ANNUAL DISCLOSURE REPORT FOR FISCAL YEAR 2017-2018

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

Subordinated Power Supply Revenue Refunding Bonds
2014 Series A
2018 Series A

Filed With the
Municipal Securities Rulemaking Board

Dated as of
December 31, 2018

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

Board of Directors
Ted L. Olson – Chair

Blaine J. Haacke
Eric Larsen
Allen Johnson
Mark Montgomery
Bruce Rigby
Nick Tatton

Management
R. Dan Eldredge – General Manager

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

Power Purchasers

Utah

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

California

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

Coordinating Committee
Chairman – R. Dan Eldredge

Power Purchaser(s) Represented	Representative
Murray City	Blaine J. Haacke
City of Logan	Mark Montgomery
Other Utah Municipal Purchasers	Ted L. Olson
Moon Lake Electric Association, Inc.	Grant J. Earl
Mt. Wheeler Power, Inc.	Kevin Robison
Other Cooperative Purchasers	Durand Robison

Power Purchaser Represented	Representative
Department of Water and Power of The City of Los Angeles	Paul R. Schultz
City of Anaheim	Dukku Lee
City of Burbank	Jorge Somoano
City of Glendale	Stephen M. Zurn
City of Pasadena	Gurcharan Bawa
City of Riverside	Todd L. Jorgenson

Trustee and Paying Agent
The Bank of New York Mellon
New York, New York

Operating Agent
Department of Water and Power of The City of Los Angeles

Consulting Engineer
Leidos Engineering, LLC
Seattle, Washington

Counsel to the Agency
Holland & Hart LLP
Salt Lake City, Utah

Bond Counsel
Orrick, Herrington & Sutcliffe LLP
New York, New York

Financial Advisor
George K. Baum & Company
Salt Lake City, Utah

TABLE OF CONTENTS

ANNUAL DISCLOSURE REPORT
FOR FISCAL YEAR 2017-2018

RELATING TO

INTERMOUNTAIN POWER AGENCY

(a political subdivision of the State of Utah)

Subordinated Power Supply Revenue Refunding Bonds
2014 Series A
2018 Series A

INTRODUCTION

General

This Annual Disclosure Report for Fiscal Year 2017-2018 (together with the Appendices hereto and all information incorporated by reference herein, this "Annual Report") is furnished by Intermountain Power Agency (the "Agency"), a political subdivision of the State of Utah (the "State"), to provide information regarding the Agency, the Intermountain Power Project (the "Project"), the Agency's Senior Indebtedness (as defined below) that may be issued after the date of this Annual Report and the Agency's Subordinated Indebtedness (as defined below) that is outstanding or that may be issued after the date of this Annual Report and certain of the Power Purchasers (as defined below). THIS ANNUAL REPORT IS BEING FURNISHED SOLELY FOR THE BENEFIT AND USE OF THE PERSONS LISTED IN CLAUSES (1) AND (2) IN THE LAST PARAGRAPH OF THE SECTION CAPTIONED "CONTINUING DISCLOSURE UNDERTAKINGS" BELOW.

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

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

Certain Definitions

Certain capitalized terms used in this Annual Report are defined under the caption "Definitions" in Appendices A and B hereto. In addition, as used in this Annual Report, the following terms shall have the following meanings:

"Amended and Restated Resolution" shall mean the Agency's Amended and Restated Power Supply Revenue Bond Resolution adopted August 28, 1998, as it may be amended and supplemented from time to time.

"Continuing Disclosure Resolution" shall mean the Agency's Resolution No. IPA-2013-003, adopted February 22, 2013, entitled "Second Master Resolution as to the Provision of Certain Continuing Disclosure Information With Respect to Certain Designated Series of IPA Subordinated Bonds," a copy of which is attached hereto as Appendix D.

"Covered Bonds" shall mean all of the bonds listed on the front cover of this Annual Report.

"Resolution" shall mean the Agency's Power Supply Revenue Bond Resolution adopted September 28, 1978, as amended and supplemented from time to time, including, without limitation, as supplemented, amended and restated by the Amended and Restated Resolution.

"Senior Indebtedness" shall mean obligations of the Agency issued under the Resolution which are on a senior lien basis as to security and source of payment, and which constitute "Bonds" (as defined in the Resolution). As of the date of this Annual Report, no Bonds are Outstanding under the Resolution, although the Agency has reserved the right to issue additional Bonds in the future.

"Subordinated Bonds" shall mean obligations of the Agency issued under the Subordinated Resolution which are expressly subordinate and junior in all respects to the security for and payment of Senior Indebtedness, including the Agency's Subordinated Power Supply Revenue Refunding Bonds, 2014 Series A and 2018 Series A.

"Subordinated Indebtedness" shall mean obligations of the Agency issued in accordance with the Resolution which are expressly subordinate and junior in all respects to the security for and payment of Senior Indebtedness and shall include the following:

(i) the principal of and interest on the Subordinated Bonds;

(ii) the principal of and interest on the Subordinated Notes;

(iii) the principal of and interest on the Working Capital Loans (as defined below); and

(iv) the principal of and interest on, or amounts due as, Subordinated Indebtedness which the Agency may hereafter issue or incur and which are on a parity with or junior to the obligations described in the immediately preceding clauses (i), (ii) and (iii).

"Subordinated Notes" shall mean the Agency's Commercial Paper Notes, Series B (the "CP Notes"), the Agency's Series F Notes (as defined below) and the Agency's Series I Notes (as defined below).

"Subordinated Resolution" shall mean the Agency's Subordinated Power Supply Revenue Bond Resolution adopted March 4, 2004, as amended and supplemented from time to time.

Continuing Disclosure Undertakings

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

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

The Agency

The Agency was organized in June 1977 by 23 Utah municipalities under the Utah Interlocal Cooperation Act, Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the "Act"), and pursuant to the Intermountain Power Agency Organization Agreement, dated May 10, 1977 (as amended, the "Intermountain Power Agency Organization Agreement"). See "INTERMOUNTAIN POWER AGENCY" below.

The Project

The Agency has acquired and constructed and is operating the Project, which consists of: (i) a two-unit coal-fired steam-electric generating plant with a net rating of 1,800 MW (the "Intermountain Generating Station") and a switchyard (the "Switchyard"), located near Lynndyl, in Millard County, Utah; (ii) a $\pm$500-kV direct current transmission line approximately 490 miles in length from and including the Intermountain Converter Station (an alternating current/direct current converter station adjacent to the Switchyard) to and including a corresponding converter station at Adelanto, California (collectively, the "Southern Transmission System"); (iii) two 50-mile 345-kV alternating current transmission lines from the Switchyard to the Mona Switchyard in the vicinity of Mona, Utah and a 144-mile 230-kV alternating current transmission line from the Switchyard to the Gonder Switchyard near Ely, Nevada (collectively, the "Northern Transmission System"); (iv) a microwave communications system; (v) a railcar service center located in Springville, in Utah County, Utah (the "Railcar Service Center"); and (vi) certain water rights and coal supplies (which water rights and coal supplies, together with the Intermountain Generating Station, the Switchyard and the Railcar Service Center, are referred to herein collectively as the "Generation Station"). The design and construction of the Project were managed for the Agency by the Department of Water and Power of The City of Los Angeles (the "Department") in its capacity as Project Manager. The operation and maintenance of the Project are being managed for the Agency by the Department in its capacity as Operating Agent. All of the facilities of the Project have been in commercial operation since May 1, 1987 and have generally operated at capacity and availability levels higher than those anticipated in the Agency's annual budget. In recent years, the Project has operated at less than industry-average capacity levels. See "PROJECT OPERATIONS – Management and Operation of the Project" below for a description of the operating

history of the Project. See "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – California Greenhouse Gas Initiatives – *Impacts on the Agency*" below for a description of factors impacting the utilization of the Project. As used in this Annual Report, "Project" does not and will not be deemed to include any additional or repowered generating unit that may be constructed hereafter at the Intermountain Generating Station.

Financing of the Project

The Agency has financed the acquisition and construction of the Project through the issuance of Senior Indebtedness and Subordinated Indebtedness. On April 2, 2013, the Agency caused all of its Senior Indebtedness then Outstanding to be deemed to have been paid within the meaning and with the effect expressed in the Resolution. As a result, no Senior Indebtedness currently is Outstanding. The Agency may issue Senior Indebtedness from time to time in the future; therefore, the terms on which the Agency may issue Senior Indebtedness are described in this Annual Report. See "INDEBTEDNESS OF THE AGENCY – Additional Senior and Subordinated Indebtedness" below.

As more fully described under "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS" below, principal and interest constituting Senior Indebtedness that may be Outstanding from time to time are payable solely from and secured solely by the Trust Estate, which is defined in the Resolution to mean: (i) the proceeds of the sale of Senior Indebtedness; (ii) all revenues, income, rents and receipts derived by the Agency from or attributable to the ownership and operation of the Project, the proceeds of any insurance covering business interruption loss relating to the Project and interest on all moneys or securities held pursuant to the Resolution and required to be paid into the Revenue Fund ("Revenues"); and (iii) all funds and accounts established by the Resolution (other than the Debt Service Reserve Account in the Debt Service Fund), subject only to its provisions permitting the application thereof for the purposes and on the terms and conditions set forth therein. In addition, the principal or sinking fund redemption price, if any, of, and interest on, any Senior Indebtedness hereafter issued may, at the option of the Agency, be additionally secured by amounts on deposit in any particular subaccount in the Debt Service Reserve Account in the Debt Service Fund established by the Resolution specified by the Agency in connection with the issuance thereof, including the Initial Subaccount therein (the "Initial Subaccount"), subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein. See "INDEBTEDNESS OF THE AGENCY – Additional Senior and Subordinated Indebtedness" and "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS – Debt Service Reserve Account" below.

As more fully described under "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS" below, principal, interest and other amounts payable as Subordinated Indebtedness are subordinate and junior in all respects to principal and interest constituting Senior Indebtedness and are payable, subject to the prior payment of Senior Indebtedness, only from, and may be secured by, amounts on deposit in the Subordinated Indebtedness Debt Service Account in the Subordinated Indebtedness Fund established by the Resolution as may from time to time be available therefor (and, in certain cases, from amounts on deposit in the Subordinated Indebtedness Debt Service Reserve Account in the Subordinated Indebtedness Fund).

As permitted by the Resolution, each issue of Subordinated Indebtedness may have such rank or priority with respect to any other issue as may be established by the Agency in the resolution, indenture or other instrument securing such issue of Subordinated Indebtedness. To date, the Agency has established two lien levels for its currently outstanding Subordinated Indebtedness, First Level Subordinated Indebtedness and Second Level Subordinated Indebtedness (as such terms are defined in "Definitions" in Appendix B hereto). Principal of and interest on, and other amounts payable as, Second Level Subordinated Indebtedness are subordinate and junior in all respects to principal of and interest on, and

other amounts payable as, First Level Subordinated Indebtedness. For a description of the security for and right to payment of Senior Indebtedness and the priority of Senior Indebtedness as to payment and security over Subordinated Indebtedness, see "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS" below.

The Power Purchasers

The Agency has sold the entire capability of the Project to 35 entities (the "Power Purchasers") pursuant to separate power sales contracts between the Agency and each Power Purchaser (which power sales contracts, as amended, are referred to herein as the "Power Sales Contracts"). The Power Purchasers are 35 utilities consisting of the Department, the City of Anaheim, California ("Anaheim"), the City of Riverside, California ("Riverside"), the City of Burbank, California ("Burbank"), the City of Glendale, California ("Glendale"), and the City of Pasadena, California ("Pasadena" and, together with the Department, Anaheim, Riverside, Burbank and Glendale, collectively, the "California Purchasers"); 23 members of the Agency (collectively, the "Utah Municipal Purchasers"); and six rural electric cooperatives serving loads in the States of Utah, Arizona, Colorado, Nevada and Wyoming (collectively, the "Cooperative Purchasers" and, together with the Utah Municipal Purchasers, collectively, the "Utah Purchasers"). The California Purchasers, the Utah Municipal Purchasers and the Cooperative Purchasers have contracted, pursuant to their Power Sales Contracts, to purchase 78.943%, 14.040% and 7.017%, respectively, of the net capability of the Generation Station.

For information regarding the Department and Anaheim (the Department and Anaheim being the only Power Purchasers having responsibility for in excess of 10% of the costs of the Project), see: (i) the Department's Annual Report (for its Power System) for its fiscal year 2017-2018 (the "Department Disclosure Report"); and (ii) the Anaheim Continuing Disclosure Report (for its Electric System) for its fiscal year 2017-2018 (the "Anaheim Disclosure Report" and, together with the Department Disclosure Report, the "Incorporated Information"). In accordance with the requirements of the Continuing Disclosure Resolution, the Incorporated Information is incorporated into this Annual Report by this reference, and shall constitute a part of this Annual Report as though set forth herein, to the extent the Incorporated Information updates, modifies, supplements or otherwise provides any information that the Agency is required to include in its annual reports filed pursuant to the Continuing Disclosure Resolution. The Incorporated Information has been filed with the MSRB through EMMA.

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

the Excess Power Purchasers all or any portion of their aggregate 21.057% entitlements to the use of the capability of the Project.

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

Based on the current schedules of power to be sold under the Excess Power Sales Agreement, which schedules are revised annually: (i) the recalling Utah Purchasers have committed, subject to certain permitted adjustments, to sell to the Excess Power Purchasers, until March 24, 2021, their Project capability in excess of that which they have recalled; (ii) certain of the recalling Utah Purchasers have recalled Project capability for various Seasons between March 25, 2021 and March 24, 2027, and may recall all or any portion of their remaining Project capability for those Seasons and also may recall all or any portion of their Project capability for Seasons thereafter until the term of the Excess Power Sales Agreement ends, subject to their compliance with the recall requirements thereof; and (iii) the remaining Utah Purchasers have committed, subject to certain permitted adjustments, to sell to the Excess Power Purchasers, until March 24, 2021, their entire Project capability, but may recall, subject to their compliance with the recall requirements of the Excess Power Sales Agreement, all or any portion of their Project capability for any Season thereafter until the term of the Excess Power Sales Agreement ends.

For a description of the obligations of the respective Power Purchasers to take or pay for capability of the Project, and the rights of the Utah Purchasers to recall capability of the Project, see "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS – Power Sales Contracts" and "– Excess Power Sales Agreement" below and "SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS" and "SUMMARY OF CERTAIN PROVISIONS OF THE EXCESS POWER SALES AGREEMENT" in Appendix C hereto.

The following table sets forth, as percentages, the capability of the Generation Station that each California Purchaser and the Utah Municipal Purchasers and the Cooperative Purchasers that have recalled such capability are obligated to purchase and pay for from and after September 25, 2018. The table is based on: (i) the percentage each California Purchaser purchases under its Power Sales Contract and, as to the Excess Power Purchasers, the capability of the Generation Station each is presently committed to purchase under the Excess Power Sales Agreement; and (ii) the percentage of capability of the Generation Station that has been recalled by certain of the Utah Municipal Purchasers and the Cooperative Purchasers as described above. Any other recalls that may be effected hereafter will correspondingly decrease the percentages shown below for the Excess Power Purchasers. See "POWER PURCHASERS' COST AND ENTITLEMENT SHARES" and "SUMMARY OF CERTAIN PROVISIONS OF THE EXCESS POWER SALES AGREEMENT – Excess Entitlement Shares" in Appendix C hereto.

Percentages of Capability of
Generation Station to be Purchased

Power Purchaser	Winter Season beginning 25 Sep 2018	Winter Season beginning 25 Sep 2019	Winter Season beginning 25 Sep 2020	All Other Winter Seasons	Summer Season beginning 25 Mar 2019	Summer Season beginning 25 Mar 2020	All Other Summer Seasons
The Department	66.785%	65.324%	65.324%	65.971%	66.785%	65.255%	65.795%
Anaheim	13.225	13.225	13.225	13.225	13.225	13.225	13.225
Riverside	7.617	7.617	7.617	7.617	7.617	7.617	7.617
Pasadena	6.000	5.872	5.872	5.929	6.000	5.866	5.913
Burbank	4.167	4.103	4.103	4.131	4.167	4.100	4.124
Glendale	2.206	2.165	2.165	2.183	2.206	2.163	2.178
Utah Municipal Purchasers	0.000	0.750	0.750	0.000	0.000	0.830	0.204
Cooperative Purchasers	0.000	0.944	0.944	0.944	0.000	0.944	0.944

Gas Repowering

Further to the Agency's strategic planning initiatives and following discussions with the Department and the other Power Purchasers, the members of the Agency entered into an amendment to the Intermountain Power Agency Organization Agreement, effective as of November 26, 2013 (the "2013 Organization Agreement Amendment") and the Agency and the Power Purchasers entered into amendments to the Power Sales Contracts, dated December 8, 2015 (the "Power Sales Contracts Amendments"). The 2013 Organization Agreement Amendment provides, among other things, for the extension of the Agency's existence and for the use of fuels in addition to coal for generation of power at the Project. The Power Sales Contracts Amendments provide, principally, for the repowering of the Project to consist of gas-fueled power blocks to replace the coal-fired units with permitting and construction of the gas units to commence by January 1, 2020 and commercial operation of the gas units to be achieved by July 1, 2025 (the "Gas Repowering").

Pursuant to the Power Sales Contracts Amendments, the Agency offered renewal power sales contracts to the Power Purchasers. The Agency and 32 of the Power Purchasers entered into Renewal Power Sales Contracts, which became effective on January 16, 2017 (the "Renewal Power Sales Contracts"). One renewing California Purchaser has since provided a notice of termination of its Renewal Power Sales Contract to the Agency (such termination to be effective November 1, 2019). The Renewal Power Sales Contracts provide for the sale of the generation and transmission entitlements of the Project following the termination of the Power Sales Contracts (currently provided to occur on June 15, 2027) through June 15, 2077.

The Department, the renewing Utah Purchasers and the Agency entered into the Agreement for Sale of Renewal Excess Power, dated May 15, 2017 (the "Agreement for Sale of Renewal Excess Power") to provide for, among other things, the resale of capacity and output of the Project by the renewing Utah Purchasers to the Department following the termination of the Excess Power Sales Agreement (currently provided to occur on June 15, 2027). Payments to the Department under such agreement are to be made monthly to the Agency for the accounts of the respective sellers.

Following the effectiveness of the Renewal Power Sales Contracts, the Department, in its capacity as a Power Purchaser, requested a reduction in the design capacity and changes in the configuration of the natural gas facilities contemplated by the Power Sales Contracts Amendments (known under such contracts as an "Alternative Repowering"). The Project's governing bodies have approved the requested Alternative Repowering. In satisfaction of a condition to the effectiveness of the requested Alternative Repowering, the California Energy Commission (the "CEC") has approved the requested Alternative Repowering based on compliance filings submitted by the California Purchasers.

See "ELECTRIC INDUSTRY RESTRUCTURING – California Electric Energy Actions – *California Political Environment*," "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – California Greenhouse Gas Initiatives," "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS – Gas Repowering" and "INTERMOUNTAIN POWER AGENCY – The Interlocal Cooperation Act" below.

The Agency does not believe that the 2013 Organization Agreement Amendment, the Power Sales Contracts Amendments, the Renewal Power Sales Contracts, the Agreement for Sale of Renewal Power, the Alternative Repowering or other documents relating to the Gas Repowering will reduce the amount of, or extend the time for, the payments that are pledged as security for Subordinated Indebtedness or will impair or adversely affect the rights of the holders of Subordinated Indebtedness.

Other Amendments to Material Contracts

The Agency's Board of Directors and the requisite number of the Agency's members approved an amendment to the Intermountain Power Agency Organization Agreement during 2018 (the "2018 Organization Agreement Amendment"). The 2018 Organization Agreement Amendment effects changes to facilitate the development of facilities at the Project site as well as update the Intermountain Power Agency Organization Agreement with respect to general governance matters. The Agency does not believe that the 2018 Organization Agreement Amendment reduces the amount of, or extends the time for, the payments that are pledged as security for Subordinated Indebtedness or impair or adversely affect the rights of the holders of Subordinated Indebtedness.

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

Amendments to the Resolution

On August 28, 1998, the Agency's Board of Directors adopted the following resolutions which provide for certain amendments to the Resolution: (i) the Amended and Restated Resolution; (ii) the Forty-Eighth Supplemental Power Supply Revenue Bond Resolution (the "Forty-Eighth Supplemental Resolution"); (iii) the Forty-Ninth Supplemental Power Supply Revenue Bond Resolution (the "Forty-Ninth Supplemental Resolution" and together with the Forty-Eighth Supplemental Resolution, the "Effective Amendatory Resolutions"); and (iv) the Fiftieth Supplemental Power Supply Revenue Bond Resolution (the "Fiftieth Supplemental Resolution").

The conditions precedent to the effectiveness of the amendment and restatement of the Resolution provided for in the Amended and Restated Resolution and the amendment of the Resolution provided for in the Effective Amendatory Resolutions have been satisfied. As a result, (i) the Amended and Restated Resolution became effective as of July 30, 2007 (such date is referred to herein as the "Amended and Restated Resolution Effective Date"); (ii) the Effective Amendatory Resolutions became effective as of April 2, 2013; and (iii) the Amended and Restated Resolution and the Effective Amendatory Resolutions are conclusively binding upon the Agency, the Fiduciaries and the Holders of all Senior Indebtedness that may be issued. The changes to the Resolution effected by the Amended and Restated Resolution and the Effective Amendatory Resolutions are reflected in the description of the Resolution contained in this Annual Report, including the summary of the Resolution set forth in Appendix A hereto.

If and when the amendments set forth in the Fiftieth Supplemental Resolution become effective, they will apply to all of the Agency's Senior Indebtedness then Outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED

INDEBTEDNESS – Proposed Amendments to the Resolution" below. For a description of the proposed amendments contained in the Fiftieth Supplemental Resolution and the conditions to such proposed amendments becoming effective, see "Proposed Amendments to the Resolution" in Appendix A hereto.

Other

This Annual Report includes summaries of the Senior Indebtedness that may be Outstanding from time to time, the Subordinated Indebtedness, the Resolution, the Fiftieth Supplemental Resolution, the Subordinated Resolution, certain provisions of the Act and other statutes, regulations, orders and opinions and certain contracts and other arrangements for the supply of power and the raising of revenues for the payment of the Senior Indebtedness that may be Outstanding from time to time and the Subordinated Indebtedness. The summaries of and references to all documents, statutes, regulations, orders, opinions, reports and other instruments referenced herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, regulation, order, opinion, report or instrument. Capitalized terms which are used but not otherwise defined herein shall have the respective meanings set forth in such documents as appropriate based on the context in which such terms are used.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

Forward-looking statements are included, among other places, in the sections of this Annual Report captioned "INTRODUCTION," "RISK FACTORS," "ELECTRIC INDUSTRY RESTRUCTURING," "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY," "THE AGENCY'S COST REDUCTION PROGRAM," "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS," "INTERMOUNTAIN POWER AGENCY," "THE AGENCY'S FINANCING PROGRAM," "FISCAL YEAR 2018-2019 ANNUAL BUDGET" and "LITIGATION."

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

- changes in the rating of the Agency's bonds or the credit rating of the Agency, the Department, or a material Power Purchaser;
- the ability and willingness of counterparties of the Agency to make payments as and when due and to perform as required;
- default under any of the Power Sales Contracts;
- effects of compliance with changing environmental, safety, licensing, regulatory and legislative requirements in addition to those described or included by specific reference herein;
- national, state and local laws, rules, referenda, propositions, initiatives or policies, including those directed at limiting or restricting emissions of carbon dioxide ("CO_2") and other greenhouse gases ("GHGs") or that favor "renewable" or "green" electric generation methods over generation facilities powered by fossil fuels, including the Clean Power Plan (as defined below), as promulgated, by the United States Environmental Protection Agency ("EPA");
- substantial public sentiment against the use of coal as a fuel for electric generating facilities;
- unavailability of or substantial increases in the cost of coal;
- a failure to obtain or maintain permits;
- effects resulting from future changes in national energy policy or the manner in which such policy is implemented;
- effects of deregulation;
- issues relating to the reliability of electric transmission systems and grids, such as the reliability issues highlighted or exposed by power blackouts that have occurred in widespread regions of North America at various times;
- operational, generation, and transmission failures;
- availability and sufficiency of transmission capacity, particularly during times of high demand;
- issues relating to the ability to issue tax-exempt obligations to finance or refinance electric generation or transmission facilities, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations;
- loss of tax-exempt status for the Agency's bonds;
- increases in costs and unavailability of capital;
- current and future litigation, regulatory investigations, proceedings, or inquiries;
- inadequate risk management procedures and practices;
- cybersecurity threats;
- seismic activity or other natural disasters;
- changes resulting from conservation and demand-side management programs on the timing and use of electric energy;
- changes in load requirements;

- effects of inflation on the operating and maintenance costs of an electric utility and its facilities;
- investment performance of the Agency's invested funds;
- effects of possible manipulation of electric markets;
- the effect of accounting pronouncements issued periodically by standard-setting bodies;
- effects of changes in the economy; and
- other factors discussed in this Annual Report.

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

RISK FACTORS

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

General Factors Affecting the Electric Utility Industry

The electric utility industry in general has been, or in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. See "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION" above and "ELECTRIC INDUSTRY RESTRUCTURING," "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY" and "PROJECT OPERATIONS" below.

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

Disruptions in the Financial Markets

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

Purchasers' ability to make timely payments to the Agency, impair their financial condition, or negatively impact their credit ratings, which in turn could impair the Agency's financial condition and credit ratings.

Credit Ratings

The Covered Bonds and the CP Notes have been assigned the credit ratings set forth in "RATING TRIGGERS" below. The ratings indicate the rating agencies' assessment of the Agency's ability to pay the principal of and interest on these securities. A rating is not a recommendation to purchase, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the rating agency that assigned such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of these securities. In addition, each of the Credit Agreements (as defined below) has rating-downgrade (or withdrawal or suspension) triggers that could terminate the lending commitment and accelerate the repayment obligations under each of the Credit Agreements. Such triggers could also result in an increase in the facility fee or commitment fee payable pursuant to each of the Credit Agreements and, under the BANA Working Capital Credit Agreement (as defined below), result in an increase in the interest rate under such Credit Agreement. See (a) the final two paragraphs under "RATING TRIGGERS – BANA CP Notes Credit Agreement" and (b) the final paragraph under "RATING TRIGGERS – BANA Working Capital Credit Agreement" below. Therefore, any such downgrades, withdrawals, or suspensions could have a material adverse effect on the Agency's business, financial condition and results of operations.

Credit Risk

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

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

The California Purchasers have contracted, pursuant to their Power Sales Contracts, to purchase 78.943% of the net capability of the Generation Station. Based on the current schedules of power to be sold under the Excess Power Sales Agreement, which schedules are revised annually, the Department, individually, and the California Purchasers, as a whole, are obligated to purchase the respective percentages of the net capability of the Generation Station set forth in the following table.

Season	The Department[1]	All California Purchasers (including the Department)[1]
Winter Season Beginning September 25, 2018	66.785%	100.000%
Summer Season Beginning March 25, 2019	66.785	100.000
Winter Season Beginning September 25, 2019	65.324	98.306
Summer Season Beginning March 25, 2020	65.255	98.226
Winter Season Beginning September 25, 2020	65.324	98.306
All Other Summer Seasons	65.795	98.852
All Other Winter Seasons	65.971	99.056

(1) Subject to adjustment as described in "INTRODUCTION – The Power Purchasers" above.

Therefore, the failure of the California Purchasers generally, or of any one of them individually (particularly the Department), to remit payments on a timely basis may result in a significant adverse impact on the Agency's business, financial condition and results of operations. In addition, all of the California Purchasers and most of the Utah Purchasers are municipalities. Any of these Power Purchasers may be authorized to initiate proceedings under Chapter 9 of the Federal Bankruptcy Code without prior notice to or consent of its creditors, which may enable it to reject its existing executory contracts, such as the Power Sales Contracts, relieving the municipality of any further obligation to perform thereunder.

Furthermore, the Power Sales Contracts provide that the obligations of the respective Power Purchasers are several and not joint. This provision and the requirement of Coordinating Committee approval for changes in the Agency's annual budget may limit the Agency's ability to make up shortfalls in revenues resulting from a Power Purchaser's default. In addition, to the extent that the Agency is able to enforce provisions of the Power Sales Contracts that permit the Agency to bill non-defaulting Power Purchasers for shortfalls in revenues (notwithstanding the several liability of the Power Purchasers), the increased billings to the non-defaulting Power Purchasers may exceed the financial capabilities of one or more of the non-defaulting Power Purchasers. In such a situation, there can be no guarantee that the increased billings would be paid in a timely fashion, or at all. To the extent the amount to be paid by the non-paying Power Purchaser is not offset by revenues received from other Power Purchasers or from sales of the non-paying Power Purchaser's entitlement to the output of the Project to third parties, the Agency may not be able to pay when due principal of or interest on the Agency's indebtedness.

Liquidity

In order to repay the principal of the CP Notes when they mature, the Agency and Bank of America, N.A. ("BANA") have entered into a credit agreement dated as of January 1, 2016 (the "BANA CP Notes Credit Agreement"). In addition, the Agency and BANA have entered into a revolving credit agreement dated as of September 1, 2016 (as amended, the "BANA Working Capital Credit Agreement" and together with the BANA CP Notes Credit Agreement, collectively, the "Credit Agreements") to provide the Agency with working capital for the payment of Costs of Acquisition and Construction of the Project and/or for the payment of Operating Expenses. However, the Credit Agreements provide for lines of credit that are conditional upon, among other things, the Agency maintaining certain credit ratings for its obligations. A rating-downgrade (or withdrawal or suspension) could terminate the lending commitment and accelerate the repayment obligations under each of the Credit Agreements, result in an increase in the facility fee or commitment fee payable pursuant to each of the Credit Agreements and result in an increase in the interest rate under the BANA Working Capital Credit Agreement. See (a) the final two paragraphs under "RATING TRIGGERS – BANA CP Notes Credit Agreement" and (b) the final paragraph under "RATING TRIGGERS – BANA Working Capital Credit Agreement" below. Should events discussed under this risk factor occur, the Agency will then need to repay maturing CP Notes and the Working Capital Loans from revenues, other available funds or new sources of financing, which would constrain the Agency's liquidity and/or add to its debt service expenses.

Counterparty Risks

The Agency is a party to numerous contracts related to the ownership and operation of the Project. The failure or refusal of another party to such a contract to honor its obligations thereunder could result in inability to operate the Project and materially increase the costs associated with the Project. The Agency cannot give any assurance as to the ability or willingness of its counterparties to carry out their respective obligations.

Secondary Market

There can be no guarantee that there will be a secondary market for the Covered Bonds or, if a secondary market exists, that the Covered Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances, including the Agency's credit ratings. Such prices could be substantially different from the original purchase price.

Governmental Requirements

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

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

Permits

Among the various governmental requirements applicable to the Agency, the Agency must comply with the requirements of licenses and permits from various regulatory authorities and abide by their respective orders. Although the Agency believes that it has obtained all licenses and permits necessary for the ownership and operation of the Project, the licenses and permits impose continuing obligations on the Agency. Should the Agency or the Department (as Operating Agent under the terms of the Construction Management and Operating Agreement, as defined in the Resolution) be unsuccessful in maintaining current necessary licenses or permits (or obtaining additional licenses or permits that may become necessary) or should regulatory authorities with jurisdiction over the Project initiate any investigations or enforcement actions, revoke any necessary licenses or permits or impose penalties on the Agency, the Project or the Department, or issue orders to the Agency, the Project or the Department to cease or modify operations, the business, financial condition and results of operations of the Agency or

the Power Purchasers could be adversely affected. See "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Air Emissions – *Section 114 Information Requests*" below.

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

Deregulation of the Electric Utility Industry

Many bills have been introduced in the United States House of Representatives, the United States Senate and the legislatures of various individual states to deregulate the electric utility industry on the federal or state level. Many of the bills provided for open competition in the furnishing of electricity to all retail customers (*i.e.*, retail wheeling). No prediction can be made by the Agency as to whether any of these bills or any similar federal or state bills proposed in the future will become law or, if they become law, what their final form or effect would be. Such effect could be material to the Agency or the Power Purchasers.

For example, fundamental changes in the federal regulation of the electric utility industry were made by the federal Energy Policy Act of 1992 (the "Energy Policy Act of 1992"), particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased competition in the electric utility industry. The Energy Policy Act of 1992 authorized the Federal Energy Regulatory Commission ("FERC") – upon application by an electric utility, federal power marketing agency, or other power generator – to require a transmitting utility to provide transmission services to the applicant on a cost-of-service basis. In addition, the federal Energy Policy Act of 2005 (the "Energy Policy Act of 2005") addressed a wide array of energy matters that could affect the entire electric utility industry, as it, among other things, provided incentives for traditional energy production as well as newer, more efficient energy technologies and conservation. An order obligating the Agency to provide transmission services other than as contemplated under the Power Sales Contracts could have an adverse effect on the Agency's business, financial condition or results of operations. See "ELECTRIC INDUSTRY RESTRUCTURING" below.

Operating Uncertainties

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

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

damage the Agency's reputation and lead to financial losses from remedial actions, loss of business or potential liability.

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

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

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

Dangers and Risks Involved in Generation and Transmission of Electricity

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

Legal Proceedings

The Agency is occasionally subject to suits related to its business. For example, on February 7, 2005, certain Utah dairy farmers with farms located in Millard County, Utah filed suit against the Agency, the Department, Intermountain Power Service Corporation ("IPSC"), a private non-profit corporation jointly governed by the Operating Agent and the Agency, and other defendants, alleging that "stray voltage" had been emanating from the Project and crossing the plaintiffs' dairy farms, causing damage. Although that litigation has now been settled, the plaintiff dairies sought very sizeable damages, including punitive damages, and injunctive relief.

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

Tax Audit and Loss of Tax Exemption

The Internal Revenue Service (the "IRS") includes a Tax Exempt and Government Entities Division (the "TE/GE Division"). The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. The number of tax-exempt bond examinations has increased significantly under the TE/GE Division. If the IRS undertook an examination of any Covered Bonds issued by the Agency as tax-exempt bonds, that may have a material adverse effect on the marketability or the market value of the bonds. The Agency is not aware of any open IRS examination or investigation of its tax-exempt bonds.

The federal tax exemption for municipal bonds (such as the Covered Bonds) has been the subject of proposed legislation in various sessions of Congress. Such proposed legislation would have eliminated the tax-exempt status of municipal bonds or reduced the favorable tax treatment of such bonds. Although the Tax Cuts and Jobs Act (H.R. 1) enacted by the 115th Congress (2017-2018) preserved the federal tax exemption for municipal bonds generally, the bill prohibited the issuance of tax-exempt advance refunding bonds after December 31, 2017.

The possibility of legislation resulting in the whole or partial loss of the tax-exempt status of municipal bonds may have an adverse effect on the price of the Covered Bonds in the secondary market. Furthermore, the Agency cannot predict what impact such legislation would have on the exemption for interest paid on the Covered Bonds then Outstanding.

