

RESOLUTION

RCCC-2019-002

APPROVAL OF SECTION 44 RETIREMENT PLAN

On motion of Paul Schultz, seconded by Kevin Robison, at a meeting of the Intermountain Power Project ("IPP") Renewal Contract Coordinating Committee (the "Committee") on August 6, 2019, the following Resolution was duly adopted:

WHEREAS, Intermountain Power Agency ("IPA") is a party with the Purchasers (as defined in such Power Sales Contracts) to those certain Power Sales Contracts, dated as of September 28, 1978 for the Utah Purchasers (as defined in such Power Sales Contracts) and August 6, 1980 for the California Purchasers (as defined in such Power Sales Contracts) (such Power Sales Contracts, as amended, including, without limitation, by the Second Amendatory Power Sales Contracts dated December 8, 2015, being, collectively, the "Power Sales Contracts"); and

WHEREAS, IPA is also a party with the Purchasers who have accepted the Renewal Offer (as defined in the Power Sales Contracts) to those certain Renewal Power Sales Contracts, dated as of January 16, 2017 (as amended and updated, the "Renewal Power Sales Contracts"); and

WHEREAS, Section 44.2 of the Power Sales Contracts provides that the Gas Repowering shall not proceed without the Section 44 Retirement Plan being approved by the IPA Board and the Original Coordinating Committee (as defined in such Power Sales Contracts); and

WHEREAS, the Section 44 Retirement Plan is required to provide for the performance of all Retirement Actions (as defined in the Power Sales Contracts) and the payment of all Retirement Costs (as defined in the Power Sales Contracts) related to the Retired Generation and Related Facilities and Properties (as defined in the Power Sales Contracts); and

WHEREAS, Section 23.10 of the Renewal Power Sales Contracts provides that in the event that Retirement Actions have not been performed and completed as provided in the Section 44 Retirement Plan by the Transition Date (as defined in the Renewal Power Sales Contracts) with respect to: (i) any rights, properties, facilities, structures, equipment, assets and appurtenances constituting a portion of the Project as of, or added to after, the effective date of the Second Amendatory Power Sales Contracts that are part of the Project immediately prior to the Transition Date, and (ii) any generating unit or units and related facilities and properties replaced by or no longer used or useful due to the construction or operation of the Gas Repowering, then such Retirement Actions with respect thereto shall be continued and completed by the Project Manager under the Renewal Power Sales Contracts and amounts reserved therefor by IPA pursuant to the Power Sales Contracts shall be applied to the payment of the Retirement Costs (as defined in the Power Sales Contracts) thereof, all as contemplated by Section 44.2 of the Power Sales Contracts as added by the Second Amendatory Power Sales Contracts; and

WHEREAS, the Power Sales Contracts provide for an Alternative Repowering (as defined in the Power Sales Contracts) as a modified version of or an alternative to the Gas Repowering; and

WHEREAS, the Committee, the IPA Board, and the Original Coordinating Committee approved an Alternative Repowering pursuant to their respective resolutions on September 24, 2018 (the "Approved Alternative Repowering"); and

WHEREAS, Section 44.6.2 of the Power Sales Contracts requires that the Approved Alternative Repowering include the following (being, collectively, the "Alternative Repowering Decommissioning and Retirement"): the decommissioning and retirement from service of any units, facilities and properties (exclusive of Section 36 Facilities (as defined in the Power Sales Contracts)) to be replaced or no longer to be used as part of the Project due to the construction or operation of the Approved Alternative Repowering, as provided with respect to such decommissioning and retirement under the Power Sales Contracts and Renewal Power Sales Contracts (as such may be amended from time to time); and

WHEREAS, pursuant to Resolution No. CC-2017-011 adopted by the Original Coordinating Committee and Resolution No. IPA-2017-012 adopted by the IPA Board, the Project Manager (as defined in the Power Sales Contracts) was authorized and directed to prepare a draft of the Section 44 Retirement Plan for consideration by the Original Coordinating Committee and the IPA Board; and

WHEREAS, in February of 2018, the Project Manager (as defined in the Power Sales Contracts) engaged Sargent & Lundy, LLC ("Sargent & Lundy") to analyze different scenarios for decommissioning and retiring of the Retired Generation and Related Facilities and Properties (as defined in the S&L Retirement Plan, as defined below, the "S&L Retired Facilities and Properties"), along with estimated costs; and

WHEREAS, Sargent & Lundy submitted a report in May of 2018 (the "2018 Decommissioning Study"); and

