

RESOLUTION

RCCC-2022-001

ADOPTION OF HYDROGEN BILLING PROCEDURE

On motion of Paul Schultz, seconded by Mark Montgomery, at a meeting of the Intermountain Power Project (“IPP”) Renewal Contract Coordinating Committee (the “Renewal Committee”) held March 8, 2022, 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 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; and

WHEREAS, IPA is engaged in the Alternative Repowering, which includes the repowering of IPP with combined-cycle natural gas turbines, as approved pursuant to Resolution Nos. CC-2018-010, RCCC-2018-004, and IPA-2018-019; and

WHEREAS, the combustor technology in the gas turbines to be installed as part of the Alternative Repowering will be capable of burning natural gas blended with hydrogen (the “Hydrogen Capability”); and

WHEREAS, utilizing the Hydrogen Capability requires that IPA secure a reliable supply of hydrogen for delivery to IPP; and

WHEREAS, the Operating Agent has negotiated, on behalf of IPA, the terms of an Energy Storage Services and Conversion Agreement (the “ESSCA”) with Advanced Clean Energy Storage I, LLC (“ACES I”) to design, build, finance, operate, and maintain a facility that will convert renewable energy into hydrogen, and store that “green hydrogen” in salt caverns for later withdrawal by IPA (the “ACES Facility”); and

WHEREAS, the Operating Agent also negotiated, on behalf of IPA, the terms of an agreement with the parent entity of ACES I, ACES Delta, LLC (the “Parent Agreement”), which, among other things, provides IPA with the right to store hydrogen produced by third parties at the ACES Facility (the ESSCA and the Parent Agreement are collectively referred to as the “ACES Agreements”); and

WHEREAS, IPA will not incur any charges under the ACES Agreements until the ACES Facility is substantially complete, which is expected no sooner than October 1, 2024; and

WHEREAS, the Operating Agent is of the opinion that (i) all costs incurred by IPA pursuant to the ACES Agreements should be borne only by those Purchasers that intend to utilize the energy conversion and storage capacity provided by the ACES Facility, and (ii) all costs incurred by IPA pursuant to other agreements providing for the production or supply of hydrogen that are approved and designated as a “Hydrogen Agreement” pursuant to the amendment process set forth in Section VIII.8 of the billing procedure described below, if any, should be borne only by those Purchasers that intend to utilize such production and supply (such other agreements, if any, together with the ACES Agreements, the “Hydrogen Agreements”); and

WHEREAS, the Operating Agent has prepared a procedure, attached as Exhibit A to Resolution No. CC-2022-006 of the IPP Coordinating Committee (such resolution being the “CC Resolution” and such procedure being the “Hydrogen Billing Procedure”), which is designed and intended to allocate the costs incurred by IPA pursuant to the Hydrogen Agreements to the Lead Hydrogen Sponsor (as defined in the Hydrogen Billing Procedure) and only those other Purchasers that affirmatively express their intent to become “Hydrogen Purchasers” pursuant to the Hydrogen Billing Procedure (such Purchasers, “Hydrogen Purchasers”); and

WHEREAS, the Operating Agent has prepared the Hydrogen Billing Procedure in conjunction with IPA, and it is expressly understood and acknowledged that the Hydrogen Billing Procedure is structured in such a way as to provide a basis for passing through costs of the Hydrogen Agreements to the Hydrogen Purchasers, upon which basis IPA may rely to enter into the Hydrogen Agreements; and

WHEREAS, as described in the Hydrogen Billing Procedure, IPA may require the Hydrogen Purchasers to enter into additional agreements with IPA, providing for the payment of certain costs under the ESSCA, prior to actually utilizing the conversion and storage capacity provided by the ACES Facility; and

WHEREAS, the Renewal Committee has received a letter dated February 25, 2022 from Mr. Gregory S. Huynh on behalf of the Operating Agent (the “Operating Agent Recommendation Letter”) recommending that the IPP Coordinating Committee and Renewal Committee adopt, and recommend that the IPA Board of Directors (the “IPA Board”) adopt, the Hydrogen Billing Procedure; and

WHEREAS, the Operating Agent provided a briefing on conference calls on February 8 and March 1, 2022, and at a meeting of the Renewal Committee on March 8, 2022 (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 Renewal Committee has reviewed and considered the Operating Agent Recommendation Letter and the Operating Agent Briefing, including the recommendations, advice and determinations of the Operating Agent.

NOW, THEREFORE, BE IT RESOLVED, that the Renewal Committee hereby adopts, and recommends that the IPA Board adopt, the Hydrogen Billing Procedure attached as Exhibit A to the CC Resolution; and

BE IT FURTHER RESOLVED, that the Chairman is hereby authorized and directed by the Renewal 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



Los Angeles
Department of
Water & Power

BUILDING A STRONGER L.A.

Eric Garcetti, Mayor

Board of Commissioners
Cynthia McClain-Hill, President
Susana Reyes, Vice President
Jill Banks Barad-Hopkins
Mia Lehrer
Nicole Neeman Brady
Yvette L. Furr, Acting Secretary

Martin L. Adams, General Manager and Chief Engineer

March 5, 2022

Mr. Cameron Cowan
General Manager
Intermountain Power Agency
10653 South River Front Parkway, Suite 120
South Jordan, UT 84095

Dear Mr. Cowan:

Subject: Recommendation for Adoption of Hydrogen Billing Procedure

This letter supplements and updates the letter from the Operating Agent, dated February 25, 2022. The Los Angeles Department of Water and Power, as Operating Agent of the Intermountain Power Project ("IPP"), requests and recommends that the IPP Coordinating Committee (the "Committee") and the IPP Renewal Contract Coordinating Committee ("Renewal Committee") adopt, and recommend to the Intermountain Power Agency ("IPA") Board of Directors (the "IPA Board") that it adopt, the Hydrogen Billing Procedure, as set forth below. The Operating Agent also requests and recommends that the IPA Board adopt the Hydrogen Billing Procedure. Capitalized terms used but not defined herein have the meaning ascribed to such terms in the enclosed resolution.

