summary, the Agency believes that the Project complies with current requirements under the CAA and the Utah Air Conservation Act. Additionally, the Agency believes that the Intermountain Generating Station currently meets all applicable federal and state air emission regulations and permit requirements. Reports submitted to the Utah Division of Air Quality indicate that the Intermountain Generating Station complies with permissible emissions for all air pollutants.

## **Regulation of Greenhouse Gases**

***Federal and California Greenhouse Gas Initiatives.*** In recent years, the federal government's involvement in GHG emission issues has varied depending on which administration is in office. As discussed further below, EPA is currently monitoring GHG emissions and, as of January 2, 2011, EPA began regulating GHG emissions from certain large sources under the CAA. EPA also is planning to propose updated greenhouse gas standards for new and modified electric generating units under Section 111(b) of the Clean Air Act and in September 2022, EPA opened a pre-proposal docket to collect public input from stakeholders on standards both for new as well as existing sources. Included in the docket is an April 21, 2022 draft technical white paper published by EPA on emerging technologies for reducing GHG emissions from EGUs. The white paper discusses the use of hydrogen as a fuel source and references the Project. EPA solicited comments on the white paper through June 6, 2022 in a non-rulemaking docket intended to gather information from stakeholders on efforts to reduce GHGs from new and existing EGUs.

The Agency cannot predict congressional action on GHG emissions in the current Congress or in future Congresses, nor can the Agency predict action that may be taken by the current or any future presidential administration with respect to the regulation of GHG emissions.

For a discussion of California laws related to GHG and renewable energy initiatives, see the Department Official Statement.

The Agency will continue to analyze the potential impact of the federal and California GHG initiatives, but the Agency cannot determine, with any certainty at this time, what additional impacts, if any, could result to the Agency or the Power Purchasers from these initiatives and what effects these initiatives may have on the California or Utah electric energy markets or electric energy markets generally. Furthermore, the Agency cannot predict what, if any, effects the federal and California GHG initiatives or future related laws, orders or regulations, including amendments or modifications to the federal or California GHG initiatives, will have on the Agency or the Power Purchasers or the markets in which they operate. As the federal government and its agencies, California and its agencies, including CARB and the CEC, and local governments move forward with regulatory and administrative processes to fully implement the federal and California GHG initiatives, it is likely that the Project and the Power Purchasers will continue to explore all legal options available to them to reduce GHG emissions attributable to their operations, including the divestiture of GHG-emitting assets and the acquisition of additional renewable and non-fossil fueled generation assets. The Agency can neither predict what, if any, of such actions the Power Purchasers may take, nor the timing of any such actions that may be taken. It is possible, however, that federal and California GHG initiatives, alone or in combination, could affect the Agency and the Power Purchasers in other ways.

In particular, since 2016, the Department has included the GHG cost factor in its pricing of power from the Project to reflect externalities from coal-fired power generation (the "GHG Cost Factor"). Although the GHG Cost Factor does not represent a monetary cost of the operation of the Project, it is increasing the dispatch cost of power from the Project for the Department. The additional GHG Cost Factor often made the price of the power generated by the Project noncompetitive in comparison to other resources available to the Department and the other California Purchasers. As a result of the GHG Cost Factor among several other factors, including market conditions, system demand, relatively low natural gas prices, and

operational constraints caused by a leakage incident at the natural gas storage facility at Aliso Canyon in California, the California Purchasers began substantially decreasing their scheduling of power from the Project in 2016, which trend has continued through 2022 (though drought conditions have resulted in some mitigation to that trend). As long as current conditions persist, the Agency anticipates that scheduling of power will not return to pre-2016 levels. The reduction in scheduling of power has resulted in a substantial decrease in the Project's capacity factor. See "PROJECT OPERATIONS – Management and Operation of the Project" herein.

The Power Sales Contracts remain valid, binding and enforceable notwithstanding any such federal or California initiatives or any actions taken in response thereto. It is possible, however, that these initiatives, alone or in combination, could affect the Agency and the Power Purchasers in other ways. For example, they:

- (i) may limit or eliminate the ability of the Agency and the Power Purchasers to enter into amendments to the respective Power Sales Contracts between them, including the types of amendments that may be entered into (although the Agency does not believe that the initiatives or actions limited the ability of the Agency or the Power Purchasers to enter into the Power Sales Contracts Amendments);
- (ii) could prevent the Agency from selling a defaulting Power Purchaser's generation entitlement share in the Project to another Power Purchaser or other electric utility on a long-term basis or in excess of available allowances and offsets in connection with the exercise by the Agency of its remedies under the applicable Power Sales Contract as the result of such a default, thus potentially impairing the Agency's ability to recover its losses from such a default;
- (iii) could prevent a Power Purchaser from entering into future arrangements to resell its electric generation from the Project to another Power Purchaser or other electric utility on a long-term basis or in excess of available allowances and offsets; and
- (iv) may restrict the ability of the Power Purchasers to import power generated by the Project pursuant to a Power Sales Contract to the extent the power to be imported exceeds available allowances and offsets.

***Utah Greenhouse Gas Initiatives.*** In February 2022, Utah announced it would be joining three other states, Colorado, New Mexico, and Wyoming, in an effort to coordinate and develop a regional hydrogen hub that is anticipated to reduce greenhouse gas emissions in the Mountain West. As part of the agreement signed, the four states will work together to seek a portion of \$8 billion allocated in the 2021 Infrastructure Investment and Jobs Act.

***Nuisance Liability for Greenhouse Gas Emissions.*** Several lawsuits have been filed and decided in the past decade that attempted to impose nuisance liability on coal-fired electric generating facilities for GHG emissions. These cases have not directly involved the Project, but the cases are part of a relatively recent resurgence in litigation involving electrical generating facilities, such as the Project, that emit GHGs. There are a number of other cases in various jurisdictions seeking damages and/or injunctive relief from energy companies for the adverse effects of climate change. In particular, nuisance claims involving air-related issues appear to be increasing. While no case related to GHGs has been brought against the Project, these cases illustrate the potential for such claims to be made in the future.

## Other Environmental Regulation

**Waste Management.** There are substantial federal, State and local regulations regarding solid and hazardous waste management, liability for waste disposal, and management of coal combustion residuals (“CCR”). The federal Resource Conservation and Recovery Act (“RCRA”) and the Utah Solid and Hazardous Waste Management Act (“SHWMA”) require permits from the Utah Department of Environmental Quality for the siting of hazardous waste disposal facilities and receipt, disposal and management of hazardous waste. In addition, RCRA and SHWMA require permits for the siting, receipt, disposal and management of certain types of non-hazardous solid waste.

The Operating Agent has established a waste management plan for the Project. The plan is designed to assure that the Project’s present and future operations conform to applicable waste disposal regulations. The Operating Agent has also assessed Project properties for potential liability arising from past, latent contamination. Subject to the following discussion of CCR, the Operating Agent has indicated that the Project’s waste management program complies with all federal, state and local statutes and guidelines and all applicable permit requirements.

In April 2015, EPA promulgated the final coal combustion residuals rule (the “CCR Rule”), which regulates the disposal and management of CCR as non-hazardous under Subtitle D of RCRA. The CCR Rule became effective in October 2015. On September 1, 2016, the State of Utah enacted its state CCR regulations, which are substantially identical to the CCR Rule.

Following litigation challenging the CCR Rule and court decisions vacating and remanding certain provisions, the Rule has been amended to make changes requiring additional demonstrations for continued operation of CCR impoundments. Specifically, the new provisions in the CCR Rule continue to allow subject facilities a site-specific alternative to initiating closure due to permanent cessation of a coal-fired boiler by a date certain, setting the completion of closure date as no later than October 17, 2028 for surface impoundments larger than 40 acres. In addition, facilities utilizing the new alternative closure provision in the CCR Rule were required to submit to EPA by November 30, 2020, a risk mitigation demonstration supporting their continued operation of a CCR surface impoundment for EPA review and approval.

The Project utilizes impoundments (ponds) and a landfill for the management of coal ash constituting CCR that is subject to the CCR Rule. The Operating Agent has reported that the Project has met all interim compliance requirements for the CCR Rule including setting up a public website and posting CCR operating records, developing groundwater monitoring wells and sampling plans, sampling of groundwater wells quarterly, developing and implementing a fugitive dust monitoring plan and starting to develop a corrective action plan. Groundwater sampling has shown statistically significant concentrations of certain constituents in monitoring wells surrounding the impoundments. Under the CCR Rule, the impoundments are required to be closed according to prescribed timelines. The Agency has elected a course of action under the CCR Rule that allows for continued acceptance of CCR in the impoundments so long as the coal-fired boilers at the Project will cease operation by a date certain and the impoundments are closed by October 17, 2028.

The Agency already is required pursuant to the Power Sales Contracts to cause the Project to use another fuel source for generation by 2025 and the Agency has already made the determination not to continue operation of the coal-fired boilers at the Project beyond the time when the Project switches to using natural gas. See “PROJECT OPERATIONS – Management and Operation of the Project – *Removal of Coal Units from Service*” herein. The Agency filed this initial election on September 12, 2018 under the CCR Rule provisions in effect at that time and has complied with all reporting requirements associated with that election. On November 30, 2020, following EPA’s amendment of the CCR Rule, the Agency timely filed the risk mitigation demonstration supporting continued use of the Project impoundments with a completion of closure date no later than October 17, 2028, subject to EPA review and approval. On January

11, 2022, EPA published its determination that the Agency's demonstration was complete; however, as of the date of this Annual Report, EPA has yet to issue a substantive decision on the demonstration. Of the 24 facilities that submitted risk mitigation demonstrations to support continued operation and closure no later than 2028, EPA has only issued decisions on two (one was determined to be incomplete, and one was determined to be ineligible).

EPA has proposed various additional amendments to provisions of the CCR Rule since its original issuance in 2015. The Agency does not anticipate that these amendments will have any material impact on the course of action previously required under the CCR Rule.

The State rule regulating CCR has not been amended to reflect congressional and EPA developments since 2016. However, the Operating Agent applied for a permit under the State's program for operation of the Project's CCR impoundments and landfill. The final permit was issued on November 23, 2020. Notwithstanding regulatory uncertainties, the Project has continued implementing its compliance and closure plans pursuant to the provisions of the CCR Rule and State law governing CCR.

The Agency continues to analyze the impacts of the CCR Rule and state regulation of CCR on the Project, including anticipated costs of compliance. The Agency's total cost of compliance with the final CCR Rule was estimated to fall within the range of \$55 million to \$70 million (in 2019 dollars) over a time period that commenced in 2019 and is estimated to end between approximately 2025 and 2028 (except for long-term groundwater monitoring, which will last approximately 30 years after closure of the impoundments).

***Water Quality.*** The federal Clean Water Act, the Utah Water Quality Act and the regulations promulgated under those statutes regulate discharges of wastewater, including storm water runoff. The Agency believes the Project has, or has initiated the process to receive, all required water quality related permits and approvals.

While the Project has no surface water discharges off-site, the Project utilizes a cascading process pond system on-site. The Project has been subject to a Groundwater Discharge Permit through the Utah Department of Environmental Quality Division of Water Quality since 2001, which requires the Agency to monitor compliance at wells located adjacent and downgradient to the impoundments and permitted facilities, sets groundwater protection levels, and requires semi-annual reporting. One or more of the on-site impoundments may have leaked in the past into groundwater. The Project has addressed and will continue to address this issue through a remediation and recovery plan approved and regulated by the Utah Department of Environmental Quality, and consistent with its plans developed under the CCR Rules as described previously. Pursuant to the plan, the Agency has installed monitoring wells to monitor groundwater and recovery wells to pump water back into the process pond system and installed more monitoring wells in 2019. The Agency expects to maintain the monitoring and recovery wells, to perform chemical analysis of the well water and to implement further remedial measures as necessary under the groundwater permit and the CCR Rules. The Agency submitted a renewal application for the Project's Groundwater Discharge Permit and was issued a new final permit on March 9, 2023 that is valid for a 5-year term through 2028.

***Electric and Magnetic Fields.*** The Agency's electric operations are subject to continuing environmental regulation. A number of studies have been conducted regarding the potential long-term health effects resulting from the exposure to electric and magnetic fields created by high voltage transmission and distribution equipment. Additional studies are being conducted to determine the relationship between electric and magnetic fields and certain adverse health effects, if any. At this time, it is not possible to predict the extent of the costs and other impacts, if any, which the electric and magnetic fields concerns may have on electric utilities, including the Agency.

Federal, state, regional and local standards and procedures that regulate the environmental impact of the Agency, the Project and the Power Purchasers are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that electric facilities in operation or contemplated will remain subject to the laws and regulations currently in effect, will always be in compliance with future laws and regulations or will always be able to obtain all required operating permits. An inability to comply with applicable environmental standards could result in increased costs of electric facilities, reduced operating levels or the complete shutdown of individual EGUs and other facilities not in compliance.

The Agency cannot predict at this time whether any additional legislation, regulations or rules will be enacted that affect the Agency's operations, and if such laws or rules are enacted, what the costs to or impacts on the Agency, the Project or the Power Purchasers might be in the future because of such future enactments.

## **INTERMOUNTAIN POWER AGENCY**

### **History**

The Agency, a separate legal entity and a political subdivision of the State, was organized in June 1977 pursuant to the provisions of the Act and under the Intermountain Power Agency Organization Agreement. Its membership consists of 22 municipalities and one interlocal entity that are suppliers of electric energy in the State. The Agency was created for the purpose of owning, acquiring, constructing, operating and maintaining the Project. The Agency's term of existence will expire on the later of June 30, 2063 and five years following the last to occur of events specified in the Intermountain Power Agency Organization Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Generation Renewal Project" herein.

### **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 localities on a basis of mutual advantage to provide services or facilities that will best accommodate the needs and development of the local communities. Its purposes also include 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 is formed under the Act when the governing bodies of two or more eligible municipalities of the State determine by resolution that the creation of such an agency is in the best interest of the individual municipalities. An interlocal entity so formed has the authority to undertake and finance the facility or improvement contemplated by its organization agreement, and is a political subdivision of the State with power to, among other things: own, acquire, construct, operate, maintain and repair any facility or improvement set forth in the organization agreement; borrow money or incur indebtedness, issue revenue bonds or notes for the purpose for which it was created; offer, issue and sell warrants, options or other rights relating to its bonds or notes and any rights or interests pertaining to the bonds or notes; assign, pledge or otherwise convey as security for the payment of any such bonded indebtedness, the revenues and receipts from the facility; and sell or contract for the sale of the product or services within or without the State on terms deemed in the best interest of its participants. The Act also permits an interlocal entity to construct facilities to render services in excess of those required to meet the requirements of the members of such agency if it is determined to be necessary to accomplish the purposes of the Act; *provided, however*, that any such excess which is sold shall be sold on terms which assure that the cost of providing the excess will be recovered by such interlocal entity.

As the Agency was preparing for the Generation Renewal Project, the Agency advocated for changes to the Act to permit the Generation Renewal Project to proceed. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Generation Renewal Project” herein.

## Membership

The following is a list of the Agency’s 23 members and their representatives:

<u>Member</u>	<u>Representative</u>	<u>Member</u>	<u>Representative</u>
Beaver City .....	Jason Brown	Lehi City .....	Joel Eves
City of Bountiful .....	Allen Johnson	City of Logan.....	Mark Montgomery
City of Enterprise .....	S. Lee Bracken	Meadow Town.....	Eric Larsen
Ephraim City .....	Shaun Kjar	Monroe City.....	Josey Parsons
City of Fairview .....	Greg Sorensen	Morgan City.....	Ty Bailey
Fillmore City .....	Eric Larsen	Mt. Pleasant City .....	Shane Ward
Heber Light & Power Company .....	Jason Norlen	Murray City .....	Greg Bellon (alt.)
Holden Town .....	Eric Larsen	Town of Oak City .....	Dwight F. Day
City of Hurricane .....	Scott Hughes	Parowan City .....	Jeremy Franklin
Hyrum City .....	Martin Felix	Price City .....	Nick Tatton
Kanosh Town.....	Eric Larsen	Spring City.....	Kent Kummer
Kaysville City .....	Bruce Rigby		

Upon termination of the Power Sales Contract of a Utah Municipal Purchaser that is not also a Renewal Purchaser, such Utah Municipal Purchaser will cease to be a member of the Agency. Since Meadow Town and Monroe City are not Renewal Purchasers, they will cease to be members of the Agency effective as of the expiration of their Power Sales Contracts which is provided to occur on June 15, 2027.

## Organization and Management

The Agency is governed by its seven-member Board of Directors elected by, and from among, the members’ representatives, for staggered four-year terms. The present members of the Board of Directors and the offices they hold are as follows:

<u>Name</u>	<u>Office</u>	<u>Term Ends December 31</u>
[Vacant] .....	Chair .....	2023*
Nick Tatton .....	Vice Chair .....	2023
Eric Larsen.....	Secretary .....	2024
Allen Johnson .....	Treasurer.....	2024
Joel Eves .....	Member .....	2025
Mark Montgomery .....	Member .....	2025
Bruce Rigby .....	Member .....	2026

\*The position of Chair became vacant in March 2023.

The management of the Agency is under the direction of its General Manager, who serves at the pleasure of the Board of Directors. The following are the members of the Agency’s management staff and their backgrounds.

***Cameron R. Cowan – General Manager.*** Mr. Cowan assumed the position of General Manager in January 2022. Prior to his appointment as General Manager, Mr. Cowan served as the Agency’s Assistant General Manager since December 2018. Prior to his appointment as Assistant General Manager, Mr. Cowan served as the Treasury Manager beginning in July 2012 and as the Assistant Treasury Manager beginning in October 2010. He began his employment with the Agency as a Senior Auditor in 2006, a position he held until his appointment as the Assistant Treasury Manager. Prior to his employment with the Agency, he was an Internal Auditor with Franklin Covey. Mr. Cowan holds a Bachelor of Science degree in Business Administration from Southern Utah University and a Master of Business Administration degree from Brigham Young University.

***Linford E. Jensen – Accounting Manager.*** Mr. Jensen first joined the Agency in 1993 as a Senior Auditor. He left the Agency in 1997 to work as the Manager of Financial Planning for Andalex Resources. Mr. Jensen returned to the Agency in 1998 as Audit Manager and was appointed Accounting Manager in October 2009. Prior to his first employment with the Agency, he was an auditor with Deloitte & Touche. Mr. Jensen holds a Bachelor of Arts degree in Accounting and a Master of Business Administration degree from the University of Utah and is a licensed Certified Public Accountant.

***Vance K. Huntley – Treasury Manager.*** Mr. Huntley was appointed to the position of Treasury Manager in October 2020. Prior to his appointment as Treasury Manager, Mr. Huntley served as Audit Manager. Mr. Huntley began his employment with the Agency as Audit Manager starting in October 2009. Prior to his employment at the Agency, he was an Internal Audit Manager with The Church of Jesus Christ of Latter-day Saints, Chief Financial Officer with Xcel Fitness of Salt Lake City, Utah, Director of Finance with Infopia, Inc. of Salt Lake City, Utah and an Audit Manager with Deloitte & Touche LLP. Mr. Huntley holds a Bachelor of Science degree in Accounting and a Master of Accountancy/Information Systems degree from Brigham Young University and is a licensed Certified Public Accountant.

***Cody R. Combe – Audit Manager.*** Mr. Combe was appointed to the position of Audit Manager in October 2020. He began his employment with the Agency as a Senior Auditor in June 2010, a position he held until his appointment as the Audit Manager. Prior to his employment with the Agency, he was an auditor with The Church of Jesus Christ of Latter-day Saints, and an auditor with Deloitte & Touche LLP. Mr. Combe holds a Bachelor of Arts degree in Accounting and a Master of Accountancy from the University of Utah and is a licensed Certified Public Accountant.

The Agency’s staff, in addition to those listed above, consists of three other professionals and one secretarial/clerical employee serving in various administrative, financial and audit functions.

## **Investment Policy and Controls**

The Resolution permits the Agency to invest its funds in Investment Securities. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Investment of Certain Funds and Accounts” and “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Definitions – *Investment Securities*” in APPENDIX A hereto. The Resolution and the current investment policy of the Agency permit it to invest its funds in investments permitted under the Utah State Money Management Act, Utah Code Ann. § 51-7-1, *et seq.* The Agency does not currently have, nor does it expect to have in the future, any funds or monies which the Agency is or will be permitted to invest in investments other than Investment Securities as defined in the Resolution.

Pursuant to the Resolution, all investments in which the Agency invests amounts on deposit in the various Funds held by the Trustee under the Resolution are required to be reviewed by the Trustee for compliance with the Resolution. In addition, the Agency’s internal auditors, at least annually, conduct extensive tests to determine whether the Agency’s investments, including those investments made with amounts held by the Agency, are in compliance with the Resolution. The Agency has implemented various



internal controls to assure that only proper authorized investments are made with the Agency's funds. The Agency does not presently have, nor does it intend to acquire in the future, derivative or leveraged investments or investments in mortgage-backed securities.

## **THE AGENCY'S FINANCING PROGRAM**

### **General**

The Agency financed the acquisition and construction of (i) the Generation Station, (ii) the Southern Transmission System and (iii) the Northern Transmission System all as described in Appendix C to the Power Sales Contracts (collectively, the "Initial Facilities") through the issuance of Bonds and Subordinated Indebtedness. See "INDEBTEDNESS OF THE AGENCY – Additional Bonds" herein.

On July 1, 1988, the Agency filed a certificate with the Trustee certifying completion of construction of the Initial Facilities. Based on (i) the Final Construction Cost Report, dated May 1994, prepared by the Project Manager, which was accepted by the Agency's Board of Directors and the Coordinating Committee and (ii) the payments-in-aid of construction made by SCPPA for cost of acquisition and construction of the Southern Transmission System as described below, the Agency determined that the funds provided from its Bonds and other debt securities had been sufficient to pay the construction costs for the Initial Facilities of the Project, interest during construction, reserve funds, working capital and financing expenses. All amounts held in the Initial Facilities account in the Construction Fund that were not needed to pay the cost of acquisition and construction of the Initial Facilities were released to the Agency for application to other Project purposes. Such amounts were used in prior years to reduce the costs of Project power.

The Agency may issue Bonds or Subordinated Indebtedness from time to time as it deems advisable to, among other things, (a) refund outstanding Bonds or Subordinated Indebtedness in order to reduce the Agency's annual debt service and thereby reduce the cost of Project power and energy and (b) finance the Cost of Acquisition and Construction of Capital Improvements to the Project.

The Agency has financed a portion of the Cost of Acquisition and Construction of the Generation Renewal Project through the issuance of Bonds (including Bonds issued to refund Subordinated Indebtedness incurred to finance initial costs of the Generation Renewal Project). The Agency anticipates issuing additional Bonds to finance the balance of the Cost of Acquisition and Construction of the Gas Repowering. (See "– Estimated Cost and Schedule of Generation Renewal Project" below.)

The costs of the Hydrogen Facilities (consisting of the Hydrogen Betterments and the Hydrogen Conversion and Storage Capacity) are being funded by the Power Purchasers to the extent such elect to facilitate the development of such facilities. The costs of the Hydrogen Betterments are being and some of the initial costs of the Hydrogen Conversion and Storage Capacity have been funded by payments to the Hydrogen Betterments Fund that are billed on a monthly basis. The balance of the costs of the Hydrogen Conversion and Storage Capacity are being funded pursuant to the Hydrogen Billing Procedure. (See "INTRODUCTION – Hydrogen Facilities" herein.)

The Agency has been financing initial costs of the STS Renewal Project through Subordinated Indebtedness which the Agency expects to repay from payments-in-aid of construction to be made from the proceeds of bonds or other obligations of SCPPA to be issued for such purpose. (See "– SCPPA Financing of the Southern Transmission System" below.)

## Estimated Cost and Schedule of Generation Renewal Project

**Gas Repowering.** The Cost of Acquisition and Construction of the Gas Repowering, including the portion of such costs shared between the Generation Renewal Project and the STS Renewal Project, are, as of March 7, 2023, projected to total approximately \$1,800,000,000. The balance of such estimated costs has been funded in part and is anticipated to be further funded in part through proceeds of the Covered Bonds and the Agency's future bond issuances, respectively.

The Agency has contracted with The Industrial Company, a Kiewit company ("TIC") to engineer, procure and construct the Gas Repowering. The contractor is experienced in the design and construction of power generating facilities of the type contemplated by the Generation Renewal Project. The date-certain, firm price engineering, procurement and construction contract ("EPC Contract") was signed by the Agency and TIC on March 18, 2022. The EPC Contract covers the complete scope of the Gas Repowering, with the exception of the procurement of the Mitsubishi M501JAC combustion turbines which have been procured pursuant to a contract with the manufacturer.

The schedule and performance guarantees under the EPC Contract include liquidated damages for performance, liquidated damages for delay, retentions, a letter of credit and a parent guarantee for 100% of the contract price. The EPC Contract includes output, heat rate and reliability guarantees.

The following describes significant construction milestones for the Gas Repowering and the STS Renewal Project:

### Approximate Construction Schedule

<u>Milestone Activity</u>	<u>Date – Scheduled (S) or Actual (A)</u>
Gas Transportation Contract Award	November 2019 (A)
Gas Turbine-Generator Contract Award	February 2020 (A)
Site Preparation Commencement	October 2021 (A)
Generation EPC Contract Award	March 2022 (A)
Intermountain Switchyard Contract Award	June 2021 (A)
Synchronous Condensers Contract Award	November 2022 (A)
Converter Station Contract Award	March 2023 (A)
Natural Gas Available	May 2024 (S)
Gas Repowering Commercial Operation Date	June 2025 (S)
STS Renewal Project Substantially Complete	April 2026 (S)

The Power Sales Contracts provide that the Gas Repowering is to be in commercial operation by July 1, 2025. As of the date of this Annual Report, the engineering and design of the Gas Repowering are approximately 12.8% complete. All major construction contracts have been awarded and construction has commenced.

The combustion turbines are advanced class units that offer fast ramp and low heat rate and will have the capability of producing energy with a mix of natural gas and green hydrogen (30% hydrogen by volume). The Agency anticipates a substantial reduction in greenhouse gas emissions when the new combustion turbines achieve commercial operation and become the sole source of generation for the Project. The reduced nameplate capacity of the units will allow the Southern Transmission System to integrate additional renewable energy for the California Purchasers.

**Hydrogen Facilities.** The contracts for the Hydrogen Conversion and Storage Capacity provide that the related facilities are to be substantially complete by October 1, 2024, providing the capacity to convert water into hydrogen using renewable energy and to store such hydrogen during the testing phase of the Gas

Repowering in anticipation of the commercial operation date of the Generation Renewal Project. The costs the Agency expects to incur under the contracts for the Hydrogen Conversion and Storage Capacity are estimated to be approximately \$3,300,000,000 during the term of such contracts, which is expected to be approximately 30 years.

The Hydrogen Betterments include upgrades to the natural gas units to facilitate the increase of such units' capability to use a fuel mix with green hydrogen in excess of 30%, with a goal of reaching 100% of green hydrogen fueled operation by 2045. Such Hydrogen Betterments are intended to reduce the cost of increasing such capability if and when the determination is made to increase the hydrogen component of fuel used at the Project. The increase in such capability will not be undertaken prior to June 16, 2027.

Although substantial completion of the STS Renewal Project is expected to occur after the commercial operation date of the Generation Renewal Project, the Agency expects that the elements of the STS Renewal Project that are necessary for the operation of the Project, as modified by the Generation Renewal Project, will be in place by the commercial operation date of the Generation Renewal Project.

### **SCPPA Financing of the Southern Transmission System**

Pursuant to the Southern Transmission System Agreement (the "STS Agreement") between SCPPA and the Agency, SCPPA has undertaken to make payments-in-aid of construction to the Agency for all cost of acquisition and construction associated with the Southern Transmission System. The Agency has received from SCPPA all funds required for payment of all Costs of Acquisition and Construction of the initial facilities of the Southern Transmission System.

In consideration of SCPPA's agreement to make such payments-in-aid of construction, each of the California Purchasers has assigned to SCPPA its entitlement to capacity of the Southern Transmission System as set forth in such Power Purchaser's respective Power Sales Contract. Each California Purchaser has also entered into a Transmission Service Contract with SCPPA pursuant to which such Power Purchaser is entitled to transmission service, utilizing the capacity of the Southern Transmission System assigned to SCPPA by the California Purchasers, to the extent of such Power Purchaser's Southern Transmission Entitlement Share (see "POWER PURCHASERS' COST AND ENTITLEMENT SHARES" in APPENDIX B hereto) and is obligated to make monthly payments therefor on a "take-or-pay" basis. Such monthly payment obligations include, in addition to amounts in respect of SCPPA's operating costs for providing transmission service and debt service on the bonds issued by SCPPA to finance and refinance the payments-in-aid of construction made by it to the Agency for the Southern Transmission System, Monthly Power Costs allocable to the Southern Transmission System. SCPPA is obligated to pay to the Agency out of such monthly payments the California Purchasers' Monthly Power Costs under their respective Power Sales Contracts allocable to the Southern Transmission System. Such payments received by the Agency will be applied to discharge the California Purchasers' obligation to pay Monthly Power Costs under their respective Power Sales Contracts. The California Purchasers will, however, remain liable to pay such Monthly Power Costs to the extent not so discharged.

On August 4, 2020, the Coordinating Committee and the Agency's Board of Directors authorized the Project Manager to commence discussions with SCPPA relative to the financing of the STS Renewal Project. The Agency and SCPPA have negotiated an amendment to the STS Agreement to address such capital improvements and a renewal STS agreement to address the payments-in-aid of construction related to further capital improvements to the Southern Transmission System following the termination of the STS Agreement. Substantial completion of the STS Renewal Project is anticipated to occur after the commercial operation date of the Generation Renewal Project. Even so, it is expected that SCPPA will issue its bonds or other obligations in amounts and at times sufficient to make to the Agency all payments-in-aid of construction related to the STS Renewal Project as are necessary to permit the elements of the STS Renewal Project that are necessary to the operation of the Project after giving effect to the Generation Renewal

Project to be completed on or before the date on which the Generation Renewal Project achieves commercial operation.

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## FISCAL YEAR 2022-2023 ANNUAL BUDGET

The Operating Agent has prepared, and the Coordinating Committee has approved, an operating budget for fiscal year 2022-2023, which began on July 1, 2022. A summary of the fiscal year 2022-2023 Annual Budget adopted by the Agency's Board of Directors (which incorporates such operating budget, as amended, and as such Annual Budget has been amended) is set forth below:

### INTERMOUNTAIN POWER AGENCY FISCAL YEAR 2022-2023 ANNUAL BUDGET SUMMARY (\$000)

	<u>Generation Station</u>	<u>Northern Trans- mission System</u>	<u>Southern Trans- mission System</u>	<u>Total<sup>1</sup></u>	<u>Hydrogen Better- ment<sup>2</sup></u>	<u>Hydrogen Conti- gency<sup>3</sup></u>	<u>IGS Decom- missioning Pre- Funding<sup>4</sup></u>
Minimum Cost Component:							
Net Debt Service <sup>5, 6</sup> .....	71,535	1,819	(133)	73,221			
Operations .....	38,207	2,655	12,596	53,458			
Maintenance .....	50,215	1,273	10,233	61,721			
Renewals and Replacements	14,236	667	2,906	17,809	22,000	30,000	27,000
Indirect Labor <sup>7</sup> .....	18,219	0	1,438	19,657			
Taxes .....	9,353	298	2,957	12,608			
Risk Management .....	4,327	69	1,050	5,446			
Administrative and General <sup>8</sup>	10,365	993	1,314	12,671			
Fixed Fuel .....	<u>121,128</u>	<u>0</u>	<u>0</u>	<u>121,128</u>			
Total Minimum Costs <sup>1</sup> ....	337,584	7,774	32,362	377,720			
Variable Cost Component .....	<u>97,786</u>	<u>0</u>	<u>0</u>	<u>97,786</u>			
Total Operating Budget <sup>1</sup> .....	<u>435,370</u>	<u>7,774</u>	<u>32,362</u>	<u>475,506</u>	<u>22,000</u>	<u>30,000</u>	<u>27,000</u>
Total Agency Annual Budget <sup>1</sup> .	<u>435,370</u>	<u>7,774</u>	<u>32,362</u>	<u>475,506</u>	<u>22,000</u>	<u>30,000</u>	<u>27,000</u>

<sup>1</sup> Row and column totals may not add due to rounding.

<sup>2</sup> Amount billed separately to the Department, Burbank and Glendale for hydrogen-related betterments as part of the Generation Renewal Project. Approved by Coordinating Committee Resolution No. CC-2020-011 (with respect to the Operating Budget) and Agency Board of Directors Resolution No. IPA-2020-014 (with respect to the Agency's Annual Budget). Not reflected in the "Total" column.

<sup>3</sup> Amount billed separately to the Hydrogen Purchasers pursuant to the Hydrogen Billing Procedure.

<sup>4</sup> Amount billed separately to the Power Purchasers electing to pay its Pre-Funding Charge pursuant to the Pre-Funding Plan approved pursuant to Coordinating Committee Resolution No. CC-2020-012, Renewal Contract Coordinating Committee Resolution No. RCCC-2020-002, and Agency Board of Directors Resolution No. IPA-2020-011 (as Pre-Funding Charge and Pre-Funding Plan are defined in such resolutions).

<sup>5</sup> Total debt service on all Agency obligations, plus ongoing financing expenses, less estimated interest earnings available to reduce power costs.

<sup>6</sup> Excludes SCPPA debt service costs which are not part of the Agency's Annual Budget.

<sup>7</sup> Labor costs for IPSC.

<sup>8</sup> Excludes certain SCPPA costs which are not part of the Agency's Annual Budget.

For a description of the circumstances under which the Agency is required to adopt an amended Annual Budget, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Budgeting" herein.

## COORDINATING COMMITTEE

Pursuant to the Power Sales Contracts, the Coordinating Committee, among other functions, provides liaison among the Agency and the Power Purchasers with respect to the construction and operation of the Project, reviews, modifies and approves certain specified contracts, takes certain actions with respect to actions of the Department, as Project Manager and Operating Agent, and makes recommendations to the Agency regarding the financing of the Project. The Coordinating Committee also has authority to review, modify and approve procedures formulated by the Project Manager and Operating Agent with respect to the construction and operation of the Project, budgets prepared by the Project Manager and Operating Agent, and all capital improvements proposed to be undertaken by the Agency.

The Coordinating Committee consists of the Chairman, who is a non-voting representative appointed by the Agency, and representatives of the Power Purchasers or groups thereof. The Chairman of the Coordinating Committee may, at his own discretion, and must, at the request of any member of the Committee, call a meeting of the Committee. All actions taken by the Committee require the affirmative vote of representatives of Power Purchasers having voting rights (which equal the respective Power Purchasers' Generation Entitlement Shares) aggregating at least 80%.

The Coordinating Committee presently consists of its Chairman (the General Manager of the Agency), and the following voting representatives:

<u>Power Purchaser(s) Represented</u>	<u>Representative</u>	<u>Voting Rights Percentage</u>
Murray City.....	Greg Bellon (alt.)	4.000%
City of Logan .....	Mark Montgomery	2.469
All Other Utah Municipal Purchasers.....	Eric Larsen	7.571
Moon Lake Electric Association, Inc.....	Yankton Johnson	2.000
Mt. Wheeler Power, Inc. ....	Kevin Robison	1.786
All Other Cooperative Purchasers .....	LaDel Laub	3.231
Department of Water and Power of		
The City of Los Angeles.....	Paul R. Schultz	48.617
City of Anaheim.....	Dukku Lee	13.225
City of Burbank .....	Dawn Roth Lindell	3.371
City of Glendale.....	Mark Young	1.704
City of Pasadena .....	Kelly Nguyen (alt.)	4.409
City of Riverside.....	Todd M. Corbin	<u>7.617</u>
		100.000%

For additional discussion of the responsibilities and functions of the Coordinating Committee, see “SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS – Coordinating Committee” and “SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION MANAGEMENT AND OPERATING AGREEMENT – Coordinating Committee” in APPENDIX B hereto.

## RENEWAL CONTRACT COORDINATING COMMITTEE

Pursuant to the Renewal Power Sales Contracts, from and after the Transition Date, the Renewal Contract Coordinating Committee, among other functions, provides liaison among the Agency and the Renewal Power Purchasers with respect to the construction and operation of the Project, reviews, modifies and approves certain specified contracts, takes certain actions with respect to actions of the Department, as

Project Manager and Operating Agent, and makes recommendations to the Agency regarding the financing of the Project. From and after the Transition Date, the Renewal Contract Coordinating Committee also has authority to review, modify and approve procedures formulated by the Project Manager and Operating Agent with respect to the construction and operation of the Project, budgets prepared by the Project Manager and Operating Agent, and all capital improvements (other than Essential Capital Improvements, as defined in the Renewal Power Sales Contracts) proposed to be undertaken by the Agency. Prior to the Transition Date, the Renewal Contract Coordinating Committee's authority is limited to considering matters related to Transition Project Indebtedness and other matters requiring Renewal Contract Coordinating Committee approval prior to the Transition Date pursuant to the Power Sales Contracts or the Renewal Power Sales Contracts and to receive financial statements and operating reports provided to the Coordinating Committee in the ordinary course of business. The Renewal Contract Coordinating Committee's approval is required for the issuance of Transition Project Indebtedness for purposes other than financing the Gas Repowering (so long as the Transition Project Indebtedness satisfies the requirements related to Substantially Equal Debt Service, as defined in the Renewal Power Sales Contracts).

