

ISSUE #2

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Two Lawsuits Settled

Two lawsuits involving Intermountain Power Agency have been settled to the satisfaction of all parties.

In May, litigation related to the August 2007 accidents at the Crandall Canyon Mine in Emery County, Utah, was settled. Nine coal miners and mine rescuers died in two separate accidents. IPA was part of the litigation in its role as a part owner of the mine property.

"I congratulate the focused, dedicated efforts of the many individuals, attorneys, company managers and entities involved in the settlement negotiations," said Kevin Anderson, attorney for UtahAmerican Energy Inc., parent company of the mine operator, Genwal Resources Inc. "Those efforts do justice to the heroism of the rescuers following the Aug. 6 accident."

In June, a breach of contract lawsuit filed in 2007 was also settled. That lawsuit – which involved Utah Associated Municipal Power Systems, PacifiCorp, Los Angeles Department of Water and Power, and IPA – concerned the termination of efforts that may have led to the development of a third coal-fueled power generating unit at the Intermountain Power Project site.

Terms of the settlements were not disclosed publicly.

IPP Tax Contribution Exceeds One-Half Billion Dollars

The Intermountain Power Project cemented its position as one of Utah's largest taxpayers last year. The Project's annual remittances to the state pushed the total of taxes paid since the Project's inception to \$507.9 million.

In 2008, the Project paid \$15.7 million in sales and use taxes, gross receipts taxes, and fees in lieu of ad valorem taxes. The fees are in place of property taxes that projects like this one ordinarily do not pay.

"The Intermountain Power Project was constructed in the early 1980s by municipal utilities that are not subject to property taxes by the state," said James A. Hewlett, general manager of the Intermountain Power Agency. "But from the beginning, Project organizers were committed to supporting the economy of the state and especially Millard County, where a large portion of the Project's assets reside. That's why the 'fees in lieu of ad valorem taxes' structure was created. Since 1983, the Project has paid more than \$380 million in these fees."

Of the \$15.7 million paid in 2008, Millard County received \$10.2 million. Of that, \$5.9 million went to the Millard County School District. (The School District's total annual budget is approximately \$20 million.) Since the Project's inception, it has paid more than \$240 million in taxes and fees to Millard County and the School District.

"We are pleased to continue as a positive economic contributor to Millard County and the rest of the state," said Hewlett. "In addition to paying taxes and fees, the Project actively supports community organizations and events. We also provide significant employment opportunities. And it's worth remembering that the Project was developed without any taxpayer subsidies."

IPA Sells \$260 Million in Refunding Bonds

Despite one of the most difficult financial markets in over a generation, the Intermountain Power Agency successfully completed the sale of \$260 million in subordinate lien revenue bonds in April.

The bulk of the proceeds from the bond sale were used to replace variable rate bonds issued in 1985 that can no longer be renewed economically in today's markets and also to refund bonds issued in 1998 and 1999 at lower interest rates.

"We are pleased that the debt markets recognized the continuing value of investing with IPA in the Intermountain Power Project," said James A. Hewlett, general manager of the Intermountain Power Agency. "With bad news from the financial world on the front pages every day, it's gratifying to see transactions like this one moving forward."

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Mapping a Future for Greenhouse Gas Management

The Intermountain Power Project has been selected as one of five electric utilities in the United States and Canada to participate in a study of technology for capturing carbon dioxide emissions from coal-fueled power plants.

The study is being conducted by the Electric Power Research Institute (EPRI). It will examine the impacts of retrofitting advanced amine-based post-combustion carbon dioxide (CO₂) capture technology to existing coal-fueled power plants.

As global demand for electricity increases and regulators worldwide look at ways to reduce CO₂ emissions, post-combustion capture for both new and existing power plants could be an important option. However, retrofit of systems to an existing plant presents significant challenges, including limited space for new plant equipment, limited heat available for process integration, additional cooling water requirements and potential steam turbine modifications.

"EPRI's analyses have shown carbon capture and storage will be an essential part of the solution if we are to achieve meaningful CO₂ emissions reductions at a cost that can be accommodated by our economy," said Bryan Hannegan, vice president of Generation and Environment at EPRI. "Projects such as this, in which a number of utility companies come forward to offer their facilities and form a collaborative to share the costs of research, are critical to establishing real momentum for the technologies that we will need."

