

RESOLUTION

RCCC-2020-001

APPROVAL OF HYDROGEN BETTERMENT FUNDING PLAN AND OEM HYDROGEN BETTERMENT

On motion of Paul Schultz, seconded by Ted Olson, at a telephonic meeting of the Intermountain Power Project (“IPP”) Renewal Contract Coordinating Committee (the “Committee”) held on August 4, 2020, the following Resolution was duly adopted:

WHEREAS, Intermountain Power Agency (“IPA”) is a party with the Purchasers (as defined in such Renewal Power Sales Contracts) to those certain Renewal Power Sales Contracts, dated as of January 16, 2017 (as amended and updated, collectively, the “Renewal Power Sales Contracts”); and

WHEREAS, as described in Resolution CC-2019-018 of the Original Coordinating Committee (as defined in the Renewal Power Sales Contracts) and Resolution IPA-2019-019 of the IPA Board of Directors (the “IPA Board”), the Project Manager has commenced the Alternative Repowering (the “Project”), which includes the purchase and installation of two 420-MW combined-cycle gas-fired power blocks, each power block consisting of one gas turbine, a heat recovery steam generator train and a single steam turbine (the “Power Blocks”); and

WHEREAS, to implement the Project, the Project Manager has entered into contracts for professional services and the purchase of equipment, and will enter into additional contracts for equipment, services, construction, and other necessary elements of the Project (the “Project Contracts”) as the Project moves forward; and

WHEREAS, those items of equipment, services, construction, and other elements necessary to complete the Project are hereafter referred to as the “Baseline Scope”; and

WHEREAS, pursuant to Resolutions CC-2020-001 and IPA-2020-001, the Project Manager has executed on behalf of IPA a contract with Mitsubishi Hitachi Power Systems Americas, Inc. (“MHPS”), providing for the purchase of the two Power Blocks (the “OEM Contract”); and

WHEREAS, the combustor technology in the gas turbines to be provided under the OEM Contract is capable of burning a fuel blend that includes at least 30 percent hydrogen, but the turbines would require additional balance of plant equipment and OEM-provided equipment to operate with a 30 percent hydrogen blend; and

WHEREAS, the Purchasers desire (i) that the Power Blocks and the Project be designed and constructed in a manner that will allow the gas turbines included in the Power Blocks to be fueled at the outset with a fuel blend that consists of 30 percent hydrogen, (ii) to increase the hydrogen percentage above 30 percent at some point after the Transition Date, and (iii) to

eventually operate with fuel consisting of 100 percent hydrogen (the “Hydrogen Targets”); and

WHEREAS, in order to meet the Hydrogen Targets, the Project Manager will need to contract for items of equipment, services, and construction in addition to what is required by the Baseline Scope (those additional items, “Hydrogen Betterments”); and

WHEREAS, it will be more economical to contract for Hydrogen Betterments to be implemented in conjunction with the Project, rather than as separate projects from and after the Transition Date; and

WHEREAS, MHPS has offered a Hydrogen Betterment as an option to the Baseline Scope under the OEM Contract, consisting of fuel delivery modifications necessary for the burning of a hydrogen fuel blend, along with physical equipment modifications that will allow for a 100 percent hydrogen fuel facility (the “OEM Hydrogen Betterment”); and

WHEREAS, the amount of the OEM Hydrogen Betterment (the “OEM Hydrogen Betterment Cost”), plus a reasonable amount for contingencies, is \$5,150,000; and

WHEREAS, the OEM Hydrogen Betterment currently is an option under the OEM Contract that, if exercised, will be included in the OEM Contract, but the OEM Hydrogen Betterment Cost will be invoiced separately; and

WHEREAS, the Project Manager has estimated that performing the same work after the Project is complete will cost tens of millions of dollars more than the OEM Hydrogen Betterment Cost, and will require substantial outage time, and for those reasons the Project Manager is of the opinion that it is in the best interests of IPP, and in accordance with Prudent Utility Practice (as defined in the Original Power Sales Contracts, as Original Power Sales Contracts is defined in the Renewal Power Sales Contracts), to exercise the option to include the OEM Hydrogen Betterment in the OEM Contract pursuant to a change order; and

WHEREAS, the parties to the Original Power Sales Contracts that are not Purchasers (the “Exiting Purchasers”) are generally supportive of Hydrogen Betterments such as the OEM Hydrogen Betterment, but because the benefits of the Hydrogen Betterments will not be fully realized until after the Transition Date, the Purchasers and the Exiting Purchasers agree that the costs of the Hydrogen Betterments should not be borne by the Exiting Purchasers; and

WHEREAS, for the reasons described above, the Purchasers and the Exiting Purchasers also agree that costs and expenses related to repair or replacement of the Power Blocks or other equipment should not be borne by the Exiting Purchasers to the extent those costs and expenses are attributed to the Hydrogen Betterments; and

WHEREAS, the Operating Agent has recommended that a mechanism be created to allow for the Purchasers to fund the OEM Hydrogen Betterment and future Hydrogen Betterments without participation by the Exiting Purchasers according to the plan set forth in

Resolution No. CC-2020-011 (the “CC Resolution”) of the Original Coordinating Committee (the “Hydrogen Betterment Funding Plan”); and

WHEREAS, the Committee has received a letter dated August 3, 2020 from Mr. Gregory S. Huynh on behalf of the Operating Agent (the “Operating Agent Recommendation Letter”) recommending that the Committee (i) approve and adopt, and recommend that the IPA Board approve and adopt, the Hydrogen Betterment Funding Plan (as defined and described in the CC Resolution), and (ii) authorize, and recommend that the IPA Board authorize, the Project Manager to execute a change order to the OEM Contract in the amount of the OEM Hydrogen Betterment Cost for the OEM Hydrogen Betterment as described therein and above; and

WHEREAS, the Operating Agent provided a briefing at meetings of the Original Coordinating Committee and the Committee on March 10, 2020, and on conference calls on March 19, June 18, July 13, and July 29, 2020 (collectively, the “Operating Agent Briefing”), during which the Operating Agent described and explained the basis of the Operating Agent’s recommendations, advice and determinations as set forth herein; and

WHEREAS, the Original Coordinating Committee, by the CC Resolution, (i) approved and adopted, and recommended that the IPA Board approve and adopt, the Hydrogen Betterment Funding Plan as described therein, and (ii) authorized, and recommended that the IPA Board authorize, the Project Manager to execute a change order to the OEM Contract in the amount of the OEM Hydrogen Betterment Cost for the OEM Hydrogen Betterment as described therein;

WHEREAS, the Committee has reviewed and considered the Operating Agent Recommendation Letter, the Operating Agent Briefing, and the CC Resolution, including the recommendations, advice and determinations of the Operating Agent.

NOW, THEREFORE, BE IT RESOLVED, that the Committee hereby (i) approves and adopts, and recommends that the IPA Board approve and adopt, the Hydrogen Betterment Funding Plan as described herein, and (ii) authorizes, and recommends that the IPA Board authorize, the Project Manager to execute a change order to the OEM Contract in the amount of the OEM Hydrogen Betterment Cost for the OEM Hydrogen Betterment as described herein, all on the terms and conditions described in the Operating Agent Recommendation Letter and the Operating Agent Briefing; provided that such terms are consistent with the approval of this Resolution by the IPA Board, with the Project Agreements (as defined in the Construction Management and Operating Agreement between IPA and the Operating Agent) and applicable law; 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.

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INTERMOUNTAIN POWER PROJECT
RENEWAL CONTRACT COORDINATING
COMMITTEE


CHAIRMAN

ATTEST:


SECRETARY

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