

ISSUE #3

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Project News Briefs

Interconnection Agreements Expand Utilization of IPP Facilities

Energy development in the West is receiving a shot in the arm from a series of interconnection agreements that are making IPP power and transmission capacity available to other projects. Projects include:

- The Milford Wind Corridor, a southwestern Utah development by First Wind that has completed its first phase installation of 97 wind turbines and is now considering additional phases of development.
- The Magnum Holdings natural gas project, which is undertaking the development of a major natural gas storage facility adjacent to the IPP generating station in Millard County, Utah.
- The Los Angeles Department of Water & Power solar power project which is under development near the southern terminus of IPP's transmission system in California.

Project Completes Sale Of Coal Mining Assets

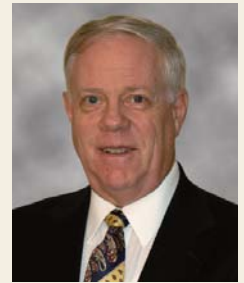
Intermountain Power Agency has completed the sale of its major coal mining assets.

IPA was formerly a co-owner of two Utah coal properties – the Crandall

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IPA Names New Officers and Board Member

Ted L. Olson – a representative of the cities of Ephraim and Fairview, Utah – was elected Chairman of the Board of Directors of the Intermountain Power Agency at the Board's August 2010 meeting. Fred Moss – representing the city of Bountiful, Utah – was appointed a member of the Board.



Ted L. Olson
Chairman of the Board

The changes are the result of a vacancy created when former Board Chairman Ray Farrell of Heber City died unexpectedly last August after a short illness. Mr. Farrell was involved in the Intermountain Power Agency since its inception, serving on the Agency's Board of Directors for 32 years, including the last 12 years as its Chairman.

In addition to electing Mr. Olson as the Agency's new Chairman, the Board acted to retain Leon Bowler of Enterprise as Vice Chairman and Russ Fjeldsted of Logan as Treasurer. Ed Collins of Lehi was elected as Secretary.

Mr. Olson has served as an Intermountain Power Agency board member since 1989. He also serves as member of the Board of Directors of Utah Associated Municipal Power Systems. Mr. Olson is a Professor of Mathematics and Physics at Snow College in Ephraim.

Mr. Moss is a member of the Bountiful City Council and has served as the city's representative to the Intermountain Power Agency for the past two years. He is CEO of Dominion Engineering Associates and has more than 20 years experience developing hydroelectric power projects.

Intermountain Power Agency Adopts Plan For Extending Life of Project Beyond 2027

Following an extensive strategic planning process, the Intermountain Power Agency Board of Directors at their November 2010 meeting approved a plan that will create opportunities to extend the life of the Intermountain Power Project and allow all current power purchasers to continue to participate if they desire.

The "Renewal Plan" adopted by the Board establishes a process for continuing operation of the Project after the current power purchasing agreements expire in 2027. Options for extending the life of the Project include continuing operation as a coal-fueled electric generating station, repowering all or part of the Project to use other fuels, or some combination of the two.

"Adoption of this plan is a significant milestone in the history of the Intermountain Power Project," said James Hewlett, IPA General Manager. "Extending the Project's life beyond 2027 will allow us to continue serving as an important provider of competitively priced energy in the American West and as an important contributor to Utah's economy."

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Intermountain Power Agency Adopts Plan For Extending Life of Project Beyond 2027

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The Intermountain Power Project began commercial operations in 1986. The 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.

Historically, a large portion of the Project's electricity output has been purchased by municipal electric utilities in southern California. Those utilities are barred by California state law from continuing to purchase electricity from coal-fueled generating resources after current power purchasing agreements expire. The Plan adopted by the IPA Board provides flexibility to use the Project's extensive assets — including land, water and electrical transmission systems -- for energy resources in addition to coal.

Under the Plan, three major studies that have been under way for the past several months will be completed early in 2011. The studies include:

- A marketing study that will determine what market exists for coal-fueled electricity from the Project after the expiration of current power purchasing agreements.
- An engineering study that will assess the functional and economic requirements for equipping the existing coal-fueled generating units with additional emissions control equipment for primary pollutants and carbon dioxide capture and sequestration.
- An engineering study that will assess the functional and economic requirements for switching all or part of the Project's fuel from coal to natural gas, biomass, or some other resource.

Based on the outcome of these studies, a final Renewal Plan will be developed by mid 2011 for consideration by all of the Project participants.

"This aggressive schedule indicates that all of the Project participants are motivated to chart a definitive course for extending the life of IPP," said Hewlett. "Although the Project is expected to continue operating as it is now until 2027, plans for using the Project's substantial assets after that date must begin now. Sixteen years is not a long time in the world of energy resource planning and development."