RATING TRIGGERS

General

The Agency has entered into certain agreements that contain provisions giving the other parties thereto certain rights and remedies based upon downgrades in the Agency's credit ratings below specified levels. The table below sets forth the current ratings for the Subordinated Bonds and the CP Notes as assigned by Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"). Given the current levels of ratings for the Agency's obligations, the Agency's management does not believe that the rating triggers relating to the Agency contained in any of its existing agreements will have a material adverse effect on its liquidity, results of operations or financial condition. However, the Agency's ratings reflect the views of the rating agencies and not of the Agency and, therefore, the Agency cannot give any assurance that its ratings will be maintained at current levels for any period of time.

	Fitch	Moody's	S&P
Subordinated Power Supply Revenue Refunding Bonds.....	AA	A1	A+
CP Notes	F1	N/A	A-1

The following paragraphs describe the provisions of those agreements and arrangements that could affect the Agency's liquidity, results of operations or financial condition:

In order to provide liquidity support for repayment of the principal of the CP Notes as they mature from time to time, the Agency has entered into the BANA CP Notes Credit Agreement. The Agency has also entered into the BANA Working Capital Credit Agreement to provide working capital for the payment of Costs of Acquisition and Construction of the Project and/or for the payment of Operating Expenses.

BANA CP Notes Credit Agreement

If, on any date on which a CP Note matures, the Agency is not able to issue one or more additional CP Notes to pay such maturing CP Note, subject to the satisfaction of certain conditions and the absence of certain specified events of default on the part of the Agency thereunder, BANA is obligated to honor a drawing under the BANA CP Notes Credit Agreement in an amount sufficient to pay the principal of such maturing CP Note. Any drawing made under the BANA CP Notes Credit Agreement bears interest at the rate per annum set forth therein, which rate may be significantly higher than the market rates of interest borne by the CP Notes. Any such drawing is required to be repaid by the Agency in increasing quarterly installments over a period of two (2) years that commences on the date that the drawings are converted to a term loan under the BANA CP Notes Credit Agreement. As of June 30, 2018, there were no unreimbursed drawings outstanding under the BANA CP Notes Credit Agreement.

Pursuant to the BANA CP Notes Credit Agreement, should the long-term unenhanced ratings assigned by Moody's, Fitch and S&P on any Subordinated Bonds or any other obligations payable from Revenues (as defined in the Resolution) senior to or on a parity with the CP Notes be withdrawn or suspended (but excluding withdrawals or suspensions if the rating agency stipulates in writing that the rating action is being taken for non-credit related reasons) or reduced below "Baa3" (or its equivalent) by Moody's, "BBB-" (or its equivalent) by S&P and "BBB-" (or its equivalent) by Fitch, respectively, then (i) the lending commitment of BANA shall immediately and automatically terminate, without notice, and (ii) all amounts due under the BANA CP Notes Credit Agreement and under the related Series I Note shall immediately become due and payable.

In addition, pursuant to the BANA CP Notes Credit Agreement, should the long-term unenhanced ratings assigned by Moody's, Fitch and S&P on any Subordinated Bonds or any other obligation payable from Revenues senior to or on a parity with the CP Notes be reduced below "A3" (or its equivalent) by Moody's, "A-" (or its equivalent) by S&P or "A-" (or its equivalent) by Fitch, respectively, then BANA may (i) by written notice to the Agency declare all amounts due under the BANA CP Notes Credit Agreement and under the related Series I Note to be immediately due and payable, (ii) issue instructions to the Agency not to issue, authenticate or deliver CP Notes, (iii) petition a court of competent jurisdiction to issue a mandamus order to the Agency to compel specific performance of the covenants of the Agency contained in the BANA CP Notes Credit Agreement and certain other related documents and (iv) pursue any other rights or remedies under the BANA CP Notes Credit Agreement, under related agreements and resolutions, applicable law or otherwise. In the event that certain of the Agency's credit ratings are reduced, suspended or withdrawn, the facility fee payable by the Agency pursuant to the BANA CP Notes Credit Agreement will increase.

BANA Working Capital Credit Agreement

The Agency may borrow funds under the BANA Working Capital Credit Agreement 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 Expenses. The commitment under the BANA Working Capital Credit Agreement is $15,000,000.

The Agency entered into an amendment to the BANA Working Capital Credit Agreement in March 2018 to reduce the commitment under such credit agreement from $100,000,000 to $70,000,000, to remove the requirement that the outstanding Working Capital Loans be amortized commencing on May 1, 2018 and to provide, instead, that such Working Capital Loans will be due and payable on January 31, 2020, unless the commitment under such credit agreement is terminated earlier.

Pursuant to the BANA Working Capital Credit Agreement, should the long-term unenhanced ratings assigned by Moody's, Fitch and S&P on any Subordinated Bonds be withdrawn or suspended (but excluding withdrawals or suspensions if the rating agency stipulates in writing that the rating action is being taken for non-credit related reasons) or reduced below "Baa3" (or its equivalent) by Moody's, "BBB-" (or its equivalent) by S&P and "BBB-" (or its equivalent) by Fitch, respectively, then BANA may (i) terminate its lending commitment, (ii) declare all amounts due under the BANA Working Capital Credit Agreement immediately due and payable and (iii) pursue any other rights or remedies under the BANA Working Capital Credit Agreement, under related agreements and resolutions, applicable law or otherwise. In the event that certain of the Agency's credit ratings are reduced, the interest rate and the commitment fee payable by the Agency pursuant to the BANA Working Capital Credit Agreement will increase.

ELECTRIC INDUSTRY RESTRUCTURING

General

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

The restructuring of the electric power industry, both nationally and in California, has had and may continue to have significant effects on the Agency, the Project and the Power Purchasers. As discussed in this Annual Report, the Agency and the Power Purchasers have taken certain actions in response to electric industry restructuring and expect to take additional actions in the future to ensure compliance with all applicable laws and regulations. Also, the Agency will continue to take actions to cause the Project to be operated consistent with the Construction Management and Operating Agreement, the Power Sales Contracts and Prudent Utility Practice (as defined in the Resolution). The Agency cannot, however, predict how the future business, affairs or financial condition of the Agency, the Project (including, without limitation, the demand for the Project's generating capacity or the utilization of the Project's transmission resources) or the Power Purchasers will be affected by such matters.

Federal Deregulation Actions

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

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

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

In December 1999, FERC issued Order No. 2000 which was a further measure in FERC's attempt to foster competition in wholesale power markets by encouraging all transmission-owning utilities, including municipal utilities, electric cooperatives and other non-public utilities, to join Regional Transmission Organizations ("RTOs"), which are organizations that regulate and manage the flow of electricity over a region's transmission system to provide equal access to such transmission system for all power generators and to avoid system failure due to system overload. An RTO is to be operated independently of generation interests, and is to be responsible for, among other things, short-term reliability, regional planning and market monitoring. To date, no RTO has been formed that encompasses within its territory the service area of any of the Power Purchasers. The CAISO (as defined below), however, serves some of the functions of an RTO within the State of California. See "California Electric Energy Actions – *California Independent System Operator*" below.

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

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

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

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

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

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

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

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

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

FERC issued Order 842 on February 15, 2018 and Order 845 on April 19, 2018, which create additional requirements for pro forma generator interconnection agreements. First, Order 842 requires both newly interconnecting generating facilities and existing generating facilities that take an action requiring a new interconnection agreement to ensure controls capable of providing primary frequency response. Next, Order 845 reforms generator interconnection procedures and agreements to enhance transparency and timeliness for potential generation projects. Because the Agency is not a utility, it is not required to comply with these orders but may choose to mirror them its interconnection agreements.

Energy Policy Act of 2005. On August 8, 2005, the Energy Policy Act of 2005, an amendment to the FPA, was signed into law. The Energy Policy Act of 2005 was intended to establish a comprehensive, long-range energy policy. It provided incentives for traditional energy production as well as newer, more efficient energy technologies and conservation. The Energy Policy Act of 2005 provided for, among other things: (i) the repeal of the Public Utility Holding Company Act ("PUHCA"), *provided*, *however*, the Energy Policy Act of 2005 transferred some of the existing responsibilities of the SEC under PUHCA to FERC and state regulatory commissions; (ii) a grant to FERC of authority to site transmission facilities within certain congested transmission corridors if states are unwilling or unable to approve siting; (iii) a directive to FERC to permit incentive rate policies as a means to encourage transmission expansion; (iv) revisions to the Public Utility Regulatory Policies Act; (v) the establishment of service obligation protections for native load customers of utilities in certain areas of the country; (vi) the creation of limited FERC jurisdiction over interstate transmission assets of municipal utilities, cooperatives and federal utilities, to permit FERC to order those entities to provide transmission services on rates and terms comparable to those that the entities charge and provide to themselves (as provided in Section 211A of the FPA); (vii) the establishment of mandatory electric reliability rules for all market participants and the creation of a self-regulatory reliability organization, subject to oversight by FERC; and (viii) the provision of certain tax incentives to encourage expansion of transmission facilities and improvement of environmental standards. As directed by the Energy Policy Act of 2005, FERC has adopted many of the applicable implementing regulations.

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

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

On March 5, 2013, FERC's Order No. 773, a final rule revising the definition of the BES, became effective. FERC noted that the rule is necessary to establish uniformity in how the Reliability Standards would apply to transmission facilities across the various regions of the United States. The final BES rule establishes a "bright line" threshold that includes all facilities operated at or above 100 kV in the BES (subject to certain exclusions for certain facility configurations). The final BES rule also establishes a process for facilities to be reviewed on a case-by-case basis to determine whether the facilities have been improperly classified as part of the BES. The Agency understands from the Operating Agent that the

Project complies with the Reliability Standards applicable to the Project with the exception of certain matters that have been self-reported to Western Electricity Coordinating Council. The Agency does not anticipate, however, that such matters will have any material impact on the operation of the Project or the financial condition of the Agency.

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

Order No. 768 exempts from the Reporting Requirements those non-public utilities that have engaged in annual transactions that amount to less than the de minimis market presence threshold established by FERC. Although the Agency's wholesale sales appear to exceed the de minimis amount established by FERC, on July 24, 2014, in response to a petition filed on behalf of the Agency, FERC issued its order stating that the Agency is not required to comply with the Reporting Requirements. FERC based its order on the understanding that the Agency's sale of 100% of the Project's generation output to the Power Purchasers pursuant to the Power Sales Contracts is at cost without being influenced by the wholesale market to determine either pricing or volumes sold.

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

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

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

Despite the uncertainty of the limits of FERC's authority to regulate municipal utilities, such as the Agency, the Agency intends to comply with the FPA and FERC's rules to the extent that they are applicable to municipal utilities similarly situated to the Agency. The FPA and such regulations could have a significant impact, beyond what is discussed above, on the Agency, the Project and the Power

Purchasers. For example, under Order No. 888, wholesale customers of the Power Purchasers may have substantially greater access to alternative power supplies which could reduce their demand for power generated at the Project. The Agency does not believe, however, that such compliance will prevent or significantly impair it from operating the Project and conducting its business in substantially the same manner as it is currently doing.

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

California Electric Energy Actions

California Independent System Operator. The State of California has established the California Independent System Operator, an independent system operator (the "CAISO"). The primary purpose of the CAISO is to regulate access, on a nondiscriminatory basis, to transmission facilities under its control, and, in conjunction with the California Public Utilities Commission (the "CPUC") and FERC, to establish pricing structures for such access. These pricing structures are intended to promote efficient use of transmission facilities and to provide the owners of such transmission facilities an equitable return on their investments therein. Effective January 1, 2003, Anaheim and Riverside became "Participating Transmission Owners" under the terms of the tariff of the CAISO. Effective January 1, 2005, Pasadena also became a Participating Transmission Owner under the terms of such tariff. In connection therewith, each such city turned operational control of the transmission facilities in which it has interests, including its rights to the use of the capability of the Northern and Southern Transmission Systems, over to the CAISO.

Potential CAISO Expansion. A regional Energy Imbalance Market ("EIM") was launched in November 2014. On April 13, 2015, the CAISO and PacifiCorp entered into a Memorandum of Understanding in order to explore the feasibility, costs, and benefits of PacifiCorp joining the CAISO as a Participating Transmission Owner. On October 7, 2015, Governor Brown signed Senate Bill 350, the Clean Energy and Pollution Reduction Act of 2015. The statute states the intent of the California legislature to provide for the evolution of the CAISO into a regional organization to promote the development of regional electricity markets in the western states. Through this process, additional transmission owners, such as PacifiCorp, would join the CAISO with any necessary approvals from their own state or local regulatory authorities.

The CEC began hosting workshops and seeking comments regarding the expansion of CAISO into a Regional Grid Operator ("RGO") and the governance of the RGO. On February 4, 2016, five California elected leaders addressed a letter to Governor Brown raising concerns that integrating PacifiCorp into California's energy market would undermine state sovereignty and cede authority of California's cutting-edge clean energy and climate policies. Additionally, the State of Utah expressed concern that a regional system could give California undue influence over energy policy in all western states, and the State of Wyoming expressed concern about the CAISO's governance structure and the State of Wyoming's sovereignty. Governor Brown directed his staff and California agencies to continue working with the California legislature, the CAISO, interested parties, and other state and energy regulators to develop a strong proposal for the California legislature to consider in 2017 before continuing with discussions of the CAISO's regional expansion (including the integration of PacifiCorp). Assembly member Chris Holden announced on September 13, 2017 that Assembly Bill 813, which would have addressed the CAISO expansion, would not move forward in 2017, though Assembly member Holden indicated that it would likely be revisited during 2018. At the conclusion of the 2018 legislative session,

California State Senate leader Toni Atkins stated that AB 813 would not be brought up for a vote in 2018's legislative session but will be revisited in 2019.

Price Mitigation. FERC has taken several steps to address the cost of energy in the California markets, including the implementation of cost-based price mitigation in the spot electricity markets. Among other things, FERC issued an order establishing price caps for the spot market. The Agency has not been directly affected by the price caps because the power it generates is sold under long-term contracts and not on the spot market. To the extent the California Purchasers sell power on the spot market, the price caps may adversely affect revenues from such sales.

California Political Environment. Over the past several years, California policy-makers have made an increasing effort to encourage or mandate the use of renewable energy and to limit or eliminate the use of coal-fired power. Numerous policies favoring renewable energy resources over coal-fired power have been implemented in California by the state legislature, the governor, regulatory bodies, and local governments. Several of these actions appear to be specifically targeted at the Agency and other entities selling coal-fired power to California through the regulation of GHGs, with the key goal of these actions being to make it extremely difficult to sell conventional coal-fired generation into California in the future as baseload power unless such generation complies with GHG emission performance standards. See "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – California Greenhouse Gas Initiatives" below for a discussion of the specific actions.

California policy-makers continue to consider actions they may take to further address the energy problems that have affected the state and to push for increased use of alternative energy sources. The Agency is not able to predict the nature or substance of any legislation, orders, regulations or ordinances that may be adopted in California hereafter. Most recently, on September 10, 2018 Governor Brown approved SB 100, which revises California's Renewables Portfolio Standard Program. This bill states California's goal that eligible renewable energy resources and zero-carbon resources will supply 100% of retail sales of electricity to California end-use customers and 100% of electricity procured to serve all state agencies by December 31, 2045.

As a result of legal developments in California with respect to coal-fired power, the Agency and the Department engaged in a years-long strategic planning process to facilitate the California Purchasers' continued participation in the Project beyond June 15, 2027. In connection with that effort, the Agency and the Power Purchasers entered into the Power Sales Contracts Amendments which provide for the Project to produce power using natural gas by July 1, 2025 (prior to the termination of the Power Sales Contracts). The Agency and the renewing Power Purchasers have also entered into Renewal Power Sales Contracts, which became effective as of January 16, 2017, to provide for the sale of such power to the Power Purchasers beginning on the day following the termination of the current Power Sales Contracts (such termination date currently anticipated to be on June 15, 2027).

Following the effectiveness of the Renewal Power Sales Contracts, the Department, in its capacity as a Power Purchaser, requested an Alternative Repowering (involving a reduction in the design capacity and changes in the configuration of the natural gas facilities contemplated by the Power Sales Contracts Amendments). On September 24, 2018, the Coordinating Committee and the Agency's Board of Directors, along with a committee representing the renewing Power Purchasers under the Renewal Power Sales Contracts, approved the requested Alternative Repowering.

As of the date of this Annual Report, none of the California Purchasers has requested, however, that the Agency amend their Power Sales Contracts to shorten the term of those contracts or otherwise provide for their early termination. Furthermore, the Department's 2017 Strategic Long-Term Resource Plan (the plan into which the Department's Power Integrated Resource Plan was expanded starting in 2017) affirms that the Power Sales Contracts are "take or pay" contracts with which the Department must

comply at risk of "monetary/legal" penalties. See "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS – Power Sales Contracts" and "– Gas Repowering" below.

Other Factors

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

- effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements in addition to those described herein;
- changes resulting from conservation and demand-side management programs on the timing and use of electric energy;
- effects resulting from future changes in national energy policy or the manner in which such policy is implemented;
- effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions and strategic alliances of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity;
- other legislative changes, voter initiatives, referenda and statewide propositions, including those directed at limiting or restricting emissions of CO_2 and other GHGs, including EPA's Clean Power Plan;
- national, state and local initiatives or policies that favor "renewable" or "green" electric generation methods over generation facilities powered by fossil fuels;
- substantial public sentiment against the use of coal as a fuel for electric generating facilities;
- increased competition from independent power producers and marketers, brokers and federal power marketing agencies;
- "self-generation" or "distributed generation" (such as microturbines, fuel cells and solar installations) by industrial and commercial consumers and others;
- issues relating to the ability to issue tax-exempt obligations to finance or refinance electric generation or transmission facilities, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations;
- effects of inflation on the operating and maintenance costs of an electric utility and its facilities;
- future changes in load requirements;
- increases in costs and uncertain availability of capital;
- sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in California;

- unavailability of or substantial increases in the cost of coal or natural gas used as fuel for generation facilities;
- inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity;
- issues relating to the reliability of electric transmission systems and grids, such as the reliability issues highlighted or exposed by power blackouts that have occurred in widespread regions of North America at various times;
- availability and sufficiency of transmission capacity, particularly during times of high demand;
- effects of changes in the economy; and
- effects of possible manipulation of electric markets.

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

ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

General

Electric utilities are subject to extensive governmental requirements with respect to the siting and licensing of facilities, safety and security, air and water quality, land use, hazardous and solid waste, and other environmental factors. The coal-fired electrical generating industry also is experiencing increased concern from some sectors of the public regarding climate change and the potential health effects from electric and magnetic fields associated with power lines, home appliances and other sources. Federal, state and local environmental standards, moreover, are subject to changes arising from legislative, regulatory and judicial action. Consequently, although the Agency believes that the Project currently complies with all applicable environmental regulations, there can be no assurance that the Project will remain subject to the regulations currently in effect or in compliance with future regulations, or will be able to retain the current conditions in all required operating permits. Evolving environmental standards could result in additional capital or operating expenditures, reduced operating levels or the complete shutdown of individual EGUs.

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

Air Emissions

Environmental concerns of Congress have resulted in actions on its part, including the enactment of legislation that have had, and are expected to continue to have, a significant impact on the electric utility industry. One such Congressional action was the enactment on November 15, 1990 of legislation (the "1990 Amendments") that substantially revised the federal Clean Air Act ("CAA"). Among other

things, the 1990 Amendments sought to improve the ambient air quality throughout the United States and prescribed a regulatory program to regulate hazardous air pollutants in specific source categories.

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

A key feature of the 1990 Amendments applicable to the Project is the reduction of sulfur dioxide ("SO_2") and nitrogen oxide ("NOx") emissions from electric utility power plants fueled by oil and coal. The CAA also requires EPA to set National Ambient Air Quality Standards ("NAAQS") for six common pollutants considered harmful to public health and the environment, which are called criteria pollutants. The criteria pollutants that are regulated under the permit under which the Project operates are SO_2, NOx, coarse and fine particulate matter (respectively, "PM_{10}" and "$PM_{2.5}$"), carbon monoxide ("CO") and ozone.

Title V Permitting. The Agency is required to comply with provisions of the 1990 Amendments that require the Project to: (i) obtain an operating permit (or Title V permit) every five years; and (ii) pay an annual fee based on its emission of regulated pollutants. The Title V permit incorporates all air quality requirements applicable to the Project and requires monitoring and reporting of emissions. The Title V permit also requires an annual certification by the permittee that the permitted facility is in compliance with all applicable requirements, and if not, a schedule to come into compliance. Upon renewal, Title V permits are amended to incorporate any new applicable requirements, which include new permit requirements, newly promulgated regulations and other new legal requirements dealing with air emissions. The Project's current operating permit was last renewed on September 12, 2018 and will expire on September 12, 2023. The recent renewal of the permit did not require any material changes in the overall operation of the Project. The Agency plans to file an application to renew the permit in a timely manner.

New Source Review. The CAA, as implemented by the State, also contains a pre-construction permitting program for new or modified emissions sources, titled the New Source Review ("NSR") program. Generally speaking, NSR laws and regulations cover: (i) the construction of new major sources of air pollution emissions; and (ii) modifications to existing facilities that result in a significant increase in emissions of criteria pollutants. The NSR regulations generally require emission sources to obtain a Prevention of Significant Deterioration ("PSD") permit before constructing new plants or making major modifications to existing plants in attainment areas (as defined below) such as the area in which the Intermountain Generating Station is located. See "– *National Ambient Air Quality Standards*" below. These permits are to be issued only if the new plant or major modification includes emissions limits and/or pollution control measures that reflect the best available control technology ("BACT") and if the emissions will not increase ambient air pollution beyond certain specified limits. Routine maintenance, repairs and replacements are generally excluded from the NSR regulations. The NSR regulations directly impact an electrical utility's operations because they may affect the repair, replacement or upgrade of boilers and production equipment and, if triggered, may result in lengthy NSR permitting, costly new pollution controls, and challenges to the permitting action by third parties.

The Agency understands that currently there are no pending challenges to the NSR program. The State has adopted the NSR regulations, including those that have survived judicial challenge. The Agency believes the Project can continue to operate under the current state and federal NSR regulations.

New Source Performance Standards. The New Source Performance Standards (the "NSPS"), 40 CFR Part 60 Subpart Da and 40 CFR Part 64, apply to the two EGUs at the Intermountain Generating Station. Since completion of the Intermountain Generating Station, EPA has amended the NSPS at

various times. These amendments apply to new, reconstructed or modified steam EGUs. The Agency cannot assess the specific effect of these amendments on the Project until a specific modification is being considered that would result in the Project having a new, reconstructed or modified unit. See also "– Federal Regulation of Greenhouse Gases – *New Source Performance Standards Rule for Greenhouse Gases*" below.

National Ambient Air Quality Standards. The CAA requires EPA to establish NAAQS for certain common air pollutants. When EPA establishes a NAAQS, each state must identify each area within its boundaries that does not meet one or more NAAQS (known as a "non-attainment area") and develop regulatory measures in its SIP to reduce or control the emissions of the air pollutants in order to become an area that meets the NAAQS (known as an "attainment area"). When an area is designated as a non-attainment area, stricter restrictions on the emissions of the air pollutants exceeding the NAAQS are imposed, and it can be more difficult and costly to obtain permits for new major sources or major modifications to existing sources. The following sections discuss the potential impacts on the Project of NAAQS for SO_2, NOx, PM_{10}, $PM_{2.5}$, ozone and CO.

SO_2 Emissions. On June 22, 2010, EPA published a final rule setting stricter primary NAAQS for SO_2. The level under the stricter standard is a one-hour standard set at 75 parts per billion ("ppb"). This NAAQS replaced the former 24-hour standards of 140 ppb and annual average of 30 ppb and was upheld by the United States Court of Appeals for the District of Columbia Circuit (the "D.C. Circuit") on July 20, 2012. EPA has initially designated 29 areas that do not meet the 2010 primary SO_2 NAAQS, none of which are in Utah. In a letter dated November 1, 2016 to EPA Region 8 Air Program Director Carl Daly, Governor Herbert recommended that all counties in Utah, including Millard County, be designated as "attainment" for the 2010 primary SO_2 NAAQS. On January 9, 2018, EPA published a final rule designating all counties in Utah as "Attainment/Unclassifiable" for SO_2.

NOx Emissions. EPA also has issued regulations implementing the NOx provisions of the CAA. These regulations mandate lower NOx emission limits for wall-fired boilers (such as those of the Project) and tangentially-fired boilers. According to the Operating Agent, the Project complies with the revised lower limits for NOx.

With respect to nitrogen dioxide ("NO_2") emissions, on February 9, 2010, EPA published revisions strengthening the health-based NAAQS. EPA set a new one-hour NO_2 standard at the level of 100 ppb. EPA's NAAQS for NO_2 are designed to protect against exposure to the entire group of nitrogen oxides. The entire State has been designated by EPA as "unclassifiable/attainment" with respect to NO_2 NAAQS.

PM_{10} and $PM_{2.5}$ Emissions. The CAA also regulates the emission of particulate matter in two forms. The PM_{10} Standard regulates inhalable coarse particles, which are smaller than 10 micrometers and larger than 2.5 micrometers. The Project's air permits contain limits on PM_{10} emissions and the Project is in material compliance with those PM_{10} permit limits. The $PM_{2.5}$ Standard regulates particles less than 2.5 microns in diameter.

All or portions of counties along the Wasatch Front and Cache County have been designated as nonattainment for the $PM_{2.5}$ NAAQS. The Utah Division of Air Quality is developing a $PM_{2.5}$ SIP to submit to EPA containing control measures that come into compliance with the $PM_{2.5}$ NAAQS. It is anticipated that the SIP will be approved by the Utah Board of Air Quality and submitted to EPA in early 2019. Millard County, the county in which the Intermountain Generating Station is located, is not currently designated as a $PM_{2.5}$ non-attainment area, with the result that $PM_{2.5}$ SIP should not include any measures that affect the Project. However, at this time, the Agency cannot predict the impact on the Project of any modifications to the SIP, any future revisions to the current Utah $PM_{2.5}$ related regulations, or any new Utah $PM_{2.5}$ regulations.

Ozone. Ozone is not emitted by the Project; rather it results from the interactions among NOx, volatile organic compounds, sunlight, moisture and temperature in the ambient atmosphere. Control of ambient ozone is a function of limitations on emissions of NOx and certain other types of air pollutants.

On October 26, 2015, EPA published a final rule lowering both the primary and secondary ozone NAAQS from 75 ppb to 70 ppb. On June 4, 2018, EPA published the air quality designations for the ozone NAAQS. Portions of the Uinta Basin and the Wasatch Front are designated as "Marginal Nonattainment," and all other counties in the State, including Millard County, are designated as "Attainment/Unclassifiable." The actions, if any, the State will require to take to deal with ambient ozone are based on the level of attainment. At this time, the Agency cannot predict the impact on the Project of any future action with respect to the ozone NAAQS.

Monitors along the Wasatch Front and in the Uinta Basin currently are reporting ozone levels that exceed the standard established in 2015; however, Millard County, the county in which the Intermountain Generating Station is located, does not currently have a monitor used by the State to make attainment designations for the ozone NAAQS which is the basis for the "attainment/unclassifiable" designation by EPA. The State must take actions, including the potential development of an implementation plan, based on the level of attainment or nonattainment as indicated by monitors in compliance with federal air quality monitor standards. At this time, the Agency cannot predict the impact on the Project of any future action with respect to the ozone NAAQS or the State's related implementation plan.

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

Mercury Emissions. The maximum achievable control technology standards rule for mercury emissions (the "MATS Rule") was published in the Federal Register on February 16, 2012, and is the latest step in a process to evaluate and regulate mercury emissions from coal-fired electric generating plants, which is mandated by the 1990 Amendments. The MATS Rule sets mercury and air toxics standards ("MATS") for emissions from coal- and oil-fired power plants.

On June 29, 2015, the U.S. Supreme Court remanded a lawsuit challenging the MATS Rule to the D.C. Circuit to address EPA's failure to consider costs when deciding whether to regulate the source category under the hazardous air pollutant provisions of Section 112 of the Clean Air Act. The D.C. Circuit remanded the rule to EPA to conduct a cost assessment but without vacatur, allowing the rule to remain in effect until it is revised by EPA. On April 25, 2016, EPA published a final supplemental finding that in light of the U.S. Supreme Court's decision, the EPA has taken cost into account in evaluating whether such regulation is appropriate and has determined that including the consideration of cost does not alter the EPA's original conclusion that it is "appropriate and necessary" to regulate hazardous air pollutant emissions from EGUs. EPA's supplemental finding has been challenged in the D.C. Circuit. In 2017, EPA requested the continuance of oral argument on the matter to allow EPA to review the litigation. The D.C. Circuit has ordered EPA to report on the progress of its review every 90 days beginning on the 90th day from April 27, 2017. The Agency cannot predict the final outcome of the suit or potential challenges to EPA's cost assessment.

On December 27, 2018, EPA released a proposed modification to the determination of the costs and benefits of the MATS Rule. The EPA notice explicitly states that it is not proposing any changes to the MATS Rule itself; however, EPA is soliciting comment on whether the MATS Rule should be amended or repealed should EPA make a final determination that the original cost-benefit analysis underlying the MATS Rule is flawed. The Agency cannot predict the outcome of the proposed

modifications or request for comment or the impact such outcome may have, if any, on the Agency or the Project.

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

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

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

Acid Rain. Under Title IV of the 1990 Amendments (known as the "Acid Rain Program"), SO_2 emission reductions from fossil-fueled electric generation facilities are to be achieved through a cap-and-trade program for SO_2 allowances. The Project is covered by the Acid Rain Program and is subject to its restrictions. The 1990 Amendments contain provisions for allocating annual allowances to power plants based on historical or calculated levels under a cap. An "allowance" is defined as the authorization to emit one ton of SO_2 during a given year, which may also be used for compliance in a future year. EPA has allocated allowances to specific generating units, including each unit of the Intermountain Generating Station. At the end of each year, the source must hold an amount of allowances at least equal to its annual emissions.

The Operating Agent expects, based on analyses of the Intermountain Generating Station's SO_2 emissions to date and the allowances currently allocated to the Project, to be able to operate the Intermountain Generating Station at projected plant capacity factors in compliance with the Acid Rain Program in the future. The Operating Agent believes that there will not be significant operating, maintenance or capital expenditures required for the Project to meet the requirements of the Acid Rain Program.

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

EPA required WRAP to complete the development of regional milestones and a backstop trading program for stationary sources that emit SO_2 and to submit them as an "Annex" to the GCVTC recommendations. WRAP submitted the Annex in September 2000. On June 5, 2003, EPA approved the Annex and incorporated the stationary source provisions into the Regional Haze Rule. In December 2003, the Utah Air Quality Board adopted Section XX of the SIP to address regional haze. This plan was based on the GCVTC recommendations and the Annex. EPA's approval of the Annex was challenged, and on February 18, 2005 the D.C. Circuit vacated EPA's 2003 action. The court determined that EPA relied on a Best Available Retrofit Technology ("BART") demonstration in the Annex that was in turn based on a methodology that had been vacated by the court in 2002. On October 13, 2006, EPA revised the Regional Haze Rule to establish the methodology for states to develop an alternative to BART that was consistent with the court's prior decision.

The Utah Air Quality Board adopted the State's Regional Haze SIP on September 3, 2008. The SIP was submitted to EPA on September 18, 2008. The State's Regional Haze SIP became effective and enforceable in the State on November 10, 2008. Those portions of a SIP approved by EPA become federally enforceable. An updated Regional Haze SIP was adopted by the Air Quality Board on April 6, 2011. On December 14, 2012, EPA published its final rule partially approving and partially disapproving the State's Regional Haze SIP. The final rule, which became effective on January 14, 2013, does not impact the Project. On July 5, 2016, EPA published a supplement to its 2012 rule. The supplement partially approved and partially disapproved a supplement to the State's Regional Haze SIP. Neither the supplement submitted by the State to EPA nor the EPA's supplemental rule partially approving and partially disapproving the SIP relate to the Project. EPA's partial disapproval of the State's Regional Haze SIP is the subject of an appeal to the United States Court of Appeals for the Tenth Circuit.

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

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

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

With respect to the Agency, EPA asserts that certain uprate projects undertaken at the Generating Station during the period from 2002 to 2004 triggered the obligation to comply with the regulatory requirements of the NSR program. On February 19, 2015, the Sierra Club sent the Agency and IPSC a formal notice of intent to sue under the citizen suit provisions of the CAA, alleging violations of the NSR provisions of the CAA.

Representatives of EPA, the U.S. Department of Justice ("DOJ") and the Agency have met from time to time to discuss the information provided and EPA's conclusions based on that information. Discussions regarding settlement of potential claims related to EPA's inquiries began in 2014 and are

continuing. In connection with EPA's inquiries, EPA and the Agency entered into an agreement that provides for the tolling of any applicable statute of limitations that may apply to matters that EPA may pursue arising out of EPA's inquiries. The term of the tolling agreement has been extended to December 31, 2018. Although, customarily at EPA's request, EPA and the Agency have extended the tolling agreement on several prior occasions, EPA had not proposed an extension prior to the filing of this Annual Report. The Agency believes that EPA had not proposed extension prior to the expiration of the existing extension due to the current shutdown of the federal government. The Agency anticipates that EPA will address the tolling agreement with the Agency once EPA is in a position to do so.

The Agency and IPSC have responded to the allegations made in the Sierra Club's notice letter. However, no formal action has been initiated against the Agency or IPSC by either the Sierra Club or EPA.

Air Quality Summary

The Project is designed and operated to meet the requirements of federal and state air quality laws. The boilers have been designed and constructed to meet stringent regulatory emission limits for NOx. The flue-gas desulfurization equipment (scrubber) for each generating unit at the Project consists of a wet scrubber system designed and constructed to remove 90% of all SO_2. The baghouse for each generating unit at the Project consists of three modular fabric filters designed and constructed to remove at least 99.75% of all particulate material.

In summary, the Agency believes that the Project complies with current requirements under the CAA and the Utah Air Conservation Act (the State law governing the Project's air emissions and pursuant to which the State promulgates its air emission regulations). Additionally, the Agency believes that the Intermountain Generating Station currently meets all applicable federal and state air emission regulations and permit requirements. Reports submitted to the Utah Division of Air Quality indicate that the Intermountain Generating Station complies with permissible emissions for all air pollutants.

Federal Regulation of Greenhouse Gases

In recent years, the federal government's involvement in GHG emission issues has varied depending on which administration is in office. As discussed further below, EPA is currently monitoring GHG emissions and, as of January 2, 2011, EPA began regulating GHG emissions from certain large sources under the CAA. The Agency cannot predict congressional action on GHG emissions in the current Congress or in future Congresses, nor can the Agency predict action that may be taken by the current or any future presidential administration with respect to the regulation of GHG emissions.

