

RESOLUTION

RCCC-2021-004

APPROVAL OF SCPPA STS AGREEMENTS

On motion of Paul Schultz, seconded by Blaine Haacke, at a virtual meeting of the Intermountain Power Project (“IPP”) Renewal Contract Coordinating Committee (the “Committee”) held July 19, 2021, 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, revised and updated, collectively, the “Power Sales Contracts”); and

WHEREAS, IPA is also a party to those certain Renewal Power Sales Contracts, dated as of January 16, 2017 (as amended and updated, the “Renewal Power Sales Contracts”) with those Purchasers that (i) accepted the Renewal Offer (as defined in the Power Sales Contracts) and (ii) did not subsequently terminate their Renewal Power Sales Contract pursuant to Section 42.1 of the Renewal Power Sales Contracts (“Renewal Purchasers”); and

WHEREAS, pursuant to Resolution Nos. CC-2021-003, RCCC-2021-001, and IPA-2021-003, the Original Coordinating Committee (as defined in the Renewal Power Sales Contracts), the Committee, and the IPA Board of Directors (“IPA Board”), respectively, have previously approved a Capital Improvement known as the STS Renewal Project, which is more particularly described on Exhibit A attached to Resolution No. CC-2021-014 of the Original Coordinating Committee; and

WHEREAS, the Project Manager has been working with the Southern California Public Power Authority (“SCPPA”), IPA, and the California Purchasers to arrange for SCPPA to fund the Costs of Acquisition and Construction (as defined in the Power Sales Contracts) of the STS Renewal Project through payments-in-aid of construction (the “STS Financing”), all as contemplated by and in accordance with Section 32 of the Power Sales Contracts and Resolution Nos. CC-2020-010 and IPA-2020-009 (collectively, the “STS Financing Resolutions”); and

WHEREAS, the STS Financing calls for IPA and SCPPA to enter into two agreements: (1) Second Amendment to Southern Transmission System Agreement (the “Second Amendment”), which agreement amends the provisions of the Southern Transmission System Agreement between IPA and SCPPA and dated as of May 1, 1983 (the “STS Agreement”), to provide, among other things, for SCPPA to finance the STS Renewal Project, and (2) the Renewal Southern Transmission System Agreement (the “Renewal STS Agreement”), which agreement provides, among other things, for SCPPA to finance future, as-yet-unidentified Southern Transmission Capital Improvements undertaken by the Project Manager under the Renewal Power Sales Contracts; and

WHEREAS, the Second Amendment acknowledges that the California Purchasers that are not Renewal Purchasers (the “Exiting California Purchasers”) will not contribute to any reserve funds for the STS Renewal Project, and to the extent that the Exiting California Purchasers’ Monthly Power Costs are allocable to such reserves, requires IPA to return those amounts to the Exiting California Purchasers no later than the Transition Date (that obligation, the “New Reserve Payback”); and

WHEREAS, to provide a source of funds for the New Reserve Payback, the Project Manager recommends that paragraph 4.d. of the Reserve Disposition Plan, (as approved and adopted by the Committee, Renewal Committee, and IPA Board pursuant to Resolutions CC-2020-014, RCCC-2020-003, and IPA-2020-013, respectively) be amended to read as follows (the “Reserve Payback Amendment”):

Transfer to Operational Reserves. No later than the Transition Date~~Upon the expiration of the Power Sales Contracts,~~ IPA will (i) disburse to each Exiting California Purchaser an amount of money from the FCI Reserve equal to the amount of money paid by that Exiting California Purchaser through Monthly Power Costs that is allocable to that portion of SCPPA’s payments-in-aid of construction for the STS Renewal Project that is used to fund any reserve funds, including but not limited to the R&C Reserve or the Operating Reserve, and then (ii) transfer the remaining balance of the FCI Reserve to the Operational Reserves pursuant to Section 5.13.2 of the Renewal Power Sales Contracts, and credit to the account of each Renewal Purchaser an amount equal to the transferred balance of the Operational Reserves multiplied by that Renewal Purchaser’s Net Entitlement Share (which remaining balances, for purposes of said Section 5.13.2 of the Renewal Power Sales Contracts, shall be and be deemed to have been directed by each such Renewal Purchaser to be transferred to such Operational Reserves from such Renewal Purchaser’s share, if any, of the FCI Reserve); and