Hewlett said that IPA will continue to support coal-fueled power generation for as long as it is economically feasible and desired by customers. "For power purchasers who desire electricity from other sources of energy, however, the Intermountain Power Project enjoys many opportunities to expand what it has to offer. We already make our transmission system available for renewable energy projects and our location and existing infrastructure make the Project desirable for a variety of potential future developments."

Historically, the Project has been one of America's cleanest and most efficiently operated coal-based generating stations. Today, the Project has expanded its efforts to improve environmental performance to include reducing greenhouse gas emissions. The Project is investigating several strategies for off-setting, reducing and capturing and storing carbon dioxide emissions. The Project is also actively supporting the development of renewable energy resources in Utah and elsewhere adjacent to its transmission system.



Electricity Facts At A Glance

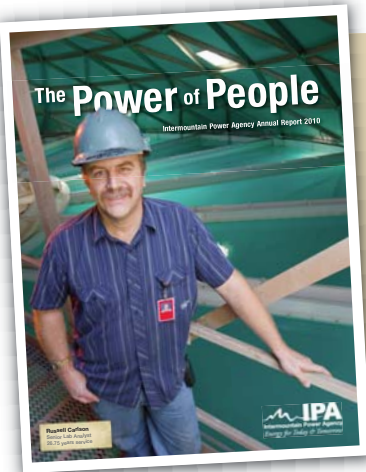
The Intermountain Power Project makes more products than electricity. Ash that is left over from the combustion of coal is sold as a valuable building material to replace cement in the construction of roads, bridges and buildings. Using the ash this way conserves energy and natural resources, reduces landfill use, and reduces greenhouse gas emissions from cement production. It also saves money. Since IPP began selling ash in 1992, sales of more than 3 million tons of ash have produced revenues of more than \$17 million.

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Canyon and West Ridge Mines – along with Murray Energy Corporation. Murray Energy was also contracted to operate the mines.

In September 2010, IPA completed the sale of its interest in the mines to Murray Energy. Terms of the sale were not disclosed.

The Intermountain Power Agency continues to purchase coal from the West Ridge Mine, as well as other sources.



IPA Annual Report Available On-Line

A complete copy of Intermountain Power Agency's Annual Report for the 2009-2010 fiscal year is available on-line at the Agency's web site – www.ipautah.com.

The Annual Report contains a summary of financial and operational milestones, as well as audited financial statements for the project. System maps and a wealth of statistical information is included.

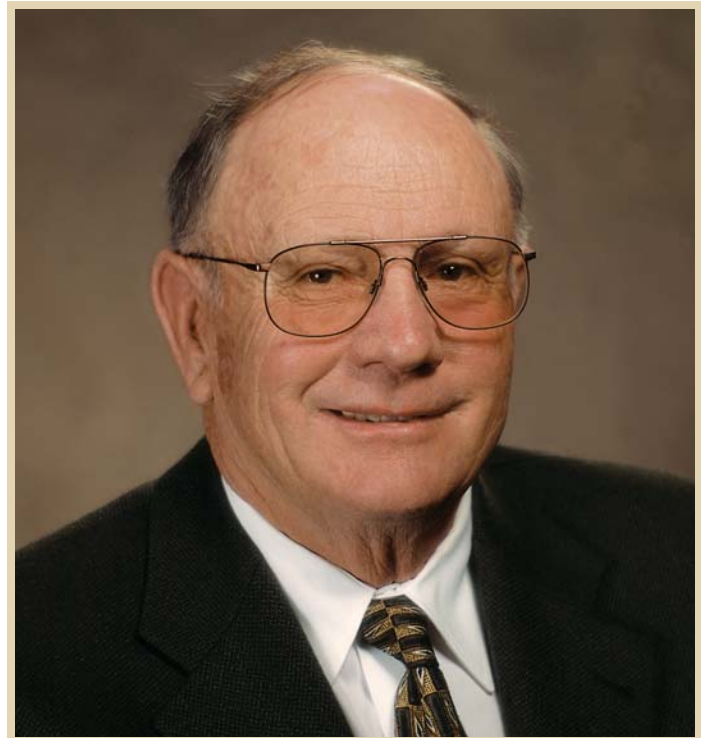
IN MEMORIAM: Ray Farrell

The Intermountain Power Agency lost a dear friend and longtime leader August 9, 2010, when IPA Chairman Ray Farrell died unexpectedly after a short illness.

Mr. Farrell was involved in the Intermountain Power Agency since its inception, serving on the Agency's Board of Directors for 32 years, including the last 12 years as its Chairman. His service to the public power industry began in 1959 when, fresh out of the Army, he began work as a meter man and apprentice lineman at Heber Light & Power in Heber City, Utah.