The Renewal Contract Coordinating Committee consists of the Chairman, who is a non-voting representative appointed by the Agency, and representatives of the Renewal Power Purchasers or groups thereof. The Chairman of the Renewal Contract Coordinating Committee may, at their own discretion, and must, at the request of any member of the Renewal Contract Coordinating Committee, call a meeting of the Renewal Contract Coordinating Committee. All actions taken by the Renewal Contract Coordinating Committee require the affirmative vote of representatives of Power Purchasers having voting rights (which equal the respective Power Purchasers' Generation Entitlement Shares) aggregating at least 80% (except that modifications affecting the minimum cost component of Project Fuel, as permitted under the Renewal Power Sales Contracts, require 100% of such voting rights).

The Renewal Contract Coordinating Committee presently consists of the General Manager of the Agency, as Chairman, and the following voting representatives:

<b><u>Power Purchaser(s) Represented</u></b>	<b><u>Representative</u></b>	<b><u>Voting Rights Percentage</u></b>
Murray City.....	Greg Bellon (alt.)	4.036%
City of Logan .....	Mark Montgomery	2.491
City of Bountiful .....	Allen Johnson	1.711
All Other Utah Municipal Purchasers.....	Eric Larsen	5.737
Moon Lake Electric Association, Inc.....	Yankton Johnson	2.018
Mt. Wheeler Power, Inc. ....	Kevin Robison	1.803
All Other Cooperative Purchasers .....	LaDel Laub	3.261
Department of Water and Power of The City of Los Angeles.....	Paul R. Schultz	71.442
City of Burbank .....	Dawn Roth Lindell	3.334
City of Glendale.....	Chie Valdez	<u>4.167</u>
		100.000%

For additional discussion of the responsibilities and functions of the Renewal Contract Coordinating Committee, see "SUMMARY OF CERTAIN PROVISIONS OF THE RENEWAL POWER SALES CONTRACTS – Renewal Contract Coordinating Committee" and "SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION MANAGEMENT AND OPERATING AGREEMENT – Renewal Contract Coordinating Committee" in APPENDIX B hereto.

## PROJECT OPERATIONS

### General

The Project's coal-fired steam-electric generating plant and associated facilities were constructed to provide the Power Purchasers with reliable electrical energy while reducing their dependence on oil- and natural gas-fired generation. This section briefly describes the construction, management and operation of the Project, its delivery of energy, and certain matters affecting Project operations (such as fuel and water supplies, government licenses and permits, and insurance).

### Management and Operation of the Project

**Management and Work Force.** Project operations are managed for the Agency by the Department under the terms of the Construction Management and Operating Agreement. The Department's operating activities are subject to the oversight of the Coordinating Committee. See "COORDINATING COMMITTEE" herein. In operating the Intermountain Generating Station, the Intermountain Converter Station and the Railcar Service Center, the Operating Agent uses personnel from IPSC. The International Brotherhood of Electrical Workers (the "IBEW") has been certified as the collective bargaining representative of IPSC employees. The collective bargaining agreement between these parties was renewed on July 1, 2022 and expires on June 30, 2026. Remaining Project facilities are managed by the Operating Agent's own personnel.

**Operating Experience.** Generally, Project facilities have operated with a high degree of availability, exceeding the average of coal-fired generating units of comparable size. Neither the Agency nor the Operating Agent is aware of any operational or equipment problems that would materially and adversely affect future operations on a long-term basis.

The Agency has seen, however, a decline in the utilization of the Project since 2016 as a result of the California GHG Initiatives. Such GHG initiatives are expected to put downward pressure on the utilization rate of the Project for the foreseeable future. See "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Regulation of Greenhouse Gases" herein.

**Removal of Coal Units from Service.** On May 22, 2017, the Agency's Board of Directors determined that the coal-fired units at the Project will be removed from service by the commercial operation date of the gas-fired power blocks to be constructed as part of the Generation Renewal Project (which is scheduled for 2025). The Coordinating Committee approved the removal as well. In response to requirements of the CCR Rules, the Agency has determined to cease operation of the coal-fired boilers by the deadline of 2028 imposed in the CCR Rules. The Agency anticipates that based on its intended course of action to remove the coal-fired units from service by 2025, it will have satisfied the requirement of the CCR Rules to cease operation of the coal-fired boilers in advance of the deadline under the CCR Rules.

**Operating Statistics.** The operating results of the Project during fiscal years 2018-2019 through 2021-2022 are shown in the following table. Based on the historical experience of comparable generating units, the Project would be expected to continue to achieve on a long-term basis the above-average levels of performance demonstrated to date with respect to the following metrics set forth in the table below: Operating Availability, Equivalent Availability and Net Unit Heat Rate (BTU/kWh). The Project is not expected to achieve above-average levels of performance with respect to the metric of Plant Capacity Factor shown in the table below. The Agency anticipates that the Project's capacity factor (and, consequently, Gross Energy Generated (MWh) and Net Energy Generated (MWh)) will depend on system demand, market conditions and the application of the GHG Cost Factor, and may be impacted by other factors



discussed elsewhere in this Annual Report. See “ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Regulation of Greenhouse Gases” herein.

	<b>Fiscal Year <u>2018-19<sup>(1)</sup></u></b>	<b>Fiscal Year <u>2019-20<sup>(2)</sup></u></b>	<b>Fiscal Year <u>2020-21<sup>(3)</sup></u></b>	<b>Fiscal Year <u>2021-22<sup>(4)</sup></u></b>	<b>Industry Average Calendar Years <u>2017-2021<sup>(5)</sup></u></b>
<b><u>Gross Energy Generated</u></b> <b><u>(MWh)</u></b>					
Unit 1 .....	4,659,056	3,724,186	3,808,747	3,126,525	3,778,559
Unit 2 .....	4,687,699	3,642,927	4,070,442	2,969,883	3,778,559
<b><u>Net Energy Generated (MWh)</u></b>					
Unit 1 .....	4,335,642	3,443,031	3,537,724	2,873,350	3,568,779
Unit 2 .....	4,368,207	3,362,157	3,763,675	2,731,012	3,568,779
<b><u>Plant Capacity Factor<sup>(6)</sup></u></b>					
Unit 1 .....	54.99%	43.55%	44.87%	36.45%	48.68%
Unit 2 .....	55.41%	42.53%	47.74%	34.64%	48.68%
<b><u>Operating Availability<sup>(7)</sup></u></b>					
Unit 1 .....	94.19%	96.53%	85.20%	95.66%	79.99%
Unit 2 .....	90.08%	93.27%	94.91%	84.02%	79.99%
<b><u>Equivalent Availability<sup>(8)</sup></u></b>					
Unit 1 .....	94.07%	96.48%	85.17%	95.66%	77.73%
Unit 2 .....	90.00%	93.21%	94.36%	83.87%	77.73%
<b><u>Net Unit Heat Rate</u></b> <b><u>(BTU/kWh)<sup>(9)</sup></u></b>					
Unit 1 .....	9,927	10,428	10,174	10,227	10,746
Unit 2 .....	9,812	10,324	10,247	10,122	10,746

(1) Reflects outages during the 2018-2019 fiscal year consisting of the following (expressed as aggregate periods per unit): scheduled maintenance outages (Unit 2 spring 2019 (5.1 weeks) and Unit 1 spring 2019 (8.8 days)), unplanned maintenance outages (Unit 1 (3.7 days) and Unit 2 (0 days) and forced outages (Unit 1 (8.7 days) and Unit 2 (0 days)).

(2) Reflects outages during the 2019-2020 fiscal year consisting of the following (expressed as aggregate periods per unit): scheduled maintenance outages (Unit 2 spring 2020 (3.49 weeks) and Unit 1 spring 2020 (8.86 days)), unplanned maintenance outages (Unit 1 (0 days) and Unit 2 (0 days) and forced outages (Unit 1 (3.86 days) and Unit 2 (0.22 days)).

(3) Reflects outages during the 2020-2021 fiscal year consisting of the following (expressed as aggregate periods per unit): scheduled maintenance outages (Unit 1 spring 2021 (7.24 weeks) and Unit 2 spring 2021 (9.30 days)), unplanned maintenance outages (Unit 1 (3.24 days) and Unit 2 (5.90 days) and forced outages (Unit 1 (0.07 days) and Unit 2 (3.37 days)).

(4) Reflects outages during the 2021-2022 fiscal year consisting of the following (expressed as aggregate periods per unit): scheduled maintenance outages (Unit 2 spring 2022 (8.29 weeks) and Unit 2 spring 2022 (11.82 days)), unplanned maintenance outages (Unit 1 (0.00 days) and Unit 2 (0.00 days) and forced outages (Unit 1 (4.02 days) and Unit 2 (0.28 days)).

(5) Industry average figures except heat rate are as reported by NERC for coal-fired units rated 800-999 MW and are the composite averages of 43 units in the years 2017 through 2021 (5-year average), which is the most recent information currently available. Average net station heat rate is compiled and cited from Form EIA-923 released by the Energy Information Administration of the U.S. Department of Energy (“EIA”) for 2021 for the top 25 largest western coal-fired power plants. Such NERC and EIA reports are calendar-year based.

(6) The Plant Capacity Factor for a unit is the ratio of the net energy generated by that unit to the net maximum capability of that unit times the hours in the period and reflects the unit availability as well as the actual power produced by the unit.

(7) The Operating Availability is the ratio of hours in the period that the unit is capable of operating at some level to the number of hours in the period.

(8) The Equivalent Availability Factor provides an adjustment of the Operating Availability by incorporating the effect of de-ratings (losses in MW capability) and is essentially equivalent to the percentage of time during a period during which a unit was available for maximum net capability operation.

(9) The Unit Heat Rate is a measure of the efficiency of the unit and shows the amount of heat energy in BTUs necessary to produce 1.0 net kWh. The smaller this number is, the more efficient the unit.

## Project Energy Delivery

The output of the Project is delivered to the Power Purchasers at points of delivery designated by them from among the Switchyard, the Mona and Gonder Switchyards of the Northern Transmission System, and the Adelanto Converter Station of the Southern Transmission System. Each of the Power Purchasers is responsible for providing for transmission of its entitlement of Intermountain Generating Station output from its designated point of delivery to its electric system.

The California Purchasers have each designated the Adelanto Converter Station as their point of delivery. The Adelanto Converter Station is connected with the Department's main transmission system, and the Department takes delivery of its entitlement of Intermountain Generating Station output at the Adelanto Converter Station. Transmission services for California Purchasers Glendale and Burbank to their electric systems are provided by the Department. Transmission services for California Purchaser Pasadena to its electric system are currently provided by the Department and the CAISO. The CAISO handles deliveries for Anaheim and Riverside. The Adelanto Converter Station also is connected to the Mead-Adelanto Transmission Project.

PacifiCorp provides transmission services for the Utah Purchasers, except: (i) Mt. Wheeler Power, Inc. (which has designated the Gonder Switchyard as its point of delivery and takes delivery of its power from other sources at that point); and (ii) Moon Lake Electric Association, Inc. (which has made arrangements to use facilities that have been constructed by Deseret Generation & Transmission Cooperative in connection with its Bonanza project).

The Utah Municipal Power Purchasers are members of UAMPS, which has entered into a long-term transmission agreement with PacifiCorp under which PacifiCorp provides certain transmission services for the members of UAMPS, including transmission of the Utah Municipal Power Purchasers' entitlement to Project power from the Mona Switchyard to the Utah Municipal Power Purchasers' respective points of delivery for their distribution systems.

### **Interconnections to the Project**

In the spring of 2008, the Agency and Milford Wind I entered into a Generator Interconnection Agreement (the "GIA"). Pursuant to the GIA, the Agency granted to Milford Wind I the right, subject to the terms, conditions and limitations of the GIA, to interconnect the Milford Wind I Project to the transmission systems of the Project through the Switchyard. The GIA, however, grants Milford Wind I no right or entitlement to use any of the capacity of the Switchyard, the Southern Transmission System or the Northern Transmission System. Rather, Milford Wind I is permitted to connect to Project transmission facilities for the purpose of delivering capacity and energy from the Milford Wind I Project through the Switchyard only if and to the extent adequate transmission capacity is made available to Milford Wind I by Power Purchasers, subject to the maximum amount of megawatts identified in certain applicable stability and steady state studies.

Pursuant to an assignment of a portion of Milford Wind I's entitlement to Milford Wind II, in 2010, the Agency and Milford Wind II negotiated and executed a GIA. The second GIA provides for interconnection capacity for the Milford Wind II Project, in addition to the Milford Wind I Project, to the transmission systems of the Project through the Switchyard.

Certain of the California Purchasers have arranged to take delivery of all power delivered by the Milford Wind Projects at a point immediately before the point at which Milford Wind I's and Milford Wind II's transmission lines cross the boundary of the Switchyard. The California Purchasers are using and anticipate using entitlements in the Southern Transmission System that they currently hold and that they may acquire to connect such power to the Southern Transmission System through the Switchyard, and transmit it to their point of delivery at Adelanto, California. With the completion of the STS Upgrade, the California Purchasers have sufficient capacity to transmit this power. Pursuant to the Power Sales Contracts, power generated by the Intermountain Generating Station takes priority, however, over any power generated by any other sources for purposes of scheduling the capacity and use of the Switchyard and transmission systems of the Project.

In 2010, the Agency also granted interconnection rights to the Department at the Adelanto Converter Station for delivery of up to 10 MW of power generated by the Department's solar project near

Adelanto, California. In December 2022, the Agency signed generator interconnection agreements with five projects to interconnect of a total of 1,724 MW of renewable energy generation and 1,444 MW of battery energy storage, with a maximum output of 1,724 MW. An additional interconnection project comprised of 285 MW of solar generation and 285 MW of battery energy storage is pending execution of a generator interconnection agreement.

The Agency has eight additional active interconnection requests in various stages in the generation interconnection queue, including wind and solar energy and battery energy storage with maximum output of 4,080 MW. The Agency also has three renewable electricity generation and battery storage projects which plan to interconnect to interconnection facilities owned by other entities with respect to which the Agency will study potential reliability impacts to its transmission system. In addition, there is one transmission interconnection request being studied as part of the Agency's transmission interconnection procedures. The Agency review of the applications includes performing system impact studies, harmonics studies and facilities studies to determine the cost of interconnection facilities and any necessary network upgrades. See "ELECTRIC INDUSTRY RESTRUCTURING – Federal Deregulation Actions – *FERC Open-Access Transmission Initiatives*" herein.

### **Fuel Supply**

During fiscal year 2021-2022, Unit 1 operated at a plant capacity factor of 36.45% and Unit 2 operated at a plant capacity factor of 34.64%. Coal consumption during that fiscal year was approximately 2.5 million tons.

The Agency possesses coal supply agreements to fulfill the supply requirement of approximately 4.0 million tons per year. The coal is purchased under a portfolio of fixed-price contracts that are of short- and long-term in duration. However, supply chain issues have dramatically reduced coal supply beginning in the later months of 2021 and are expected to impact coal supply for the remaining life of the coal plant. The largest coal producer in Utah experienced a fire in September 2022. By the end of the year the fire was reportedly extinguished but the impact to the mine is still undetermined. The loss of the largest mine, combined with the logistics challenges in Utah, has dramatically reduced supply in the region including to the Agency.

The cost of coal delivered to the Intermountain Generating Station is substantially lower than current market prices for the region. The Agency expects that the costs to fulfill the Project's annual coal supply requirements will increase due to the scarcity of coal in the Western United States, if the Agency is able to secure any additional coal.

Transportation of coal to the Intermountain Generating Station is provided primarily by rail under agreements between the Agency and the Union Pacific Railroad company, and the coal is transported, in part, in railcars owned by the Agency. Coal is also transported to the Project, to some extent, in commercial trucks. Both rail service and trucking services have suffered greatly by a lack of human resources. Neither network is capable of supporting industrial demand; and the Agency, like all coal-fired utilities in the United States, has seen large systemic failures in the transportation system.

Historically, IPP was able to maintain a minimum of 60 days of coal in inventory in the event of a coal supply disruption. However, challenges in the coal supply chain resulted in only 35 days of inventory at the end of calendar year 2022.

Through the execution of the Natural Gas Transportation Contract, the Agency has secured firm natural gas transportation capacity sufficient to deliver 100% of the natural gas required to operate the Generation Renewal Project at projected capacity factors through 2045. The Agency is studying the manner of acquiring natural gas supply best suited for the Project, though the Agency anticipates that such natural

gas will be obtained at the hub at Opal, Wyoming, consistent with the terms of the Natural Gas Transportation Contract.

### **Water Supply**

The Agency owns water rights and water shares (primarily from the Sevier River) that, combined, yield approximately 45,000 acre-feet per year. This amount exceeds the annual water requirements of the Intermountain Generating Station and the Intermountain Converter Station. Should there be an interruption in the water supply system customarily used for operation of the Intermountain Generating Station and the Intermountain Converter Station, a reservoir at the Intermountain Generating Station, in combination with ground-water wells, can provide sufficient water to operate the Intermountain Generating Station and the Intermountain Converter Station for about twenty-five (25) days at full plant loads.

The Project currently uses approximately 12,500 acre-feet annually. After giving effect to the Generation Renewal Project, water usage is projected to be reduced to approximately 6,500 acre-feet per year.

The Agency anticipates making water available for development of the salt caverns for storage of hydrogen fuel in the amount of approximately 7,000 acre-feet per year for two years. The Agency projects that annual water usage for hydrogen fuel production could increase by a maximum of approximately 2,400 acre-feet (assuming that all energy at the Project is generated using 100% hydrogen fuel).

The Agency's water rights (and the water rights underlying its water shares) were permitted by the State of Utah assuming that 100% of the water used in the Project would constitute depletion (i.e., no water used by the Project would return to the water system from which the water is drawn pursuant to the Agency's water rights and water shares). A significant portion of the water used by the Project each year is, in fact, returned to the water system from which it has been taken.

### **Permits, Licenses and Approvals**

To the Agency's knowledge, the Project has been designed, constructed and operated in compliance with all applicable federal, state and local regulations, codes, standards and laws. To the Agency's knowledge, all principal permits, licenses, grants and approvals required to construct and operate the current facilities of the Project have been acquired, including permits relating to air quality and rights-of-way on federally-owned land.

The Agency is in the process of obtaining the permits necessary for design, construction and operation of the Gas Repowering (other than the Natural Gas Transportation Contract), the Hydrogen Betterments and the STS Renewal Project. The air permit from the Utah Department of Air Quality has been issued for the Gas Repowering. Permitting under the Natural Gas Transportation Contract and with respect to the Hydrogen Conversion and Storage Capacity are the responsibilities of the respective third parties with which the Agency has contracted for such transportation, conversion and capacity.

### **Insurance**

Pursuant to the Resolution, the Agency is required to use its best efforts to insure or cause to be insured the properties of the Project which are of an insurable nature and of the character usually insured by those operating properties similar to the Project against loss or damage by fire and from other causes customarily insured against and in such relative amounts and having such deductibles as are usually obtained. The Resolution also requires the Agency to use its best efforts to maintain or cause to be maintained insurance or reserves against loss or damage from hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties

of the Project. The Operating Agent acts as the Agency's agent in obtaining and maintaining insurance for the Project.

The Agency's insurance program for the Project consists of a combination of commercial insurance policies, fidelity bonds and self-insurance. In the opinion of the Operating Agent, the coverages and limits provided by the Agency's insurance program conform to those customarily provided by utilities in the public power industry. In connection with its self-insurance program, the Agency has established the Self-Insurance Fund under the Resolution. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Application of Revenues" and "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Insurance" in APPENDIX A hereto.

## **LITIGATION**

### **General**

Except as described below, there is no litigation or other proceeding pending or, to the knowledge of the Agency, threatened in any court, agency or other administrative body (either state or federal) that the Agency anticipates would have any material adverse effect upon the condition (financial or otherwise) of the Agency or the results of its operations.

### **Appeals of Fees in Lieu of Property Taxes**

In the State, each year the Property Tax Division of the Utah State Tax Commission (the "Division") determines the value of the Agency's tangible property located within the State (the "Taxable Tangible Property") and then various counties in Utah (the "Counties") assess fees in lieu of property tax (the "Fees") to the Agency based on such valuation. The Division's annual valuations are subject, during a specified period, to the right of the Agency or the Counties to appeal such valuations to the Utah State Tax Commission (the "Commission"). When a valuation is appealed to the Commission, the appeal is tried before the Commission as the adjudicative body. In such an appeal, the Commission has the obligation to determine the fair market value of the Taxable Tangible Property. The Division has the right to appear as a party before the Commission in such an appeal to defend the Division's valuation as being equal to fair market value.

The Agency has appealed the Division's valuation of the Taxable Tangible Property for each of the years 2014 through 2022 (the relevant Fees will be determined by a statutory formula that is to be calculated solely on the basis of the valuation that will be determined by a final nonappealable decision of the Commission or the court). The Agency has paid the assessed Fees for each year on appeal and is seeking to obtain a refund of the Fees attributable to the amount by which the Division's valuation of the Taxable Tangible Property exceeds the fair market value of the Taxable Tangible Property. The appeal of the 2014 Valuation (as defined below) has been heard by the Commission.

The Fees assessed by the Counties to the Agency in 2014 (the "2014 Fees") were based on the valuation by the Division of the Taxable Tangible Property at \$829,450,170 (the "2014 Valuation"). After the Counties assessed the 2014 Fees, the Division asserted that the 2014 Valuation reflected a computational error and that the Taxable Tangible Property had a value in 2014 of \$1,031,520,000. In connection with the Agency's appeal of the 2014 Valuation, the seven Counties that are the beneficiaries of the 2014 Fees asserted a valuation that was approximately the same as the valuation that the Division asserted after the assessment of the 2014 Fees. The Agency asserted that, for 2014, the Taxable Tangible Property had a fair market value of \$499,000,000.

The 2014 Fees have reflected the Division's exclusion from the Fee base of a percentage of the Fee base equal to the percentage of power purchased from the Agency by the Utah Municipal Purchasers (the "Municipal Exclusion"). The State has conceded in assessing the 2014 Fees (and in earlier years) that since the Agency sells at least a portion of the Project's generation capacity and output to Utah municipalities pursuant to the Power Sales Contracts between the Agency and such municipalities, a proportionate portion of the value of the Agency's Taxable Tangible Property should be excluded from the Fee base in calculating the Fees. The 2014 Valuation and the valuation advocated by the Agency in the appeal of the 2014 Valuation reflected a Municipal Exclusion of 14.04%. The valuation proposed by the Division following such assessment reflected a Municipal Exclusion of 11.193% (reflecting a change in the Division's position following the assessment of the 2014 Fees).

After the trial of the 2014 Valuation (held in 2016), the Division, Millard County and the Agency filed their respective briefs setting forth their positions with respect to the Municipal Exclusion. In those briefs, the Agency, the Division and Millard County asserted that the Municipal Exclusion should be equal to 14.04%, 11.193% and 0%, respectively.

On December 22, 2017, the Commission issued its decision with respect to the 2014 Valuation. The Commission ordered that the value of the Taxable Tangible Property be \$751,495,000 (after giving effect to a Municipal Exclusion of 14.04%). The Counties appealed the Commission's decision to a State district court (sitting as a tax court, the "Tax Court"). The Agency then cross-appealed the Commission's order. Because the Division is a division within the Commission, the Division has no right to appeal the Commission's decision with respect to the 2014 Valuation (including the amount of the Municipal Exclusion). The Commission does have the right to appear in the Tax Court proceedings to argue that the Tax Court should uphold the Commission's order.

The appeal to the Tax Court will result in a trial de novo (with no deference to the findings of fact or conclusions of law made by the Commission). The appeal to the Tax Court has stayed any refunds required to be made by the Counties pursuant to the Commission's order pending a final non-appealable order. The Tax Court has ordered that the Agency and the Counties proceed with discovery in the appeal. The Tax Court will set the date for trial of the appeal once discovery is complete. Discovery is nearly complete. There are presently ongoing discussions relating to a potential deposition of a third party. The timeline for discovery is subject to continued extensions.

The Agency, the Commission, and the Counties have filed a stipulation with the Tax Court providing that the proceedings in the appeals are to be protected from public disclosure.

Any of the Counties or the Agency may appeal a decision by the Tax Court directly to the Utah Supreme Court. Although the parties would have the right to have such appeal heard, the Utah Supreme Court has the discretion to hear the appeal itself or to have the appeal heard by the Utah Court of Appeals. If the Utah Supreme Court elects to have the Utah Court of Appeals hear the appeal, the Utah Supreme Court would then have the discretion to decline to hear any appeal of the Utah Court of Appeals' decision.

The Commission has ordered that the appeals regarding Valuations for 2015 through 2022 be stayed to allow the appeal of the 2014 Valuation to be tried in court.

The Agency cannot predict the outcome of any appeal of the Commission's order including with respect to the assessed value of the Agency's property. The Tax Court will not be limited to the original determination by the Commission of fair market value made in connection with the assessment of the 2014 Fees. The Tax Court, with respect to the 2014 appeals, or the Commission, with respect to the appeals for the remaining years, may determine that the fair market value of the Taxable Tangible Property exceeds the valuation for the year or years before it or that the Municipal Exclusion is as low as 0% (concluding that the Agency would owe more fees), including even if the Agency withdrew its appeal.

The Agency cannot predict the effect that the Commission's or a reviewing court's decision with respect to the 2014 Valuation or the 2014 Fees, including the impact of the decision following the exhaustion of any appeals (during the pendency of which the Commission's order is stayed), will have on the Commission's determinations with respect to the valuation or the Fees with respect to later years on appeal. The Agency cannot predict the impact on the Agency's financial condition, if any, from enforcement of the Commission's decision with respect to the 2014 Valuation and the 2014 Fees, an adverse determination by a reviewing court with respect to the 2014 Valuation or the 2014 Fees or the determination by the Commission or a reviewing court with respect to the valuation or the Fees for subsequent years.

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## FINANCIAL STATEMENTS

The Agency's Consolidated Financial Statements and Supplemental Schedule for its fiscal years ended June 30, 2022 and 2021, together with the Independent Auditors' Report issued by Deloitte & Touche LLP with respect thereto, are attached hereto as Appendix E. The Audited Financial Statements for the fiscal years ended June 30, 2022 and 2021 for the Department are attached to the Department Disclosure Report. The Audited Financial Statements for the fiscal years ended June 30, 2022 and 2021 for Anaheim are attached to the Anaheim Disclosure Report. See "INTRODUCTION – The Power Purchasers" herein.

## INTERMOUNTAIN POWER AGENCY

By:                     /s/ NICK TATTON                      
Nick Tatton, Vice Chair

By:                     /s/ CAMERON R. COWAN                      
Cameron R. Cowan, General Manager



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## **APPENDIX A**

### **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

This Appendix contains a summary of certain provisions of the Resolution, as amended prior to the date of the document to which this Appendix A is attached, including the amendment and restatement of the Resolution provided for in the Second Amended and Restated Power Supply Revenue Bond Resolution adopted by the Agency on November 2, 2021 (the “Second Amended and Restated Resolution”). This summary is not to be considered a full statement of the terms of the Resolution and accordingly is qualified by reference to the full text of the Second Amended and Restated Resolution. Capitalized terms not defined in this Appendix or in the document to which it is attached have the meanings set forth in the Second Amended and Restated Resolution.

## TABLE OF CONTENTS

	<u>Page</u>
Pledge Effected by the Resolution .....	A-3
Nature of Obligation .....	A-3
Application of Revenues .....	A-3
Construction Fund.....	A-9
STS Capital Improvement Construction Fund.....	A-9
Certain Conditions to Issuance of Bonds .....	A-10
Additional Bonds Other than Refunding Bonds .....	A-10
Refunding Bonds .....	A-11
Special Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds.....	A-11
Credits Against Sinking Fund Installments .....	A-12
Subordinated Indebtedness .....	A-12
Investment of Certain Funds and Accounts .....	A-14
Encumbrances; Disposition of Properties .....	A-14
Rate Covenant.....	A-15
Covenants with Respect to Power Sales Contracts and Construction Management and Operating Agreement.....	A-15
Annual Budget .....	A-16
Insurance .....	A-16
Accounts and Reports .....	A-17
Amendments and Supplemental Resolutions.....	A-17
Trustee; Paying Agents .....	A-18
Redemption of Bonds .....	A-20
Defeasance .....	A-20
Events of Default and Remedies .....	A-21
Notice of Default.....	A-23
Unclaimed Moneys .....	A-23
Action by Credit Enhancer When Action by Holders of Bonds Required.....	A-23
Definitions .....	A-23
Proposed Amendments to the Resolution .....	A-31

## **Pledge Effected by the Resolution**

Under the Resolution, the Agency has pledged and assigned to the Trustee, for the benefit of the Holders of the Bonds, the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

In addition, under the Resolution, the Agency has pledged, as additional security for the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of each Additionally Secured Series secured thereby, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, amounts on deposit in any separate subaccount established in the Debt Service Reserve Account in the Debt Service Fund, including the investments, if any, thereof.

## **Nature of Obligation**

The Resolution provides that the principal and Redemption Price of, and interest on, the Bonds will be payable solely from the Revenues and other funds pledged by the Agency under the Resolution. The Bonds are not an obligation of the State of Utah or any political subdivision thereof, other than the Agency, or any member of the Agency or any Power Purchaser or the Project Manager or Operating Agent and neither the faith and credit nor the taxing power of the State of Utah or any political subdivision thereof or any city or town which is either a member of the Agency or a Power Purchaser or both is pledged for the payment of the Bonds. No Holder of the Bonds or receiver or trustee in connection with the payment of the Bonds will have the right to compel the State of Utah, any political subdivision thereof or any city or town which is either a member of the Agency or a Power Purchaser or both to exercise its appropriation or taxing powers.

## **Application of Revenues**

Revenues are pledged by the Resolution to payment of principal and Redemption Price of and interest on the Bonds, subject to the provisions of the Resolution permitting application for other purposes. The Resolution establishes the following Funds and Accounts for the application of Revenues:

<b><u>Fund</u></b>	<b><u>Held By</u></b>
Revenue Fund .....	Agency
Debt Service Fund.....	Trustee
Debt Service Account	
Debt Service Reserve Account	
Subordinated Indebtedness Fund .....	Trustee
Subordinated Indebtedness Debt Service Account	
Such other accounts as may be established by the Agency in such Fund	
Self-Insurance Fund .....	Agency

The Resolution also establishes a Construction Fund, an STS Capital Improvement Construction Fund and one or more Decommissioning Funds.

The Resolution provides that there may be established within any Fund or Account such further accounts or subaccounts as an Authorized Officer may determine, but only if such Authorized Officer files with the Trustee a certificate to the effect that the establishment thereof (a) is for administrative purposes only and (b) will not result in an increase to the Power Purchasers in Monthly Power Costs under the Power Sales Contracts.

The Resolution requires that all Revenues be deposited by the Agency promptly upon receipt thereof to the credit of the Revenue Fund. As soon as practicable in each month, but in any case no later than the last business day of such month, the Agency will withdraw and apply amounts in the Revenue Fund to the following uses in the following order of priority:

1. ***For Operating Expenses***, such sums as are necessary for the payment of reasonable and necessary Operating Expenses for such month.

2. ***To the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund***, (a) for credit to the Debt Service Account, the amount, if any, required so that the balance in said Account equals the Accrued Aggregate Debt Service; *provided, however*, that, for the purposes of computing the amount on deposit in said Account, there will be excluded the amount, if any, set aside in said Account from the proceeds of Bonds or other evidences of indebtedness of the Agency for the payment of interest on Bonds less that amount of such proceeds to be applied in accordance with the Resolution to the payment of interest accrued and unpaid and to accrue on Bonds to the last day of the then current calendar month and (b) for credit to each separate subaccount in the Debt Service Reserve Account, the amount, if any, required so that the balance in each such subaccount equals the Debt Service Reserve Requirement related thereto as of the last day of the then current month (or, if the amount on deposit in the Revenue Fund is not sufficient to make the deposits required to be made as described in this clause (b) with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such amount on deposit in the Revenue Fund will be applied ratably, in proportion to the amount necessary for deposit into each such subaccount).

The Trustee will apply amounts in the Debt Service Account to the payment of principal of and interest on the Bonds. In addition, the Trustee may, and if directed by the Agency must, apply certain amounts in the Debt Service Account (a) to the purchase or redemption of Bonds to satisfy sinking fund requirements prior to the due date of any Sinking Fund Installment and (b) to the purchase or redemption of Bonds for which no sinking fund installments have been established prior to the maturity date thereof. The Trustee must pay out of the Debt Service Account the amount required for the redemption of Bonds called for redemption pursuant to sinking fund requirements, or maturing, on any redemption or maturity date.

In the event of the refunding or defeasance of any Bonds, the Trustee will, upon the direction of an Authorized Officer, withdraw from the Debt Service Account all or any portion of the amounts accumulated therein and hold such amounts for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded or defeased; *provided, however*, that such withdrawal will not be made unless (a) immediately thereafter the Bonds being refunded or defeased are deemed to have been paid pursuant to the Resolution, and (b) the amount remaining in the Debt Service Account, after giving effect to the issuance of any obligations being issued to refund any Bonds being refunded and the disposition of the proceeds thereof, is not less than the requirement of such Account pursuant to the Resolution.

The Sixty-First Supplemental Power Supply Revenue Bond Resolution adopted by the Agency on April 28, 2022 (the “Sixty-First Supplemental Resolution”) creates within the Debt Service Reserve Account, for the benefit of (1) the 2022 Series A and B Bonds and (2) all Bonds of any Series hereafter issued, but only to the extent that the Supplemental Resolution authorizing the Bonds of such Series specifies that such Bonds will be an Additionally Secured Series secured thereby, a subaccount designated as the “Initial Subaccount”.

The Agency may, with the approval of the Coordinating Committee given as provided the Power Sales Contracts, by Supplemental Resolution, create within the Debt Service Reserve

Account one or more subaccounts, for the benefit of such Series of Bonds as may be specified in, or determined pursuant to, such Supplemental Resolution. In lieu of maintaining moneys or investments in any such subaccount, the Agency at any time may cause to be deposited into such subaccount for the benefit of the Holders of the Bonds of the Additionally Secured Series secured thereby a surety bond, an insurance policy, a letter of credit or any other similar obligation satisfying the requirements set forth in such Supplemental Resolution in an amount (determined as provided in the Resolution) equal to the difference between the Debt Service Reserve Requirement for such subaccount and the sum of moneys or value of Investment Securities then on deposit therein, if any.

If on the last business day of any month the amount in the Debt Service Account is less than the amount required to be in such Account pursuant to the Resolution, the Trustee will apply amounts from each separate subaccount in the Debt Service Reserve Account to the extent necessary to make good the deficiency that exists with respect to the Additionally Secured Series of the Bonds secured thereby.

Whenever the moneys on deposit in any subaccount established in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement related thereto, and after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount in accordance with the provisions of the Resolution or the Supplemental Resolution establishing such subaccount, as applicable, such excess will be credited to the Revenue Fund and applied as described in the penultimate paragraph under this caption; *provided, however*, that unless otherwise approved by the Agency and by the Coordinating Committee in the manner provided in the Power Sales Contracts, such excess moneys will be applied to the purchase, redemption or provision for payment of Bonds or Subordinated Indebtedness.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account will be transferred to the Debt Service Account. Any provision of the Resolution to the contrary notwithstanding, so long as there is held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits will be required to be made into the Debt Service Reserve Account.

In the event of the refunding or defeasance of any Bonds of an Additionally Secured Series, the Trustee will, upon the direction of an Authorized Officer, withdraw from the separate subaccount in the Debt Service Reserve Account established for the benefit of the Bonds of such Additionally Secured Series all or any portion of the amounts accumulated therein and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded or defeased; *provided, however*, that such withdrawal will not be made unless (A) immediately thereafter, the Bonds being refunded or defeased are deemed to have been paid pursuant to the provisions of the Resolution, and (B) the amount remaining in such separate subaccount in the Debt Service Reserve Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount, and after giving effect to the issuance of any obligations being issued to refund any Bonds being refunded and the disposition of the proceeds thereof, is not less than the Debt Service Reserve Requirement related thereto.

3. ***To the Subordinated Indebtedness Fund***, for deposit in each separate account established in the Subordinated Indebtedness Fund, the respective amount, if any, required so that the balance therein or the amount deposited thereto, as the case may be, equals the amount required to be on deposit therein as of the end of such month or the amount required to be deposited thereto during such month, as applicable, determined as provided in the respective Subordinated Indebtedness Instruments relating to such account and the Subordinated Indebtedness payable therefrom or secured thereby.

The Trustee will 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 Subordinated Indebtedness Instrument relating to such account and the Subordinated Indebtedness payable therefrom or secured thereby. Upon any such withdrawal of any moneys from the Subordinated Indebtedness Fund to be applied to the payment of the principal or sinking fund installments of and interest on (or other amounts due with respect to) any Subordinated Indebtedness or reserves therefor such money will be released and discharged from the lien of the Resolution.