EPA Greenhouse Gas Reporting Rule. On October 30, 2009, EPA published the final rule for mandatory monitoring and annual reporting of GHG emissions from various categories of facilities including fossil fuel suppliers, industrial gas suppliers, direct GHG emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but did require that data collection begin on January 1, 2010, and the first annual reports were due September 30, 2011. The Project is subject to this rule and the Operating Agent has submitted the annual reports within the deadlines set by the rule. The Project's costs of compliance are not fully known at this time, but the Agency does not expect the requirements for monitoring, reporting and record keeping with respect to GHG emissions from the Project to have a material adverse effect.

EPA Greenhouse Gas "Tailoring" Rule. In April 2007, in a landmark case involving automobile emissions, the U.S. Supreme Court ruled that EPA has the authority to regulate GHG emissions under the CAA. On May 13, 2010, EPA issued a final rule (known as the "Tailoring Rule"),

addressing GHG emissions from stationary sources under the CAA permitting programs. This final rule established the GHG emission thresholds for determining which stationary sources and modifications to existing sources become subject to permitting requirements for GHG under the PSD and Title V programs of the CAA. Nearly 70% of the national GHG emissions from stationary sources were subject to permitting requirements under this rule, including the nation's largest GHG emitters—power plants, refineries, and cement production facilities.

On June 23, 2014, the U.S. Supreme Court ruled that the Tailoring Rule is not authorized by the CAA insofar as it would require a PSD or operating permit for a proposed new source or modification of an existing source solely on the basis of the source's potential to emit GHGs. The Court found, however, that EPA may require a new source or modified existing source to undergo BACT review for GHGs emitted above an unspecified de minimis threshold if emissions of other regulated pollutants would trigger PSD review.

On April 30, 2015, EPA rescinded the provisions of the PSD rules affected by the Supreme Court's decision. The Utah Division of Air Quality has indicated that it will follow EPA's lead and will not require such permits. Therefore, under existing regulatory requirements, the Project will not be required to undergo BACT for increases in GHG emissions absent a physical change or change in the method of operation of the Project that would otherwise result in a significant increase in emissions of a regulated pollutant other than GHGs.

New Source Performance Standards Rule for Greenhouse Gases. On October 23, 2015, EPA published the final NSPS for emissions of CO_2 from certain new or reconstructed fossil fuel-fired EGUs. The final NSPS for coal-fired EGUs is set at 1,400 lbs/MWh of CO_2 on an average annual basis which would, with few possible exceptions, require the installation of partial carbon capture and sequestration at new or modified coal-fired EGUs. Under the CAA, NSPS like the GHG NSPS have binding effect on sources that commenced construction or reconstruction after the date of the proposal, which in this case is January 8, 2014. The NSPS covers new and reconstructed sources and thus would not affect the Project.

Existing Source Performance Standards for Greenhouse Gases. On October 23, 2015, EPA published its final GHG performance standards for existing fossil fuel-fired EGUs that EPA asserted would reduce GHG emissions from the power sector by 32% from 2005 levels by 2030 (such existing source standards being the "Clean Power Plan"). The final Clean Power Plan imposes stringent standards on existing fossil-fuel fired EGUs that reflect EPA's assessment, at the time the Clean Power Plan was promulgated, of the best system of emission reduction ("BSER"), including (1) improvements in operational efficiencies and heat rates at coal-fired power plants; (2) the re-dispatch of power based on an assumption that underutilized capacity at natural gas combined cycle facilities could be increased to an average of 75% of net summer capacity; and (3) the replacement of coal generation with renewable energy. The resulting category-specific emission standard in the Clean Power Plan for steam-generating units like the Project is 1,305 lbs/MWh of CO_2, which is lower than the GHG NSPS.

The Clean Power Plan requires existing source standards to be implemented by the states, which must meet state-specific individual GHG emission "goals" that reflect the mix of natural gas and coal-fired generation in the state. The Clean Power Plan established a compliance period beginning in 2022 with phased reductions through 2030. Under the Clean Power Plan, the Utah rate-based interim goal (from 2022 through 2029) averages 1,368 lbs/MWh of CO_2 and the final rate-based goal is 1,179 lbs/MWh of CO_2, which reflects a 34% reduction from the 2012 baseline of 1,790 lbs/MWh of CO_2. EPA also translated these rate-based goals into mass-based emission caps and the Clean Power Plan gives states the option of implementing the goal through either a rate-based or a mass-based plan. Prior to the stay issued by the U.S. Supreme Court, as discussed below, the states had until September 2016 to submit plans to EPA to implement and enforce the state-specific BSER. If the GHG NSPS and Clean Power

Plan were to be upheld by the courts and were not repealed, EPA would then be left to establish revised regulatory deadlines for submittal by the states of plans to enforce the state-specific BSER.

Both the GHG NSPS and the Clean Power Plan are being challenged in the D.C. Circuit. On February 9, 2016, the U.S. Supreme Court issued a stay of the Clean Power Plan pending completion of judicial review. With EPA support, beginning on April 28, 2017, the D.C. Circuit has issued a series of orders holding the Clean Power Plan cases before it in abeyance for successive 60-day periods pending potential actions by EPA in response to the 2017 Executive Order (as defined below). The most recent abeyance order was issued by the D.C. Circuit on November 9, 2017. See "– *Federal Legislation or Administrative Action Proposing Regulation of Greenhouse Gas Emissions*" below.

In response to the 2017 Executive Order, on October 16, 2017, EPA published a proposed repeal of the Clean Power Plan. Also, on August 31, 2018, EPA published the proposed "Affordable Clean Energy" or "ACE" rule, which is intended to replace the Clean Power Plan. The ACE rule would determine BSER based on heat rate improvements measures that can be applied at an individual facility, would give states substantial latitude in establishing BSER guidelines, and would allow sources to make efficiency improvements without triggering major new source review requirements. Comments in response to the proposal were due by October 30, 2018.

If upheld by the courts and neither repealed (as EPA has proposed) nor replaced by the ACE Rule, the Clean Power Plan has the potential to adversely affect the Agency's costs, although it is difficult at this stage to determine the timing and extent of any such effects, including as a result of a change in EPA enforcement priorities, or to determine the requirements of state plans resulting from the proposals that may ultimately be promulgated and require implementation.

Federal Legislation or Administrative Action Proposing Regulation of Greenhouse Gas Emissions. Although the United States Congress has considered legislation aimed at curbing GHG emissions in prior sessions, Congress has not passed any such legislation. It is possible, however, that a future Congress will enact legislation addressing GHG emissions from the industrial sector. The impact that federal GHG legislation will have on the electric utility industry and business depends largely on the specific provisions of the legislation that ultimately become law.

The administrative actions described above have been, to some extent, the result of priorities established by the then-current presidential administration. The change in presidential administration in 2017 has resulted in changes in priorities at EPA with respect to the regulation of GHG emissions.

On March 28, 2017, President Trump issued an Executive Order, "Promoting Energy Independence and Economic Growth" (the "2017 Executive Order"). The 2017 Executive Order required the heads of federal agencies to review their regulations, and to submit reports by September 2017 recommending actions they could take to reduce regulatory burden on the oil, natural gas, coal, and nuclear industries. The 2017 Executive Order also directed EPA to review the Clean Power Plan and the Standards of Performance for Greenhouse Gas Emissions From New, Modified, and Reconstructed Stationary Sources: Electric Utility Generating Units ("NSPS") for consistency with policies described in the order and, if appropriate, as soon as practicable, to suspend, revise, or rescind the regulations and guidance – or to publish for notice and comment proposed regulations suspending, revising, or rescinding the regulations. The review directed by the 2017 Executive Order resulted in the proposal to repeal the Clean Power Plan and the issuance of the ACE rule discussed above. EPA has not yet issued any notice with regard to the NSPS.

Although the current administration's actions intend to effect changes to the Clean Power Plan and the NSPS that favor fossil-fueled electric generation, the Agency cannot predict the impacts of such

actions. EPA has yet to make any final changes to the Clean Power Plan or the NSPS in response to the 2017 Executive Order. EPA proposed revisions to the NSPS on December 6, 2018.

The timeline and impact of climate change legislation and regulation cannot be accurately assessed at this time. Federal or state action under current or future administrations may still have a significant impact on fossil-fueled generation facilities and, potentially, the Project.

Utah Greenhouse Gas Initiatives

Despite efforts of prior State administrations to undertake climate change initiatives, the Utah Legislature and the current Governor of the State have determined that the State will not be involved in any such initiatives. In May 2007, the State became a partner in the Western Climate Initiative ("WCI") by an administrative act of Governor Jon M. Huntsman, Jr. As part of the WCI, the State and other members agreed to set a GHG emissions reduction goal for their respective jurisdictions. With the support of the Utah Legislature, Governor Huntsman's successor, Governor Gary Herbert, withdrew the State from the WCI. All of the other U.S. members of the WCI, except for California, have also withdrawn. The members of the WCI now consist only of California and the province of Quebec.

California Greenhouse Gas Initiatives

California policy-makers have, for over a decade, sought to limit GHG emissions in California, including those resulting from power generation. The following GHG laws, orders, regulations, permitting and other initiatives (the "California GHG Initiatives") have the potential to impact the Agency, the Power Purchasers or both:

Establishment and Development of Renewable Portfolio Standards. On September 12, 2002, California enacted Senate Bill No. 1078 ("SB 1078") to establish a renewable portfolio standard ("RPS"). SB 1078 required certain load-serving entities, including the largest investor-owned utilities in California, to increase their total procurement of eligible renewable energy resources by at least 1% per year, until a target of serving 20% of retail sales with renewable energy by 2017 had been met. SB 1078 also directed local, publicly-owned electric utilities to implement and enforce local renewable portfolio standards that recognized the intent of the California legislature to encourage the use of eligible renewable resources, while taking into consideration the effect of the standard on rates, reliability, and financial resources and the goal of environmental improvement. On September 26, 2006, California enacted Senate Bill No. 107 ("SB 107") which, among other things, accelerated the 20% RPS compliance date to December 31, 2010, and required local, publicly-owned utilities to annually report their progress in implementing and meeting their renewable portfolio standards to their respective customers and the CEC.

On November 17, 2008, California Governor Arnold Schwarzenegger signed Executive Order S-14-08, which, among other things, required all retail sellers of electricity to serve 33% of their load with renewable energy by 2020. On September 15, 2009, Governor Schwarzenegger signed Executive Order S-21-09, directing the California Air Resources Board ("CARB") to adopt regulations implementing the 33% RPS.

On April 12, 2011, California Senate Bill No. 2 in the First Extraordinary Session ("SB 2X") became law, superseding prior California renewable portfolio standards and renewable energy standards, and requiring all electricity retailers, including publicly-owned utilities, investor-owned utilities, electricity service providers, and community choice aggregators to serve 33% of their retail electricity load with eligible renewable resources by December 31, 2020 (the "33% RPS"). Under SB 2X, several intermediate targets also were established. The first intermediate SB 2X compliance period expired on December 31, 2013, by which time such utilities were required to serve 20% of their retail sales with

eligible renewable resources. The second intermediate compliance period ended on December 31, 2016, by which time, 25% of retail sales were required to be served by eligible renewable resources.

SB 2X limits, for power purchase agreements entered into after June 1, 2010, the amount of renewable energy that can be counted toward the 33% RPS. Limitations apply to renewable energy that is generated outside of California and that (i) does not have a first point of interconnection with a California balancing authority (or with distribution facilities used to serve California customers), (ii) is not scheduled from the eligible renewable energy resource into a California balancing authority without substituting electricity from another source, or (iii) is not dynamically transferred into a California balancing authority. Based on recent and anticipated permitting of renewable generation capacity, the Agency believes that SB 2X may limit the amount of energy that purchasers in California would desire from the Project—even if that energy is generated by a renewable resource.

In October 2013, California Governor Jerry Brown signed into law California Assembly Bill No. 327 ("AB 327"), which, among other things, gives the CPUC the discretion to require retail sellers of electricity to procure "eligible renewable energy resources" in excess of the levels established by the RPS. AB 327 does not change the RPS itself or the compliance requirements for achieving the RPS. The Agency cannot determine the extent of the impact of AB 327 on the Project at this time.

On October 7, 2015, California Senate Bill No. 350 ("SB 350") increased the RPS to 50% by 2030 (the "50% RPS"). SB 350 also requires the State Energy Resources Conservation and Development Commission to establish annual targets for statewide energy efficiency savings and demand reduction that will double statewide energy efficiency savings from retail customers by January 1, 2030. SB 350 requires the CPUC to establish efficiency targets for electrical and gas corporations consistent with this goal. SB 350 also requires local publicly-owned electric utilities to establish annual targets for energy efficiency savings and demand reductions consistent with this goal.

On September 10, 2018, Governor Brown signed into law California Senate Bill No. 100 ("SB 100"), which amends the California Public Utilities Code to increase the minimum requirements for California electric utilities and public power entities to procure renewable energy to 50% by December 31, 2026 and 60% by December 31, 2030. For purposes of these milestones, renewable energy consists of energy generated by wind, solar, geothermal, biomass and small hydroelectric facilities. SB 100 provides, as a policy of the State of California, that "eligible renewable energy resources and zero-carbon resources supply 100% of all retail sales of electricity to California end-use customers and 100% of electricity procured to serve all state agencies by December 31, 2045." This policy allows for a broader range of generation than just renewable resources to qualify for the 100% goal. Large hydroelectric facilities and nuclear power, which are outside the definition of "renewable resources," may qualify to meet the 2045 goal, as well as zero-carbon generation technologies that have yet to be developed.

SB 100 requires the CPUC and the CEC, in consultation with the CARB, to take steps to ensure that the transition to a zero-carbon electric system in California will not cause or contribute to greenhouse gas emissions increases elsewhere in the western grid or result in resource shuffling. The measure also provides that in achieving the goal of 100% zero-free carbon generation by 2045, the CPUC, the CEC, the CARB and all other state agencies are required to, among other things:

(1) Maintain and protect the safety, reliable operation, and balancing of the electric system;

(2) Prevent unreasonable impacts to rates and bills, "taking into full consideration the economic and environmental costs and benefits of renewable energy and zero-carbon resources;"

(3) Take actions to "ensure equity between other sectors and the electricity sector;"

(4) Incorporate the zero-carbon policy "into all relevant planning;" and

(5) Issue a joint report by January 1, 2021 and every four years thereafter evaluating progress toward achieving the goal and describing technologies, forecasts, transmission capacity issues, safety and reliability, along with the benefits of, costs to, and barriers to achieving the goal. The CEC, the CPUC and other California agencies have instituted proceedings to implement the RPS. While the CPUC principally regulates investor-owned utilities, the CEC has worked jointly with the CPUC to implement rules applicable to local, publicly-owned utilities (such as the California Purchasers) in California ("POUs"). The CEC published final amended regulations entitled "Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities," effective April 22, 2016, which include rules and procedures for determining whether electricity products acquired by POUs constitute renewable resources satisfying the RPS procurement requirements.

The Department met the goal of 20% renewable energy in 2010. The Department has indicated that it is on track to achieve the 33% RPS goal by 2020. The CEC had indicated that California would need to address over-generation in order to achieve the 50% RPS goal by 2030. It has not yet indicated whether the same will be true to meet the RPS goals set by SB 100 of 50% by 2026 and 60% by 2030.

SB 1389. In 2002, the California legislature enacted Senate Bill No. 1389, implementing the requirement that the CEC prepare an integrated energy policy report ("IEPR") on at least a biennial basis with updates to each report during the year following each IEPR's issuance. Each IEPR is required to contain an assessment of major energy trends and issues facing California's electricity, natural gas, and transportation fuel sectors and provide policy recommendations to conserve resources; protect the environment; ensure reliable, secure, and diverse energy supplies; enhance California's economy; and protect public health and safety. Each IEPR has traditionally addressed the RPS as well.

On April 16, 2018, the CEC issued the Final 2017 Integrated Energy Policy Report (the "2017 IEPR "). The 2017 IEPR notes that coal-fired electricity consumed in California has declined by about 86% since the enactment of SB 1368 in 2006 (see "SB 1368 below) and is expected to be zero by 2026. The 2017 IEPR noted a drop in the net load below 9,000 MW twice during the summer of 2017, which was not anticipated until well after 2020. The Western Energy Imbalance Market ("EIM") is expected to help address such fluctuations as well as limit curtailment resulting from over-generation. Additional measures promoted in the 2017 IEPR include energy storage, for which the CPUC is required to issue rules. Natural gas-fired generation is still expected to play a role in providing reliable energy on demand even as renewable sources increase.

The 2017 IEPR predicts that by 2026 none of California's electricity will be supplied by coal-fired generation. The 2017 IEPR suggests that potential CAISO over-generation can be mitigated by the implementation of high-voltage, direct current lines and converters to allow bi-directional flow. The 2017 IEPR also attributes benefits to the EIM, thereby saving considerable financial resources, avoiding significant curtailment, and reducing GHG emissions.

SB 1368. On September 29, 2006, Governor Schwarzenegger signed California Senate Bill No. 1368—An Act to Impose Greenhouse Gas Performance Standards on Locally Owned Public Utilities ("SB 1368"). SB 1368 was directed specifically at limiting GHG emissions associated with electric power consumed in California by prohibiting California electricity providers from entering into long-term financial commitments for baseload generation unless such generation complies with GHG emission performance standards. SB 1368 defines a "long-term financial commitment" as either a new ownership investment in baseload generation or a new or renewed contract with a term of five or more years, which includes procurement of baseload generation.

SB 1368 authorizes and directs the CEC to set the GHG emissions performance standard at a rate that is no higher than the rate of emissions of GHG from combined-cycle natural gas baseload generation. The CEC adopted final regulations, which were approved by the California Office of Administrative Law on October 16, 2007, establishing the GHG emissions performance standard (the "GHG EPS Regulations"). The CEC also established a public process for determining the compliance of proposed investments with the emissions performance standard, which includes a process for a utility to request that an investment be exempted from the emissions performance standard if the investment is necessary to ensure reliable service to utility customers or to avoid a threat of significant financial harm or if the utility is under a legal obligation to contribute a share of a larger investment.

On January 12, 2012, the CEC ordered the commencement of rulemaking in response to a petition from the Natural Resources Defense Council and the Sierra Club to modify the GHG EPS Regulations. Among other things, the CEC rulemaking proceeding considered the establishment of criteria for, or further defining, the term "covered procurement," including specifying what is meant by "designed and intended to extend the life of one or more generating units by five years or more," and "routine maintenance."

On March 19, 2014, the CEC proposed changes to the GHG EPS Regulations. The CEC concluded that changes in the existing notice and reporting requirements for POUs under the GHG EPS Regulations would enhance transparency, and that POUs should provide notice when they will deliberate in public on investments for a non-EPS compliant facility. The CEC also concluded that further refining or defining the phrases "designed and intended to extend the life" or "routine maintenance" is unnecessary. The proposed changes are not yet final, and thus the Agency cannot predict their impact on the Project.

The CEC directed the opening of a new docket for emissions performance standard on January 6, 2018 for the purpose of receiving information. It is not yet clear whether the new docket will result in further amendments to the GHG EPS Regulations.

Global Warming Solutions Act and Regulations. AB 32, the California Global Warming Solutions Act of 2006 (the "Global Warming Solutions Act") requires CARB to adopt regulations to reduce California's GHG emissions to 1990 levels by 2020, which represents a reduction of approximately 25% statewide. On October 20, 2011, CARB adopted Resolution 11-32 approving cap-and-trade regulations (the "Cap-and-Trade Program"). The Act was amended in 2016 by SB 32, which directs CARB to ensure that statewide emissions are reduced at least 40% below 1990 levels by December 31, 2030, and in 2017 by AB 398, which clarifies the role of the Cap-and-Trade Program in achieving the 2030 target.

Effective in 2013, the Cap-and-Trade Program imposes a "cap" for cumulative GHG emissions from major industrial sources, including electric generation facilities. The Cap-and-Trade Program covers approximately 85% of California's emissions of seven different GHGs (CO_2, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and nitrogen trifluoride) on the basis of CO_2e (CO_2 equivalents – determined by calculating the global warming potential of all constituent GHGs), including emissions from electricity generation, large industrial sources, transportation fuels and residential and commercial use of natural gas.

Entities subject to the Cap-and-Trade Program may use a combination of allowances and offsets (collectively, "Compliance Instruments") to meet their obligations under the applicable cap on GHG emissions. Under the Cap-and-Trade Program, an "allowance" is equal to one metric ton of CO_2e, and the total number of allowances created is equal to the cap on cumulative GHG emissions from all of the covered sectors. An "offset" is an emissions reduction from a source that is outside of the cap coverage and that can be measured, quantified, and verified.

POUs that are subject to the Cap-and-Trade Program, including the Department, have been the recipients of free administrative allocations of a specified number of allowances from CARB until the 2020 allowance budget year. CARB has proposed rules providing for allocations of allowances for the 2021 to 2030 compliance years. Entities that emit GHGs at levels above those for which they receive administration allocations, if any, must purchase the additional allowances they require at the CARB auctions or from other entities with surplus allowances. CARB conducts auctions under the Cap-and-Trade Program on a quarterly basis.

The Department believes that participation in the auctions would adequately supplement the Department's administrative allowances to authorize the Department's generation and purchase of electricity should any future shortfalls occur.

In addition, the Cap-and-Trade Program limits emissions leakage, which involves increases in out-of-state GHG emissions that offset in-state GHG emissions reductions. In the electricity sector, the Cap-and-Trade Program limits emissions leakage in part by prohibiting "resource shuffling," which is defined as "any plan, scheme, or artifice undertaken by a First Deliverer of Electricity to substitute electricity deliveries from sources with relatively lower emissions for electricity deliveries from sources with relatively higher emissions to reduce its emissions compliance obligation." Thus, resource shuffling may be found to occur if an operator of an electric generating facility in California or an electricity importer reduces its compliance obligation by engaging in an impermissible substitution of higher emissions resources with relatively lower emissions resources. On April 25, 2014, CARB approved final regulations specifying activities that are and are not considered to be resource shuffling. Although the Project is a facility generating outside of California, the Department has concluded that the Project is not impacted by the prohibition on resource shuffling.

Additional changes may be made to the Cap-and-Trade Program; however, the Agency cannot determine with certainty the scope or potential impact of such changes. For example, California and the Province of Quebec, Canada have entered into an agreement to link the Cap-and-Trade Program to a program in Quebec. The Province of Ontario, Canada had been linked as well, but has since elected to withdraw from participation. However, California continues to actively negotiate with other national and subnational governments. Therefore, it may be possible for Compliance Instruments issued by California to be used to satisfy obligations in Quebec or Ontario, and for Compliance Instruments issued by Quebec or Ontario to be used to satisfy obligations in California.

On November 13, 2012, the California Chamber of Commerce filed a lawsuit challenging the Cap-and-Trade Program. The lawsuit was dismissed on August 28, 2013. The suit alleged that the Global Warming Solutions Act did not authorize CARB to sell GHG allowances for the purpose of generating revenue, and also alleged that if the Global Warming Solutions Act did authorize such actions, the sale of GHG allowances would constitute an illegal tax because it was not approved by a two-thirds vote of the California legislature. The court held that the sale of GHG allowances is authorized and is not an illegal tax. The Third Appellate District of the Court of Appeal in Sacramento, California upheld the lower court decision. In an order handed down in June 2017, the California Supreme Court refused to consider a challenge to the Court of Appeals decision. The Agency understands that the decision by the California Supreme Court has terminated the California Chamber of Commerce lawsuit.

In 2017, CARB finalized amendments to the Cap-and-Trade Program rules which, among other things, specify the methodologies for calculating the GHG allowance allocations for electric distribution utilities, including the California Purchasers, to satisfy the GHG emissions limits specified for 2030. The changes are based on the projected GHG emissions through 2030 attributable to the California Purchasers, among others. Such projections expressly assume no coal-fired power being delivered by the Project to the California Purchasers after 2027.

Impacts on the Agency. Since 2016, the scheduling of power from the Project has been affected by market conditions, system demand, relatively low natural gas prices, and operational constraints caused by a leakage incident at the natural gas storage facility at Aliso Canyon in California. Also, since 2016, the Department has included the GHG cost factor in its pricing of power from the Project to reflect externalities from coal-fired power generation (the "GHG Cost Factor"). Although the GHG Cost Factor does not represent a monetary cost of the operation of the Project, it is increasing the dispatch cost of power from the Project for the Department. The additional GHG Cost Factor often made the price of the power generated by the Project noncompetitive in comparison to other resources available to the Department and the other California Purchasers. As a result, the California Purchasers substantially decreased their scheduling of power from the Project in 2016, which reduction has continued through 2018. This has resulted in a substantial decrease in the Project's capacity factor. See "PROJECT OPERATIONS – Management and Operation of the Project" below.

The Agency will continue to analyze the potential impact of the California GHG Initiatives, but the Agency cannot determine, with any certainty at this time, what additional impacts, if any, could result to the Agency or the Power Purchasers from these initiatives and what effects these initiatives may have on the California electric energy markets or electric energy markets generally. Furthermore, the Agency cannot predict what, if any, effects the California GHG Initiatives or future related laws, orders or regulations, including amendments or modifications to the California GHG Initiatives, will have on the Agency or the Power Purchasers or the markets in which they operate.

As California and its agencies, including CARB and the CEC, and local governments move forward with regulatory and administrative processes to fully implement the California GHG Initiatives, it is likely that the California Purchasers will continue to explore all legal options available to them to reduce GHG emissions attributable to their operations, including the divestiture of GHG-emitting assets and the acquisition of additional renewable and non-fossil fueled generation assets. The Agency can neither predict what, if any, such actions the California Purchasers may take, nor the timing of any such actions that may be taken.

The Agency does not believe that any of such initiatives or actions taken in response to such initiatives will render existing Power Sales Contracts (*i.e.*, contracts effective, as amended, prior to the effective date of such law or action) between it and the California Purchasers void, ineffective or unenforceable. It is possible however that these initiatives, alone or in combination, could affect the Agency and the California Purchasers in other ways. For example, they:

(i) may limit or eliminate the ability of the Agency and the California Purchasers to enter into amendments to the respective Power Sales Contracts between them, including the types of amendments that may be entered into (although the Agency does not believe that the initiatives or actions limited the ability of the Agency or the California Purchasers to enter into the Power Sales Contracts Amendments);

(ii) could prevent the Agency from selling a defaulting California Purchaser's generation entitlement share in the Project to another California Purchaser or California electric utility on a long-term basis or in excess of available allowances and offsets in connection with the exercise by the Agency of its remedies under the applicable Power Sales Contract as the result of such a default, thus potentially impairing the Agency's ability to recover its losses from such a default;

(iii) could prevent a Power Purchaser from entering into future arrangements to resell its electric generation from the Project to another California Purchaser or California electric utility on a long-term basis or in excess of available allowances and offsets; and

(iv) may restrict the ability of the California Purchasers to import power generated by the Project pursuant to a Power Sales Contract to the extent the power to be imported exceeds available allowances and offsets.

Nuisance Liability for Greenhouse Gas Emissions

There are several cases that have been decided over the last several years that attempted to impose nuisance liability on coal-fired electric generating facilities for GHG emissions. In the early case of *Native Village of Kivalina v. Exxon Mobil*, in February 2008, an Inuit village in Alaska brought a nuisance suit against a number of major oil companies in federal court in California. The village sought monetary damages, in the amount of $400 million, for the defendants' past and ongoing contributions to global warming. On September 21, 2012, the U.S. Court of Appeals for the Ninth Circuit affirmed the dismissal of the case by a lower court. The U.S. Supreme Court declined to hear the case in 2013.

In another example, *American Electric Power Co. Inc. v. Connecticut* was decided by the U.S. Supreme Court on June 20, 2011. In that case, the Court held that federal regulation of GHG emissions preempted a federal common-law nuisance claim by several states and land trusts against various U.S. utilities for their GHG emissions as contributing to climate change.

More recently, in July 2017, Marin and San Mateo Counties in California and Imperial Beach, a city in San Diego County, filed suit against 37 fossil fuel producers for damages caused by rising sea levels. In September 2017, the cities of San Francisco and Oakland each filed complaints in state court against five oil and gas companies for damages and other relief caused by rising sea levels and other climate effects caused by the GHG emissions from the companies' products. The two cases have been consolidated and transferred to federal district court. In December 2017, the City of Santa Cruz and Santa Cruz County filed suit against 29 oil, gas and coal companies for damages caused by rising sea levels as well as changes to the hydrologic cycle caused by GHG emissions from the companies' products alleged to have resulted in more frequent and severe wildfires, drought, and extreme precipitation events.

These cases have not directly involved the Project, but the cases are part of a growing litigation trend involving electrical generating facilities, such as the Project, that emit GHGs. There are a number of other cases in various jurisdictions seeking damages and/or injunctive relief from energy companies for the adverse effects of climate change. In particular, nuisance claims involving air-related issues appear to be increasing. While no case related to GHGs has been brought against the Project, these cases illustrate the potential for such claims to be made in the future.

Waste Management

There are substantial federal, State and local regulations regarding solid and hazardous waste management. The federal Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act, imposes strict liability for cleanup costs and damages—regardless of time or location—on those who generate, transport, store, or dispose of hazardous waste. Many day-to-day activities connected with the generation and transmission of electricity generate both non-hazardous and hazardous wastes. The federal Resource Conservation and Recovery Act ("RCRA") and the Utah Solid and Hazardous Waste Management Act ("SHWMA") require permits from the Utah Department of Environmental Quality for the siting of hazardous waste disposal facilities and receipt, disposal and management of hazardous waste. In addition, RCRA and SHWMA require permits for the siting, receipt, disposal and management of certain types of non-hazardous solid waste.

IPSC, under direction of the Operating Agent, has established a waste management plan for the Project. The plan is designed to assure that the Project's present and future operations conform to

applicable waste disposal regulations. The Operating Agent has also assessed Project properties for potential liability arising from past, latent contamination. Subject to the discussion of the CCR Rule (as defined below) set forth below, the Operating Agent has indicated that the Project's waste management program complies with all federal, state and local statutes and guidelines and all applicable permit requirements.

Additionally, in May 1997, EPA extended the reporting requirements of Section 313 of the Emergency Planning and Community Right-to-Know Act to the electric utility industry. Effective in 1998, the first reporting year, facilities that combust oil or coal for the purpose of generating electricity for commercial distribution were required to identify and document releases of Section 313 chemicals that have been manufactured, processed or otherwise used above certain thresholds at the facilities. The Project has reported under Section 313 each year since reporting was required.

Since 2009, EPA and other regulators at the federal and state levels have engaged in various data collection and regulatory efforts with respect to the handling, disposal and storage of ash resulting from the combustion of coal or coal combustion residuals ("CCRs"). As part of its efforts to assess the impacts of CCRs, EPA also visited many facilities, including the Project, to see that the management units are structurally sound. Following such visit, EPA provided recommendations to the Agency which EPA has since acknowledged the Agency has satisfied.

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

A few months after the final CCR Rule was published, industry groups challenged the rule in the D.C. Circuit. In late 2016, Congress passed the Water Infrastructure Improvements for the Nation Act (the "WIIN Act"), amending Section 4005 of RCRA to give states the authority to implement and enforce the CCR Rule. In response to the WIIN Act, the Utility Solid Waste Activities Group ("USWAG") petitioned EPA for rulemaking to reconsider provisions of the CCR Rule, and EPA granted USWAG's petition for reconsideration.

On August 21, 2018, the D.C. Circuit Court issued a decision in the initial challenge to the CCR Rule. Among other things, the Court vacated and remanded for further consideration the provision of the CCR Rule that allowed existing unlined surface impoundments to continue to operate until a leak is detected. The court did not, however, invalidate the closure timelines, the groundwater monitoring requirements, the notice requirements, or any other provisions that are inherently tied to closure. The corresponding CCR regulations in the State remain in effect. The Agency cannot predict how the remand may affect the closure trigger under the CCR Rule or otherwise impact the Agency.

The Project utilizes impoundments (ponds) and a landfill for the management of coal ash constituting CCR that is subject to the CCR Rule. The Department has reported that the Project has met all interim compliance requirements for the CCR Rule including: setting up a public website and posting CCR operating records, developing groundwater monitoring wells and sampling plans, sampling of groundwater wells quarterly, developing and implementing a fugitive dust monitoring plan and starting to develop a corrective action plan.

In accordance with the CCR Rule, including applicable timelines, the Department has determined that the Project's CCR impoundments do not meet the design criteria required for surface impoundments and that groundwater sampling has shown statistically significant concentrations of certain constituents in monitoring wells surrounding the impoundments. Under the CCR Rule, the impoundments are therefore required to be closed according to prescribed timelines. The Agency has elected a course of action under

the CCR Rule that allows for continued acceptance of CCR in the impoundments so long as the coal-fired boilers at the Project will cease operation by a date certain and the impoundments are closed by 2028. The Agency is already required pursuant to the Power Sales Contracts to cause the Project to use another fuel source for generation by 2025 and the Agency has already made the determination not to continue operation of the coal-fired boilers at the Project beyond the time when the Project switches to using natural gas. See "PROJECT OPERATIONS – Management and Operation of the Project – *Removal of Coal Units from Service*" below.

EPA has announced that it will initiate rulemaking in stages to amend the CCR Rule. EPA finalized the first part of this rulemaking on July 30, 2018. That rulemaking has been challenged in the D.C. Circuit. EPA has not indicated when it will propose additional amendments to the CCR Rule. The Agency does not anticipate that the initial amendment will have any impact on the course of action previously required under the CCR Rule and it cannot predict the potential impact of amendments that may follow.

The state rule regulating CCRs has not been amended to reflect congressional and EPA developments since 2016. However, the Department has applied for a permit under the State's program with respect to the Project's CCR impoundments and landfill. The State has indicated that it will publish for public comment a draft permit responsive to the Agency's application. Notwithstanding the uncertainty created by the D.C. Circuit's opinion, and the remand of the closure triggers in the CCR Rule, the Project has continued implementing its compliance and closure plans pursuant to the remaining provisions of the CCR Rule and State law governing CCRs.

The Department is continuing to analyze the impacts of the CCR Rule and state regulation on the Project, including anticipated costs of compliance. The Agency's total cost of compliance with the final CCR rule is currently estimated to fall within the range of $55 million to $70 million (in 2018 dollars) over a time period commencing as early as 2019 and ending between approximately 2025 and 2028 (except for long-term groundwater monitoring, which will last approximately 30 years after closure of the impoundments).

Water Quality

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

EPA announced in the Fall of 2009 plans to collect information and proceed with rulemaking for effluent limitations guidelines for electrical generating facilities. EPA's decision to proceed towards rulemaking was based upon a multi-year study of the steam electric power generating industry. EPA's study concluded that then-current regulations, which were issued in 1982, had not kept pace with changes that have occurred in the electric power industry. The decision to revise the then-current effluent guidelines was also driven by the expectation that toxic-weighted pollutant discharges from coal-fired power plants would increase significantly in following years as new air pollution controls would be required. Pursuant to a consent decree entered into in litigation filed by environmental groups, EPA published a proposed rule on June 7, 2013 and issued a final rule in 2015. The Agency has determined that the final rule does not apply to the Project because there is no direct discharge of effluents from Project operations either into surface water or to a publicly owned treatment facility.