WHEREAS, to ensure that the STS Agreement, as amended by the Second Amendment, terminates on June 15, 2027, the Project Manager is of the opinion that IPA should not execute the Second Amendment or Renewal STS Agreement until the legal defeasance of IPA’s outstanding Bonds (as defined in the Power Sales Contracts) other than IPA’s Transition Project Indebtedness (as defined in the Power Sales Contracts) (such Bonds being the “Pre-Repowering Bonds”), such that the termination of the Power Sales Contracts on June 15, 2027 pursuant to Section 23 of the Power Sales Contracts will not be prohibited pursuant to Section 26.1 of the Power Sales Contracts; and

WHEREAS, to ensure that the STS Agreement, as amended by the Second Amendment, terminates on June 15, 2027, the Project Manager is of the opinion that IPA should not execute the Second Amendment or Renewal STS Agreement until the legal defeasance of IPA’s outstanding Bonds (as defined in the Power Sales Contracts) other than IPA’s Transition Project Indebtedness (as defined in the Power Sales Contracts) (such Bonds being the “Pre-Repowering Bonds”), such that the termination of the Power Sales Contracts on June 15, 2027 pursuant to Section 23 of the Power Sales Contracts will not be prohibited pursuant to Section 26.1 of the Power Sales Contracts; and

WHEREAS, IPA has provided to the Committee a copy of a proposed IPA supplemental bond resolution (the "Supplemental Bond Resolution") that, upon its adoption by the IPA Board, would establish a separate fund, to be designated as the STS Capital Improvement Construction Fund, into which payments-in-aid of construction made by SCPPA for the STS Renewal Project would be deposited and out of which costs of designing, constructing and installing the STS Renewal Project would be paid; and

WHEREAS, the Committee has received a letter dated July 15, 2021 from Ms. Lori K. Morrish on behalf of the Project Manager (the "Project Manager Recommendation Letter") recommending that the Committee approve, and recommend that the IPA Board approve, the Second Amendment and the Renewal STS Agreement and that the IPA Board and recommending that the IPA Board approve the Reserve Payment Amendment and the Supplemental Bond Resolution ; and

WHEREAS, the Project Manager provided a briefing on a conference call on July 12, 2021, and at a meeting of the Committee on July 19, 2021 (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 in the foregoing.

NOW, THEREFORE, BE IT RESOLVED, that the Committee hereby approves, and recommends that the IPA Board approve, the Second Amendment and the Renewal STS Agreement, subject to the following conditions (the "IPA Conditions") being satisfied prior to execution of such agreements by IPA: (i) that the Pre-Repowering Bonds have been legally defeased; and (ii) that IPA determines pursuant to Section 20.2 of the Renewal Power Sales Contracts that the Transfer (as defined in the Renewal Power Sales Contracts) of capacity rights contemplated by the Renewal Agreements for the Acquisition of Capacity will not adversely affect the eligibility for exemption from Federal income taxes of the interest paid, or to be paid, on the Project Indebtedness (as defined in the Renewal Power Sales Contracts) or Debt Instruments (as defined in the Renewal Power Sales Contracts) outstanding at the time of such determination or that IPA may incur or issue after the time of such determination; and

BE IT FURTHER RESOLVED, that the Committee hereby approves and adopts, and recommends that the IPA Board approve and adopt, the Reserve Payback Amendments to the Reserve Disposition Plan; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends that the IPA Board adopt the Supplemental Bond Resolution; and

Resolution No. RCCC-2021-004

July 19, 2021

Page 4

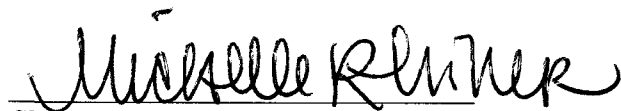
BE IT FURTHER RESOLVED, that the Chairman is hereby authorized and directed by the Committee to execute this Resolution and to do all things necessary to render the same in full force and effect.

INTERMOUNTAIN POWER PROJECT



CHAIRMAN, RENEWAL CONTRACT
COORDINATING COMMITTEE

ATTEST:


SECRETARY