If at any time the amount in the Debt Service Account is less than the requirement of such Account, or the amount in any separate subaccount in the Debt Service Reserve Account is less than the Debt Service Reserve Requirement relating thereto, and there is not on deposit in the Revenue Fund available moneys sufficient to cure either deficiency, then the Trustee will withdraw from the Subordinated Indebtedness Fund and deposit into the Debt Service Account or such separate subaccount(s) in the Debt Service Reserve Account, as the case may be, the amount necessary to make up such deficiency (or, if the amount in said Fund is less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund will be applied first to make up the deficiency in the Debt Service Account, and any balance remaining will be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount). For the purposes described above, the Trustee will first withdraw amounts from the Subordinated Indebtedness Debt Service Account and, if the amount in said Account is less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the Trustee will withdraw from each other account in the Subordinated Indebtedness Fund, ratably in proportion to the respective amounts on deposit therein, the amounts required to make up said deficiencies.

Subject to the provisions of, and to the priorities and limitations and restrictions provided in the Subordinated Indebtedness Instrument securing each issue of Subordinated Indebtedness, amounts in the Subordinated Indebtedness Fund which the Agency at any time determines to be in excess of the requirements of such Fund, may, at the discretion of the Agency, be transferred to the Revenue Fund and applied as described in the penultimate paragraph under this caption; *provided, however*, that unless otherwise approved by the Agency and by the Coordinating Committee in the manner provided in the Power Sales Contracts, such excess moneys will be applied to the purchase, redemption or provision for payment of Bonds or Subordinated Indebtedness.

4. ***To the Self-Insurance Fund***, one-twelfth (or such greater fraction as may be appropriate if the period is less than twelve months) of the total amount provided for deposit therein during the then Fiscal Year in the current Annual Budget, *provided, however*, that if a deficiency in said Fund is to be restored over a period which extends beyond the Fiscal Year during which such restoration has commenced as described in the proviso to the penultimate paragraph under this item 4, then the deposits in each month to said Fund during such subsequent Fiscal Year will be in the amount determined pursuant to such provision.

Subject to the provisions of the Resolution, upon receipt of a requisition therefor from the Operating Agent under the Construction Management and Operating Agreement in the form prescribed in the Resolution, the Agency will apply amounts in the Self-Insurance Fund to the payment of claims and losses arising from Insurable Risks which are properly payable from the Self-Insurance Fund; *provided, however*, that all such payments will be subject to the provisions of the Resolution relating to the application of insurance proceeds and the reconstruction of the Project.

Notwithstanding anything to the contrary contained in the Resolution, no payments may be made from the Self-Insurance Fund with respect to any claim or loss (a) if such claim or loss is less than \$50,000 (or such other amount as the Coordinating Committee may from time to time establish); or (b) if and to the extent that proceeds of insurance or other moneys recoverable as the result of such claim or loss arising from an Insurable Risk that is otherwise payable from such Fund are available to pay such claim or loss.

The Agency may from time to time set aside amounts on deposit in the Self-Insurance Fund as reserves for the payment of claims or losses arising from the occurrence of a particular Insurable Risk or Risks.

If at any time the amount in the Debt Service Account is less than the requirement of such Account, or the amount in any separate subaccount in the Debt Service Reserve Account is less than the Debt Service Reserve Requirement related thereto, and such deficiency has not been cured from available amounts in the Revenue Fund or from transfers from the Subordinated Indebtedness Fund, then the Agency will transfer from the Self-Insurance Fund to the Trustee, for deposit in the Debt Service Account or such separate subaccount(s) in the Debt Service Reserve Account, as the case may be, the amount necessary to make up such deficiency (or, if the amount in said Fund is less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund will be applied first to make up the deficiency in the Debt Service Account, and any balance remaining will be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount).

Amounts in the Self-Insurance Fund which the Agency at any time determines to be in excess of the requirements of such Fund, such determination to be evidenced by a written statement to this effect signed by an Authorized Officer and confirmed by the Operating Agent under the Construction Management and Operating Agreement, will be applied to make up any deficiencies in the following Funds and Accounts in the following order: the Debt Service Account; and each separate subaccount in the Debt Service Reserve Account; *provided, however*, that if the amount in the Self-Insurance Fund is less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund will be applied first to make up the deficiency in the Debt Service Account, and any balance remaining will be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount. Any balance of such excess not so applied will be deposited in the Revenue Fund and applied as described in the penultimate paragraph under this caption; *provided, however*, that unless otherwise approved by the Agency and by the Coordinating Committee in the manner provided in the Power Sales Contracts, such excess moneys will be applied to the purchase, redemption or provision for payment of Bonds or Subordinated Indebtedness.



If at any time the amount on deposit in the Self-Insurance Fund is less than the Self-Insurance Requirement, the Agency will adopt in accordance with the provisions of the Power Sales Contracts and file with the Trustee an amended Annual Budget for the remainder of the then current Fiscal Year, which amended Annual Budget will include an amount sufficient to restore the balance in the Self-Insurance Fund to the Self-Insurance Requirement; *provided, however*, that any such deficiency in excess of \$5,000,000 (or such other amount as the Coordinating Committee may from time to time establish) will, upon determination of the Agency, be restored in equal monthly payments either (a) during the remainder of the then current Fiscal Year, or (b) by the end of the next succeeding Fiscal Year.

The Agency will at all times maintain policies of insurance which, when combined with amounts on deposit in the Self-Insurance Fund available to pay claims and losses arising from Insurable Risks properly payable from such Fund, will provide funds in amounts sufficient to comply with the requirements of the provisions of the Resolution relating to the maintenance of insurance described under the caption "Insurance" below.

Amounts in the Revenue Fund remaining after the application as described in the foregoing items 1, 2, 3 and 4 may be applied to (a) payments into any separate account or accounts established in the Construction Fund or the STS Capital Improvement Construction Fund for application to the purposes of such account, (b) the costs of Capital Improvements, the payment of extraordinary operation and maintenance costs, the costs of retirement of the Project and contingencies, including payments with respect to the prevention or correction of any unusual loss or damage in connection with the Project or to prevent a loss of revenue therefrom, all to the extent not paid as Operating Expenses or from the proceeds of Bonds or other evidences of indebtedness of the Agency, (c) if any Decommissioning Fund shall have been established pursuant to the Resolution, for credit to each such Fund for application to the purposes thereof and the costs of Capital Improvements, the payment of extraordinary operation and maintenance costs, the costs of retirement of the Project and contingencies, including payments with respect to the prevention or correction of any unusual loss or damage in connection with the Project or to prevent a loss of revenue therefrom, all to the extent not paid as Operating Expenses or from the proceeds of Bonds or other evidences of indebtedness of the Agency and (d) any lawful purpose of the Agency relating to the Project (including, but not limited to, (i) the purchase, redemption or provision for payment of any of the Bonds or Subordinated Indebtedness and (ii) the reduction of the cost of Project power and energy to the Power Purchasers under the Power Sales Contracts) not otherwise prohibited by the Resolution; *provided, however*, that unless otherwise approved by the Agency and by the Coordinating Committee, such remaining moneys will be applied to the purchase, redemption or provision for payment of Bonds or Subordinated Indebtedness; and *provided, further*, that none of the remaining moneys will be used for any purpose other than those described in the foregoing items 1, 2, 3, 4 and in the foregoing clause (a) unless all current payments of Operating Expenses and debt service on the Bonds and Subordinated Indebtedness, including all deficiencies in prior payments, if any, have been made in full and unless there does then exist any uncured default by the Agency with respect to any of the covenants, agreements or conditions on its part contained in the Resolution.

If and to the extent provided in a Supplemental Resolution authorizing Bonds of a Series, amounts from the proceeds of such Bonds may be deposited in any separate account in the Revenue Fund and set aside therein as working capital, as reserves for Operating Expenses or as reserves for such other costs or contingencies as may be specified therein. The Agency may also from time to time set aside additional amounts in any separate account in the Revenue Fund as working capital, as a general reserve for Operating Expenses or as reserves for such other costs or contingencies as the Agency may determine (including any reserves established to provide for self-insurance); *provided, however*, that no such amounts will be deposited into any such separate account during any Fiscal Year from Revenues unless provision is made therefor in the Annual Budget for such Fiscal Year; and *provided, further*, that the total amount of any such

general reserve for Operating Expenses accumulated from Revenues held at any time will not exceed 20% of the amount appropriated by the Annual Budget for Operating Expenses for the then current Fiscal Year.

### **Construction Fund**

The Resolution establishes a Construction Fund, to be held by the Agency, into which will be paid amounts required by the provisions of the Resolution and any Supplemental Resolution and, at the option of the Agency, any moneys received for or in connection with the Project by the Agency, unless required to be otherwise applied as provided in the Resolution. In addition, proceeds of insurance for physical loss or damage to the Project, including proceeds of any self-insurance fund, or of contractors' performance bonds pertaining to the period of construction of the Project will be paid into the Construction Fund. Within the Construction Fund, a separate account will be established for any Capital Improvements, the Cost of Acquisition and Construction of which is to be paid out of the Construction Fund.

The Agency will pay from the Construction Fund the Cost of Acquisition and Construction of each Capital Improvement, the Cost of Acquisition and Construction of which is to be paid out of the Construction Fund.

The completion of construction of any Capital Improvements shall be evidenced by a certificate or certificates of an Authorized Officer, filed with the records of the Agency, stating (i) that such Capital Improvements have been completed in accordance with the plans and specifications applicable thereto and in accordance with the Construction Management and Operating Agreement, (ii) the date of such completion, and (iii) the amount, if any, required in the opinion of the signer or signers for the payment of any remaining part of the Cost of Acquisition and Construction thereof. Upon the filing of such certificate, the balance in the separate account in the Construction Fund established therefor in excess of the amount, if any, stated in such certificate shall be transferred to the Trustee for deposit to each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, such amount as shall be necessary to make the amount of such subaccount equal to the Debt Service Reserve Requirement related thereto (or, if the amount to be so transferred shall not be sufficient to make the deposits required to be made pursuant to this clause with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such amount to be so transferred shall be applied ratably, in proportion to the amount necessary for deposit into each such subaccount), and any balance shall be transferred to the Revenue Fund for application to the retirement of Bonds by purchase or redemption or for application to the reduction of the cost of Project power and energy to the Power Purchasers under the Power Sales Contracts. If subsequent to the filing of such certificate it shall be determined that any amounts specified in such certificate as being required for the payment of any remaining part of the Cost of Acquisition and Construction are no longer so required, such fact shall be evidenced by a certificate or certificates of an Authorized Officer filed with the records of the Agency stating such fact and any amount shown therein as no longer being required shall be transferred to the Trustee for deposit to each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, such amount as shall be necessary to make the amount of such subaccount equal to the Debt Service Reserve Requirement related thereto (or, if the amount to be so transferred shall not be sufficient to make the deposits required to be made pursuant to this clause with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such amount to be so transferred shall be applied ratably, in proportion to the amount necessary for deposit into each such subaccount), and any balance shall be transferred to the Revenue Fund for application to the retirement of Bonds by purchase or redemption or for application to the reduction of the cost of Project power and energy to the Power Purchasers under the Power Sales Contracts.

### **STS Capital Improvement Construction Fund**

The Resolution establishes an STS Capital Improvement Construction Fund, to be held by the Agency, into which will be paid all payments-in-aid of construction received by the Agency (a) in respect

of the STS Renewal Project and (b) in respect of certain Southern Transmission Capital Improvements that SCPPA determines shall be financed by SCPPA under the STS Agreement (including any renewal thereof). Amounts in the STS Capital Improvement Construction Fund will be applied to the Cost of Acquisition and Construction of the STS Renewal Project or of any Southern Transmission Capital Improvements in the manner provided in the Resolution. The STS Capital Improvement Construction Fund is not a part of the Trust Estate and, therefore, is not pledged to the payment of the Bonds.

### **Certain Conditions to Issuance of Bonds**

Bonds will be authenticated by the Trustee pursuant to the Resolution upon compliance with certain requirements and conditions, including the following:

(1) The Trustee has received an Opinion of Counsel to the effect that the Bonds of the Series being issued have been duly and validly authorized, issued and are valid and binding obligations of the Agency and as to certain other matters concerning the Resolution.

(2) The Trustee has received the amount, if any, required by the Supplemental Resolution authorizing the Bonds of such Series to be deposited into the Debt Service Account for the payment of interest on Bonds and, if such Series is an Additionally Secured Series, the amount, if any, necessary for deposit into the separate subaccount in the Debt Service Reserve Account designated therefor so that the amount on deposit in such subaccount equals the Debt Service Reserve Requirement related thereto calculated immediately after the authentication and delivery of such Series of Bonds; *provided, however*, that a Supplemental Resolution establishing a separate subaccount in the Debt Service Reserve Account may provide that, in lieu of maintaining all or a portion of the moneys or investments required to be maintained in such separate subaccount in the Debt Service Reserve Account, there may be credited to such subaccount at any time a surety bond, an insurance policy, a letter of credit or any other similar obligation, or any combination thereof, of the type specified therein, or such amount may be deposited thereafter from Revenues or otherwise, in such manner as may be specified therein.

(3) Except in case of the Refunding Bonds, an Authorized Officer has certified that the Agency is not in default in the performance of its agreements under the Resolution.

### **Additional Bonds Other than Refunding Bonds**

The Agency may issue one or more Series of Bonds (a) for the purpose of paying all or a portion of the Cost of Acquisition and Construction of (i) prior to the Transition Date, any Capital Improvements and (ii) from and after the Transition Date, any Major Capital Improvements (in either such case, including, without limitation, the Gas Repowering or any Alternative Repowering (as such terms are defined in the Original Power Sales Contracts)) or (b) for any other lawful purpose of the Agency in connection with the Project; *provided, however*, that no such Bonds shall be issued pursuant to the foregoing clause (b) unless the Coordinating Committee shall have approved the issuance of such Bonds in the manner provided in the Power Sales Contracts, upon compliance with the following, in addition to the conditions to issuance described above:

(1) In the case of all additional Bonds being issued to finance the cost of Capital Improvements which are determined necessary by the Coordinating Committee under the Power Sales Contracts to keep the Project in good operating condition or to prevent a loss of revenue therefrom, the Trustee has received an opinion of the Operating Agent to such effect.

(2) In the case of all additional Bonds being issued to finance the cost of Capital Improvements either required by any governmental agency having jurisdiction over the Project,

required by the Construction Management and Operating Agreement or required by the Resolution, the Trustee has received an Opinion of Counsel to the effect that such Capital Improvements are either required by such government agency or are an obligation of the Agency arising out of the Construction Management and Operating Agreement or the Resolution, respectively.

The Resolution also provides for the issuance of one or more Series of Bonds for any other lawful purpose of the Agency in connection with the Project; *provided, however*, that no such additional Bonds may be so issued unless (X) the Coordinating Committee has approved the issuance of such Bonds in the manner provided in the Power Sales Contracts and (Y) the Agency by resolution determines (which determination may be based upon such factors as the Agency determines to be appropriate, including, without limitation, the advice of a banking or financial institution serving as a financial advisor to the Agency) that (1) the Agency would have issued Subordinated Indebtedness to finance the costs to be financed with the proceeds of such Bonds and (2) the issuance of such Bonds in lieu of the issuance of such Subordinated Indebtedness does not affect the rights or obligations of the Power Purchasers under the Power Sales Contracts, nor is it to the disadvantage of the Power Purchasers, nor does it result in increased Monthly Power Costs to the Power Purchasers above what would have been the Monthly Power Costs had the Agency so issued such Subordinated Indebtedness.

### **Refunding Bonds**

One or more Series of Refunding Bonds may be issued to refund, by payment or exchange, any Outstanding Bonds or Subordinated Indebtedness. The issuance of Refunding Bonds to refund Outstanding Bonds is subject to the condition, unless waived by the Coordinating Committee, that an Authorized Officer certify that for the then current and each future Fiscal Year preceding the date of the latest maturity of any Bonds of any Series then Outstanding, the Aggregate Debt Service with respect to the Bonds of all Series to be Outstanding immediately after the date of authentication and delivery of the Refunding Bonds is no greater than that with respect to the Bonds of all Series Outstanding immediately prior to such date.

The Resolution also provides for the issuance of Refunding Bonds of one or more Series to refund, by payment or exchange, any other outstanding Subordinated Indebtedness; *provided, however*, that no such Bonds will be so issued unless (X) the Coordinating Committee has approved the issuance of such Bonds in the manner provided in the Power Sales Contracts and (Y) the Agency by resolution determines (which determination may be based upon such factors as the Agency determines to be appropriate, including, without limitation, the advice of a banking or financial institution serving as a financial advisor to the Agency) that (i) the Agency would have issued Subordinated Indebtedness to refund such other Subordinated Indebtedness and (A) prior to the Transition Date, the issuance of such Bonds in lieu of the issuance of such Subordinated Indebtedness does not affect the rights or obligations of the Power Purchasers under the Power Sales Contracts, nor is it to the disadvantage of the Power Purchasers, nor does it result in increased Monthly Power Costs to the Power Purchasers above what would have been the Monthly Power Costs had the Agency so issued such Subordinated Indebtedness and (B) from and after the Transition Date, the issuance of such Bonds in lieu of the issuance of such Subordinated Indebtedness does not adversely affect the rights or obligations of the Power Purchasers under their respective Renewal Power Sales Contracts.

### **Special Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds**

For the purposes of (a) receiving payment of the Redemption Price if a Capital Appreciation Bond or a Deferred Income Bond is redeemed prior to maturity, or (b) receiving payment of a Capital Appreciation Bond or a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default or (c) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond or a Deferred Income Bond in giving to the Agency or the Trustee

any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond or a Deferred Income Bond will be deemed to be the amount specified in (or determined in accordance with the provisions of) the Supplemental Resolution authorizing such Capital Appreciation Bond or Deferred Income Bond, as applicable, but in no event will such amount exceed the principal amount thereof plus interest accrued and unpaid thereon to the relevant date of computation.

### **Credits Against Sinking Fund Installments**

If at any time Bonds of any Series and maturity for which Sinking Fund Installments have been established are (a) purchased or redeemed other than from amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment, or (b) deemed to have been paid pursuant to the provisions of the Resolution and, with respect to such Bonds which have been deemed paid, irrevocable instructions have been given to the Trustee to redeem or purchase (other than pursuant to sinking fund redemption provisions) the same on or prior to the due date of the Sinking Fund Installment to be credited as described in this paragraph, the Agency may, subject to the provisions described in the final sentence of this paragraph, from time to time and at any time determine the portions, if any, of such Bonds so purchased, redeemed or deemed to have been paid and not previously applied as a credit against any Sinking Fund Installment which are to be credited against future Sinking Fund Installments. Such determination will include the amounts of such Bonds to be applied as a credit against such Sinking Fund Installment or Installments and the particular Sinking Fund Installment or Installments against which such Bonds are to be applied as a credit; *provided, however*, that none of such Bonds may be applied as a credit against a Sinking Fund Installment to become due less than 40 days after such determination is made. In any such case, the Sinking Fund Installment so to be credited will be credited in the amount of the sinking fund Redemption Price of the Bonds to be applied thereto as a credit, and the portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts have been credited toward the same) will constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date. Any such determination by the Agency to apply such Bonds as a credit against future Sinking Fund Installments is approved by the Coordinating Committee in the manner provided in the Power Sales Contracts.

### **Subordinated Indebtedness**

The Agency may issue Subordinated Indebtedness for any purpose of the Agency in connection with the Project, including, without limitation, (i) prior to the Transition Date, the financing of a part of the Cost of Acquisition and Construction of any Capital Improvements or the refunding of any Subordinated Indebtedness or Outstanding Bonds and (ii) from and after the Transition Date, the financing of a part of the Cost of Acquisition and Construction of any Major Capital Improvements or the refunding of any Subordinated Indebtedness or Bonds. Subordinated Indebtedness will be payable out of and may be secured by a pledge of available amounts in the Subordinated Indebtedness Fund; *provided, however*, that any such payment or pledge will be, and will be expressed to be, subordinate and junior in all respects to the pledge and lien created under the Resolution as security for the Bonds; and *provided, further*, that unless the Subordinated Indebtedness Instrument authorizing such Subordinated Indebtedness shall provide that no such certificate shall be required, no such Subordinated Indebtedness shall be so issued except upon receipt by the Trustee of a certificate of an Authorized Officer stating that the Agency is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution. No Subordinated Indebtedness may be issued without the approval of the Coordinating Committee of the terms and provisions of the Subordinated Indebtedness Instrument authorizing the issuance or sale of or providing the security for such Subordinated Indebtedness and the contract of purchase pursuant to which such Subordinated Indebtedness is to be sold.

In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the Holders of all Bonds then Outstanding will be entitled to receive payment in full of all principal and interest due on all such Bonds in accordance with the provisions of the Resolution before the holders of the Subordinated Indebtedness are entitled to receive any payment from the Trust Estate on account of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

If any issue of Subordinated Indebtedness is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of the preceding paragraph are not applicable), the Holders of all Bonds Outstanding at the time such Subordinated Indebtedness so becomes due and payable because of such occurrence of such an event of default will be entitled to receive payment in full of all principal and interest on all such Bonds before the holders of the Subordinated Indebtedness are entitled to receive any accelerated payment from the Trust Estate of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

If any Event of Default with respect to the Bonds has occurred and is continuing (under circumstances when the provisions of the third paragraph under this caption are not applicable), the Holders of all Bonds then Outstanding will be entitled to receive payment in full of all principal and interest then due on all such Bonds before the holders of the Subordinated Indebtedness are entitled to receive any payment from the Trust Estate of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

No Holder of a Bond will be prejudiced in its right to enforce subordination of the Subordinated Indebtedness by any act or failure to act on the part of the Agency.

The obligation of the Agency to pay to the holders of the Subordinated Indebtedness the principal thereof and premium, if any, and interest thereon in accordance with its terms are unconditional and absolute. Nothing in the Resolution will prevent the holders of the Subordinated Indebtedness from exercising all remedies otherwise permitted by applicable law or under the Subordinated Indebtedness upon default thereunder, subject to the rights contained in the Resolution of the Holders of Bonds to receive cash, property or securities otherwise payable or deliverable to the holders of the Subordinated Indebtedness; and the Subordinated Indebtedness may provide that, insofar as a trustee or paying agent for the Subordinated Indebtedness is concerned, the foregoing provisions will not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Indebtedness if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

Any issue of Subordinated Indebtedness may have such rank or priority with respect to any other issue of Subordinated Indebtedness as may be provided in the Subordinated Indebtedness Instrument securing such issue of Subordinated Indebtedness and may contain such other provisions as are not in conflict with the provisions of the Resolution.

The Trustee will not be deemed to owe any fiduciary duty to the holders of Subordinated Indebtedness and will not be liable to such holders if it mistakenly pays over or transfers to Holders of Bonds, the Agency, or any other person, monies to which any holder of Subordinated Indebtedness is entitled by virtue of the Resolution or otherwise; *provided, however*, that the Trustee will not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct. Notwithstanding any of the provisions of the Resolution, the Trustee will not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or

by the Trustee in respect of Subordinated Indebtedness or of any default in the payment of the principal, premium, if any, or interest on any Subordinated Indebtedness, unless and until the Trustee has received written notice thereof at its principal corporate trust office from the Agency or the holders of at least 10% in principal amount of any class or category of any Subordinated Indebtedness or from any trustee therefor.

### **Investment of Certain Funds and Accounts**

Unless further limited as to maturity by the provisions of a Supplemental Resolution, moneys held in the Funds and Accounts established under the Resolution may be invested and reinvested in Investment Securities which mature or are redeemable at the option of the holder thereof not later than such times as are necessary to provide moneys when needed for payments to be made from such Funds and Accounts. The Trustee will make all such investments of moneys held by it in accordance with instructions received from any Authorized Officer. In making any investment in any Investment Securities with moneys in any Fund or Account established under the Resolution, the Agency or the Trustee, as applicable, may combine such moneys with moneys in any other Fund or Account held by it, but solely for purposes of making such investment in such Investment Securities.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts, other than the Construction Fund and the STS Capital Improvement Construction Fund, shall be credited to the Revenue Fund. Interest earned on any moneys or investments in a separate account in the Construction Fund shall be held in such account for the purposes thereof. Interest earned on any moneys or investments in the STS Capital Improvement Construction Fund shall be held in such Fund for the purposes thereof. Interest earned on any moneys or investments in any Decommissioning Fund shall be held in such Fund for the purposes thereof.

### **Encumbrances; Disposition of Properties**

The Agency will not issue any bonds, notes, debentures, or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge or assignment of the Trust Estate or any separate subaccount in the Debt Service Reserve Account, and will not create or cause to be created any lien or charge on the Trust Estate or any separate subaccount in the Debt Service Reserve Account; *provided, however*, that nothing contained in the Resolution will prevent the Agency from issuing, if and to the extent permitted by law, (1) evidences of indebtedness (A) payable out of moneys in the Construction Fund as part of the Cost of Acquisition and Construction of any Capital Improvements or (B) payable out of, or secured by a pledge and assignment of, Revenues to be derived on and after such date as the pledge of the Resolution is discharged and satisfied or (2) Subordinated Indebtedness.

The Agency may, however, acquire, construct or finance through the issuance of its bonds, notes or other evidences of indebtedness any facilities which do not constitute a part of the Project for the purposes of the Resolution and may secure such bonds, notes or other evidences of indebtedness by a mortgage of the facilities so financed or by a pledge of, or other security interest in, the revenues therefrom or any lease or other agreement with respect thereto or any revenues derived from such lease or other agreement; *provided* that such bonds, notes or other evidences of indebtedness will not be payable out of or secured by the Revenues or any Fund held under the Resolution and neither the cost of such facilities nor any expenditure in connection therewith or with the financing thereof will be payable from the Revenues or from any such Fund.

The Agency will not sell, lease or otherwise dispose of, or cause the sale, lease or other disposition of, or permit to be sold, leased or otherwise disposed of, any real or personal properties constituting part of the Project unless such sale, lease or disposal, in the judgment of the Agency, (1) is desirable in the conduct of the business of the Agency relating to the Project and (2) does not materially impair the ability of the

Agency to comply with the rate covenant described under “*Rate Covenant*” below, which judgment will be binding and conclusive on the Agency, the Trustee and the Holders of all Bonds.

Notwithstanding anything to the contrary contained in the Resolution, the Agency will not sell, lease or otherwise dispose of, or cause the sale, lease or other disposition of, or permit to be sold, leased or otherwise disposed of, substantially all of the properties of the Generation Station, the Southern Transmission System and/or the Northern Transmission System unless the Agency has received an Opinion of Counsel to the effect that the Power Sales Contracts as then in effect (and after giving effect to any amendments thereto made in connection therewith) will permit the Agency to comply with its covenants contained in the Resolution following such sale, lease or other disposition.

### **Rate Covenant**

Pursuant to the Resolution, the Agency covenants that it will at all times establish and collect rates and charges for the use of the capability of the Project or the sale of the output, capacity or service of the Project, as are required to provide Revenues at least sufficient in each Fiscal Year, together with other available funds, for the payment of the sum of:

- (a) Operating Expenses during such Fiscal Year;
- (b) an amount equal to the Aggregate Debt Service for such Fiscal Year;
- (c) the amount, if any, to be credited during such Fiscal Year to each separate subaccount in the Debt Service Reserve Account;
- (d) the amount, if any, to be credited during such Fiscal Year to the Subordinated Indebtedness Fund;
- (e) the amount, if any, to be credited during such Fiscal Year to the Self-Insurance Fund;  
and
- (f) all other charges or liens whatsoever payable out of Revenues during such Fiscal Year.

### **Covenants with Respect to Power Sales Contracts and Construction Management and Operating Agreement**

Pursuant to the Resolution, the Agency covenants that it will collect and credit to the Revenue Fund all amounts payable to it pursuant to the Power Sales Contracts or payable to it pursuant to any other contract for the use of the capability of the Project or the sale of the output, capacity or service of the Project or any part thereof. The Agency will enforce the material provisions of the Power Sales Contracts and duly perform its material covenants and agreements thereunder. The Agency 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 materially reduce the payments required thereunder or which will in any manner materially impair or materially adversely affect the rights of the Agency thereunder or the rights or security of the Holders under the Resolution. Any amendment to the Power Sales Contracts that provides for a reduction in the Project cost and entitlement shares of any one or more Power Purchasers serving loads in the State of Utah, simultaneously with an increase (equal in aggregate amount to the aggregate amount of such reduction(s)) in the Project cost and entitlement shares of any one or more Power Purchasers located in the State of California will not constitute such an amendment, nor will (a) any amendment to the Power Sales Contracts that provides for a reduction in the Project cost and entitlement shares of any one or more Power Purchasers serving loads in the State of Utah, simultaneously with an increase (equal in aggregate



amount to the aggregate amount of such reduction(s)) in the Project cost and entitlement shares of any one or more other Power Purchasers serving loads in the State of Utah or (b) any amendment to the Power Sales Contracts that provides for a reduction in the Project cost and entitlement shares of any one or more Power Purchasers located in the State of California, simultaneously with an increase (equal in aggregate amount to the aggregate amount of such reduction(s)) in the Project cost and entitlement shares of any one or more other Power Purchasers located in the State of California, so long, in the case of (a) and (b) above, as each nationally recognized rating agency then rating the Bonds has confirmed in writing that such amendment will not, in and of itself, result in a reduction, suspension or withdrawal of such rating agency's ratings on the Bonds.

Pursuant to the Resolution, the Agency covenants that it will enforce the material provisions of the Construction Management and Operating Agreement and duly perform its material covenants and agreements thereunder. The Agency 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 Construction Management and Operating Agreement which will in any manner materially impair or materially adversely affect the rights of the Agency thereunder or the rights or security of the Holders under the Resolution. The extension of the term of the Construction Management and Operating Agreement will not constitute such an amendment.

### **Annual Budget**

Pursuant to the Resolution, the Agency covenants that it will adopt and file with the Trustee for each Fiscal Year an Annual Budget prepared in accordance with the provisions of, and in the manner contemplated by, the Power Sales Contracts, setting forth in reasonable detail the estimated Revenues and Operating Expenses and other expenditures of the Project for the Fiscal Year, including provision for any general reserve for Operating Expenses, deposits in any other reserve and the estimated amount to be required during such Fiscal Year for the payment of the costs of Capital Improvements, the payment of extraordinary operation and maintenance costs, the costs of retirement of the Project and contingencies, including payments with respect to the prevention or correction of any unusual loss or damage in connection with the Project or to prevent a loss of revenue therefrom, all to the extent not to be paid as Operating Expenses or from the proceeds of Bonds or other evidences of indebtedness of the Agency, and the requirements, if any, for the amounts estimated to be expended from each Fund and Account established under the Resolution. Such Annual Budget also will set forth such detail with respect to such Revenues, Operating Expenses and other expenditures and such deposits, as is necessary or appropriate so as to comply with the Construction Management and Operating Agreement, the Power Sales Contracts and the Organization Agreement and may set forth such additional material as the Agency may determine. The Agency will at any time, as necessary, adopt in accordance with the provisions of the Power Sales Contracts and file with the Trustee an amended Annual Budget for the remainder of the then current Fiscal Year, if and to the extent required to enable the Agency to comply with its obligations contained in the Resolution.

### **Insurance**

Pursuant to the Resolution, the Agency covenants that it will at all times use its best efforts to keep or cause to be kept the properties of the Project which are of an insurable nature and of the character usually insured by those operating properties similar to the Project insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts and having such deductibles as are usually obtained. The Agency will at all times use its best efforts to maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of the Project.

Any insurance will be in the form of policies or contracts for insurance with insurers of good standing and will be payable to the Agency, *provided, however*, that a fund or funds may be established to

provide for self-insurance by the Agency with respect to the properties of the Project, which fund or funds may (but need not be) established pursuant to a Supplemental Resolution. Any Supplemental Resolution establishing such a fund or funds will set forth the amounts to be included in such fund or funds, the entity to hold such fund or funds and any other matters and things relative to such fund or funds which are not contrary to or inconsistent with the Resolution as theretofore in effect.

### **Accounts and Reports**

Pursuant to the Resolution, the Agency covenants that it will keep or cause to be kept proper and separate books of records and account relating to the Project and each Fund and Account established by the Resolution and relating to costs and charges under the Power Sales Contracts. Such books, together with all other books and papers of the Agency relating to the Project, will at all times be subject to the inspection of the Trustee and the Holders of not less than 5% in principal amount of Bonds then Outstanding.

Pursuant to the Resolution, the Agency covenants that it will annually, (i) prior to the Transition Date, within 90 days after the close of each Fiscal Year, and (ii) from and after the Transition Date, within 120 days after the close of each Fiscal Year, file with the Trustee an annual report for such Fiscal Year, accompanied by an Accountant's Certificate, relating to the Project and including such statements as are required by generally accepted accounting principles applicable to the Agency. Such Accountant's Certificate will state whether or not, to the knowledge of the signer, the Agency is in default with respect to any of the provisions of the Resolution.

Pursuant to the Resolution, the Agency covenants that it will file with the Trustee forthwith upon becoming aware of any Event of Default or default in the performance by the Agency of any covenant, agreement or condition contained in the Resolution, a certificate signed by an Authorized Officer and specifying such Event of Default or default.

The reports, statements and other documents required to be furnished to the Trustee pursuant to provisions of the Resolution will be available for inspection of Holder of the Bonds at the office of the Trustee and will be mailed to each Holder of the Bonds who files a written request therefor with the Agency. The Agency may charge each requesting Holder of the Bonds for such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

### **Amendments and Supplemental Resolutions**

Any of the provisions of the Resolution may be amended by the Agency by a Supplemental Resolution upon the consent of the Holders of not less than a majority in principal amount of (1) the Bonds affected by a particular modification or amendment Outstanding at the time such consent is given, and (2) if the amendment changes the terms of any Sinking Fund Installment, the Bonds of the Series and maturity entitled to such Sinking Fund Installment; excluding, in each case, from such consent, and from the Outstanding Bonds, the Bonds of any specified Series and maturity if such amendment by its terms will not take effect so long as any of such Bonds remain Outstanding. See "Action by Credit Enhancer When Action by Holders of Bonds Required" below. Any such amendment may not permit a change in the terms of redemption or maturity of any installment of interest or make any reduction in principal, Redemption Price or interest rate without the consent of each affected Holder, or reduce the percentages or consents required for a further amendment.

If provided in the Supplemental Resolution authorizing a Series of Bonds to be issued upon original issuance after the adoption of any Supplemental Resolution amending the Resolution in a manner that otherwise requires consent of the Holders, the Holders of such Bonds shall be deemed to have consented to the provisions of such Supplemental Resolution upon the original issuance of such Bonds, and no Holder or subsequent Holder thereof will have the right to revoke such consent.

The Agency may adopt (without the consent of any Holders of the Bonds or the Trustee) Supplemental Resolutions for any one or more of the following purposes:

- (a) to close the Resolution against, or impose additional limitations and restrictions upon, issuance of Bonds or other evidences of indebtedness;
- (b) to add to the covenants and agreements of the Agency contained in the Resolution;
- (c) to add to the limitations and restrictions contained in the Resolution;
- (d) to authorize Bonds of a Series and specify matters relative to such Bonds not contrary to or inconsistent with the Resolution;
- (e) to provide for the issuance, execution, delivery, authentication, payment, registration, transfer and exchange of Bonds in bearer or coupon form or in uncertificated form, and, in connection therewith, to specify and determine any matters and things relative thereto;
- (f) to confirm any pledge under the Resolution of the Revenues or any other moneys, securities or funds;
- (g) to authorize the establishment of a fund or funds for self-insurance;
- (h) if and to the extent authorized in a Supplemental Resolution authorizing an Additionally Secured Series of Bonds, to specify the qualifications of any provider of a surety bond, insurance policy or letter of credit or other similar obligation for credit to the particular subaccount in the Debt Service Reserve Account securing the Bonds of such Additionally Secured Series;
- (i) to modify any of the provisions of the Resolution in any other respect if such modification will be, and be expressed to be, effective only after all Bonds then Outstanding cease to be Outstanding and all Bonds authenticated and delivered after the adoption of such Supplemental Resolution specifically refer to such Supplemental Resolution in the text of such Bonds;
- (j) to authorize Subordinated Indebtedness and specify matters relative to such Subordinated Indebtedness not contrary to or inconsistent with the Resolution;
- (k) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or
- (l) to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable; *provided, however*, that no such action will have a material adverse effect on the interests of the Holders of the Bonds.

The Agency may adopt Supplemental Resolutions for the purpose of making any other modification to or amendment of the Resolution which the Trustee in its sole discretion determines will not have a material adverse effect on the interests of Holders of the Bonds, which Supplemental Resolution will be effective upon the consent of the Trustee (without the consent of any Holders of the Bonds).

### **Trustee; Paying Agents**

The Resolution requires the appointment by the Agency of a Trustee and one or more Paying Agents (which may include the Trustee). The Trustee may at any time resign on 60 days' notice. Such resignation will take effect on the date specified in such notice, or, if a successor Trustee has been appointed

by either the Agency or the Holders of the Bonds pursuant to the Resolution prior to such date, such resignation will take effect immediately upon the appointment of such successor.

The Trustee may be removed at any time with or without cause by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency. In addition, so long as no Event of Default or an event which, with notice or passage of time, or both, would become an Event of Default, has occurred and is continuing, the Trustee may be removed at any time by the Agency with or without cause by resolution of the Agency filed with the Trustee.