WHEREAS, following receipt of the 2018 Decommissioning Study, the Project Manager directed Sargent & Lundy to prepare a final report to address the S&L Retired Facilities and Properties, and to describe the actions and costs associated with the performance of Option 2 and the Environmental Assessment described in the 2018 Decommissioning Study; and

WHEREAS, Option 2 described in the 2018 Decommissioning Study provides for the above-ground abatement/demolition of the S&L Retired Facilities and Properties; and

WHEREAS, Sargent & Lundy submitted a final report dated July 12, 2019 (the "S&L Retirement Plan"); and

WHEREAS, the S&L Retirement Plan is based on Sargent & Lundy's knowledge gained from developing similar plans for the retirement of other coal-fired generating stations, a site visit to IPP, and information provided by the Project Manager; and

WHEREAS, the Project Manager has reviewed the S&L Retirement Plan and has determined that it appropriately identifies the Retired Generation and Related Facilities and Properties, the actions to be taken with respect to those facilities, and the costs associated with those actions, for performance of Option 2 and the Environmental Assessment described in the 2018 Decommissioning Study all in accordance with Prudent Utility Practice (as defined in the Power Sales Contracts); and

WHEREAS, as plans for the Approved Alternative Repowering are further developed, the Retired Generation and Related Facilities and Properties, the actions to be taken with respect to those facilities, and the costs associated with those actions will be further refined; and

WHEREAS, in order to satisfy the requirements of the Power Sales Contracts with respect to the adoption of the Section 44 Retirement Plan prior to proceeding with the Gas Repowering, the Project Manager recommends that the S&L Retirement Plan be included in and adopted as part of the Section 44 Retirement Plan set forth as follows:

1. This Resolution, taken together with the S&L Retirement Plan, constitutes the Section 44 Retirement Plan (this "Plan").
2. In addition to the business objectives identified in the S&L Retirement Plan, the business objectives of the Committee include, without limitation, performance of all Retirement Actions (as defined in the Power Sales Contracts) and payment of all Retirement Costs in compliance with the Power Sales Contracts and the Renewal Power Sales Contracts. This Plan has been prepared pursuant to Section 44.2 of the Power Sales Contracts with the intent of complying with the requirements in the Power Sales Contracts applicable to the Section 44 Retirement Plan. The approval, adoption or implementation of this Plan by IPA does not constitute a waiver by IPA of any of the requirements of the Power Sales Contracts or the Renewal Power Sales Contracts, including without limitation, requirements applicable to the Section 44 Retirement Plan. The Committee and IPA are relying on the expertise of LADWP, as Project Manager, to have prepared this Plan in accordance with the Power Sales Contracts and applicable laws, regulations and industry standards.
3. All actions taken in connection with this Plan will comply with the following (being, collectively, the "Compliance Requirements"): the Power Sales Contracts, the Renewal Power Sales Contracts, other documents governing the Project (as defined in the Power Sales Contracts prior to the Transition Date (as defined in the Power Sales Contracts) and as defined in the Renewal Power Sales Contracts from and after the Transition Date) and applicable laws and regulations and permit requirements. In the event of any conflict between this Plan and the Compliance Requirements, the Compliance Requirements shall govern. Where the work proposed by this Plan exceeds the Compliance Requirements (such that this Plan results in more abatement or demolition actions), the additional requirements of this Plan will be followed. Pursuant to the Power Sales Contracts and the Renewal Power Sales Contracts, to the extent that this Plan is not completed prior to the Transition Date, this Plan will continue in full force and effect and be performed under the Renewal Power Sales Contracts.
4. For purposes of the Section 44 Retirement Plan (including, without limitation, for purposes of the S&L Retirement Plan), the term Retired Generation and Related Facilities and Properties has the meaning set forth in the Power Sales Contracts and includes, without limitation, (a) all S&L Retired Facilities and Properties, (b) each item described in clauses (i) and (ii) of Section 23.10 of the Renewal Power Sales Contracts and (c) the units, facilities and properties (exclusive of any Section 36 Facilities) to be replaced or no longer to be used as part of the

Project due to the construction or operation of the Approved Alternative Repowering.