At Heber Light & Power, Mr. Farrell rose to the position of general manager after only nine years. He retired from the utility in 1996 after 37 years service. But he continued to serve on the Board of the Intermountain Power Agency. In a resolution honoring Mr. Farrell, the Agency noted: "Mr. Farrell has made an invaluable contribution to the success of IPA and IPP; carried out his duties with skill, dedication, integrity and superior effort; building harmony and stability by bringing consensus and defusing conflict; confronted issues with optimism and energy and sought optimal solutions that answered the needs of divergent interests; championed IPA and IPP and conducted himself in a proper, professional and exemplary manner."

During his service on the IPA Board, Mr. Farrell participated in every financial transaction in the Project's history – a total of 62 bond issuances and refundings totaling approximately \$20 billion in volume. The bulk of the transactions were refinancings that saved the Project participants hundreds of millions of dollars in lower debt service cost.



In addition to his service to IPA and Heber Light & Power, Mr. Farrell was active in a variety of public power organizations, including the Intermountain Consumer Power Association beginning in 1968 and Utah Association of Municipal Power Systems where he served on the Board of Directors beginning in 1981. He served as UAMPS Vice Chairman for three years and as Chairman during 1997-98. Mr. Farrell also served as IPA's voting delegate to the American Public Power Association since 1968.



Generating Station Garners 2010 Business of the Year Honors

Intermountain Power Service Corporation was named Millard County's "Business of the Year" during 2010.

The award from the Six County Economic Development District recognized IPSC for exceptional service to the community, financial support of the county and aggressive innovation in times of change.

IPSC is the corporate entity that operates the Intermountain Power Project's generating station located near Delta, Utah. IPSC's community contributions are extensive. It provides a Community Center that is available to the public at no charge, free consulting services to local water companies and individual water users, annual educational scholarships for many local high school students, participation in School to Careers, as well as various safety and other training programs. IPSC has provided numerous financial contributions, donations of equipment usage, architectural drawings, Sports Clinics and even cement for the new boat ramp at the DMAD Reservoir.

Intermountain Power Agency donated \$10,000 for Community First youth programs. IPSC is a member of the Community First Advisory Council and the Delta/Fillmore Medical Center boards. IPA has also awarded \$240,000 to IPSC employee dependents for educational assistance as well as a special grant of \$300,000 to the Millard County School District. The Project continues to support the Millard County Jr. Livestock Show, West Millard Cultural Council and Utah Sheriff's Association, as well as the Walk for Life and Relay for Life fundraising events.

IPSC employees also contribute greatly to their communities by participating in Sub-For-Santa, Central Utah Food Bank (more than \$7,000 per year), annual blood drives, and use skills learned at work to volunteer in local Fire Departments, as EMT's and Ambulance services.

IPA is the largest taxpayer in Millard County. The 2009 tax figure included \$5.7 million for the Millard Co. School District and \$3.3 million for Millard County's General Fund. IPSC, the county's second largest employer, has 427 of its 485 employees employed at the Delta site and a gross payroll of more than \$33.5 million in 2009.

Project Completes Major Upgrade to Southern Transmission System

A major upgrade to the Intermountain Power Project's Southern Transmission System is expected to be fully in service as scheduled before the end of 2010. The upgrade increased the capacity of the transmission line from 1,920 megawatts to 2,400 megawatts.

The Southern Transmission System is a 500-kilovolt direct current power line running 488 miles from the Intermountain Generating Station near Delta, Utah, to a converter station located near Adelanto, California. It is a major component of the Western United States transmission grid.

In completing the upgrade, Project managers also replaced control systems with more modern, computer-based equipment. While the Southern Transmission System has performed reliably over more than two decades of service, its components were aging and new control technologies have been developed that are more resilient and feature fewer parts to maintain.

As a result, the Southern Transmission System is not only larger as a result of the upgrade; it is expected to be more reliable and capable of delivering quality service for decades more to come.

Finlinson Takes Helm at Intermountain Generating Station

Jon A. Finlinson was appointed President and Chief Operations Officer at the Intermountain Power Project's generating station during 2010. He replaced George W. Cross, who served in that position for the previous seven years.

Mr. Cross retired from the Project as a result of health issues. He started his career with the Intermountain Power Project in early 1983 as a Training Technician. He was then promoted to an Engineer during the start-up phase of the plant. Mr. Cross also held positions as Assistant Superintendent of Operations and Superintendent of Operations prior to serving as President.

Mr. Finlinson also started with the Project in 1983 as a trainee. He then moved through several different positions in operations including Operations Supervisor, Assistant Superintendent of Operations, and Superintendent of Operations. He and his wife, Rita, are long time residents of Millard County.



10653 South River Front Parkway
Suite 120
South Jordan, Utah 84095
801.938.1333
www.ipautah.com



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.