If at any time the Trustee resigns or is removed or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, is appointed, or if any public officer takes charge or control of the Trustee, or of its property or affairs, then a successor may be appointed as hereinafter described. If the Trustee has been removed by the Agency, then the Agency will have the exclusive right to appoint such successor. In any other case, the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Agency, may appoint such successor by an instrument or concurrent instruments in writing signed and acknowledged by such Holders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Agency and the predecessor Trustee; *provided, however*, that if no successor Trustee has been appointed by the Holders as aforesaid within 30 days of the date on which the Trustee (1) has mailed notice of its resignation or (2) has become incapable of acting, or has been adjudged a bankrupt or insolvent, or a receiver, liquidator or conservator of the Trustee, or of its property, has been appointed, or any public officer has taken charge or control of the Trustee, or of its property or affairs, then the Agency, subject to the provisions described in the following paragraph, will have the exclusive right to appoint such successor.

If in a proper case no appointment of a successor Trustee is made pursuant to the foregoing provisions within 45 days after the Trustee has given to the Agency written notice of resignation or after a vacancy in the office of the Trustee has occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee (in the case of its resignation) or the Agency or the Holder of any Bond (in any case) may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Each Trustee must be a bank or trust company organized under the laws of any state of the United States or a national banking association having capital stock and surplus aggregating at least \$50,000,000, if there be such an entity willing and able to accept appointment.

Pursuant to the Resolution, the Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform only such duties as are specifically set forth in the Resolution. If an Event of Default has occurred and has not been cured or waived, the Trustee will exercise such of the rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Subject to the above, neither the Trustee nor any Paying Agent will be liable in connection with the performance of its duties under the Resolution except for its own negligence, misconduct or default.

The Agency is required to pay to each Fiduciary reasonable compensation for all services rendered under the Resolution and all reasonable expenses, charges, counsel fees and other disbursements, incurred in the performance of its duties under the Resolution. Each Fiduciary has a lien on any and all funds held by it under the Resolution securing its rights to compensation. The Agency also agrees to indemnify and

save each Fiduciary harmless against all liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence, misconduct or default.

### **Redemption of Bonds**

Any call for redemption of Bonds at the election or direction of the Agency (a) may be revoked by the Agency at its option and (b) will cease to be effective if, on the date fixed for redemption, there are not sufficient moneys available to pay the Redemption Price of, and interest on, the Bonds (or portions thereof) so called for redemption.

### **Defeasance**

The pledge and assignment of the Trust Estate and each separate subaccount in the Debt Service Reserve Account, and all covenants, agreements and other obligations of the Agency to the Holders of the Bonds under the Resolution, will cease, terminate and become void and be discharged and satisfied whenever the principal, Redemption Price, if applicable, and interest due or to become due on all Bonds have been paid in full. Notwithstanding the foregoing, upon such discharge and satisfaction (a) the provisions relating to the establishment, maintenance and operation of the various funds and accounts established under the Resolution, (b) the pledges of the amounts on deposit in the Subordinated Indebtedness Fund as may from time to time be available therefor (including the investments held as a part of such Fund) created pursuant to the Subordinated Indebtedness Instruments authorizing the issuance or incurrence of such Indebtedness, (c) the Trustee's obligations with respect to the Subordinated Indebtedness Fund, (d) the rights, privileges, protections, immunities and indemnities afforded to the Trustee in Article X of the Resolution and (e) all other provisions of the Resolution necessary or desirable to give effect to the foregoing, shall remain in full force and effect so long as any Subordinated Indebtedness remains outstanding.

Bonds or interest installments will be deemed to have been paid for the purpose of the defeasance referred to above in this paragraph if on the maturity or redemption date thereof moneys have been set aside and held in trust by the Paying Agents for such payment. In addition, any Bonds will be deemed to have been so paid prior to the maturity or redemption date thereof (a) if the Agency has satisfied all of the conditions precedent to such Bonds being so deemed to have been paid set forth in the Supplemental Resolution authorizing the Series of which such Bonds are a part or (b) upon compliance with the following provisions: (1) in the case of Bonds to be redeemed prior to maturity, the Agency has given to the Trustee instructions accepted in writing by the Trustee to give notice of redemption therefor, (2) there have been deposited with the Trustee either moneys in an amount which will be sufficient, or Defeasance Securities the principal of and the interest on which, when due, will provide moneys which, together with any moneys also deposited, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due or to become due on such Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (3) in the case of Bonds that are not to be redeemed or paid at maturity within the next 60 days, the Agency has given the Trustee instructions to give, as soon as practicable, by first-class mail, postage prepaid, notice to the Holders of such Bonds that the above deposit has been made with the Trustee and that such Bonds are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, on such Bonds.

For purposes of determining whether Variable Interest Rate Bonds are deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the provisions described in the preceding paragraph, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, will be calculated at the Maximum Interest Rate with respect thereto; *provided, however*, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance

Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy such provisions, the Trustee will, if requested by the Agency, pay the amount of such excess to the Agency free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Resolution.

## **Events of Default and Remedies**

Events of Default specified in the Resolution include failure to pay principal or Redemption Price of any Bond when due; failure to pay any interest installment on any Bond or the unsatisfied balance of any Sinking Fund Installment thereon when due; default for 120 days after written notice thereof from the Trustee or the Holders of not less than 10% in principal amount of the Bonds then Outstanding in the observance or performance of any other covenants, agreements or conditions contained in the Resolution or in the Bonds; and certain events of bankruptcy or insolvency. Upon the happening of any such Event of Default the Trustee or the Holders of not less than 25% in principal amount of the Bonds then Outstanding may declare the principal of and accrued interest on all Bonds then Outstanding due and payable (subject to a rescission of such declaration upon the curing of such default before the Bonds have matured).

Upon occurrence of any Event of Default which has not been remedied, the Agency will, if demanded by the Trustee, (1) account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution, and (2) pay over or cause to be paid over to the Trustee (a) forthwith, all moneys, securities and funds held by the Agency in any Fund under the Resolution and (b) as received, all Revenues.

The Trustee will apply all moneys, securities, funds and Revenues, other than amounts on deposit in any separate subaccount in the Debt Service Reserve Account, received during the continuance of an Event of Default as follows and in the following order:

(a) to the payment of reasonable and proper charges, expenses and liabilities of the Trustee and other Fiduciaries,

(b) to the payment of reasonable and necessary Operating Expenses and costs of reasonable renewals, repairs and replacements of the Project, and

(c) (i) unless the principal of all of the Bonds has become or have been declared due and payable, *first*, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available are not sufficient to pay in full any such installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference and, *second*, to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available is not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; or (ii) if the principal of all of the Bonds have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

During the continuance of an Event of Default, and following the application of moneys, securities, funds and Revenues received by the Trustee as described in the preceding paragraph, the Trustee will apply all amounts on deposit in each separate subaccount in the Debt Service Reserve Account as follows and in the following order:

(a) unless the principal of all of the Bonds have become or have been declared due and payable, *first*, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds of each Additionally Secured Series secured by such separate subaccount in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds of such Additionally Secured Series theretofore called for redemption, and, if the amount available is not sufficient to pay in full any such installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and *second*, to the payment to the persons entitled thereto of the unpaid principal or sinking fund Redemption Price of any Bonds of such Additionally Secured Series which have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available is not sufficient to pay in full all such Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or sinking fund Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; or

(b) if the principal of all of the Bonds has become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds of each Additionally Secured Series secured by such separate subaccount without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

In addition, following the occurrence and continuance of any Event of Default, the Trustee will have the right to apply in an appropriate proceeding for appointment of a receiver of the Project.

If an Event of Default has occurred and has not been remedied the Trustee may, or on request of the Holders of not less than 25% in principal amount of Bonds then Outstanding must, proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant in the Resolution or in aid of the execution of any power granted in the Resolution or any remedy granted under the Act, or for an accounting against the Agency, or in the enforcement of any other legal or equitable right, as the Trustee deems most effectual to enforce any of its rights or to perform any of its duties under the Resolution. The Trustee may, and upon the request of the Holders of a majority in principal amount of the Bonds then Outstanding and upon being furnished with reasonable security and indemnity must, institute and prosecute proper actions to prevent any impairment of the security under the Resolution or to preserve or protect the interests of the Trustee and of the Holders of the Bonds.

No Holder of any Bond will have any right to institute any suit, action or proceeding for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless (1) such Holder previously has given the Trustee written notice of an Event of Default, (2) the Holders of at least 25% in principal amount of the Bonds then Outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers and institute such suit, action or proceeding, (3) there have been offered to the Trustee adequate security and indemnity against its costs, expenses and liabilities to be incurred and (4) the Trustee has refused to comply with such request within 60 days after receipt by it of such notice, request and offer

of indemnity. The Resolution provides that nothing therein or in the Bonds affects or impairs the Agency's obligation to pay the Bonds and interest thereon when due or the right of any Holder of the Bonds to enforce such payment of its Bond.

The Holders of not less than a majority in principal amount of Bonds then Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred upon the Trustee, subject to the Trustee's right to decline to follow such direction upon advice of counsel as to the unlawfulness thereof or upon its good faith determination that such action would involve the Trustee in personal liability or would be unjustly prejudicial to Holders of Bonds not parties to such direction.

See "Action by Credit Enhancer When Action by Holders of Bonds Required" below.

### **Notice of Default**

Notice of the occurrence of any Event of Default will be given to each Holder of any Bonds then Outstanding at its address, if any, appearing in the Registry Books.

### **Unclaimed Moneys**

Any moneys held by a Fiduciary in trust for the payment of any of the Bonds or any interest thereon which remain unclaimed for two years after the date when such Bonds or such interest have become due and payable, either at their stated maturity dates or by call for redemption, will, at the written request of the Agency and after meeting certain publication requirements, be repaid to the Agency, and the Fiduciary will thereupon be released and discharged with respect thereto and the Holders of the Bonds shall look only to the Agency for the payment of such Bonds or such interest.

### **Action by Credit Enhancer When Action by Holders of Bonds Required**

Except as otherwise provided in a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for such Bonds, the Credit Enhancer for, and not the actual Holders of, such Bonds, for which such Credit Enhancement is being provided, will be deemed to be the Holder of Bonds as to which it is the Credit Enhancer at all times for the purpose of (a) giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Resolution that requires the written approval or consent of Holders of Bonds; *provided, however*, that the foregoing will not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or will reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or will change or modify any of the rights or obligations of any Fiduciary without its written assent thereto and (b) giving any approval or consent, exercising any remedies or taking any other action in accordance with the provisions of the Resolution relating to Events of Default and remedies.

### **Definitions**

*Accrued Aggregate Debt Service* means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (a) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (b) Principal Installments due and unpaid and that portion of the Principal Installments for such Series next due which would have accrued (if



deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month; *provided, however*, that there will be excluded from the calculation of Accrued Aggregate Debt Service for any period the principal of and/or interest (including, without limitation, interest on any Capital Appreciation Bond or Deferred Income Bond) on any Bond that, in accordance with the Supplemental Resolution authorizing the Series of which such Bond is a part, will not be deemed to accrue during such period for purposes of this definition.

*Additionally Secured Series* means any Series of Bonds for which the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of such Series is secured, in addition to the pledge created in favor of all of the Bonds, by amounts on deposit in a separate subaccount to be designated therefor in the Debt Service Reserve Account.

*Adjusted Aggregate Debt Service* means, as of any date of calculation and with respect to any period, the Aggregate Debt Service during such period for all Series of Bonds; *provided, however*, that in computing such Aggregate Debt Service, any particular Variable Interest Rate Bonds will be deemed to bear at all times to the maturity thereof the Estimated Average Interest Rate applicable thereto.

*Aggregate Debt Service* for any period means, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds.

*Bond* or *Bonds* means any bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Resolution.

*Book Entry Bond* means a Bond authorized to be issued to, and issued to and, except as provided in the Resolution, restricted to being registered in the name of, a Securities Depository for the participants in such Securities Depository or the beneficial owners of such Bond.

*Capital Appreciation Bonds* means any Bonds issued under the Resolution as to which interest is (a) compounded periodically on dates that are specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (b) payable only at maturity or upon earlier redemption or other payment thereof pursuant to the Resolution or such Supplemental Resolution; *provided, however*, that the interest on such Bonds will not be compounded more frequently than semi-annually unless the Agency by resolution determines (which determination may be based upon such factors as the Agency determines to be appropriate, including, without limitation, the advice of any banking or financial institution serving as a financial advisor to the Agency) that (X) the Agency would have issued such Bonds having interest compounded semi-annually and (Y) the issuance of such Bonds having interest compounded more frequently than semi-annually in lieu of the issuance of such Bonds having interest compounded semi-annually (i) prior to the Transition Date, does not affect the rights or obligations of the Power Purchasers under the Original Power Sales Contracts, nor is it to the disadvantage of such Power Purchasers, nor does it result in increased Monthly Power Costs to such Power Purchasers above what would have been the Monthly Power Costs had the Agency so issued such Bonds having interest compounded semi-annually and (ii) from and after the Transition Date, does not adversely affect the rights or obligations of the Power Purchasers under their respective Renewal Power Sales Contracts.

*Capital Improvements* has the meaning assigned to such term in the applicable Power Sales Contracts.

*Coordinating Committee* (a) prior to the Transition Date, means, collectively, (i) the Committee by that name established pursuant to the Original Power Sales Contracts, and (ii) the Renewal Contract Coordinating Committee (as defined in the Renewal Power Sales Contracts) with respect to the functions contemplated for the Renewal Contract Coordinating Committee under the Original Power Sales Contracts

and the Renewal Power Sales Contracts; and (b) commencing on the Transition Date, means the Renewal Contract Coordinating Committee.

*Cost of Acquisition and Construction* (a) prior to the Transition Date, has the meaning assigned to such term in the Original Power Sales Contracts; and (b) from and after the Transition Date, means the Capital Improvement Acquisition and Construction Costs (as defined in the Renewal Power Sales Contracts).

*Credit Enhancement* means, with respect to any Bonds, an insurance policy, letter of credit, surety bond or other similar obligation pursuant to which the issuer thereof is unconditionally obligated to pay when due the principal of and interest on such Bonds, whether on a “standby” or “direct-pay” basis.

*Credit Enhancer* means any person or entity which, pursuant to the Supplemental Resolution authorizing the Bonds of a particular Series, is designated as a Credit Enhancer and which provides Credit Enhancement for the Bonds of such Series or any maturity or maturities thereof.

*Debt Service* for any period means, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits in the Debt Service Account made from proceeds of Bonds or other evidences of indebtedness of the Agency and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there is no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later) ; *provided, however*, that there will be excluded from the calculation of Debt Service for any period the principal of and/or interest (including, without limitation, interest on any Capital Appreciation Bond or Deferred Income Bond) on any Bond that, in accordance with the Supplemental Resolution authorizing the Series of which such Bond is a part, is not deemed to accrue during such period for purposes of this definition. Such interest and Principal Installments for such Series will be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

*Debt Service Reserve Requirement* means, with respect to each subaccount, if any, in the Debt Service Reserve Account in the Debt Service Fund, the amount specified in the Supplemental Resolution pursuant to which such subaccount shall be established.

*Decommissioning Fund* means each Fund established pursuant to the Resolution to provide for payment of the costs of decommissioning, retirement or disposal of facilities of the Project (including, without limitation, the Retirement Reserve Fund required to be established by the Agency as of the Transition Date pursuant to Section 22.1 of the Renewal Power Sales Contracts, which shall include a separate account for each Project Component (as defined in the Renewal Power Sales Contracts)).

*Defeasance Securities* means, unless otherwise provided with respect to any Bonds in the Supplemental Resolution authorizing the Series of which such Bonds are a part, any of the following securities:

- (a) any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including obligations of any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America, in each such case, which are not subject to redemption prior to their maturity other than at the option of the holder thereof or as to

which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof;

(b) 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 (1) which are not callable prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee, escrow agent or other fiduciary in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates also will be specified in such instructions, (2) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (1) of this clause (b), as appropriate, (3) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) above on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (1) of this clause (b), as appropriate and (4) which at the time of their purchase under the Resolution are rated in the highest whole rating category by a nationally recognized rating agency;

(c) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision which are not callable for redemption prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee, escrow agent or other fiduciary in respect of such obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates also will be specified in such instructions, and which at the time of their purchase under the Resolution are rated in the highest whole rating category by two nationally recognized rating agencies; and

(d) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in the foregoing clauses (a), (b) and (c) of this definition, *provided* that such obligations are held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000, in any such case, which are not subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such obligations on a specified redemption date has been given and such obligations are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof.

*Deferred Income Bonds* means any Bonds issued under the Resolution as to which interest accruing prior to a date specified in the Supplemental Resolution authorizing such Deferred Income Bonds is (a) compounded periodically on dates specified in such Supplemental Resolution and (b) payable only at maturity or upon earlier redemption or other payment thereof pursuant to the Resolution or such Supplemental Resolution; *provided however*, that the interest on such Bonds will not be compounded more frequently than semi-annually unless the Agency by resolution determines (which determination may be based upon such factors as the Agency determines to be appropriate, including, without limitation, the advice of any banking or financial institution serving as a financial advisor to the Agency) that (X) the Agency would have issued such Bonds having interest compounded semi-annually and (Y) the issuance of

such Bonds having interest compounded more frequently than semi-annually in lieu of the issuance of such Bonds having interest compounded semi-annually (i) prior to the Transition Date, does not affect the rights or obligations of the Power Purchasers under the Original Power Sales Contracts, nor is it to the disadvantage of such Power Purchasers, nor does it result in increased Monthly Power Costs (as defined in the Original Power Sales Contracts) to such Power Purchasers above what would have been the Monthly Power Costs had the Agency so issued such Bonds having interest compounded semi-annually and (ii) from and after the Transition Date, does not adversely affect the rights or obligations of the Power Purchasers under their respective Renewal Power Sales Contracts.

*Estimated Average Interest Rate* means, as to any Variable Interest Rate Bonds, the true interest cost for such Bonds, as estimated by the Agency on the date of authorization of such Bonds based upon such factors as the Agency determines to be appropriate, including, without limitation, the advice of any banking or financial institution serving as a financial advisor to the Agency.

*Excess Liability Insurance* means, as to any Insurable Risk the claims or losses for which are payable from time to time from amounts on deposit in the Self-Insurance Fund, the policy or policies of insurance at any time in effect to provide coverage for the payment of claims or losses in excess of the amounts payable from the Self-Insurance Fund arising from such Risk.

*Fiscal Year* for the period (a) prior to the Transition Date, shall have the meaning set forth in the Original Power Sales Contracts; and (b) from and after the Transition Date, shall have the meaning set forth in the Renewal Power Sales Contracts.

*Insurable Risk* means each and every risk for which the Agency is required to maintain insurance or reserves against loss pursuant to the provisions of the Resolution and the Power Sales Contracts.

*Investment Securities* means and includes any securities, obligations or investments that, at the time, (a) are permitted by Utah law for investment of the Agency's funds and (b) are permitted by the investment policy then in effect adopted by the Agency's Board of Directors and approved by the Coordinating Committee in the manner provided in the Power Sales Contracts.

*Maximum Interest Rate* means, with respect to any particular Variable Interest Rate Bonds, a numerical rate of interest which will be set forth in the Supplemental Resolution authorizing such Bonds, that will be the maximum rate of interest such Bonds may at any time bear.

*Minimum Interest Rate* means, with respect to any particular Variable Interest Rate Bonds, a numerical rate of interest which may (but need not) be set forth in the Supplemental Resolution authorizing such Bonds, that will be the minimum rate of interest such Bonds may at any time bear.

*Operating Expenses* means (i) all of the Agency's costs and other expenses in connection with the operation and maintenance of the Project in accordance with Prudent Utility Practice and ordinary repairs, replacements and reconstruction of the Project which do not entail the acquisition and installation of a unit of property (as generally prescribed by the Federal Energy Regulatory Commission or its successor), including all costs of producing and delivering electric power and energy from the Project and payments into reserves in the Revenue Fund for items of Operating Expenses the payment of which is not immediately required, and includes, without limiting the generality of the foregoing, fuel costs, rents, administrative and general expenses, engineering expenses, legal and financial advisory expenses, required payments to pension, retirement, health and hospitalization funds, insurance premiums, any taxes or payments in lieu of taxes pursuant to the Act or otherwise pursuant to law and payments required under the Construction Management and Operating Agreement which are to be applied pursuant to the terms thereof to the payment (or reimbursement for the payment) of such costs and expenses, (ii) any other current expenses or obligations required to be paid by the Agency under the provisions of the Resolution or by law, all to the

extent properly allocable to the Project, or required to be incurred under or in connection with the performance of the Power Sales Contracts, (iii) the fees, expenses and indemnities of the Trustee and Paying Agents, and (iv) the fees, expenses and indemnities of any trustee or paying agents with respect to Subordinated Indebtedness. Operating Expenses will not include any debt service, any costs or expenses for new construction or any allowance for depreciation or amortization. For the avoidance of doubt and without limiting the generality of the forgoing, Operating Expenses shall include (a) all amounts payable by the Agency to SCPPA in respect of debt service on SCPPA's bonds, notes or other evidences of indebtedness as provided in the STS Agreement and (b) (i) prior to the Transition Date, costs of Capital Improvements which are not to be financed by proceeds of Bonds or Subordinated Indebtedness and (ii) from and after the Transition Date, costs of Ordinary Capital Improvements.

*Original Power Sales Contracts* means the contracts described in clause (a) of the definition of Power Sales Contracts.

*Outstanding*, when used with reference to Bonds, means, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

- (i) Bonds cancelled (or, in the case of Book Entry Bonds, to the extent provided in the Resolution, portions thereof deemed to have been cancelled) by the Trustee at or prior to such date;
- (ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, are held in trust under the Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), and for which, in the case of Bonds to be redeemed, notice of such redemption has been given or provision made therefor;
- (iii) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered pursuant to the Resolution; and
- (iv) Bonds (or portions of Bonds) deemed to have been paid for purposes of determining defeasance.

*Power Purchasers* means (a) prior to the Transition Date, the thirty-five suppliers of electric energy (other than the Agency) that are parties to the contracts described in clause (a) of the definition of Power Sales Contracts contained, together in each case with their successors or assigns and (b) from and after the Transition Date, the thirty suppliers of electric energy (other than the Agency) that are parties to the contracts described in clause (b) of such definition of Power Sales Contracts, together in each case with their successors or assigns. In furtherance of the foregoing definition of Power Purchasers and the definition of Power Sales Contracts, (x) based upon the Agency's and the Coordinating Committee's belief that the statements in clauses (i) and (ii) below were the intention or consistent with the intention of the parties to the Original Power Sales Contracts, and of the Coordinating Committee, (i) the fact that any Transition Project Indebtedness (as such term is defined in the Original Power Sales Contracts) shall remain outstanding after June 15, 2027 shall not result, or be deemed to have resulted, in an extension, pursuant to Section 26.1 of the Original Power Sales Contracts, of the date upon which such Contracts terminate and (ii) any extension pursuant to Section 26.1 of the Original Power Sales Contracts of the date upon which an Original Power Sales Contract terminates shall require, and be deemed to require, a written amendment between the Agency and the Power Purchaser that is the party to such Original Power Sales Contract which amendment complies with Section 26.2 of such Original Power Sales Contract and provides in Section 23 of such Original Power Sales Contract for a date other than June 15, 2027, which is the date that is expressly provided in such Section 23, and (y) any reference in the Resolution to the termination date of such Original Power Sales Contracts shall be and be deemed to refer to June 15, 2027, unless such Original Power Sales Contracts shall have terminated as permitted thereby prior to such date.

*Power Sales Contracts* means (a) prior to the Transition Date, (i) the several Power Sales Contracts for the sale of the power and energy of the Project entered into between the Agency and the Power Purchasers described in clause (a) of the definition of Power Purchasers, as the same have been or hereafter may be amended or supplemented in accordance with their terms and the terms of the Resolution and (ii) the Renewal Power Sales Contracts to the extent that the Renewal Power Sales Contracts impose obligations, grant rights or otherwise govern the Project during such period and (b) from and after the Transition Date, the several Renewal Power Sales Contracts for the sale of the power and energy of the Project entered into between the Agency and the Power Purchasers described in clause (b) of such definition of Power Purchasers, as the same have been or hereafter may be amended or supplemented in accordance with their terms and the terms of the Resolution.

*Principal Installment* means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (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 Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of the above, as applicable.

*Project* has the meaning set forth in the Original Power Sales Contracts prior to the Transition Date and the meaning set forth in the Renewal Power Sales Contracts on and after the Transition Date.

*Prudent Utility Practice* shall have the meaning set forth in the Original Power Sales Contracts prior to the Transition Date and the meaning set forth in the Renewal Power Sales Contracts on and after the Transition Date.

*Renewal Power Sales Contracts* means the contracts described in clause (b) of the definition of Power Sales Contracts.

*Revenues* means (i) all revenues, income, rents and receipts derived or to be derived by the Agency from or attributable to the ownership and operation of the Project, including all revenues attributable to the Project or to the payment of the costs thereof received or to be received by the Agency under the Power Sales Contracts or under any other contract for the sale of power, energy, transmission or other service from the Project or any part thereof or any contractual arrangement with respect to the use of the Project or any portion thereof or the services, output or capacity thereof, (ii) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering business interruption loss relating to the Project, and (iii) interest received or to be received on any moneys or securities (other than in the Construction Fund or the STS Capital Improvement Construction Fund) held pursuant to the Resolution and required to be paid into the Revenue Fund.

*Securities Depository* means, with respect to a Book Entry Bond, the person, firm, association or corporation specified in the Supplemental Resolution authorizing the Bonds of the Series of which such Book Entry Bond is a part to serve as the securities depository for such Book Entry Bond, or its nominee, and its successor or successors and any other person, firm, association or corporation which may at any time be substituted in its place pursuant to the Resolution or such Supplemental Resolution.

*Self-Insurance Requirement* means (a) the sum of (1) one hundred and fifty percent (150%) of the largest Self-Insured Retention and (2) reserves, if any, set aside in the Self-Insurance Fund, or (b) such other amount as the Coordinating Committee approves from time to time.

*Self-Insured Retention* means, at any time and with regard to any Insurable Risk the claims or losses for which are payable from time to time from amounts on deposit in the Self-Insurance Fund, an amount

equal to the greatest amount of any such claim or loss payable from such Fund for which Excess Liability Insurance is not available to pay such claim or loss.

*Sinking Fund Installment* means, with respect to any Series of Bonds, an amount so designated which is required by a Supplemental Resolution authorizing the Bonds of such Series to be credited to the Debt Service Account by a specified date for application (on or prior to the due date of such Sinking Fund Installment and pursuant to the Resolution) to the retirement by purchase, redemption or payment at maturity of a portion of the Bonds of a particular maturity of such Series equal in principal amount to such Sinking Fund Installment.

*Southern Transmission Capital Improvement* shall have the meaning assigned to such term in the Renewal Power Sales Contracts.

*Southern Transmission System* shall have the meaning set forth in the Original Power Sales Contracts prior to the Transition Date and the meaning set forth in the Renewal Power Sales Contracts on and after the Transition Date.

*STS Agreement* means the Southern Transmission System Agreement, dated as of May 1, 1983, between the Agency and SCPPA, as heretofore amended and as hereafter amended or renewed.

*STS Capital Improvement Construction Fund* means the Fund by that name established by the Resolution.

*STS Renewal Project* means certain additions and improvements to and renewals of the Southern Transmission System described in Appendix C to the Original Power Sales Contracts to provide for an extension of the useful life of said Southern Transmission System, as more particularly described in the STS Agreement.

*Subordinated Indebtedness* means any bond, note or other evidence of indebtedness which is expressly made subordinate and junior in right of payment to the Bonds and which complies with the provisions of the Resolution. Any such Subordinated Indebtedness will not, except as otherwise specifically provided in the Resolution, be nor be deemed to be Bonds for purposes of the Resolution.

*Subordinated Indebtedness Instrument* means the resolution, indenture or other instrument, including any Supplemental Resolution, providing for the issuance of, and securing, any issue of Subordinated Indebtedness.

*Trust Estate* means (a) the proceeds of the sale of the Bonds, (b) the Revenues, and (c) all Funds and Accounts established by the Resolution (other than (X) the Debt Service Reserve Account in the Debt Service Fund, (Y) any Decommissioning Fund which may be established pursuant to the Resolution and (Z) the STS Capital Improvement Construction Fund.), including the investments and investment income, if any, thereof.

*Variable Interest Rate* means a variable interest rate to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds. The method of computing such variable interest rate will be specified in the Supplemental Resolution authorizing such Series of Bonds and will be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., the prime lending rate) or a function of such objectively determinable interest rate or rates which may be in effect from time to time or at a particular time or times; *provided, however*, that such variable interest rate will be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such Supplemental Resolution or (ii) a stated interest rate that may be changed from time to time as provided in the Supplemental Resolution authorizing

such Series. Such Supplemental Resolution will also specify either (i) the particular period or periods of time for which each value of such variable interest rate will remain in effect or (ii) the time or times upon which any change in such variable interest rate will become effective.

*Variable Interest Rate Bonds* means Bonds which bear a Variable Interest Rate.

*Year* means any period of twelve consecutive months.

### **Proposed Amendments to the Resolution**

The Fiftieth Supplemental Power Supply Revenue Bond Resolution adopted by the Agency on August 28, 1998 (the “Fiftieth Supplemental Resolution”) provided for the making of certain amendments to the Resolution. The various amendments to the Resolution contained in the Fiftieth Supplemental Resolution will become effective on the date (if any) on which, among other things, all of the Original Power Purchasers consent in writing thereto. Since the Agency does not expect such amendments to become effective, such amendments are not described herein.



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## APPENDIX B

### SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS

This Appendix contains summaries of certain provisions of the Project agreements. These summaries are not to be considered full statements of the terms of the respective documents and accordingly are qualified by reference to such respective documents and subject to the full text thereof. Except as expressly provided herein, capitalized terms have the respective meanings set forth in the document to which this Appendix is attached.

#### TABLE OF CONTENTS

	<u>Page</u>
SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS .....	B-3
Entitlement to Capacity .....	B-3
Nature of Obligation .....	B-3
Term.....	B-4
Required Payments .....	B-4
Rate Covenants of Municipal Power Purchasers .....	B-4
Coordinating Committee .....	B-4
Restrictions on Disposition.....	B-5
Defaults and Remedies .....	B-5
Termination or Amendment .....	B-5
Contracts Subject to Resolution.....	B-6
Payments-In-Aid of Construction .....	B-6
Use and Disposition of Certain Facilities .....	B-6
Expansion of Southern Transmission System .....	B-6
Certain Interconnection Agreements .....	B-7
Transmission Service.....	B-7
Insurance Provisions .....	B-7
POWER PURCHASERS' COST AND ENTITLEMENT SHARES.....	B-8
SUMMARY OF CERTAIN PROVISIONS OF THE RENEWAL POWER SALES CONTRACTS.....	B-10
Entitlement to Capacity .....	B-10
Nature of Obligation .....	B-10
Term.....	B-11
Required Payments .....	B-11
Rate Covenants of Renewal Power Purchasers .....	B-11
Renewal Contract Coordinating Committee.....	B-11
Restrictions on Disposition.....	B-12
Defaults and Remedies .....	B-13
Termination or Amendment .....	B-13
Contracts Subject to Resolution.....	B-13
Payments-In-Aid of Construction .....	B-14
Use and Disposition of Certain Facilities .....	B-14
Expansion of Southern Transmission System or Northern Transmission System.....	B-14
Certain Interconnection Agreements .....	B-14
Transmission Service.....	B-14
Insurance Provisions .....	B-15
RENEWAL POWER PURCHASERS' COST AND ENTITLEMENT SHARES .....	B-16
SUMMARY OF CERTAIN PROVISIONS OF THE EXCESS POWER SALES AGREEMENT .....	B-18

Nature of Obligation .....	B-18
Term.....	B-18
Excess Entitlement Shares .....	B-18
Required Payments .....	B-19
Excess Purchasers' Rate Covenant .....	B-20
Restrictions on Disposition.....	B-20
Defaults and Remedies .....	B-20
Termination or Amendment .....	B-21
SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT FOR SALE OF	
RENEWAL EXCESS POWER .....	B-22
Nature of Obligation .....	B-22
Term.....	B-22
Excess Entitlement Shares .....	B-22
Required Payments .....	B-23
Excess Purchaser's Rate Covenant .....	B-24
Restrictions on Disposition.....	B-24
Defaults and Remedies .....	B-24
Termination or Amendment .....	B-25
SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION MANAGEMENT	
AND OPERATING AGREEMENT.....	B-26
Responsibility of Project Manager and Operating Agent.....	B-26
Coordinating Committee .....	B-27
Payment of Costs of Construction Work and Operating Work .....	B-27
Scheduling of Capacity and Entitlement .....	B-27

## **SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS**

The following is a summary of certain provisions of the Power Sales Contracts, as amended (including the amendments effected by the Amendatory Power Sales Contracts and the Power Sales Contracts Amendments), entered into between the Agency and each of the Power Purchasers. Except as described in this summary, all of the Power Sales Contracts are identical in all material respects. This summary is not to be considered a full statement of the terms of such Power Sales Contracts and accordingly is qualified by reference thereto and subject to the full text thereof. Capitalized terms not defined in this section of this Appendix captioned "Summary of Certain Provisions of the Power Sales Contracts" have the meanings set forth in the document to which this Appendix is attached or set forth in the Power Sales Contracts.

### **Entitlement to Capacity**

Each Power Purchaser is entitled to receive under its Power Sales Contract capacity and energy from the Generation Station up to its Generation Entitlement Share, as specified in its Power Sales Contract, of the available capacity of the Generation Station. A Power Purchaser may arrange to dispose of capacity or energy from the Project to which it is entitled, but any such arrangements will not affect its obligations under its Power Sales Contract. Each Power Purchaser's entitlement to the use of the operating capabilities of the Southern and Northern Transmission Systems shall be determined by dividing the portion of such Power Purchaser's Generation Entitlement Share to be delivered at Points of Delivery on the Southern Transmission System, in the case of the Southern Transmission System, and at Points of Delivery on the Northern Transmission System, in the case of the Northern Transmission System, by the aggregate of those portions of all Power Purchasers' Generation Entitlement Shares to be delivered at the Points of Delivery on the Southern Transmission System and the Northern Transmission System, respectively. Power Purchasers having unused entitlement to transmission capacity may agree to allow other Power Purchasers to use such entitlement except that no Power Purchaser may use the transmission system in excess of its respective entitlement share if such use would adversely affect the eligibility for federal income tax exemption of the interest payable on the Bonds (as such term is defined in the Power Sales Contracts; the term "Bonds" as defined in the Power Sales Contracts and as used in this summary means both Bonds (as defined in the Resolution) and Subordinated Indebtedness).

### **Nature of Obligation**

Each Power Purchaser which is a municipally owned electric system is obligated to make the payments required under its Power Sales Contract solely from the revenues of its electric system as a cost of purchased electric capacity and energy and an operating expense. Each such Power Purchaser has covenanted to include in its annual power system budget for each fiscal year during the term of its Power Sales Contract an appropriation from the revenues of its electric system sufficient to pay all amounts required to be paid during such fiscal year under such Power Sales Contract. The Power Sales Contracts constitute a general obligation of each Power Purchaser which is not a municipally owned electric system. The Power Purchasers' obligations, which are several and not joint, to make payments of Monthly Power Costs under their respective Power Sales Contracts are not subject to reduction or offset whether or not the Project is completed, operating or operable or its output (and as a result, the capacity available to each of the Power Purchasers) is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part. In addition, the Power Purchasers' payment obligations under the Power Sales Contracts are not conditioned upon the performance by the Agency or any other party (including any other Power Purchaser) of contractual or other obligations and are not subject to any reduction or offset in the event of any default by the Agency in the performance of its obligations under the Power Sales Contracts.

## **Term**

The term of each Power Sales Contract has commenced and will end on June 15, 2027, unless terminated sooner in accordance with the provisions for termination or amendment described below.

## **Required Payments**

For a discussion on Monthly Power Costs and the payment obligations of the respective Power Purchasers with respect thereto, see the discussion under the caption “SECURITY AND SOURCES OF PAYMENT FOR BONDS” in the document to which this Appendix is attached.

## **Rate Covenants of Municipal Power Purchasers**

Each Power Purchaser which is a municipally owned electric system has covenanted in its Power Sales Contract to establish, maintain and collect rates and charges for the electric service it furnishes so as to provide revenues which, together with its available electric system reserves, are sufficient to enable it to pay to the Agency all amounts payable under its Power Sales Contract and to pay all other amounts payable from, and all lawful charges against or liens on, its electric system revenues.

## **Coordinating Committee**

The Power Sales Contracts provide for the establishment of a Coordinating Committee composed of representatives of the Power Purchasers and the Agency which is to (a) provide liaison among the Agency and the Power Purchasers, (b) make recommendations to the Project Manager and Operating Agent with respect to the construction and operation of the Project, (c) review, modify and approve the practices and procedures formulated by the Project Manager and Operating Agent under the Construction Management and Operating Agreement, including procedures for the scheduling and controlling of capacity and energy from the Project and procedures with respect to operation of generating units and fuel storage, the schedule of planned maintenance outages, all budgets and revisions thereof prepared and submitted by the Project Manager or Operating Agent pursuant to the Construction Management and Operating Agreement, all Capital Improvements and the budgets therefor and provisions for financing thereof, the insurance program with respect to the Project and revisions to the description of the Project contained in the Power Sales Contracts, (d) approve all consultants or advisors on financial matters, including bond counsel, that may be retained by the Agency, (e) make recommendations to the Agency concerning (and, in certain specified situations, approve) the issuance of Bonds and evidences of indebtedness issued in anticipation of the issuance of Bonds and (f) perform other functions provided for in the Power Sales Contracts and the Construction Management and Operating Agreement. No action by the Coordinating Committee pursuant to its authority under the Power Sales Contracts or otherwise shall require the Agency to act in a manner inconsistent with, or refrain from acting as required by, the Resolution or any applicable licenses, permits or regulatory provisions.

