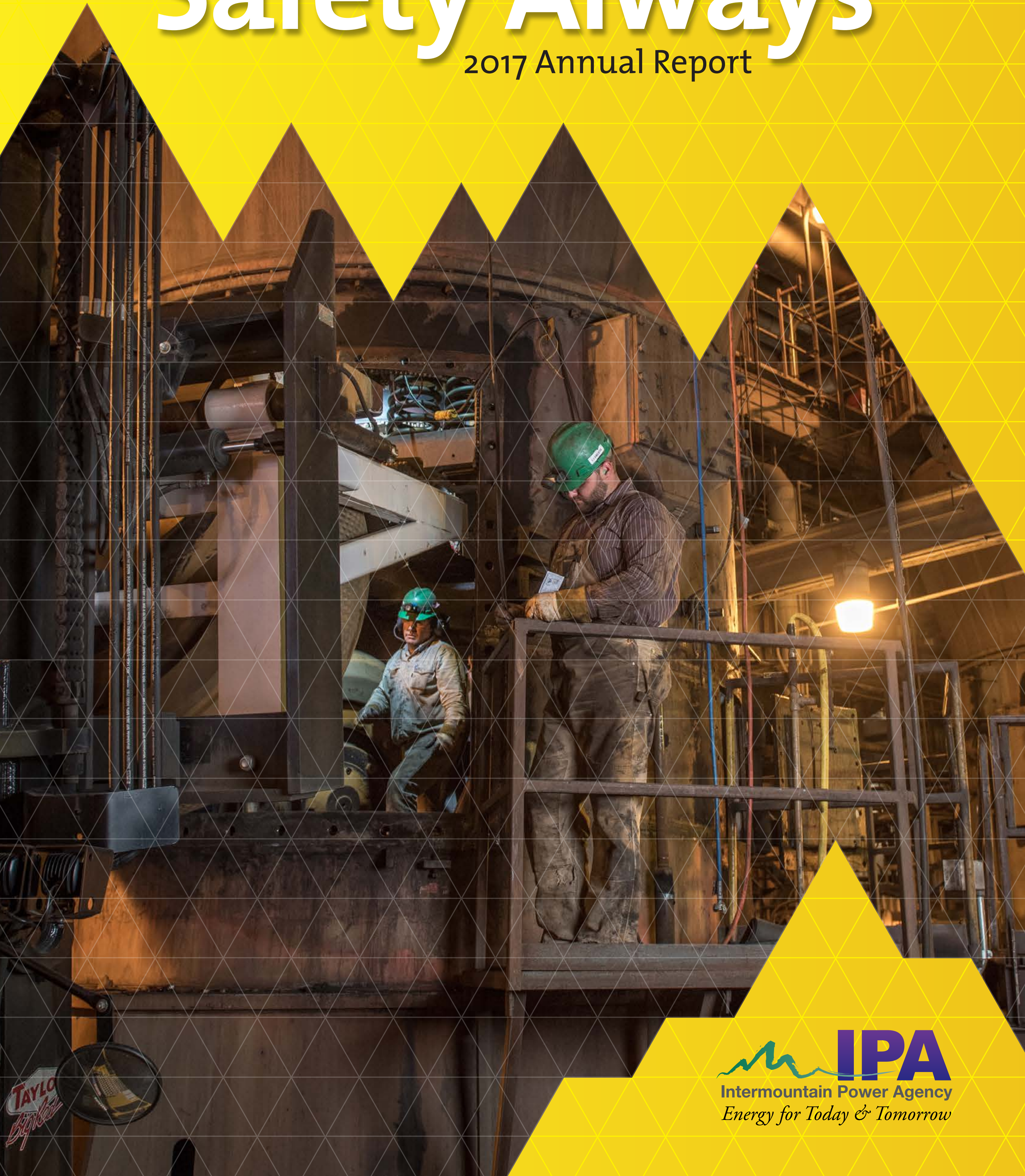
Safety Always

2017 Annual Report



IPA
Intermountain Power Agency
Energy for Today & Tomorrow

The Intermountain Power Agency (IPA) is an organization of 23 Utah municipalities formed to finance, construct, operate and maintain the Intermountain Power Project. The Los Angeles Department of Water and Power serves as Operating Agent. The Intermountain Power Service Corporation (IPSC) staffs the generating station and related facilities.

The Intermountain Power Project (IPP) includes a two-unit coal-fueled generating station, two transmission systems, a microwave communication system and a railcar service center, all built as a joint undertaking by 35 utilities in Utah and California.

IPA
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Energy for Today & Tomorrow

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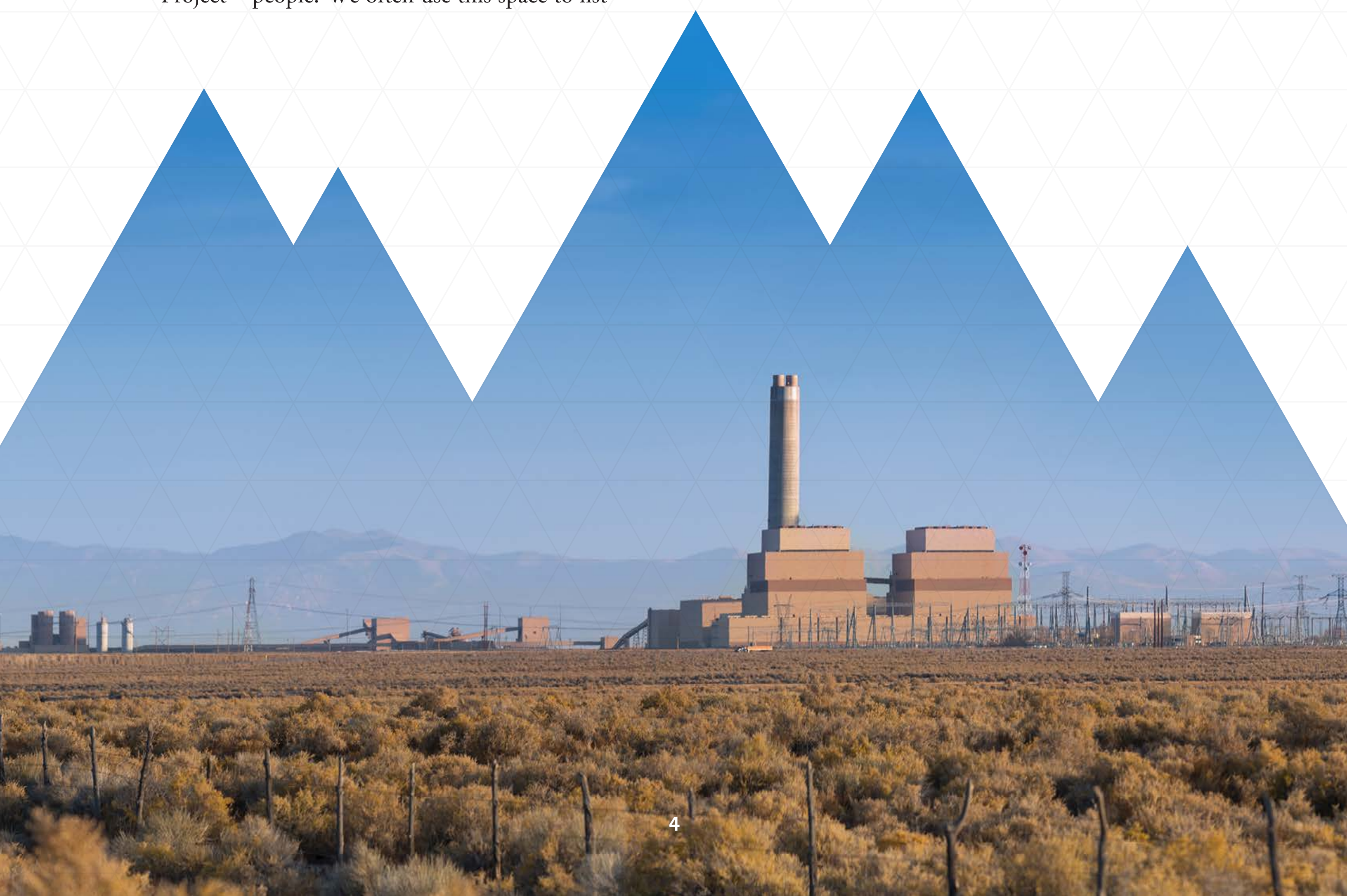
Executive Summary

“Historic” may be the best word to describe Intermountain Power Agency’s fiscal year that ended June 30, 2017. Operations at the Intermountain Power Project continued to adapt to rapidly changing energy markets. IPA leaders successfully concluded years of negotiations to “Renew IPP” and extend the Project’s life through development of new electricity generation facilities at the site. However, IPA leaders also made the painful decision to close the Project’s coal-fueled generators in 2025 as current power purchase agreements near expiration.

Recounting such momentous events can make it easy to overlook what lies at the heart of our Project – people. We often use this space to list economic contributions. The Intermountain Power Project is undisputedly a pillar of the central Utah economy. But it’s important to remember what those economic contributions really mean. The Intermountain Power Project means good jobs for good people and support for the communities where they live.