While the Project has no water discharges off-site, the Project utilizes a cascading process pond system on-site. The Project has been subject to a Groundwater Discharge Permit through the Utah Department of Environmental Quality Division of Water Quality since 2001, which requires the

Department to monitor compliance at wells located adjacent and downgradient to the impoundments and permitted facilities, sets groundwater protection levels, and requires semi-annual reporting. One or more of the on-site impoundments may have leaked in the past into groundwater. The Project has addressed and will continue to address this issue through a remediation and recovery plan approved and regulated by the Utah Department of Environmental Quality, and consistent with its plans developed under the CCR Rule as described previously. Pursuant to the plan, the Agency has installed monitoring wells to monitor groundwater and recovery wells to pump water back into the process pond system. The Agency expects to maintain the monitoring and recovery wells, to perform chemical analysis of the well water and to implement further remedial measures as necessary.

Electric and Magnetic Fields

A number of studies have been conducted regarding possible adverse health effects flowing from exposure to power-frequency electric and magnetic fields ("EMF"). These fields are created by a number of sources, including electric utility equipment, electrical appliances (such as computers), and other electrical devices. To date, the medical and scientific communities have been unable to: (i) determine if EMF have an impact on health; or (ii) establish any standard or level of exposure known to be either safe or harmful. Further studies are being conducted to determine the possible relationship between EMF and human health. This issue has received attention by electric utilities due to claims for damages for injuries (and property devaluation) allegedly caused by EMF emanating from utility infrastructure. Because of scientific uncertainty on this issue, it is difficult to predict accurately the extent of any costs that possible future EMF claims might impose on electric utilities, including the Agency and the Power Purchasers.

Other Environmental Concerns

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

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

THE AGENCY'S COST REDUCTION PROGRAM

To the extent the statements under this caption relate to events or circumstances to occur or anticipated to occur after the date of this Annual Report, such statements are to be regarded as forward-looking and readers of this Annual Report are advised that actual results may differ materially.

Introduction

As more particularly described under "PROJECT OPERATIONS" below, the Project is a highly dependable generating facility that, until the Agency's fiscal year 2015-2016, consistently operated at levels significantly better than average industry levels with respect to various key performance criteria.

The Agency has seen, however, a decline in the utilization of the Project in the fiscal years ended in 2016, 2017 and 2018 as a result of the California GHG Initiatives. Such GHG initiatives are expected to put downward pressure on the utilization rate of the Project for the foreseeable future. See "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – California Greenhouse Gas Initiatives – *Impacts on the Agency*" above.

The Agency and the Operating Agent have taken various actions over the life of the Project to improve the capability and availability of the Project. The increase in the gross capacity of the Project to 1,800 MW (net) that was completed in 2004 has provided more than enough capacity to satisfy the Power Purchasers' needs over the past few years. Though utilization has fallen, the Agency believes that the continued dependability of the Project will continue to be important for Power Purchasers whose resource portfolios have become increasingly weighted toward renewable power generation and for all Power Purchasers who may need to respond to future disruptions to or volatility in the electric power markets.

Reduced utilization of the Project has also reduced operating efficiencies at the Project with a corresponding increase in the cost of Project power on a per MWh basis. The resulting increase in costs per MWh is expected to make Project power less attractive to the Power Purchasers except for purposes of addressing peak demand when other resources are not available. The scheduling of Project power principally to address peak demand (or cycling) is expected to increase the maintenance and repair costs of the Project. The costs of Project power have been and may continue to be offset, to some extent, by the Debt Prepayment Option (as defined below) available to the California Purchasers. See "– The Agency's Cost Reduction Activities" below.

The Agency has intended that the Gas Repowering would make the Project an attractive resource to the California Purchasers. The success of the Gas Repowering will be subject to facts and circumstances and actions by others beyond the control of the Agency, including the cost of the Gas Repowering, the utilization of the Project following the Gas Repowering and the resource mix desired by or permitted for the California Purchasers. See "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS – Gas Repowering" below.

No assurance can be given that facts, circumstances, actions or inaction within the control of others will not prevent, in whole or in part, the successful achievement of the Agency's cost reduction objectives or the other actions undertaken by the Agency, such as the Gas Repowering, to remain a beneficial resource to the Power Purchasers.

The Agency's Cost Reduction Activities

The Agency and the California Purchasers entered into a Prepayment Agreement, dated as of May 17, 1999 (the "Prepayment Agreement"), which established a mechanism (the "Debt Prepayment Option") by which the California Purchasers may provide the Agency funds for the early retirement of its publicly-held indebtedness, while preserving to the contributing California Purchasers the benefits of such early retirements. While such prepayments do not change the Agency's direct cost structure, they do make the future net cost of Project power and energy to any prepaying California Purchaser lower.

In conjunction with each prepayment made by a California Purchaser pursuant to the Debt Prepayment Option, the Agency is obligated under the Prepayment Agreement to issue to such California Purchaser a promissory note or notes (each, a "Prepayment Note") under the Prepayment Notes Resolution (as defined below) to evidence the Agency's obligation to pay to it, as Second Level Subordinated Indebtedness and subject to the terms and conditions of such Prepayment Note and the Prepayment Notes Resolution, amounts approximately equal to the debt service obligations that are avoided by the Agency as the result of the early retirement of the Agency's indebtedness resulting from the application of such prepayment for such purpose.

Pursuant to the Debt Prepayment Option, the Department made prepayments to the Agency in 2000 and 2005, and Pasadena made a prepayment to the Agency in 2009. Each such prepayment was applied by the Agency as directed by the California Purchaser that made it, to prepay, defease or purchase on the open market and cancel Senior Indebtedness and Subordinated Indebtedness in the aggregate principal amount of approximately $1,580,000,000. In conjunction with such prepayments, the Agency has issued Prepayment Notes to the Department in the aggregate initial principal amount of approximately $1,510,000,000 (the "Department Prepayment Notes") and to Pasadena in the aggregate initial principal amount of approximately $70,000,000 (the "Pasadena Prepayment Notes" and, together with the Department Prepayment Notes, the "Existing Prepayment Notes").

As of the date hereof, none of the California Purchasers other than the Department and Pasadena have made any prepayment to the Agency pursuant to the Debt Prepayment Option. The Agency is not currently aware of any prepayment that any California Purchaser is planning to make in the future and is not able to predict the timing, frequency or amounts of any future prepayments that may be made to it by any of the California Purchasers.

INDEBTEDNESS OF THE AGENCY

General

As of July 2, 2018, the Agency's indebtedness consisted of the following:

(i) $129,340,000 principal amount of Subordinated Bonds (see "– Outstanding Subordinated Bonds" below);
(ii) $95,500,000 principal amount of CP Notes (see "– Outstanding CP Notes" below);
(iii) $608,065,000 principal amount of Existing Prepayment Notes (see "– Existing Prepayment Notes" below); and
(iv) $45,000,000 principal amount of Working Capital Loans (see "– Other Subordinated Indebtedness – *Working Capital Loans*" below).

As of the date of this Annual Report, the Agency's indebtedness consists of the same principal amount of Subordinated Bonds as set forth in the foregoing paragraph, CP Notes in the amount of $79,500,000, Existing Prepayment Notes in the amount of $552,112,917 and Working Capital Loans in the amount of $15,000,000.

On April 2, 2013, the Agency caused all of its Outstanding Senior Indebtedness to be deemed to have been paid within the meaning and with the effect expressed in the Resolution. As a result, no Senior Indebtedness remains Outstanding under (and as defined in) the Resolution, and the pledge and assignment of the Trust Estate, and all covenants, agreements and other obligations of the Agency to the holders of the Senior Indebtedness, have ceased, terminated and become void and been discharged and satisfied.

In anticipation of the defeasance of the Senior Indebtedness in full and in order to confirm and protect the security for all Subordinated Indebtedness that remain outstanding following such discharge and satisfaction, the Agency adopted a Supplemental Resolution (the "Confirming Resolution") for the purpose of amending the defeasance provisions of the Resolution to add thereto a provision to the effect that upon such discharge and satisfaction (a) the provisions relating to the establishment, maintenance and operation of the various funds and accounts established under the Resolution, (b) the pledges of the amounts on deposit in the Subordinated Indebtedness Fund as may from time to time be available therefor (including the investments held as a part of such Fund) created pursuant to the instruments authorizing the

issuance or incurrence of such Indebtedness, (c) the Trustee's obligations with respect to the Subordinated Indebtedness Fund, (d) the rights, privileges, protections, immunities and indemnities afforded to the Trustee in Article X of the Resolution and (e) all other provisions of the Resolution necessary or desirable to give effect to the foregoing, shall remain in full force and effect so long as any Subordinated Indebtedness remains outstanding.

The Subordinated Bonds, the Subordinated Notes and the Working Capital Loans constitute First Level Subordinated Indebtedness. The Prepayment Notes (including the Existing Prepayment Notes) constitute Second Level Subordinated Indebtedness.

The estimated debt service requirements of the Agency, taking into account Subordinated Bonds, Subordinated Notes and Working Capital Loans as of the date of this Annual Report, are set forth in Appendix E hereto.

Outstanding Subordinated Bonds

The Subordinated Bonds were issued pursuant to the Subordinated Resolution. The principal or redemption price of and interest on all Subordinated Bonds are subordinate and junior in all respects to the payment of the principal of and interest on any Senior Indebtedness that the Agency may hereafter issue, and rank equally, and are on a parity, as to security and source of payment, with the principal of and interest on the CP Notes and the Working Capital Loans.

As of the date of this Annual Report, $129,340,000 in principal amount of Subordinated Bonds are Outstanding under (and as defined in) the Subordinated Resolution, consisting of the following:

(a) $48,910,000 in aggregate principal amount of fixed rate Subordinated Power Supply Revenue Refunding Bonds, 2014 Series A, of which $24,110,000 remain Outstanding under (and as defined in) the Subordinated Resolution; and

(b) $105,230,000 in aggregate principal amount of fixed rate Subordinated Power Supply Revenue Refunding Bonds, 2018 Series A, all of which remain Outstanding under (and as defined in) the Subordinated Resolution.

Outstanding CP Notes

The CP Notes currently outstanding were issued pursuant to the Agency's Ninth Subordinated Indebtedness Note Resolution adopted October 27, 1997 (as supplemented, amended and restated, the "CP Note Resolution"). The principal of and interest on the CP Notes are subordinate and junior in all respects to the payment of the principal of and interest on any Senior Indebtedness that the Agency may hereafter issue and are on a parity, as to security and source of payment, with the principal of and interest on the Subordinated Bonds and the Working Capital Loans. See "RISK FACTORS – Liquidity" and "RATING TRIGGERS – BANA CP Notes Credit Agreement" above.

Existing Prepayment Notes

The Existing Prepayment Notes were issued pursuant to the Agency's Tenth Subordinated Indebtedness Note Resolution adopted December 7, 1998 (the "Prepayment Notes Resolution") and pursuant to the Prepayment Agreement. The principal of and interest on all Prepayment Notes issued pursuant to the Prepayment Notes Resolution (including the Existing Prepayment Notes) are subordinate and junior in all respects to the payment of the principal of and interest on any Senior Indebtedness that the Agency may hereafter issue, and the principal of and interest on all Subordinated Bonds, all CP Notes and all Working Capital Loans, but rank equally, and are on a parity, as to security and source of

payment, with other Second Level Subordinated Indebtedness of the Agency, except certain Subordinated Indebtedness that may be issued in the future to refund the Agency's publicly-held Senior Indebtedness and Subordinated Indebtedness. The Agency currently does not have any Second Level Subordinated Indebtedness outstanding other than the Existing Prepayment Notes. See "THE AGENCY'S COST REDUCTION PROGRAM – The Agency's Cost Reduction Activities" above.

Additional Senior and Subordinated Indebtedness

The Agency reserves the right under the Resolution and the Subordinated Resolution to issue additional Senior Indebtedness for purposes of the Project and on the terms and conditions specified in the Resolution, which will rank equally and be on a parity, as to security and source of payment, with all other Senior Indebtedness, if any. See "Additional Bonds" in Appendix A hereto.

The Agency reserves the right under the Resolution and the Subordinated Resolution to issue, with the approval of the Coordinating Committee and for any purpose of the Agency in connection with the Project, additional Subordinated Indebtedness which will be junior and subordinate to any Senior Indebtedness that the Agency may hereafter issue, but which may be on a parity with or junior to the Agency's outstanding Subordinated Indebtedness, depending upon whether such additional Subordinated Indebtedness is First Level Subordinated Indebtedness or Second Level Subordinated Indebtedness.

Other Subordinated Indebtedness

Series F Notes. The Agency has authorized the issuance of its Subordinated Indebtedness Notes, Series F (the "Series F Notes"), to evidence the Agency's obligation to pay as and when due all amounts payable by the Agency with respect to certain approved interest rate exchange or swap transactions, cash flow exchange or swap transactions or other similar transactions (collectively, the "Approved Transactions").

As of the date of this Annual Report, no Approved Transactions remain outstanding. As a result, as of the date of this Annual Report, no Series F Notes remain outstanding.

The Agency may issue additional Series F Notes in the future, subject to satisfaction of the conditions to such issuance set forth in the Agency's Sixth Subordinated Indebtedness Note Resolution adopted on February 26, 1993, authorizing the Series F Notes.

Series I Notes. Pursuant to the CP Note Resolution, the Agency is required, so long as any CP Notes remain outstanding, to maintain in effect a liquidity facility or facilities under which an aggregate amount at least equal to the aggregate principal amount of the CP Notes then outstanding may be borrowed at any time to pay principal of maturing CP Notes. The CP Note Resolution authorizes the issuance by the Agency of its Subordinated Indebtedness Bank Notes, Series I (the "Series I Notes") to the lender or lenders providing such liquidity facility or facilities from time to time to evidence the Agency's obligation to repay amounts borrowed thereunder. The aggregate principal amount owing by the Agency under the Series I Notes may not at any time exceed the maximum aggregate principal amount of CP Notes authorized to be outstanding at such time, which amount currently is $79,500,000.

The facility currently providing liquidity support for the CP Notes is the BANA CP Notes Credit Agreement. The Agency has issued a Series I Note to BANA in a principal amount to be outstanding at any time not to exceed $79,500,000. The Agency has not drawn any funds down under the Series I Note.

The Series I Note currently outstanding constitutes, and all Series I Notes issued hereafter will constitute, First Level Subordinated Indebtedness. See "RISK FACTORS – Liquidity" and "RATING TRIGGERS – BANA CP Notes Credit Agreement" above.

Working Capital Loans. Pursuant to the BANA Working Capital Credit Agreement, BANA has committed to lend to the Agency $15,000,000 as a term loan (the "Working Capital Loans"). Proceeds of the Working Capital Loans are available to provide the Agency with working capital for the payment of Costs of Acquisition and Construction of the Project and/or for the payment of Operating Expenses. The current outstanding amount of Working Capital Loans is $15,000,000. Amounts borrowed under the BANA Working Capital Credit Agreement constitute First Level Subordinated Indebtedness. See "RATING TRIGGERS – BANA Working Capital Credit Agreement" above.

Payment of Subordinated Indebtedness

The Bank of New York Mellon, successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank and as Chemical Bank), is the Trustee under the Resolution for Senior Indebtedness. There is no trustee for Subordinated Indebtedness. The Trustee has no fiduciary duty to the holders of Subordinated Indebtedness and its functions are limited to paying over to the persons entitled thereto the amounts which it may receive from time to time with respect to the principal, interest and other amounts due on Subordinated Indebtedness.

SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS

Pledge Effected by the Resolution

The Resolution provides that Senior Indebtedness that may be issued from time to time shall be direct and special obligations of the Agency payable solely from and secured solely by the Trust Estate, subject only to its provisions permitting the application thereof for the purposes and on the terms and conditions set forth therein.

In addition, the principal or sinking fund redemption price, if any, of, and interest on, any Senior Indebtedness hereafter issued may, at the option of the Agency, be additionally secured by amounts on deposit in any particular subaccount in the Debt Service Reserve Account in the Debt Service Fund established by the Resolution specified by the Agency in connection with the issuance thereof, including the Initial Subaccount, in each such case, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein. See "– Debt Service Reserve Account" below.

In accordance with the Resolution:

- each Series of Senior Indebtedness shall rank on a parity with each other Series of Senior Indebtedness as to security and source of payment from the Trust Estate and shall be senior, as to security and source of payment, to all of the Agency's Subordinated Indebtedness;
- the principal of and interest on the CP Notes shall be subordinate and junior to Senior Indebtedness and are payable, subject to the prior payment of any Senior Indebtedness, only from the Subordinated Indebtedness Debt Service Account and the Subordinated Indebtedness Debt Service Reserve Account in the Subordinated Indebtedness Fund;
- the Subordinated Bonds shall be subordinate and junior to Senior Indebtedness and are payable, subject to the prior payment of any Senior Indebtedness, only from the Subordinated Indebtedness Debt Service Account in the Subordinated Indebtedness Fund and other funds of the Agency pledged thereto; and
- principal of and interest, and all other amounts due, on all other Subordinated Indebtedness shall also be payable from the Subordinated Indebtedness Debt Service Account and, in

certain cases, from the Subordinated Indebtedness Debt Service Reserve Account in the Subordinated Indebtedness Fund.

See "– Flow of Funds" and "– Security for Subordinated Indebtedness" below and "INDEBTEDNESS OF THE AGENCY" above.

The Agency's Senior Indebtedness that may be issued from time to time and the Agency's Subordinated Indebtedness are solely obligations of the Agency and are not obligations of the State or any other political subdivision thereof, or any member of the Agency, any Power Purchaser or the Project Manager or Operating Agent and neither the faith and credit nor the taxing power of the State or any political subdivision thereof or any city or town which is either a member of the Agency or a Power Purchaser or both is pledged for the payment of Senior Indebtedness or Subordinated Indebtedness. No holder of Senior Indebtedness or Subordinated Indebtedness or receiver or trustee in connection with the payment of Senior Indebtedness or Subordinated Indebtedness shall have the right to compel the State, any political subdivision thereof or any city or town which is either a member of the Agency or a Power Purchaser or both to exercise its appropriation or taxing powers. The Agency has no taxing power.

See "Pledge Effected by the Resolution" and "Nature of Obligation" in Appendix A hereto.

Pledge Effected by the Subordinated Resolution

The Subordinated Resolution provides that the Subordinated Bonds shall be direct and special obligations of the Agency payable from and secured by the funds pledged therefor. Pursuant to the Subordinated Resolution, the amounts on deposit in the Subordinated Indebtedness Debt Service Account in the Subordinated Indebtedness Fund established pursuant to the Resolution as may from time to time be available therefor (including the investments held as a part of such Account) are pledged and assigned for the payment of the principal and redemption price of and interest on the Subordinated Bonds, subject only to the provisions of the Resolution and the Subordinated Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein; *provided*, *however*, that such pledge and assignment is expressly made subordinate and junior in all respects to the pledge and lien created under the Resolution as security for the Senior Indebtedness; and *provided*, *further*, that such pledge and assignment is expressly made on a parity with the pledges and liens created under the Subordinated Indebtedness Instruments (as defined in "Definitions" in Appendix B hereto) applicable thereto as security for the other First Level Subordinated Indebtedness. See "INDEBTEDNESS OF THE AGENCY – General" above for a discussion of the Confirming Resolution adopted in connection with the defeasance of the Senior Indebtedness.

The Subordinated Resolution provides that if and to the extent provided in a Supplemental Subordinated Resolution (as defined in "Definitions" in Appendix B hereto), the Agency may establish such additional account(s) in the Subordinated Indebtedness Fund with respect to such Subordinated Bonds of one or more Series as shall be specified in such Supplemental Subordinated Resolution. If and to the extent provided in any such Supplemental Subordinated Resolution, amounts on deposit in any such account(s), including the investments, if any, thereof may be pledged and assigned for the payment of the principal or redemption price, if any, of, and interest on, any or all of such Subordinated Bonds. For further information regarding such additional accounts, see "Establishment of Additional Accounts in the Subordinated Indebtedness Fund" in Appendix B hereto. In accordance with this provision, the Agency has established an additional account in the Subordinated Indebtedness Fund known as the "Initial Subordinated Bonds Debt Service Reserve Account," which Account additionally secures all Subordinated Bonds that currently are Outstanding. See "Initial Subordinated Bonds Debt Service Reserve Account" in Appendix B hereto.

The Subordinated Bonds are solely obligations of the Agency and are not obligations of the State or any other political subdivision thereof, or any member of the Agency, any Power Purchaser or the

Project Manager or Operating Agent and neither the faith and credit nor the taxing power of the State or any political subdivision thereof or any city or town which is either a member of the Agency or a Power Purchaser or both is pledged for the payment of the Subordinated Bonds. No holder of the Subordinated Bonds or receiver or trustee in connection with the payment of the Subordinated Bonds shall have the right to compel the State, any political subdivision thereof or any city or town which is either a member of the Agency or a Power Purchaser or both to exercise its appropriation or taxing powers. The Agency has no taxing power.

See "Pledge Effected by the Subordinated Resolution" and "Nature of Obligation" in Appendix B hereto.

Agency Rate Covenants

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

Rate Covenant Under the Subordinated Resolution. The Agency has represented in the Subordinated Resolution that it has, and will have as long as any Subordinated Bonds are Outstanding, good right and lawful power to establish and collect rates and charges with respect to the Project, subject only to the terms of the Power Sales Contracts, the Construction Management and Operating Agreement and other related contracts. Pursuant to the Subordinated Resolution, the Agency has covenanted to comply with the covenant described under "– *Rate Covenant Under the Resolution*" above, as such covenant may be amended from time to time.

Power Sales Contracts

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

Each Power Sales Contract between the Agency and a Power Purchaser constitutes an obligation of the parties until the terms of all of the Power Sales Contracts expire on June 15, 2027. As long as any Senior Indebtedness or Subordinated Indebtedness is outstanding or until provision has been made for the payment of all outstanding Senior Indebtedness and Subordinated Indebtedness, the Power Sales Contracts may not be terminated or amended in any manner which will reduce the amount of, or extend the time for, the payments that are pledged as security for Senior Indebtedness and Subordinated Indebtedness or which will impair or adversely affect the rights of the holders of Senior Indebtedness or Subordinated Indebtedness.

Payments are to be made by the Power Purchasers on a "take or pay" basis; that is, whether or not the Project or any part thereof has been completed, is operating or operable, or its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatever. The payment

obligations under the Power Sales Contracts constitute operating expenses of the respective California Purchasers and Utah Municipal Purchasers payable solely from their electric revenue funds, and general obligations of the respective Cooperative Purchasers.

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

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

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

See "SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS" in Appendix C hereto.

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

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

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

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

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

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

The variable cost component is billed each month for the immediately preceding month. The variable cost component of Monthly Power Costs consists of all costs of fuel not included in the minimum cost component.

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

The Agency allocates the minimum cost component of Monthly Power Costs among the Generation Station, the Northern Transmission System and the Southern Transmission System in accordance with an Operating Cost Allocation Procedure approved by the Coordinating Committee and the Agency's Board of Directors. Under the Power Sales Contracts, the amount of Monthly Power Costs to be paid by each Power Purchaser for any month is the sum of: (i) its Generation Cost Share times the minimum cost component for such month allocated to the Generation Station; (ii) its Northern Transmission Cost Share, if any, times the minimum cost component for such month allocated to the Northern Transmission System; (iii) its Southern Transmission Cost Share, if any, times the minimum cost component for such month allocated to the Southern Transmission System; and (iv) the percentage of

the energy delivered from the Project to it during the preceding month times the variable cost component. See "FISCAL YEAR 2018-2019 ANNUAL BUDGET" below.

On May 22, 2000, the Coordinating Committee adopted by resolution a "Fuel Acquisition and Transportation Cost Billing Procedure for Fiscal Year 2000-2001 and Thereafter" (the "Billing Procedure"). Pursuant to the Billing Procedure the Coordinating Committee has taken the following actions with respect to the 2000-2001 fiscal year and each fiscal year thereafter up to and including the fiscal year to which this Annual Report relates and intends to continue to take such actions unless and until the Billing Procedure is repealed or modified to provide otherwise: (i) approved, pursuant to the authority delegated to the Coordinating Committee under the Power Sales Contracts, the inclusion in the minimum cost component of Monthly Power Costs of the minimum or guaranteed payments that the Agency is required to make under certain coal purchase contracts to which it is a party; (ii) directed that there be included in the variable cost component, rather than the minimum cost component, of Monthly Power Costs, transportation costs with respect to coal the cost of which is included in the variable cost component of Monthly Power Costs; (iii) approved a procedure for billing the variable cost component of Monthly Power Costs based upon the energy produced by the burning of coal the cost of which is included in the variable cost component; and (iv) approved a procedure permitting any Power Purchaser, to the extent that it does not schedule all of the energy produced by the burning of the coal the cost of which is included in its pro rata share of the minimum cost component of Monthly Power Costs during a particular month (an "Underburn Energy Balance"), to "bank" such energy for scheduling during subsequent months of the same fiscal year. From time to time subsequent to its adoption of the Billing Procedure, the Coordinating Committee has elected, pursuant to the Power Sales Contracts, to treat for billing purposes other coal purchase contracts to which the Agency is a party in the same manner as those referenced in the immediately preceding clause (i).

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

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

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

costs and other amounts, for any Power Supply Year, are less than the amounts billed, the Agency will credit the excess against the Power Purchasers' next monthly payments.

See "SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS" in Appendix C hereto.

Excess Power Sales Agreement

Because a portion of the capability of the Project purchased by the Utah Purchasers was expected to be surplus to their needs, these Power Purchasers each entered into the Excess Power Sales Agreement in 1980, pursuant to which they may sell their respective excess Generation Entitlement Shares to the Excess Power Purchasers. Payments by the Excess Power Purchasers under such agreement are to be made monthly to Utah Associated Municipal Power Systems ("UAMPS"), successor to Intermountain Consumer Power Association ("ICPA"), as agent for the sellers under the Excess Power Sales Agreement, and forwarded promptly by it to the Agency for the accounts of the respective sellers. The Excess Power Sales Agreement does not reduce or modify the obligations of such Utah Purchasers under their Power Sales Contracts.

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

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

Budgeting

The Power Sales Contracts require the Agency to adopt an Annual Budget at least 30 days but not more than 45 days prior to the beginning of each Power Supply Year and permit the amendment of the Annual Budget from time to time thereafter. Each such budget is to set forth a detailed estimate of the Monthly Power Costs and all Revenues, income or other funds to be applied to such costs, for and applicable to such Power Supply Year. See "Power Sales Contracts" above. The Resolution requires the Agency to adopt Annual Budgets, and amendments to such Annual Budgets, as and when required by the Power Sales Contracts. See "FISCAL YEAR 2018-2019 ANNUAL BUDGET" below.

Gas Repowering

To facilitate the continued involvement of the California Purchasers in the Project following the termination of the Power Sales Contracts (provided to occur on June 15, 2027), the members of the Agency entered into the 2013 Organization Agreement Amendment and the Agency and the Power Purchasers entered into the Power Sales Contracts Amendments. The 2013 Organization Agreement Amendment provides for the extension of the term of the Agency to the later of June 30, 2063 and five years following the last to occur of events specified in the Intermountain Power Agency Organization Agreement, including, without limitation, the following: discharge of all of the Agency's outstanding indebtedness, the disposition of all of the Agency's assets and the date that the Project is no longer useful as determined under the agreements governing the sale of the power produced by the Project. The 2013 Organization Agreement Amendment also permits the Agency's Board of Directors to designate a fuel source other than coal for the generation of energy at the Project and permits modifications to the Project to allow for the Gas Repowering.

The Power Sales Contracts Amendments provide for the Gas Repowering to commence by January 1, 2020 and to be completed by July 1, 2025. The Power Sales Contracts Amendments also provide that the costs of retiring and decommissioning facilities of the Project that are not used in the Gas Repowering are to be funded through indebtedness to be incurred by the Agency in connection with the Gas Repowering. The Power Sales Contracts Amendments further provide that in the event the Gas Repowering is not completed as provided in the Power Sales Contracts Amendments, the Project would consist of transmission facilities, the entitlements to which would be sold to the Power Purchasers who elect to renew their entitlements in the Project pursuant to a transmission services agreement. If the Gas Repowering is not completed after indebtedness is incurred, in certain circumstances, the Power Sales Contracts Amendments may not require the Power Purchasers to fund the costs of retiring and decommissioning the Project.

Pursuant to the Power Sales Contracts Amendments, the Agency made the renewal offer to the Power Purchasers for the 50-year period beginning June 16, 2027 in the form of the Renewal Power Sales Contracts. 32 of the current Power Purchasers accepted the renewal offer and entered into the Renewal Power Sales Contracts with the Agency as of January 16, 2017. Pasadena, as a renewing Power Purchaser, has provided a notice of termination of its Renewal Power Sales Contract to the Agency. Such termination is to be effective on November 1, 2019.

In connection with the renewal process, the renewing Utah Purchasers and the Department entered into the Agreement for Sale of Renewal Excess Power for a term coextensive with the term of the Renewal Power Sales Contracts. The Agreement for Sale of Renewal Excess Power continues several aspects of the resale arrangement currently set forth in the Excess Power Sales Agreement.

Following the effectiveness of the Renewal Power Sales Contracts, the Department, in its capacity as a Power Purchaser, requested an Alternative Repowering (involving changes in the design capacity and configuration for the natural gas facilities contemplated by the Power Sales Contracts Amendments). On September 24, 2018, the Coordinating Committee and the Agency's Board of Directors, along with a committee representing the renewing Power Purchasers under the Renewal Power Sales Contracts, approved the requested Alternative Repowering. The CEC has approved the requested Alternative Repowering based on compliance filings submitted by the California Purchasers. Such approval is a condition to the effectiveness of such Alternative Repowering.

See "INTRODUCTION – Gas Repowering," "ELECTRIC INDUSTRY RESTRUCTURING – California Electric Energy Actions – *California Political Environment*" and "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – California Greenhouse Gas Initiatives," "– Power Sales Contracts" and "– Excess Power Sales Agreement" above, "INTERMOUNTAIN POWER AGENCY – The Interlocal Cooperation Act" below and "SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS" and "SUMMARY OF CERTAIN PROVISIONS OF THE EXCESS POWER SALES AGREEMENT" in Appendix C hereto.

The Agency does not believe that the 2013 Organization Agreement Amendment, the Power Sales Contracts Amendments, the Renewal Power Sales Contracts, the Alternative Repowering or other documents relating to the Gas Repowering will reduce the amount of, or extend the time for, the payments that are pledged as security for Subordinated Indebtedness, or will impair or adversely affect the rights of the holders of Subordinated Indebtedness.

Other Amendments to Material Contracts

The Agency's Board of Directors and the requisite number of the Agency's members approved the 2018 Organization Agreement Amendment during 2018. The 2018 Organization Agreement Amendment effects changes to facilitate the development of facilities at the Project site as well as update the Intermountain Power Agency Organization Agreement with respect to general governance matters.

The Agency and the Department are currently reviewing the Construction Management and Operating Agreement for changes required as a result of the execution of the Power Sales Contracts Amendments and the Renewal Power Sales Contracts as well as other changes that are desirable to update the relationship between the Agency and the Department, in the Department's capacities as Project Manager and Operating Agent. See "SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION MANAGEMENT AND OPERATING AGREEMENT" in Appendix C hereto.

The Agency does not believe that the 2018 Organization Agreement Amendment reduces the amount of, or extends the time for, the payments that are pledged as security for Subordinated Indebtedness or impair or adversely affect the rights of the holders of Subordinated Indebtedness. Nor does the Agency anticipate that amendments to the Construction Management and Operating Agreement would result in any such reduction, extension, impairment or adverse effect.

Flow of Funds

The Resolution establishes the following Funds for the application of Revenues while Senior Indebtedness is Outstanding:

Fund	**Held By**
Revenue Fund	Agency
Debt Service Fund	Trustee
Debt Service Account	
Debt Service Reserve Account	
Subordinated Indebtedness Fund	Trustee
Subordinated Indebtedness Debt Service Account	
Subordinated Indebtedness Debt Service Reserve Account	
Initial Subordinated Bonds Debt Service Reserve Account	
Such other accounts as may be established by the Agency in such Fund	
Self-Insurance Fund	Agency
STS Upgrade Construction Fund	Agency

Although no Senior Indebtedness is currently Outstanding, the Confirming Resolution adopted in connection with the defeasance in full of the Senior Indebtedness preserves the system of funds and accounts described in this section and in "– Debt Service Reserve Account" and "– Security for Subordinated Indebtedness" below.

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

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

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

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

For a more detailed discussion of the application of monies deposited in the various funds and accounts, see "Application of Revenues" in Appendix A hereto.

Debt Service Reserve Account

Pursuant to the Amended and Restated Resolution, a subaccount designated as the "Initial Subaccount" has been created and established within the Debt Service Reserve Account in the Debt Service Fund, for the benefit of: (i) all Senior Indebtedness Outstanding as of the Amended and Restated Resolution Effective Date; and (ii) all Senior Indebtedness of any Series issued by the Agency after the Amended and Restated Resolution Effective Date, but only to the extent that the Supplemental Resolution authorizing the Senior Indebtedness of such Series shall specify that such Senior Indebtedness shall be an Additionally Secured Series (as defined in "Definitions" in Appendix A hereto) secured thereby. As of the date of this Annual Report, no Senior Indebtedness that was Outstanding as of the Amended and Restated Resolution Effective Date continues to be Outstanding and the Agency has not issued any Series of Senior Indebtedness subsequent to the Amended and Restated Resolution Effective Date.

Pursuant to the Resolution, there is required to be maintained on deposit in the Initial Subaccount an amount equal to the Debt Service Reserve Requirement for the Initial Subaccount. Except as discussed below, as of any date of calculation, the Debt Service Reserve Requirement for the Initial Subaccount is equal to one-half (1/2) of the greatest amount of Adjusted Aggregate Debt Service for the then current or any future fiscal year, for all Series of Senior Indebtedness secured by the Initial Subaccount, except that any Variable Interest Rate Bonds secured by the Initial Subaccount shall be

deemed to bear interest at all times to the maturity date thereof at the Estimated Average Interest Rate applicable thereto.

The Resolution provides that in lieu of maintaining moneys or investments in the Initial Subaccount, the Agency at any time may cause to be deposited with the Trustee, for credit to the Initial Subaccount, an irrevocable surety bond, an insurance policy or a letter of credit in an amount (determined as provided in the Resolution) equal to the difference between the Debt Service Reserve Requirement for the Initial Subaccount and the sum of moneys or value of Investment Securities (as defined in the Resolution) then on deposit in the Initial Subaccount, if any. For a summary of the criteria that an irrevocable surety bond, an insurance policy or a letter of credit must satisfy in order to be used for this purpose, see "Application of Revenues" in Appendix A hereto.