Any action taken by the Coordinating Committee shall require an affirmative decision of representatives of Power Purchasers having Voting Rights aggregating at least 80 percent. If the Coordinating Committee is unable to, or fails to, agree and act with respect to the review, modification or approval of certain actions of the Project Manager or Operating Agent after a reasonable opportunity to do so or within the time limits specified in the Construction Management and Operating Agreement, the Project Manager or Operating Agent may take such actions subject to the terms of the Construction Management and Operating Agreement (see “SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION MANAGEMENT AND OPERATING AGREEMENT – Coordinating Committee” in this Appendix). The term Voting Rights means at any particular time with respect to a Power Purchaser, such Power Purchaser’s Generation Entitlement Share in effect at such time under its Power Sales Contract.

## **Restrictions on Disposition**

A Power Purchaser may not sell, lease or otherwise dispose of all or substantially all of its electric system except upon the satisfaction of certain conditions, including, among others, that (i) the Power Purchaser assigns its interest under its Power Sales Contract to the purchaser or lessee of its electric system and said purchaser or lessee assumes all obligations of the Power Purchaser under the Power Sales Contract, (ii) the senior debt of the purchaser or lessee is rated in one of the two highest categories by at least one nationally recognized bond rating agency, (iii) an independent and qualified engineer of national reputation opines that the purchaser or lessee is reasonably able to charge and collect rates and charges as required under the Power Sales Contract, and (iv) it is determined by the Agency that the disposition will not adversely affect the value of such Power Sales Contract as security for the Bonds or affect the eligibility for tax exempt status of Bonds issued by the Agency. In addition, a Power Purchaser may not sell, assign or otherwise dispose of any portion of its Generation Entitlement Share or the capacity rights granted under its Power Sales Contract in the Northern Transmission System or the Southern Transmission System except if it is determined by the Agency that the disposition will not adversely affect the eligibility for exemption from federal income taxes of interest on the Bonds.

## **Defaults and Remedies**

The failure of a Power Purchaser to perform any of its obligations, including the obligation to make required payments under its Power Sales Contract, will constitute a default. In the event of a default or inability to perform by a Power Purchaser under its Power Sales Contract, the Agency may proceed to enforce the Power Purchaser's covenants or obligations thereunder, or seek damages for the breach thereof, by action at law or equity, or if a payment due under the Power Sales Contract remains unpaid when due, the Agency may, upon 120 days' written notice to the Power Purchaser, discontinue the delivery of capacity and energy to, and the use of Project facilities by, such Power Purchaser while the default continues. Except as a result of a transfer of the defaulting Power Purchaser's rights to delivery of capacity and energy and the use of Project facilities described below, the discontinuance of delivery of capacity and energy to, and the use of Project facilities by, a defaulting Power Purchaser by the Agency will not reduce the obligation of such Power Purchaser to make payments under its Power Sales Contract.

In the event the delivery of capacity and energy to, and use of Project facilities by, a Power Purchaser in default is discontinued, the Agency shall transfer to all other Power Purchasers which are not in default and which so request, a pro rata portion of the defaulting Power Purchaser's rights to delivery of capacity and energy and use of Project facilities. In the case of such a transfer, the Power Purchasers accepting additional rights to delivery of capacity and energy and use of Project facilities shall assume the defaulting Power Purchaser's obligations with respect to the rights which are transferred to them, other than the obligation to cure any deficiency in payment which may have occurred prior to such transfer. In the event less than all of a defaulting Power Purchaser's rights to delivery of capacity and energy and use of Project facilities are transferred to non-defaulting Power Purchasers, the Agency shall, to the extent possible, dispose of such remaining rights on the best terms readily available in accordance with procedures formulated by the Coordinating Committee, and in such a manner as does not adversely affect the eligibility for exemption from federal income taxes of the interest payable on the Bonds. The obligation of the defaulting Power Purchaser to the Agency shall be reduced to the extent that the Agency receives payments with respect to the rights of such Power Purchaser which are transferred.

## **Termination or Amendment**

As long as any Bonds issued under the Resolution are outstanding or until provision has been made for the payment of any Bonds outstanding in accordance with the Resolution, the Power Sales Contracts may not be terminated or amended in any manner which will reduce the amount of or extend the time for the payments which are pledged as security for the Bonds or which will impair or adversely affect the rights

of the holders of the Bonds. Each Power Sales Contract also provides that the Agency may not, without the consent of each of the Power Purchasers, amend or supplement the Resolution (except to provide for the issuance of additional Bonds), to affect the rights and obligations of the Power Purchasers under the Power Sales Contracts or to be to the disadvantage of the Power Purchasers or to result in increased Monthly Power Costs to the Power Purchasers.

### **Contracts Subject to Resolution**

It has been recognized by the Power Purchasers in the Power Sales Contracts that the Agency, in financing, acquiring, constructing and operating the Project, must comply with the requirements of the Resolution and all licenses, permits and regulatory approvals necessary therefor, and the Power Purchasers have therefore agreed that the Power Sales Contracts are subject to the provisions of the Resolution and such licenses, permits and approvals.

### **Payments-In-Aid of Construction**

If requested by the Agency, one or more Power Purchasers or an agency acting on its or their behalf may agree to make payments-in-aid of construction for the Generation Station. The California Purchasers and the Utah Purchasers or an entity acting on their respective behalf may agree to make payments-in-aid of construction for the Southern Transmission System and the Northern Transmission System, respectively. All payments-in-aid of construction will be deposited in the account in the Construction Fund relating to the facility with respect to which such payments are being made and, subject to the lien and pledge of and the covenants under the Resolution with respect to such Fund, all such deposits will be used by the Agency for the payment of the Cost of Acquisition and Construction with respect to such facility. The payments-in-aid of construction will not change or otherwise affect the Agency's ownership of such facility or of the Project or any of the rights and obligations of the Agency or the Power Purchasers under the Power Sales Contracts.

### **Use and Disposition of Certain Facilities**

In recognition of the fact that the Project consists of certain rights, properties and facilities that could be used in connection with the construction and operation at the Project site of additional generating units or transmission facilities, the Agency may, with the approval of the Coordinating Committee, sell, lease or otherwise make available such rights, properties and facilities for such construction or operation of other units or facilities at the Project site. All amounts received shall be credited against Cost of Acquisition and Construction or Monthly Power Costs, as appropriate. No such disposition may interfere with the construction and operation of the Project or adversely affect the eligibility for federal income tax exemption of the interest payable on the Bonds.

### **Expansion of Southern Transmission System**

Any proposal for a major expansion of the Southern Transmission System is to be initiated by the Coordinating Committee. Such proposal must comply with the Project agreements and must provide that, subject to compliance with Utah law, the Power Purchasers having entitlement to the Southern Transmission System under their respective Power Sales Contracts will have the right to participate in the additional capacity of such expansion in proportion to their respective entitlement shares. Upon approval of any such proposal by the Agency and the Coordinating Committee, the Agency will use its best efforts to proceed with the development of such expansion.

### **Certain Interconnection Agreements**

The Power Purchasers agree that the Agency may comply with the requirements of the Mona Interconnection Agreement or other agreements approved by the Coordinating Committee with respect to furnishing start up and black start power from the Project. All amounts received by the Agency for furnishing such service shall be credited against Monthly Power Costs.

### **Transmission Service**

Subject to contractual rights with respect to the Northern Transmission System, the Agency may schedule the unused capacity of such System for transmission service for other utilities. All amounts received by the Agency for furnishing such service shall be credited against Monthly Power Costs.

### **Insurance Provisions**

The Agency will take reasonable and prudent steps to maintain properly designed and properly underwritten Project property and casualty insurance programs during the construction phase of the Project and will design and arrange underwriting for property and casualty insurance programs for the operating phase of the Project. The Agency will make every economically feasible effort to incorporate into the operation phase of the Project property insurance program extra-expense and business interruption coverage tied to all perils covered by the property insurance program and covering losses resulting from failure or interruption of the fuel supply for the Project.

### **Gas Repowering**

The Agency has agreed with each of the Power Purchasers to undertake the Gas Repowering. Once the Gas Repowering has achieved commercial operation, the Generation Station will consist of two natural gas combined cycle power blocks with an approximate combined net generation capability of 840 MW, together with related equipment and facilities of the Gas Repowering, and the Gas Repowering will supply the electric power generation of the Project in replacement of the then existing generating units and related facilities and properties. The Power Sales Contracts obligate the Agency to achieve commercial operation of the Gas Repowering by July 1, 2025.

The Agency is required to fund the Gas Repowering using Transition Project Indebtedness, unless otherwise approved by the Coordinating Committee. The costs of the Gas Repowering include the Retirement Costs related to the Retired Generation and Related Facilities and Properties.

The Power Sales Contracts also provide that in the event the Gas Repowering is not undertaken as provided in the Power Sales Contracts, and there is no Transition Project Indebtedness outstanding, the Project will consist of transmission facilities with sufficient generation capacity to support such transmission facilities. The entitlements to such facilities would be sold to the Power Purchasers who elect to renew their entitlements in the Project pursuant to a transmission services agreement. The California Renewal Purchasers would be offered 100% of the entitlements in the Southern Transmission System and 60% of the entitlements in the Northern Transmission System. The Utah Renewal Purchasers would be offered 40% of the entitlements in the Northern Transmission System. The term of the Power Sales Contracts would be extended to the earlier of the completion of decommissioning and retirement of the facilities not necessary to maintain and support such transmission facilities and January 1, 2032. In that event, the Renewal Power Sales Contracts and the Agreement for Sale of Renewal Excess Power would terminate.



## POWER PURCHASERS' COST AND ENTITLEMENT SHARES

The following table sets forth the Generation Cost and Entitlement Shares of each of the Power Purchasers for the output and services of the generating units and the cost and entitlement shares of those Power Purchasers taking the output and services of the transmission systems included in the Project.

	<b>Generation Cost Share and Entitlement Share</b>	<b>Northern Transmission Cost Share and Entitlement Share<sup>1</sup></b>	<b>Southern Transmission Cost Share and Entitlement Share<sup>2</sup></b>
<b>CALIFORNIA PURCHASERS</b>			
Los Angeles Department of Water and Power	48.617%	.000%	59.534%
City of Anaheim	13.225	.000	17.647
City of Riverside	7.617	.000	10.164
City of Pasadena	4.409	.000	5.883
City of Burbank	3.371	.000	4.498
City of Glendale	<u>1.704</u>	<u>.000</u>	<u>2.274</u>
Total—6 California Purchasers	<u>78.943%</u>	<u>.000%</u>	<u>100.000%</u>
<b>UTAH MUNICIPAL PURCHASERS</b>			
Murray City	4.000%	18.996%	.000%
Logan City	2.469	11.725	.000
The City of Bountiful	1.695	8.050	.000
Kaysville City	.739	3.510	.000
Heber Light & Power Company	.627	2.978	.000
Hyrum City	.551	2.617	.000
Fillmore City	.512	2.431	.000
The City of Ephraim	.503	2.389	.000
Lehi City	.430	2.042	.000
Beaver City	.413	1.961	.000
Parowan City	.364	1.729	.000
Price	.361	1.714	.000
Mount Pleasant	.357	1.695	.000
City of Enterprise	.199	.945	.000
Morgan City	.190	.902	.000
City of Hurricane	.147	.698	.000
Monroe City	.130	.617	.000
The City of Fairview	.120	.570	.000
Spring City	.060	.285	.000
Town of Holden	.048	.228	.000
Town of Meadow	.045	.214	.000
Kanosh	.040	.190	.000
Town of Oak City	<u>.040</u>	<u>.190</u>	<u>.000</u>
Total—23 Utah Municipal Purchasers	<u>14.040%</u>	<u>66.676%</u>	<u>.000%</u>
<b>COOPERATIVE PURCHASERS</b>			
Moon Lake Electric Association, Inc.	2.000%	9.498%	.000%
Mt. Wheeler Power, Inc.	1.786	8.482	.000
Dixie-Escalante Rural Electric Association, Inc	1.534	7.285	.000
Garkane Power Association, Inc	1.267	6.017	.000
Bridger Valley Electric Association	.230	1.092	.000
Flowell Electric Association	<u>.200</u>	<u>.950</u>	<u>.000</u>
Total—6 Cooperative Purchasers	<u>7.017%</u>	<u>33.324%</u>	<u>.000</u>
Total—35 Power Purchasers	<u>100.000%</u>	<u>100.000%</u>	<u>100.000%</u>

*(footnotes on following page)*

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*(footnotes from previous page)*

- 1 The Northern Transmission Cost and Entitlement Shares of each Power Purchaser having a point of delivery on the Northern Transmission System are determined by dividing such Power Purchaser's Generation Entitlement Share by the total of the Generation Entitlement Shares to be delivered on the Northern Transmission System.
- 2 The Southern Transmission Cost and Entitlement Shares of each Power Purchaser having a point of delivery on the Southern Transmission System are determined by dividing such Power Purchaser's Generation Entitlement Share by the total of the Generation Entitlement Shares to be delivered on the Southern Transmission System except with respect to 4% Generation Entitlement Share that was allocated to the Department pursuant to the Power Sales Contracts Amendments (the Department's Generation Entitlement Share increased by such 4%, but such 4% was omitted from both the dividend and the divisor for purposes of calculating Southern Transmission Cost and Entitlement Shares of the Power Purchasers having a point of delivery on the Southern Transmission System).

## **SUMMARY OF CERTAIN PROVISIONS OF THE RENEWAL POWER SALES CONTRACTS**

The following is a summary of certain provisions of the Renewal Power Sales Contracts, as revised to reflect changes to Appendix C to the Renewal Power sales Contracts and the termination of or reduction in Generation Entitlement Share of certain Renewal Power Purchasers under their respective Renewal Power Sales Contracts, entered into between the Agency and each of the Renewal Power Purchasers. Except as described in this summary, all of the Renewal Power Sales Contracts are identical in all material respects. This summary is not to be considered a full statement of the terms of such Renewal Power Sales Contracts and accordingly is qualified by reference thereto and subject to the full text thereof. Capitalized terms not defined in this section of this Appendix captioned "Summary of Certain Provisions of the Renewal Power Sales Contracts" have the meanings set forth in the document to which this Appendix is attached or set forth in the Renewal Power Sales Contracts. Unless otherwise expressly stated, the terms of the Renewal Power Sales Contracts described in this Appendix apply from and after the Transition Date.

### **Entitlement to Capacity**

Each Renewal Power Purchaser is entitled to receive under its Renewal Power Sales Contract capacity and energy from the Generation Station up to its Generation Entitlement Share, as specified in its Renewal Power Sales Contract, of the available capacity of the Generation Station. A Renewal Power Purchaser may arrange to dispose of capacity or energy from the Project to which it is entitled, but any such arrangements will not affect its obligations under its Renewal Power Sales Contract. Each Renewal Power Purchaser's entitlement to the use of the operating capabilities of the Southern and Northern Transmission Systems shall be determined by dividing the portion of such Renewal Power Purchaser's Generation Entitlement Share to be delivered at Points of Delivery on the Southern Transmission System, in the case of the Southern Transmission System, and at Points of Delivery on the Northern Transmission System, in the case of the Northern Transmission System, by the aggregate of those portions of all Renewal Power Purchasers' Generation Entitlement Shares to be delivered at the Points of Delivery on the Southern Transmission System and the Northern Transmission System, respectively. Renewal Power Purchasers having unused entitlement to transmission capacity may agree to allow other Renewal Power Purchasers to use such entitlement except that no Renewal Power Purchaser may use the transmission system in excess of its respective entitlement share if such use would adversely affect the eligibility for federal income tax exemption of the interest payable on the Debt Instruments (as such term is defined in the Renewal Power Sales Contracts; the term "Debt Instruments" as defined in the Renewal Power Sales Contracts and as used in this summary means both Bonds (as defined in the Resolution) and Subordinated Indebtedness).

### **Nature of Obligation**

Each Renewal Power Purchaser is obligated to make the payments required under its Renewal Power Sales Contract solely from the revenues of its electric system as a cost of purchased electric capacity and energy and an operating expense. Each such Renewal Power Purchaser has covenanted to include in its annual power system budget for each fiscal year during the term of its Renewal Power Sales Contract an appropriation from the revenues of its electric system sufficient to pay all amounts required to be paid during such fiscal year under such Renewal Power Sales Contract. The Renewal Power Purchasers' obligations, which are several and not joint, to make payments of Monthly Power Costs under their respective Renewal Power Sales Contracts are not subject to reduction or offset whether or not the Project is operating or operable or its output (and as a result, the capacity available to each of the Renewal Power Purchasers) is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part. In addition, the Renewal Power Purchasers' payment obligations under the Renewal Power Sales Contracts are not conditioned upon the performance by the Agency or any other party (including any other Renewal Power Purchaser) of contractual or other obligations and are not subject to any reduction or offset in the event of any default by the Agency in the performance of its obligations under the Renewal Power Sales Contracts.

## **Term**

The term of each Renewal Power Sales Contract has commenced and will end on June 16, 2077, unless terminated sooner in accordance with the provisions for termination or amendment described below. Although the term of each Renewal Power Sales Contract has commenced, the Renewal Power Sales Contracts will not govern, generally, the purchase and sale of the capacity and output of the Project until June 16, 2027 (the “Transition Date”), which is the day following the scheduled termination of the Power Sales Contracts.

## **Required Payments**

For a discussion on Monthly Power Costs and the payment obligations of the respective Renewal Power Purchasers with respect thereto, see the discussion under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2022 SERIES A AND B BONDS” in the document to which this Appendix is attached.

## **Rate Covenants of Renewal Power Purchasers**

Each Renewal Power Purchaser has covenanted in its Renewal Power Sales Contract to establish, maintain and collect rates and charges for the electric service it furnishes so as to provide revenues which, together with its available electric system reserves and other available funds, are sufficient to enable it to pay to the Agency all amounts payable under its Renewal Power Sales Contract and to pay all other amounts payable from, and all lawful charges against or liens on, its electric system revenues.

## **Renewal Contract Coordinating Committee**

The Renewal Power Sales Contracts provide for the establishment of a Renewal Contract Coordinating Committee composed of representatives of the Renewal Power Purchasers and the Agency which is to (a) provide liaison among the Agency and the Renewal Power Purchasers, (b) make recommendations to the Project Manager and Operating Agent with respect to the construction and operation of the Project, (c) review, modify and approve the practices and procedures formulated by the Project Manager and Operating Agent under the Construction Management and Operating Agreement, including procedures for the scheduling and controlling of capacity and energy from the Project and procedures with respect to operation of generating units and fuel storage, the schedule of planned maintenance outages, all budgets and revisions thereof prepared and submitted by the Project Manager or Operating Agent pursuant to the Construction Management and Operating Agreement, all Capital Improvements and the budgets therefor and provisions for financing thereof, the insurance program with respect to the Project and revisions to the description of the Project contained in the Renewal Power Sales Contracts, (d) approve all consultants or advisors on financial matters, including bond counsel, that may be retained by the Agency, (e) make recommendations to the Agency concerning (and, in certain specified situations, approve) the issuance of Bonds and evidences of indebtedness issued in anticipation of the issuance of Bonds and (f) perform other functions provided for in the Renewal Power Sales Contracts and the Construction Management and Operating Agreement. No action by the Renewal Contract Coordinating Committee pursuant to its authority under the Renewal Power Sales Contracts or otherwise shall require the Agency to act in a manner inconsistent with, or refrain from acting as required by, the Resolution or any applicable licenses, permits or regulatory provisions.

The Renewal Power Sales Contracts required the election of representatives to the Renewal Contract Coordinating Committee within 30 days of the full subscription by the Renewal Power Purchasers for Generation Entitlement Shares under the Renewal Power Sales Contracts. Prior to the Transition Date, the Renewal Contract Coordinating Committee’s authority is limited to considering matters related to Transition Project Indebtedness and other matters requiring Renewal Contract Coordinating Committee

approval prior to the Transition Date pursuant to the Power Sales Contracts or the Renewal Power Sales Contracts and to receive financial statements and operating reports provided to the Coordinating Committee in the ordinary course of business. The Renewal Contract Coordinating Committee's approval is required for the issuance of Transition Project Indebtedness for purposes other than financing the Gas Repowering (so long as the Transition Project Indebtedness satisfies the requirements in the Renewal Power Sales Contracts related to Substantially Equal Debt Service).

Any action taken by the Renewal Contract Coordinating Committee shall require an affirmative decision of representatives of Renewal Power Purchasers having Voting Rights aggregating at least 80 percent. To the extent that any of the Fuel Management Practices and Procedures modifies the payment responsibility of any of the Renewal Power Purchasers for costs of Project Fuel acquisition or the costs of Project Fuel transmission or transportation, as then determined under the Renewal Power Sales Contracts, then such modification would require affirmation by Renewal Contract Coordinating Committee representatives of Purchasers having Voting Rights (as defined in the Renewal Power Sales Contracts) equal to 100 percent.

If the Renewal Contract Coordinating Committee is unable to, or fails to, agree and act with respect to the review, modification or approval of certain actions of the Project Manager or Operating Agent after a reasonable opportunity to do so or within the time limits specified in the Construction Management and Operating Agreement, the Project Manager or Operating Agent may take such actions subject to the terms of the Construction Management and Operating Agreement. The Agency and the Department (as Project Manager and Operating Agent) have negotiated a form of Construction Management and Operating Agreement that addresses time limits with respect to the Renewal Contract Coordinating Committee. That form has been submitted to the Department's governing bodies for approval. The term Voting Rights means at any particular time with respect to a Renewal Power Purchaser, such Renewal Power Purchaser's Generation Entitlement Share in effect at such time under its Renewal Power Sales Contract.

### **Restrictions on Disposition**

A Renewal Power Purchaser may not sell, lease or otherwise dispose of all or substantially all of its electric system except upon the satisfaction of certain conditions, including, among others, that (i) the Renewal Power Purchaser assigns its interest under its Renewal Power Sales Contract to the purchaser or lessee of its electric system and said purchaser or lessee assumes all obligations of the Renewal Power Purchaser under the Renewal Power Sales Contract, (ii) the senior debt of the purchaser or lessee is rated in one of the three highest categories by at least one nationally-recognized bond rating agency, (iii) an independent and qualified engineer of national reputation opines that the purchaser or lessee is reasonably able to charge and collect rates and charges as required under the Renewal Power Sales Contract, and (iv) it is determined by the Agency that the disposition will not adversely affect the value of such Renewal Power Sales Contract as security for the Debt Instruments or affect the eligibility for tax exempt status of Debt Instruments issued by the Agency. In addition, a Renewal Power Purchaser may not sell, assign or otherwise dispose of any portion of its Generation Entitlement Share or the capacity rights granted under its Renewal Power Sales Contract in the Northern Transmission System or the Southern Transmission System except if it is determined by the Agency that the disposition will not adversely affect the eligibility for exemption from federal income taxes of interest on the Debt Instruments.

The Renewal Power Sales Contracts provide that except in connection with a disposition of a Renewal Power Purchaser's electric system in compliance with the requirements of the Renewal Power Sales Contracts, no disposition of a Purchaser's rights under its Renewal Power Sales Contract releases such Purchaser from its obligations under its Renewal Power Sales Contract.

## **Defaults and Remedies**

The failure of a Renewal Power Purchaser to perform any of its obligations, including the obligation to make required payments under its Renewal Power Sales Contract, will constitute a default. In the event of a default or inability to perform by a Renewal Power Purchaser under its Renewal Power Sales Contract, the Agency may proceed to enforce the Renewal Power Purchaser's covenants or obligations thereunder, or seek damages for the breach thereof, by action at law or equity, or if a payment due under the Renewal Power Sales Contract remains unpaid when due, the Agency may, upon 120 days' written notice to the Renewal Power Purchaser, discontinue the delivery of capacity and energy to, and the use of Project facilities by, such Renewal Power Purchaser while the default continues. Except as a result of a transfer of the defaulting Renewal Power Purchaser's rights to delivery of capacity and energy and the use of Project facilities described below, the discontinuance of delivery of capacity and energy to, and the use of Project facilities by, a defaulting Renewal Power Purchaser by the Agency will not reduce the obligation of such Renewal Power Purchaser to make payments under its Renewal Power Sales Contract.

In the event the delivery of capacity and energy to, and use of Project facilities by, a Renewal Power Purchaser in default is discontinued, the Agency shall transfer to all other Renewal Power Purchasers which are not in default and which so request, a pro rata portion of the defaulting Renewal Power Purchaser's rights to delivery of capacity and energy and use of Project facilities. In the case of such a transfer, the Renewal Power Purchasers accepting additional rights to delivery of capacity and energy and use of Project facilities shall assume the defaulting Renewal Power Purchaser's obligations with respect to the rights which are transferred to them, other than the obligation to cure any deficiency in payment which may have occurred prior to such transfer. In the event less than all of a defaulting Renewal Power Purchaser's rights to delivery of capacity and energy and use of Project facilities are transferred to non-defaulting Renewal Power Purchasers, the Agency shall, to the extent possible, dispose of such remaining rights on the best terms readily available in accordance with procedures formulated by the Renewal Contract Coordinating Committee, and in such a manner as does not adversely affect the eligibility for exemption from federal income taxes of the interest payable on the Bonds. The obligation of the defaulting Renewal Power Purchaser to the Agency shall be reduced to the extent that the Agency receives payments with respect to the rights of such Renewal Power Purchaser which are transferred.

## **Termination or Amendment**

As long as any Debt Instruments issued under the Resolution are outstanding or until provision has been made for the payment of any Debt Instruments outstanding in accordance with the Resolution, the Renewal Power Sales Contracts may not be terminated or amended in any manner which will reduce the amount of or extend the time for the payments which are pledged as security for the Debt Instruments or which will impair or adversely affect the rights of the holders of the Debt Instruments. Each Renewal Power Sales Contract also provides that the Agency may not, without the consent of each of the Renewal Power Purchasers, amend or supplement the Resolution (except to provide for the issuance of additional Bonds), to affect the rights and obligations of the Renewal Power Purchasers under the Renewal Power Sales Contracts or to be to the disadvantage of the Renewal Power Purchasers or to result in increased Monthly Power Costs to the Renewal Power Purchasers.

## **Contracts Subject to Resolution**

It has been recognized by the Renewal Power Purchasers in the Renewal Power Sales Contracts that the Agency, in financing, acquiring, constructing and operating the Project, must comply with the requirements of the Resolution and all licenses, permits and regulatory approvals necessary therefor, and the Renewal Power Purchasers have therefore agreed that the Renewal Power Sales Contracts are subject to the provisions of the Resolution and such licenses, permits and approvals.

### **Payments-In-Aid of Construction**

If requested by the Agency, one or more Renewal Power Purchasers or an agency acting on its or their behalf may agree to make payments-in-aid of construction for the Generation Station. The California Purchasers and the Utah Purchasers or an entity acting on their respective behalf may agree to make payments-in-aid of construction for the Southern Transmission System and the Northern Transmission System, respectively. All payments-in-aid of construction will be deposited in the account in the Construction Fund relating to the facility with respect to which such payments are being made and, subject to the lien and pledge of and the covenants under the Resolution with respect to such Fund, all such deposits will be used by the Agency for the payment of the Capital Improvement Acquisition and Construction Costs with respect to such facility. The payments-in-aid of construction will not change or otherwise affect the Agency's ownership of such facility or of the Project or any of the rights and obligations of the Agency or the Renewal Power Purchasers under the Renewal Power Sales Contracts.

### **Use and Disposition of Certain Facilities**

In recognition of the fact that the Project consists of certain rights, properties and facilities that could be used in connection with the construction and operation at the Project site of additional generating units or transmission facilities, the Agency may, with the approval of the Renewal Contract Coordinating Committee, sell, lease or otherwise make available such rights, properties and facilities for such construction or operation of other units or facilities at the Project site. All amounts received shall be credited against Cost of Acquisition and Construction or Monthly Power Costs, as appropriate. No such disposition may interfere with the construction and operation of the Project or adversely affect the eligibility for federal income tax exemption of the interest payable on the Bonds.

### **Expansion of Southern Transmission System or Northern Transmission System**

Any proposal for a major expansion of the Southern Transmission System or the Northern Transmission System is to be initiated by the Renewal Contract Coordinating Committee. Such proposal must comply with the applicable Agency agreements entered into in accordance with the terms of the Renewal Power Sales Contracts and must provide that, subject to compliance with Utah law, the Renewal Power Purchasers having entitlement to the Southern Transmission System or the Northern Transmission System, respectively, under their respective Renewal Power Sales Contracts will have the right to participate in the additional capacity of such expansion in proportion to their respective entitlement shares in such transmission system. Upon approval of any such proposal by the Agency and the Renewal Contract Coordinating Committee, the Agency will use its best efforts to proceed with the development of such expansion.

### **Certain Interconnection Agreements**

The Renewal Power Purchasers agree that the Agency may comply with the requirements of any agreement approved by the Coordinating Committee or the Renewal Contract Coordinating Committee with respect to furnishing start-up and black start power from the Project. All amounts received by the Agency for furnishing such service shall be credited against Monthly Power Costs.

### **Transmission Service**

Renewal Power Purchasers agree that, subject to contractual rights with respect to the Northern Transmission System, the Agency may schedule the unused capacity of such System for transmission service for other utilities. All amounts received by the Agency for furnishing such service shall be credited against Monthly Power Costs.

**Insurance Provisions**

The Agency will take reasonable and prudent steps to maintain properly designed and properly underwritten Project property and casualty insurance programs for each Project Component during the Operational Period and for each Capital Improvement during the construction phase of such Capital Improvement. The Agency will make every economically feasible effort to incorporate into the Project property insurance program extra-expense and business interruption coverage tied to all perils covered by the property insurance program, automobile liability insurance, insurance against risk of liability under environmental laws and regulations and insurance covering losses resulting from failure or interruption of the Project Fuel supply for the Project.



## RENEWAL POWER PURCHASERS' COST AND ENTITLEMENT SHARES

The following table sets forth the Generation Cost and Entitlement Shares of each of the Renewal Power Purchasers for the output and services of the generating units and the cost and entitlement shares of those Renewal Power Purchasers taking the output and services of the transmission systems included in the Project.

	<b>Generation Cost Share and Entitlement Share</b>	<b>Northern Transmission Cost Share and Entitlement Share<sup>1</sup></b>	<b>Southern Transmission Cost Share and Entitlement Share<sup>2</sup></b>
<b>CALIFORNIA PURCHASERS</b>			
Los Angeles Department of Water and Power	71.442%	.000%	90.500%
City of Burbank	3.334	.000	4.222
City of Glendale	<u>4.167</u>	<u>.000</u>	<u>5.278</u>
Total—3 California Purchasers	<u>74.943%</u>	<u>.000%</u>	<u>100.000%</u>
<b>UTAH MUNICIPAL PURCHASERS</b>			
Murray City	4.036%	19.1670%	.000%
Logan City	2.491	11.8298	.000
The City of Bountiful	1.711	8.1256	.000
Kaysville City	.746	3.5428	.000
Heber Light & Power Company	.633	3.0061	.000
Hyrum City	.551	2.6167	.000
Fillmore City	.517	2.4552	.000
The City of Ephraim	.508	2.4125	.000
Lehi City	.434	2.0611	.000
Beaver City	.413	1.9613	.000
Parowan City	.364	1.7286	.000
Price	.364	1.7286	.000
Mount Pleasant	.357	1.6954	.000
City of Enterprise	.199	.9451	.000
Morgan City	.192	.9118	.000
City of Hurricane	.148	.7029	.000
The City of Fairview	.121	.5746	.000
Spring City	.060	.2849	.000
Town of Holden	.048	.2280	.000
Kanosh	.041	.1947	.000
Town of Oak City	<u>.041</u>	<u>.1947</u>	<u>.000</u>
Total—21 Utah Municipal Purchasers	<u>13.975%</u>	<u>66.3674%</u>	<u>.000%</u>
<b>COOPERATIVE PURCHASERS</b>			
Moon Lake Electric Association, Inc.	2.018%	9.5835%	.000%
Mt. Wheeler Power, Inc.	1.803	8.5625	.000
Dixie-Escalante Rural Electric Association, Inc	1.548	7.3515	.000
Garkane Power Association, Inc	1.279	6.0740	.000
Bridger Valley Electric Association	.232	1.1018	.000
Flowell Electric Association	<u>.202</u>	<u>.95</u>	<u>.000</u>
Total—6 Cooperative Purchasers	<u>7.082%</u>	<u>33.6326%</u>	<u>.000</u>
Total—30 Renewal Power Purchasers	<u>100.000%</u>	<u>100.000%</u>	<u>100.000%</u>

*(footnotes on following page)*

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*(footnotes from previous page)*

- 1 The Northern Transmission Cost and Entitlement Shares of each Renewal Power Purchaser having a point of delivery on the Northern Transmission System are determined by dividing such Renewal Power Purchaser's Generation Entitlement Share by the total of the Generation Entitlement Shares to be delivered on the Northern Transmission System.
- 2 The Southern Transmission Cost and Entitlement Shares of each Renewal Power Purchaser having a point of delivery on the Southern Transmission System are determined by dividing such Renewal Power Purchaser's Generation Entitlement Share by the total of the Generation Entitlement Shares to be delivered on the Southern Transmission System.

## **SUMMARY OF CERTAIN PROVISIONS OF THE EXCESS POWER SALES AGREEMENT**

The following is a summary of certain provisions of the Excess Power Sales Agreement, as amended by the First Amendment to Excess Power Sales Agreement, which has been executed and delivered by each Utah Municipal and Cooperative Purchaser, as a seller (each referred to in this summary as a “Seller”), by Intermountain Consumer Power Association (“ICPA”), as agent for the Sellers (the “Agent”), by the Department and the cities of Burbank, Glendale and Pasadena, as purchasers (each referred to in this summary as an “Excess Purchaser”), and by the Department, serving as representative of the Excess Purchasers. Utah Associated Municipal Power Systems has succeeded to ICPA as Agent for the Sellers. This summary is not to be considered a full statement of the terms of the Excess Power Sales Agreement and accordingly is qualified by reference thereto and subject to the full text thereof. Capitalized terms not defined in this Appendix or in the document to which it is attached have the meanings set forth in the Excess Power Sales Agreement.

### **Nature of Obligation**

Each Excess Purchaser is obligated to make the payments required under the Excess Power Sales Agreement solely from its electric revenue funds as a cost of purchased electric capacity and energy and an operating expense. Each Excess Purchaser has agreed to include in each of its annual power system budgets an appropriation from the revenues of its electric system sufficient to satisfy all payments required to be made during such fiscal year under the Excess Power Sales Agreement. The Excess Purchasers’ obligations to pay the amounts required under the Excess Power Sales Agreement are not subject to reduction if the Project or any part thereof is not completed or is not operating or operable or if its output is suspended, interrupted, interfered with, reduced, curtailed or terminated in whole or in part. In addition, the Excess Purchasers are not relieved of their obligations to make payments under the Excess Power Sales Agreement in the event of any default by any Seller or the Agent.

### **Term**

The term of the Excess Power Sales Agreement has commenced and will end when all payments required to be made under the Excess Power Sales Agreement and through the date of termination of the Power Sales Contracts have been made, unless terminated sooner as discussed under “Termination or Amendment” below.

### **Excess Entitlement Shares**

The Excess Power Sales Agreement provides that during each Summer Season (March 25 to September 24) and each Winter Season (September 25 to March 24) of each Excess Power Supply Year (March 25 to March 24), each Seller will sell to each Excess Purchaser a specified portion of the entitlement to capacity and energy from the Project (the Seller’s “Excess Entitlement Share”), not to exceed the Seller’s Generation Entitlement Share. The execution of the Excess Power Sales Agreement by the Sellers and the sales of portions of their entitlement to capacity and energy from the Project by such Sellers do not reduce or modify the obligations of such Sellers under the Power Sales Contracts. The percentage of the entitlement to each generating unit of the Project being sold by a particular Seller to a particular Excess Purchaser is referred to as the “Contract Obligation” and computed by multiplying the Excess Entitlement Share of such Seller in effect at the time by the Purchase Percentage (divided by 100) of such Excess Purchaser, both as specified in the then current Appendix A to the Excess Power Sales Agreement (hereinafter referred to in this summary as “Appendix A”). Appendix A contains, for each Seller, Load Forecasts and Excess Entitlement Shares for each Season during a future ten-year period.

The Purchase Percentages of the Department, Burbank, Glendale and Pasadena are 86.281%, 3.781%, 2.382% and 7.556%, respectively. See “INTRODUCTION – The Power Purchasers” in the document to which this Appendix is attached for a discussion of the current status of sales by the Sellers of their respective Generation Entitlement Shares pursuant to the Excess Power Sales Agreement.

Each Seller’s Excess Entitlement Share is equal to its Generation Entitlement Share for each Season for which such Seller has not recalled (*i.e.*, elected not to sell to the Excess Purchasers) any portion of its Generation Entitlement Share. To the extent, however, that any such Seller has recalled any portion of its Generation Entitlement Share, its Excess Entitlement Share is its full Generation Entitlement Share less the portion of its Generation Entitlement Share that has been recalled. For information regarding recalls of the Sellers’ Generation Entitlement Shares that are currently scheduled, see “INTRODUCTION – The Power Purchasers” in the document to which this Appendix is attached.