It is concern for our people that drove IPA to work diligently to conclude agreements that will keep the Project viable for decades to come. It is concern for our people that made the coal units decision so hard. And it is concern for our people that makes safety the top priority for operations.



Putting People First

Ensuring the safety of the Intermountain Generating Station's people is a task that involves every single employee. In 2014, a behavior based safety program known as "VOLTS – Valuing Our Lives Through Safety" – was launched. The program trains and deploys observers throughout the facility to identify employee behaviors that need correcting and works with employees and supervisors to resolve them. A Central Safety Committee is also used to evaluate employee suggestions for equipment and physical facilities that will improve safety.

One hundred percent of Generating Facility employees have been trained as VOLTS observers. Several hundred observations are recorded each month by VOLTS observers. Additionally, the Central Safety Committee implemented 31 improvements based on employee suggestions during the fiscal year.

The effectiveness of the VOLTS program is evident in the Generating Facility's safety statistics. At the end of fiscal 2017, the Facility had logged 462 days since the last lost time incident or accident – an OSHA lost time incident rate of zero. The Station's OSHA Recordable Incident Rate was only 1.88 cases per 200,000 hours worked.

A Bright Future with 'IPP Renewed'

January 17, 2017, was a landmark date in the history of the Intermountain Power Project. After several years of planning and negotiations for the next phase of IPP's life, 100 percent of Generation Entitlements were received and Renewal Power Sales Contracts were finally in effect.

This milestone was the culmination of untold thousands of hours of dedicated effort and cooperation by the Project's diverse group of project participants. Because of those efforts, IPP will now be able to continue for another half century as a reliable, economic energy resource for the renewal purchasers, and as a significant economic contributor to the State of Utah and its rural communities.

Three current participants opted not to continue in the renewal project: Anaheim, Meadow, and Monroe. Meadow and Monroe's shares were allocated equally across the remaining Utah participants. Two California participants – Riverside and Pasadena – reduced their share of participation. Los Angeles, Burbank and Glendale increased their participation share. The ratio of California to Utah shares remained the same and Utah participants continued to enjoy the option of entering into agreements for sale of renewal excess power.

Following completion of these agreements, Black & Veatch was selected to perform Owner's Engineering Services for the renewed project. A Generation and Transmission Subcommittee of the Intermountain Power Project Coordinating Committee is now guiding studies that will determine the final size and configuration of new generation facilities to be constructed at the IPP site. Plans currently envision development of new natural gas-fueled electricity generation to come online in 2025.

A Difficult Decision for Coal

As new generating resources come online in 2025, we regret to report that the Project will cease electricity generation using coal. IPA's Board of Directors made this difficult decision in May of 2017 as the Project faced the loss of existing customers, a weak market for coal-fueled electricity in the western United States, and environmental regulatory issues that rendered continued operation uneconomical. Specifically:

- Loss of Existing Customers. Since the Intermountain Power Project's inception, nearly all of the electricity generated has been consumed by six municipal power systems located in southern California. Under California state law, these municipalities are prohibited from purchasing coal-fueled electricity after their existing power purchase agreements expire.

- Weak Market for Coal-fueled Electricity. Persistently low natural gas prices and declining costs for renewable energy have combined to make coal-fueled electricity less competitive across western United States power markets. Utilities in the region are closing other coal-fueled generating stations and shifting resource portfolios away from coal, blocking IPA's efforts to secure replacement customers for IPP's coal-fueled electricity.

- Environmental Regulatory Issues. For IPP's coal units to continue operating beyond 2025, power purchasers would incur significant additional expenses for compliance with new coal combustion residuals regulations and likely additional air emissions controls.

With this unfortunate but unavoidable decision made, we have pledged to use the next eight years to plan a transition for the Project's dedicated and skilled workforce, as well as the communities they call home. We envision a future that provides new opportunities. In addition to the new natural gas project under development, other energy projects have been attracted to the area by IPP's substantial infrastructure. For instance, 306 megawatts of generating capacity from 165 wind turbines located in Millard and Beaver counties connect to the grid at the Intermountain Power Project's switchyard. Salt dome caverns have been constructed immediately adjacent to IPP and are currently in operation for storage of natural gas liquids. (Future cavern development can provide storage capacity for other materials, such as natural gas or other fuel products, or for compressed air energy storage.) Solar energy project developers are also pursuing potential projects near the IPP site.

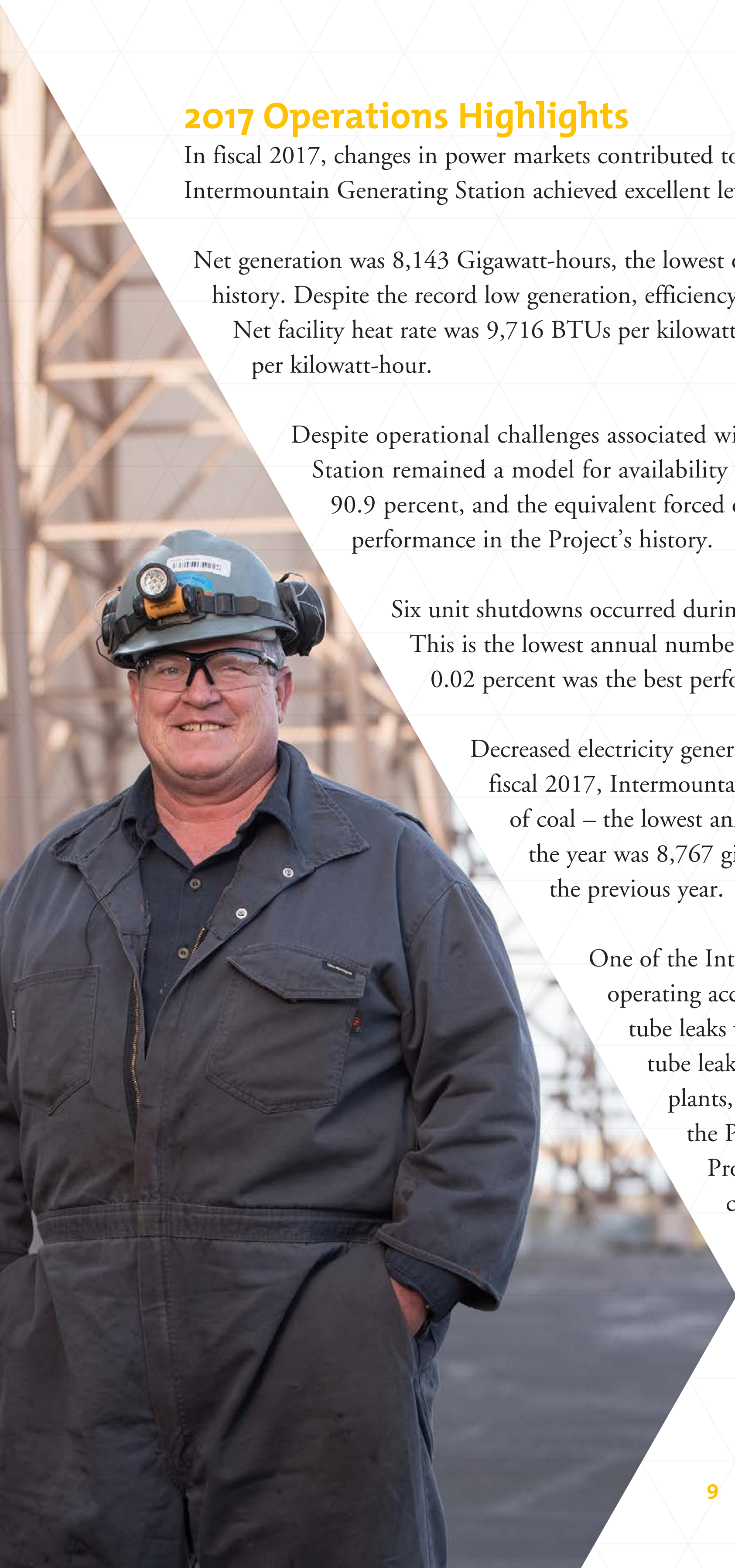
Fiscal 2017 Financial Highlights

Intermountain Power Agency's record of financial stability continued throughout fiscal 2017.

Opportunities were not available for Intermountain Power Agency to undertake any bond refunding activities during the fiscal year. During 2017, $109 million of scheduled principal maturities on bonds and subordinated notes were paid.

The principal amount of debt outstanding was $979.4 million on July 3, 2017, marking the first time since Project operations began that debt was below $1 billion. The average invested assets were $255.7 million in fiscal 2017, with realized earnings of $3.5 million for a rate of return of 1.345 percent.

Fuel cost decreased by approximately $38 million in fiscal 2017, primarily because less coal was consumed. Fuel cost is the Project's largest single operating expense.



2017 Operations Highlights

In fiscal 2017, changes in power markets contributed to lower electricity generation, even as the Intermountain Generating Station achieved excellent levels of availability and reliability.

