

RESOLUTION

RCCC-2018-002

APPROVAL OF DETERMINATION THAT PRELIMINARY REPOWERING INTEREST COSTS CONSTITUTE COSTS OF THE GAS REPOWERING

On motion of Eric Klinkner, seconded by Allen Johnson at a meeting of the Intermountain Power Project ("IPP") Renewal Contract Coordinating Committee (the "Committee"), held on May 21, 2018, the following Resolution was duly adopted:

WHEREAS, Intermountain Power Agency ("IPA") and the Purchasers represented on the Committee are parties to those certain Renewal Power Sales Contracts, dated January 16, 2017 (the "Contracts"); and

WHEREAS, on May 21, 2018, the Original Coordinating Committee adopted Resolution No. CC-2018-007 (such resolution, being, the "CC Resolution"), approving, and recommending that the IPA Board approve, among other things, the inclusion of Preliminary Repowering Interest Costs in the Reimbursable Preliminary Repowering Costs in the manner provided in the May 2018 Amendments (each initially capitalized term that is used but not otherwise defined in this Resolution has the meaning ascribed to such term in the Contracts or, if not defined in the Contracts, has the meaning ascribed to such term in the CC Resolution); and

WHEREAS, Section 15.1.2 of the Contracts requires IPA to obtain the prior approval of the Committee for Transition Project Indebtedness issued or incurred by IPA unless certain conditions described in Section 15.1.2 of the Contracts are satisfied; and

WHEREAS, on March 21, 2017, the Committee adopted Resolution No. RCCC-2017-002 (the "2017 Committee Resolution"), approving, adopting and taking the following action: the determination that (i) Transition Project Indebtedness issued or incurred to finance all or a portion of the Preliminary Repowering Costs (as defined in the 2017 Committee Resolution) shall constitute Transition Project Indebtedness issued or incurred to finance the Gas Repowering, and (ii) such Transition Project Indebtedness, to the extent issued or incurred, satisfies the condition set forth in Section 15.1.2(A)(i) of the Contracts; and

WHEREAS, the Committee has received a letter dated May 11, 2018, from Mr. Paul R. Schultz on behalf of the Project Manager (the "Project Manager Recommendation Letter") setting forth the foregoing recitals and recommending that the Committee approve, adopt and take, and recommend that the IPA Board approve, the following actions (the "Recommended Actions"): determine by this Resolution that (i) the Transition Project Indebtedness issued or incurred to finance all or a portion of the

Preliminary Repowering Interest Costs shall constitute Transition Project Indebtedness issued or incurred to finance the Gas Repowering (such Preliminary Repowering Interest Costs being costs of the Gas Repowering), and (ii) based on the foregoing determination, that such Transition Project Indebtedness, to the extent issued or incurred, satisfies the condition set forth in Section 15.1.2(A)(i) of the Contracts; and

WHEREAS, the Project Manager provided a briefing for the benefit of the Committee on May 15, 2018, and at a meeting of the Committee on May 21, 2018 (collectively, the "Project Manager Briefing") during which the Project Manager described and explained the basis for recommending the Recommended Actions; and

WHEREAS, the Committee has reviewed and considered the Project Manager Recommendation Letter and the Project Manager Briefing, including the determinations, advice and recommendations of the Project Manager.

NOW, THEREFORE, BE IT RESOLVED, that the Committee hereby approves, adopts and takes, and recommends that the IPA Board approve, the Recommended Actions; and

BE IT FURTHER RESOLVED, that the Recommended Actions are taken in addition to the actions that were taken with respect to the Preliminary Repowering Costs by the Committee by adopting the 2017 Committee Resolution; and

BE IT FURTHER RESOLVED, that the Chairman is hereby authorized and directed by the Committee to execute this Resolution and to do all things necessary to render the same in full force and effect.

INTERMOUNTAIN POWER PROJECT RENEWAL
CONTRACT COORDINATING COMMITTEE


CHAIRMAN

ATTEST:


SECRETARY



Los Angeles
Department of
Water & Power

CUSTOMERS FIRST

Eric Garcetti, Mayor

Board of Commissioners
Mel Levine, President

William W. Funderburk Jr., Vice President

Jill Banks Barad

Christina E. Noonan

Aura Vasquez

Barbara E. Moschos, Secretary

David H. Wright, General Manager

May 11, 2018

Mr. R. Dan Eldredge
General Manager
Intermountain Power Agency
10653 South River Front Parkway, Suite 120
South Jordan, Utah 84095

Dear Mr. Eldredge:

Subject: Approval of Reimbursement of Preliminary Repowering Interest Costs

The Project Manager requests and recommends that the Intermountain Power Project ("IPP") Coordinating Committee approve, and recommend that the Intermountain Power Agency ("IPA") Board of Directors (the "IPA Board"), approve the May 2018 Amendments (as defined in the attached draft Resolution No. CC-2018-007) to provide for the reimbursement of the Preliminary Repowering Interest Costs (as defined in the attached draft Resolution No. CC-2018-007).