During each Season from and after the time at which any generating unit produces power in excess of its allocated General Service Requirements (“net generation”), each Seller shall provide, and each Excess Purchaser shall acquire, the Contract Obligation applicable to such Seller and Excess Purchaser during such Season of the capacity and energy of the Project.

The Excess Power Sales Agreement provides for the delivery of capacity and energy to each Excess Purchaser at the Generation Station. Each Excess Purchaser has the obligation to arrange for transmission of its capacity and energy from such point to its system. Each Seller which has a right to use the Northern Transmission System has agreed in the Excess Power Sales Agreement to permit each Excess Purchaser to use a share of such Seller’s entitlement to the capabilities of the Northern Transmission System proportionate to the share of that Seller’s Generation Entitlement Share which is being sold to the Excess Purchaser under the Excess Power Sales Agreement.

In each Excess Power Supply Year, the Excess Power Sales Agreement permits revisions within limits to each Seller’s specified Excess Entitlement Shares. These revisions will be included in a revised Appendix A which will be prepared by the Agent prior to the commencement of each Excess Power Supply Year. In its specification of its Excess Entitlement Share, a Seller may decrease its Excess Entitlement Share or leave it unchanged, without restriction, but may increase it for a particular season, in general, only upon agreement as to any increase by the Department and the Agent or, absent such agreement, in relation to a decrease in the Seller’s Load Forecast for such season from its previously filed Load Forecast for such season.

No modification to an Excess Entitlement Share may be made for the first year covered by a new Appendix A from that Share specified for such year in the previously effective Appendix A. Notwithstanding the foregoing, a Seller may increase or decrease its Excess Entitlement Share for a Season upon notice given to the Agent not earlier than 120 nor later than 90 days prior to the beginning of the Season for which such increase or decrease is to take place, provided that the maximum increase or decrease which may be effective for any one Season under this provision with respect to all Sellers is 50 megawatts.

## **Required Payments**

The Excess Power Sales Agreement obligates each Excess Purchaser to pay monthly for the account of a particular Seller an amount with respect to the minimum cost component of Monthly Power Costs associated with the Generation Station based on the Contract Obligation in effect for such month with respect to such Excess Purchaser and Seller. If the Seller has a right under its Power Sales Contract to use the Northern Transmission System, the Excess Purchaser is also obligated to pay a pro rata share of the minimum cost component associated with the Northern Transmission System in consideration for its entitlement to use of a portion of such system. Each Excess Purchaser is also obligated to pay an amount with respect to the variable cost component of Monthly Power Costs equal to the proportion which the

kilowatt hours delivered from the Project to such Excess Purchaser pursuant to the Excess Power Sales Agreement during the month preceding the billing of such amount bears to the total kilowatt hours delivered from the Project during such month. The amount of the variable cost component to be paid by each Excess Purchaser will be allocated to each Seller in proportion to the ratio which its Excess Entitlement Shares for the month to which such payment is applicable bears to the total Excess Entitlement Share for such month. The Excess Power Sales Agreement also obligates each Excess Purchaser to pay a proportionate share of the Agent's administrative expenses in performing its responsibilities under the Excess Power Sales Agreement. The Agent will bill each Excess Purchaser by the tenth day of each month for its share of the minimum cost component for such month, based on the amount in the then current Annual Budget, for its share of the variable cost component for the preceding month and for its administrative payment required for such current month. The Excess Purchaser is required to pay the amount billed no later than 15 days after receipt of such bill.

The Agent is required to pay amounts received for the account of a particular Seller to the Agency for such Seller's account promptly upon receipt thereof.

### **Excess Purchasers' Rate Covenant**

Each Excess Purchaser has covenanted that it will establish, maintain, and collect rates and charges for the electric service of its system which will provide revenues sufficient, together with its available electric system reserves, to enable it to pay all amounts payable under the Excess Power Sales Agreement when due and to pay all other amounts payable from, and all liens on or lawful charges against, its electric system revenues.

### **Restrictions on Disposition**

No Excess Purchaser may sell, lease or otherwise dispose of all or substantially all of its electric system except on 90 days' prior written notice to the Agent and upon satisfaction of the conditions that: (i) such Excess Purchaser assigns to the purchaser or lessee of its electric system all of its rights and interests under the Excess Power Sales Agreement, and such purchaser or lessee assumes all such obligations, (ii) the senior debt of such purchaser or lessee is rated in one of the two highest rating categories by at least one nationally-recognized bond rating agency, (iii) an independent engineer or nationally-recognized engineering firm selected by the Agent opines that such purchaser or lessee is reasonably able to charge and collect rates and charges for its electric service sufficient to meet its obligations under the Excess Power Sales Agreement and (iv) such Excess Purchaser has complied with the requirements of its Power Sales Contract with respect to such disposition. No Excess Purchaser may sell, assign or otherwise dispose of any portion of its entitlement under the Excess Power Sales Agreement except on 90 days' prior written notice to the Agent and except upon compliance with the applicable requirements of its Power Sales Contract.

### **Defaults and Remedies**

In the event an Excess Purchaser fails to perform any of its obligations under the Excess Power Sales Agreement, the Agent may bring suit to enforce the covenants or obligations of such Excess Purchaser, seek to recover damages for a breach of the Excess Power Sales Agreement, or, in the event a payment due under the Excess Power Sales Agreement remains unpaid subsequent to the date it is due, upon 120 days' written notice to such Excess Purchaser, discontinue the delivery of capacity and energy to, and the use of all other Project facilities by, such Excess Purchaser under the Excess Power Sales Agreement during the period of such default. Except as a result of a transfer of a defaulting Excess Purchaser's rights described below, any such discontinuance will not reduce the obligation of any Excess Purchaser to make payments under the Excess Power Sales Agreement.

Upon a default by an Excess Purchaser and the discontinuance of the delivery of capacity and energy to, and use of other Project facilities by, such Excess Purchaser under the Excess Power Sales Agreement, the Agent will transfer the defaulting Excess Purchaser's rights under the Excess Power Sales Agreement to all requesting Excess Purchasers which are not in default, on a pro rata basis. Such requesting Excess Purchasers will assume the defaulting Excess Purchaser's obligations with respect to the rights so transferred. If any of the defaulting Excess Purchaser's rights with respect to the Project under the Excess Power Sales Agreement are not so transferred, the Agent will to the extent possible dispose of such rights on the best terms readily available that will not adversely affect the eligibility for exemption from federal income taxes of the interest payable on the Bonds (as such term is defined in the Excess Power Sales Agreement; the term "Bonds" as defined in the Excess Power Sales Agreement and as used in this summary means both Bonds (as defined in the Resolution) and Subordinated Indebtedness). The obligation of the defaulting Excess Purchaser to make payments under the Excess Power Sales Agreement shall be reduced to the extent that the Agent receives payment for such portion of the defaulting Excess Purchaser's rights which are so transferred or disposed of.

### **Termination or Amendment**

In certain circumstances, the term of the Excess Power Sales Agreement may terminate prior to the date of termination of the Power Sales Contracts. Such termination of the Excess Power Sales Agreement (except with respect to certain rights to use the Northern Transmission System and the Southern Transmission System) would take place as soon after the earliest of the following occurs as all payments required under the Excess Power Sales Agreement by the Excess Purchasers through the date of such occurrence have been made:

- (i) after a generating unit of the Project shall produce net generation, a condition shall exist that, for other than normal maintenance, no generating unit produces net generation (a "Complete Outage") and such Complete Outage continues to the last day of the second Excess Power Supply Year shown on the Appendix A in effect at the time such Complete Outage commences; or
- (ii) the last day of the First Excess Power Supply Year for which the Appendix A then in effect shows the Total Excess Entitlement Share for the second Excess Power Supply Year to be zero.

Except as discussed above, the Excess Power Sales Agreement may not be terminated or amended materially as to any one or more of the Excess Purchasers except upon written consent or waiver by each other Excess Purchaser and upon similar amendment being made to the Excess Power Sales Agreement with respect to each other Excess Purchaser which so requests, nor may it be terminated or amended materially as to any one or more of the Sellers except upon written consent or waiver by each other Seller and upon similar amendment being made to the Excess Power Sales Agreement with respect to each other Seller which so requests.

## **SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT FOR SALE OF RENEWAL EXCESS POWER**

The following is a summary of certain provisions of the Agreement for Sale of Renewal Excess Power, which has been executed and delivered by each Utah Municipal and Cooperative Purchaser, as a seller (each referred to in this summary as a “Seller”), by the Agency, as agent for the Sellers (the “Agent”), by the Department, as the sole purchaser (referred to in this summary as the “Excess Purchaser”), and by the Department, serving as representative of the Excess Purchaser. This summary is not to be considered a full statement of the terms of the Agreement for Sale of Renewal Excess Power and accordingly is qualified by reference thereto and subject to the full text thereof. Capitalized terms not defined in this Appendix or in the document to which it is attached have the meanings set forth in the Agreement for Sale of Renewal Excess Power.

### **Nature of Obligation**

The Excess Purchaser is obligated to make the payments required under the Agreement for Sale of Renewal Excess Power solely from its electric revenue funds as a cost of purchased electric capacity and energy and an operating expense. The Excess Purchaser has agreed to include in each of its annual power system budgets an appropriation from the revenues of its electric system sufficient to satisfy all payments required to be made during such fiscal year under the Agreement for Sale of Renewal Excess Power. The Excess Purchaser’s obligations to pay the amounts required under the Agreement for Sale of Renewal Excess Power are not subject to reduction if the Project or any part thereof is not completed or is not operating or operable or if its output is suspended, interrupted, interfered with, reduced, curtailed or terminated in whole or in part. In addition, the Excess Purchaser is not relieved of its obligation to make payments under the Agreement for Sale of Renewal Excess Power in the event of any default by any Seller or the Agent.

### **Term**

The term of the Agreement for Sale of Renewal Excess Power has commenced and will end when all payments required to be made under the Agreement for Sale of Renewal Excess Power and through the date of termination of the Renewal Power Sales Contracts have been made, unless terminated sooner as discussed under “Termination or Amendment” below. Although the Agreement for Sale of Renewal Excess Power has become effective, it will govern the purchase and sale of each Seller’s Excess Entitlement Share only from and after June 16, 2027.

### **Excess Entitlement Shares**

The Agreement for Sale of Renewal Excess Power provides that during each Summer Season (12:01 a.m. on June 1 to 12:01 a.m. on October 1) and each Winter Season (12:01 a.m. on October 1 to 12:01 a.m. on June 1) of each Excess Power Supply Year (12:01 a.m. on July 1 to 12:01 a.m. on July 1), each Seller will sell to the Excess Purchaser a specified portion of the entitlement to capacity and energy from the Project (the Seller’s “Excess Entitlement Share”), not to exceed the Seller’s Generation Entitlement Share. The execution of the Agreement for Sale of Renewal Excess Power by the Sellers and the sales of portions of their entitlement to capacity and energy from the Project by such Sellers do not reduce or modify the obligations of such Sellers under the Renewal Power Sales Contracts. The percentage of the entitlement to each generating unit of the Project being sold by a particular Seller to the Excess Purchaser is referred to as the “Excess Power Obligation” and computed by multiplying the Excess Entitlement Share of such Seller in effect at the time by the Purchase Percentage (expressed as a decimal) of the Excess Purchaser, both as specified in the then current Appendix A to the Agreement for Sale of Renewal Excess Power (hereinafter referred to in this summary as “Appendix A”). Appendix A contains, for each Seller, such Seller’s election for the Excess Entitlement Share for each Season, subject to

modification as provided in the Agreement for Sale of Renewal Excess Power. The Purchase Percentage of the Department is 100%.

Each Seller's Excess Entitlement Share is equal to its Generation Entitlement Share for each Season for which such Seller has not recalled (*i.e.*, elected not to sell to the Excess Purchaser) any portion of its Generation Entitlement Share. To the extent, however, that any such Seller has recalled any portion of its Generation Entitlement Share, its Excess Entitlement Share is its full Generation Entitlement Share less the portion of its Generation Entitlement Share that has been recalled. The Sellers must make their election with respect to their Excess Entitlement Shares at least 12 months prior to June 16, 2027 (referred to as the Operational Period Commencement Date in the Agreement for Sale of Renewal Excess Power).

During each Season from and after the Operational Period Commencement Date, each Seller shall provide, and the Excess Purchaser shall acquire, the Excess Power Obligation applicable to such Seller and the Excess Purchaser during such Season of the capacity and energy of the Project.

The Agreement for Sale of Renewal Excess Power provides for the delivery of capacity and energy to the Excess Purchaser at the Generation Station. The Excess Purchaser has the obligation to arrange for transmission of its capacity and energy from such point to its system. Each Seller which has a right to use the Northern Transmission System has agreed in the Agreement for Sale of Renewal Excess Power to permit the Excess Purchaser to use a share of such Seller's entitlement to the capabilities of the Northern Transmission System proportionate to the share of that Seller's Generation Entitlement Share which is being sold to the Excess Purchaser under the Agreement for Sale of Renewal Excess Power, except that each Seller has agreed to an assignment of a fixed amount of Northern Transmission System entitlement to the Excess Purchaser equal to fifty percent of such Seller's Excess Northern Transmission System Entitlement (which is the Seller's Northern Transmission System Entitlement in excess of the capacity on the Northern Transmission System required for delivery of such Seller's Generation Entitlement Share).

In each Excess Power Supply Year, the Agreement for Sale of Renewal Excess Power permits revisions within limits to each Seller's specified Excess Entitlement Shares. These revisions will be included in a revised Appendix A which will be prepared by the Agent prior to the commencement of each season to reflect any elections made with respect to such season. In its specification of its Excess Entitlement Share, a Seller may leave its Excess Entitlement Share unchanged, decrease its Excess Entitlement Share by up to fifty percent of its Retained Generation Entitlement Share that will be in effect in the season with respect to which such election is being made, or may increase it without restriction for a particular season but with the requirement that such increase must remain in effect for three years. A Seller must make any election to increase or decrease its Excess Entitlement Share with respect to a particular season at least 12 months prior to the commencement of that season.

## **Required Payments**

The Agreement for Sale of Renewal Excess Power obligates the Excess Purchaser to pay monthly for the account of a particular Seller an amount with respect to the minimum cost component of Monthly Power Costs associated with the Generation Station based on the Contract Obligation in effect for such month with respect to the Excess Purchaser and such Seller. If the Seller has a right under its Renewal Power Sales Contract to use the Northern Transmission System, the Excess Purchaser is also obligated to pay a pro rata share of the minimum cost component associated with the Northern Transmission System in consideration for its entitlement to use of a portion of such system. The Excess Purchaser is also obligated to pay an amount with respect to the variable cost component of Monthly Power Costs equal to the proportion which the kilowatt hours delivered from the Project to the Excess Purchaser pursuant to the Agreement for Sale of Renewal Excess Power during the month preceding the billing of such amount bears to the total kilowatt hours delivered from the Project during such month. The amount of the variable cost component to be paid by the Excess Purchaser will be allocated to each Seller in proportion to the ratio



which its Excess Entitlement Shares for the month to which such payment is applicable bears to the total Excess Entitlement Share for such month. The Agreement for Sale of Renewal Excess Power also obligates the Excess Purchaser to pay a proportionate share of the Agent's administrative expenses in performing its responsibilities under the Agreement for Sale of Renewal Excess Power. The Agent will bill the Excess Purchaser by the fifth day of each month for its share of the minimum cost component for such month, based on the amount in the then current Annual Budget, for its share of the variable cost component for the preceding month and for its administrative payment required for such current month. The Excess Purchaser is required to pay the amount billed no later than 20 days after receipt of such bill.

The Agent is required to pay amounts received for the account of a particular Seller to the Agency for such Seller's account promptly upon receipt thereof.

### **Excess Purchaser's Rate Covenant**

The Excess Purchaser has covenanted that it will establish, maintain, and collect rates and charges for the electric service of its system which will provide revenues sufficient, together with its available electric system reserves, to enable it to pay all amounts payable under the Agreement for Sale of Renewal Excess Power when due and to pay all other amounts payable from, and all liens on or lawful charges against, its electric system revenues.

### **Restrictions on Disposition**

The Excess Purchaser may not sell, lease or otherwise dispose of all or substantially all of its electric system except on 90 days' prior written notice to the Agent and upon satisfaction of the conditions that: (i) the Excess Purchaser assigns to the purchaser or lessee of its electric system all of its rights and interests under the Agreement for Sale of Renewal Excess Power, and such purchaser or lessee assumes all such obligations, (ii) the senior debt of such purchaser or lessee is rated in one of the two highest rating categories by at least one nationally-recognized bond rating agency, (iii) an independent engineer or nationally-recognized engineering firm selected by the Agent opines that such purchaser or lessee is reasonably able to charge and collect rates and charges for its electric service sufficient to meet its obligations under the Agreement for Sale of Renewal Excess Power and (iv) the Excess Purchaser has complied with the requirements of its Renewal Power Sales Contract with respect to such disposition. The Excess Purchaser may not sell, assign or otherwise dispose of any portion of its Excess Power Obligation or associated Northern Transmission System or Switchyard entitlements except on prior written notice to the Agent and except upon compliance with the applicable requirements of the Agreement for Sale of Renewal Excess Power.

### **Defaults and Remedies**

In the event the Excess Purchaser fails to perform any of its obligations under the Agreement for Sale of Renewal Excess Power, the Agent may bring suit to enforce the covenants or obligations of the Excess Purchaser, seek to recover damages for a breach of the Agreement for Sale of Renewal Excess Power, or, in the event a payment due under the Agreement for Sale of Renewal Excess Power remains unpaid subsequent to the date it is due, upon 120 days' written notice to the Excess Purchaser, discontinue the delivery of capacity and energy to, and the use of all other Project facilities by, the Excess Purchaser under the Agreement for Sale of Renewal Excess Power during the period of such default. Except as a result of a transfer, upon a default by the Excess Purchaser, of the Excess Purchaser's rights described below, any such discontinuance will not reduce the obligation of the Excess Purchaser to make payments under the Agreement for Sale of Renewal Excess Power.

Upon a default by the Excess Purchaser and the discontinuance of the delivery of capacity and energy to, and use of other Project facilities by, the Excess Purchaser under the Agreement for Sale of

Renewal Excess Power, the Agent will to the extent possible dispose of such rights on the best terms readily available that will not adversely affect the eligibility for exemption from federal income taxes of the interest payable on the Project Indebtedness (as such term is defined in the Renewal Power Sales Contracts) of the Agency (which term as defined in the Renewal Power Sales Contracts and as used in this summary means both Bonds (as defined in the Resolution) and Subordinated Indebtedness). Upon such a transfer or disposition, the obligation of the Excess Purchaser to make payments under the Agreement for Sale of Renewal Excess Power shall be reduced to the extent that the Agent receives payment for such portion of the Excess Purchaser's rights which are so transferred or disposed of.

### **Termination or Amendment**

In certain circumstances, the term of the Agreement for Sale of Renewal Excess Power may terminate prior to the date of termination of the Renewal Power Sales Contracts. Such termination of the Agreement for Sale of Renewal Excess Power (except with respect to certain rights to use the Northern Transmission System and the Southern Transmission System) would take place as soon after the earliest of the following occurs as all payments required under the Agreement for Sale of Renewal Excess Power by the Excess Purchaser through the date of such occurrence have been made:

(i) a condition shall exist that, for other than normal maintenance, no generating facilitating at the Project produces power at the high side of its generating transformers in excess of its allocated General Service Requirements (a "Complete Outage") and such Complete Outage continues for a period of 18 months; or

(ii) The last day of the end of the six-month period next following the Excess Power Supply Year for which Appendix A sets forth the Total Excess Entitlement Share as zero with respect to both the Summer Season and the Winter Season.

Except as discussed above, the Agreement for Sale of Renewal Excess Power may not be terminated or amended materially as to the Excess Purchaser except upon written agreement by the Excess Purchaser, nor may it be terminated or amended materially as to any one or more of the Sellers except upon written consent or waiver by each other Seller and upon similar amendment being made to the Agreement for Sale of Renewal Excess Power with respect to each other Seller which so requests.

## **SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION MANAGEMENT AND OPERATING AGREEMENT**

The following is a summary of certain provisions of the Construction Management and Operating Agreement (“CMOA”) entered into between the Agency and the Department. This summary is not to be considered a full statement of the terms of the CMOA and accordingly is qualified by reference thereto and subject to the full text thereof. Capitalized terms not defined in this Appendix or in the document to which it is attached have the meanings set forth in the CMOA.

The CMOA provides for the appointment by the Agency of the Department as Project Manager and Operating Agent for planning, negotiating, designing, constructing, insuring, contracting for, administering, operating and maintaining the Project. The Department will act as the Agency’s agent in fulfilling its duties as Project Manager and Operating Agent, subject to the provisions of the Resolution and the Power Sales Contracts and to the supervision and, as to certain matters, approval, of the Coordinating Committee established under the Power Sales Contracts. The CMOA has become effective and will remain in effect, unless modified, until the expiration of the Power Sales Contracts. The Agency has covenanted in the Resolution that it will not consent or agree to any amendment of the CMOA, other than the extension thereof, which will in any manner materially impair or adversely affect the rights of the Agency thereunder or the rights or security of the Bondholders under the Resolution (see “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Covenants with Respect to Power Sales Contracts and Construction Management and Operating Agreement” in Appendix A to the document to which this Appendix is attached).

### **Responsibility of Project Manager and Operating Agent**

As Project Manager and Operating Agent, the Department is responsible for performing and completing the Construction Work and performing the Operating Work for the Project, including, but not limited to, the following:

1. Preparing recommendations concerning the initial descriptions of the design of the Project and the scope of Construction Work thereon, an initial budget for the Cost of Acquisition and Construction and the proposed Date of Firm Operation for each generating unit, and annual operating budgets for the Project and any revisions thereto;
2. Recommending to the Coordinating Committee for its review, modification and approval (a) the policies, criteria and procedures regarding operation, maintenance, scheduling of capacity and energy and (b) proposed Capital Improvements;
3. Negotiating, administering, performing and enforcing on behalf of the Agency the Power Sales Contracts, the Resolution, the Operating Agreements, all Agreements concerning construction of the Project or the acquisition of fuel or water therefor, any other agreements to which the Agency is a party relating to the ownership, feasibility, design, construction or operation of the Project and any additional agreements designed by the Agency and the Coordinating Committee;
4. Arranging for engineering, consultants and legal counsel, the placement of insurance, and the acquisition of machinery, tools, land or rights in land, water or water rights, leases, licenses, easements, power and supplies necessary for the performance of the Construction Work and Operating Work;
5. Constructing and operating the Project in accordance with the Project Agreements, Prudent Utility Practice and, as to construction, the descriptions of the Project set forth in the Power Sales

Contracts, and submitting requisitions for payment of costs thereof in accordance with the terms of the CMOA; and

6. Maintaining financial records, accounting for all payments made, including taxes and payments in lieu of taxes and providing, on an annual basis, a statement of actual aggregate Monthly Power Costs and Contract Monthly Power Costs for the prior year.

### **Coordinating Committee**

The CMOA and the Power Sales Contracts provide that certain actions to be taken by the Project Manager or Operating Agent are subject to the review, modification and approval of the Coordinating Committee. If the Coordinating Committee is unable to, or fails to, agree with respect to any matter or dispute which it is authorized to determine, resolve, approve or otherwise act upon after a reasonable opportunity to do so, or within the time limits specified in the CMOA, the Project Manager or Operating Agent, upon written notice to the Agency and each member of the Coordinating Committee, may, pending action by the Coordinating Committee, take such action, consistent with Prudent Utility Practice, as it determines is necessary for the timely performance of its obligations under the CMOA.

### **Payment of Costs of Construction Work and Operating Work**

All costs of construction and operation of the Project, including the costs of Capital Improvements, will be paid only from the funds held under the Resolution, upon compliance with the requirements thereof regarding withdrawal and expenditure of such funds. Subject thereto, the Agency has agreed to provide for payment of such costs so that the Department, in its capacity as Project Manager or Operating Agent, will not have to expend any of its own funds on behalf of the Agency. The Agency is not obligated to pay any item or cost of construction or operation other than from funds available therefor under the Resolution or the Power Sales Contracts.

The CMOA requires that the Project Manager or Operating Agent, in seeking payment for any items of cost of Construction Work or Operating Work, submit a certified requisition to the Agency, which the Agency shall either pay from the revolving fund established under the Resolution or file with the Trustee for payment. The Department will submit requisitions monthly covering its estimated Project Manager's Costs for Construction Work for the following month and, commencing at least five days prior to the Date of Firm Operation of each generating unit, covering its estimated Operating Agent's Costs for Operating Work for the following month. The Agency has agreed to cause such requisitions to be paid by the fifteenth day of the month to which such estimates apply.

### **Scheduling of Capacity and Entitlement**

The Operating Agent shall schedule capacity and energy from the Generation Station and transmission system entitlement in accordance with the provisions of the CMOA and the practices and procedures developed by the Operating Agent and approved by the Coordinating Committee.

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**CONTINUING DISCLOSURE RESOLUTION**

**RESOLUTION NO. IPA-2022-013**

**MASTER RESOLUTION (2022) AS TO THE PROVISION OF CERTAIN  
CONTINUING DISCLOSURE INFORMATION WITH RESPECT  
TO CERTAIN DESIGNATED SERIES OF IPA BONDS**

WHEREAS, concurrently with its adoption of this resolution, the Board of Directors (the “Board”) of Intermountain Power Agency, a political subdivision of the State of Utah (“IPA”), is authorizing the issuance of \$732,755,000 in aggregate principal amount of IPA’s Power Supply Revenue Bonds, 2022 Series A (Tax-Exempt) (the “2022 Series A Bonds”) and \$64,850,000 in aggregate principal amount of IPA’s Power Supply Revenue Bonds, 2022 Series B (Federally Taxable) (the “2022 Series B Bonds” and, together with the 2022 Series A Bonds, the “2022 Series A and B Bonds”) pursuant to a resolution of IPA adopted on September 28, 1978, entitled “Power Supply Revenue Bond Resolution”, as supplemented, amended and restated from time to time, including as supplemented by a resolution of IPA supplemental thereto adopted on the date of adoption of this resolution entitled “Sixty-First Supplemental Power Supply Revenue Bond Resolution” relating to the 2022 Series A and B Bonds (such Power Supply Revenue Bond Resolution, as from time to time supplemented, amended and restated, being herein called the “Bond Resolution”); and

WHEREAS, the Rule (as defined in Section 1 hereof) requires, for certain issues of municipal securities, that the participating underwriters (as defined in the Rule) for such securities reasonably determine that the issuer of such securities or certain “obligated persons” (as defined in the Rule) has or have undertaken to provide certain continuing disclosure information as required by the Rule; and

WHEREAS, IPA may hereafter issue one or more additional Series of Bonds under (and as defined in) the Bond Resolution and intends that this Master Disclosure Resolution apply to each such additional Series of Bonds if the Board elects to cause this Master Disclosure Resolution to apply to such Series; and

WHEREAS, the Board hereby finds and determines that it is necessary that it adopt this Master Disclosure Resolution (a) to effectuate the agreement between IPA and the Participating Underwriters for the 2022 Series A and B Bonds and (b) in connection with the authorization and sale of the Covered Bonds described in clause (b) of the definition thereof set forth in Section 1 hereof, in order to assist the Participating Underwriter(s) thereof to comply with the Rule.

NOW, THEREFORE, be it resolved by the Board as follows:

**SECTION 1. Definitions.** In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Master Disclosure Resolution, unless otherwise defined in this Master Disclosure Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by IPA pursuant to, and as described in, Sections 3 and 4 of this Master Disclosure Resolution.

“Audited Financial Statements” shall mean:

a. with respect to IPA, IPA’s audited financial statements for its most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to

governmental entities from time to time (or such other accounting principles as may be applicable to IPA in the future pursuant to applicable law);

b. with respect to LADWP (as defined in Section 2(b) hereof), the audited financial statements of LADWP's Power System for its most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time (or such other accounting principles as may be applicable to LADWP in the future pursuant to applicable law); and

c. with respect to Anaheim (as defined in Section 2(b) hereof), the audited financial statements of Anaheim's Electric Utility Fund for its most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time (or such other accounting principles as may be applicable to Anaheim in the future pursuant to applicable law).

"Beneficial Owner" shall mean any person holding a beneficial ownership interest in Covered Bonds through nominees or depositories (including any person holding such interest through the book-entry-only system of The Depository Trust Company), together with any other person who is intended to be a beneficiary under the Rule of this Master Disclosure Resolution.

"Covered Bonds" shall mean each of the following:

- a. the 2022 Series A and B Bonds; and
- b. each additional Series of Bonds issued by IPA after the date of adoption of this Master Disclosure Resolution as to which the Board has specified, by resolution, that this Master Disclosure Resolution shall apply.

"Dissemination Agent" shall mean any person or entity appointed by IPA and which has entered into a written agreement with IPA pursuant to which such person or entity agrees to perform the duties and obligations of Dissemination Agent under this Master Disclosure Resolution.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Financial Obligation" shall mean, for purposes of the Listed Events set out in Section 5(a)(x) and Section (5)(b)(viii), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Exchange Act) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Final Official Statement" shall mean: (i) with respect to the 2022 Series A and B Bonds, the Official Statement of IPA dated April 28, 2022 relating to such Bonds; and (ii) with respect to all other Series of Covered Bonds, the final official statement prepared and delivered by IPA with respect thereto, in each of the cases referenced in the immediately preceding clauses (i) and (ii), as such official statements are amended, supplemented or updated.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Master Disclosure Resolution.

“Master Disclosure Resolution” shall mean this resolution, as the same may be amended or supplemented from time to time in accordance with the provisions hereof.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Exchange Act or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <https://emma.msrb.org>.

“Participating Underwriter” shall mean, with respect to each Series of Covered Bonds, any of the original underwriters of such Covered Bonds required to comply with the Rule in connection with the offering thereof.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Exchange Act, together with all interpretive guidance or other official interpretations or explanations thereof that are promulgated by the SEC.

“SEC” shall mean the United States Securities and Exchange Commission.

**SECTION 2. Purpose of this Master Disclosure Resolution; Obligated Persons; Master Disclosure Resolution to Constitute Contract.**

a. This Master Disclosure Resolution is adopted by IPA for the benefit of the Holders and Beneficial Owners of the Covered Bonds and in order to assist the Participating Underwriter(s) for the Covered Bonds in complying with the Rule.

b. IPA, the Department of Water and Power of The City of Los Angeles (“LADWP”) and the City of Anaheim, California (“Anaheim”) each are hereby determined by IPA to be “obligated persons” within the meaning of the Rule (and are the only “obligated persons” within the meaning of the Rule for whom financial information or operating data is or will be presented in the respective Final Official Statements); provided, however, that Anaheim’s status as an “obligated person” within the meaning of the Rule shall terminate on June 15, 2027, upon the termination of Anaheim’s Power Sales Contract with IPA).

c. In consideration of the purchase and acceptance of any and all of the Covered Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Master Disclosure Resolution shall be deemed to be and shall constitute a contract between IPA and the Holders and Beneficial Owners from time to time of the Covered Bonds; and the covenants and agreements herein set forth to be performed on behalf of IPA shall be for the benefit of the Holders and Beneficial Owners of any and all of the Covered Bonds.

**SECTION 3. Provision of Annual Reports.**

a. IPA hereby covenants and agrees that it shall, or shall cause the Dissemination Agent to, not later than nine months after the end of each Fiscal Year (presently, by each March 31; each such date being referred to herein as a “Final Submission Date”), commencing with the report for Fiscal Year 2021-22, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Master Disclosure Resolution. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Master Disclosure Resolution; provided that any Audited Financial Statements may be submitted separately from the balance of the Annual Report and later than the Final Submission



Date if they are not available by that Date. If the fiscal year for IPA, LADWP or Anaheim changes, IPA shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

b. Not later than fifteen (15) business days prior to each Final Submission Date (each such date being referred to herein as a “Preliminary Submission Date”), IPA shall provide the Annual Report to the Dissemination Agent, if any. If by a Preliminary Submission Date, the Dissemination Agent, if any, has not received a copy of the Annual Report, the Dissemination Agent shall contact IPA to determine if IPA is in compliance with subsection (a).

c. If IPA or the Dissemination Agent (if any), as the case may be, has not furnished an Annual Report to the MSRB by a Final Submission Date, IPA or the Dissemination Agent, as applicable, shall notify the MSRB to that effect.

d. IPA (or, in the event that IPA shall appoint a Dissemination Agent hereunder, the Dissemination Agent) shall file the Annual Report with the MSRB on or before the Final Submission Date. In addition, if IPA shall have appointed a Dissemination Agent hereunder, the Dissemination Agent shall file a report with IPA certifying that the Annual Report has been provided pursuant to this Master Disclosure Resolution and stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. IPA’s Annual Report shall contain or include by reference the following:

a. The Audited Financial Statements. If any Audited Financial Statements are not available by the Final Submission Date, the Annual Report shall contain unaudited financial statements for IPA, LADWP and/or Anaheim, as applicable, in a format similar to the audited financial statements most recently prepared for such person, and such Audited Financial Statements shall be filed in the same manner as the Annual Report when and if they become available.

b. Updated versions of the type of information contained or included by specific reference in the Final Official Statement for each Series of Covered Bonds then Outstanding relating to the following:

- i. IPA’s indebtedness;
- ii. the description of security and sources of payment for such Series of Covered Bonds provided by the Bond Resolution, the Power Sales Contracts, the Excess Power Sales Agreement, the Renewal Power Sales Contracts and the Agreement for Sale of Renewal Excess Power referred to in the Final Official Statement;
- iii. the financial results of IPA’s operations;
- iv. IPA’s financing program;
- v. IPA’s annual budget; and
- vi. the operating results of the Project.

c. Updated versions of the type of information for LADWP contained or included by specific reference in the Final Official Statement for each Series of Covered Bonds then Outstanding relating to the following:

i. the description of operations and the summary of operating results of LADWP's Power System; and

ii. the summary of financial results of LADWP's Power System.

d. For so long as Anaheim remains an obligated person with respect to the Covered Bonds of any Series, updated versions of the type of information for Anaheim contained or included by specific reference in the Final Official Statement for each Series of Covered Bonds then Outstanding relating to the following:

i. the description of operations and the summary of operating results of the Anaheim Public Utilities Department's electric system (the "Anaheim Electric System"); and

ii. the summary of financial results of the Anaheim Electric System.

Any or all of the items listed above may be included by specific reference to other documents, including annual reports of IPA, LADWP or Anaheim or official statements relating to debt or other securities issues of IPA, LADWP, Anaheim or other entities, which have been submitted to the MSRB or filed with the SEC pursuant to the Exchange Act. If the document included by reference is a final official statement (as defined in the Rule), it must be available from the MSRB. IPA shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

a. Pursuant to the provisions of this Section 5(a), IPA hereby covenants and agrees that it shall give, or cause to be given, notice of the occurrence of any of the following events with respect to any Series of the Covered Bonds not later than ten (10) business days after the occurrence of the event:

i. Principal and interest payment delinquencies;

ii. Unscheduled draws on debt service reserves reflecting financial difficulties;

iii. Unscheduled draws on credit enhancements reflecting financial difficulties;

iv. Substitution of credit or liquidity providers, or their failure to perform;

v. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

vi. Tender offers;

vii. Defeasances;

viii. Rating changes;

ix. Bankruptcy, insolvency, receivership or similar event of the obligated person; or

x. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental 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 the obligated person.

b. Pursuant to the provisions of this Section 5(b), IPA hereby covenants and agrees that it shall give, or cause to be given, notice of the occurrence of any of the following events with respect to any Series of the Covered Bonds, if material, not later than ten (10) business days after the occurrence of the event:

i. Unless described in paragraph 5(a)(v), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Covered Bonds of such Series or other material events affecting the tax status of the Covered Bonds of such Series;

ii. Modifications to rights of Covered Bond holders;

iii. Unscheduled or contingent Covered Bond calls;

iv. Release, substitution, or sale of property securing repayment of the Covered Bonds;

v. Non-payment related defaults;

vi. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;

vii. Appointment of a successor or additional trustee or the change of name of a trustee; or

viii. Incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

c. Whenever IPA obtains knowledge of the occurrence of a Listed Event described in Section 5(b), IPA shall as soon as possible determine if the occurrence of such event is material under applicable federal securities laws.

d. If IPA learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) is material under applicable federal securities laws, IPA shall file a notice of such occurrence with the MSRB within ten (10) business days after the occurrence of the event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(vii) and (b)(iii) need not be given under this subsection any earlier than the notice of the underlying event is given to Holders of affected Covered Bonds pursuant to the Bond Resolution.

e. IPA intends to comply with the foregoing notice requirement with respect to the Listed Events described in Section 5(a)(x) and Section 5(b)(viii), as the term “Financial Obligation” is defined in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the SEC in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the SEC or its staff with respect the amendments to the Rule effected by the 2018 Release.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Master Disclosure Resolution must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Management’s Discussion of Items Disclosed in Annual Reports or as Significant Events. If an item required to be disclosed in IPA’s Annual Report under Section 4, or as a Listed Event under Section 5, would be misleading without discussion, IPA additionally covenants and agrees that it shall provide a statement clarifying the disclosure in order that the statement made will not be misleading in the light of the circumstances under which it is made.