Net generation was 8,143 Gigawatt-hours, the lowest output in the Intermountain Power Project's history. Despite the record low generation, efficiency actually increased slightly over the previous year. Net facility heat rate was 9,716 BTUs per kilowatt-hour – an improvement over 2016's 9,767 BTUs per kilowatt-hour.

Despite operational challenges associated with low output, the Intermountain Generating Station remained a model for availability and reliability. Equivalent availability was 90.9 percent, and the equivalent forced outage rate of 1.05 percent was the 15th best performance in the Project's history.

Six unit shutdowns occurred during the fiscal year, four of which were unplanned. This is the lowest annual number in Project history. The Forced Outage Rate of 0.02 percent was the best performance in Project history.

Decreased electricity generation resulted in decreased coal consumption. In fiscal 2017, Intermountain Generating Station consumed 3.65 million tons of coal – the lowest annual amount in Project history. Gross generation for the year was 8,767 gigawatt-hours, down from 10,743 gigawatt-hours the previous year.

One of the Intermountain Power Project's most remarkable operating accomplishments continued in fiscal 2017 as no boiler tube leaks were experienced during the fiscal year. Boiler tube leaks, which are common at large coal-fueled power plants, are an unusual event at Intermountain because of the Projects aggressive Boiler Tube Failure Reduction Program. As of September 30, 2017, Unit 1 had completed 1,326 days without any lost generation caused by tube leaks. Unit 2 had completed 2,212 days – more than six years of operation – with no lost time caused by tube leaks. Intermountain Generating Facility has had only one tube leak since September 2011.

A Word of Thanks

As we embark on the Intermountain Power Project's fourth decade of operations, we are resolved to keep our focus on the people who have made this endeavor successful. This Project's participants are remarkably diverse – including some of our nation's largest cities and smallest towns. Negotiations regarding the next phase of this Project's life spanned years and were not always easy. But the participants in IPP persevered with dedication and good faith.

We offer our heartfelt thanks to all of the Project participants who have come together with patience and diligence to give IPP a bright future. And we look forward to continue working cooperatively to see the plans for an IPP Renewed come to fruition.

Ted Olson,
Chairman of the Board

R. Dan Eldredge,
General Manager

IPA Management

From left to right:

Vance K. Huntley, *Audit Manager* | **Linford E. Jensen**, *Accounting Manager* | **R. Dan Eldredge**, *General Manager* | **Cameron R. Cowan**, *Treasury Manager*

IPA Board of Directors

From left to right:

Eric Larsen, Fillmore City, Town of Holden, Kanosh, and Town of Meadow | **Blaine J. Haacke**, *Murray City*
Edward M. Collins, *Lehi City* | **Ted L. Olson** - *Chair, City of Ephraim* | **Nick Tatton**, *Price City*
Von Mellor, *Parowan City* | **Bruce Rigby**, *Kaysville City*

IPP Coordinating Committee

From left to right:

Randy Ewell, *Mt. Wheeler Power, Inc.* | **Blaine J. Haacke**, *Murray City* | **Ted L. Olson**, *Utah Municipalities*
Durand Robison, *Rural Electric Cooperatives* | **R. Dan Eldredge**, *Committee Chair and IPA General Manager*
Mark Montgomery, *Logan City* | **Himanshu Pandey**, *City of Burbank* | **Stephen M. Zurn**, *City of Glendale*
Charles Guss, *City of Anaheim* | **Daniel E. Garcia**, *City of Riverside* | **Darrell Hahn**, *City of Glendale*
David H. Wright, *Los Angeles Dept. of Water and Power* | **Paul Schultz**, *Operating Agent, Los Angeles Dept. of Water and Power*
Jared Griffiths, *Moon Lake Electric Association*

2017 Financial and Operating Summary

DEBT OUTSTANDING (as of July 3, 2017)

Weighted Average Borrowing Cost for FY 2017		3.48%
Fixed Rate Bonds	$	213,655,000
Subordinated Notes		665,715,000
Commercial Paper		100,000,000
Total	$	979,370,000

BOND UNDERLYING RATINGS

	Moody's	Standard & Poor's	Fitch
Subordinate Lien Bonds	A1	A+	AA-
Refunded Bonds	Aaa	AAA	AAA
Commercial Paper	NR	A1	F1
Defeased Bonds	NR	NR	AAA

INVESTMENT PERFORMANCE

Average Invested Assets	$	255,670,559
Realized Investment Portfolio Earnings	$	3,506,489
Rate of Return		1.345%

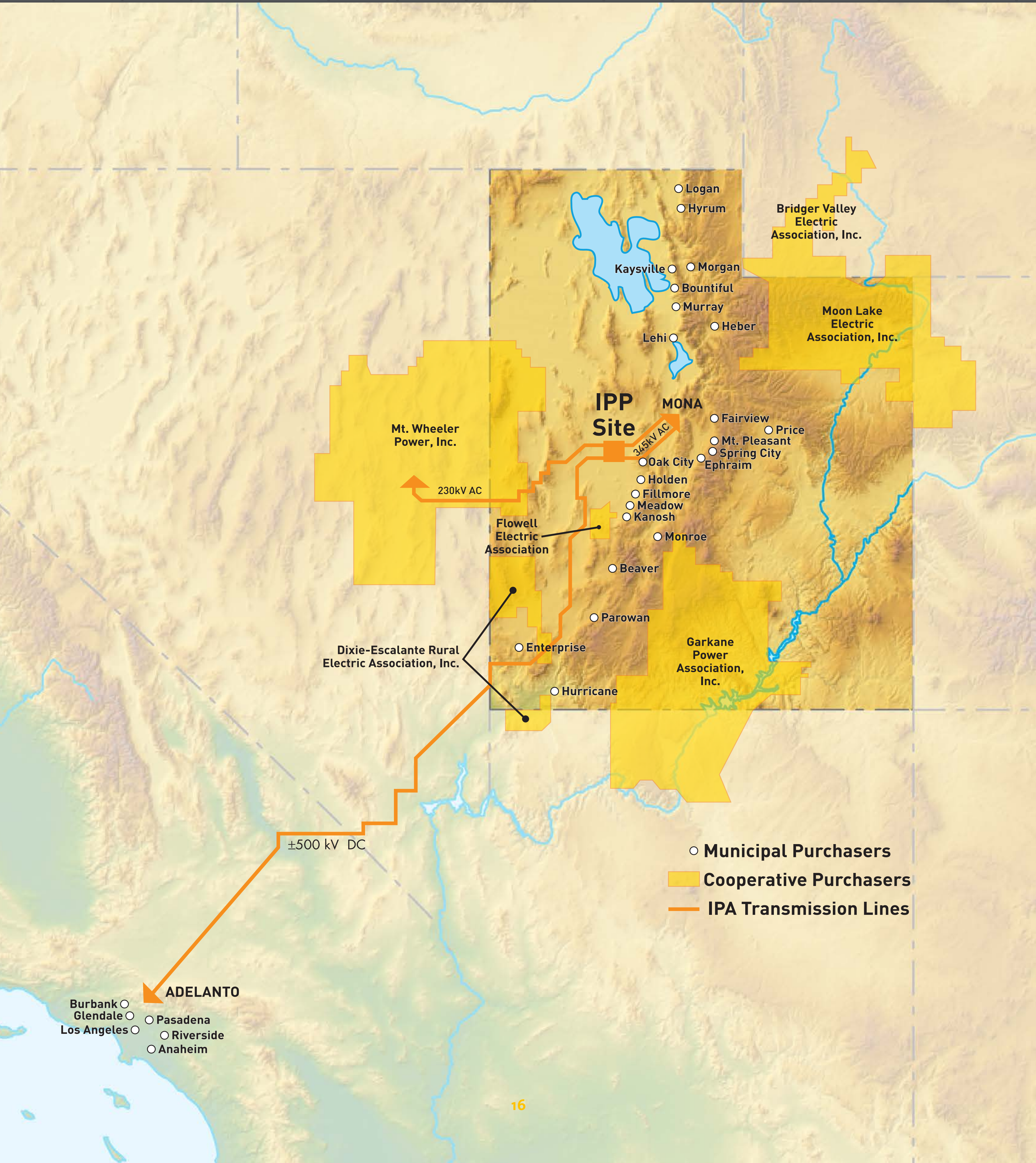
OPERATING SUMMARY

	2017	2016	2015	2014	2013
Gross Generation (gWh)	8,767	10,743	13,125	13,147	12,655
Equivalent Availability	90.9%	93.1%	91.3%	91.9%	89.3%
Net Capacity Factor	51.6%	63.4%	78.2%	78.4%	75.4%
Heat Rate (BTU/kWh)	9,716	9,767	9,551	9,691	9,775