IPA is engaged in the Alternative Repowering (which includes the repowering of IPP with combined-cycle natural gas turbines, as approved pursuant to Resolution Nos. CC-2018-010, RCCC-2018-004, and IPA-2018-019). The combustor technology in the gas turbines to be installed as part of the Alternative Repowering will be capable of burning natural gas blended with hydrogen (the "Hydrogen Capability").

Utilizing the Hydrogen Capability requires expenditures beyond what is required to complete the Alternative Repowering. To fund such expenditures, the Committee, Renewal Committee, and IPA Board previously approved Resolution Nos. CC-2020-011, RCCC-2020-001, and IPA-2020-010 (collectively, the "Hydrogen Betterment Resolutions"), respectively, which established a Hydrogen Betterment Fund to be funded exclusively by the Renewal Purchasers.

Utilizing the Hydrogen Capability also requires, of course, that IPA secure a reliable supply of hydrogen for delivery to IPP. To that end, in 2021 the Operating Agent commenced negotiating the terms of an agreement with Advanced Clean Energy Storage I, LLC ("ACES I") to design, build, finance, operate, and maintain a facility that will convert renewable energy into green hydrogen, and store that hydrogen in salt caverns for later withdrawal by IPA (the "ACES Facility").

Pursuant to Resolution Nos. CC-2021-020 and IPA-2021-023 (collectively, the "Initial Hydrogen Capital Improvement Resolutions"), the Committee and IPA Board authorized the Operating

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Agent to execute an Agreement Providing for a Limited Notice to Proceed ("LNTP"), which allowed ACES I to commence procurement of certain long-lead items necessary for the completion of the ACES Facility. The Initial Hydrogen Capital Improvement Resolutions required that IPA's expenditures under the LNTP be funded exclusively from the Hydrogen Betterment Fund.

The Operating Agent has now finalized the terms of (i) an Energy Storage Services and Conversion Agreement with ACES I (the "ESSCA"), and (ii) an Energy Storage Services Agreement for IPP Third Party Hydrogen or Storage Expansion Facilities with the parent entity of ACES I, ACES Delta, LLC (the "Parent Agreement"). The ESSCA calls for the ACES I Facility to be substantially complete no sooner than October 1, 2024.¹ IPA will not incur any costs or charges under the ESSCA or the Parent Agreement (collectively, the "ACES Agreements") prior to substantial completion of the ACES Facility.

As reflected in the Hydrogen Betterment Resolutions and the Initial Hydrogen Capital Improvement Resolutions, the Operating Agent is of the opinion that all costs associated with utilizing the Hydrogen Capability should be borne only by those Purchasers that intend to utilize such capability. Likewise, the Operating Agent is of the opinion that (i) all costs incurred by IPA pursuant to the ACES Agreements should be borne only by those Purchasers that intend to utilize the conversion and storage capacity provided by the ACES Facility, and (ii) all costs incurred by IPA pursuant to other agreements providing for the production or supply of hydrogen, if any, should be borne only by those Purchasers that intend to utilize such production and supply (such other agreements, if any, together with the ACES Agreements, the "Hydrogen Agreements").

To that end, the Operating Agent has prepared a Hydrogen Billing Procedure, attached as Exhibit A to the enclosed resolution. The intent of the Hydrogen Billing Procedure is to allocate the costs incurred by IPA pursuant to the Hydrogen Agreements to the Lead Hydrogen Sponsor (as defined in the Hydrogen Billing Procedure), and those other Purchasers that affirmatively elect to become Hydrogen Purchasers. Except as expressly noted in the Hydrogen Billing Procedure, the Hydrogen Billing Procedure does not make any changes to the Hydrogen Betterment Resolutions or the Initial Hydrogen Capital Improvements Resolutions; the Hydrogen Betterments and long-lead purchases under the LNTP will continue to be funded exclusively from the Hydrogen Betterment Fund. The Hydrogen Billing Procedure applies only to costs incurred under the Hydrogen Agreements.

The Operating Agent will provide a briefing for the benefit of the Committee, the Renewal Committee, and the IPA Board to discuss, among other matters, this recommendation at meetings scheduled for such bodies on March 8, 2022 at 9:00 a.m. prevailing Pacific Time. The agendas for such meetings, including links to participate in such meetings, have been provided to IPA.

¹ By separate letter, the Operating Agent is requesting approval of the ESSCA and the Parent Agreement and approval of a Capital Improvement (as defined in the Renewal Power Sales Contracts) consisting of the conversion and storage capacity provided under the ESSCA and the Parent Agreement (that Capital Improvement, the "Hydrogen Capacity Project").

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Sincerely,



Gregory S. Huynh
IPP Operating Agent Manager
Los Angeles Department of Water and Power, Operating Agent

GSH:md
Enclosure
c/enc: IPP Coordinating Committee Standard Distribution

¹ By separate letter, the Operating Agent is requesting approval of the ESSCA and the Parent Agreement and approval of a Capital Improvement (as defined in the Renewal Power Sales Contracts) consisting of the conversion and storage capacity provided under the ESSCA and the Parent Agreement (that Capital Improvement, the "Hydrogen Capacity Project").