Minutes of the Price City Council Workshop-Public Hearing
City Hall: Price, Utah
August 28, 2013 at 4:00 p.m.

Present:

Mayor Piccolo	John Daniels, Human Resource Director
Councilmembers:	Lisa Richens, Finance Director
Rick Davis	Kevin Drolc, Police Chief
Grady McEvoy	Nick Sampinos, City Attorney
Kathy Hanna-Smith	Nick Tatton, Community Director
Layne Miller	Laurie Tryon, City Recorder

Excused Absence: Councilmember Clausing
Present: Delynn Fielding, Mark McIntyre, Ben Jones, Dan Eldridge, Ed Collins, Jim Hewlett, Blaine Haacke, Mike McCandless and Delynn Fielding

MOTION. Councilmember Hanna-Smith moved to open the public hearing at 4:00 p.m. Motion seconded by Councilmember McEvoy and carried.
Mayor Piccolo stated that the public hearing was to receive input regarding Price City's current and future participation in the Intermountain Power Agency project. Intermountain Power Agency Staff and Boardmembers presented information regarding the proposed amendatory contracts and renewal contracts that all current purchases of power including Price City, have been asked to consider. It is anticipated that a fuel conversion from coal to natural gas will occur between 2025 and 2027 at the plant. Discussion to include timing, costs, continuation of coal operations to conversion and beyond, risk factors, etc.
Jim Hewlett, General Manager for the Intermountain Power Agency reviewed a 10 page document that had questions and answers regarding various areas of the contracts under discussion. A copy of the document was provided to the Mayor and City Council and is attached below:

INTERMOUNTAIN POWER AGENCY

RENEWAL DOCUMENTS Q&A

AUGUST 26, 2013

INTRODUCTION

Intermountain Power Agency ("IPA") has distributed a package with a cover letter dated July 27, 2013 to each of the Intermountain Power Project ("IPP") power purchasers (the "Purchasers") (except PacifiCorp which has indicated its desire to terminate its interest in IPP). The packages provide two options for approval of the Fourth Amendment to IPA Organization Agreement (the "IPAOA"), the Second Amendatory Power Sales Contract (the "2APSC"), the Renewal Power Sales Contract (the "RPSC") and the Agreement for Sale of Renewal Excess Power (the "ASREP") (the IPAOA, the 2APSC, the RPSC and the ASREP being, collectively, the "Renewal Documents").[1]

A more complete description of the approval process is included in the July 27 cover letter. IPA encourages the Purchasers to review the cover letter and attached procedures for a detailed description of the anticipated process.

Certain questions similar to the following have been brought to our attention in the course of discussing the renewal of the Purchasers' interests in IPP. IPA is also providing this document (this "Q&A") to address some of those questions. The following responses reflect IPA's interest as owner of IPP. IPA encourages the Purchasers to contact IPA with any additional questions or concerns.

RENEWAL DOCUMENTS

Q: *What documents are Purchasers being asked to approve and what is the schedule for adopting each of the Renewal Documents?*

All Purchasers are being asked to approve the 2APSC and the RPSC. The Utah Municipal Purchasers are also being asked to approve the IPAOA. All Purchasers also have the option to approve the ASREP. Summary descriptions of the Renewal Documents are provided with this Q&A. The descriptions are also subject to note 1 of

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[1] The responses are necessarily brief summaries of some of the provisions of the most recent drafts of the Renewal Documents. Furthermore, the interests of the Purchasers are not necessarily the same as IPA's interest as owner of IPP. In the event of any conflict between the responses in this Q&A and the Renewal Documents, the Renewal Documents control. Also, the Purchasers are encouraged to review this Q&A along with the Renewal Documents with their legal counsel. The Purchasers' legal advisors are encouraged to contact IPA's legal counsel with questions and concerns regarding the following or the Renewal Documents. Given the varied interests of the Purchasers, the answers provided below are not specific to the situation of any particular Purchaser. Each term that is capitalized in this Q&A but that are not defined in this Q&A have the meaning ascribed to that term in the draft RPSC. This version of this Q&A supersedes all prior versions of this Q&A. The July 27 cover letter describes two options for approving the Renewal Documents.