5. The references in this Plan to the Retirement Actions include, without limitation, (a) the Alternative Repowering Decommissioning and Retirement and (b) the following: (i) closure, dismantlement, salvaging and disposal of structures, equipment and facilities, (ii) remediation and reclamation of the affected Project site, including the onsite combustion by-product landfill, the bottom ash and recycling basins, the coal pile and the runoff and wastewater basins, all in compliance with applicable environmental and safety laws and regulations, and (iii) performance of site reclamation and restoration obligations under applicable property agreements and under permits and licenses by governmental agencies, all as and to the extent previously approved by the IPA Board and the Original Coordinating Committee as constituting part of the Gas Repowering.
6. To the extent that the S&L Retirement Plan or this Plan does not fully provide for the performance of all Retirement Actions with respect to all Retired Generation and Related Facilities and Properties, those additional Retirement Actions will be provided for by LADWP (as defined in the Power Sales Contracts), as Operating Agent and/or Project Manager for IPA, as plans for the Approved Alternative Repowering are developed. All such Retirement Actions shall be performed. All actions taken pursuant to this Plan shall constitute Retirement Actions. For purposes of this Plan, Retired Generation and Related Facilities and Properties include, without limitation, the S&L Retired Facilities and Properties and the items described in clauses (i) and (ii) of Section 23.10 of the Renewal Power Sales Contracts. The omission of any action, facility or property from the 2018 Decommissioning Study or this Plan does not constitute a determination that such action is not a Retirement Action that is required to be taken with respect to Retired Generation and Related Facilities and Properties or that such facility or property is not part of the Retired Generation and Related Facilities and Properties.
7. All work designated to be performed by IPA pursuant to this Plan, including, without limitation, the S&L Retirement Plan, will be performed as provided in the Power Sales Contracts, the Renewal Power Sales Contracts and the Construction Management and Operating Agreement. Any work not expressly designated to be performed by IPA pursuant to this Plan, including any work necessary to create a condition specified by this Plan, will be performed by the demolition contractor. Notwithstanding the foregoing, LADWP may make minor adjustments to the demolition contractor's scope of work, in its reasonable discretion. All facilities that are demolished or dismantled will be removed from the Project site and properly disposed of or will be used as fill where appropriate under the terms of this Plan.
8. As plans for the Approved Alternative Repowering are further developed, the Retired Generation and Related Facilities and Properties, the actions to be taken with respect to those facilities, and the costs associated with those actions will be further refined.

9. All Retirement Actions shall be performed in accordance with Prudent Utility Practice.
10. All Retirement Actions shall be completed and all Retirement Costs shall be paid (including, without limitation, payment to IPA by the Purchasers of such Retirement Costs) prior to the expiration of the contract governing the performance of such Retirement Actions and/or the payment of such Retirement Costs (i.e., the Power Sales Contracts or the Renewal Power Sales Contracts).
11. The costs of performing the work under this Plan, including, without limitation, the S&L Retirement Plan, shall be considered Retirement Costs of the Retired Generation and Related Facilities and Properties. Such Retirement Costs shall be included in the Cost of Acquisition and Construction of the Gas Repowering. Within the limitations provided in Section 10 of this Plan above, the costs of performing this Plan will be paid for as provided, prior to the Transition Date, in the Power Sales Contracts and, from and after the Transition Date, in the Renewal Power Sales Contracts, and as approved by the Original Coordinating Committee and the IPA Board of Directors; and

WHEREAS, the Project Manager has reviewed the Section 44 Retirement Plan (as such Section 44 Retirement Plan is provided in this Resolution) and determined that it complies with Prudent Utility Practice (as defined in the Power Sales Contracts) and that it meets the requirements of Section 44 of the Power Sales Contracts; and

WHEREAS, the Committee has received a letter dated July 26, 2019 from Ms. Lori K. Morrish on behalf of the Project Manager (the "Project Manager Recommendation Letter") recommending that the Committee approve and adopt, and recommend that the IPA Board approve and adopt, this Plan as the Section 44 Retirement Plan; and

WHEREAS, the Project Manager provided a briefing on a conference call on July 30, 2019 and at a meeting of the Committee on August 6, 2019 (collectively, the "Project Manager Briefing"), during which the Project Manager described and explained the basis of the Project Manager's recommendations, advice and determinations as set forth herein; and

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

NOW THEREFORE, BE IT RESOLVED, that the Committee hereby approves and adopts, and recommends that the IPA Board approve and adopt, this Plan as the Section 44 Retirement Plan (i) to the extent that the Retirement Actions are to be performed and the Retirement Costs (or debt service with respect to, including retirement of principal amounts of debt used to finance, any portion of the Retirement Costs) are to be paid from and after the Transition Date and (ii) to the extent the Section 44 Retirement Plan provides for the Alternative Repowering Decommissioning and Retirement as required by Section 44.6.2 of the Power Sales Contracts; and

BE IT FURTHER RESOLVED, that the Retirement Costs shall be paid for as provided in the Power Sales Contracts, and as approved by the Original Coordinating Committee and the IPA Board; 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