On January 19, 2016, the IPP Coordinating Committee adopted Resolution No. CC-2016-001 (the "2016 CC Resolution") and the Intermountain Power Agency ("IPA") Board of Directors (the "IPA Board") adopted Resolution IPA-2016-001 (such resolution, together with the 2016 CC Resolution, being, collectively, the "2016 Resolutions"), approving (i) the performance of the Preliminary Repowering Work (each initially capitalized term that is used but not otherwise defined in this Resolution has the meaning ascribed to such term in the Power Sales Contracts or, if not defined in the Power Sales Contracts, has the meaning ascribed to such term in the 2016 Resolutions, as amended by the 2017 Resolutions, as defined below) by the Project Manager and third party consultants designated by the Project Manager, (ii) the payment of the Preliminary Repowering Costs from the Contingency Reserve in an amount up to the Maximum Preliminary Repowering Authorization to the Project Manager and to such third party consultants for the performance of the Preliminary Repowering Work, and (iii) the Preliminary Costs Reimbursement Policy. The Maximum Preliminary Repowering Authorization specifies the maximum amount of funds from the Contingency Reserve that may be spent on the Preliminary Repowering Costs.

On March 21, 2017, the IPP Coordinating Committee adopted Resolution No. CC-2017-001 (the "2017 CC Resolution") and the IPA Board adopted Resolution No. IPA-2017-002 (such resolution, together with the 2017 CC Resolution, being, collectively, the "2017 Resolutions" and the 2016 Resolutions, together with the 2017

Resolutions, being, collectively, the "Prior Resolutions"), approving (i) the increase of the Maximum Preliminary Repowering Authorization (being the maximum amount of funds from the Contingency Reserve that may be spent on the Preliminary Repowering Costs) to Eight Million Three Hundred Thousand Dollars (\$8,300,000), (ii) the amendment and restatement of Preliminary Repowering Work and the Preliminary Repowering Costs as set forth on Exhibit A attached to the 2017 Resolutions (as such exhibit may be further amended by the IPP Coordinating Committee and the IPA Board from time to time), to include, in addition to the descriptions of the Preliminary Repowering Work and the Preliminary Repowering Costs already reflected in the 2016 Resolutions, the descriptions of the Preliminary Repowering Work and Preliminary Repowering Costs set forth in such Exhibit A.

Reimbursable Preliminary Repowering Costs authorized in the Prior Resolutions have been incurred as provided in the Prior Resolutions. Such amounts are not expected to be reimbursed to the Contingency Reserve until a financing that is expected to be completed in late 2019. Accordingly, certain Purchasers have requested that Reimbursable Preliminary Repowering Costs include Preliminary Repowering Interest Costs as a reasonable estimate of the investment income that IPA would have received on the amounts constituting Reimbursable Preliminary Repowering Costs had such amounts remained in the Contingency Reserve and been invested with other funds in the Contingency Reserve. By adding Preliminary Repowering Interest Costs to Reimbursable Preliminary Repowering Costs, IPA will need to issue taxable bonds in connection with the Gas Repowering in the amount of the Preliminary Repowering Interest Costs to be reimbursed since proceeds of tax-exempt bonds cannot be used for that purpose.

As a result, the Project Manager is recommending and requesting that reimbursement of Preliminary Repowering Interest Costs be authorized on the terms of the May 2018 Amendments to the Preliminary Costs Reimbursement Policy. The May 2018 Amendments would provide a formula for calculating the amount of Preliminary Repowering Interest Costs based on the monthly average balance of Reimbursable Preliminary Repowering Costs that have been paid until there are no longer any Reimbursable Preliminary Repowering Costs outstanding. The monthly average balance would be multiplied by the monthly "interest earnings rate" to provide an estimate of the interest that could have been earned on the Reimbursable Preliminary Repowering Costs for that month. The total Preliminary Repowering Interest Costs would be the sum of the estimate of the interest that could have been earned for all of the months during the time that the Reimbursable Preliminary Repowering Costs are outstanding.

The "interest earnings rate" is a rate of return on IPA's investments of cash from the Revenue Fund that is calculated by IPA's investment software. The Project Manager recommends using that rate because it is based on values that IPA already inputs in the

Mr. R. Dan Eldredge
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investment software in the normal course of business (without regard to whether the Preliminary Repowering Interest Costs would be computed). The Project Manager has included with this letter a proposed draft of Resolution No. CC-2018-007 for taking the foregoing recommended actions.

The Project Manager will hold a telephone conference to discuss this recommendation for the benefit of the IPP Coordinating Committee and IPA Board to discuss, among other matters, this recommendation on May 15, 2018 at 9:00 A.M. Pacific Daylight Time. The call-in number for this conference is (385) 881-0102. The security code is 400646#.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul R. Schultz", written over a horizontal line.

Paul R. Schultz
IPP Operating Agent Manager
Los Angeles Department of Water and Power, Operating Agent and Project Manager

PRS/KTP:md
Enclosure
c/enc: IPP CC Standard Distribution