Option A

If a Purchaser does not desire to continue in IPP after June 15, 2027 or wishes to consider the renewal option separately, it should follow Option A. The procedures for Option A are set forth behind Exhibit A to the July 27 letter. Option A involves approving the IPAOA and the 2APSC. Even if a Purchaser determines not to continue in IPP, IPA needs that Purchaser to at least approve the documents behind Exhibit A to the July 27 letter in order for the renewal process to proceed.

Option B

If a Purchaser desires to continue in IPP after June 15, 2027 and wants to combine approval of the renewal with the approval of the IPAOA and the 2APSC, then that Purchaser should follow Option B. The procedures for Option B are set forth behind Exhibit B to the July 27 letter. Option B includes, in addition to the approval of a Purchaser's execution of the documents described in Option A, the approval of the Purchaser's execution of its RPSC and, if elected, the ASREP.

Schedule

IPA would like every Purchaser to complete its approvals and return signed copies of the IPAOA and the 2APSC to IPA by September 30, 2013. Within 45 days of receiving all of the signatures necessary for those documents (together with the requested opinions and certificates and the necessary regulatory approvals), IPA will distribute the RPSCs and related documents (including the ASREP) to the Purchasers. IPA intends to complete the renewal process (with the RPSCs and ASREP fully executed) by the end of 2013.

Q: *What does the 2APSC obligate a Utah Purchaser to do?*

Generally, the 2APSC obligates a Utah Purchaser to agree to the Gas Repowering. All Purchasers also agree that IPA will finance the costs to retire the facilities at IPA (dismantling/reclamation), and that the costs to service and retire that debt will be included in Monthly Power Costs. If the Gas Repowering does not occur after the execution of the 2APSC (and certain IPP-related indebtedness is not outstanding), the Renewal Documents (other than the IPAOA) would terminate. Then, the current Power Sales Contracts would be extended for five years and transmission rights in the Northern Transmission System would be reallocated 60% to the California Purchasers and 40% to the Utah Purchasers (based on the commitment by the California Purchasers to complete dismantling obligations at the site). If certain IPP-related indebtedness is incurred for the Gas Repowering and the Gas Repowering is not undertaken, then the Purchasers' obligations for retirement of IPP facilities are to be determined in accordance with the Power Sales Contracts and the RPSC.

Q: *Explain and clarify a Utah Purchaser's entitlement to power generated under the current Power Sales Contracts and pursuant to the RPSCs.*

Under the Power Sales Contracts, each Purchaser is entitled to schedule power equal to its Generation Entitlement Share or any portion of that share. The Purchasers are also entitled to the capacity in the transmission system on which they have a point of delivery sufficient to transmit their scheduled power. The Utah Purchasers also enjoy an entitlement in the excess capacity of the Northern Transmission System. Pursuant to the Excess Power Sales Contract, the Utah Purchasers have the ability to sell their Generation Entitlement Share to the California Purchasers. The California Purchasers also get the entitlement in the Northern Transmission System associated with the amount of Generation Entitlement Share that is sold (including the corresponding entitlement in the excess capacity of the Northern Transmission System).

Under the RPSC, the Purchasers will be entitled to the Generation Entitlement Share for which the Purchasers have subscribed through the Renewal Offer process. The rights in the Northern Transmission System will continue to be based on Generation Entitlement Share. The Utah Purchasers will also have the ability to sell that Generation Entitlement Share (and associated transmission) to the California Purchasers under the ASREP. The California Purchasers will obtain, however, the right to 50% of such Utah Purchaser's excess capacity in the Northern Transmission System for the duration of the ASREP. Even with the assignment of transmission rights to the California Purchasers, the Utah Purchasers will still have significant excess capacity in the Northern Transmission System.

Q: *Are there off-ramps for a current Utah Purchaser if conditions change such that the Utah Purchaser does not want to be included in the future?*

Yes. A Utah Purchaser that does not enter into its RPSC may elect to terminate its interest in IPP after the commencement of commercial operation of the gas power blocks installed during the Gas Repowering. A Utah Purchaser would have to decline the Renewal Offer projected to be made in the next few months in order to preserve the ability to use the Off-Ramp. And, there are conditions to the Off-Ramp that need to be satisfied at that time. IPA anticipates that such conditions would be satisfied but IPA cannot guarantee that outcome. Moreover, upon this election, a Utah Municipal Purchaser would cease to be a member of IPA.