Participants' Generation Entitlement Shares

	Generation Entitlement Share	
CALIFORNIA PURCHASERS		
Los Angeles Department of Water & Power	48.617	%
City of Anaheim	13.225	
City of Riverside	7.617	
City of Pasadena	4.409	
City of Burbank	3.371	
City of Glendale	1.704	
Total: 6 California Purchasers	78.943	%
UTAH MUNICIPAL PURCHASERS		
Murray City	4.000	%
Logan City	2.469	
City of Bountiful	1.695	
Kaysville City	.739	
Heber Light & Power	.627	
Hyrum City	.551	
Fillmore City	.512	
City of Ephraim	.503	
Lehi City	.430	
Beaver City	.413	
Parowan City	.364	
Price City	.361	
Mount Pleasant	.357	
City of Enterprise	.199	
Morgan City	.190	
City of Hurricane	.147	
Monroe City	.130	
City of Fairview	.120	
Spring City	.060	
Town of Holden	.048	
Town of Meadow	.045	
Kanosh	.040	
Town of Oak City	.040	
Total: 23 Utah Municipal Purchasers	14.040	%
COOPERATIVE PURCHASERS		
Moon Lake Electric Association, Inc.	2.000	%
Mt. Wheeler Power, Inc.	1.786	
Dixie-Escalante Rural Electric Association, Inc.	1.534	
Garkane Power Association, Inc.	1.267	
Bridger Valley Electric Association	.230	
Flowell Electric Association	.200	
Total: 6 Cooperative Purchasers	7.017	%
TOTAL: 35 PURCHASERS	**100.000**	**%**

Participants and Transmission Lines Map



Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF INTERMOUNTAIN POWER AGENCY:

Report on the Financial Statements

We have audited the accompanying financial statements of Intermountain Power Agency (IPA), which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues and expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IPA as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 19 – 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 audits 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Supplemental Schedule of Changes in Funds Established by the IPA Revenue Bond Resolution for the Years Ended June 30, 2016 and 2017 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Deloitte & Touche LLP

Salt Lake City, Utah
September 28, 2017

Deloitte.

Management's Discussion and Analysis

The Intermountain Power Agency (IPA) is a political subdivision of the State of Utah formed by twenty-three 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 (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 Management's Discussion and Analysis, statements of net position, statements of revenues and expenses, 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 liability) 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 liability 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, 2017 and 2016, total accumulated Project costs billed to participants exceeded accumulated U.S. GAAP expenses, resulting in a liability, 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 and expenses report the results of operations 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 and expenses, 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, 2017, 2016 and 2015 (in thousands):

	2017	2016	2015
Assets			
Utility plant, net	$ 940,069	$ 1,009,290	$ 1,072,880
Cash, cash equivalents, and investments	378,133	294,672	333,645
Net costs to be recovered from future billings to participants	-	-	24,248
Other	146,893	104,021	64,465
Total Assets	$ 1,465,095	$ 1,407,983	$ 1,495,238
Deferred outflows of resources	85,739	111,667	142,380
Total assets and deferred outflows of resources	$ 1,550,834	$ 1,519,650	$ 1,637,618
Liabilities			
Long-term debt	$ 1,036,728	$ 1,150,296	$ 1,326,620
Commercial paper notes	100,000	100,000	100,000
Net costs billed to participants not yet expensed	115,974	2,592	-
Other	297,763	266,441	210,998
Total liabilities	$ 1,550,465	$ 1,519,329	$ 1,637,618
Deferred inflows of resources	369	321	-
Total liabilities and deferred inflows of resources	$ 1,550,834	$ 1,519,650	$ 1,637,618

(Continued)

	2017	2016	2015
Revenues and Expenses			
Operating revenues, net	$ 538,147	$ 597,400	$ 706,141
Fuel	(163,029)	(200,570)	(247,193)
Other operating expenses	(195,547)	(298,776)	(230,480)
Operating income	179,571	98,054	228,468
Net interest charges	(67,198)	(72,417)	(81,548)
Nonoperating income	1,009	1,203	3,542
Net costs billed to participants not yet expensed	**$ 113,382**	**$ 26,840**	**$ 150,462**

(Concluded)

FINANCIAL HIGHLIGHTS

ASSETS – The net increase in gross utility plant of $10 million and $16 million in 2017 and 2016, respectively, resulted from additions of $17 million and $22 million in 2017 and 2016, respectively, offset by retirements of $7 million and $6 million in 2017 and 2016, respectively. The 2017 additions were principally for expenditures on projects related to the installation of variable frequency drives on the primary air fans, the upgrade of fan drive controls, the refurbishment of the concrete cooling towers, and the continuation of the replacement of the plant fire control system. The 2016 additions were principally for expenditures on projects related to the installation of variable frequency drives on the primary air fans, improvements of the main generator step-up transformer heat rejection, replacement of circuit breakers at the switchyard, replacement of two pulverizer motors, and continuation of the replacement of the plant fire system. The net increase in accumulated depreciation of $79 million and $80 million in 2017 and 2016, respectively, resulted from depreciation expense of $86 million and $86 million, respectively, offset by retirements of $7 million and $6 million, respectively.

The 2017 increase in cash and cash equivalents and investments, combined current and restricted, of $83 million is primarily due to an increase in the budgeted billings to purchasers that were made throughout the year in order to meet the bond principal payments due in July 2017. The 2016 decrease in cash and cash equivalents and investments, combined current and restricted, of $38 million is primarily due to an increased investment in coal inventory resulting from a reduction in scheduled energy from budget during the last half of the fiscal year.

The $43 million increase in other assets was caused primarily by an increase of $45 million in fuel inventory from a reduction in scheduled energy from budget during fiscal year 2017 compared to the prior fiscal year, offset by a $1 decrease in receivable from participants caused by a reduction in variable power taken in June 2017 compared to June 2016, and a $1 million decrease in other assets. The increase in other assets of $39 million in 2016 was caused primarily by an increase of $41 million in fuel inventory discussed above, and a $2 million increase in other assets, offset by a $4 million decrease in receivable from participants caused by a reduction in variable power taken in June 2016 compared to June 2015

DEFERRED OUTFLOWS OF RESOURCES – Deferred outflows of resources primarily consists of unamortized refunding charge on defeasance of debt. The decrease of $26 million and $31 million in 2017 and 2016, respectively, was due to normal amortization.

LIABILITIES – During 2017, $109 million of scheduled principal maturities on bonds and subordinated notes were paid. Other liabilities increased by $31 million in 2017. The increase was primarily attributable to $75 million borrowed in accordance with a working capital credit agreement (see Note 13), a $7 million increase in the credit to participants, a $4 million increase in ARO due to current year accretion, and a $2 million increase in accounts payable, offset by a $56 million decrease in personal service contract obligations related to pension and other postretirement benefit obligations and a $1 million reduction in interest payable.

During 2016, $170 million of scheduled principal maturities on bonds and subordinated notes were paid. Other liabilities increased by $56 million in 2016. The increase was primarily attributable to a $50 million increase in personal service contract obligations related to pension and other postretirement benefit obligations, a $1 million increase in the credit to participants, a $4 million increase in ARO due to current year accretion and a $3 million increase in accounts payable, offset by a $2 million reduction in interest payable.

At June 30, 2017 and 2016, total accumulated Project costs billed to participants exceeded accumulated U.S. GAAP expenses. Accordingly, the excess of such billings is reported as a liability, net costs billed to participants not yet expensed at June 30, 2017 and 2016. The resulting changes in net costs billed to participants not yet expensed, are outlined in Note 4.

Standard & Poor's rates IPA's subordinate lien bonds A+ and the commercial paper notes A1. Fitch rates the subordinate lien bonds AA- and the commercial paper notes F1. Moody's rates IPA's subordinate lien bonds A1. Moody's does not rate the commercial paper notes. The subordinated notes are not rated because they are not publicly traded. Ratings are unchanged from the prior year.

REVENUES AND EXPENSES – Net operating revenues decreased $59 million and $109 million in 2017 and 2016, respectively. In 2017, the decrease corresponded with a reduction in plant net capacity factor, which decreased from 64% to 52%. Likewise, in 2016, the decrease corresponded with a reduction in plant net capacity factor, which dropped from 78% to 64% for the fiscal year.

In addition, changes in revenues from corresponding changes to net costs billed to participants not yet expensed in both 2017 and 2016 are due principally to the following: a decrease of $14 million and $49 million in 2017 and 2016, respectively, for bond, subordinated note and commercial paper notes principal requirements, a $104 million increase in 2017 and $63 million decrease in 2016, respectively, in billings for previously deferred expenses in conformity with U.S. GAAP, and a decrease of $3 million and $11 million in 2017 and 2016, respectively, for capital improvements and required fund deposits.

Fuel expense decreased by $38 million and $47 million in 2017 and 2016, respectively. The decrease in 2017 and 2016 was primarily due to the 19% reduction in plant net capacity factor in each year, respectively. Other operating expenses decreased by $103 million in 2017 due primarily to changing discount rates and other assumptions associated with the actuarial estimate of the personal service contract obligations and changes in the fair value of the underlying assets. The related net liability decreased by $56 million in 2017 compared to an increase of $50 million which resulted in a $106 million decrease in operating expenses compared to 2016. Other operating expenses increased by $68 million in 2016 due primarily to changing discount rates and other assumptions associated with the actuarial estimate of the personnel service contract obligations and changes in the fair value of the underlying assets. The related net liability increased by $50 million in 2016 compared to a decrease of $10 million in 2015, which resulted in a $60 million increase in operating expenses compared to 2015.