SECTION 8. Termination of Reporting Obligation. IPA’s obligations under this Master Disclosure Resolution to the Holders or Beneficial Owners of the Covered Bonds of any Series shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Covered Bonds of such Series. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by IPA with its obligations under this Master Disclosure Resolution no longer shall be required in any or all respects, then IPA’s obligations under this Master Disclosure Resolution shall terminate to a like extent. If either such termination occurs with respect to the Covered Bonds of any Series prior to the final maturity date of such Bonds, IPA shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

SECTION 9. Dissemination Agent. IPA may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Master Disclosure Resolution, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 10. Amendment; Waiver.

a. Notwithstanding any other provision of this Master Disclosure Resolution, IPA may, by resolution hereafter adopted, amend this Master Disclosure Resolution, and any provision of this Master Disclosure Resolution may be waived:

i. if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws appointed by IPA to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule, taking into account any subsequent change in or official interpretation of the Rule, and

ii. as to any amendment to this Master Disclosure Resolution, the following conditions are complied with:

(1) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of IPA, LADWP or Anaheim, or type of business conducted;

(2) The undertaking, as amended, would have complied with the requirements of the Rule at the respective times of the primary offering of each Series of the Covered Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment does not materially impair the interests of Holders or Beneficial Owners of the Covered Bonds, as determined either by parties unaffiliated with IPA, LADWP or Anaheim (such as bond counsel to IPA), or by approving vote of Holders of the Covered Bonds pursuant to the terms of the Bond Resolution at the time of the amendment.

b. The Annual Report containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 11. Additional Information. Nothing in this Master Disclosure Resolution shall be deemed to prevent IPA from disseminating, or require IPA to disseminate, any other information, using the means of dissemination set forth in this Master Disclosure Resolution or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Master Disclosure Resolution. If IPA chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Master Disclosure Resolution, IPA shall have no obligation under this Master Disclosure Resolution to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

#### SECTION 12. Default.

a. In the event of a failure of IPA to comply with any provision of this Master Disclosure Resolution, any Holder or Beneficial Owner of any Outstanding Covered Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause IPA to comply with its obligations under this Master Disclosure Resolution.

b. Notwithstanding the foregoing, no Holder or Beneficial Owner of the Covered Bonds of any Series shall have the right to challenge the content or adequacy of the information provided pursuant to Sections 3, 4 or 5 of this Master Disclosure Resolution by mandamus, specific performance or other equitable proceedings unless Holders or Beneficial Owners of Covered Bonds of such Series representing at least 25% in aggregate principal amount of the Covered Bonds of such Series shall join in such proceedings.

c. A default under this Master Disclosure Resolution shall not be deemed an Event of Default under the Bond Resolution, and the sole remedies under this Master Disclosure Resolution in the event of any failure of IPA to comply with this Master Disclosure Resolution shall be those described in subsection (a) above.

d. Under no circumstances shall any person or entity be entitled to recover monetary damages hereunder in the event of any failure of IPA to comply with this Master Disclosure Resolution.

SECTION 13. Duties, Immunities and Liabilities of Dissemination Agent. Any Dissemination Agent appointed hereunder shall have only such duties as are specifically set forth in this Master Disclosure Resolution, and shall have such rights, immunities and liabilities as shall be set forth in the written agreement between IPA and such Dissemination Agent pursuant to which such Dissemination Agent agrees to perform the duties and obligations of Dissemination Agent under this Master Disclosure Resolution.

SECTION 14. Beneficiaries. This Master Disclosure Resolution shall inure solely to the benefit of IPA, the Dissemination Agent, if any, and the Holders and Beneficial Owners from time to time of the Covered Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Master Disclosure Resolution shall be deemed to be a contract made under the Rule and the laws of the State of Utah, and for all purposes shall be construed and interpreted in accordance with, and its validity governed by, the Rule and the laws of such State.

SECTION 16. Effective Date. This Master Disclosure Resolution shall become effective as to each Series of Covered Bonds upon the date of authentication and delivery of such Series of Covered Bonds.

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Resolution No. IPA-2022-013 approved and adopted April 28, 2022.

INTERMOUNTAIN POWER AGENCY

By:                     /s/ BLAINE J. HAACKE                      
Chair, Board of Directors

### **Secretary's Certificate**

Now comes the undersigned Secretary of Intermountain Power Agency ("IPA"), keeper of the records and seal thereof, and certifies that the foregoing is a true and correct copy of the Master Resolution (2022) as to the Provision of Certain Continuing Disclosure Information with Respect to Certain Designated Series of IPA Bonds approved and adopted by the IPA Board of Directors in a meeting of such Board of Directors properly and lawfully called and assembled on April 28 2022, the original of which Resolution has been entered in the official records of IPA under my supervision and is in my official possession, custody and control.

[SEAL]

**INTERMOUNTAIN POWER AGENCY**

\_\_\_\_\_  
/s/ ERIC LARSEN

**Secretary**



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**APPENDIX D**

**DEBT SERVICE REQUIREMENTS FOR  
BONDS<sup>(1)</sup>  
(Accrual Basis)  
(in thousands (000))**

Year Ending July 1,	2022 Series A (Tax-Exempt)				2022 Series B (Federally Taxable)				2022 Series A and B Bonds			
	Principal	Interest	Less: Capitalized Interest <sup>(2)</sup>	Total	Principal	Interest	Less: Capitalized Interest <sup>(2)</sup>	Total	Principal	Interest	Less: Capitalized Interest <sup>(2)</sup>	Total
2022	–	\$ 4,937	(\$4,937)	–	–	\$ 418	(\$ 418)	–	–	\$ 5,356	(\$5,356)	–
2023	–	36,275	(36,275)	–	–	3,073	(3,073)	–	–	39,348	(39,348)	–
2024	–	36,275	(36,275)	–	–	3,073	(3,073)	–	–	39,348	(39,348)	–
2025	–	36,275	(36,275)	–	–	3,073	(3,073)	–	–	39,348	(39,348)	–
2026	\$ 22,280	36,275	–	\$ 58,555	\$ 2,120	3,073	–	\$ 5,193	\$ 24,400	39,348	–	\$ 63,748
2027	23,395	35,161	–	58,556	2,190	2,999	–	5,189	25,585	38,160	–	63,745
2028	24,565	33,991	–	58,556	2,270	2,919	–	5,189	26,835	36,910	–	63,745
2029	25,795	32,763	–	58,558	2,355	2,833	–	5,188	28,150	35,596	–	63,746
2030	27,085	31,473	–	58,558	2,450	2,743	–	5,193	29,535	34,216	–	63,751
2031	28,435	30,119	–	58,554	2,545	2,648	–	5,193	30,980	32,766	–	63,746
2032	29,860	28,697	–	58,557	2,645	2,544	–	5,189	32,505	31,241	–	63,746
2033	31,350	27,204	–	58,554	2,755	2,434	–	5,189	34,105	29,638	–	63,743
2034	32,920	25,637	–	58,557	2,875	2,316	–	5,191	35,795	27,952	–	63,747
2035	34,565	23,991	–	58,556	3,005	2,188	–	5,193	37,570	26,178	–	63,748
2036	36,295	22,262	–	58,557	3,140	2,049	–	5,189	39,435	24,312	–	63,747
2037	37,745	20,811	–	58,556	3,290	1,902	–	5,192	41,035	22,712	–	63,747
2038	39,635	18,923	–	58,558	3,445	1,744	–	5,189	43,080	20,667	–	63,747
2039	41,615	16,942	–	58,557	3,630	1,563	–	5,193	45,245	18,504	–	63,749
2040	43,695	14,861	–	58,556	3,820	1,372	–	5,192	47,515	16,233	–	63,748
2041	45,880	12,676	–	58,556	4,020	1,172	–	5,192	49,900	13,848	–	63,748
2042	48,175	10,382	–	58,557	4,230	960	–	5,190	52,405	11,342	–	63,747
2043	50,585	7,973	–	58,558	4,450	738	–	5,188	55,035	8,712	–	63,747
2044	53,110	5,444	–	58,554	4,685	505	–	5,190	57,795	5,949	–	63,744
2045	55,770	2,789	–	58,559	4,930	259	–	5,189	60,700	3,047	–	63,747
Total	<u>\$732,755</u>	<u>\$552,133</u>	<u>(\$113,762)</u>	<u>\$1,171,127</u>	<u>\$64,850</u>	<u>\$48,599</u>	<u>(\$9,638)</u>	<u>\$103,811</u>	<u>\$797,605</u>	<u>\$600,732</u>	<u>(\$123,400)</u>	<u>\$1,274,938</u>

(1) This table reflects debt service on the Agency's Outstanding Bonds. See "INDEBTEDNESS OF THE AGENCY – Bonded Indebtedness" in the Agency's Annual Disclosure Report for Fiscal Year 2021-2022.

(2) Capitalized interest through 7/1/2025.

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**INTERMOUNTAIN POWER AGENCY**

**Consolidated Financial Statements for the Years Ended June 30, 2022 and 2021  
and Independent Auditors' Report**

# ***Intermountain Power Agency***

*Financial Statements as of and for the Years  
Ended June 30, 2022 and 2021, Supplemental  
Schedule for the Years Ended June 30, 2022 and  
2021, and Independent Auditor's Report*

## *Table of Contents*

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
Financial Statements as of and For the Years Ended June 30, 2022 and 2021:	
Statements of Net Position	10-11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13-14
Notes to Financial Statements	15-29
Supplemental Schedules of Changes in Funds Established by the IPA Revenue Bond Resolution for the Years Ended June 30, 2021 and 2022	30-31

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Intermountain Power Agency:

### **Opinion**

We have audited the financial statements of Intermountain Power Agency (IPA), which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IPA as of June 30, 2022 and 2021, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IPA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IPA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IPA's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 Supplemental Schedule of Changes in Funds Established by the IPA Revenue Bond Resolution for the Years Ended June 30, 2021 and 2022 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of IPA's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such schedule 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 schedule 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 GAAS. In our opinion, such schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Deloitte & Touche LLP*

September 28, 2022

## **Intermountain Power Agency**

### **Management's Discussion and Analysis**

The Intermountain Power Agency (IPA) is a political subdivision of the State of Utah formed by 23 Utah municipalities pursuant to the provisions of the Utah Interlocal Co-operation Act. IPA owns, finances, operates, and maintains a two-unit, coal-fired, steam-electric generating plant and switchyard located in Millard County, Utah and transmission systems through portions of Utah, Nevada and California (the "Project"). IPA has irrevocably sold the entire capacity of the Project pursuant to Power Sales Contracts, as amended (the "Contracts"), to 35 utilities (the "Purchasers"). The Purchasers are unconditionally obligated to pay all costs of operation, maintenance and debt service, whether or not the Project or any part thereof is operating or operable, or its output is suspended, interrupted, interfered with, reduced, or terminated.

IPA's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and consist of statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and the related notes to the financial statements. The statements of net position report IPA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the end of the fiscal year. Investments are stated at fair value. No net position is reported in the statements of net position because IPA is completely debt financed and the Contracts contain no provision for profit. The Contracts govern how and when Project costs become billable to the Purchasers. Net costs billed to participants not yet expensed in accordance with U.S. GAAP or expenses recognized but not currently billable under the Contracts are recorded as net costs billed to participants not yet expensed (a deferred inflow) or deferred as net costs to be recovered from future billings to participants (an asset), respectively, in IPA's statements of net position. In future periods, the deferred inflow will be settled, or the asset will be recovered as the associated expenses are recognized in accordance with U.S. GAAP or when they become billable Project costs in future participant billings, respectively. At June 30, 2022 and 2021, total accumulated Project costs billed to participants exceeded accumulated U.S. GAAP expenses, resulting in a deferred inflow, net costs billed to participants not yet expensed. Over the life of the Project, aggregate U.S. GAAP expenses will equal aggregate billed Project costs. The statements of revenues, expenses, and changes in net position report the results of operations and changes in net position, and the statements of cash flows report the resulting cash flows for the fiscal year. Net costs billed to participants not yet expensed, as reported in the statements of revenues, expenses, and changes in net position, reflects the extent to which billable Project costs are greater than U.S. GAAP expenses during the fiscal year. The following table summarizes the financial condition and operations of IPA for the years ended June 30, 2022, 2021 and 2020 (in thousands):

<b>Assets</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Utility plant, net	\$ 744,100	\$ 692,149	\$ 719,252
Cash, cash equivalents, and investments	1,010,553	258,283	226,076
Other	121,549	112,933	91,470
Total assets	1,876,202	1,063,365	1,036,798
Deferred outflows of resources	125,100	135,854	159,715
Total assets and deferred outflows of resources	<u>\$ 2,001,302</u>	<u>\$ 1,199,219</u>	<u>\$ 1,196,513</u>

<b>Liabilities</b>			
Debt	\$ 997,232	\$ 280,499	\$ 446,152
Commercial paper notes	-	-	35,200
Other	461,278	395,983	417,064
Total liabilities	1,458,510	676,482	898,416
Net costs billed to participants not yet expensed	420,599	519,056	296,402
Prefunding of decommissioning and hydrogen betterments	118,000	-	-
Other	4,193	3,681	1,695
Total deferred inflows of resources	542,792	522,737	298,097
Total liabilities and deferred inflows of resources	<u>\$ 2,001,302</u>	<u>\$ 1,199,219</u>	<u>\$ 1,196,513</u>

#### **Revenues, Expenses, and Changes in Net Position**

Operating revenues, net	\$ 336,927	\$ 558,461	\$ 555,007
Fuel	(133,420)	(175,409)	(158,934)
Other operating expenses	(295,584)	(159,028)	(294,639)
Operating income (loss)	(92,077)	224,024	101,434
Non-operating income	1,805	1,133	1,113
Net interest charges	(8,185)	(2,503)	(20,984)
Net costs recovered from (billed to) participants not yet expensed	98,457	(222,654)	(81,563)
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### **Financial Highlights:**

##### ***Assets***

The net increase in gross utility plant of \$164 million in 2022 resulted from additions of \$166 million offset by retirements of \$2 million. The 2022 additions were principally for the ongoing construction and engineering for the gas turbine associated with IPA Repowering (see discussion of Project Repowering below), the replacement of microwave equipment, the replacement of equipment at the Intermountain Switching Station, and the rehabilitation of the process water pond in compliance with environmental requirements. The net increase in gross utility plant of \$56 million in 2021 resulted from additions of \$68 million offset by retirements of \$12 million. The 2021 additions were principally for the initial construction and engineering for the gas turbine associated with IPA Repowering, the procurement and installation of an additional spare transformer for the Adelanto Converter Station, the refurbishing of microwave equipment, and the rehabilitation of the process water pond in compliance with environmental requirements.

The 2022 increase in cash, cash equivalents, and investments, combined current and restricted of \$752 million is primarily due to proceeds of \$785 million from the issuance of the 2022 Series A (Tax-exempt) and 2022 Series B (Taxable) Power Supply Revenue Bonds for the construction associated with IPA Repowering which were deposited in the Construction Fund and Debt Service Fund. Also, \$118 million was received from certain purchasers to prefund future decommissioning and hydrogen betterments. These were offset by current year renewal expenditures of \$108 million and a decrease in July 1 principal and interest payments compared to the prior year of \$43 million. The 2021 increase in cash, cash equivalents and investments, combined current and restricted of \$32 million is primarily due to an increase of \$21 million in the July 1 principal and interest payments on debt compared to the prior year, an increase in the credit to participants of \$15 million compared to the prior year that were credited against purchaser billings in October, offset by a decrease of \$4 million in other reserves used for repowering costs.

The 2022 increase of \$9 million in other assets was primarily caused by an increase of \$17 million in fuel inventory as coal reserves were increased in anticipation of higher power demand in late summer 2022 and a \$4 million increase in prepaid personnel service contracts for certain employee pensions and other postretirement benefits. These increases were offset by an \$8 million decrease in receivable from participants as purchasers did not schedule variable power in June 2022 to build reserves for the anticipated late summer demand, and a \$4 million decrease in materials and supplies. The 2021 increase of \$22 million in other assets was primarily caused by an increase of \$6 million in receivables from participants as higher variable energy was scheduled in June 2021 compared to the prior year and a \$30 million increase in prepaid personnel service contract costs due to IPA's contractual rights and obligations under a Personnel Services Contract for certain employee pensions and other postretirement benefits resulting in a reported asset in the current year compared to a liability in the prior year. These increases were offset by a \$16 million decrease in fuel inventory as a higher percentage of existing reserves were used compared to coal purchases to bring the fuel reserve to its optimal level

### ***Deferred Outflows of Resources***

Deferred outflows of resources primarily consist of unamortized refunding charge on defeasance of debt and unamortized asset retirement costs. The decrease of \$10 million in 2022 was due to \$35 million in normal amortization offset by \$25 million of additional unamortized retirement costs (See Note 9). The decrease of \$24 million in 2021 was due to \$38 million in normal amortization offset by \$14 million of additional unamortized retirements costs.

### ***Liabilities***

During 2022, \$798 million of Power Supply Revenue Bonds in the 2022 A Series (Tax-exempt) and the 2022 Series B (Taxable) were issued to provide a portion of the funds required to finance a portion of the cost of acquisition and construction of Project Repowering. The bonds were issued at a premium of \$89 million which will be amortized over the life of the bonds. The bonds will be paid over 20 years, commencing with the first principal payment on July 1, 2026. Prior to the issuance of the 2022 Series A and Series B Bonds, an additional \$59 million of Transitional Project Indebtedness was issued in the form of 2019 Drawdown Bonds (See Note 7) to bring the total of 2019 Drawdown Bonds issued to \$100 million. A portion of the proceeds of the 2022 Series A and 2022 Series B Bonds was used to fully repay the outstanding balance of 2019 Drawdown Bonds. Subsequently, the 2019 Drawdown Bond agreement was amended to allow their use for Transitional Project Indebtedness associated with the upgrade of the Southern Transmission System (STS) in connection with Project Repowering. An additional \$29 million of 2019 Drawdown Bonds were issued for this purpose. This was also offset by \$119 million of scheduled principal maturities on bonds and subordinated notes and the \$39 million defeasance of the 2022 and 2023 maturities which constituted the last remaining subordinated lien bonds (See Note 5). Other liabilities increased by \$65 million in 2022 due to an increase of \$25 million in asset retirement obligations due to inflation adjustments, a \$6 million increase in credit to participants, a \$2 million increase in interest payable due to the July 1, 2022 interest payment on the 2022 Series A and 2022 Series B Bonds, and a \$32

million increase in accounts payable compared to the prior year, associated with the increased Renewal Project construction activity.

During 2021, \$19 million of Transition Project Indebtedness was issued in the form of 2019 Drawdown Bonds (see Note 7) to finance initial construction for the Project Repowering (see discussion of Project Repowering below). This was offset by \$185 million of scheduled principal maturities on bonds and subordinated notes that were paid. Commercial paper notes decreased by \$35 million as the remaining outstanding notes were paid. Other liabilities decreased by \$21 million in 2021. As discussed above, IPA's contractual rights and obligations for certain employee pensions and postretirement benefits resulted in a reported asset in the current year compared to a liability in the prior year, resulting in a decrease in personnel services contract obligations of \$64 million along with a \$2 million decrease in other non-current liabilities. This was offset by a \$14 million increase in asset retirement obligations due to inflation adjustments, a \$15 million increase in credit to participants and a \$16 million increase in accounts payable compared to the prior year.

The 2022 Series A (Tax-exempt) and 2022 Series B (Taxable) Power Supply Revenue Bonds are rated by Moody's at Aa3, while Fitch rates them AA-. The subordinated notes and drawdown bonds are not rated because they are not publicly traded.

#### ***Deferred Inflows of Resources***

At June 30, 2022 and 2021, total accumulated Project costs billed to participants exceeded accumulated U.S. GAAP expenses. Accordingly, the excess of such billings is reported as a deferred inflow, net costs billed to participants not yet expensed at June 30, 2022 and 2021. The resulting changes in net costs billed to participants not yet expensed are outlined in Note 4. During 2022, \$118 million was collected from certain purchasers to prefund anticipated decommissioning and hydrogen expenditures. These pre-fundings are recorded as deferred inflows of resources and will be recognized as revenue as the related expenditures become billable as monthly power costs in future years.

#### ***Revenues and Expenses and Changes in Net Position***

Net operating revenues decreased \$222 million in 2022 and increased by \$4 million in 2021. The decrease in 2022 is primarily due to less revenue being billed to the Purchasers due to the decrease in scheduled power. In the fall of 2021, nationwide labor shortages caused a significant number of train deliveries of coal to be canceled, which caused the supply of coal inventory to drop considerably. To ensure sufficient coal supply to meet anticipated demand in the late summer of 2022, plant capacity was significantly reduced from October 2021 through June 2022. The 2021 change is not significant. In addition, changes in revenues from corresponding changes to net costs billed to participants not yet expensed in 2022 and 2021 are due principally to the following: a decrease of \$156 million and \$1 million in 2022 and 2021, respectively, for bond and subordinated note principal requirements; an increase of \$130 million and a decrease of \$122 million in 2022 and 2021, respectively, in billings for previously deferred expenses in conformity with U.S. GAAP, and an decrease of \$35 million in 2022 and an increase of \$20 million in 2021 for capital improvements and required fund deposits.

Fuel expense decreased by \$42 million in 2022 and increased by \$16 million in 2021. The decrease in 2022 is primarily due to a 23% decrease in net capacity factor caused by the planned reduction in plant generation noted above. Conversely, the increase in 2021 is primarily due to an 8% increase in net capacity during the year. Other operating expenses increased by \$136 million in 2022 due primarily to a benefit of approximately \$4 million compared to \$86 million in the prior year arising from changes in the reported asset amounts under a Personnel Services Contract for IPSC's pensions and other postretirement benefits. In addition, depreciation and amortization increased by \$22 million resulting from the increase in asset retirement obligations and the related asset retirement cost. Other operating expenses decreased by \$135 million in 2021 due primarily to a benefit of approximately \$86 million in 2021 compared to an expense of

\$45 million in 2020 arising from changes in the reported asset and liability amounts under a Personnel Services Contract for IPSC's employee pensions and other postretirement benefits.

Net interest charges increased by \$6 million in 2022 and decreased by \$18 million in 2021, respectively. The 2022 increase was due to the interest associated with the issuance of the 2022 Series A and 2022 Series B Bonds. The decrease in 2021 was due to the decrease in outstanding debt, combined with the impact of the required adjustment to the interest rates on certain outstanding subordinated notes. The Subordinated Notes require an annual adjustment of interest rates to reflect the impact of cash flow savings from IPA retirements of bonds that had previously been defeased through subordinated notes. These adjustments resulted in certain notes having negative interest (see Note 6). Other non-operating income did not change significantly in 2022 or 2021. Changes in net position are zero because IPA is completely debt financed and the Contracts contain no provision for profit.

### ***Electric Industry Legislation and Regulation***

California has enacted legislation prohibiting its municipally owned electric utilities from entering into new long-term financial commitments for base load generation that do not meet certain greenhouse gases emissions performance standards. During August 2018, the California legislature passed legislation stating California policy that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by December 31, 2045. These and other environmental regulation issues are discussed in Note 13 to the financial statements.

### ***Project Repowering***

Over the past several years, IPA and the Purchasers have engaged in strategic activities so that the Project may continue operation in compliance with current electric industry regulation applicable to its Purchasers, beyond the expiration of the current Power Sales Contracts. IPA and the Purchasers executed the Second Amendatory Power Sales Contracts, which provides that the Project be repowered, and that IPA offer the Purchasers renewal in their generation and associated transmission entitlements through Renewal Power Sales Contracts (the "Renewal Contracts"), the term of which commences upon the termination of the current Power Sales Contracts on June 15, 2027. IPA and 32 of the Purchasers entered into Renewal Contracts, which became effective on January 16, 2017. Two renewing California Purchasers subsequently provided a notice of termination of their Renewal Contracts to IPA effective November 1, 2019. All entitlement shares abandoned by non-renewing purchasers are fully allocated among the remaining purchasers. The 50-year term of the Renewal Contracts is to commence upon the termination of the Contracts.

On September 24, 2018, IPA and the Purchasers approved changes to the repowering that constituted an Alternative Repowering under the Contracts. The Alternative Repowering is described to include the construction and installation of two combined-cycle natural gas fired power blocks, each block consisting of one gas turbine, a heat recovery steam generator train and a single steam turbine, with an approximate combined net generation capability of 840 MW.

On August 6, 2019, the IPA Board and Intermountain Power Project (IPP) Coordinating Committee formally approved the Retirement Plan for the decommissioning and retirement of the existing facilities that are not to be used for the generation or transmission of power pursuant to the Contracts or the Renewal Contracts, which created a contractual requirement to retire certain capital assets under the Renewal Contracts.

On November 25, 2019, IPA and the Purchasers approved a Plan of Finance for funding renewal project activities that provided using shorter-term bridge financing in early project stages followed by long-term financing as required to fund anticipated costs to complete construction. Accordingly, on December 30, 2019, IPA entered into a bond purchase agreement with Royal Bank of Canada (RBC), by which IPA issued one subseries of Tax-Exempt Drawdown Bonds and one subseries of Taxable Drawdown Bonds,

collectively called the 2019 Drawdown Series. Up to \$100 million of drawdown bonds can be issued. As of May 2022, the entire \$100 million of Drawdown Bonds had been issued. On May 12, 2022, IPA issued Power Supply Revenue Bonds 2022 Series A (Tax-Exempt) and 2022 Series B (Taxable) in the amount of \$798 million to finance a portion of the cost of acquisition and construction of the Gas Repowering. A portion of the proceeds of the sale of the 2022 Series A and B Bonds was used to fully repay the \$100 million of outstanding Drawdown Bonds.

On February 14, 2020, IPA awarded Mitsubishi Hitachi Power Systems a contract for two M501JAC power trains for the renewal project gas turbines. Initial milestone payments for turbine construction commenced in April 2020 and have continued through June 2022. The turbines will be commercially guaranteed capable of using a mix of 30% hydrogen and 70% natural gas at start-up in 2025. This mixture is expected to reduce carbon emissions by more than 75% compared to the retiring coal-fueled technology.

The costs of the hydrogen facilities are being funded by the Purchasers to the extent such elect to facilitate the development of such facilities. The costs of the hydrogen betterments are and some of the initial costs of the hydrogen production and storage capacity have been funded by payments to a Hydrogen Betterments Fund established by and funded pursuant to resolutions adopted by the IPP Coordinating Committee, and the Renewal Contract Coordinating Committee established pursuant to the Renewal Power Sales Contracts and IPA. LADWP, Burbank and Glendale are the only Purchasers that have elected to make payments to the Hydrogen Betterment Fund.

IPA and the Coordinating Committee have also approved a capital improvement plan for the STS consisting of the replacement, renewal, and expansion of AC switchyards, reactive power equipment and associated facilities at the Adelanto Converter Station and the Intermountain Converter Station (STS Renewal Project). The cost of acquisition and construction is expected to be funded through payments-in-aid of construction to be made by the Southern California Public Power Authority (SCPPA). On May 12, 2022, IPA and RBC amended and restated the bondholder agreements to allow IPA to issue additional subordinated indebtedness not to exceed \$200,000,000 for the purpose providing a portion of the monies necessary to pay the cost and acquisition and construction of the STS Renewal Project. As of June 30, 2022, \$29 million of Drawdown Bonds have been issued for the STS Renewal Project.

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# INTERMOUNTAIN POWER AGENCY

## STATEMENTS OF NET POSITION, JUNE 30, 2022 AND 2021 (IN THOUSANDS)

ASSETS	2022	2021
UTILITY PLANT:		
Electric plant in service	\$ 3,345,215	\$ 3,180,813
Less accumulated depreciation	<u>(2,601,115)</u>	<u>(2,488,664)</u>
Net	<u>744,100</u>	<u>692,149</u>
RESTRICTED ASSETS:		
Cash and cash equivalents	178,884	55,699
Investments	706,976	11,330
Interest receivable	<u>460</u>	<u>16</u>
Total	<u>886,320</u>	<u>67,045</u>
OTHER NON-CURRENT ASSETS		
Prepaid personnel services contract costs	34,416	30,007
Other	<u>3,886</u>	<u>2,579</u>
Total	<u>38,302</u>	<u>32,586</u>
Total Non-Current Assets	<u>1,668,722</u>	<u>791,780</u>
CURRENT ASSETS:		
Cash and cash equivalents	35,120	29,829
Investments	89,573	161,425
Interest receivable	289	122
Receivable from participants	-	7,752
Fuel inventories	60,591	43,498
Materials and supplies	18,674	22,271
Other	<u>3,233</u>	<u>6,688</u>
Total Current Assets	<u>207,480</u>	<u>271,585</u>
Total Assets	<u>1,876,202</u>	<u>1,063,365</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Unamortized refunding charge	2,648	7,860
Unamortized asset retirement costs	121,040	126,316
Other	<u>1,412</u>	<u>1,678</u>
Total Deferred Outflows of Resources	<u>125,100</u>	<u>135,854</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,001,302</u>	<u>\$ 1,199,219</u>

See notes to financial statements.

(Continued)



# INTERMOUNTAIN POWER AGENCY

## STATEMENTS OF NET POSITION, JUNE 30, 2022 AND 2021 (IN THOUSANDS)

LIABILITIES	2022	2021
LONG-TERM PORTION OF BONDS PAYABLE - Net	\$ 886,920	\$ 40,062
LONG-TERM PORTION OF SUBORDINATED NOTES PAYABLE - Net	5,521	79,936
LONG-TERM DRAWDOWN BONDS	29,000	41,500
ADVANCES FROM SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY	10,930	10,930
OTHER NON-CURRENT LIABILITIES:		
Asset retirement obligations	298,107	273,242
Other	1,680	1,854
Total Non-Current Liabilities	299,787	275,096
CURRENT LIABILITIES:		
Current maturities of bonds payable	-	44,030
Current maturities of subordinated notes payable	75,791	74,971
Interest payable	4,506	2,565
Accrued credit to participants	57,496	50,949
Accounts payable and accrued liabilities	88,559	56,443
Total Current Liabilities	226,352	228,958
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 1, 7, 11, and 13)	-	-
Total Liabilities	1,458,510	676,482
DEFERRED INFLOWS OF RESOURCES:		
Net costs billed to participants not yet expensed	420,599	519,056
Prefunding of decommissioning and hydrogen betterments	118,000	-
Other	4,193	3,681
Total Deferred Inflows of Resources	542,792	522,737
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 2,001,302	\$ 1,199,219

See notes to financial statements.

(Concluded)

# INTERMOUNTAIN POWER AGENCY

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (IN THOUSANDS)

	2022	2021
OPERATING REVENUES:		
Power sales to participants	\$ 394,565	\$ 609,552
Less credit to participants	(57,638)	(51,091)
Net revenues	336,927	558,461
OPERATING EXPENSES (INCOME):		
Fuel	133,420	175,409
Operation	73,765	(46,750)
Maintenance	63,622	66,096
Depreciation and amortization	144,737	122,095
Taxes and payment in lieu of taxes	13,460	17,587
Total expenses	429,004	334,437
OPERATING INCOME (LOSS)	(92,077)	224,024
NON-OPERATING INCOME	1,805	1,133
INTEREST CHARGES (BENEFIT):		
Interest on bonds, subordinated notes, and other debt	(9,287)	(8,177)
Financing expenses (principally amortization of bond discount and refunding charge on defeasance of debt)	10,794	11,928
Charge on retirement of debt	814	-
Loss (earnings) on investments	5,864	(1,248)
Net interest charges	8,185	2,503
NET COSTS BILLED TO (RECOVERED FROM) PARTICIPANTS NOT YET EXPENSED	(98,457)	222,654
CHANGE IN NET POSITION	\$ -	\$ -

See notes to financial statements.

# INTERMOUNTAIN POWER AGENCY

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (IN THOUSANDS)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from billings to participants	\$ 469,226	\$ 566,683
Other cash receipts	1,805	1,133
Cash paid to suppliers	<u>(313,081)</u>	<u>(277,106)</u>
Net cash provided by operating activities	<u>157,950</u>	<u>290,710</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	974,420	19,000
Defeasance and retirement of bonds	(140,941)	-
Debt issuance costs	(3,740)	(9)
Principal paid on long-term debt	(119,001)	(184,903)
Principal paid on commercial paper	-	(35,200)
Interest received on long-term debt and commercial paper	11,713	7,587
Additions to electric plant in service	<u>(121,656)</u>	<u>(66,382)</u>
Net cash provided by (used in) capital and related financing activities	<u>600,795</u>	<u>(259,907)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(766,544)	(149,822)
Proceeds from sales/maturities of investments	134,753	130,474
Interest earnings received on investments	<u>1,522</u>	<u>1,500</u>
Net cash used in investing activities	<u>(630,269)</u>	<u>(17,848)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	128,476	12,955
CASH AND CASH EQUIVALENTS:		
Beginning balance	<u>85,528</u>	<u>72,573</u>
Ending balance	<u>\$ 214,004</u>	<u>\$ 85,528</u>

See notes to financial statements.

(Continued)

# INTERMOUNTAIN POWER AGENCY

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (IN THOUSANDS)

	2022	2021
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (92,077)	\$ 224,024
Other non-operating income	1,805	1,133
Depreciation and amortization	144,737	122,095
Financing expenses, net of amortization of bond discount and refunding charge on defeasance of debt	(885)	(425)
Changes in operating assets and liabilities:		
Receivable from participants	7,752	(6,591)
Fuel inventories	(17,093)	16,347
Materials and supplies	3,597	(440)
Other current assets	3,455	(371)
Prepaid/accrued personnel services contract costs	(4,409)	(94,249)
Other liabilities	(174)	(1,942)
Accounts payable and accrued liabilities	(12,777)	14,698
Accrued credit to participants	6,547	14,813
Other assets	(1,307)	(557)
Deferred outflows of resources	266	190
Deferred inflows of resources	118,513	1,985
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 157,950</u>	<u>\$ 290,710</u>

## SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Accounts payable and accrued liabilities included \$49,469 and \$4,577 at June 30, 2022 and 2021, respectively, of accruals for additions to electric plant in service.

See notes to financial statements.

(Concluded)

# INTERMOUNTAIN POWER AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization and Purpose** – Intermountain Power Agency (IPA), a separate legal entity and political subdivision of the State of Utah, was formed in 1977 by an Organization Agreement pursuant to the provisions of the Utah Interlocal Co-operation Act. IPA's membership consists of 23 municipalities which are suppliers of electric energy in the State of Utah. IPA's purpose is to own, acquire, construct, finance, operate, maintain, repair, administer, manage and control a facility to generate electricity located in Millard County, Utah and transmission systems through portions of Utah, Nevada and California (the "Project"). The operation and maintenance, along with construction of certain capital improvements of the Project are managed for IPA by the Department of Water and Power of the City of Los Angeles (LADWP) in its capacity as Operating Agent and Project Manager, respectively, pursuant to agreements. LADWP has also contracted to purchase a portion of the electric energy generated from the Project (see Note 11). Personnel at the generating plant are employed by Intermountain Power Service Corporation (IPSC), a separate legal non-governmental entity. IPSC is not a component unit of IPA. However, under a Personnel Services Contract ("PSC") between IPA and IPSC, IPA is required to pay all costs incurred by IPSC, including employee pensions and other postretirement benefits offered by IPSC to its employees. IPA's contractual rights and obligations under the PSC for IPSC's employee pensions and other postretirement benefits resulted in non-current assets of approximately \$34,416,000 and \$30,007,000 as of June 30, 2022 and 2021, respectively, as reported in the accompanying statements of net position. For the years ended June 30, 2022 and 2021, the accompanying statements of revenues, expenses, and changes in net position includes a benefit of approximately \$4,409,000 and \$86,449,000, respectively, within operation expense related to changes in these reported contractual amounts.

**Use of Estimates in Preparing Financial Statements** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of Accounting** – IPA maintains its records substantially in accordance with the Federal Energy Regulatory Commission Uniform System of Accounts, as required by its Contracts (see Note 11), and in conformity with U.S. GAAP. IPA applies all of the pronouncements of the Governmental Accounting Standards Board (GASB).

**Utility Plant** – Electric plant in service is stated at cost, which represents the actual direct cost of labor, materials, and indirect costs, including interest and other overhead expenses, net of related income during the construction period. Depreciation of electric plant in service is computed using the straight-line method over the estimated useful lives of the assets which range from five to 50 years.

**Payments-in-Aid of Construction** – IPA and the Southern California Public Power Authority (SCPPA), which is comprised of certain California Purchasers (see Note 9), have entered into the Southern Transmission System Agreement, as amended, ("STS Agreement") whereby SCPPA has made payments-in-aid of construction accumulating to approximately \$737,900,000 as of June 30, 2022 and 2021, to IPA for costs associated with the acquisition, construction and improvements of the Southern Transmission System of the Project ("STS"). Such payments-in-aid are recorded as reductions to utility plant. IPA has also entered into inter-connection agreements with other entities that have made additional payments-in-aid of construction accumulating to approximately \$2,037,000 as of June 30, 2022 and 2021.

***Cash and Cash Equivalents*** – IPA considers short-term investments with an original maturity of three months or less to be cash equivalents. As more fully discussed in Note 5, the IPA Bond Resolution required the establishment of certain funds and prescribes the use of monies in these funds. Accordingly, the assets held in certain of these funds are classified as restricted in the accompanying statements of net position. Such restricted amounts are considered cash equivalents for purposes of the statements of cash flows.