Purchasers also currently have the ability to assign their rights under the Power Sales Contract subject to certain conditions. While such an assignment is not a complete termination of the Purchaser's obligations, if the Purchaser is satisfied with the financial capability of the assignee, many of the characteristics of the Off-Ramp will be present in this action.

Q: *UAMPS was removed from the ASREP as the listed agent. Will UAMPS still be the agent for the Sellers (the Utah Purchasers) to administer the put and call provisions of the agreement?*

Several Sellers have expressed that they do not require an agent, particularly since the ability to put back power is not a function of load forecasts. IPA will accept notices on behalf of the Sellers under the ASREP from a duly appointed agent. Sellers may elect to appoint UAMPS or any other entity as that agent.

Q: *Can a Utah Purchaser acquire more resource or reduce its entitlement share in the renewal?*

Each Purchaser will be given the opportunity to renew all or a portion of its current Generation Entitlement Share in IPP or to forego renewal altogether. To the extent a Purchaser does not renew 100% of its current Generation Entitlement Share, the unsubscribed portion will be first made available for subscription by other Purchasers of the same type (Utah Purchasers or California Purchasers). To the extent that those Purchasers do not subscribe for all of the unsubscribed Generation Entitlement Share, the unsubscribed Generation Entitlement Share will be made available to all Purchasers in descending order based on the amount of each Purchaser's subscription.

Q: *Should a Utah Purchaser consider increasing its entitlement share if additional participation is available?*

The amount for which a Utah Purchaser subscribes will depend to a large extent on that Purchaser's forecast of demand for power within its service area. That is a difficult determination to make now for the fifty years starting on June 16, 2027. But, a significant mitigating factor is the ASREP. From IPA's perspective, that agreement provides additional flexibility with respect to forecasting that demand.

Q: *What are the obstacles to completing the amendatory and renewal contracts with the Utah Purchasers?*

The primary obstacle has been education regarding the risks and benefits of IPP and the terms of the Renewal Documents. Some participants' representatives have expressed reservations about making any changes or giving up perceived "equity" in IPP. For better or worse, new laws and regulations affect operating economics and change becomes necessary. IPA believes that the risks associated with doing nothing far outweigh any perceived benefit of cashing in on equity, if it exists at all, after giving effect to the costs required to retire IPP. Besides, the Power Sales Contracts provide that any salvage value of IPP would be used to offset Monthly Power Costs rather than be distributed to IPA's member municipalities.

OTHER GENERATION OPTIONS

Q: *Will an option for the use of coal remain at the plant until 2027?*

IPP will produce power from the existing coal units until they are replaced with the Gas Repowering (subject to the potential for economic or regulatory pressures to preclude the continued use of coal). Once the construction of the Gas Repowering is complete, 100% of IPP power will be produced from natural gas power blocks. Construction of the gas power blocks must commence by 2020 with a completion date of 2025.

Q: *Will the option for the use of coal remain after 2027 when the gas plants have come on- line?*

At any time prior to the dismantling of the existing coal units, IPA can enter into an agreement to sell or lease the coal units or otherwise make the coal units available to produce power (for fair value) subject to approval of the IPP Coordinating Committee. To the extent that the existing facilities at IPP are not used for the Gas Repowering, the facilities not otherwise sold or leased, including the coal units, will be dismantled/reclaimed. The Renewal Documents provide that only one of the existing steam turbines may be incorporated into the Gas Repowering. Such a sale, lease or other arrangement to make the coal units available would require the coal units to be transferred into a separate project since the California Purchasers will be restricted from purchasing power generated even in part by coal.

Q: *How can a Utah Purchaser encourage the continued use of coal at the facility to 2027 and post 2027?*

As in the current Project, a Purchaser that desires to maximize the amount of coal used at IPP through the completion of the Gas Repowering should schedule its full Generation Entitlement Share.

The extent to which the coal units are used to produce power when transferred into a different project following the completion of the Gas Repowering depends on whether demand for coal-fired power is sufficient to justify the payment of fair value for the coal units and the payment of ongoing costs to operate the coal units. A Purchaser that desires to encourage the generation of coal-fired power from the coal units would need to be one of several purchasers scheduling approximately 900 megawatts of power to justify the acquisition and ongoing operation of one coal unit and 1,800 megawatts of power to justify the acquisition and ongoing operation of both coal units. All of the Utah Purchasers taken as a whole do not have Generation Entitlement Shares sufficient to justify the operation of even one coal unit so several more purchasers willing to schedule power would be required. Such an arrangement also would not likely include an agreement to lay off power to an anchor purchaser as exists with LADWP in the current Excess Power Sales Agreement.