Pursuant to the Resolution, the Agency may, with the approval of the Coordinating Committee given as provided in the Power Sales Contracts, by Supplemental Resolution, create within the Debt Service Reserve Account one or more subaccounts in addition to the Initial Subaccount for the benefit of such Series of Senior Indebtedness as may be specified in, or determined pursuant to, such Supplemental Resolution. The Debt Service Reserve Requirement for each such additional subaccount shall be such amount as the Agency shall specify in the Supplemental Resolution creating the subaccount. In lieu of maintaining moneys or investments in any such subaccount, the Agency at any time may cause to be deposited into such subaccount for the benefit of the Holders of the Senior Indebtedness of the Additionally Secured Series secured thereby a surety bond, an insurance policy, a letter of credit or any other similar obligation satisfying the requirements set forth in such Supplemental Resolution in an amount (determined as provided in the Resolution) equal to the difference between the Debt Service Reserve Requirement for such subaccount and the sum of moneys or value of Investment Securities then on deposit therein, if any.

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

Security for Subordinated Indebtedness

The Agency's present Subordinated Indebtedness is payable out of and secured by a pledge of available amounts in the Subordinated Indebtedness Debt Service Account in the Subordinated Indebtedness Fund held under the Resolution by the Trustee and, in certain cases, by a pledge of available amounts in the Subordinated Indebtedness Debt Service Reserve Account in the Subordinated Indebtedness Fund. Subordinated Indebtedness issued in the future also will be payable out of and may be secured by a pledge of such available amounts. Such pledge is expressly subordinate and junior to the pledge of the Resolution securing Senior Indebtedness.

There is required to be transferred each month from the Revenue Fund into the Subordinated Indebtedness Debt Service Account in the Subordinated Indebtedness Fund, the amount, if any, required so that the balance in such account equals the sum of the amounts required to be on deposit therein with respect to each issue of Subordinated Indebtedness, including: (i) the principal of and interest on the CP Notes; (ii) the principal and redemption price of and interest on the Subordinated Bonds; (iii) the principal of and interest on the Series I Notes; (iv) the principal of and interest on the Working Capital Loans; (v) the principal of and interest on the Prepayment Notes; and (vi) the principal of and interest on, or amounts due as, Subordinated Indebtedness which the Agency may hereafter issue and designate as being payable from such Account. The Trustee will apply amounts in the Subordinated Indebtedness Debt

Service Account to pay principal, interest and other amounts due on each issue of Subordinated Indebtedness (including current and future Subordinated Indebtedness) when due.

Pursuant to the Resolution, the Agency may also establish such other accounts within the Subordinated Indebtedness Fund as it may desire by resolution, indenture or other instrument, including any Supplemental Resolution. There is also required to be transferred each month from the Revenue Fund into the Subordinated Indebtedness Fund, for deposit in each such other separate account established in the Subordinated Indebtedness Fund, the respective amount, if any, required so that the balance therein or the amount deposited thereto, as the case may be, shall equal the amount required to be on deposit therein as of the end of such month or the amount required to be deposited thereto during such month, as applicable, determined as provided in the respective resolutions, indentures or other instruments, including any Supplemental Resolution, relating to such account and the Subordinated Indebtedness payable therefrom or secured thereby. The Trustee will apply amounts in each such other separate account in the Subordinated Indebtedness Fund at the times, in the amounts and to the purposes specified with respect thereto in the respective resolutions, indentures or other instruments, including any Supplemental Resolution, relating to such account and the Subordinated Indebtedness payable therefrom or secured thereby.

Upon any withdrawal of any moneys from any account in the Subordinated Indebtedness Fund to be applied to the payment of the principal or sinking fund installments of and interest on any Subordinated Indebtedness or reserves therefor such money shall be released and discharged from the lien of the Resolution.

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

Subject to the provisions of, and to the priorities and limitations and restrictions provided in, the resolution, indenture or other instrument, including any Supplemental Resolution, securing each issue of Subordinated Indebtedness, amounts in the Subordinated Indebtedness Fund which the Agency at any time determines to be in excess of the requirements of such Fund, may, at the discretion of the Agency, be transferred to the Revenue Fund and applied as provided in the Resolution; *provided*, *however*, that unless otherwise approved by the Agency and by the Coordinating Committee in the manner provided in the Power Sales Contracts, such excess moneys shall be applied to the purchase, redemption or provision for payment of Senior Indebtedness or Subordinated Indebtedness.

Proposed Amendments to the Resolution

On August 28, 1998, the Agency adopted the Fiftieth Supplemental Resolution for the purpose of amending certain provisions of the Resolution. The proposed amendments contained in the Fiftieth Supplemental Resolution are "springing" amendments that will not become effective until certain conditions are satisfied. As of the date of this Annual Report, the Agency has retired all Senior Indebtedness Outstanding on August 28, 1998 (which satisfies one of the conditions to the effectiveness of the amendments), but the Agency has neither solicited nor received the consent thereto of any of the Power Purchasers (the remaining requirement to the effectiveness of the amendments). The Agency can make no prediction as to when, if ever, such amendments to the Resolution will become effective. When and if the proposed amendments to the Resolution become effective, such amendments will apply to all of the Agency's Senior Indebtedness that is then Outstanding, as well as all Senior Indebtedness that may be issued thereafter, and will be binding upon the Holders thereof. For a more detailed description of the proposed amendments and the conditions to such proposed amendments becoming effective, see "Proposed Amendments to the Resolution" in Appendix A hereto.

INTERMOUNTAIN POWER AGENCY

History

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

The Interlocal Cooperation Act

The Act authorizes local governmental units to make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage to provide services or facilities that will best accommodate the needs and development of the local communities. Its purposes also include provision of the benefits of economy of scale, economic development and utilization of natural resources for the overall promotion of the general welfare of the State.

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

In order to facilitate the sale of generation and transmission entitlements of the Project after the expiration of the Power Sales Contracts, the Act was amended in 2012 to define and permit the construction of replacement project capacity. As amended, the Act also exempts replacement project capacity from the Act's requirement that 50% of new capacity at a project such as the Project be offered or sold to power purchasers within the State. Replacement project capacity is also exempted from the requirement to obtain a certificate of public convenience and necessity prior to commencing construction of such capacity. The Act defines replacement project capacity to be capacity that replaces all or a portion of the existing generating or transmission capacity of a project such as the Project and is adjacent, in proximity to or interconnected with the site of such a project. See "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS – Gas Repowering" above.

Membership

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

Member	**Representative**	**Member**	**Representative**
Beaver City	Jason Brown	Lehi City	Joel Eves
City of Bountiful	Allen Johnson	City of Logan	Mark Montgomery
City of Enterprise	Mayor S. Lee Bracken	Meadow Town	Eric Larsen
Ephraim City	Ted L. Olson	Monroe City	Daniel Peterson
City of Fairview	Greg Sorensen	Morgan City	Ty Bailey
Fillmore City	Eric Larsen	Mt. Pleasant City	Dan Anderson
Heber Light & Power Company	Jason Norlen	Murray City	Blaine J. Haacke
Holden Town	Eric Larsen	Town of Oak City	Dwight F. Day
City of Hurricane	Dave Imlay	Parowan City	Jeremy Franklin
Hyrum City	Martin Felix	Price City	Nick Tatton
Kanosh Town	Eric Larsen	Spring City	Mayor Jack Monnett
Kaysville City	Bruce Rigby		

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Organization and Management

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

Name	Office	Term Ends December 31
Ted L. Olson	Chair	2021
Blaine J. Haacke	Vice Chair	2019
Eric Larsen	Secretary	2020
Nick Tatton	Treasurer	2019
Allen Johnson	Member	2020*
Mark Montgomery	Member	2021
Bruce Rigby	Member	2018

* Allen Johnson was elected by the members of the Agency at the Agency's Annual Meeting on December 5, 2017 to fill the vacancy on the Board of Directors resulting from the resignation of Von Mellor. Mr. Johnson was elected to fill the remainder of Mr. Mellor's original term.

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

R. Dan Eldredge –General Manager. Mr. Eldredge assumed the position of General Manager in January 2016. Prior to his appointment as General Manager, Mr. Eldredge served as the Agency's Assistant General Manager beginning in October 2009. He began his employment with the Agency as Accounting Manager in 1988, a position he held until his appointment as Assistant General Manager. Prior to his employment with the Agency, he was an Audit Manager with Deloitte Haskins and Sells. Mr. Eldredge holds a Bachelor of Science degree in Accounting and a Master of Professional Accounting degree from the University of Utah and is a licensed Certified Public Accountant.

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

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

Vance K. Huntley – Audit Manager. Mr. Huntley joined the Agency in October 2009 as Audit Manager. Prior to his employment at the Agency, he was an Internal Audit Manager with The Church of Jesus Christ of Latter-day Saints, Chief Financial Officer with Xcel Fitness of Salt Lake City, Utah, Director of Finance with Infopia, Inc. of Salt Lake City, Utah and an Audit Manager with Deloitte &

Touche, LLP. Mr. Huntley holds a Bachelor of Science degree in Accounting and a Master of Accountancy/Information Systems degree from Brigham Young University and is a licensed Certified Public Accountant.

The Agency's staff, in addition to those listed above, consists of 2 other professionals and 3 secretarial/clerical personnel serving in various administrative, financial and audit functions.

Investment Policy and Controls

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

Pursuant to the Resolution, all investments in which the Agency invests amounts on deposit in the various Funds held by the Trustee under the Resolution are required to be reviewed by the Trustee for compliance with the Resolution. As of the date of this Annual Report, amounts held by the Trustee constitute approximately 8.7% of the Agency's total invested monies. In addition, the Agency's internal auditors, at least annually, conduct extensive tests to determine whether the Agency's investments, including those investments made with amounts held by the Agency, are in compliance with the Resolution. The Agency has implemented various internal controls to assure that only proper authorized investments are made with the Agency's funds. The Agency does not presently have, nor does it intend to acquire in the future, derivative or leveraged investments or investments in mortgage-backed securities.

THE AGENCY'S FINANCING PROGRAM

General

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

The Agency may issue Senior Indebtedness or additional Subordinated Indebtedness from time to time as it deems advisable to, among other things, refund certain Senior Indebtedness, if any is again outstanding, or certain Subordinated Indebtedness in order to reduce the Agency's annual debt service and thereby reduce the cost of Project power and to finance the Cost of Acquisition and Construction of Capital Improvements to the Project.

SCPPA Financing of the Southern Transmission System

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

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

On October 20, 2008, the Agency's Board of Directors and the Coordinating Committee approved an upgrade to the Southern Transmission System (the "STS Upgrade") that was completed in December 2010. The STS Upgrade increased the capacity of the Southern Transmission System to a total capacity of 2,400 MW. The STS Upgrade was financed through payments-in-aid of construction made by SCPPA in a manner similar to the financing of the construction costs of the initial facilities of the Southern Transmission System ("STS Upgrade Payments"), as provided in a First Amendment to Southern Transmission System Agreement, dated as of November 1, 2008.

By separate action, on October 20, 2008, the Agency's Board of Directors also created a Fund under the Resolution known as the STS Upgrade Construction Fund, which is a fund held by the Agency to hold STS Upgrade Payments and disburse them to pay construction costs for the STS Upgrade. The STS Upgrade Construction Fund is separate and distinct from the other Funds created by the Resolution (see "SECURITY AND SOURCES OF PAYMENT FOR SENIOR INDEBTEDNESS AND SUBORDINATED INDEBTEDNESS – Flow of Funds"), and no portion of any payments made by the Power Purchasers pursuant to their Power Sales Contracts will be deposited therein. The STS Upgrade Construction Fund constitutes a part of the Trust Estate under the Resolution and, as such, amounts on deposit therein are pledged to the payment of the Senior Indebtedness that may be Outstanding from time to time. The Agency understands that the STS Upgrade is now complete and does not anticipate any additional STS Upgrade Payments to be made from the STS Upgrade Construction Fund.

FISCAL YEAR 2018-2019 ANNUAL BUDGET

The Operating Agent has prepared, and the Coordinating Committee has approved, an operating budget for fiscal year 2018-2019, which began on July 1, 2018. A summary of the fiscal year 2018-2019 Annual Budget adopted by the Agency's Board of Directors (which incorporates such operating budget) is set forth below:

INTERMOUNTAIN POWER AGENCY
FISCAL YEAR 2018-2019 ANNUAL BUDGET SUMMARY
($000)

	Generation Station	Northern Transmission System	Southern Transmission System	Total[1]
Minimum Cost Component:				
Net Debt Service[2]	211,602	5,374	68,834	285,811
Operations	34,091	2,217	9,434	45,742
Maintenance	49,038	1,186	8,009	58,233
Renewals and Replacements	7,604	0	27,387	34,991
Indirect Labor[3]	26,650	0	1,537	28,187
Taxes	14,952	427	3,411	18,790
Risk Management	3,579	43	821	4,442
Administrative and General[4]	9,094	94	2,105	11,294
Fixed Fuel	107,629	0	0	107,629
Total Minimum Costs[1]	464,240	9,342	121,539	595,120
Variable Cost Component	117,042	0	0	117,042
Total Operating Budget[1]	581,282	9,342	121,539	712,162
Less SCPPA	0	0	(70,150)	(70,150)
Total IPA Annual Budget[1]	581,282	9,342	51,389	642,012

1 Row and column totals may not add due to rounding.
2 Total debt service on all Agency obligations, plus ongoing financing expenses, less estimated interest earnings available to reduce power costs.
3 Labor costs for IPSC.
4 Includes SCPPA.

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

COORDINATING COMMITTEE

Pursuant to the Power Sales Contracts, the Coordinating Committee, among other functions, provides liaison among the Agency and the Power Purchasers with respect to the construction and operation of the Project, reviews, modifies and approves certain specified contracts, takes certain actions

with respect to actions of the Department, as Project Manager and Operating Agent, and makes recommendations to the Agency regarding the financing of the Project. The Coordinating Committee also has authority to review, modify and approve procedures formulated by the Project Manager and Operating Agent with respect to the construction and operation of the Project, budgets prepared by the Project Manager and Operating Agent, and all capital improvements proposed to be undertaken by the Agency.

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

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

Power Purchaser(s) Represented	Representative	Voting Rights Percentage
Murray City	Blaine J. Haacke	4.000%
City of Logan	Mark Montgomery	2.469
All Other Utah Municipal Purchasers	Ted L. Olson	7.571
Moon Lake Electric Association, Inc.	Grant J. Earl	2.000
Mt. Wheeler Power, Inc.	Kevin Robison	1.786
All Other Cooperative Purchasers	Durand Robison	3.231
Department of Water and Power of The City of Los Angeles	Paul R. Schultz	48.617
City of Anaheim	Dukku Lee	13.225
City of Burbank	Jorge Somoano	3.371
City of Glendale	Stephen M. Zurn	1.704
City of Pasadena	Gurcharan Bawa	4.409
City of Riverside	Todd L. Jorgenson	7.617
		100.000%

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

PROJECT OPERATIONS

General

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

Management and Operation of the Project

Management and Work Force. Project operations are managed for the Agency by the Department under the terms of the Construction Management and Operating Agreement. The Department's operating activities are subject to the oversight of the Coordinating Committee. See "COORDINATING COMMITTEE" above. In operating the Intermountain Generating Station, the Intermountain Converter Station and the Railcar Service Center, the Operating Agent uses personnel from IPSC. The International Brotherhood of Electrical Workers (the "IBEW") has been certified as the collective bargaining representative of IPSC employees. The collective bargaining agreement between these parties was renewed on July 1, 2018 and expires on June 30, 2022. Remaining Project facilities are managed by the Operating Agent's own personnel.

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

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

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

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Operating Statistics. The operating results of the Project during fiscal years 2014-2015 through 2017-2018 are shown in the following table. Based on the historical experience of comparable generating units, the Project would be expected to continue to achieve on a long-term basis the above-average levels of performance demonstrated to date with respect to the following metrics set forth in the table below: Operating Availability, Equivalent Availability and Net Unit Heat Rate (BTU/kWh). The Project is not expected to achieve above-average levels of performance with respect to the following metrics set forth in the table below (which have been below the most recent five-year industry averages available as shown in the table below): Gross Energy Generated (MWh) and Net Energy Generated (MWh) for Units 1 and 2 and Plant Capacity Factor. The Agency anticipates that the Project's capacity factor (and, consequently, Gross Energy Generated (MWh) and Net Energy Generated (MWh)) will depend on system demand, market conditions, application of the GHG Cost Factor and the continued residual effects of the Aliso Canyon natural gas storage leak, and may be impacted by other factors discussed elsewhere in this Annual Report. See "ENVIRONMENTAL AND HEALTH FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – California Greenhouse Gas Initiatives – *Impacts on the Agency*" above.

	Fiscal Year 2014-15[(1)]	**Fiscal Year 2015-16[(2)]**	**Fiscal Year 2016-17[(3)]**	**Fiscal Year 2017-18[(4)]**	**Industry Average Calendar Years 2013-2017[(5)]**
Gross Energy Generated (MWh)					
Unit 1	6,493,664	5,227,580	4,545,160	4,261,679	3,305,022
Unit 2	6,631,160	5,515,790	4,221,386	4,481,691	3,305,022
Net Energy Generated (MWh)					
Unit 1	6,100,835	4,887,230	4,234,479	3,969,248	3,121,532
Unit 2	6,233,084	5,138,430	3.908,658	4,155,748	3,121,532
Plant Capacity Factor[(6)]					
Unit 1	77.38%	61.82%	53.71%	50.35%	60.09%
Unit 2	79.06%	65.00%	49.58%	52.71%	60.09%
Operating Availability[(7)]					
Unit 1	94.85%	88.38%	97.28%	89.80%	82.26%
Unit 2	91.90%	97.99%	86.40%	97.02%	82.26%
Equivalent Availability[(8)]					
Unit 1	91.05%	88.28%	96.48%	88.87%	80.32%
Unit 2	91.47%	97.84%	85.30%	96.64%	80.32%
Net Unit Heat Rate (BTU/kWh)[(9)]					
Unit 1	9,522	9,677	9,626	9,981	10,624
Unit 2	9,580	9,852	9,814	10,022	10,624

(1) Reflects outages during the 2014-15 fiscal year consisting of the following (expressed as aggregate periods per unit): scheduled maintenance outages (Unit 1 Spring 2015 (1 week) and Unit 2 Spring 2015 (4 weeks)), unplanned maintenance outages (Unit 1 (12.7 days)) and forced outages (Unit 1 (0.46 days) and Unit 2 (0.19 days)).

(2) Reflects outages during the 2015-16 fiscal year consisting of the following (expressed as aggregate periods per unit): scheduled maintenance outages (Unit 2 Spring 2016 (1 week) and Unit 1 Spring 2016 (5 weeks)), unplanned maintenance outages (Unit 1 (3.9 days)) and forced outages (Unit 1 (1.84 days) and Unit 2 (0.35 days)).

(3) Reflects outages during the 2016-17 fiscal year consisting of the following (expressed as aggregate periods per unit): scheduled maintenance outage (Unit 1 Spring 2017 (9.8 days) and Unit 2 Spring 2017 (6.8 weeks)), unplanned maintenance outages (Unit 1 (0 days) and Unit 2 (2.67 days)) and forced outages (Unit 1 (0.11 days) and Unit 2 (0 days)). The foregoing outages do not reflect the reserve shutdown of Unit 1 for 2.7 weeks prior to the scheduled maintenance outage of Unit 2 that commenced on March 14, 2017 (at which time Unit 1 was restarted). The reserve shutdown of Unit 1 occurred to

accommodate the shutdown of Adelanto Pole 2 (on the Southern Transmission System) for the replacement of a transformer that had failed on February 18, 2017. During the reserve shutdown of Unit 1 and the shutdown of Adelanto Pole 2, the Project was able to generate and transmit the energy that the Power Purchasers required of the Project. The replacement of the failed transformer left the Agency without a spare transformer. Following the failure of the transformer, the Agency caused two spare transformers to be ordered. The first spare transformer was delivered in December 2018.

(4) Reflects outages during the 2017-2018 fiscal year consisting of the following (expressed as aggregate periods per unit): scheduled maintenance outages (Unit 2 Spring 2018 (1 week) and Unit 1 Spring 2018 (5 weeks)), unplanned maintenance outages (Unit 1 (22.95 hours) and Unit 2 (49.90 hours) and forced outages (Unit 1 (4.37 hours) and Unit 2 (0 hours)).

(5) Industry average figures except heat rate are as reported by NERC for coal-fired units rated 800-999 MW and are the composite averages of 44 units in the years 2013 through 2017 (5-year average). Average net station heat rate is compiled and cited from Form EIA-923 released by the Energy Information Administration of the U.S. Department of Energy ("EIA") for 2017 for the top 25 largest western coal-fired power plants. Such NERC and EIA reports are calendar-year based.

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

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

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

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

Project Energy Delivery

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

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

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

Pursuant to a transmission contract entered into among PacifiCorp, the Agency and ICPA, as agent for the Utah Purchasers (excluding the City of Bountiful, Moon Lake Electric Association, Inc. and Mt. Wheeler Power, Inc.), which Power Purchasers have designated the Mona Switchyard as their point of delivery, PacifiCorp is transmitting the respective entitlements of Intermountain Generating Station output delivered for such Power Purchasers from the Mona Switchyard to the points of delivery for their respective distribution systems. The term of the contract extends for 35 years from the date of first delivery of energy thereunder, in effect terminating in 2021. The contract has been approved by the Utah Public Service Commission and has been accepted for filing by FERC. The City of Bountiful has designated the Mona Switchyard as its point of delivery for its entitlement to Project power. The City of Bountiful is a member of UAMPS, which has entered into a long-term transmission agreement with PacifiCorp under which PacifiCorp provides certain transmission services for the members of UAMPS, including transmission of the City of Bountiful's entitlement to Project power from the Mona Switchyard to the City of Bountiful's point of delivery for its distribution system.

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

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

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

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

The Agency has seven active interconnection requests. The requests are for 2,309 MW total and all relate to a solar farm utilizing photo-voltaic technology. The Agency's review of the applications is on hold pending completion of feasibility, system impact, and facilities studies. See "ELECTRIC INDUSTRY RESTRUCTURING – Federal Deregulation Actions – *FERC Open-Access Transmission Initiatives*" above.

Fuel Supply

During fiscal year 2017-2018, Unit 1 operated at a plant capacity factor of 50.35% and Unit 2 operated at a plant capacity factor of 52.71%. Coal consumption during that fiscal year was approximately 3.7 million tons.

The Operating Agent manages a diversified portfolio of coal supply agreements that provide for the coal requirements for the Intermountain Generating Station. The Operating Agent has determined that coal presently under contract is sufficient, with the exercise of available options, to meet the Intermountain Generating Station's annual coal requirements through 2019, with lesser amounts of coal under contract through 2024. The average cost of coal delivered at the Intermountain Generating Station in fiscal year 2017-2018 was approximately $47.32 per ton. During the prior fiscal year, the average cost of coal delivered was approximately $44.06 per ton.

To be able to continue to operate the Project in the event of a disruption in the Project's coal supply, the Agency attempts to maintain a coal stockpile at the Intermountain Generating Station that is sufficient to operate the Intermountain Generating Station at anticipated plant capacity factors for a minimum of 60 days. As a result of the decrease in the capacity factors of the generating units of the Project without a corresponding decrease in the Agency's commitments to purchase coal under its existing coal purchase contracts, the Agency accumulated significant coal inventories. As of the date of this Annual Report, the Agency has approximately 138 days of inventory of coal, the Agency's coal inventory having reached a peak of 242 days of inventory as of June 2017. The Agency projects a steady decrease to the stockpile until returning to an approximate inventory of 60 days by July 2019 at the reduced capacity factors of the Project's generating units.

Transportation of coal to the Intermountain Generating Station is provided primarily by rail under agreements between the Agency and the Utah Railway and the Union Pacific Railroad companies, and the coal is transported, in part, in Agency-owned railcars. Coal is also transported, to some extent, in commercial trucks.

The Agency expects the costs to fulfill the Project's annual coal supply requirements after 2018 will be higher than its current contract costs due to the continual turnover of mining properties in Utah, difficult mining conditions at the remaining mines, increased mining costs due to regulatory oversight, and the continued increase in rail transportation costs, among other things, though the Agency's coal prices for 2019 are set by contracts (including price escalation provisions in those contracts).

Water Supply

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

Permits, Licenses and Approvals

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

Insurance

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

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

LITIGATION

General

Except as described below, there is no litigation or other proceeding pending or, to the knowledge of the Agency, threatened in any court, agency or other administrative body (either state or federal) that

the Agency anticipates would have any material adverse effect upon the condition (financial or otherwise) of the Agency or the results of its operations.

Appeal of Fees in Lieu of Property Taxes

For each year from 2014 through 2018, the Agency has appealed the fees in lieu of property tax (the "Fees") assessed by the State with respect to the Agency's real property. The Agency has paid the assessed Fees and then appealed the assessment of such Fees. In such appeals, the Agency has sought to obtain a refund of the amount of such Fees attributable to the valuation of the Agency's property in excess of fair market value for each such year. The appeal for the 2014 Fees has been heard by the Utah State Tax Commission (the "Commission"). Based on agreement by the parties to the appeal, the Commission has stayed the appeals of the Fees for the years 2015 through 2017 pending the disposition of the appeal of the 2014 Fees. The appeal for 2018 is still pending.

The Fees assessed by the State to the Agency in 2014 were based on valuing the Agency's property within the State at $828,450,170. Based on such valuation, the Fees paid by the Agency in 2014 were $8,726,320. Subsequent to such assessment, the State asserted that due to a computational error and other factors such Agency property had a value of $1,031,520,000. The Agency asserted that for 2014, such Agency property should have had an assessed value of $499,000,000.

The Fees assessed by the State to the Agency since 2014 have reflected an exemption for the percentage of power purchased from the Agency by the Utah Municipal Purchasers (the "Municipal Exemption"). The State has conceded that since the Agency sells at least a portion of the Project's generation capacity and output to Utah municipalities pursuant to the Power Sales Contracts between the Agency and such municipalities, a proportionate portion of the value of the Agency's real property should be exempt from the assessment of Fees. The assessed value and proposed assessed values stated above reflect the Municipal Exemption actually applied by the State or the Municipal Exemption values asserted by the State and the Agency, respectively.

Subsequent to the trial of the 2014 Fees (held in 2016), the Commission asked the State, as the assessor of the Fees, Millard County, as the beneficiary of a substantial portion of the Fees (the "County"), and the Agency to brief the issue of the appropriate amount of the Municipal Exemption. The State and the County filed their respective briefs setting forth their positions with respect to the Municipal Exemption in June 2017. The Agency filed its response to such briefs in a timely manner. The Agency, the State and the County asserted that the Municipal Exemption should be equal to 14.04%, 11.193% and 0%, respectively.

On December 22, 2017, the Commission issued a decision with respect to the 2014 Fees. The Commission ordered that the Utah assessed value of the Agency's property be $751,495,000 (after giving effect to a Municipal Exemption of 14.04%). The Commission reissued its decision on January 5, 2018 such that the period for appeal restarted and began to run from the date of the reissuance. The County appealed the Commission's decision to a State district court (sitting as a tax court). The Agency then cross-appealed the Commission's order.

The County filed an appeal of the Commission's decision on January 17, 2018. The Agency filed its appeal on January 18, 2018. The appeals have been assigned to different judges in the Tax Division of the Third Judicial District Court of the State of Utah, County of Salt Lake (the "Tax Court"). Consistent with each party's appeal to the Tax Court, neither party appealed the Commission's decision to the Utah Supreme Court (and the deadline for doing so has passed). The proceedings before the Tax Court have been stayed pending settlement discussions between the Agency and the County.

In the event that the parties are not able to reach settlement and the appeals go to trial, the appeals to the Tax Court would be heard as a trial de novo (with no deference to the findings of fact or conclusions of law made by the Commission). The Agency anticipates that the parties would move to consolidate the appeals at the Tax Court in due course.

Any final disposition of the appeal by the Tax Court would be appealable to the Utah Supreme Court as a matter of right, though the Utah Supreme Court could elect to assign the appeal to the Utah Court of Appeals. A party to the matter could petition the Utah Supreme Court to hear the appeal of the Court of Appeals' final disposition of the matter, at the Utah Supreme Court's discretion.

A preliminary matter to be decided by the Tax Court would be the extent to which the proceedings in the appeals are to be protected. In the appeal filed by the Agency, the court has designated the record of the proceedings as protected on the basis of the motion filed by the Agency. In the appeal filed by the County, the County and the Agency have filed separate motions with respect to the extent to which the record is to be designated as protected.

The Agency cannot predict the outcome of any appeal of the Commission's order including with respect to the assessed value of the Agency's property. Any appeal could ultimately result in a valuation of the Agency's property of more or less than the amounts asserted by the parties and a Municipal Exemption in an amount as low as 0%.

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

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FINANCIAL STATEMENTS

The Agency's Consolidated Financial Statements and Supplemental Schedule for its fiscal years ended June 30, 2018 and 2017, together with the Independent Auditors' Report issued by Deloitte & Touche LLP with respect thereto, are attached hereto as Appendix F. The Audited Financial Statements for the fiscal years ended June 30, 2018 and 2017 for the Department are attached to the Department Disclosure Report. The Audited Financial Statements for the fiscal years ended June 30, 2018 and 2017 for Anaheim are attached to the Anaheim Disclosure Report. See "INTRODUCTION – The Power Purchasers" above. For additional information about the Agency, visit its website at www.ipautah.com.

INTERMOUNTAIN POWER AGENCY

By: /s/ TED L. OLSON
Ted L. Olson, Chair

By: /s/ R. DAN ELDREDGE
R. Dan Eldredge, General Manager

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

This Appendix contains a summary of certain provisions of the Resolution (which reflects (a) the amendment and restatement of the Resolution provided for in the Amended and Restated Resolution, which amendment and restatement became effective as of July 30, 2007 and (b) the amendments to the Resolution effected by the Effective Amendatory Resolutions, which amendments became effective as of April 2, 2013 (see "INTRODUCTION – Amendments to the Resolution" in the document to which this Appendix A is attached)), as well as the amendments thereto proposed to be made by the Fiftieth Supplemental Resolution. This summary is not to be considered a full statement of the terms of the respective documents and accordingly is qualified by reference to such respective documents and subject to the full text thereof. Capitalized terms not defined in this Appendix or in the document to which it is attached have the meanings set forth in the Resolution. The term "Bonds" as used in the Resolution and in this summary has the same meaning as the term "Senior Indebtedness" as used in the document to which this Appendix is attached.

On April 2, 2013, the Agency caused all of its outstanding Senior Indebtedness to be deemed to have been paid within the meaning and with the effect expressed in the Resolution through the issuance of its Subordinated Power Supply Revenue Refunding Bonds, 2013 Series A. As a result, no Senior Indebtedness remains Outstanding under (and as defined in) the Resolution, and the pledge and assignment of the Trust Estate, and all covenants, agreements and other obligations of the Agency to the holders of the Senior Indebtedness, have ceased, terminated and become void and been discharged and satisfied. The Agency may issue Senior Indebtedness from time to time in the future; therefore, the terms on which the Agency may issue Senior Indebtedness are described in this Appendix. Furthermore, in anticipation of the defeasance of the Senior Indebtedness in full and in order to confirm and protect the security for all Subordinated Indebtedness that remain outstanding following such discharge and satisfaction, the Agency adopted a Supplemental Resolution to provide for the continuing effectiveness of those provisions of the Resolution necessary or desirable to protect such security. As a result, the Resolution continues in effect for the benefit of the holders of the Subordinated Indebtedness.

TABLE OF CONTENTS

Pledge Effected by the Resolution

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

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

Nature of Obligation

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

Application of Revenues

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

Fund	**Held By**
Revenue Fund	Agency
Debt Service Fund	Trustee
Debt Service Account	
Debt Service Reserve Account	
Subordinated Indebtedness Fund	Trustee
Subordinated Indebtedness Debt Service Account	
Subordinated Indebtedness Debt Service Reserve Account	
Initial Subordinated Bonds Debt Service Reserve Account	
Such other accounts as may be established by the Agency in such Fund	
Self-Insurance Fund	Agency
STS Upgrade Construction Fund	Agency

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

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

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

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

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

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

The Resolution creates within the Debt Service Reserve Account, for the benefit of (1) all Bonds Outstanding on the Amended and Restated Resolution Effective Date and (2) all Bonds of any Series issued after such Date, but only to the extent that the Supplemental Resolution authorizing the Bonds of such Series specifies that such Bonds will be an Additionally Secured Series secured thereby, a subaccount designated as the "Initial Subaccount". The Resolution provides that in lieu of maintaining moneys or investments in the Initial Subaccount, the Agency at any time may cause to be deposited with the Trustee, for credit to the Initial Subaccount, an irrevocable surety bond, an insurance policy or a letter of credit satisfying the following requirements in an amount (determined as provided in the Resolution) equal to the difference

between the Debt Service Reserve Requirement for the Initial Subaccount and the sum of moneys or value of Investment Securities then on deposit in the Initial Subaccount, if any:

(i) a surety bond or insurance policy issued by an insurance company licensed to do business in the State of Utah may be deposited with the Trustee, for credit to the Initial Subaccount, if the claims-paying ability of the issuer thereof is rated at the time of such deposit in the highest whole rating category by at least two nationally recognized statistical rating organizations, and if such surety bond or insurance policy is payable in one or more draws upon presentation by the beneficiary thereof of a drawing certificate accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Bonds of the Additionally Secured Series secured by the Initial Subaccount; and

(ii) an unconditional irrevocable letter of credit with a term of not less than one year issued by a bank may be deposited with the Trustee, for credit to the Initial Subaccount, if the senior, unsecured long-term debt of the issuer thereof is rated at the time of such deposit in at least the second highest whole rating category by at least two nationally recognized statistical rating organizations, and if such letter of credit is payable in one or more draws upon presentation by the beneficiary thereof of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Bonds of the Additionally Secured Series secured by the Initial Subaccount.

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

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

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

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

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

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

The Trustee will apply amounts in each separate account in the Subordinated Indebtedness Fund at the times, in the amounts and to the purposes specified with respect thereto in the respective resolutions, indentures or other instruments, including any Supplemental Resolution, relating to such account and the Subordinated Indebtedness payable therefrom or secured thereby. Upon any such withdrawal of any moneys from the Subordinated Indebtedness Fund to be applied to the payment of the principal or sinking fund installments of and interest on any Subordinated Indebtedness or reserves therefor such money will be released and discharged from the lien of the Resolution.

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

Debt Service Reserve Account, in proportion to the deficiency in each such subaccount). For the purposes described above, the Trustee will first withdraw amounts from the Subordinated Indebtedness Debt Service Account and, if the amount in said Account is less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the Trustee will withdraw from each other account in the Subordinated Indebtedness Fund, ratably in proportion to the respective amounts on deposit therein, the amounts required to make up said deficiencies.

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

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

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

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

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

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

less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund will be applied first to make up the deficiency in the Debt Service Account, and any balance remaining will be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount).