In addition to IPP, power plants in Ohio, Illinois, North Dakota, and Nova Scotia will participate in the project. Each site offers a unique combination of unit sizes and ages, existing and planned emissions controls, fuel types, steam conditions, boilers, turbines, cooling systems, and options for CO₂ storage.

The study – to be completed during 2009 – will provide the participants with valuable information applicable to their own individual power plants. A report for each site will:

- Assess the most practical CO₂ capture efficiency configuration based on site constraints
- Determine the space required for the CO₂ capture technology and the interfaces with existing systems
- Estimate performance and costs for the post-combustion capture plant
- Assess the features of each plant that materially affect the cost and feasibility of the retrofit

"The participants in the Intermountain Power Project are committed to maintaining high environmental standards," said James A. Hewlett, general manager of Intermountain Power Agency. "This study will help us evaluate options for managing the emissions of greenhouse gases in the future. It is a meaningful step in our three-decade track record of continually improving the power plant's environmental performance."



Electricity Facts At A Glance

Over the past 30 years, America's coal-based power plants have been able to drastically reduce air emissions, thanks, in part, to \$50 billion invested in new technologies. The U.S. Environmental Protection Agency studied environmental performance per unit of energy produced based on five pollutants (carbon monoxide, volatile organic compounds, sulfur dioxide, nitrogen oxide and particulate matter.) From 1970 to 2000, the amount of those pollutants emitted per unit of energy produced declined by 73.66 percent.

IPA Sells \$260 Million in Refunding Bonds

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The sale of IPA bonds was helped by the issuance of positive debt ratings by the three major ratings services – Standard & Poor's, Moody's and Fitch. For instance, in issuing an A+ subordinate lien rating to IPA's 2009 refunding bonds, Standard

& Poor's cited the overall credit quality of the six participating California municipal electric systems, IPA's continued sound financial performance, an efficiently run system, and adequate legal provisions on the senior and subordinate debt.

Morgan Stanley & Co., Inc. served as senior manager and George K. Baum & Co. as financial advisor on the deal.

SUPPORTING UTAH COMMUNITIES

Springville Overpass Construction Commenced

Construction of a new highway bridge in Springville will increase safety and convenience in the community that hosts the Intermountain Power Project's Railcar Service Center.

IPA is providing land and funding valued at approximately \$9 million to support construction of a bridge on State Road 77. The bridge will span lengthened railroad storage tracks at the Railcar Service Center and the adjacent Union Pacific Railroad mainline track. The Utah Department of Transportation will construct the bridge at an estimated total cost of \$17 million as part of its larger project to rebuild the SR 77/I-15 interchange and the entire SR 77 road access to Springville.

Construction of the bridge began in late 2008 and will take approximately twelve months to complete.



The Springville Railcar Service Center maintains IPP's fleet of nearly 400 railcars which are used to deliver coal to the power plant site near Delta in Millard County.

FOUR-YEAR PROJECT UNDER WAY

Pipe Replacement Keeps Water Supply Secure

As the Intermountain Power Project nears a quarter century of reliably generating electrical energy, extra attention is being paid to systems that are subject to wear and tear associated with age.

One such system is a nine-mile long pipeline that delivers water to the power plant from the DMAD Reservoir on the Sevier River.

IPP's DMAD pipeline is a buried 48-inch conduit made of pre-stressed concrete. IPP has commenced a four-year project to inspect the entire line and replace sections that are cracked or exhibiting other problems.

To inspect the pipeline, a remote inspection vehicle is lowered into the conduit after it is drained. The vehicle travels from manhole to manhole to identify problems.

Water is a critical component of any steam electric generating facility like IPP. Water is used for steam, cooling, and a variety of other functions throughout the power plant.





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PowerLines

PowerLines is a publication of Intermountain Power Agency. The Intermountain Power Project includes a two-unit coal-fueled generating station located near Delta, Utah, two transmission systems, a microwave communication system and a railcar service center, all built as a joint undertaking by 36 utilities in Utah and California. For more information, visit www.ipautah.com.