Q: *How do other resources such as solar, wind and geothermal energy play into this overall analysis?*

IPA's current plan is to undertake the Gas Repowering. The Renewal Documents do provide the ability to use alternative technology if IPA and the Coordinating Committee agree that the technology exceeds the benefits from gas-fired power. IPA does not anticipate that any current "renewable" technology will satisfy that requirement because of the intermittent nature of power resources based on those technologies. LADWP and other California Purchasers have participated in the development of various intermittent resources in the proximity of IPP facilities. The power generated by those resources is transmitted through IPP facilities pursuant to interconnection agreements. IPA does not know whether additional intermittent resources will be developed. However, subject to IPA's policy on interconnection, new projects at IPP in addition to the gas units are more likely to be made available to existing IPA Purchasers, providing an advantage to those executing the Renewal Documents.

RISKS

Q: *What happens if a Purchaser does not enter into the Renewal Documents?*

If fewer than two-thirds of the Utah Municipal Purchasers approve the IPAOA or fewer than 100% of all Purchasers approve the 2APSC, then there is a substantial risk that LADWP and the other California Purchasers will not participate in IPP after June 15, 2027. That very likely will result in IPP not continuing beyond June 15, 2027. Even if IPP does continue, with or without the California Purchasers, IPP's continuation will likely not be on the favorable terms that have been negotiated in the Renewal Documents. This may result in great uncertainty with respect to how the risks associated with IPP would be addressed.

Q: *What are the short term risks and costs to Purchasers to participate in the 2APSC?*

Purchasers will incur their own costs associated with delivery of the Renewal Documents, including opinions and consultation with legal and other advisors, in connection with entering into the 2APSC (as usual, IPA's costs in this transaction will be included in Monthly Power Costs). Aside from those costs, IPA is not aware of costs that the Utah Purchasers would need to incur (although certain Purchasers will need to incur costs associated with obtaining regulatory approvals). IPA is not aware of any immediate risk associated with the 2APSC that a Purchaser does not already have under its Power Sales Contract.

Q: *What are the long term risks and costs to the Purchasers to participate in the Renewal Documents?*

In addition to the risks already associated with a Purchaser's current participation in IPP, risks associated with the Renewal Documents include the following:

i *2APSC*

The risks under the 2APSC include those associated with construction, financing and cost of power, all of which, from IPA's perspective, appear to be very small or otherwise manageable. Notwithstanding those risks, the Off-Ramp mentioned above would provide that these risks may be eliminated for a Utah Purchaser.

a. Construction Risk:

Construction risk is associated with the possibility that the gas power blocks would not be completed in a timely manner or at all. LADWP's construction and operating history at IPP and their experience with existing gas-fired power plants renders this risk unlikely.

b. Financing Risk:

Financing risk is a form of construction risk that is the possibility that the Purchasers may be responsible for a portion of the cost of the Gas Repowering if the Gas Repowering is not completed either on schedule or at all.[2] Utah Purchasers can defer such costs under the existing Excess Power Sales Agreement. However, this risk exists today. In the current Project if the coal units suffer catastrophic failure and are not reconstructed or it becomes uneconomic to operate IPP with the coal units and they are shut down by an 80% vote of the Coordinating Committee, the Excess Power Sales Agreement may be terminated and all 36
Purchasers would be billed for remaining costs in the Project including, unamortized debt service of both coal and gas units, dismantling, etc.

c. Cost of Power:

There is also some risk that Monthly Power Costs will increase, independent of the financing or construction risk, during and after the Gas Repowering based on the concurrent financing and operation of the coal units and the gas power blocks. IPA anticipates that Utah Purchasers can minimize this risk through selling power under the Excess Power Sales Agreement.