Net interest charges decreased by $5 million in 2017 due to a $2 million reduction in bond and subordinated note interest due to the reduction of bond principal through scheduled principal payments of bonds and subordinated notes payable. Also contributing to the decrease was a $2 million reduction in financing expenses resulting from less amortization of bond discount and refunding charge on defeasance of debt, and a $1 million increase in earnings on investments. Net interest charges decreased by $9 million in 2016 due to a $7 million reduction in bond and subordinated note interest due to the reduction of bond principal through scheduled principal payments of bonds and subordinated notes payable. Also contributing to the decrease was a $2 million reduction in financing expenses resulting from less amortization of bond discount and refunding charge on defeasance of debt and a $1 million increase in earnings on investments, offset by a $1 million increase in asset retirement obligations (ARO) accretion. The change in non-operating income in 2017 and 2016, respectively, was not material.

ELECTRIC INDUSTRY LEGISLATION AND REGULATION – Federal and certain state legislatures and regulators, including the California State Legislature and the California Public Utilities Commission, have taken action to increase competition in electric markets and among electric utilities. California has also 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 and has required the State's greenhouse gases emissions to be reduced to 1990 levels by 2020. These and other environmental regulation issues are discussed in Note 12 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 to natural gas and that IPA offer the Purchasers renewal in their generation and associated transmission entitlements through Renewal Power Sales Contracts, the term of which commences upon the termination of the current Power Sales Contracts on June 15, 2027. The Renewal Power Sales Contract became effective on January 17, 2017 when 100% of the entitlements were accepted.

* * * * * *

Statements of Net Position

June 30, 2017 and 2016 (in thousands)

	2017	2016
ASSETS		
UTILITY PLANT:		
Electric plant in service	$ 3,064,449	$ 3,054,434
Less accumulated depreciation	(2,124,380)	(2,045,144)
Net	940,069	1,009,290
RESTRICTED ASSETS:		
Cash and cash equivalents	5,355	12
Investments	160,627	116,396
Interest receivable	40	44
Total	166,022	116,452
CURRENT ASSETS:		
Cash and cash equivalents	2,445	59,356
Investments	209,706	118,908
Interest receivable	597	471
Receivable from participants	2,503	3,536
Fuel inventories	121,206	76,043
Materials and supplies	20,055	20,305
Other	1,868	2,736
Total	358,380	281,355
OTHER ASSETS:	624	886
TOTAL ASSETS	**$ 1,465,095**	**$ 1,407,983**
DEFERRED OUTFLOWS OF RESOURCES:		
Unamortized refunding charge	84,531	110,786
Other	1,208	881
Total Deferred Outflows of Resources	85,739	111,667
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 1,550,834**	**$ 1,519,650**

(Continued)

See notes to financial statements.

Statements of Net Position

June 30, 2017 and 2016 (in thousands)

	2017	2016
LIABILITIES		
LONG-TERM PORTION OF BONDS PAYABLE - Net	$ 247,364	$ 396,647
LONG-TERM PORTION OF SUBORDINATED NOTES PAYABLE - Net	594,017	644,676
ADVANCES FROM SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY	10,930	11,550
NON-CURRENT LIABILITIES:		
Personnel services contract obligations	59,435	114,942
Asset retirement obligations	70,305	66,549
Net costs billed to participants not yet expensed	115,974	2,592
Total	245,714	184,083
CURRENT LIABILITIES:		
Commercial paper notes	100,000	100,000
Line of credit	75,000	-
Current maturities of bonds payable	140,710	81,400
Current maturities of subordinated notes payable	54,637	27,573
Interest payable	11,804	12,799
Accrued credit to participants	33,254	25,955
Accounts payable and accrued liabilities	37,035	34,646
Total	452,440	282,373
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 1, 7, 10, and 12)		
TOTAL LIABILITIES	**$ 1,550,465**	**$ 1,519,329**
DEFERRED INFLOWS OF RESOURCES	369	321
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**$ 1,550,834**	**$ 1,519,650**

(Concluded)

See notes to financial statements.

Statements of Revenues and Expenses

For the Years Ended June 30, 2017 and 2016 (in thousands)

	2017	2016
OPERATING REVENUES:		
Power sales to participants	$ 571,426	$ 623,381
Less credit to participants	(33,279)	(25,981)
Net revenues	538,147	597,400
OPERATING EXPENSES:		
Fuel	163,029	200,570
Operation	25,458	129,660
Maintenance	64,520	62,304
Depreciation	86,798	85,417
Taxes and payment in lieu of taxes	18,771	21,395
Total expenses	358,576	499,346
OPERATING INCOME	179,571	98,054
NONOPERATING INCOME	1,009	1,203
INTEREST CHARGES:		
Interest on bonds, subordinated notes, and other debt	43,908	45,413
Financing expenses (principally amortization of bond discount and refunding charge on defeasance of debt)	23,095	25,999
Accretion of asset retirement obligations	3,756	3,555
Earnings on investments	(3,561)	(2,550)
Net interest charges	67,198	72,417
NET COSTS BILLED TO PARTICIPANTS NOT YET EXPENSED	**$ 113,382**	**$ 26,840**

See notes to financial statements.

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016 (in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from power billings to participants	$ 546,479	$ 603,496
Other cash receipts	1,009	1,203
Cash paid to suppliers	(370,021)	(407,712)
Net cash provided by operating activities	177,467	196,987
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Advances from line of credit	75,000	-
Repayments to Southern California Public Power Authority	(620)	-
Net cash provided by noncapital financing activities	74,380	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond and subordinated note principal paid	(108,973)	(169,993)
Interest paid on bonds, subordinated notes and commercial paper	(44,903)	(47,354)
Additions to electric plant in service	(17,949)	(20,648)
Net cash used in capital and related financing activities	(171,825)	(237,995)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,879,250)	(221,046)
Proceeds from sales/maturities of investments	2,745,133	236,095
Interest earnings received on investments	2,527	2,325
Net cash provided by (used in) investing activities	(131,590)	17,374
NET DECREASE IN CASH AND CASH EQUIVALENTS	(51,568)	(23,634)
CASH AND CASH EQUIVALENTS:		
Beginning balance	59,368	83,002
Ending balance	**$ 7,800**	**$ 59,368**

(Continued)

See notes to financial statements.

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016 (in thousands)

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 179,571	$ 98,054
Other nonoperating income	1,009	1,203
Depreciation	86,798	85,417
Financing expenses, net of amortization of bond discount		
and refunding charge on defeasance of debt	(1,436)	(936)
Changes in operating assets and liabilities:		
Receivable from participants	1,033	4,657
Fuel inventories	(45,163)	(40,786)
Materials and supplies	250	(111)
Other current assets	867	(2,711)
Personnel services contract obligations	(55,507)	49,889
Accounts payable and accrued liabilities	2,763	1,322
Accrued credit to participants	7,299	1,439
Other assets	262	(90)
Deferred outflows of resources - other	(327)	(681)
Deferred inflows of resources - other	48	321
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 177,467	$ 196,987

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Accounts payable and accrued liabilities included $2,159 and $2,530 at June 30, 2017 and 2016, respectively, of accruals for additions to electric plant in service.

See notes to financial statements.

(Concluded)

Notes to Financial Statements

For the Years Ended June 30, 2017 and 2016

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 of the Project is managed for IPA by the Department of Water and Power of the City of Los Angeles (LADWP) in its capacity as Operating Agent pursuant to an operating agreement. LADWP has also contracted to purchase a portion of the electric energy generated from the Project (see Note 10). Personnel at the generating plant are employed by Intermountain Power Service Corporation (IPSC), a separate legal nongovernmental 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. Accruals for IPA's obligation under the PSC for IPSC's employee pensions and other postretirement benefits are reported as non-current liabilities in personnel service contract obligations in the accompanying statements of net position.

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 10), 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. Depreciation has historically included, in addition to depreciation of assets recorded related to asset retirement obligations (see Note 9), estimates for other future costs related to the reclamation of the Project recorded pursuant to GASB authoritative guidance related to regulated operations, accumulating to $82,000,000, which amount is included in accumulated depreciation at June 30, 2017 and 2016.

PAYMENTS-IN-AID OF CONSTRUCTION – IPA and the Southern California Public Power Authority (SCPPA), which is comprised of certain California Purchasers (see Note 8), 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, 2017 and 2016, 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, 2017 and 2016.

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. In accordance with GASB requirements, such restricted amounts are considered cash equivalents.

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, 2017 and 2016 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 changes 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 and expenses.

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 $21,798,000 and $20,919,000 greater than the stated last-in, first-out value at June 30, 2017 and 2016, respectively. Materials and supplies are stated at average cost.

UNAMORTIZED BOND DISCOUNT AND REFUNDING CHARGE ON DEFEASANCE OF DEBT – Unamortized 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 discount in the accompanying statements of net position. Unamortized refunding charge is reported as a deferred outflow of resources in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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 authoritative guidance 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 liability) 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 liability 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, 2017 and 2016, total accumulated Project costs billed to participants to date exceeded accumulated U.S. GAAP expenses, resulting in a liability, net costs billed to participants not yet expensed. Over the life of the Power Sales Contracts, aggregate U.S. GAAP expenses will equal aggregate billable power costs.