CUSTOMERS FIRST

Eric Garcetti, Mayor

Board of Commissioners

Mel Levine, President

Cynthia McClain-Hill, Vice President

Jill Banks Barad

Christina E. Noonan

Susana Reyes

Susan A. Rodriguez, Secretary

Martin L. Adams, Interim General Manager and Chief Engineer

July 26, 2019

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

Dear Mr. Eldredge:

Subject: Approval of Section 44 Retirement Plan

The Project Manager requests that the Intermountain Power Project ("IPP") Coordinating Committee (the "Committee"), the IPP Renewal Contract Coordinating Committee (the "Renewal Committee") and the Intermountain Power Agency ("IPA") Board of Directors (the "IPA Board"), approve and adopt the Section 44 Retirement Plan as described below and in the proposed resolution enclosed for your review (as adopted by the Committee, the "Resolution"). The terms used but not otherwise defined in this letter have the meaning ascribed to those terms in the Resolution.

IPA and the Purchasers are parties to the Power Sales Contracts. IPA and the Renewal Purchasers are also parties to the Renewal Power Sales Contracts.

Section 44.2 of the Power Sales Contracts provides that the Gas Repowering shall not proceed without the Section 44 Retirement Plan being approved by the IPA Board and the Committee. The Section 44 Retirement Plan is required to provide for the performance of all Retirement Actions and the payment of all Retirement Costs related to the Retired Generation and Related Facilities and Properties (as defined in the Power Sales Contracts).

The Project Manager is responsible for the preparation of the Section 44 Retirement Plan. In February of 2018, the Project Manager engaged Sargent & Lundy, LLC ("Sargent & Lundy") to analyze different scenarios for decommissioning and retiring of the Retired Generation and Related Facilities and Properties (as defined in the S&L Retirement Plan, as defined below, the "S&L Retired Facilities and Properties"), along with estimated costs. Sargent & Lundy submitted a report in May of 2018 (the "2018 Decommissioning Study"). Following receipt of the 2018 Decommissioning Study, the Project Manager directed Sargent & Lundy to prepare a final report to address the S&L Retired Facilities and Properties, and to describe the actions and costs associated with the performance of Option 2 and the Environmental Assessment described in the 2018 Decommissioning Study. Option 2 described in the 2018 Decommissioning Study provides for the above-ground abatement/demolition of the S&L Retired Facilities and Properties.

Sargent & Lundy submitted a final report dated July 12, 2019 (the "S&L Retirement Plan"). The

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S&L Retirement Plan is based on Sargent & Lundy's knowledge gained from developing similar plans for the retirement of other coal-fired generating stations, a site visit to IPP, and information provided by the Project Manager.

The Project Manager has reviewed the S&L Retirement Plan and has determined that it appropriately addresses the Retired Generation and Related Facilities and Properties, the actions to be taken with respect to those facilities, and the estimated costs associated with those actions, for performance of Option 2 and the Environmental Assessment described in the 2018 Decommissioning Study all in accordance with Prudent Utility Practice (as defined in the Power Sales Contracts). As plans for the Gas Repowering are further developed, the Retired Generation and Related Facilities and Properties, the actions to be taken with respect to those facilities, and the costs associated with those actions will be further refined. Accordingly, the estimated Retirement Cost of approximately \$260 million, as set forth in the S&L Retirement Plan, will likely be adjusted in the future.

In order to satisfy the requirements of the Power Sales Contracts with respect to the adoption of the Section 44 Retirement Plan prior to proceeding with the Gas Repowering, the Project Manager recommends that the S&L Retirement Plan be included in and adopted as part of the Section 44 Retirement Plan as set forth in the Resolution.

Accordingly, the Project Manager requests and recommends that each of the Committee and the Renewal Committee approve and adopt, and recommend that the IPA Board approve and adopt, the Section 44 Retirement Plan as described in the Resolution. The Operating Agent further requests and recommends that the IPA Board approve and adopt the Section 44 Retirement Plan as described in the Resolution.

The Project Manager will hold a telephone conference for the benefit of the Committee, the Renewal Committee and the IPA Board to discuss, among other matters, this recommendation on July 30, 2019 at 9:00 AM Pacific Time. The call-in number for this conference is (385) 881-0102. The security code is 400646.

A proposed resolution is enclosed for your review.

Sincerely,



Lori K. Morrish
IPP Project Manager
Los Angeles Department of Water and Power, Project Manager

LKM/JLA:md
Enclosures
c/enc: IPP CC Standard Distribution