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[2] Financing risk also includes the risk of interest rates moving substantially higher during construction, which could affect the cost of power. IPA has limited ability to address the risk of movement in interest rates.

ii. *RPSC*

IPA perceives that the risks associated with the ASREP are substantially the same as the risks associated with the existing Power Sales Contracts (after giving effect to the risks associated with the Gas Repowering). One exception is that the financial risk associated with the renewed project (and, as a result, the Monthly Power Costs for Purchasers who take power) will increase because the debt incurred for the Gas Repowering will include retirement costs to address the dismantling/reclamation of IPP.

iii. *ASREP*

IPA perceives that the risk associated with the RPSC is substantially the same as the risks faced by a Purchaser under the current Excess Power Sales Agreement. The Utah Purchasers that sell power to the California Purchasers in the Renewal Documents will also be giving up 50% of those Utah Purchasers' capacity (deemed in excess to their needs) in the Northern Transmission System.

Q: *How do Purchasers mitigate risks associated with IPP in the short and long term?*

From IPA's perspective, it appears that the best way for Utah Purchasers who do not desire to continue in IPP after June 15, 2027 to mitigate risks associated with IPP is to continue to sell power to the California Purchasers under the Excess Power Sales Contract until Utah Purchasers can exercise the Off-Ramp or the current Power Sales Contracts terminate, whichever is sooner. For Utah Purchasers who desire to continue in IPP after June 15, 2027, IPA expects the best tool for mitigating risk to be the ASREP. IPA has provided and will provide illustrative calculations of the call and put provisions of the ASREP.

Q: *What is the Purchasers' financial risk in relation to the potential decommissioning of one or both current coal units in 2027?*

There is a risk that changes in the regulatory environment could obligate IPA to incur costs for environmental remediation at IPP that may (a) make the continued operation of IPP uneconomic, (b) exceed the liquidation value of IPA's assets and/or (c) be the responsibility of the Purchasers or the members of IPA but with no clear mechanism for allocating such costs based on historical scheduling of power.
Under the Renewal Documents, a reserve for potential costs of environmental remediation will be established. Such reserve is intended to be funded through the bonds issued for the Gas Repowering and will ultimately be paid for through Monthly Power Costs by the renewal participants.

Q: *Explain how this is a no cost option for Utah Purchasers.*

Aside from the transaction costs associated with entering into the Renewal Documents and the costs of continued participation in IPP, IPA understands that no Purchaser would have to incur Monthly Power Costs because of the benefits under the current Excess Power Sales Agreement and the ASREP.

BENEFITS

Q: *What are the benefits of participating in the Renewal Documents?*

IPA perceives the following benefits from the Gas Repowering under the Renewal Documents:

An opportunity for Purchasers to maximize their investment in valuable IPP assets such as rights of way, transmission, water, ample land for growth, air shed, rail, hub capability, trained in-place work force, potential subterranean salt dome storage capacities (new) and other critical infrastructure and support facilities. These assets are in place and repowering IPP avoids inherent risks/costs associated in Greenfield sites.

Flexibility for the Purchasers in planning future generation capacity and other development at IPP.

Potential in the Renewal Documents for the California Purchasers and the Utah Purchasers to maintain the current balance of voting rights on the Renewal Contract Coordinating Committee.

Opportunity for Utah Purchasers to maintain an excess power sales arrangement with the ability to put recalled power back to one or more California Purchasers.

A higher degree of certainty for all Purchasers with respect to the allocation of costs for retirement of IPP assets (with such costs to be financed through bonds to be repaid through Monthly Power Costs).

IPP's continued role as an economic engine for the state and communities of Utah.

Continued participation of LADWP, the Purchaser that has contributed substantially more than the other Purchasers to the stability and long-term viability of IPP, with a continued interest in keeping IPP operating efficiently for an extended period (and the continued viability of the Excess Power Sales Agreement).

Avoidance of risks associated with identifying other purchasers for IPP power to replace key existing customers and the associated transaction costs.

Increased financial obligations for LADWP without continued interest in viability of IPP if LADWP develops an alternative power generation resource.

Commits LADWP to further development of IPP in its resource plan.

Furthers the aims and goals of municipalities coming together to develop and operate Public Power resources.

Provides a strategy to avoid possible future regulatory costs that may make continued coal operations economically unviable.