Federal and certain state legislatures and regulators, including the California State Legislature and the California Public Utilities Commission, have taken action to increase competition in electric markets and among electric utilities. California has also 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 and has required the State's greenhouse gases emissions to be reduced to 1990 levels by 2020. 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. Federal legislation has been introduced that would, among other things, create a greenhouse gases cap and trade program and/or required greenhouse gases emissions reductions from fossil fuel-fired electric generation facilities, although none have yet been enacted. 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 apply GASB authoritative guidance, which requires that assets and liabilities recognized pursuant to IPA's regulated operations be removed 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, 2017, costs deferred are probable of recovery through future billings.

LONG-LIVED ASSETS – IPA evaluates the carrying value of long-lived assets based upon current and anticipated undiscounted cash flows, and recognizes an impairment when such estimated cash flows will be less than the carrying value of the asset. Measurement of the amount of impairment, if any, is based upon 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. 45, *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 where there is a legal obligation associated with the retirement of its tangible long-lived assets and where the amounts are estimable. The carrying amount of the liability for asset retirement obligations is adjusted upon revisions to the timing or the amount of the future cash flows estimated to settle such obligations. Associated increases or decreases in such obligations are correspondingly recorded as increases or decreases to electric plant in service (see Note 9).

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. This statement is effective for financial statements for years beginning after June 15, 2017. IPA is currently evaluating the effects the adoption of this statement will have on the financial statements.

Notes to Financial Statements

For the Years Ended June 30, 2017 and 2016 (Continued)

2. UTILITY PLANT

Utility plant activity for the years ended June 30, 2017 and 2016, is as follows (in thousands):

	July 1, 2016	**Increases**	**Decreases**	**June 30, 2017**
Utility plant not being depreciated -				
Construction work-in-progress	$ 2,956	$ 3	$ -	$ 2,959
Utility plant being depreciated/amortized:				
Production	2,929,484	16,787	(3,443)	2,942,828
Transmission	814,032	(949)	(3,825)	809,258
Payments-in-aid of construction - transmission	(739,937)	-	-	(739,937)
General	47,899	1,736	(294)	49,341
Total	3,051,478	17,574	(7,562)	3,061,490
Accumulated depreciation	(2,497,414)	(97,995)	7,562	(2,587,847)
Accumulated amortization of payments-in-aid of construction	452,270	11,197	-	463,467
Total accumulated depreciation	(2,045,144)	(86,798)	7,562	(2,124,380)
Utility Plant, Net	**$ 1,009,290**	**$ (69,221)**	**$ -**	**$ 940,069**

	July 1, 2015	Increases	Decreases	June 30, 2016
Utility plant not being depreciated -				
Construction work-in-progress	$ 3,322	$ 375	$ (741)	$ 2,956
Utility plant being depreciated/amortized:				
Production	2,922,046	11,533	(4,095)	2,929,484
Transmission	804,474	10,952	(1,394)	814,032
Payments-in-aid of construction - transmission	(739,937)	-	-	(739,937)
General	48,321	(292)	(130)	47,899
Total	3,034,904	22,193	(5,619)	3,051,478
Accumulated depreciation	(2,406,368)	(96,665)	5,619	(2,497,414)
Accumulated amortization of payments-in-aid of construction	441,022	11,248	-	452,270
Total accumulated depreciation	(1,965,346)	(85,417)	5,619	(2,045,144)
Utility Plant, Net	**$ 1,072,880**	**$ (62,849)**	**$ (741)**	**$ 1,009,290**

Notes to Financial Statements

For the Years Ended June 30, 2017 and 2016 (Continued)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consist of the following at June 30, 2017 and 2016 (in thousands):

	2017		2016	
	Fair Value	Weighted Average Remaining Maturity	Fair Value	Weighted Average Remaining Maturity
Cash and Cash Equivalents:				
Restricted:				
Cash	$ 5,355	1 day or less	$ 12	1 day or less
Total Restricted	5,355		12	
Current:				
Securities purchased under agreements to resell	-		57,253	1 day or less
Cash	2,445	1 day or less	2,103	1 day or less
Total Current	2,445		59,356	
Total Cash and Cash Equivalents	**$ 7,800**		**$ 59,368**	
Investments:				
Restricted:				
U.S. Agencies	$ 4,460	3.46 years	$ 11,655	1.73 years
Commercial paper	149,406	3 day or less	84,632	1 day or less
Corporate bonds	6,761	0.24 years	20,109	1.55 years
Total Restricted	160,627		116,396	
Current:				
U.S. Treasuries	1,546	0.68 years	1,551	0.68 years
U.S. Agencies	70,115	0.27 years	27,867	1.91 years
Corporate bonds	138,045	1.25 years	89,490	1.31 years
Total Current	209,706		118,908	
Total Investments	**$ 370,333**		**$ 235,304**	

The fair value of securities purchased under agreements to resell is determined at the settlement amount received at the maturity of the agreements. 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, 2017, approximately $7,800,000 of IPA's bank balances are uninsured and uncollateralized.

CUSTODIAL CREDIT RISK – SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL: IPA policy only permits investments in repurchase agreements with certified dealers.

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, 2017 and 2016, IPA's fair value measurements and their levels within the fair value hierarchy were as follows (in thousands):

	2017			
	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
U.S. Treasuries	$ -	$ 1,546	$ -	$ 1,546
U.S. Agencies	-	74,575	-	74,575
Commercial paper	-	149,406	-	149,406
Corporate bonds	-	144,806	-	144,806
Total investments by fair value level	**$ -**	**$ 370,333**	**-**	**$ 370,333**

	2016			
	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
U.S. Treasuries	$ -	$ 1,551	$ -	$ 1,551
U.S. Agencies	-	39,522	-	39,522
Commercial paper	-	84,632	-	84,632
Corporate bonds	-	109,599	-	109,599
Total investments by fair value level	**$ -**	**$ 235,304**	**-**	**$ 235,304**

4. NET COSTS BILLED TO PARTICIPANTS NOT YET EXPENSED

Net costs billed to participants not yet expensed for the years ended June 30, 2017 and 2016, and the accumulated totals as of June 30, 2017 and 2016, consisted of the following (in thousands):

	For the Years Ended June 30,		Accumulated Totals as of June 30,	
	2017	**2016**	**2017**	**2016**
Items in accordance with U.S. GAAP not billable to participants under the power sales contracts:				
Interest expense in excess of amounts billable	$ -	$ -	$ (452,454)	$ (452,454)
Depreciation expense	(86,798)	(85,417)	(2,333,046)	(2,246,248)
Amortization of bond discount and refunding on defeasance of bonds	(21,659)	(25,063)	(1,293,571)	(1,271,912)
Accretion of interest on zero coupon bonds	-	-	(349,408)	(349,408)
Charge on retired debt	-	-	(157,389)	(157,389)
Cumulative effect of a change in accounting principle	-	-	(18,241)	(18,241)
Accretion of asset retirement obligations	(3,756)	(3,555)	(26,965)	(23,209)
Unrealized gains (losses) on investments	5	461	(1)	(6)
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	1,102	200	(8,179)	(9,281)
Liabilities	55,507	(49,269)	(71,581)	(127,088)
Other	(7,114)	(3,690)	(26,325)	(19,211)
Amounts billed to participants under the bond resolution and the power sales contracts:				
Bond and subordinated note principal	162,205	175,830	4,132,951	3,970,746
Deferred fuel costs	-	-	32,228	32,228
Capital improvements	14,493	17,577	485,324	470,831
Reduction of required fund deposits	(603)	(234)	3,309	3,912
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 participants not yet expensed	**$ 113,382**	**$ 26,840**	**$ 115,974**	**$ 2,592**

5. BONDS PAYABLE

To finance the construction of the Project, IPA has 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 has 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"). There are no Senior Bonds outstanding as of June 30, 2017 and 2016. As of June 30, 2017 and 2016, for Subordinated Bonds (collectively, the "Bonds") the principal amount consisted of the following (in thousands):

Series	Bonds Dated	Final Maturity on July 1	2017	2016
Subordinated Bonds				
2007 A	4/3/2007	2019	$ 107,395	$ 122,150
2013 A	4/2/2013	2023	199,995	246,710
2014 A	6/23/2014	2019	48,910	48,910
2014 B	6/23/2014	2017	15,920	35,850
Total Bonds payable			372,220	453,620
Unamortized bond premium			15,854	24,427
Current maturities of Bonds payable			(140,710)	(81,400)
LONG-TERM PORTION OF BONDS PAYABLE - Net			**$ 247,364**	**$ 396,647**

Interest rates on the Bonds payable outstanding range from 1.33% to 5.00% at June 30, 2017 and June 30, 2016.