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

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

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

Amounts in the Revenue Fund remaining after the application as described in the foregoing items 1, 2, 3 and 4 may be applied to (a) the costs of Capital Improvements, the payment of extraordinary operation and maintenance costs, the costs of retirement of the Project and contingencies, including payments with respect to the prevention or correction of any unusual loss or damage in connection with the Project or to prevent a loss of revenue therefrom, all to the extent not paid as Operating Expenses or from the proceeds of Bonds or other evidences of indebtedness of the Agency and (b) any lawful purpose of the Agency relating to the Project (including, but not limited to, (i) the purchase, redemption or provision for payment of any of the Bonds or Subordinated Indebtedness and (ii) the reduction of the cost of Project power and energy to the Power Purchasers under the Power Sales Contracts) not otherwise prohibited by the Resolution; *provided*, *however*, that unless otherwise approved by the Agency and by the Coordinating Committee, such remaining moneys will be applied to the purchase, redemption or provision for payment

of Bonds or Subordinated Indebtedness; and *provided*, *further*, that none of the remaining moneys will be used for any purpose other than those described in the foregoing items 1, 2, 3, 4 and in the foregoing clause (a) unless all current payments of Operating Expenses and debt service on the Bonds and Subordinated Indebtedness, including all deficiencies in prior payments, if any, have been made in full and unless there does then exist any uncured default by the Agency with respect to any of the covenants, agreements or conditions on its part contained in the Resolution.

If and to the extent provided in a Supplemental Resolution authorizing Bonds of a Series, amounts from the proceeds of such Bonds may be deposited in any separate account in the Revenue Fund and set aside therein as working capital, as reserves for Operating Expenses or as reserves for such other costs or contingencies as may be specified therein. The Agency may also from time to time set aside additional amounts in any separate account in the Revenue Fund as working capital, as a general reserve for Operating Expenses or as reserves for such other costs or contingencies as the Agency may determine (including any reserves established to provide for self-insurance); *provided*, *however*, that no such amounts will be deposited into any such separate account during any Fiscal Year from Revenues unless provision is made therefor in the Annual Budget for such Fiscal Year; and *provided*, *further*, that the total amount of any such general reserve for Operating Expenses accumulated from Revenues held at any time will not exceed 20% of the amount appropriated by the Annual Budget for Operating Expenses for the then current Fiscal Year.

STS Upgrade Construction Fund

Pursuant to the Fifty-Seventh Supplemental Power Supply Revenue Bond Resolution, adopted by the Agency on October 20, 2008, the Resolution was amended to establish an STS Upgrade Construction Fund, to be held by the Agency, into which will be paid all payments-in-aid of construction received by the Agency in respect of the STS Upgrade Project. Amounts in the STS Upgrade Construction Fund will be applied to the Cost of Acquisition and Construction of the STS Upgrade Project in the manner provided in the Resolution, as amended. To the extent that other moneys are not available therefor, amounts in the STS Upgrade Construction Fund will be applied to the payment of principal of and interest on Bonds when due.

Certain Conditions to Issuance of Bonds

For a description of the amendments to the following provisions proposed to be made by the Fiftieth Supplemental Resolution, see "Proposed Amendments to the Resolution – Certain Conditions to Issuance of Bonds" below.

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

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

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

an insurance policy, a letter of credit or any other similar obligation, or any combination thereof, of the type specified therein, or such amount may be deposited thereafter from Revenues or otherwise, in such manner as may be specified therein.

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

The Resolution also provides that Principal Installments will be established at the time of issuance for each Series of Bonds so as to comply with the following:

(1) Principal Installments will commence not later than the first day of the eighth Fiscal Year following the end of the Fiscal Year of authentication and delivery of such Series of Bonds and will terminate not later than the date on which the Power Sales Contracts terminate.

(2) Except as otherwise provided with respect to Special Bonds (hereinafter defined, see "Special Bonds"), such Principal Installments will result in either (A) Substantially Equal Debt Service for the Bonds of such Series for the Year immediately preceding the due date of the first such Principal Installment and for each Year thereafter or (B) Substantially Equal Adjusted Aggregate Debt Service for all Outstanding Bonds, including such Series being issued, for the first Fiscal Year in which Principal Installments become due on all Series of Bonds then Outstanding, including such Series being issued, beginning however no earlier than the Fiscal Year immediately preceding the due date of the first Principal Installment, and for each Fiscal Year thereafter to and including the Fiscal Year immediately preceding the earlier of (i) the latest maturity of any Series of Bonds Outstanding immediately prior to the issuance of such Series being issued or (ii) the Fiscal Year immediately preceding the latest maturity of such Series being issued.

Additional Bonds Other than Refunding Bonds

For a description of the amendments to the following provisions proposed to be made by the Fiftieth Supplemental Resolution, see "Proposed Amendments to the Resolution – Additional Bonds" below.

The Agency may issue one or more Series of Bonds for the purpose of paying all or a portion of the Cost of Acquisition and Construction of any Capital Improvements upon compliance with the following, in addition to the conditions to issuance described above:

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

(2) In the case of all additional Bonds being issued to finance the cost of Capital Improvements either required by any governmental agency having jurisdiction over the Project, required by the Construction Management and Operating Agreement or required by the Resolution, the Trustee has received an Opinion of Counsel to the effect that such Capital Improvements are either required by such government agency or are an obligation of the Agency arising out of the Construction Management and Operating Agreement or the Resolution, respectively.

The Resolution also provides for the issuance of one or more Series of Bonds for any other lawful purpose of the Agency in connection with the Project; *provided*, *however*, that no such additional Bonds may be so issued unless (X) the Coordinating Committee has approved the issuance of such Bonds in the manner provided in the Power Sales Contracts and (Y) the Agency by resolution determines (which

determination may be based upon such factors as the Agency determines to be appropriate, including, without limitation, the advice of a banking or financial institution serving as a financial advisor to the Agency) that (1) the Agency would have issued Subordinated Indebtedness to finance the costs to be financed with the proceeds of such Bonds and (2) the issuance of such Bonds in lieu of the issuance of such Subordinated Indebtedness does not affect the rights or obligations of the Power Purchasers under the Power Sales Contracts, nor is it to the disadvantage of the Power Purchasers, nor does it result in increased Monthly Power Costs to the Power Purchasers above what would have been the Monthly Power Costs had the Agency so issued such Subordinated Indebtedness.

Refunding Bonds

For a description of the amendments to the following provisions proposed to be made by the Fiftieth Supplemental Resolution, see "Proposed Amendments to the Resolution – Refunding Bonds" below.

One or more Series of Refunding Bonds may be issued to refund, by payment or exchange, any Outstanding Bonds or Subordinated Indebtedness constituting the last Principal Installment of Bonds. The issuance of Refunding Bonds to refund Outstanding Bonds is subject to the condition, except in the case of Refunding Bonds issued within 24 months of the final maturity of a Series of Bonds for the purpose of refunding such Bonds or if waived by the Coordinating Committee, that an Authorized Officer certify that for the then current and each future Fiscal Year preceding the date of the latest maturity of any Bonds of any Series then Outstanding, the Aggregate Debt Service with respect to the Bonds of all Series to be Outstanding immediately after the date of authentication and delivery of the Refunding Bonds is no greater than that with respect to the Bonds of all Series Outstanding immediately prior to such date.

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

Special Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds

For the purposes of (a) receiving payment of the Redemption Price if a Capital Appreciation Bond or a Deferred Income Bond is redeemed prior to maturity, or (b) receiving payment of a Capital Appreciation Bond or a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default or (c) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond or a Deferred Income Bond in giving to the Agency or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond or a Deferred Income Bond will be deemed to be the amount specified in (or determined in accordance with the provisions of) the Supplemental Resolution authorizing such Capital Appreciation Bond or Deferred Income Bond, as applicable, but in no event will such amount exceed the principal amount thereof plus interest accrued and unpaid thereon to the relevant date of computation.

Credits Against Sinking Fund Installments

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

Subordinated Indebtedness

The Agency may issue Subordinated Indebtedness for any purpose of the Agency in connection with the Project, including payment of the Cost of Acquisition and Construction of any Capital Improvements or the refunding of any Subordinated Indebtedness or Bonds. Subordinated Indebtedness will be payable out of and may be secured by a pledge of available amounts in the Subordinated Indebtedness Fund; *provided*, *however*, that any such payment or pledge will be, and will be expressed to be, subordinate and junior in all respects to the pledge and lien created under the Resolution as security for the Bonds; and *provided*, *further*, that unless the resolution, indenture or other instrument, including any Supplemental Resolution, authorizing any issue of Subordinated Indebtedness provides that no such certificate will be required, no such Subordinated Indebtedness may be issued except upon receipt by the Trustee of a certificate of an Authorized Officer stating that the Agency is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution. No Subordinated Indebtedness may be issued without the approval of the Coordinating Committee of the terms and provisions of each supplement to the Resolution or other instrument authorizing the issuance or sale of or providing the security for such Subordinated Indebtedness and the contract of purchase pursuant to which such Subordinated Indebtedness is to be sold.

In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the Holders of all Bonds then Outstanding will be entitled to receive payment in full of all principal and interest due on all such Bonds in accordance

with the provisions of the Resolution before the holders of the Subordinated Indebtedness are entitled to receive any payment from the Trust Estate on account of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

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

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

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

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

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

The Trustee will not be deemed to owe any fiduciary duty to the holders of Subordinated Indebtedness and will not be liable to such holders if it mistakenly pays over or transfers to Holders of Bonds, the Agency, or any other person, monies to which any holder of Subordinated Indebtedness is entitled by virtue of the Resolution or otherwise; *provided*, *however*, that the Trustee will not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct. Notwithstanding any of the provisions of the Resolution, the Trustee will not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or by the Trustee in respect of Subordinated Indebtedness or of any default in the payment of the principal, premium, if any, or interest on any Subordinated Indebtedness, unless and until the Trustee has received written notice thereof at its principal corporate trust office from the Agency or the holders of at least 10% in principal amount of any class or category of any Subordinated Indebtedness or from any trustee therefor.

Special Bonds

The Agency may issue one or more Series of Bonds ("Special Bonds") which are not subject to the provisions of clauses (2)(A) or (2)(B) summarized under the second paragraph under the caption "Certain Conditions to Issuance of Bonds" above if the Supplemental Resolution authorizing such Series provides:

(a) The Bonds of such Series are dated not earlier than six months prior to the date of authentication and delivery thereof.

(b) The Bonds of such Series will have Principal Installments such that:

(i) The final maturity date of such Bonds is not less than ten (10) years or, in the case of Bonds issued in accordance with subsection (d) below, five (5) years from the date of such Bonds and not later than the termination date of the Power Sales Contracts; *provided*, *however*, that if such termination date is less than five (5) years from the date of such Series, the final maturity date of such Bonds will be such date of termination.

(ii) Such Bonds will have Substantially Equal Debt Service for each Fiscal Year in which such Principal Installments become due, except the last such Fiscal Year.

(iii) Such Substantially Equal Debt Service is in an amount which, if continued beyond the final maturity date of the Bonds of such Series to a date which will be specified in the Supplemental Resolution authorizing such Series of Bonds and which will be not more than thirty-five (35) years after the date of the Bonds of such Series, or the date of termination of the Power Sales Contracts, whichever is earlier, would be sufficient to retire all Bonds of such Series and to pay all interest thereon (calculated at the true interest cost actually incurred on the Bonds of such Series, determined by the true, actuarial method of calculation).

(iv) There will be at least eight such Principal Installments due with respect to such Series prior to the last Principal Installment.

(v) For all Series of Outstanding Bonds issued in accordance with this section having a final maturity date in a particular Fiscal Year, the sum of the amounts of Adjusted Debt Service for all such Series for the 12 months immediately preceding the final maturity date thereof will not be in excess of five percent of the estimated yearly average, as determined by an Authorized Officer, of the Adjusted Aggregate Debt Service for all Outstanding Bonds and all Bonds estimated by such Officer to be required to be issued to finance the Project calculated on the assumption that all Bonds estimated to be issued will be amortized over a period of not less than 30 years.

(c) The Agency, if payment of the last Principal Installment of such Series has not theretofore been provided for in full, will (i) in the case of Bonds complying with the requirements of paragraph (b) of this section, within thirty days after the failure to make a required deposit in the Debt Service Account as described in item 2 under the caption "Application of Revenues" above during the 12 month period immediately preceding the last maturity date of such Bonds, or (ii) in the case of Bonds complying with paragraph (d) of this section, not later than 60 days prior to the last maturity date of such Bonds, publicly offer Bonds meeting the requirements described in clause (2) of the second paragraph under the caption "Certain Conditions to the Issuance of Bonds" above for sale in a principal amount which will be sufficient to provide for the refunding in accordance with the provisions of the Resolution of the remaining unpaid Principal Installment of such last maturing bonds; *provided*, *however*, that the Principal Installments for such Bonds to be publicly

offered will become due on such dates so as to provide Substantially Equal Debt Service with respect to such Bonds over the period beginning with the date of such Bonds and ending with the date upon which the principal of the Bonds being refunded would have been fully amortized as specified pursuant to subsection (b)(iii) of this section.

(d) Notwithstanding anything in the Resolution to the contrary, in the event that the Agency determines in the Supplemental Resolution authorizing a Series of Bonds that:

(i) there will be payable from the Debt Service Account (x) the interest on such Bonds until such Bonds have been paid and (y) the Principal Installments with respect to such Bonds, other than the Principal Installment becoming due in the last Fiscal Year with respect to such Series, and

(ii) said last Principal Installment of such Bonds not payable as provided in clause (i) above will constitute and be treated as Subordinated Indebtedness or treated in such other manner, and may be granted rights with respect to the future issuance of Bonds under and subject to the terms of the Resolution for the payment thereof, all as is provided in the Supplemental Resolution authorizing such Bonds,

then such Series of Bonds may be issued without compliance with the requirements of subsections (a), (b)(iv), and (b)(v) of this section. In providing for the treatment of the Principal Installment due as set forth in clause (ii) above, the Supplemental Resolution authorizing such Bonds may permit the Bonds constituting such Principal Installment voting rights under the Resolution and such other rights, benefits and entitlements, other than payment and security on a parity with other Bonds, as is therein provided.

No Series of Special Bonds may be issued without the approval of the Coordinating Committee of the terms and provisions of each supplement to the Resolution or other instrument authorizing the issuance and sale of or providing the security for such Series and the contract of purchase pursuant to which such Series is to be sold.

Investment of Certain Funds and Accounts

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

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts, other than STS Upgrade Construction Fund, will be paid into the Revenue Fund. Interest earned on any moneys or investments in the STS Upgrade Construction Fund will be held in such Fund for the purposes thereof.

Encumbrances; Disposition of Properties

The Agency will not issue any bonds, notes, debentures, or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge or assignment of the Trust Estate

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

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

The Agency will not sell, lease or otherwise dispose of, or cause the sale, lease or other disposition of, or permit to be sold, leased or otherwise disposed of, any real or personal properties constituting part of the Project unless such sale, lease or disposal, in the judgment of the Agency, (1) is desirable in the conduct of the business of the Agency relating to the Project and (2) does not materially impair the ability of the Agency to comply with the rate covenant described under "*Rate Covenant*" below, which judgment will be binding and conclusive on the Agency, the Trustee and the Holders of all Bonds.

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

Rate Covenant

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

(a) Operating Expenses during such Fiscal Year;

(b) an amount equal to the Aggregate Debt Service for such Fiscal Year;

(c) the amount, if any, to be paid during such Fiscal Year into each separate subaccount in the Debt Service Reserve Account;

(d) the amount, if any, to be paid during such Fiscal Year into the Subordinated Indebtedness Fund;

(e) the amount, if any, to be paid during such Fiscal Year into the Self-Insurance Fund; and

(f) all other charges or liens whatsoever payable out of Revenues during such Fiscal Year.

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

Pursuant to the Resolution, the Agency covenants that it will collect and deposit in the Revenue Fund all amounts payable to it pursuant to the Power Sales Contracts or payable to it pursuant to any other contract for the use of the capability of the Project or the sale of the output, capacity or service of the Project or any part thereof. The Agency will enforce the material provisions of the Power Sales Contracts and duly perform its material covenants and agreements thereunder. The Agency will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with the Power Sales Contracts which will materially reduce the payments required thereunder or which will in any manner materially impair or materially adversely affect the rights of the Agency thereunder or the rights or security of the Holders under the Resolution. Any amendment to the Power Sales Contracts that provides for a reduction in the Project cost and entitlement shares of any one or more Power Purchasers serving loads in the State of Utah, simultaneously with an increase (equal in aggregate amount to the aggregate amount of such reduction(s)) in the Project cost and entitlement shares of any one or more Power Purchasers located in the State of California will not constitute such an amendment, nor will (a) any amendment to the Power Sales Contracts that provides for a reduction in the Project cost and entitlement shares of any one or more Power Purchasers serving loads in the State of Utah, simultaneously with an increase (equal in aggregate amount to the aggregate amount of such reduction(s)) in the Project cost and entitlement shares of any one or more other Power Purchasers serving loads in the State of Utah or (b) any amendment to the Power Sales Contracts that provides for a reduction in the Project cost and entitlement shares of any one or more Power Purchasers located in the State of California, simultaneously with an increase (equal in aggregate amount to the aggregate amount of such reduction(s)) in the Project cost and entitlement shares of any one or more other Power Purchasers located in the State of California, so long, in the case of (a) and (b) above, as each nationally recognized rating agency then rating the Bonds has confirmed in writing that such amendment will not, in and of itself, result in a reduction, suspension or withdrawal of such rating agency's ratings on the Bonds.

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

Annual Budget

Pursuant to the Resolution, the Agency covenants that it will adopt and file with the Trustee for each Fiscal Year an Annual Budget prepared in accordance with the provisions of, and in the manner contemplated by, the Power Sales Contracts, setting forth in reasonable detail the estimated Revenues and Operating Expenses and other expenditures of the Project for the Fiscal Year, including provision for any general reserve for Operating Expenses, deposits in any other reserve and the estimated amount to be required during such Fiscal Year for the payment of the costs of Capital Improvements, the payment of extraordinary operation and maintenance costs, the costs of retirement of the Project and contingencies, including payments with respect to the prevention or correction of any unusual loss or damage in connection with the Project or to prevent a loss of revenue therefrom, all to the extent not to be paid as Operating Expenses or from the proceeds of Bonds or other evidences of indebtedness of the Agency, and the requirements, if any, for the amounts estimated to be expended from each Fund and Account established under the Resolution.

Such Annual Budget also will set forth such detail with respect to such Revenues, Operating Expenses and other expenditures and such deposits, as is necessary or appropriate so as to comply with the Construction Management and Operating Agreement, the Power Sales Contracts and the Organization Agreement and may set forth such additional material as the Agency may determine. The Agency will at any time, as necessary, adopt in accordance with the provisions of the Power Sales Contracts and file with the Trustee an amended Annual Budget for the remainder of the then current Fiscal Year, if and to the extent required to enable the Agency to comply with its obligations contained in the Resolution.

Insurance

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

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

Accounts and Reports

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

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

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

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

Amendments and Supplemental Resolutions

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

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

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

(a) to close the Resolution against, or impose additional limitations and restrictions upon, issuance of Bonds or other evidences of indebtedness;

(b) to add to the covenants and agreements of the Agency contained in the Resolution;

(c) to add to the limitations and restrictions contained in the Resolution;

(d) to authorize Bonds of a Series and specify matters relative to such Bonds not contrary to or inconsistent with the Resolution;

(e) to confirm any pledge under the Resolution of the Revenues or any other moneys, securities or funds;

(f) to authorize the establishment of a fund or funds for self-insurance;

(g) if and to the extent authorized in a Supplemental Resolution authorizing an Additionally Secured Series of Bonds, to specify the qualifications of any provider of a surety bond, insurance policy or letter of credit or other similar obligation for credit to the particular subaccount in the Debt Service Reserve Account securing the Bonds of such Additionally Secured Series;

(h) to modify any of the provisions of the Resolution in any other respect if such modification will be, and be expressed to be, effective only after all Bonds then Outstanding cease to be Outstanding and all Bonds authenticated and delivered after the adoption of such Supplemental Resolution specifically refer to such Supplemental Resolution in the text of such Bonds;

(i) to authorize Subordinated Indebtedness and specify matters relative to such Subordinated Indebtedness not contrary to or inconsistent with the Resolution;

(j) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or

(k) to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable; provided, however, that no such action will have a material adverse effect on the interests of the Holders of the Bonds.

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

Trustee; Paying Agents

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

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

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

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

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

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

The Agency is required to pay to each Fiduciary reasonable compensation for all services rendered under the Resolution and all reasonable expenses, charges, counsel fees and other disbursements, incurred in the performance of its duties under the Resolution. Each Fiduciary has a lien on any and all funds held by it under the Resolution securing its rights to compensation. The Agency also agrees to indemnify and save each Fiduciary harmless against all liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence, misconduct or default.

Redemption of Bonds

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

Defeasance

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

Bonds or interest installments will be deemed to have been paid for the purpose of the defeasance referred to above in this paragraph if on the maturity or redemption date thereof moneys have been set aside and held in trust by the Paying Agents for such payment. In addition, any Bonds will be deemed to have been so paid prior to the maturity or redemption date thereof (a) if the Agency has satisfied all of the conditions precedent to such Bonds being so deemed to have been paid set forth in the Supplemental Resolution authorizing the Series of which such Bonds are a part or (b) upon compliance with the following provisions: (1) in the case of Bonds to be redeemed prior to maturity, the Agency has given to the Trustee instructions accepted in writing by the Trustee to give notice of redemption therefor, (2) there have been

deposited with the Trustee either moneys in an amount which will be sufficient, or Defeasance Securities the principal of and the interest on which, when due, will provide moneys which, together with any moneys also deposited, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due or to become due on such Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (3) in the case of Bonds that are not to be redeemed or paid at maturity within the next 60 days, the Agency has given the Trustee instructions to give, as soon as practicable, by first-class mail, postage prepaid, notice to the Holders of such Bonds that the above deposit has been made with the Trustee and that such Bonds are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, on such Bonds.

For purposes of determining whether Variable Interest Rate Bonds are deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the provisions described in the preceding paragraph, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, will be calculated at the Maximum Interest Rate with respect thereto; *provided*, *however*, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy such provisions, the Trustee will, if requested by the Agency, pay the amount of such excess to the Agency free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Resolution.

Events of Default and Remedies

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

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

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

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

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

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

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

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

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

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

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

No Holder of any Bond will have any right to institute any suit, action or proceeding for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless (1) such Holder previously has given the Trustee written notice of an Event of Default, (2) the Holders of at least 25% in principal amount of the Bonds then Outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers and institute such suit, action or proceeding, (3) there have been offered to the Trustee adequate security and indemnity against its costs, expenses and liabilities to be incurred and (4) the Trustee has refused to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity. The Resolution provides that nothing therein or in the Bonds affects or impairs the Agency's obligation to pay the Bonds and interest thereon when due or the right of any Holder of the Bonds to enforce such payment of its Bond.

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

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

Notice of Default

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

Unclaimed Moneys

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

Action by Credit Enhancer When Action by Holders of Bonds Required

Except as otherwise provided in a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit

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

Definitions

Accrued Aggregate Debt Service means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (a) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (b) Principal Installments due and unpaid and that portion of the Principal Installments for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month; *provided*, *however*, that there will be excluded from the calculation of Accrued Aggregate Debt Service for any period the principal of and/or interest (including, without limitation, interest on any Capital Appreciation Bond or Deferred Income Bond) on any Bond that, in accordance with the Supplemental Resolution authorizing the Series of which such Bond is a part, will not be deemed to accrue during such period for purposes of this definition. ***The Fiftieth Supplemental Resolution amends this definition to add a reference to Refundable Principal Installments to the proviso contained therein. See "Proposed Amendments to the Resolution – Amendments to Definitions Contained in the Resolution" below.***

Additionally Secured Series means (a) all Series of Bonds Outstanding on the Amended and Restated Resolution Effective Date and (b) any Series of Bonds issued after such Date for which the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of such Series is secured, in addition to the pledge created in favor of all of the Bonds, by amounts on deposit in a separate subaccount to be designated therefor in the Debt Service Reserve Account.

Adjusted Aggregate Debt Service means, as of any date of calculation and with respect to any period, the sum of (i) the sum of the amounts of Adjusted Debt Service during such period for all Series of Bonds and (ii) the Aggregate Debt Service during such period for all Series of Bonds issued in accordance with the provisions of clause (2) of the second paragraph under the caption "Certain Conditions to Issuance of Bonds" above; *provided*, *however*, that in computing such Aggregate Debt Service, any particular Variable Interest Rate Bonds will be deemed to bear at all times to the maturity thereof the Estimated Average Interest Rate applicable thereto.

Adjusted Debt Service means, with respect to any Series of Bonds issued in accordance with the provisions of clause (2) of the second paragraph under the caption "Certain Conditions to Issuance of Bonds" above, as of any date of calculation and with respect to any period, the Debt Service for such Series of Bonds for such period which would result if the Principal Installment for such Series due on the final maturity date of such Series were adjusted over the period specified pursuant to the next sentence so that the Bonds of such Series would have Substantially Equal Debt Service for each Fiscal Year of such period and that such Principal Installment would be fully paid at the end of such period, assuming timely payment of all principal of and premium, if any, and interest on the Bonds of such Series in accordance with such adjustments and computing the interest component of Debt Service on the basis of the true interest cost

actually incurred on such Series of Bonds (determined by the true, actuarial method of calculation). Such adjustment will be made over a period which will begin with the final maturity date of such Series and end on a date which will be specified in the Supplemental Resolution authorizing such Series of Bonds, which date will be not later than the earlier to occur of (i) 35 years after the date of such Bonds or (ii) the termination date of the Power Sales Contract. For purposes of computing such true interest cost for any Series of Bonds containing Variable Interest Rate Bonds, each such Variable Interest Rate Bond will be deemed to bear at all times to the maturity date thereof the Estimated Average Interest Rate applicable thereto.

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

Amended and Restated Resolution Effective Date means July 30, 2007, the date as of which the amendment and restatement of the Resolution provided for in the Amended and Restated Resolution became effective.

Bond or *Bonds* means any bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Resolution, and includes all Bonds authenticated and delivered pursuant to the Resolution prior to the Amended and Restated Resolution Effective Date.

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

Capital Appreciation Bonds means any Bonds issued under the Resolution as to which interest is (a) compounded periodically on dates that are specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (b) payable only at maturity or upon earlier redemption or other payment thereof pursuant to the Resolution or such Supplemental Resolution; *provided*, *however*, that the interest on such Bonds will not be compounded more frequently than semi-annually unless the Agency by resolution determines (which determination may be based upon such factors as the Agency determines to be appropriate, including, without limitation, the advice of any banking or financial institution serving as a financial advisor to the Agency) that (X) the Agency would have issued such Bonds having interest compounded semi-annually and (Y) the issuance of such Bonds having interest compounded more frequently than semi-annually in lieu of the issuance of such Bonds having interest compounded semi-annually does not affect the rights or obligations of the Power Purchasers under the Power Sales Contracts, nor is it to the disadvantage of the Power Purchasers, nor does it result in increased Monthly Power Costs to the Power Purchasers above what would have been the Monthly Power Costs had the Agency so issued such Bonds having interest compounded semi-annually. ***The Fiftieth Supplemental Resolution amends this definition to (a) remove the proviso contained therein and (b) provide that interest on Capital Appreciation Bonds may not be compounded more frequently than semi-annually unless approved by the Coordinating Committee. See "Proposed Amendments to the Resolution – Amendments to Definitions Contained in the Resolution" below.***

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

Cost of Acquisition and Construction has the meaning assigned to such term in the Power Sales Contracts.

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

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

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

Debt Service Reserve Requirement means (a) with respect to the Initial Subaccount in the Debt Service Reserve Account, as of any date of calculation, an amount equal to one-half (1/2) of the greatest amount of Adjusted Aggregate Debt Service on the Bonds of each Additionally Secured Series secured thereby for the then current or any future Fiscal Year; *provided*, *however*, that, for purposes of this definition, Adjusted Aggregate Debt Service will be computed in accordance with the definition of said term with the exception that in any such computation involving Variable Interest Rate Bonds, each such Variable Interest Rate Bond will be deemed to bear interest at all times to the maturity date thereof at the Estimated Average Interest Rate applicable thereto and (b) with respect to each additional subaccount, if any, established in the Debt Service Reserve Account, the amount specified in the Supplemental Resolution pursuant to which such subaccount is established.

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

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

(b) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are not callable prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee, escrow agent or other fiduciary in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates also will be specified in such instructions, (2) which are secured as to principal and interest and redemption premium, if any, by

a fund consisting only of cash or bonds or other obligations of the character described in clause (a) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (1) of this clause (b), as appropriate, (3) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) above on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (1) of this clause (b), as appropriate and (4) which at the time of their purchase under the Resolution are rated in the highest whole rating category by a nationally recognized rating agency;

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

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

Deferred Income Bonds means any Bonds issued under the Resolution as to which interest accruing prior to a date specified in the Supplemental Resolution authorizing such Deferred Income Bonds is (a) compounded periodically on dates specified in such Supplemental Resolution and (b) payable only at maturity or upon earlier redemption or other payment thereof pursuant to the Resolution or such Supplemental Resolution; *provided however*, that the interest on such Bonds will not be compounded more frequently than semi-annually unless the Agency by resolution determines (which determination may be based upon such factors as the Agency determines to be appropriate, including, without limitation, the advice of any banking or financial institution serving as a financial advisor to the Agency) that (X) the Agency would have issued such Bonds having interest compounded semi-annually and (Y) the issuance of such Bonds having interest compounded more frequently than semi-annually in lieu of the issuance of such Bonds having interest compounded semi-annually does not affect the rights or obligations of the Power Purchasers under the Power Sales Contracts, nor is it to the disadvantage of the Power Purchasers, nor does it result in increased Monthly Power Costs to the Power Purchasers above what would have been the Monthly Power Costs had the Agency so issued such Bonds having interest compounded semi-annually. ***The Fiftieth Supplemental Resolution amends this definition to (a) remove the proviso contained therein and (b) provide that interest on Deferred Income Bonds may not be compounded more frequently than semi-annually unless approved by the Coordinating Committee. See "Proposed Amendments to the Resolution – Amendments to Definitions Contained in the Resolution" below.***

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

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

Fiscal Year means the twelve-month period commencing at 12:01 a.m. on July 1 of each year and ending at 12:01 a.m. on the following July 1.

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

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

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

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

Operating Expenses means (i) all of the Agency's costs and other expenses in connection with the operation and maintenance of the Project in accordance with Prudent Utility Practice and ordinary repairs, replacements and reconstruction of the Project which do not entail the acquisition and installation of a unit of property (as generally prescribed by the Federal Energy Regulatory Commission or its successor), including all costs of producing and delivering electric power and energy from the Project and payments into reserves in the Revenue Fund for items of Operating Expenses the payment of which is not immediately required, and includes, without limiting the generality of the foregoing, fuel costs, rents, administrative and general expenses, engineering expenses, legal and financial advisory expenses, required payments to pension, retirement, health and hospitalization funds, insurance premiums, any taxes or payments in lieu of taxes pursuant to the Act or otherwise pursuant to law and payments required under the Construction Management and Operating Agreement which are to be applied pursuant to the terms thereof to the payment (or reimbursement for the payment) of such costs and expenses, (ii) any other current expenses or obligations required to be paid by the Agency under the provisions of the Resolution or by law, all to the extent properly allocable to the Project, or required to be incurred under or in connection with the performance of the Power Sales Contracts, (iii) the fees, expenses and indemnities of the Trustee and Paying Agents, and (iv) the fees, expenses and indemnities of any trustee or paying agents with respect to Subordinated Indebtedness. Operating Expenses will not include any debt service, any costs or expenses for new construction or any allowance for depreciation or amortization.

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

(i) Bonds cancelled (or, in the case of Book Entry Bonds, to the extent provided in the Resolution, portions thereof deemed to have been cancelled) by the Trustee at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, are held in trust under the Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), and for which, in the case of Bonds to be redeemed, notice of such redemption has been given or provision made therefor;

(iii) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered pursuant to the Resolution; and

(iv) Bonds (or portions of Bonds) deemed to have been paid for purposes of determining defeasance.

Principal Installment means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of the above, as applicable.

Project has the meaning assigned to such term in the Power Sales Contracts.

Prudent Utility Practice means any of the practices, methods and acts, which, in the exercise of reasonable judgment in the light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition, taking into account the fact that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice includes due regard for manufacturers' warranties and requirements of governmental agencies of competent jurisdiction and applies not only to functional parts of the Project, but also to appropriate structures, landscaping, painting, signs, lighting, other facilities and public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the Project.

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

Securities Depository means, with respect to a Book Entry Bond, the person, firm, association or corporation specified in the Supplemental Resolution authorizing the Bonds of the Series of which such Book Entry Bond is a part to serve as the securities depository for such Book Entry Bond, or its nominee,

and its successor or successors and any other person, firm, association or corporation which may at any time be substituted in its place pursuant to the Resolution or such Supplemental Resolution.

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

Self-Insured Retention means, at any time and with regard to any Insurable Risk the claims or losses for which are payable from time to time from amounts on deposit in the Self-Insurance Fund, the greatest amount of any such claim or loss payable from such Fund for which Excess Liability Insurance is not available to pay such claim or loss.

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

STS Upgrade Project means certain additions and improvements to and renewals of the Southern Transmission System described in Appendix C to the Power Sales Contracts to provide an additional 480 MW of capacity for said Southern Transmission System.

Subordinated Indebtedness means any bond, note or other evidence of indebtedness which is expressly made subordinate and junior in right of payment to the Bonds and which (a) was issued or incurred prior to the Amended and Restated Resolution Effective Date or (b) complies with the provisions of the Resolution. Any such Subordinated Indebtedness will not, except as otherwise specifically provided in the Resolution, be or be deemed to be Bonds for purposes of the Resolution.

Substantially Equal Adjusted Aggregate Debt Service means, with respect to any period of similar Fiscal Years for all Series of Bonds, that the greatest Adjusted Aggregate Debt Service for any Fiscal Year in such period is not in excess of one hundred and ten percent of the Adjusted Aggregate Debt Service for any preceding Fiscal Year in such period.

Substantially Equal Debt Service means, with respect to any period of Years for any Series of Bonds, that the greatest Debt Service for any Year in such period is not in excess of one hundred and ten percent of the smallest Debt Service for any Year in such period; *provided*, *however*, that in computing Debt Service for the purpose of this definition, any particular Variable Interest Rate Bond will be deemed to bear at all times prior to the maturity thereof the Estimated Average Interest Rate applicable thereto.

Trust Estate means (a) the proceeds of the sale of the Bonds, (b) the Revenues, and (c) all Funds and Accounts established by the Resolution (other than the Debt Service Reserve Account in the Debt Service Fund), including the investments and investment income, if any, thereof.

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

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

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

Year means any period of twelve consecutive months.