Q: *On balance, should a Utah Purchaser enter into the Renewal Documents?*

IPA would like to see the Utah Purchasers enter into the Renewal Documents. On balance, IPA is not aware of a compelling reason for Utah Purchasers in general not to participate. There are risks associated with IPP currently as well as additional risks associated with the Renewal Documents, as discussed above. In IPA's best judgment, those risks appear to be mitigated by other factors discussed above as well. Furthermore, as discussed above, IPA believes that the risk to IPP and the Purchasers is greater if the Purchasers do not enter into the Renewal Documents. Of course, every Purchaser needs to make its own determination based on its individual circumstances and IPA encourages each Purchaser to consult with legal counsel to make that determination.

Description of Fourth Amendment to Organization Agreement

Parties to Amendment: Intermountain Power Agency

All existing members of IPA

Term: At least until April 23, 2063 (subject to extensions already provided for in the Organization Agreement)

Nature of Amendment: The Amendment would amend the existing Organization Agreement in the following significant respects:

Term. The term of IPA would be extended to at least April 23, 2063. The term of IPA would automatically be extended beyond its stated term until the later of one or more events including the termination of any power sales contracts to which IPA is a party, the retirement of IPA's debt and the abandonment or sale of all of IPA's assets.

Fuel. IPA would be permitted to use a fuel other than coal (as approved by the IPA Board of Directors).

Powers. IPA's powers would be clarified to include actions that would be undertaken as part of the repowering of the Intermountain Power Project to gas-fueled power generation.

Membership. Members of IPA who are not parties to a power sales contract with IPA would cease to be members

Descrip tion of Second Amendatory Power Sales Contract

Parties to Contract: Intermountain Power Agency

All existing Purchasers of Intermountain Power Project ("IPP") entitlements (except that upon effectiveness, PacifiCorp will cease to be a party, and Utah Purchasers and California Purchasers will have the option to terminate their Power Sales Contracts and cease to be a party)

Term: Until June 15, 2027 (so long as the Renewal Power Sales Contracts become effective) or until 2032 (if, as described below, the Gas Repowering is not completed)

Nature of Contract: The Contract would amend the existing Power Sales Contract in the following significant respects:

Gas Repowering. IPA would construct a gas-fueled project consisting of two units of approximately 600 megawatts per unit at the IPP site. The Gas Repowering would start on January 1, 2020 and be complete by July 1, 2025. Other technologies that permit Purchasers to comply with their legal requirements may be developed and IPP may be repowered using those technologies (with Coordinating Committee approval). Only one steam generating unit may be used in the Gas Repowering. IPA commits to operate IPP beyond 2027.

Retirement Costs and Actions. IPA would create a fund to pay for the retirement costs associated with the existing project. The funds would come from the financing for the Gas Repowering. The funds would be available to address the costs of actions required to retire the IPP facilities (including certain actions not legally required at the time the facilities are retired). The retirement actions would be required to satisfy Prudent Utility Practice and other standards. Those standards would require certain retirement actions to be reasonably acceptable to IPA. The disposition of IPP facilities cannot violate regulations applicable to any Purchaser.

Contingency. If the Gas Repowering does not occur, the term of the existing Power Sales Contracts would be extended for five years to provide for the retirement of the existing facilities. Furthermore, the transmission entitlements would be allocated through transmission service agreements providing 60% of the Northern Transmission System entitlements to the California Purchasers and 40% to the Utah

Purchasers. If indebtedness is incurred for the Gas Repowering and the Gas Repowering does not occur, the Purchasers would have no obligation to fund the retirement of IPP facilities.

Description of Renewal Power Sales Contracts

Parties to Contracts: Intermountain Power Agency

All existing Purchasers electing to renew their participation in the Intermountain Power Project

Term: From June 16, 2027 until the earlier of the latest date permitted under law and June 15, 2077 (provided that Purchasers collectively subscribe for 100% of the generation and transmission entitlements and that all governmental approvals and opinions of counsel are received and that the governmental approvals are not invalidated on appeal)

Nature of Contracts: The Contracts would be very similar to the existing Power Sales Contracts in many respects including providing for the sale of 100% of IPA's generation and transmission entitlements in IPP but they would differ significantly in others such as the following:

Project Description, Financing and Operation. IPA would construct a gas-fueled project at the IPP site consisting of two units of approximately 600 megawatts per unit. Only one steam generator would be available for the repowering of IPP to natural gas. No debt to finance the repowering of IP would be issued prior to July 1, 2015. Purchasers would be permitted to procure their own fuel (and certain costs associated with Project Fuel would not be included in their Monthly Power Costs).