The changes in the par value of Bonds payable for the years ended June 30, 2017 and 2016, are as follows (in thousands):

	2017	2016
Beginning balance	$ 453,620	$ 530,830
Deductions - principal maturities	(81,400)	(77,210)
Ending balance	**$ 372,220**	**$ 453,620**

The principal amounts of future maturities, sinking fund requirements and interest to be paid for the Bonds outstanding as of June 30, 2017, are as follows (in thousands):

Years ending June 30:	**Principal**	**Interest**
2018	$ 140,710	$ 14,558
2019	84,790	9,381
2020	31,695	6,544
2021	24,485	5,139
2022	48,130	3,324
2023 – 2024	42,410	1,312
Total	**$ 372,220**	**$ 40,258**

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 has the same priority as the security for the commercial paper notes (see Note 7), is senior to the security for the subordinated notes payable, and is junior to the security for the Senior Bonds.

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. 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, 2017 and 2016, is as follows (in thousands):

	2017	**2016**
Restricted assets:		
Subordinated Indebtedness Fund:		
Debt Service Account	$154,300	$102,068
Debt Service Reserve Account	7,099	9,707
Self-Insurance Fund	4,623	4,677
Total restricted assets	166,022	116,452
Revenue Fund (Note 10)	212,748	178,735
Total	**$ 378,770**	**$ 295,187**

The reconciliation of the current assets as reported in the accompanying statements of net position to the Revenue Fund at June 30, 2017 and 2016, is as follows (in thousands):

	2017	2016
Current assets reported in statements of net position:		
Cash and cash equivalents	$ 2,445	$ 59,356
Investments	209,706	118,908
Interest receivable	597	471
Revenue Fund	**$ 212,748**	**$ 178,735**

EARLY REDEMPTION OF BONDS – Bonds outstanding at June 30, 2017 are generally subject to redemption, in whole or in part, prior to maturity at the option of IPA. Redemption prices are par value plus accrued interest to the date of redemption.

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, 2017 and 2016.

DEFEASANCE OF DEBT – No bonds were defeased during the years ended June 30, 2017 and 2016. The aggregate outstanding principal amount of Bonds extinguished through prior period bond defeasance was $109,930,000 at June 30, 2017. On July 3, 2017, subsequent to fiscal year end, $17,855,000, constituting the 2018 and 2019 maturities of the Series 2007A Bonds, were defeased with cash held for such purposes by IPA (see Note 10).

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, 2017 and 2016, the principal amount of interest bearing subordinated notes payable consisted of the following (in thousands):

Note Holder	Issue Date	Final Maturity on July 1	2017	2016
LADWP	2/10/2000	2021	$ 165,115	$ 165,327
LADWP	3/2/2000	2023	357,440	366,706
LADWP	5/2/2000	2021	49,590	49,700
LADWP	9/7/2000	2017	504	10,275
LADWP	7/20/2005	2019	63,735	66,122
City of Pasadena	1/29/2009	2023	31,122	36,949
Total subordinated notes payable			667,506	695,079
Unamortized discount			(18,852)	(22,830)
Current maturities of subordinated notes payable			(54,637)	(27,573)
Long-term portion of subordinated notes payable			**$ 594,017**	**$ 644,676**

The changes in the par value of subordinated notes payable for the years ended June 30, 2017 and 2016, are as follows (in thousands):

	2017	2016
Beginning balance	$ 695,079	$ 787,862
Deductions - principal maturities	(27,573)	(92,783)
Ending balance	**$ 667,506**	**$ 695,079**

The principal amounts of future maturities and interest to be paid (received) on subordinated notes payable as of June 30, 2017, are as follows (in thousands):

Years ending June 30:	Principal	Interest
2018	$ 54,637	$ 13,928
2019	127,899	18,247
2020	165,323	5,870
2021	162,503	(7,157)
2022	74,971	(8,998)
2023 – 2024	82,173	(4,235)
Total	**$ 667,506**	**$ 17,655**

7. COMMERCIAL PAPER NOTES

An amended subordinated indebtedness resolution allows IPA to currently issue commercial paper notes in amounts not to exceed $100,000,000 outstanding at any one time. The commercial paper notes outstanding at June 30, 2017 of $100,000,000 bear interest between 0.88% and 0.95% with remaining maturities ranging between 5 and 40 days. The commercial paper notes outstanding at June 30, 2016 of $100,000,000 bore interest between 0.45% and 0.50% with remaining maturities ranging between 1 and 35 days.

IPA has entered into certain credit agreements with third parties equal to the outstanding principal portion of the commercial paper notes. The credit agreements will provide funds, if required, to pay the outstanding principal of the commercial paper notes. The credit agreements, if utilized, create subordinated bank notes. At June 30, 2017 and 2016, there were no borrowings under these agreements.

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. The advances from SCPPA run concurrently with the life of the Project. Management believes that advances from SCPPA in the accompanying financial statements meet those required under the STS Agreement.

9. ASSET RETIREMENT OBLIGATIONS

IPA's transmission facilities are generally located upon land that is leased from the Federal and certain states' 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, the fair value of asset retirement obligations (ARO) related to the transmission facilities cannot be reasonably estimated. IPA also has certain ARO related to other long-lived assets at or near the generation station site. 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 April 17, 2015, Environmental Protection Agency (EPA) published the Disposal of Coal Combustion Residual (CCR) from Electric Utilities final rule (CCR Rule) in the Federal Register, setting October 19, 2015 as the effective date of the CCR Rule. The CCR rule regulates the disposal of CCR, including coal ash, as nonhazardous solid waste in landfills and surface impoundments at active generating power plants. As of June 30, 2017 and 2016, IPA's ARO includes estimates related to the CCR Rule. As changes occur to the expected timing and method of compliance and as the assumptions of underlying cost estimates are refined, the estimated ARO will continue to be updated.

The changes in the ARO for the years ended June 30, 2017 and 2016, are as follows (in thousands):

	2017	2016
Beginning balance	$ 66,549	$ 62,994
Accretion expense	3,756	3,555
Ending balance	**$ 70,305**	**$ 66,549**

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 $33,279,000 and $25,981,000 for the years ended June 30, 2017 and 2016, 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 (the "Renewal Amendment") that provides for the repowering of the Project to be fueled by natural gas and the renewal offer to the Purchasers of generation and transmission entitlements of the Project following the termination of the Contracts on June 15, 2027. The Renewal Power Sales Contracts (the "Renewal Contracts") became effective on January 17, 2017 when 100% of entitlements were accepted. The 50-year term of the Renewal Contracts is to commence upon termination of the Contracts.

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 are held in the Revenue Fund and are 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 Purchasers have elected to deposit funds into the BRFA in addition to the funds required to be paid by them to IPA for power supply costs. The remaining BRFA funds totaled approximately $73,378,000 and $70,823,000 as of June 30, 2017 and 2016, respectively. Subsequent to fiscal year end, $17,855,000 of BRFA funds were used to defease the 2018 and 2019 maturities of the 2007 Series A Bonds (see Note 5).

11. RELATED PARTY TRANSACTIONS

LADWP, as Operating Agent, performed engineering and other services for the Project totaling approximately $30,442,000 and $26,703,000 for the years ended June 30, 2017 and 2016, respectively, which has been billed to IPA and charged to operations or utility plant, as appropriate. Operating Agent unbilled costs totaling $3,524,000 and $914,000 are included in other current assets at June 30, 2017 and 2016, respectively. Power sales to LADWP for the years ended June 30, 2017 and 2016, totaled $377,996,000 and $407,641,000, respectively. The receivable from LADWP at June 30, 2017 and 2016, was $1,168,000 and $2,625,000, respectively.

Power sales to the City of Anaheim for the years ended June 30, 2017 and 2016, totaled $76,576,000 and $78,060,000, respectively. The receivable from the City of Anaheim at June 30, 2017 and 2016, was $449,000 and $301,000, respectively.

Subordinated notes payable have been issued to LADWP (see Note 6). Interest expense on these subordinated notes payable of $24,272,000 and $23,123,000 has been recorded for the years ended June 30, 2017 and 2016, respectively, of which $2,752,000 and $2,284,000 was payable at June 30, 2017 and 2016, respectively.

Subordinated notes payable have been issued to the City of Pasadena (see Note 6). Interest expense on these subordinated notes payable of $1,183,000 and $1,359,000 has been recorded for the years ended June 30, 2017 and 2016, respectively, of which $90,000 and $107,000 was payable at June 30, 2017 and 2016, respectively.

12. COMMITMENTS AND CONTINGENCIES

COAL SUPPLY – At June 30, 2017, 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:		
2018	$	173,982
2019		163,011
2020		166,550
2021		170,182
2022		173,910
Thereafter		451,240
Total	**$**	**1,298,875**

The actual cost of coal purchases under the coal supply contracts for the years ended June 30, 2017 and 2016, was approximately $202,518,000 and $237,514,000, respectively.

UTAH DAIRY CASE – On February 7, 2005, certain Utah dairy farmers located in Millard County, Utah filed suit against IPA, LADWP, IPSC and other defendants in the Third Judicial District of Utah (Salt Lake County), in the matter styled *Gunn Hill Dairy Properties, LLC, et al. v. Los Angeles Department of Water and Power, et al.*, Case No. 050700157 (the "Utah Dairy Case"). IPA and other defendants then successfully moved for a transfer of venue to the Fourth Judicial District (Millard County) of Utah. Venue of the case was ultimately changed to Nephi, Utah, in Juab County.