Proposed Amendments to the Resolution

General

The Fiftieth Supplemental Resolution provides for the making of certain amendments to the Resolution. Set forth below is a summary of those amendments. The various amendments to the Resolution contained in the Fiftieth Supplemental Resolution will become effective on the later to occur of (a) the date on which all of the Power Purchasers consent in writing thereto and (b) the date on which either (i)(A) written consents thereto of the Holders of at least two-thirds in principal amount of the Bonds then Outstanding are filed with the Trustee and (B) the other conditions to such effectiveness set forth in the Resolution are satisfied or (ii) the date on which all Bonds Outstanding at August 28, 1998 (the date of adoption of the Fiftieth Supplemental Resolution) cease to be Outstanding.

As of the date of the document to which this Appendix is attached, no Bonds are Outstanding under the Resolution, although the Agency has reserved the right to issue additional Bonds in the future. At such time, if any, as such amendments become effective, they will apply to all Bonds then Outstanding.

Certain Conditions to Issuance of Bonds

The Fiftieth Supplemental Resolution amends the provisions of the Resolution relating to the issuance of additional Bonds, as follows:

(a) provision is added, permitting the Agency, with the approval of the Coordinating Committee, to issue Bonds having Principal Installments that constitute Refundable Principal Installments (for the definition of the term "Refundable Principal Installment", see "*Amendments to Definitions Contained in the Resolution"* below); and

(b) the requirements described in the second paragraph under "Certain Conditions to Issuance of Bonds" above are amended to provide that such requirements may be waived by the Coordinating Committee.

Additional Bonds

The Fiftieth Supplemental Resolution amends the Resolution to expand the Agency's authority to issue Bonds for any lawful purpose of the Agency by deleting the requirement whereby no additional Bonds may be so issued unless (X) the Coordinating Committee has approved the issuance of such Bonds in the manner provided in the Power Sales Contracts and (Y) the Agency by resolution determines (which determination may be based upon such factors as the Agency determines to be appropriate, including, without limitation, the advice of a banking or financial institution serving as a financial advisor to the Agency) that (1) the Agency would have issued Subordinated Indebtedness to finance the costs to be financed with the proceeds of such Bonds and (2) the issuance of such Bonds in lieu of the issuance of such Subordinated Indebtedness does not affect the rights or obligations of the Power Purchasers under the Power Sales Contracts, nor is it to the disadvantage of the Power Purchasers, nor does it result in increased Monthly

Power Costs to the Power Purchasers above what would have been the Monthly Power Costs had the Agency so issued such Subordinated Indebtedness.

Refunding Bonds

The Fiftieth Supplemental Resolution amends the Resolution to expand the Agency's authority to issue Refunding Bonds of one or more Series to refund, by payment or exchange, any other outstanding Subordinated Indebtedness by deleting the restriction whereby no such Bonds may be so issued unless (X) the Coordinating Committee has approved the issuance of such Bonds in the manner provided in the Power Sales Contracts and (Y) the Agency by resolution determines (which determination may be based upon such factors as the Agency determines to be appropriate, including, without limitation, the advice of a banking or financial institution serving as a financial advisor to the Agency) that (i) the Agency would have issued Subordinated Indebtedness to refund such other Subordinated Indebtedness and (ii) the issuance of such Bonds in lieu of the issuance of such Subordinated Indebtedness does not affect the rights or obligations of the Power Purchasers under the Power Sales Contracts, nor is it to the disadvantage of the Power Purchasers, nor does it result in increased Monthly Power Costs to the Power Purchasers above what would have been the Monthly Power Costs had the Agency so issued such Subordinated Indebtedness.

Amendments to Definitions Contained in the Resolution

Accrued Aggregate Debt Service:

The Fiftieth Supplemental Resolution amends the definition of "*Accrued Aggregate Debt Service*" to add a reference to Refundable Principal Installments to the proviso contained therein.

Capital Appreciation Bonds:

The Fiftieth Supplemental Resolution amends the definition of "*Capital Appreciation Bonds*" to (a) remove the proviso contained therein and (b) provide that interest on Capital Appreciation Bonds may not be compounded more frequently than semi-annually unless approved by the Coordinating Committee.

Debt Service:

The Fiftieth Supplemental Resolution amends the definition of "*Debt Service*" to add a reference to Refundable Principal Installments to the proviso to the first sentence thereof.

Deferred Income Bonds:

The Fiftieth Supplemental Resolution amends the definition of "*Deferred Income Bonds*" to (a) remove the proviso contained therein and (b) provide that interest on Deferred Income Bonds may not be compounded more frequently than semi-annually unless approved by the Coordinating Committee.

Refundable Principal Installment:

The Fiftieth Supplemental Resolution adds a definition of "*Refundable Principal Installment"*, which is defined to mean any Principal Installment for any Series of Bonds which the Agency intends to pay with moneys which are not Revenues, *provided* that such intent has been expressed in the Supplemental Resolution authorizing such Series of Bonds and *provided*, *further*, that such Principal Installment will be a Refundable Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as the Agency no longer intends to pay such Principal Installment with moneys which are not Revenues.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATED RESOLUTION

This Appendix contains a summary of certain provisions of the Subordinated Resolution. This summary is not to be considered a full statement of the terms of the Subordinated Resolution and accordingly is qualified by reference to the Subordinated Resolution and subject to the full text thereof. Capitalized terms not defined in this Appendix or in the document to which it is attached have the meanings set forth in the Subordinated Resolution. The term "Bonds" as used in the Subordinated Resolution and in this summary has the same meaning as the term "Senior Indebtedness" as used in the document to which this Appendix is attached. Except as otherwise defined in the Subordinated Resolution, all terms which are defined in the Resolution have the same meanings, respectively, herein as such terms are given in the Resolution. For definitions of certain terms defined in the Resolution, see "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Definitions" in Appendix A to the document to which this Appendix B is attached.

TABLE OF CONTENTS

Pledge Effected by the Subordinated Resolution

Under the Subordinated Resolution, the Agency has pledged and assigned the amounts on deposit in the Subordinated Indebtedness Debt Service Account as may from time to time be available (including the investments held as a part of such Account), subject only to the provisions of the Resolution and the Subordinated Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution and the Subordinated Resolution; *provided*, *however*, that such pledge and assignment are expressly made subordinate and junior in all respects to the pledge and lien created under the Resolution as security for the Bonds; and *provided*, *further*, that such pledge and assignment are expressly made on a parity with the pledges and liens created under the Subordinated Indebtedness Instruments applicable thereto as security for the First Level Subordinated Indebtedness.

Establishment of Additional Accounts in the Subordinated Indebtedness Fund

The Subordinated Resolution provides that if and to the extent provided in a Supplemental Subordinated Resolution, the Agency is permitted to establish such additional account(s) in the Subordinated Indebtedness Fund with respect to such Subordinated Bonds of one or more Series as shall be specified in such Supplemental Subordinated Resolution. If and to the extent provided in any such Supplemental Subordinated Resolution, amounts on deposit in any such account(s), including the investments, if any, thereof may be pledged and assigned for the payment of the principal or Redemption Price, if any, of, and interest on, any or all of such Subordinated Bonds. In the event that any such account(s) are so established, deposits to and withdrawals from any such account(s) will be governed by the provisions of the Supplemental Subordinated Resolution(s) pursuant to which such account(s) are established; *provided*, *however*, that in the event that any such Supplemental Subordinated Resolution provides for the deposit of Revenues into any such account(s), such deposit will not be made in any month until (i) after the payment (or provision for payment) of Operating Expenses has been made for such month pursuant to the Resolution, (ii) after the deposits for such month have been made to the Debt Service Fund (both to the Debt Service Account and the Debt Service Reserve Account) and (iii) after the deposits for such month have been made to the Subordinated Indebtedness Debt Service Account and the Subordinated Indebtedness Debt Service Reserve Account; and *provided*, *further*, that if the amount on deposit in the Revenue Fund will not be sufficient to make all such deposits so required to be made with respect to all such accounts in any month, then such amount on deposit in the Revenue Fund will be applied ratably, in proportion to the amount necessary for deposit into each such account.

In accordance with the foregoing provision, pursuant to the Agency's Third Supplemental Subordinated Power Supply Revenue Bond Resolution adopted on March 16, 2007 (the "Third Supplemental Subordinated Resolution"), the Agency has established an additional account in the Subordinated Indebtedness Fund known as the "Initial Subordinated Bonds Debt Service Reserve Account," which Account is for the benefit and security of all Holders of the Subordinated Bonds of each Additionally Secured Series. See "Initial Subordinated Bonds Debt Service Reserve Account" herein.

Nature of Obligation

The Subordinated Resolution provides that the principal and Redemption Price of, and interest on, the Subordinated Bonds shall be payable from the funds of the Agency as provided in the Subordinated Resolution. The Subordinated Bonds are not an obligation of the State of Utah or any political subdivision thereof, other than the Agency, or any member of the Agency or any Power Purchaser or the Project Manager or Operating Agent and neither the faith and credit nor the taxing power of the State of Utah or any political subdivision thereof or of any city or town which is either a member of the Agency or a Power Purchaser or both is pledged to the payment of the Subordinated Bonds. No Holder of any Subordinated Bond or receiver or trustee in connection with the payment of the

Subordinated Bonds shall have any right to compel the State of Utah, any political subdivision thereof or any city or town which is either a member of the Agency or a Power Purchaser or both to exercise its appropriation or taxing powers.

Deposits to the Subordinated Indebtedness Fund

The Agency, in each month (i) after the deposits of Revenues into the Revenue Fund have been made, after the payment (or provision for payment) of Operating Expenses has been made for such month pursuant to the Resolution, and (ii) after the deposits required for such month have been made to the Debt Service Fund (both to the Debt Service Account and the Debt Service Reserve Account), but in any case no later than the last business day of such month, shall withdraw from the Revenue Fund and transfer to the Trustee for deposit in the Subordinated Indebtedness Fund, for credit to each particular account established therein, (1) the respective amount, if any, required so that the balance therein or the amount deposited thereto, as the case may be, will equal the amount required to be on deposit therein as of the end of such month or the amount required to be deposited thereto during such month, as applicable, determined as provided in the respective Subordinated Indebtedness Instruments relating to such account and the Subordinated Indebtedness payable therefrom or secured thereby (including, without limitation, the Subordinated Bonds) and (2) such additional amount as an Authorized Officer shall notify the Trustee.

The amounts to be deposited into the Subordinated Indebtedness Debt Service Account from the Revenue Fund in each month with respect to the payment of principal or Redemption Price of and interest on the Subordinated Bonds will be equal to the Accrued Aggregate Subordinated Debt Service as of the last day of such month.

Withdrawals from the Subordinated Indebtedness Debt Service Account

The Trustee shall, in accordance with the Resolution, be required to make payments from the Subordinated Indebtedness Debt Service Account in the amounts, at the times and to the persons, entities, or accounts entitled thereto as required under and pursuant to, and in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, each Subordinated Indebtedness Instrument (including, without limitation, the Subordinated Resolution).

In furtherance of the foregoing, the Trustee shall pay out of the Subordinated Indebtedness Debt Service Account to the respective Paying Agents (i) on or before each interest payment date for any of the Subordinated Bonds, the amount required for the interest payable on such Subordinated Bonds on such date; (ii) on or before each Subordinated Principal Installment due date, the amount required for the Subordinated Principal Installment payable on such due date; and (iii) on or before any redemption date for the Subordinated Bonds, the amount required for the payment of interest on the Subordinated Bonds then to be redeemed. Such amounts will be applied by the Paying Agents on and after the due dates thereof. The Trustee also will pay out of the Subordinated Indebtedness Debt Service Account the accrued interest included in the purchase price of Subordinated Bonds purchased for retirement.

Amounts accumulated in the Subordinated Indebtedness Debt Service Account with respect to any Sinking Fund Installment may and, if so directed by the Agency, will be applied by the Paying Agents therefor, to the purchase of Subordinated Bonds of the Series and maturity for which such Sinking Fund Installment was established, or the redemption at the applicable sinking fund Redemption Price of such Subordinated Bonds.

Initial Subordinated Bonds Debt Service Reserve Account

Pursuant to the Third Supplemental Subordinated Resolution, the Agency has established the Initial Subordinated Bonds Debt Service Reserve Account in the Subordinated Indebtedness Fund, which Account is for the benefit and security of all Holders of the Subordinated Bonds of each Additionally Secured Series. The term "Additionally Secured Series" is defined in the Third Supplemental Subordinated Resolution to mean (a) the 2007 Series A Subordinated Bonds and (b) any Series of Subordinated Bonds issued after the date of adoption of the Third Supplemental Subordinated Resolution for which the Supplemental Subordinated Resolution authorizing the Subordinated Bonds of such Series provides that the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Subordinated Bonds of such Series shall be secured, in addition to the pledge and assignment created pursuant to the Subordinated Resolution in favor of all of the Subordinated Bonds, by a pledge and assignment of amounts on deposit in the Initial Subordinated Bonds Debt Service Reserve Account; *provided*, *however*, that no Variable Interest Rate Subordinated Bonds will be additionally secured by amounts on deposit in the Initial Subordinated Bonds Debt Service Reserve Account; and *provided*, *further*, that if any Series of Subordinated Bonds is to be an Additionally Secured Series, then it will be a condition to the issuance of the Subordinated Bonds of such Series that the amount on deposit in the Initial Subordinated Bonds Debt Service Reserve Account after giving effect to the issuance of the Subordinated Bonds of such Series is equal to the Initial Subordinated Bonds Debt Service Reserve Requirement (hereinafter defined). As of the date of the document to which this Appendix B is attached, all Outstanding Subordinated Bonds are additionally secured by amounts on deposit in the Initial Subordinated Bonds Debt Service Reserve Account.

Pursuant to the Third Supplemental Subordinated Resolution, the amounts on deposit in the Initial Subordinated Bonds Debt Service Reserve Account as may from time to time be available therefor (including the investments held as a part of such Account) are pledged and assigned to the Holders of the Subordinated Bonds of each Additionally Secured Series, subject only to the provisions of the Resolution and the Subordinated Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution and the Subordinated Resolution; *provided*, *however*, that, as required by the Resolution, such pledge and assignment is, and is expressly made, subordinate and junior in all respects to the pledge and lien created under the Resolution as security for the Bonds.

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

Pursuant to the Third Supplemental Subordinated Resolution, the Agency is required to deposit and maintain, or cause to be deposited and maintained, in the Initial Subordinated Bonds Debt Service Reserve Account moneys and Investment Securities in an amount equal to the Initial Subordinated Bonds Debt Service Reserve Requirement. The term "Initial Subordinated Bonds Debt Service Reserve Requirement" is defined in the Third Supplemental Subordinated Resolution to mean, as of any date of calculation, an amount equal to one-half (½) of the greatest amount of interest to accrue on all Subordinated Bonds of each Additionally Secured Series for the then current or any future Fiscal Year. As of the date of the document to which this Appendix B is attached, $3,231,572 is on deposit in the Initial Subordinated Bonds Debt Service Reserve Account, which amount exceeds the Initial Subordinated Bonds Debt Service Reserve Requirement.

Whenever the amount on deposit in the Initial Subordinated Bonds Debt Service Reserve Account exceeds the Initial Subordinated Bonds Debt Service Reserve Requirement, such excess will be

deposited in the Revenue Fund established pursuant to the Resolution and applied to the purposes to which other amounts in the Revenue Fund are required to be applied (see "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Application of Revenues" in Appendix A to the document to which this Appendix B is attached); *provided*, *however*, that unless otherwise approved by the Agency and by the Coordinating Committee, such excess must be applied to the purchase, redemption or provision for payment of Bonds or Subordinated Indebtedness.

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

Relative Rights of the Holders of the Subordinated Bonds and the Holders of the Bonds

In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the holders of all Bonds then Outstanding will be entitled to receive payment in full of all principal and interest due on all such Bonds (except, in the case of the 1985 Series E and F Bonds, for the 1985 Series E and F Variable Rate Interest) in accordance with the provisions of the Resolution before the Holders of the Subordinated Bonds shall be entitled to receive any payment from the trust estate under the Resolution consisting of the Revenues and Funds (including, without limitation, the Subordinated Indebtedness Fund) held under the Resolution (hereinafter referred to as the "Trust Estate") on account of the principal (and premium, if any) or interest upon the Subordinated Bonds.

In the event that the Subordinated Bonds are declared due and payable before their respective expressed maturities because of the occurrence of an Event of Default (under circumstances when the provisions of the preceding paragraph are not applicable), the holders of all Bonds Outstanding at the time the Subordinated Bonds so become due and payable will be entitled to receive payment in full of all principal and interest on all such Bonds (except, in the case of the 1985 Series E and F Bonds, for the 1985 Series E and F Variable Rate Interest) before the Holders of the Subordinated Bonds will be entitled to receive any accelerated payment from the Trust Estate of principal (and premium, if any) or interest upon the Subordinated Bonds.

If any Event of Default (as defined in the Resolution) with respect to the Bonds shall have occurred and be continuing (under circumstances when the provisions of the second preceding paragraph are not applicable), the holders of all Bonds then Outstanding will be entitled to receive payment in full of all principal and interest then due on all such Bonds (except, in the case of the 1985 Series E and F Bonds, for the 1985 Series E and F Variable Rate Interest) before the Holders of the Subordinated Bonds will be entitled to receive any payment from the Trust Estate of principal (and premium, if any) or interest upon the Subordinated Bonds.

No Bondholder shall be prejudiced in its right to enforce subordination of the Subordinated Bonds by any act or failure to act on the part of the Agency.

The preceding four paragraphs are solely for the purpose of defining the relative rights of the holders of the Bonds on the one hand, and the Holders of the Subordinated Bonds on the other hand, and nothing therein shall impair, as between the Agency and the Holders of the Subordinated Bonds, the obligation of the Agency, which is unconditional and absolute, to pay to the Holders of the Subordinated Bonds the principal thereof and premium, if any, and interest thereon in accordance with their terms, nor shall anything therein prevent the Holders of the Subordinated Bonds from exercising all remedies otherwise permitted by applicable law or under the Subordinated Resolution upon default thereunder, subject to the rights described in the preceding four paragraphs of the holders of Bonds to receive cash, property or securities otherwise payable or deliverable to the Holders of the Subordinated Bonds; and, insofar as any Paying Agent is concerned, the foregoing provisions will not prevent the application by such Paying Agent of any moneys deposited with it for the purpose of the payment of or on account of the principal (and premium, if any) and interest on the Subordinated Bonds if such Paying Agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

No Duty of the Trustee to the Holders of the Subordinated Bonds

The Trustee will not be deemed to owe any fiduciary duty to the Holders of the Subordinated Bonds and will not be liable to the Holders of the Subordinated Bonds if it mistakenly pays over or transfers to holders of Bonds, the Agency or any other person, monies to which the Holders of the Subordinated Bonds would be entitled by virtue of the provisions of the Resolution relating to Subordinated Indebtedness or otherwise; *provided*, *however*, that the Trustee will not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct. Notwithstanding any provision of the Resolution, the Trustee will not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or by the Trustee in respect of the Subordinated Bonds or of any default in the payment of the principal, premium, if any, of or interest on any Subordinated Bond, unless and until the Trustee shall have received written notice thereof at its principal corporate trust office from an Authorized Officer or the Holders of at least 10% in principal amount of the Subordinated Bonds or from any Paying Agent.

Certain Conditions to Issuance of Subordinated Bonds

When authorized by a Supplemental Subordinated Resolution, the officers of the Agency specified in the Subordinated Resolution may execute Subordinated Bonds of a Series for issuance under the Subordinated Resolution and deliver such Subordinated Bonds to the Subordinated Bond Registrar therefor for completion, authentication and delivery. Such Subordinated Bond Registrar will complete, authenticate and deliver such Subordinated Bonds to the Agency or upon its order, but only upon compliance with certain requirements and conditions, including the following:

(1) Receipt of an Opinion of Counsel to the effect that the Subordinated Bonds of the Series being issued are (or, if less than all of the Subordinated Bonds of such Series are to be issued on the date of first issuance of such Subordinated Bonds, that the Subordinated Bonds of such Series not to be issued on such date, when duly executed, authenticated and delivered, will be) valid and binding obligations of the Agency and have been duly and validly authorized and have been (or, when duly executed, authenticated and delivered, will be) issued in accordance with law, including the Act as amended to the date of such Opinion, and in accordance with the Subordinated Resolution, and as to certain other matters concerning the Subordinated Resolution.

(2) Delivery to the Subordinated Bond Registrar therefor of evidence that the Coordinating Committee has approved the issuance of the Subordinated Bonds of such Series.

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

Issuance of Additional Subordinated Indebtedness

The Agency shall have the absolute right, as to any Holder of any of the Subordinated Bonds, to issue from time to time (i) Additional Subordinated Indebtedness described in the clause (iii) of the definition of "First Level Subordinated Indebtedness" having a lien on or pledge of the Subordinated Indebtedness Debt Service Account in favor thereof that is on a parity with the pledge of the Subordinated Indebtedness Debt Service Account in favor of the Subordinated Bonds; *provided*, *however*, that any such Additional Subordinated Indebtedness shall be issued pursuant to and secured by an Additional Subordinated Indebtedness Instrument which contains provisions which subject all holders of such Additional Subordinated Indebtedness to the certain provisions of the Subordinated Resolution relating to, among other things, deposits to and withdrawals from the Subordinated Indebtedness Debt Service Account and application of moneys following a default with respect to any Subordinated Indebtedness (including the Subordinated Bonds) and (ii) Second Level Subordinated Indebtedness and Third Level Subordinated Indebtedness having a lien on or pledge of the Subordinated Indebtedness Debt Service Account in favor thereof that is subordinate to the pledge of the Subordinated Indebtedness Debt Service Account in favor of the Subordinated Bonds.

The Agency shall have the absolute right, as to any Holder of any of the Subordinated Bonds, in connection with authorizing, issuing, delivering, securing and selling any Additional Subordinated Indebtedness permitted as described in the preceding paragraph to make, adopt, enter into and perform any and all types of Additional Subordinated Indebtedness Instruments which may contain such terms, provisions and conditions as the Agency desires, except as described in the preceding paragraph.

Issuance of Other Indebtedness Under the Resolution

In addition to the rights the Agency has to issue Additional Subordinated Indebtedness, the Agency also shall have the absolute right, as to any Holder of any of the Subordinated Bonds, to issue any other type of debt or obligation provided for by the Resolution (including, without limitation, additional Bonds).

Other Bonds

Nothing contained in the Subordinated Resolution shall be construed to prevent the Agency from acquiring, constructing or financing through the issuance of its bonds, notes or other evidences of indebtedness any facilities which do not constitute a part of the Project for the purposes of the Resolution or from securing such bonds, notes or other evidences of indebtedness by a mortgage of the facilities so financed or by a pledge of, or other security interest in, the revenues therefrom or any lease or other agreement with respect thereto or any revenues derived from such lease or other agreement; *provided*, *however*, that such bonds, notes or other evidences of indebtedness shall not be payable out of or secured by the Revenues or any Fund held under the Resolution and neither the cost of such facilities nor any expenditure in connection therewith or with the financing thereof shall be payable from the Revenues or from any such Fund.

Performance of Covenants

The Agency agrees to comply with certain provisions of the Resolution for the benefit of the Holders of the Subordinated Bonds. Among other provisions of the Resolution, the Agency agrees to comply with the provisions of the Resolution summarized under the following captions contained in "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" in Appendix A to the document to which this Appendix B is attached: (i) "Encumbrances; Disposition of Properties" – the second and third paragraphs contained therein, (ii) "Annual Budget," (iii) "Rate Covenant," (iv) "Covenants with Respect to Power Sales Contracts and Construction Management and Operating Agreement" and (v) "Accounts and Reports," other than the third paragraph under such caption; in each such case, as the same may be amended from time to time pursuant to and in accordance with the provisions of the Resolution, except that (1) the references in such provisions of the Resolution to the Holders of the Bonds or the Bondholders will be deemed to be references to the Holders of the Subordinated Bonds; (2) the references in such provisions of the Resolution to the rights or security of Bondholders under the Resolution will be deemed to be references to the rights or security of the Holders of the Subordinated Bonds under the Subordinated Resolution; and (3) the references in such provisions of the Resolution to the Resolution will be deemed to be references to the Subordinated Resolution.

Payment from Revenues

In the event that the Resolution is discharged and satisfied, the Agency covenants in the Subordinated Resolution that (a) it will take such actions as may be necessary or desirable to ensure that (i) the provisions of the Resolution relating to the establishment, maintenance and operation of the various funds and accounts established thereunder, (ii) the pledges of the amounts on deposit in the various accounts in the Subordinated Indebtedness Fund as may from time to time be available therefor (including the investments held as a part of any such account) created pursuant to the Subordinated Indebtedness Instruments, (iii) the Trustee's obligations with respect to the Subordinated Indebtedness Fund, (iv) the rights, privileges, protections, immunities and indemnities afforded to the Trustee in the Resolution and (v) all other provisions of the Resolution necessary or desirable to give effect to the foregoing shall remain in full force and effect so long as any Subordinated Bonds remain Outstanding and (b) it will make the deposits into the Subordinated Indebtedness Fund required to be made pursuant to the Subordinated Resolution from Revenues.

Amendments and Supplemental Subordinated Resolutions

Any of the provisions of the Subordinated Resolution may be modified or amended by the Agency by a Supplemental Subordinated Resolution upon the consent (1) of the Holders of not less than a majority in principal amount of the Subordinated Bonds affected by such modification or amendment Outstanding at the time such consent is given and (2) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of not less than a majority in principal amount of the Subordinated Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; excluding, in each case, from such consent, and from the Outstanding Subordinated Bonds, the Subordinated Bonds of any specified Series and maturity if such modification or amendment by its terms will not take effect so long as any of such Subordinated Bonds remain Outstanding. No such modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Bond or of any installment of interest thereon or make any reduction in principal, Redemption Price or interest rate without the consent of each affected Holder, or reduce the percentages or otherwise affect the classes of Subordinated Bonds the consent of the Holders of which is required for a further amendment. See "Action by Credit Enhancers When Action by Holders of Subordinated Bonds Required" herein.

The Agency may adopt (without the consent of any Holders of the Subordinated Bonds) Supplemental Subordinated Resolutions to close the Subordinated Resolution against, or impose additional limitations upon, issuance of Subordinated Bonds or other evidences of indebtedness; to add to the covenants of the Agency contained in the Subordinated Resolution; to add to the restrictions contained in the Subordinated Resolution; to authorize Subordinated Bonds; to provide for the issuance, execution, delivery, authentication, payment, registration, transfer and exchange of Subordinated Bonds in bearer or coupon form or in uncertificated form; to confirm any pledge under the Subordinated Resolution of amounts on deposit in the Subordinated Indebtedness Debt Service Account as may from time to time be available therefor and the other funds, if any, of the Agency pledged thereto pursuant to the Subordinated Resolution or any Supplemental Subordinated Resolution, as the case may be; to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Subordinated Resolution; and to insert such provisions clarifying matters or questions arising under the Subordinated Resolution as are necessary or desirable; *provided*, *however*, that no such action will have a material adverse effect on the interests of the Holders of the Subordinated Bonds.

The Agency may adopt (without the consent of any Holders of the Subordinated Bonds) Supplemental Subordinated Resolutions for the purpose of making any other modification to or amendment of the Subordinated Resolution which shall be the subject of an Opinion of Counsel to the effect that the provisions of such Supplemental Subordinated Resolution will not have a material adverse effect on the interests of Holders of the Subordinated Bonds.

Notwithstanding anything to the contrary contained in the Subordinated Resolution, if and to the extent that a Supplemental Subordinated Resolution authorizing a Series of Subordinated Bonds provides that the Holders of such Subordinated Bonds shall be deemed to have consented to any particular amendment to the Subordinated Resolution or any Supplemental Subordinated Resolution upon the satisfaction of the conditions set forth therein, then, upon the satisfaction of such conditions, such Holders shall be deemed to have consented to such amendment, and no Holder or subsequent Holder of any such Subordinated Bond shall have the right to revoke such consent; *provided*, *however*, that if such Supplemental Subordinated Resolution shall amend a Supplemental Subordinated Resolution authorizing the issuance of a Series of Subordinated Bonds, the Holders of such Subordinated Bonds shall be deemed to be the only Holders of Subordinated Bonds to be affected by such Supplemental Subordinated Resolution and, accordingly, the consent of the Holders of Subordinated Bonds of any other Series shall not be required; and *provided*, *further*, that to the extent that any Credit Enhancer is deemed to be the Holder of any Subordinated Bonds, nothing in this paragraph shall be construed to affect the right of such Credit Enhancer, which shall be absolute and unconditional, to grant or withhold its consent to any such amendment in its sole and absolute discretion; and *provided*, *further*, that to the extent that any provision of the Subordinated Resolution or any Supplemental Subordinated Resolution requires, in addition to the consent of the Holders of such Subordinated Bonds, the consent of any Credit Enhancer to any such amendment, nothing in this paragraph shall be construed to affect the right of such Credit Enhancer, which shall be absolute and unconditional, to grant or withhold its consent to any such amendment in its sole and absolute discretion.

Notwithstanding anything to the contrary contained in the Subordinated Resolution, if provided in the Supplemental Subordinated Resolution authorizing a Series of Subordinated Bonds to be issued upon original issuance after the adoption of any Supplemental Subordinated Resolution for which the consent of the Holders of Outstanding Bonds shall be required, the Holders of such Subordinated Bonds shall be deemed to have consented to the provisions of such Supplemental Subordinated Resolution upon the original issuance of such Subordinated Bonds, and no Holder or subsequent Holder thereof shall have the right to revoke such consent.

For any purpose of the provisions of the Subordinated Resolution relating to the amendment thereof, any Subordinated Bond will be deemed to be affected by a modification or amendment of the

Subordinated Resolution if the same materially adversely affects or diminishes the rights or interests of the Holder of such Subordinated Bond. For any purpose of the provisions of the Subordinated Resolution relating to the amendment thereof, the Subordinated Resolution permits the Agency, in its discretion, to determine whether or not in accordance with the foregoing powers of amendment the rights or interests of the Holder of any Subordinated Bond would be materially adversely affected by any modification or amendment of the Subordinated Resolution, and any such determination will, absent manifest error, be binding and conclusive on the Agency and all Holders of Subordinated Bonds. In making any such determination, the Agency may rely conclusively upon (a) an Opinion of Counsel, as to legal matters and (b) certifications of (1) any banking or financial institution serving as a financial advisor to the Agency, as to financial and economic matters, (2) an engineer or engineering firm as to matters within its field of expertise, (3) such other experts, as to matters within their respective fields of expertise, as it, in its reasonable judgment, determines necessary or appropriate and (4) such other proof as the Agency, in its reasonable judgment, determines necessary or appropriate. In addition, and notwithstanding any other provision contained in the Subordinated Resolution, in determining whether the rights or interests of the Holders of Outstanding Subordinated Bonds would be materially adversely affected by any modification or amendment of the Subordinated Resolution, the Agency shall consider the effect on the Holders of any Subordinated Bonds for which Credit Enhancement has been provided without regard to such Credit Enhancement. For the purpose of this paragraph, a change in the terms of redemption of any Outstanding Subordinated Bond shall be deemed only to affect that Subordinated Bond, and shall be deemed not to affect any other Subordinated Bond.

Subordinated Bond Fiduciaries

The Subordinated Resolution requires the appointment by the Agency of one or more Paying Agents and a Subordinated Bond Registrar for the Subordinated Bonds of each Series.

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Subordinated Resolution by giving at least 60 days' written notice to the Agency. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by an Authorized Officer. Any successor Paying Agent shall be appointed by the Agency and must be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least $25,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Subordinated Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys and records held by it in such capacity to its successor, or if there be no successor, to the Agency. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Agency shall act as such Paying Agent.

Any Subordinated Bond Registrar may at any time resign and be discharged of the duties and obligations created by the Subordinated Resolution by giving at least 60 days' written notice to the Agency and the Paying Agent(s) for the Subordinated Bonds of the Series for which it is serving as Subordinated Bond Registrar. Any Subordinated Bond Registrar may be removed at any time by an instrument filed with the Subordinated Bond Registrar and signed by an Authorized Officer. Any successor Subordinated Bond Registrar shall be appointed by Agency and must be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least $25,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Subordinated Resolution.

In the event of the resignation or removal of any Subordinated Bond Registrar, such Subordinated Bond Registrar shall transfer to its successor all books and records held or maintained by it pursuant to the Subordinated Resolution, or if there be no successor, to the Agency. In the event that for any reason there shall be a vacancy in the office of any Subordinated Bond Registrar, the Agency shall act as such Subordinated Bond Registrar.

The Agency is required to pay to each Subordinated Bond Fiduciary reasonable compensation for all services rendered under the Subordinated Resolution and all reasonable expenses, charges, counsel fees and other disbursements, incurred in the performance of its duties under the Subordinated Resolution. The Agency also agrees to indemnify and save each Subordinated Bond Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Subordinated Resolution, and which are not due to its negligence, misconduct or default.

Defeasance

The pledge of amounts on deposit in the Subordinated Indebtedness Debt Service Account as may from time to time be available therefor (including the investments held as a part of such Account) and the other funds, if any, of the Agency pledged pursuant to the Subordinated Resolution and all covenants, agreements and other obligations of the Agency to the Holders of the Subordinated Bonds under the Subordinated Resolution will cease, terminate and become void and be discharged and satisfied whenever all Subordinated Bonds have been paid in full. Subordinated Bonds or interest installments will be deemed to have been paid for the purpose of the defeasance referred to above in this paragraph if on the maturity or redemption date thereof moneys have been set aside and held in trust by the Paying Agents for such payment. Subordinated Bonds will be deemed to have been so paid prior to the maturity or redemption date thereof either (a) whenever the following conditions are met: (1) there have been deposited with an Escrow Agent either moneys in an amount which will be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys also deposited, will be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Subordinated Bonds, (2) in the case of Subordinated Bonds to be redeemed prior to maturity, the Agency has given to such Escrow Agent instructions to give the notice of redemption therefor and (3) in the case of Subordinated Bonds not to be redeemed or paid at maturity within 60 days of the above deposit, the Agency has given such Escrow Agent instructions to give by first-class mail, postage prepaid, to the Holders of such Subordinated Bonds at their last addresses appearing on the registry books of the Agency a notice that the above deposit has been made with such Escrow Agent and that such Subordinated Bonds are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on such Subordinated Bonds or (b) if the Agency has satisfied all of the conditions precedent to such Subordinated Bonds being so deemed to have been paid set forth in the Supplemental Subordinated Resolution authorizing the Series of which such Subordinated Bonds are a part.