Allocation of Project Entitlements. Current Purchasers would be permitted to elect to renew all or a portion of their current entitlements in the gas-fueled generation and transmission. Entitlements not renewed by California Purchasers and Utah Purchasers (after renewing Utah Purchasers are allowed an opportunity to obtain entitlements not renewed by other Utah Purchasers and California Purchasers are allowed and opportunity to obtain entitlements not renewed by other California Purchasers) would be available for renewing Purchasers to obtain. Offer and acceptance of the renewal would be on forms provided by IPA.
California Purchasers (other than LADWP) would be given an opportunity to exit the Project or reduce their entitlements by up to 20%. PacifiCorp would no longer participate in IPP. California Purchasers in addition to LADWP would be given the opportunity to enter into the Agreement for Sale of Renewal Excess Power.

Retirement Costs and Actions. IPA would create a fund to pay for the retirement costs associated with the gas-fueled project. The funds would be collected as part of Monthly Power Costs. The funds would be available to address the costs of actions required to retire the IPP facilities (including certain actions not legally required at the time the facilities are retired). The retirement actions would be required to satisfy Prudent Utility Practice and other standards. Those standards would require certain retirement actions to be reasonably acceptable to IPA.

Renewal Contract Coordinating Committee. A new Renewal Contract Coordinating Committee would be established. If Purchasers continue to purchase at existing percentages, Bountiful would join Murray and Logan with individual representation on the new Committee. The new Committee would still require an 80% vote to take action. The new Committee would have the authority to approve any capital improvement of the Project without approval from IPA.

Description of Agreement for Sale of Renewal Excess Power

Parties to Agreement: As sellers: Utah Purchasers who are parties to the Renewal Excess Power Sales Contracts and elect to enter into this Agreement

As purchasers: California Purchasers who are parties to the Renewal Excess Power Sales Contracts and elect to enter into this Agreement

Los Angeles Department of Water and Power, as agent for the California parties

Intermountain Power Agency

Term: The term of the Renewal Power Sales Contracts

Nature of Agreement: The Agreement is similar to the existing Excess Power Sales Agreement in several respects including the following:

Put of Entitlements. The principal purpose would be to provide for the sale by the Utah parties of all or a portion of those Utah parties' Generation Entitlement Share and the associated entitlements in the Northern Transmission System ("NTS") to the California parties. The sale would be subject to the Utah parties' right to recall all or a portion of the Generation Entitlement Share sold.

The Agreement also differs significantly in others such as the following: Put

Back of Power. Utah Purchasers would have the right to put to certain California Purchasers Generation Entitlement Share even after that Generation Entitlement Share has been called back. The Utah Purchasers would be able to put Generation Entitlement Share that they have held for at least three years. The amount that could be put back would be up to 50% of the amount called back (subject to the holding period requirement) as determined on certain dates. Those dates would be either the beginning of the season that starts one year before the season in which the put is to be effective or the beginning of the season that starts one year before the later of the first put following the most recent call back or the first put following the commencement of the agreement. The Generation Entitlement Share that would be available to be put to the California Purchasers would be determined as of the season following the notice. Once the Excess Entitlement Share is equal to zero the agreement would terminate.

Early Termination. The Agreement would terminate upon a Complete Outage (complete shut down of IPP's generation for more than 18 months, rather than for a period as short as one year and one day).

Excess NTS Capacity. If a Utah party recalls Generation Entitlement Share, it would also get back the amount of capacity in the NTS necessary to transmit the power associated with the recalled Generation Entitlement Share plus 50% of the associated excess capacity (with the California parties retaining 50% of the Utah party's excess capacity in the NTS until expiration of the Agreement).

Agent. IPA would be substituted for UAMPS to take certain actions on behalf of the Utah Purchasers (such as notifying the California Purchasers of Utah Purchasers' elections to increase or decrease their Excess Entitlement Shares, providing metering of power, reassigning entitlements from a California Purchaser that is in default under the Agreement and keeping records and accounts of matters addressed under the Agreement).

MOTION. Councilmember McEvoy moved to close the public hearing at 5:23 p.m. Motion seconded by Councilmember Davis and carried.

APPROVED:

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Joe L. Piccolo, Mayor

ATTEST:

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Laurie Tryon, City Recorder