In the Utah Dairy Case, plaintiffs alleged that "stray voltage" was emanating from the Project and reaching plaintiffs' dairy farms, causing damage. In pre-trial proceedings, a number of the plaintiffs' claims were dismissed on motion of IPA and other defendants.

On September 20, 2013, the matter proceeded to an initial trial with six of the plaintiffs' (the "Original Six Plaintiffs"). It was contemplated at that time that the remainder of the plaintiffs would have one or more additional trials.

In November 2013, a mistrial was declared in the Utah Dairy Case relating to the Original Six Plaintiffs. The mistrial was declared based on juror misconduct involving communications by a juror with family members about the trial.

After the mistrial, the defendants filed a motion for judgment notwithstanding the verdict asserting that the Original Six Plaintiffs had failed to produce enough evidence to submit a case to jury. On April 29, 2014, the court granted the motion in part and denied it in part. The court dismissed all but one of the Original Six Plaintiffs' claims, including their claim for punitive damages, but left open for a further jury trial the Original Six Plaintiffs' claim of negligence. Neither party appealed the court's order with respect to the motion.

Also following the mistrial, plaintiffs filed a motion for sanctions and for a change of venue. On August 29, 2014, the court denied the Original Six Plaintiffs' motion both for sanctions and for a change of venue.

On September 15, 2014, plaintiffs filed a petition with the Utah Supreme Court for leave to take an interlocutory appeal of the order denying the motion for sanctions and for a change of venue. The Utah Supreme Court declined to accept the appeal, but subsequently, the Utah Court of Appeals, an intermediate appeals court, allowed an appeal on the narrow issue of whether the trial court correctly denied plaintiffs' change of venue motion. On October 29, 2015, the Utah Court of Appeals affirmed the trial court's ruling denying plaintiffs' motion to change venue.

On May 16, 2016, the trial court scheduled a new trial of the Original Six Plaintiffs, to begin March 9, 2017, and invited the parties to file motions relating to further pretrial proceedings

During the last several months of 2016, the trial court invited and considered input from the parties concerning the most efficient and fair configuration of the upcoming March 2017 trial. Ultimately, the court decided that rather than conducting three successive jury trials of six dairies at a time, the March 2017 trial would address, for all eighteen plaintiff dairies, the bifurcated issue of whether each dairy could prove that IPP's direct current was found on its dairy. If this threshold issue was decided by the jury favorably to any of the plaintiff dairies, then subsequent trials would be held on the issues of causation and damages. Otherwise, the case, as to those dairies unable to prove the threshold issue, would be over.

On the eve of the March 2017 trial, plaintiffs instigated settlement inquiries and simultaneously filed an emergency motion to continue the trial. The trial court agreed to continue the trial at plaintiffs' request. Settlement discussions continued intermittently for several weeks, resulting in a settlement agreement being signed by all plaintiffs and/or the bankruptcy trustee for those dairies involved in bankruptcy proceedings. The settlement was contingent on approvals by those bankruptcy courts involved, which approvals were obtained. On August 26, 2017, the trial court adopted and entered defendants' proposed final order dismissing all of plaintiffs' claims and causes of action with prejudice. The order of dismissal entered by the court brought this longstanding litigation to an end. The settlement terms are confidential per the settlement agreement, but the settlement had no negative financial impact on IPA or the other defendants.

OTHER LITIGATION – IPA is also in other litigation arising from its operating activities. The probability or extent of unfavorable outcomes of these suits is not presently determinable.

CLEAN AIR ACT NEW SOURCE REVIEW – IPA received from EPA in 2010 and 2011 requests for information, pursuant to Section 114 of the Clean Air Act ("CAA"), concerning the construction, modification and operation of the Project. IPA responded to these requests in 2010-2012, and later provided additional information in response to follow-up questions and requests from EPA. These Section 114 requests are part of a national enforcement initiative that EPA has undertaken under the CAA against owners and operators of electric generating facilities. EPA generally asserts that the industry has failed to comply with the New Source Review provision of the CAA ("NSR"), arguing that industries have made certain physical or operational changes at their plants that should have resulted (or "triggered") additional regulatory requirements under the NSR program. With respect to IPA, EPA asserts that certain uprate projects undertaken at the station in 2002-2004 triggered NSR. On February 19, 2015, IPA received from Sierra Club a Notice of Intent to Sue under the CAA, also alleging that the uprate projects triggered NSR.

IPA has met with EPA and the United States Department of Justice (DOJ) to discuss potential resolution of this investigation on several occasions since 2012, with the most recent meeting taking place March 20, 2017. To date, EPA has not issued a notice of violation, or initiated other formal enforcement action against IPA with regard to this matter. Likewise the Sierra Club filed no lawsuit. If the government were to file an enforcement action, and/or if Sierra Club were to file a lawsuit under the citizen suit provisions of the CAA, either could request that the court order injunctive relief to require additional emissions control equipment at the facility and civil penalties of up to $37,500 per day for each violation that occurred before November 2, 2015; and up to $95,284 per day for each violation that occurred after November 2, 2015. It is not possible to predict whether these claims will be asserted or what likelihood there is of any unfavorable outcome.

CALIFORNIA GREENHOUSE GAS INITIATIVES – For several years, California policy makers have sought to limit greenhouse gas emissions in California as a result of power generation. Both the Los Angeles City Council and the State of California have adopted renewable portfolio standards, which, among other things require 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. 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. WORKING CAPITAL LINE OF CREDIT

During the year ended June 30, 2017, IPA entered into a working capital credit agreement with Bank of America NA (BANA) that allows IPA to borrow funds from time to time to provide working capital for the payment of costs of acquisition and construction of the Project and/or for the payment of operating costs. The commitment under the BANA agreement is $100,000,000. Amounts borrowed as revolving loans under the BANA agreement are required to be repaid or converted to a term loan no later than February 1, 2018. The principal of the term loan under the BANA agreement is required to be paid in full by February 1, 2020. As of June 30, 2017, the borrowings under the BANA agreement totaled $75,000,000 and bear interest at 1.989% which is calculated as LIBOR plus 0.78%. There is no collateral required on these borrowings. IPA is subject to certain covenants in connection with this credit agreement. IPA believes that it is in compliance with all covenants as of June 30, 2017.

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Intermountain Power Agency

Supplemental Schedule of Changes in Funds Established by the IPA Revenue Bond Resolution for the Years Ended June 30, 2016 and 2017 (in thousands)

		Restricted Assets			
		Subordinated Indebtedness Fund			
	Revenue Fund	Debt Service Account	Debt Service Reserve Account	Self-Insurance	Total
BALANCE, JULY 1, 2015	$ 216,628	$ 98,173	$ 11,273	$ 7,571	$ 333,645
ADDITIONS:					
Power billings received	603,496	—	—	—	603,496
Other revenues	1,203	—	—	—	1,203
Investment earnings	2,170	158	116	106	2,550
Total	606,869	158	116	106	607,249
DEDUCTIONS:					
Operating expenditures	407,712	—	—	—	407,712
Capital expenditures	20,648	—	—	—	20,648
Interest paid	—	47,354	—	—	47,354
Bond and subordinated note principal paid	—	169,993	—	—	169,993
Total	428,360	217,347	—	—	645,707
TRANSFERS:					
Transfer of revenues to other Funds	(221,009)	221,084	(75)	—	—
Other transfers	4,607	—	(1,607)	(3,000)	—
Total	(216,402)	221,084	(1,682)	(3,000)	—
BALANCE, JUNE 30, 2016	**$ 178,735**	**$ 102,068**	**$ 9,707**	**$ 4,677**	**$ 295,187**

(continued)

Intermountain Power Agency

Supplemental Schedule of Changes in Funds Established by the IPA Revenue Bond Resolution for the Years Ended June 30, 2016 and 2017 (in thousands)

		Restricted Assets			
		Subordinated Indebtedness Fund			
	Revenue Fund	Debt Service Account	Debt Service Reserve Account	Self-Insurance	Total
BALANCE, JULY 1, 2016	$ 178,735	$ 102,068	$ 9,707	$ 4,677	$ 295,187
ADDITIONS:					
Power billings received	546,479	—	—	—	546,479
Other revenues	1,009	—	—	—	1,009
Investment earnings	3,070	571	(26)	(54)	3,561
Advances from line of credit	75,000	—	—	—	75,000
Total	625,558	571	(26)	(54)	626,049
DEDUCTIONS:					
Operating expenditures	370,021	—	—	—	370,021
Capital expenditures	17,949	—	—	—	17,949
Interest paid	—	44,903	—	—	44,903
Bond and subordinated note principal paid	—	108,973	—	—	108,973
Repayments to Southern California Public Power Authority	620	—	—	—	620
Total	388,590	153,876	—	—	542,466
TRANSFERS:					
Transfer of revenues to other Funds	(205,510)	205,537	(27)	—	—
Other transfers	2,555	—	(2,555)	—	—
Total	(202,955)	205,537	(2,582)	—	—
BALANCE, JUNE 30, 2017	**$ 212,748**	**$ 154,300**	**$ 7,099**	**$ 4,623**	**$ 378,770**

(concluded)