***Investments*** – The IPA Bond Resolution, as amended, stipulates IPA may invest in any securities, obligations or investments that are permitted by Utah Law. Investments are held by IPA as beneficial owner in book-entry form. Management believes there were no investments held by IPA during the years ended June 30, 2022 and 2021 that were in violation of the requirements of the IPA Bond Resolution.

Investments are stated at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets in the statements of net position and as earnings on investments in the statements of revenues, expenses, and changes in net position.

***Fuel Inventories, Materials and Supplies*** – Fuel inventories for the Project, principally coal, which have been purchased for the operation of the utility plant are stated at cost (computed on a last-in, first-out basis). The replacement cost of Project fuel inventory is approximately \$24,167,000 and \$20,318,000 greater than the stated last-in, first-out value at June 30, 2022 and 2021, respectively. Materials and supplies are stated at average cost.

***Unamortized Bond Premium and Discount and Refunding Charge on Defeasance of Debt*** – Unamortized premium and discount related to the issuance of bonds and the unamortized refunding charge related to the refunding of certain bonds are deferred and amortized using the interest method over the terms of the respective bond issues. Bonds payable have been reported net of the unamortized bond premium and discount in the accompanying statements of net position. Unamortized refunding charge is reported as a deferred outflow of resources.

***Net Costs Billed to Participants Not Yet Expensed*** – Billings to participants are designed to recover power costs as set forth by the Power Sales Contracts (see Note 10), which principally include current operating expenses, scheduled debt principal and interest, and deposits into certain funds. Pursuant to GASB Statement No. 62 related to regulated operations, net costs billed to participants not yet expensed in accordance with U.S. GAAP or expenses recognized but not currently billable under the Contracts are recorded as net costs billed to participants not yet expensed (a deferred inflow) or deferred as net costs to be recovered from future billings to participants (an asset), respectively, in IPA's statements of net position. In future periods, the deferred inflow will be settled, or the asset will be recovered as the associated expenses are recognized in accordance with U.S. GAAP or when they become billable Project costs in future participant billings, respectively. At June 30, 2022 and 2021, total accumulated Project costs billed to participants to date exceeded accumulated U.S. GAAP expenses, resulting in a deferred inflow, net costs billed to participants not yet expensed (see Note 4). Over the life of the Power Sales Contracts, aggregate U.S. GAAP expenses will equal aggregate billable power costs.

California has enacted legislation prohibiting its municipally owned electric utilities from entering into new long-term financial commitments for base-load generation that do not meet certain greenhouse gases emissions performance standards. During August 2018, the California Legislature passed legislation stating California policy that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by December 31, 2045. The Environmental Protection Agency (EPA) has also proposed regulation of certain greenhouse gases emissions. Future federal and state legislative and regulatory action may also result from the increasing national and international attention to climate change. Legislative and regulatory actions, both nationally and in California, have had and may yet have significant (yet hard to quantify) effects on IPA and the Purchasers (see Note 10). If these effects, which are not currently determinable, were to cause the Purchasers to be unable to meet their future power sales contract payment obligations, IPA may then be required to remove assets and liabilities recognized pursuant to IPA's regulated operations from the statement of net position when the related application criteria is no longer met unless those

costs continue to be recoverable through a separate regulatory billing. As of June 30, 2022, costs deferred are probable of recovery through future billings.

***Long-Lived Assets*** – IPA evaluates the carrying value of long-lived assets based upon an evaluation of indicators of impairment including evidence of physical damage, enactment or approval of laws and regulations, technological developments, changes in the manner or expected duration of use of a long-lived asset, and changes in demand. A long-lived asset that is potentially impaired is then tested to determine whether the magnitude of the decline in service utility is significant and unexpected. Measurement of the amount of impairment, if any, is based upon a restoration cost approach, service units approach, or deflated depreciated replacement cost approach, or the difference between carrying value and fair value.

***Pension and Other Postretirement Obligations*** – IPA sponsors a defined benefit pension plan and a postretirement medical plan that are accounted for pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, respectively. No disclosures related to these plans are presented herein because amounts are not significant to the financial statements.

***Asset Retirement Obligations*** – IPA records asset retirement obligations when the liability associated with the retirement of its tangible long-lived assets is both incurred and reasonably estimable. The determination of when the liability is incurred is based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates an entity to perform asset retirement activities. An asset retirement obligation (ARO) is measured based on the best estimate of the current value of outlays expected to be incurred, including probability weighting of potential outcomes, with a deferred outflow of resources recognized at the amount of the corresponding liability upon initial measurement. The current value of an ARO is adjusted for the effects of general inflation or deflation at least annually. All relevant factors are evaluated at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. The deferred outflows of resources of asset retirement costs are amortized over the estimated useful life of the tangible capital assets. See Note 9 for additional information on IPA’s asset retirement obligations.

***Recently Adopted Accounting Pronouncements*** – In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about an entity’s leasing activities. IPA adopted his statement during the fiscal year ended June 30, 2022, the adoption of which did not have a material effect on the financial statements.

***Recently Issued Accounting Pronouncements*** – In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting of subscription-based information technology arrangements (SBITs) for government end users. This statement is effective for financial statements for years beginning after June 15, 2022. IPA is currently evaluating the effects the adoption of this statement will have on the financial statements.

## 2. UTILITY PLANT

Utility plant activity for the years ended June 30, 2022 and 2021, is as follows (in thousands):

	<b>July 1, 2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2022</b>
Utility plant not being depreciated -				
Construction work-in-progress	\$ 54,864	\$ 155,755	\$ (65)	\$ 210,554
Land and land rights	113,823	-	-	113,823
Total	168,687	155,755	(65)	324,377
Utility plant being depreciated/amortized:				
Production	2,838,551	7,083	(1,892)	2,843,742
Transmission	860,262	1,617	21	861,900
Payments-in-aid of construction - transmission	(739,937)	-	-	(739,937)
General	53,248	2,157	(274)	55,131
Total	3,012,124	10,857	(2,145)	3,020,836
Accumulated depreciation	(3,060,508)	(156,133)	2,145	(3,214,496)
Accumulated amortization of payments-in-aid of construction	571,846	41,537	-	613,383
Total accumulated depreciation	(2,488,662)	(114,596)	2,145	(2,601,113)
Utility Plant, Net	\$ 692,149	\$ 52,016	\$ (65)	\$ 744,100

  

	<b>July 1, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2021</b>
Utility plant not being depreciated -				
Construction work-in-progress	\$ 39,246	\$ 31,595	\$ (15,977)	\$ 54,864
Land and land rights	113,823	-	-	113,823
Total	153,069	31,595	(15,977)	168,687
Utility plant being depreciated/amortized:				
Production	2,826,644	13,347	(1,440)	2,838,551
Transmission	832,239	38,635	(10,612)	860,262
Payments-in-aid of construction - transmission	(739,937)	-	-	(739,937)
General	52,679	649	(80)	53,248
Total	2,971,625	52,631	(12,132)	3,012,124
Accumulated depreciation	(2,926,888)	(145,752)	12,132	(3,060,508)
Accumulated amortization of payments-in-aid of construction	521,446	50,400	-	571,846
Total accumulated depreciation	(2,405,442)	(95,352)	12,132	(2,488,662)
Utility Plant, Net	\$ 719,252	\$ (11,126)	\$ (15,977)	\$ 692,149



### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consist of the following at June 30, 2022 and 2021 (in thousands):

	2022		2021	
	Fair Value	Weighted Average Remaining Maturity	Fair Value	Weighted Average Remaining Maturity
Cash and Cash Equivalents:				
Restricted:				
Short-term investments	\$ 76,881	90 days or less	\$ -	
Money market funds	95,180	1 day or less	-	
Cash	6,823	1 day or less	55,699	1 day or less
Total Restricted	178,884		55,699	
Current:				
Money market funds	32,700	1 day or less	20,000	1 day or less
Cash	2,420	1 day or less	9,829	1 day or less
Total Current	35,120		29,829	
Total Cash and Cash Equivalents	<u>\$ 214,004</u>		<u>\$ 85,528</u>	
Investments:				
Restricted:				
U.S. Treasuries	\$ 291,152	3.13 years	\$ -	
U.S. Agencies	198,697	1.10 years	2,076	0.04 years
Commercial paper	128,041	0.49 years	5,198	1 day or less
Corporate bonds	89,086	1.52 years	4,056	0.35 years
Total Restricted	706,976		11,330	
Current:				
U.S. Agencies	25,556	2.78 years	25,901	1.59 years
Commercial paper	9,988	0.29 years	34,675	0.32 years
Corporate bonds	54,029	1.20 years	100,849	1.45 years
Total Current	89,573		161,425	
Total Investments	<u>\$ 796,549</u>		<u>\$ 172,755</u>	

Investments consist entirely of U.S. Government Agencies, U.S. Treasuries, commercial paper and corporate bonds whose fair value is derived from inputs using observable market data to estimate current interest rates.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, IPA manages its exposure to interest rate risk by requiring that the remaining term to maturity of investments not exceed the date the funds will be required to meet cash obligations.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with its investment policy, IPA manages its exposure to credit risk by limiting its investments to securities authorized for investment of public funds under the Utah Money Management Act, which requires a rating of “A” or higher or the equivalent of “A” or higher by two nationally recognized statistical rating organizations.

**Custodial Credit Risk – Cash Deposits** – Custodial credit risk is the risk that, in the event of a failure of the counterparty holding the funds, IPA’s deposits may not be returned. IPA does not require deposits to be fully insured and collateralized. As of June 30, 2022, approximately \$9,243,000 of IPA’s bank balances are uninsured and uncollateralized.

**Fair Value Measurements** – IPA measures and records its investments using fair value measurement guidelines established by U.S. GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

*Level 1* – Quoted prices for identical investments in active markets;

*Level 2* – Observable inputs other than quoted market prices; and,

*Level 3* – Valuations derived from unobservable inputs.

At June 30, 2022 and 2021, IPA’s fair value measurements and their levels within the fair value hierarchy were as follows (in thousands):

	2022			
	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
U.S. Treasuries	\$ -	\$ 291,152	\$ -	\$ 291,152
U.S. Agencies	-	224,253	-	224,253
Commercial paper	-	138,029	-	138,029
Corporate bonds	-	143,115	-	143,115
Total investments by fair value level	<u>\$ -</u>	<u>\$ 796,549</u>	<u>\$ -</u>	<u>\$ 796,549</u>

  

	2021			
	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
U.S. Treasuries	\$ -	\$ -	\$ -	\$ -
U.S. Agencies	-	27,977	-	27,977
Commercial paper	-	39,873	-	39,873
Corporate bonds	-	104,905	-	104,905
Total investments by fair value level	<u>\$ -</u>	<u>\$ 172,755</u>	<u>\$ -</u>	<u>\$ 172,755</u>

#### 4. NET COSTS BILLED TO PARTICIPANTS NOT YET EXPENSED

Net costs billed to participants not yet expensed for the years ended June 30, 2022 and 2021 and the accumulated totals as of June 30, 2022 and 2021, consisted of the following (in thousands):

	For the Years Ended June 30,		Accumulated Totals as of June 30,	
	2022	2021	2022	2021
<b>Items in accordance with U.S. GAAP not billable to participants under the power sales contracts:</b>				
Interest expense in excess of amounts billable	\$ -	\$ -	\$ (452,454)	\$ (452,454)
Depreciation and amortization expense	(144,737)	(122,095)	(2,970,652)	(2,825,915)
Amortization of bond discount and refunding on defeasance of bonds	(6,169)	(11,494)	(1,370,317)	(1,364,148)
Accretion of interest on zero coupon bonds	-	-	(349,408)	(349,408)
Charge on retired debt	(814)	-	(158,467)	(157,653)
Cumulative effect of a change in accounting principle	-	-	(18,241)	(18,241)
Accretion of asset retirement obligations	-	-	(26,965)	(26,965)
Unrealized gains on investments	(8,664)	82	(8,519)	145
Change in fair value of interest rate exchange agreements	-	-	(27,652)	(27,652)
Gain on sale of ownership interest in coal mines	-	-	4,877	4,877
Amortization of deferred fuel costs	-	-	(69,379)	(69,379)
Accrued interest earnings	129	(83)	(9,082)	(9,211)
Change in liabilities and other	(3,203)	100,386	(1,877)	1,326
<b>Amounts billed to participants under the bond resolution and the power sales contracts:</b>				
Bond and subordinated note principal	65,120	221,191	4,965,172	4,900,052
Deferred fuel costs	-	-	32,228	32,228
Capital improvements	27	34,531	585,909	585,882
Reduction of required fund deposits	(146)	136	3,950	4,096
Cash received from sale of assets	-	-	(18,904)	(18,904)
Participant funds expended for debt reduction, refinancing and/or other financing costs (Note 10)	-	-	310,380	310,380
Net costs billed to (recovered from) participants not yet expensed	<u>\$ (98,457)</u>	<u>\$ 222,654</u>	<u>\$ 420,599</u>	<u>\$ 519,056</u>

## 5. BONDS PAYABLE

To finance the construction of the Project, IPA sold Revenue and Revenue Refunding Bonds (the “Senior Bonds”) pursuant to IPA's Power Supply Revenue Bond Resolution adopted September 28, 1978, as amended and supplemented (the “Bond Resolution”) and IPA sold Subordinated Revenue Refunding Bonds (the “Subordinated Bonds”) pursuant to IPA's Subordinated Power Supply Revenue Resolution adopted March 4, 2004, as supplemented (the “Subordinated Bond Resolution”). As of June 30, 2022 and 2021, for the Senior Bonds and the Subordinated Bonds (collectively, the “Bonds”) the principal amount consisted of the following (in thousands):

Series	Bonds Dated	Final Maturity on July 1	2022	2021
<i>Senior Bonds</i>				
2022 A	5/12/2022	2045	\$ 732,755	\$ -
2022 B	5/12/2022	2045	64,850	-
<i>Subordinated Bonds</i>				
2018 A	4/4/2018	2023	<u>-</u>	<u>82,830</u>
Total Bonds payable			797,605	82,830
Unamortized bond premium			89,315	1,262
Current maturities of Bonds payable			<u>-</u>	<u>(44,030)</u>
Long-term portion of Bonds payable - net			<u>\$ 886,920</u>	<u>\$ 40,062</u>

Interest rates on the Bonds payable outstanding at June 30, 2022 range from and 3.50% to 5.25% and were 5.00% at June 30, 2021.

The changes in the par value of Bonds payable for the years ended June 30, 2022 and 2021, are as follows (in thousands):

	2022	2021
Beginning balance	\$ 82,830	\$ 105,230
Additions - Revenue bonds issued	797,605	-
Deductions:		
Principal maturities	(44,030)	(22,400)
Bonds defeased/retired	<u>(38,800)</u>	<u>-</u>
Ending balance	<u>\$ 797,605</u>	<u>\$ 82,830</u>

The principal amounts of future maturities, sinking fund requirements and interest to be paid for the Bonds outstanding as of June 30, 2022, are as follows (in thousands):

	Principal	Interest
Years ending June 30:		
2023	\$ -	\$ 25,030
2024	-	39,348
2025	-	39,348
2026	-	39,348
2027	24,400	38,754
2028 - 2032	141,085	174,189
2033 - 2037	179,410	135,057
2038 - 2042	226,775	86,279
2043 - 2046	225,935	23,379
Total	<u>\$ 797,605</u>	<u>\$ 600,732</u>

The Subordinated Bond Resolution stipulates that the Subordinated Bonds are direct and special obligations of IPA payable from and secured by amounts on deposit in the Subordinated Indebtedness Debt Service Account. The Bond Resolution and the Subordinated Bond Resolution require that after providing for monthly operating expenses and the required monthly deposits of revenues have been made to the Debt Service Fund that revenues in amounts sufficient to provide for the debt service requirements of Subordinated Bonds be deposited each month into the Subordinated Indebtedness Debt Service Account. The security for the Subordinated Bonds is senior to the security for the subordinated notes payable.

***Funds Established by the Bond Resolution*** – The Bond Resolution requires that certain funds be established to account for IPA's receipts and disbursements and stipulates the use of monies, investments held in such funds and balances that are to be maintained in certain of the funds. Balances in the other funds are determined by resolution of the IPA Board of Directors. Except as identified below, a summary of funds established by the Bond Resolution and the aggregate amount of assets held in these funds, including accrued interest receivable as of June 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Restricted assets:		
Debt Service Fund:		
Debt Service Account	\$ 122,856	\$ -
Debt Service Reserve Account	63,469	-
Subordinated Indebtedness Fund:		
Debt Service Account	4,738	60,095
Debt Service Reserve Account	-	1,531
Construction Fund:		
Tax Exempt Account	529,438	761
Taxable Account	42,498	9
STS Account <sup>(1)</sup>	5,454	-
Decommissioning Fund <sup>(2)</sup>	52,138	-
Hydrogen Fund <sup>(3)</sup>	61,229	-
Self-Insurance Fund	4,500	4,649
Total restricted assets	886,320	67,045
Revenue Fund (Note 11)	124,982	191,376
Total	<u>\$ 1,011,302</u>	<u>\$ 258,421</u>

(1) Subject to the pledge in favor of bondholders until funded by SCPPA payments-in-aid of construction

(2) To be established by supplemental resolution and not subject to the pledge in favor of bondholders

(3) Established by resolution of the IPA Board of Directors and not subject to the pledge in favor of bondholders

The reconciliation of the current assets as reported in the accompanying statements of net position to the Revenue Fund at June 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Current assets reported in statements of net position:		
Cash and cash equivalents	\$ 35,120	\$ 29,829
Investments	89,573	161,425
Interest receivable	289	122
Revenue Fund	<u>\$ 124,982</u>	<u>\$ 191,376</u>

**Covenants** – The Bond Resolution has imposed certain covenants upon IPA which, among others, include a promise to establish rates sufficient to pay the bondholders scheduled interest and principal payments and to make such payments on a timely basis, keep proper books of record and account, and comply with certain financial reporting and auditing requirements. IPA believes that it is in compliance with all covenants as of June 30, 2022.

**Defeasance of Debt** – On October 1, 2021, \$38,880,000, constituting the 2022 and 2023 maturities of the Series 2018A Bonds, were retired with cash held for such purposes by IPA (see Note 10). Accordingly, all amounts related to the retired Bonds were removed from the statement of net position, which resulted in a charge on retirement of debt during the year ended June 30, 2022 of \$814,000. Because these bonds were retired rather than defeased through a refunding, the charge on retirement of debt has been reflected as an expense in the accompanying statements of revenue, expenses, and changes in net position. The aggregate outstanding principal

amount of Bonds extinguished through prior period defeasance was \$38,880,000 at June 30, 2022. No bonds were defeased during the year ended June 30, 2021.

## 6. SUBORDINATED NOTES PAYABLE

IPA and the California Purchasers (see Note 10) have entered into the Intermountain Power Project Prepayment Agreement ("Prepayment Agreement"). Pursuant to the Prepayment Agreement, a California Purchaser, upon providing IPA sufficient funds, can direct IPA to defease certain IPA outstanding Bonds. In consideration for IPA's use of the California Purchaser's funds to defease such outstanding Bonds, IPA issues to the California Purchaser a subordinated note or notes payable. Such subordinated notes payable are not subject to early redemption by IPA and are not transferable by the holder, but otherwise carry terms substantially equivalent to the defeased Bonds (subject to certain adjustments, some of which can result in negative interest) and are junior and subordinate to Bonds payable and commercial paper notes. As of June 30, 2022 and 2021, the principal amount of interest bearing subordinated notes payable consisted of the following (in thousands):

Note Holder	Issue Date	Final Maturity on July 1	2022	2021
LADWP	2/10/2000	2021	\$ -	\$ 2,534
LADWP	3/2/2000	2023	80,733	142,538
LADWP	5/2/2000	2021	-	4,025
City of Pasadena	1/29/2009	2023	<u>1,440</u>	<u>8,047</u>
Total subordinated notes payable			82,173	157,144
Unamortized discount			(861)	(2,237)
Current maturities of subordinated notes payable			<u>(75,791)</u>	<u>(74,971)</u>
Long-term portion of subordinated notes payable			<u>\$ 5,521</u>	<u>\$ 79,936</u>

The changes in the par value of subordinated notes payable for the years ended June 30, 2022 and 2021, are as follows (in thousands):

	2022	2021
Beginning balance	\$ 157,144	\$ 319,647
Deductions - principal maturities	<u>(74,971)</u>	<u>(162,503)</u>
Ending balance	<u>\$ 82,173</u>	<u>\$ 157,144</u>

The principal amounts of future maturities and interest to be received on subordinated notes payable as of June 30, 2022, are as follows (in thousands):

	Principal	Interest
Years ending June 30:		
2023	\$ 75,791	\$ (4,960)
2024	6,382	(53)
	<hr/>	<hr/>
Total	<u>\$ 82,173</u>	<u>\$ (5,013)</u>

## 7. TRANSITION PROJECT INDEBTEDNESS

On November 25, 2019, IPA and the Purchasers approved a Plan of Finance for funding renewal project activities that anticipates using shorter-term bridge financing in early project stages followed by long-term financing as required to fund anticipated costs to complete construction. On December 27, 2019, IPA amended its subordinated indebtedness resolution to allow IPA to issue subordinated indebtedness not to exceed \$100,000,000 for the purpose of providing a portion of the monies necessary to pay the Cost of Acquisition and Construction of the Gas Repowering (as defined in the Power Sales Contracts). These subordinated bonds are designated by the title “Subordinated Power Supply Revenue Bonds, 2019 Drawdown Series” (the “Drawdown Bonds”) and deemed to constitute Transition Project Indebtedness as defined by the Power Sales Contracts. The Drawdown Bonds were issued by Royal Bank of Canada (RBC) on December 30, 2019, in two subseries, designated as Tax-Exempt and Taxable. The Drawdown Bonds issued and outstanding at June 30, 2021 were \$38,000,000 and \$3,500,000 and bore interest at 0.41% and 0.69% in the Tax-Exempt and Taxable subseries, respectively. During the year ended June 30, 2022, IPA issued additional Drawdown Bonds for construction activities resulting in the maximum amount of \$92,000,000 and \$8,000,000 being outstanding in the Tax-Exempt and Taxable subseries, respectively. On May 12, 2022, a portion of the proceeds of the sale of the 2022 Series A and B Bonds was used to fully repay the outstanding Drawdown Bonds.

On May 12, 2022, IPA and RBC amended and restated the bondholder agreements to allow IPA to issue additional subordinated indebtedness not to exceed \$200,000,000 for the purpose providing a portion of the monies necessary to pay Cost and Acquisition and Construction of the Gas Repowering and the STS Renewal Project. The Drawdown Bonds are to be terminated and repaid on or before December 29, 2023. Should any principal of Drawdown Bonds not be repaid on or before December 29, 2023, the principal will be redeemed through installment payments during an amortization period that ends on June 17, 2027. The Drawdown Bonds issued and outstanding at June 30, 2022 were \$29,000,000 and \$0 and bore interest at 1.37% and 0.00% in the Tax-Exempt and Taxable subseries, respectively.

## 8. ADVANCES FROM SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

In accordance with the STS Agreement, SCPPA has funded an allocable portion of certain of IPA’s reserves. Management believes that advances from SCPPA in the accompanying financial statements meet those required under and are co-terminus with the STS Agreement.

## 9. ASSET RETIREMENT OBLIGATIONS

IPA’s transmission facilities are generally located upon land that is leased from Federal and certain state governments. Upon termination of the leases, the structures, improvements and equipment are to be removed and the land is to be restored. Because these leases are expected to be renewed indefinitely and because of the inherent value of the transmission corridors, the leases have no foreseeable termination date and, therefore, IPA has no asset retirement obligations (AROs) recorded related to the transmission facilities. IPA does have certain AROs related to other long-lived assets at or near the generation station site resulting from applicable laws and regulations. These obligations are related to the reclamation of certain rights-of-way, wastewater ponds, settling ponds, landfills and other facilities that may affect ground water quality.



On August 6, 2019, the IPA Board and Intermountain Power Project (IPP) Coordinating Committee formally approved the Retirement Plan for the decommissioning and retirement of the existing facilities that are not to be used for the generation or transmission of power pursuant to the Contracts or the Renewal Contracts, which created a contractual requirement to retire certain capital assets under the Renewal Contracts.

As of June 30, 2022 and 2021, the current value of IPA's asset retirement obligations totaled approximately \$298,107,000 and \$273,242,000, respectively. The current value of AROs is generally estimated based on decommissioning cost studies performed by third-party experts. The increase in the current value of AROs of approximately \$24,865,000 during the year ended June 30, 2022 is due to the effects of general inflation.

## **10. POWER SALES AND POWER PURCHASE CONTRACTS**

IPA has sold the entire capacity of the Project pursuant to Power Sales Contracts, as amended (the "Contracts"), to 35 utilities consisting of six California municipalities ("California Purchasers"), 23 Utah municipalities ("Utah Municipal Purchasers") and six rural electrical cooperatives ("Cooperative Purchasers") (collectively, the "Purchasers"). The California Purchasers, Utah Municipal Purchasers and the Cooperative Purchasers have contracted to purchase approximately 79%, 14%, and 7%, respectively, of the capacity of the Project. The Contracts expire on June 15, 2027. As long as any of the Bonds are outstanding, the Contracts cannot be terminated nor amended in any manner which will impair or adversely affect the rights of the bondholders. Under the terms of the Contracts, the Purchasers are obligated to pay their proportionate share of all operation and maintenance expenses and debt service on the Bonds and any other debt incurred by IPA, whether or not the Project or any part thereof is operating or operable, or its output is suspended, interrupted, interfered with, reduced, or terminated. In accordance with the Contracts, billings in excess of monthly power costs, as defined, are credited to Purchasers taking power in any fiscal year (the "Participants"). IPA recorded credits to Participants in operating revenue of approximately \$57,638,000 and \$51,091,000 for the years ended June 30, 2022 and 2021, respectively. Such credits to Participants are applied in the subsequent year to reduce power billings in accordance with the Contracts.

As part of IPA's strategic planning initiatives, IPA and the Purchasers executed the Second Amendatory Power Sales Contracts which provides that the Project be repowered, and that IPA offer the Purchasers renewal in their generation and associated transmission entitlements through the Renewal Power Sales Contracts (the "Renewal Contracts"). IPA and 32 of the Purchasers entered into Renewal Contracts, which became effective on January 16, 2017. Two renewing California Purchasers subsequently provided a notice of termination of their Renewal Contracts to IPA effective November 1, 2019. The 50-year term of the Renewal Contracts is to commence upon termination of the Contracts.

On September 24, 2018, IPA and the Purchasers approved changes to the repowering that constituted an Alternative Repowering under the Contracts. The Alternative Repowering is described to include the construction and installation of two combined-cycle natural gas fired power blocks, each block consisting of one gas turbine, a heat recovery steam generator train and a single steam turbine, with an approximate combined net generation capability of 840 MW.

A Bond Retirement and Financing Account ("BRFA") was established by the Forty-First Supplemental Power Supply Revenue Bond Resolution (the "Forty-First Supplemental Resolution"). Amounts deposited into the BRFA have been held in the Revenue Fund and were to be used to purchase, redeem or defease outstanding IPA debt; for contributions required to be made by IPA in refunding bond issues; or for other financing costs since the BRFA was established. The remaining BRFA funds totaled approximately \$40,017,000 as of June 30, 2021. During the year ended June 30, 2022, BRFA fund were used to defease the last remaining subordinated lien bonds, leaving \$596,000 which will be returned to the Purchasers.

## **11. RELATED PARTY TRANSACTIONS**

LADWP, as Operating Agent, performed engineering and other services for the Project totaling approximately \$43,662,000 and \$35,660,000 for the years ended June 30, 2022 and 2021, respectively, which has been billed to IPA and charged to operations or utility plant, as appropriate. Operating Agent unbilled costs totaling

approximately \$411,000 and \$4,415,000 are included in accounts payable at June 30, 2022 and 2021, respectively.

Power sales to LADWP for the years ended June 30, 2022 and 2021, totaled approximately \$258,900,000 and \$401,921,000, respectively. The receivable from LADWP at June 30, 2022 and 2021, was approximately \$0 and \$4,233,000, respectively. Power sales to the City of Anaheim for the years ended June 30, 2022 and 2021, totaled approximately \$55,865,000 and \$82,873,000, respectively. The receivable from the City of Anaheim at June 30, 2022 and 2021, was approximately \$0 and \$1,600,000, respectively. No other individual purchasers are over 10% of generation entitlement.

Subordinated notes payable have been issued to LADWP (see Note 6). Interest income on these subordinated notes payable of approximately \$14,333,000 and \$11,852,000 has been recorded for the years ended June 30, 2022 and 2021, respectively, of which approximately \$828,000 was receivable at June 30, 2022 and \$519,000 was payable at June 30, 2021.

Subordinated notes payable have been issued to the City of Pasadena (see Note 6). Interest income on these subordinated notes payable of approximately \$794,000 and \$503,000 has been recorded for the years ended June 30, 2022 and 2021, respectively, of which approximately \$21,000 and \$24,000 was receivable at June 30, 2022 and 2021, respectively.

## 12. COMMITMENTS AND CONTINGENCIES

**Coal Supply** – At June 30, 2022, IPA was obligated under short and long-term take-or-pay coal supply contracts for the purchase of coal. The cost of coal is computed at a base price per ton, adjusted periodically for various price and quality adjustments and includes transportation to the plant. The contracts require minimum purchases of coal over the lives of the contracts, exclusive of events of force majeure, as follows (computed using the current price under the contracts, in thousands):

Years ending June 30:

2023	\$ 223,290
2024	178,617
2025	82,749
	<u>\$ 484,656</u>

The actual cost of coal purchases under the coal supply contracts for the years ended June 30, 2022 and 2021, was approximately \$145,300,000 and \$148,191,000, respectively.

**Litigation** – IPA is in litigation arising from its operating activities. The probability or extent of unfavorable outcomes of these suits is not presently determinable.

**California Greenhouse Gas Initiatives** – For several years, California policy makers have sought to limit greenhouse gas emissions in California. Both the Los Angeles City Council and the State of California have adopted renewable portfolio standards, which, among other things required LADWP and the other California utilities to serve 33% and 50% of their load with renewable energy by 2020 and 2030, respectively. On September 29, 2006, California Senate Bill 1368 – An Act to Impose Greenhouse Gas Performance Standards on Locally Owned Public Utilities (SB 1368) was signed into law. SB 1368 was directed specifically at limiting greenhouse gas emissions associated with electric power consumed in California by prohibiting California electric providers from entering into long-term financial commitments for base load generation unless such generation complies with greenhouse gas emission performance standards. On September 10, 2018, California Senate Bill 100 (SB 100) was signed into law. SB 100 states California policy that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by December 31, 2045. SB 100 also accelerates the existing target of 50% renewable energy by 2030, to 60% renewable energy by 2030. While these and other actions by California policy makers have the potential to impact IPA and its power purchasers, IPA does not believe that any of these initiatives will render existing Power Sales Contracts between IPA and the California Purchasers void, ineffective or unenforceable.

***Other Environmental Regulation*** – The EPA has proposed regulation of certain greenhouse gases emissions. Future federal and state legislative and regulatory action may also result from the increasing intensity of national and international attention to climate change. Legislative and regulatory actions, both nationally and in California, have had and may yet have significant (yet hard to quantify) effects on IPA and the Purchasers.

### **13. SUBSEQUENT EVENT**

On September 21, 2022, ACNR Coal Sales, Inc. announced that the Lila Canyon Mine was evacuated and that an underground fire continues to burn unabated at the mine. IPA does not have a current contract to purchase coal directly from Lila Canyon. However, since Lila Canyon produces approximately 25% of the coal currently sold in Utah, a prolonged closure of the mine may significantly impact the future coal market. The effects on IPA are not currently estimable.

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**SUPPLEMENTAL SCHEDULE**

**INTERMOUNTAIN POWER AGENCY**

**SUPPLEMENTAL SCHEDULES OF CHANGES IN FUNDS ESTABLISHED BY THE  
IPA REVENUE BOND RESOLUTION FOR THE YEARS ENDED JUNE 30, 2021 AND 2022 (IN THOUSANDS)**

	Restricted Assets						Total
	Revenue Fund	Subordinated Indebtedness Fund		Construction Fund		Self-Insurance Fund	
		Debt Service Account	Debt Service Reserve Account	Tax Exempt Construction Account	Taxable Construction Account		
BALANCE, JULY 1, 2020	\$ 179,346	\$ 39,251	\$ 2,345	\$ 740	\$ 29	\$ 4,659	\$ 226,370
ADDITIONS:							
Proceeds from issuance of Bonds	-	-	-	17,650	1,350	-	19,000
Power billings received	566,683	-	-	-	-	-	566,683
Other revenues	1,133	-	-	-	-	-	1,133
Investment earnings (loss)	1,383	(76)	(51)	2	-	(10)	1,248
Total	569,199	(76)	(51)	17,652	1,350	(10)	588,064
DEDUCTIONS:							
Operating expenditures	277,106	-	-	-	-	-	277,106
Capital expenditures	47,707	-	-	18,675	-	-	66,382
Interest paid (received) on long-term debt and commercial paper	-	(7,904)	-	269	48	-	(7,587)
Principal paid on long-term debt	-	184,903	-	-	-	-	184,903
Principal paid on commercial paper	-	35,200	-	-	-	-	35,200
Debt issuance costs	-	-	-	9	-	-	9
Total	324,813	212,199		18,953	48	-	556,013
TRANSFERS:							
Transfer of revenues to other Funds	(213,150)	213,090	60	-	-	-	-
Other transfers	(19,206)	20,029	(823)	1,322	(1,322)	-	-
Total	(232,356)	233,119	(763)	1,322	(1,322)	-	-
BALANCE, JUNE 30, 2021	\$ 191,376	\$ 60,095	\$ 1,531	\$ 761	\$ 9	\$ 4,649	\$ 258,421

(Continued)

**SUPPLEMENTAL SCHEDULE**

**INTERMOUNTAIN POWER AGENCY**

**SUPPLEMENTAL SCHEDULES OF CHANGES IN FUNDS ESTABLISHED BY THE  
IPA REVENUE BOND RESOLUTION FOR THE YEARS ENDED JUNE 30, 2021 AND 2022 (IN THOUSANDS)**

	Revenue Fund	Restricted Assets										Total
		Debt Service Fund		Subordinated Indebtedness Fund		Construction Fund			Decommissioning Fund <sup>(2)</sup>	Hydrogen Betterments Fund <sup>(3)</sup>	Self-Insurance Fund	
		Debt Service Account	Debt Service Reserve Account	Debt Service Account	Debt Service Reserve Account	Tax Exempt Construction Account	Taxable Construction Account	STS Construction Account <sup>(1)</sup>				
BALANCE, JULY 1, 2021	\$ 191,376	\$ -	\$ -	\$ 60,095	\$ 1,531	\$ 761	\$ 9	\$ -	\$ -	\$ -	\$ 4,649	\$ 258,421
ADDITIONS:												
Proceeds from issuance of Bonds	-	123,400	63,751	-	-	703,120	55,149	29,000	-	-	-	974,420
Billings received	469,226	-	-	-	-	-	-	-	-	-	-	469,226
Other revenues	1,805	-	-	-	-	-	-	-	-	-	-	1,805
Investment earnings (loss)	(867)	(458)	(238)	(3)	8	(1,492)	(113)	9	(1,862)	(542)	(306)	(5,864)
Total	470,164	122,942	63,513	(3)	8	701,628	55,036	29,009	(1,862)	(542)	(306)	1,439,587
DEDUCTIONS:												
Defeasance and retirement of Bonds	-	-	-	40,941	-	92,000	8,000	-	-	-	-	140,941
Operating expenditures	313,081	-	-	-	-	-	-	-	-	-	-	313,081
Capital expenditures	18,982	-	-	-	-	80,468	-	22,194	-	12	-	121,656
Interest paid (received) on long-term debt and commercial paper	-	-	-	(12,079)	-	303	63	-	-	-	-	(11,713)
Principal paid on long-term debt	-	-	-	119,001	-	-	-	-	-	-	-	119,001
Debt issuance costs	-	-	-	-	-	3,567	173	-	-	-	-	3,740
Total	332,063	-	-	147,863	-	176,338	8,236	22,194	-	12	-	686,706
TRANSFERS:												
Transfer of revenues to other Funds	(90,420)	(86)	(44)	90,569	(19)	-	-	-	-	-	-	-
Other transfers	(114,075)	-	-	1,940	(1,520)	3,387	(4,311)	(1,361)	54,000	61,783	157	-
Total	(204,495)	(86)	(44)	92,509	(1,539)	3,387	(4,311)	(1,361)	54,000	61,783	157	-
BALANCE, JUNE 30, 2022	\$ 124,982	\$ 122,856	\$ 63,469	\$ 4,738	\$ -	\$ 529,438	\$ 42,498	\$ 5,454	\$ 52,138	\$ 61,229	\$ 4,500	\$ 1,011,302

(1) Subject to the pledge in favor of bondholders until funded by SCPPA payments-in-aid of construction

(2) To be established by supplemental resolution and not subject to the pledge in favor of bondholders

(3) Established by resolution of the IPA Board of Directors and not subject to the pledge in favor of bondholders

(Concluded)