For purposes of determining whether Variable Interest Rate Subordinated Bonds are deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with (i) the provisions of the Subordinated Resolution described in the preceding paragraph or (ii) the provisions relating to defeasance of such Variable Interest Rate Subordinated Bonds set forth in the Supplemental Subordinated Resolution authorizing such Variable Interest Rate Subordinated Bonds, as applicable, the interest to come due on such Variable Interest Rate Subordinated Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate with respect thereto; *provided*, *however*, that if on any date, as a result of such Variable Interest Rate Subordinated Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Escrow Agent therefor for the payment of interest on such

Variable Interest Rate Subordinated Bonds is in excess of the total amount which would have been required to be deposited with such Escrow Agent on such date in respect of such Variable Interest Rate Subordinated Bonds in order to satisfy such provisions, such Escrow Agent shall, if requested by an Authorized Officer, pay the amount of such excess to the Agency free and clear of any trust, lien, pledge or assignment securing the Subordinated Bonds or otherwise existing under the Subordinated Resolution.

Events of Default and Remedies

Events of Default specified in the Subordinated Resolution include failure to pay principal or Redemption Price of any Subordinated Bond when due; failure to pay any interest installment on any Subordinated Bond or the unsatisfied balance of any Sinking Fund Installment therefor when due; default for 120 days after written notice thereof from the Holders of not less than 10% in principal amount of the Subordinated Bonds then Outstanding in the performance or observance of any other covenants, agreements or conditions contained in the Subordinated Resolution or in the Subordinated Bonds; certain events of bankruptcy or insolvency; the occurrence and continuance of an Event of Default under (and as defined in) the Resolution; or failure to pay when due any First Level Subordinated Indebtedness (other than the Subordinated Bonds) from amounts on deposit in the Subordinated Indebtedness Debt Service Account.

Upon the happening of any such Event of Default, the Holders of not less than 25% in principal amount of the Subordinated Bonds then Outstanding may declare the principal of and accrued interest on all Subordinated Bonds then Outstanding due and payable (subject to a rescission of such declaration upon the curing of such default before the Subordinated Bonds have matured).

The Subordinated Resolution provides that, except as otherwise provided in a Supplemental Subordinated Resolution authorizing Subordinated Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for Subordinated Bonds, the Credit Enhancer for, and not the actual Holders of, Subordinated Bonds for which such Credit Enhancement is being provided will be deemed to be the Holder of such Subordinated Bonds at all times for the purpose of giving any approval or consent, exercising any remedies or taking any other actions in respect of the occurrence of an Event of Default under the Subordinated Resolution. See "Action by Credit Enhancers When Action by Holders of Subordinated Bonds Required" herein.

By virtue of their purchase of the Subordinated Bonds, the Holders of the Subordinated Bonds will be deemed to have recognized and agreed that the Power Sales Contracts provide, in effect, that any declaration that the principal of all the Subordinated Bonds then Outstanding, and the interest accrued thereon, are due and payable immediately will not result in any increases in the amounts of Monthly Power Costs (as defined in the Power Sales Contracts) attributable to debt service on the Subordinated Bonds billed to or payable by the Power Purchasers in any particular month.

Upon occurrence of any Event of Default which has not been remedied, the Agency will, if demanded by the Holders of not less than 25% in principal amount of the Subordinated Bonds Outstanding, account, as if it were the trustee of an express trust, for all moneys, securities and funds pledged or held under the Resolution or the Subordinated Resolution as security for the Subordinated Bonds.

The Trustee will apply all moneys, securities and funds held or received by the Trustee with respect to all Subordinated Indebtedness and which, pursuant to the terms of the Resolution, are available to pay all Subordinated Indebtedness in the following order: (a) unless the principal of all of the Subordinated Indebtedness shall have become due and payable (i) to the payment of interest due on the First Level Subordinated Indebtedness; (ii) to the payment of the principal or redemption price of First Level Subordinated Indebtedness; (iii) to the payment of interest due on the Second Level Subordinated

Indebtedness; (iv) to the payment of the principal or redemption price of Second Level Subordinated Indebtedness; (v) to the payment of interest due on the Third Level Subordinated Indebtedness; and (vi) to the payment of the principal or redemption price of Third Level Subordinated Indebtedness; and (b) if the principal of all of the Subordinated Indebtedness shall have become due and payable (i) to the payment of principal and interest then due and unpaid upon the First Level Subordinated Indebtedness; (ii) to the payment of principal and interest then due and unpaid upon the Second Level Subordinated Indebtedness; and (iii) to the payment of principal and interest then due and unpaid upon the Third Level Subordinated Indebtedness.

Notice of Default

The Agency promptly will mail written notice of the occurrence of any Event of Default to the Holders of Subordinated Bonds then Outstanding and to each Credit Enhancer.

Unclaimed Moneys

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

Special Provisions Relating to Capital Appreciation Subordinated Bonds and Deferred Income Subordinated Bonds

The Subordinated Resolution provides that for the purposes of (a) receiving payment of the Redemption Price if a Capital Appreciation Subordinated Bond or a Deferred Income Subordinated Bond is redeemed prior to maturity, or (b) receiving payment of a Capital Appreciation Subordinated Bond or a Deferred Income Subordinated Bond if the principal of all Subordinated Bonds is declared immediately due and payable following an Event of Default and (c) computing the principal amount of Subordinated Bonds held by the Holder of a Capital Appreciation Subordinated Bond or a Deferred Income Subordinated Bond in giving to the Agency any notice, consent, request, or demand pursuant to the Subordinated Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Subordinated Bond or a Deferred Income Subordinated Bond will be deemed to be the amount specified in (or determined in accordance with the provisions of) the Supplemental Subordinated Resolution authorizing such Capital Appreciation Subordinated Bond or Deferred Income Subordinated Bond, as applicable, but in no event will such amount exceed the principal amount thereof plus interest accrued and unpaid thereon to the relevant date of computation.

Action by Credit Enhancers When Action by Holders of Subordinated Bonds Required

The Subordinated Resolution provides that, except as otherwise provided in a Supplemental Subordinated Resolution authorizing Subordinated Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for such Subordinated Bonds, the Credit Enhancer for, and not the actual Holders of, such Subordinated Bonds for which such Credit Enhancement is being provided will be deemed to be the Holder of Subordinated Bonds as to which it is the Credit Enhancer at all times for the purpose of (a) giving any approval or consent to the effectiveness of any Supplemental Subordinated Resolution or any amendment, change or

modification of the Subordinated Resolution that will require the consent of the Holders of the Subordinated Bonds, or any other provision of the Subordinated Resolution that will require the written approval or consent of Holders of Subordinated Bonds; *provided*, *however*, that the foregoing will not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Bond or of any installment of interest thereon or a reduction in principal, Redemption Price or interest rate, or reduce the percentages or otherwise affect the classes of Subordinated Bonds the consent of the Holders of which is required for a further amendment and (b) giving any approval or consent, exercising any remedies or taking any other action in accordance with the provisions of the Subordinated Resolution relating to Events of Default and remedies.

Definitions

Accrued Aggregate Subordinated Debt Service shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued Subordinated Debt Service with respect to all Series, calculating the accrued Subordinated Debt Service with respect to each Series at an amount equal to the sum of (i) interest on the Subordinated Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Subordinated Principal Installments due and unpaid and that portion of the Subordinated Principal Installments for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Subordinated Debt Service) to the end of such calendar month; *provided*, *however*, that there will be excluded from the calculation of Accrued Aggregate Subordinated Debt Service for any period the principal of and/or interest (including, without limitation, interest on any Capital Appreciation Subordinated Bond or Deferred Income Subordinated Bond) on any Subordinated Bond that, in accordance with the Supplemental Subordinated Resolution authorizing the Series of which such Subordinated Bond is a part, will not be deemed to accrue during such period for purposes of this definition.

Additional Subordinated Indebtedness shall mean any Subordinated Indebtedness which is issued or incurred in addition to the Subordinated Bonds and the Existing Subordinated Indebtedness.

Additional Subordinated Indebtedness Instrument shall mean any resolution, indenture or other instrument or document of whatever form, including a Supplemental Bond Resolution, providing for the issuance or incurrence and securing of any Additional Subordinated Indebtedness.

Authorized Officer shall mean (i) the Chairman of the Board of Directors, Vice-Chairman of the Board of Directors, Treasurer or Secretary of the Agency, (ii) the General Manager or Assistant General Manager of the Agency (or any officer of the Agency hereafter serving in a capacity equivalent to either of the foregoing officers) or (iii) any other officer or employee of the Agency authorized to perform specific acts or duties by resolution duly adopted by the Agency.

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

Capital Appreciation Subordinated Bonds shall mean any Subordinated Bonds issued under the Subordinated Resolution as to which interest is (i) compounded periodically on dates that are specified in the Supplemental Subordinated Resolution authorizing such Capital Appreciation Subordinated Bonds and (ii) payable only at maturity or upon earlier redemption or other payment thereof pursuant to the Subordinated Resolution or such Supplemental Subordinated Resolution.

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

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

Defeasance Securities shall mean, unless otherwise provided with respect to the Subordinated Bonds of one or more Series in the Supplemental Subordinated Resolution authorizing the Subordinated Bonds of such Series, any of the following securities:

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

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

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

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

Deferred Income Subordinated Bonds shall mean any Subordinated Bonds issued under the Subordinated Resolution as to which interest accruing prior to a date specified in the Supplemental Subordinated Resolution authorizing such Deferred Income Subordinated Bonds is (i) compounded periodically on dates specified in such Supplemental Subordinated Resolution and (ii) payable only at maturity or upon earlier redemption or other payment thereof pursuant to the Subordinated Resolution or such Supplemental Subordinated Resolution.

Escrow Agent shall mean, with respect to the refunding or defeasance of any particular Subordinated Bond or Bonds at any one time, the entity with which moneys or investments will be deposited in trust for the Holders of such Subordinated Bond or Bonds to be refunded or defeased, and who will agree, through an appropriate agreement with the Agency, to perform the duties of Escrow Agent with respect to such Subordinated Bond or Bonds as provided in the Subordinated Resolution.

Existing Subordinated Indebtedness shall mean, collectively, the Existing Bonds Subordinated Component, the Series F Notes, the CP Notes, the Series I Notes and the Series J Notes.

Existing Subordinated Indebtedness Instruments shall mean, collectively, the Fifteenth Supplemental Resolution, the Sixteenth Supplemental Resolution, the Sixth Subordinated Indebtedness Resolution, the Ninth Subordinated Indebtedness Resolution and the Tenth Subordinated Indebtedness Resolution, in each such case, to the extent that such instrument provides for the authorization and securing, and rights of the persons or entities entitled to the payment of, the Subordinated Indebtedness to which such instrument relates.

Fifteenth Supplemental Resolution shall mean the resolution entitled "Fifteenth Supplemental Power Supply Revenue Resolution," adopted by the Agency on October 23, 1985, as from time to time amended, modified or supplemented in accordance with its terms.

First Level Subordinated Indebtedness shall mean all amounts payable with respect to (i) all Existing Subordinated Indebtedness other than (A) amounts payable on any Series F Note in respect of any Termination Payment (as defined in the Sixth Subordinated Indebtedness Resolution) in connection with any Approved Transaction (as defined in the Sixth Subordinated Indebtedness Resolution) evidenced by such Series F Note and (B) the Series J Notes, (ii) the Subordinated Bonds and (iii) except to the extent that the Additional Subordinated Indebtedness Instrument relating thereto provides that all or a portion of the amounts payable with respect thereto shall be subordinate and junior to the First Level Subordinated Indebtedness, each issue of Additional Subordinated Indebtedness hereafter issued.

Maximum Interest Rate shall mean, with respect to any particular Variable Interest Rate Subordinated Bonds, a numerical rate of interest which shall be set forth in the Supplemental Subordinated Resolution authorizing such Subordinated Bonds, that shall be the maximum rate of interest such Subordinated Bonds may at any time bear, except that any such Variable Interest Rate Subordinated Bonds that are held by the provider(s) of Credit Enhancement or liquidity support therefor (or any

nominee or nominees thereof) may, if and to the extent provided in such Supplemental Subordinated Resolution, bear interest at a rate in excess of such Maximum Interest Rate.

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

Ninth Subordinated Indebtedness Resolution shall mean the resolution entitled "Ninth Subordinated Indebtedness Note Resolution," adopted by the Agency on October 27, 1997, as from time to time amended, modified or supplemented in accordance with its terms.

Opinion of Counsel shall mean an opinion in writing signed by an attorney or firm of attorneys (who may be counsel to IPA) selected by an Authorized Officer.

Outstanding (i) when used with respect to Subordinated Bonds, shall mean, as of any date, Subordinated Bonds theretofore or thereupon being authenticated and delivered under the Subordinated Resolution except:

(A) Subordinated Bonds cancelled (or, in the case of Book Entry Subordinated Bonds, to the extent provided in the Subordinated Resolution, portions thereof deemed to have been cancelled) by the Subordinated Bond Registrar at or prior to such date;

(B) Subordinated Bonds (or portions of Subordinated Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Subordinated Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date); *provided*, *however*, that if such Subordinated Bonds (or portions of Subordinated Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the Subordinated Resolution or provision shall have been made for the giving of such notice;

(C) Subordinated Bonds in lieu of or in substitution for which other Subordinated Bonds shall have been authenticated and delivered pursuant to the Subordinated Resolution;

(D) Subordinated Bonds (or portions of Subordinated Bonds) deemed to have been paid as provided in the Subordinated Resolution; and

(E) Subordinated Bonds deemed tendered for purchase under the Supplemental Subordinated Resolution authorizing the issuance of such Subordinated Bonds if, on the applicable purchase date (1) interest shall have been paid on such Subordinated Bonds through such date or amounts are available therefor under the Subordinated Resolution and such Supplemental Subordinated Resolution and (2) the purchase price thereof shall have been paid or amounts are available therefor under such Supplemental Subordinated Resolution;

(ii) when used with respect to Bonds, has the meaning set forth for such term in the Resolution; and

(iii) when used with respect to the Subordinated Indebtedness of any issue other than the Subordinated Bonds, has the meaning set forth for such term in the Subordinated Indebtedness Instrument relating to such issue of Subordinated Indebtedness.

Second Level Subordinated Indebtedness shall mean all amounts payable with respect to (i) any Termination Payment (as defined in the Sixth Subordinated Indebtedness Resolution) in connection with any Approved Transaction (as defined in the Sixth Subordinated Indebtedness Resolution) evidenced by a Series F Note, (ii) the Series J Notes and (iii) any Additional Subordinated Indebtedness having a lien on or pledge of the Subordinated Indebtedness Debt Service Account in favor thereof that is of the same priority as the pledge of the Subordinated Indebtedness Debt Service Account in favor of such Termination Payments and the Series J Notes.

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

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

Sixteenth Supplemental Resolution shall mean the resolution entitled "Sixteenth Supplemental Power Supply Revenue Resolution," adopted by the Agency on October 23, 1985, as from time to time amended, modified or supplemented in accordance with its terms.

Sixth Subordinated Indebtedness Resolution shall mean the resolution entitled "Sixth Subordinated Indebtedness Note Resolution," adopted by the Agency on February 26, 1993, as from time to time amended, modified or supplemented in accordance with its terms.

Subordinated Bond or *Subordinated Bonds* shall mean all notes, bonds, certificates or other evidences of indebtedness authenticated and delivered under the Subordinated Resolution (regardless of the designation thereof).

Subordinated Bond Fiduciary or *Subordinated Bond Fiduciaries* shall mean each Subordinated Bond Registrar, each Paying Agent and each Escrow Agent, or any or all of them, as may be appropriate, and also includes any other person, firm, association or corporation designated as such in a Supplemental Subordinated Resolution.

Subordinated Debt Service for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Subordinated Bonds of such Series, except to the extent that such interest is to be paid from deposits in the Subordinated Indebtedness Debt Service Account made from the proceeds of Subordinated Bonds or other evidences of indebtedness of the Agency and (ii) that portion of each Subordinated Principal Installment for such Series which would accrue during such period if such Subordinated Principal Installment were deemed to accrue daily in equal amounts from the next preceding Subordinated Principal Installment due date for such Series (or, if there shall be no such preceding Subordinated Principal Installment due date, from a date one year preceding the due date of such Subordinated Principal Installment or from the date of issuance of the Subordinated Bonds of such Series, whichever date is later) to and including the due date of such Subordinated Principal Installment; *provided*, *however*, that there will be excluded from the calculation of Subordinated Debt Service for any period the principal of and/or

interest (including, without limitation, interest on any Capital Appreciation Subordinated Bond or Deferred Income Subordinated Bond) on any Subordinated Bond that, in accordance with the Supplemental Subordinated Resolution authorizing the Series of which such Subordinated Bond is a part, will not be deemed to accrue during such period for purposes of this definition. Such interest and Subordinated Principal Installments for such Series will be calculated on the assumption that no Subordinated Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Subordinated Principal Installment on the due date thereof.

Subordinated Indebtedness Instruments shall mean, collectively, (i) the Existing Subordinated Indebtedness Instruments, (ii) the Subordinated Resolution and (iii) each Additional Subordinated Indebtedness Instrument.

Subordinated Principal Installment shall mean, as of any date of calculation and with respect to any Series, so long as any Subordinated Bonds thereof are Outstanding, (i) the principal amount of Subordinated Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the Subordinated Resolution) of any Sinking Fund Installments due on a certain future date for Subordinated Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Subordinated Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Subordinated Bonds of such Series, the sum of such principal amount of Subordinated Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

Supplemental Bond Resolution shall mean any resolution supplemental to or amendatory of the Resolution, heretofore or hereafter adopted by the Agency in accordance with the Resolution.

Supplemental Subordinated Resolution shall mean any resolution supplemental to or amendatory of the Subordinated Resolution, adopted by the Agency in accordance with the Subordinated Resolution.

Tenth Subordinated Indebtedness Resolution shall mean the resolution entitled "Tenth Subordinated Indebtedness Note Resolution," adopted by the Agency on December 7, 1998, as from time to time amended, modified or supplemented in accordance with its terms.

Third Level Subordinated Indebtedness shall mean all amounts payable with respect to any Additional Subordinated Indebtedness hereafter issued or incurred other than (i) Additional Subordinated Indebtedness described in clause (iii) of the definition of "First Level Subordinated Indebtedness" and (ii) Additional Subordinated Indebtedness described in clause (iii) of the definition of "Second Level Subordinated Indebtedness."

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

periods of time for which each value of such variable interest rate shall remain in effect or (Y) the time or times upon which any change in such variable interest rate shall become effective.

Variable Interest Rate Subordinated Bonds shall mean Subordinated Bonds which bear interest at a Variable Interest Rate.

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APPENDIX C

SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS

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

TABLE OF CONTENTS

Page

SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS

The following is a summary of certain provisions of the Power Sales Contracts, as amended (including the amendments effected by the Amendatory Power Sales Contracts and the Second Amendatory Power Sales Contracts), entered into between the Agency and each of the Power Purchasers. This summary also includes the amendments effected by the Final PacifiCorp Amendatory Power Sales Contract entered into between the Agency and PacifiCorp, an Oregon corporation, as successor to the obligations of Utah Power & Light Company, a Utah corporation, upon the January 1989 merger of the companies, which amendment terminated the Power Sales Contract between the Agency and PacifiCorp. Except as described in this summary, all of the Power Sales Contracts are identical in all material respects. This summary is not to be considered a full statement of the terms of such Power Sales Contracts and accordingly is qualified by reference thereto and subject to the full text thereof. Capitalized terms not defined in this Appendix or in the document to which it is attached have the meanings set forth in the Power Sales Contracts.

Entitlement to Capacity

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

Nature of Obligation

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

Term

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

Required Payments

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

Rate Covenants of Municipal Power Purchasers

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

Coordinating Committee

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

Any action taken by the Coordinating Committee shall require an affirmative decision of representatives of Power Purchasers having Voting Rights aggregating at least 80 percent. If the Coordinating Committee is unable to, or fails to, agree and act with respect to the review, modification or approval of certain actions of the Project Manager or Operating Agent after a reasonable opportunity to do so or within the time limits specified in the Construction Management and Operating Agreement, the Project Manager or Operating Agent may take such actions subject to the terms of the Construction Management and Operating Agreement (see "SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION MANAGEMENT AND OPERATING AGREEMENT – Coordinating Committee" in

this Appendix). The term Voting Rights means at any particular time with respect to a Power Purchaser, such Power Purchaser's Generation Entitlement Share in effect at such time under its Power Sales Contract.

Restrictions on Disposition

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

Defaults and Remedies

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

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

Termination or Amendment

As long as any Bonds issued under the Resolution are outstanding or until provision has been made for the payment of any Bonds outstanding in accordance with the Resolution, the Power Sales Contracts

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

Contracts Subject to Resolution

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

Payments-In-Aid of Construction

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

Use and Disposition of Certain Facilities

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

Expansion of Southern Transmission System

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

Certain Interconnection Agreements

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

Transmission Service

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

Insurance Provisions

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

Gas Repowering

The Agency has agreed to cause the Project to be repowered to generate power using natural gas. The gas repowering is to commence by January 1, 2020 and achieve commercial operation by July 1, 2025. Upon commercial operation of the gas repowering, the Project will no longer take power from the coal units. The Agency has undertaken to secure bond financing for the gas repowering, including costs for asset retirement obligations related to the Project, after November 1, 2019.

POWER PURCHASERS' COST AND ENTITLEMENT SHARES

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

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

(footnotes on following page)

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(footnotes from previous page)

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

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

SUMMARY OF CERTAIN PROVISIONS OF THE EXCESS POWER SALES AGREEMENT

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

Nature of Obligation

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

Term

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

Excess Entitlement Shares

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

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

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

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

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

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

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

Required Payments

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

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

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

Excess Purchasers' Rate Covenant

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

Restrictions on Disposition

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

Defaults and Remedies

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

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

Termination or Amendment

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

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

(ii) the last day of the First Excess Power Supply Year for which the Appendix A then in effect shows the Total Excess Entitlement Share for the second Excess Power Supply Year to be zero.

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

SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION MANAGEMENT AND OPERATING AGREEMENT

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

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

Responsibility of Project Manager and Operating Agent

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

1. Preparing recommendations concerning the initial descriptions of the design of the Project and the scope of Construction Work thereon, an initial budget for the Cost of Acquisition and Construction and the proposed Date of Firm Operation for each generating unit, and annual operating budgets for the Project and any revisions thereto;

2. Recommending to the Coordinating Committee for its review, modification and approval (a) the policies, criteria and procedures regarding operation, maintenance, scheduling of capacity and energy and (b) proposed Capital Improvements;

3. Negotiating, administering, performing and enforcing on behalf of the Agency the Power Sales Contracts, the Resolution, the Operating Agreements, all Agreements concerning construction of the Project or the acquisition of fuel or water therefor, any other agreements to which the Agency is a party relating to the ownership, feasibility, design, construction or operation of the Project and any additional agreements designed by the Agency and the Coordinating Committee;

4. Arranging for engineering, consultants and legal counsel, the placement of insurance, and the acquisition of machinery, tools, land or rights in land, water or water rights, leases, licenses, easements, power and supplies necessary for the performance of the Construction Work and Operating Work;

5. Constructing and operating the Project in accordance with the Project Agreements, Prudent Utility Practice and, as to construction, the descriptions of the Project set forth in the Power Sales

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

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

Coordinating Committee

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

Payment of Costs of Construction Work and Operating Work

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

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

Scheduling of Capacity and Entitlement

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

APPENDIX D

2013 MASTER CONTINUING DISCLOSURE RESOLUTION RELATING TO SUBORDINATED BONDS

RESOLUTION NO. IPA-2013-003

SECOND MASTER RESOLUTION AS TO THE PROVISION OF CERTAIN CONTINUING DISCLOSURE INFORMATION WITH RESPECT TO CERTAIN DESIGNATED SERIES OF IPA SUBORDINATED BONDS

WHEREAS, concurrently with its adoption of this Resolution, the Board of Directors (the "Board") of Intermountain Power Agency, a political subdivision of the State of Utah ("IPA"), is authorizing the issuance of $300,335,000 in aggregate principal amount of IPA's Subordinated Power Supply Revenue Refunding Bonds, 2013 Series A (the "2013 Series A Subordinated Bonds") pursuant to a resolution of IPA adopted on March 4, 2004 entitled "Subordinated Power Supply Revenue Bond Resolution", as supplemented by a resolution of IPA supplemental thereto adopted on the date of adoption of this Resolution entitled "Seventh Supplemental Subordinated Power Supply Revenue Bond Resolution", relating to the 2013 Series A Subordinated Bonds (such Subordinated Power Supply Revenue Bond Resolution, as from time to time supplemented and amended, being referred to herein as the "Subordinated Bond Resolution"); and

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

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

WHEREAS, the Board hereby finds and determines that it is necessary that it adopt this resolution (a) to effectuate the agreement between IPA and the Participating Underwriters for the 2013 Series A Subordinated Bonds and (b) in connection with the authorization and sale of the Covered Subordinated Bonds described in clause (b) of the definition thereof set forth in Section 1 hereof, in order to assist the Participating Underwriter(s) thereof to comply with the Rule.

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

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

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

"Audited Financial Statements" shall mean:

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

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

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

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

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

"Covered Subordinated Bonds" shall mean each of the following:

a. the 2013 Series A Subordinated Bonds; and

b. each additional Series of Subordinated Bonds issued by IPA after the date of adoption of this Master Disclosure Resolution as to which the Board has specified, by resolution, that this Master Disclosure Resolution shall apply.

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

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

"Final Official Statement" shall mean: (i) with respect to the 2013 Series A Subordinated Bonds, the Official Statement of IPA dated February 22, 2013 relating to such Bonds; and (ii) with respect to all other Series of Covered Subordinated Bonds, the final official statement prepared and delivered by IPA with respect thereto, in each of the cases referenced in the immediately preceding clauses (i) and (ii), as such official statements are amended, supplemented or updated.

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

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

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

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

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

"SEC" shall mean the United States Securities and Exchange Commission.

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

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

b. IPA, the Department of Water and Power of The City of Los Angeles ("LADWP") and the City of Anaheim, California ("Anaheim") each are hereby determined by IPA to be "obligated persons" within the meaning of the Rule (and are the only "obligated persons" within the meaning of the Rule for whom financial information or operating data is or will be presented in the respective Final Official Statements).

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

SECTION 3. Provision of Annual Reports.

a. IPA hereby covenants and agrees that it shall, or shall cause the Dissemination Agent to, not later than six months after the end of each Fiscal Year (presently, by each December 31; each such date being referred to herein as a "Final Submission Date"), commencing with the report for Fiscal Year 2012-13, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Master Disclosure Resolution. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Master Disclosure Resolution; provided that any Audited Financial Statements may be submitted separately from the balance of the Annual Report and later than the Final Submission Date if they are not available by that Date. If the fiscal year for IPA, LADWP or Anaheim changes, IPA shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

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

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

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

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

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

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

i. IPA's indebtedness;

ii. the description of security and sources of payment for such Series of Covered Subordinated Bonds provided by the Subordinated Bond Resolution, the Power Sales Contracts and the Excess Power Sales Agreement referred to in the Final Official Statement;

iii. the financial results of IPA's operations;

iv. IPA's financing program;

v. IPA's annual budget; and

vi. the operating results of the Project.

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

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

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

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

i. the description of operations and the summary of operating results of the Anaheim Public Utilities Department's electric system (the "Anaheim Electric System"); and

ii. the summary of financial results of the Anaheim Electric System.

Any or all of the items listed above may be included by specific reference to other documents, including annual reports of IPA, LADWP or Anaheim or official statements relating to debt or other securities issues

of IPA, LADWP, Anaheim or other entities, which have been submitted to the MSRB or filed with the SEC pursuant to the Exchange Act. If the document included by reference is a final official statement (as defined in the Rule), it must be available from the MSRB. IPA shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

a. Pursuant to the provisions of this Section 5(a), IPA hereby covenants and agrees that it shall give, or cause to be given, notice of the occurrence of any of the following events with respect to any Series of the Covered Subordinated Bonds not later than ten (10) business days after the occurrence of the event:

i. Principal and interest payment delinquencies;

ii. Unscheduled draws on debt service reserves reflecting financial difficulties;

iii. Unscheduled draws on credit enhancements reflecting financial difficulties;

iv. Substitution of credit or liquidity providers, or their failure to perform;

v. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

vi. Tender offers;

vii. Defeasances;

viii. Rating changes; or

ix. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

b. Pursuant to the provisions of this Section 5(b), IPA hereby covenants and agrees that it shall give, or cause to be given, notice of the occurrence of any of the following events with respect to any Series of the Covered Subordinated Bonds, if material, not later than ten (10) business days after the occurrence of the event:

i. Unless described in paragraph 5(a)(v), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Covered Subordinated Bonds of such Series or other material events affecting the tax status of the Covered Subordinated Bonds of such Series;

ii. Modifications to rights of Covered Subordinated Bond holders;

iii. Unscheduled or contingent Covered Subordinated Bond calls;

iv. Release, substitution, or sale of property securing repayment of the Covered Subordinated Bonds;

v. Non-payment related defaults;

vi. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

vii. Appointment of a successor or additional trustee or the change of name of a trustee.

c. Whenever IPA obtains knowledge of the occurrence of a Listed Event described in Section 5(b), IPA shall as soon as possible determine if the occurrence of such event is material under applicable federal securities laws.

d. If IPA learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) is material under applicable federal securities laws, IPA shall file a notice of such occurrence with the MSRB within ten (10) business days after the occurrence of the event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(vii) and (b)(iii) need not be given under this subsection any earlier than the notice of the underlying event is given to Holders of affected Covered Subordinated Bonds pursuant to the Subordinated Bond Resolution.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Master Disclosure Resolution must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Management's Discussion of Items Disclosed in Annual Reports or as Significant Events. If an item required to be disclosed in IPA's Annual Report under Section 4, or as a Listed Event under Section 5, would be misleading without discussion, IPA additionally covenants and agrees that it shall provide a statement clarifying the disclosure in order that the statement made will not be misleading in the light of the circumstances under which it is made.

SECTION 8. Termination of Reporting Obligation. IPA's obligations under this Master Disclosure Resolution to the Holders or Beneficial Owners of the Covered Subordinated Bonds of any Series shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Covered Subordinated Bonds of such Series. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by IPA with its obligations under this Master Disclosure Resolution no longer shall be required in any or all respects, then IPA's obligations under this Master Disclosure Resolution shall terminate to a like extent. If either such termination occurs with respect to the Covered Subordinated Bonds of any Series prior to the final maturity date of such Bonds, IPA shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

SECTION 9. Dissemination Agent. IPA may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Master Disclosure Resolution, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 10. Amendment; Waiver.

a. Notwithstanding any other provision of this Master Disclosure Resolution, IPA may, by resolution hereafter adopted, amend this Master Disclosure Resolution, and any provision of this Master Disclosure Resolution may be waived:

i. if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws appointed by IPA to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule, taking into account any subsequent change in or official interpretation of the Rule, and

ii. as to any amendment to this Master Disclosure Resolution, the following conditions are complied with:

(1) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of IPA, LADWP or Anaheim, or type of business conducted;

(2) The undertaking, as amended, would have complied with the requirements of the Rule at the respective times of the primary offering of each Series of the Covered Subordinated Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment does not materially impair the interests of Holders or Beneficial Owners of the Covered Subordinated Bonds, as determined either by parties unaffiliated with IPA, LADWP or Anaheim (such as bond counsel to IPA), or by approving vote of Holders of the Covered Subordinated Bonds pursuant to the terms of the Subordinated Bond Resolution at the time of the amendment.

b. The Annual Report containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 11. Additional Information. Nothing in this Master Disclosure Resolution shall be deemed to prevent IPA from disseminating, or require IPA to disseminate, any other information, using the means of dissemination set forth in this Master Disclosure Resolution or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Master Disclosure Resolution. If IPA chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Master Disclosure Resolution, IPA shall have no obligation under this Master Disclosure Resolution to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 12. Default.

a. In the event of a failure of IPA to comply with any provision of this Master Disclosure Resolution, any Holder or Beneficial Owner of any Outstanding Covered Subordinated Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific

performance by court order, to cause IPA to comply with its obligations under this Master Disclosure Resolution.

b. Notwithstanding the foregoing, no Holder or Beneficial Owner of the Covered Subordinated Bonds of any Series shall have the right to challenge the content or adequacy of the information provided pursuant to Sections 3, 4 or 5 of this Master Disclosure Resolution by mandamus, specific performance or other equitable proceedings unless Holders or Beneficial Owners of Covered Subordinated Bonds of such Series representing at least 25% in aggregate principal amount of the Covered Subordinated Bonds of such Series shall join in such proceedings.

c. A default under this Master Disclosure Resolution shall not be deemed an Event of Default under the Subordinated Bond Resolution, and the sole remedies under this Master Disclosure Resolution in the event of any failure of IPA to comply with this Master Disclosure Resolution shall be those described in subsection (a) above.

d. Under no circumstances shall any person or entity be entitled to recover monetary damages hereunder in the event of any failure of IPA to comply with this Master Disclosure Resolution.

SECTION 13. Duties, Immunities and Liabilities of Dissemination Agent. Any Dissemination Agent appointed hereunder shall have only such duties as are specifically set forth in this Master Disclosure Resolution, and shall have such rights, immunities and liabilities as shall be set forth in the written agreement between IPA and such Dissemination Agent pursuant to which such Dissemination Agent agrees to perform the duties and obligations of Dissemination Agent under this Master Disclosure Resolution.

SECTION 14. Beneficiaries. This Master Disclosure Resolution shall inure solely to the benefit of IPA, the Dissemination Agent, if any, and the Holders and Beneficial Owners from time to time of the Covered Subordinated Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Master Disclosure Resolution shall be deemed to be a contract made under the Rule and the laws of the State of Utah, and for all purposes shall be construed and interpreted in accordance with, and its validity governed by, the Rule and the laws of such State.

SECTION 16. Effective Date. This Master Disclosure Resolution shall become effective as to each Series of Covered Subordinated Bonds upon the date of authentication and delivery of such Series of Covered Subordinated Bonds.

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Resolution No. IPA-2013-003 approved and adopted February 22, 2013.

INTERMOUNTAIN POWER AGENCY

By: /s/ BLAINE J. HAACKE
Vice Chair, Board of Directors

APPENDIX E

DEBT SERVICE REQUIREMENTS FOR
FIRST LEVEL SUBORDINATED INDEBTEDNESS[1]
(Accrual Basis)

(in thousands (000))

Year Ending July 1,	Total Debt Service on CP Notes	Total Debt Service on Publicly-Held Subordinated Bonds	Total Debt Service on Working Capital Loans	Total Debt Service on First Level Subordinated Indebtedness
2019	$14,985	$ 30,546	$ 450	$ 45,981
2020	33,707	27,630	15,450	76,787
2021	36,256	48,172	0	84,428
2022	0	36,125	0	36,125
2023	0	4,846	0	4,846
Total	$84,948	$147,318	$15,900	$248,166

(1) This table reflects debt service requirements for the Agency's First Level Subordinated Indebtedness as of the date of the Annual Report. Interest on the CP Notes and the Working Capital Loans has been calculated at an assumed rate of 3% per annum. Column and row totals may not add due to rounding.

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APPENDIX F

INTERMOUNTAIN POWER AGENCY
Consolidated Financial Statements for the Years Ended June 30, 2018 and 2017
and Independent Auditors' Report