2022
ANNUAL REPORT

Intermountain Power Agency
Energy for Today & Tomorrow

Intermountain Power Agency (IPA)
is an organization of 23 Utah municipal utilities
formed to finance, construct, operate, and
maintain the Intermountain Power Project.
The Los Angeles Department of Water and Power
serves as Operating Agent and Project Manager.
Intermountain Power Service Corporation (IPSC)
staffs the generating station and related facilities.

The Intermountain Power Project (IPP)
includes a two-unit coal-fueled generating
station, two transmission systems, a microwave
communication system, and a railcar service
center, all built as a joint undertaking by 36
utilities in Utah and California.

IPA
Intermountain Power Agency
Energy for Today & Tomorrow

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Executive Summary

Celebrating the start of IPP Renewed construction are Jon Finlinson, President, Intermountain Power Service Corporation; Lori Morrish, Project Manager, IPP Renewed; Greg Huynh, Operating Agent, Intermountain Power Project; Blaine Haacke, Chairman, Intermountain Power Agency; Cameron Cowan, General Manager, Intermountain Power Agency; and Paul Schultz, Director External Energy Resources, Los Angeles Department of Water and Power.

Following more than a decade of planning, problem-solving, and just plain hard work involving a large and diverse group of Intermountain Power Project participants, 2022 will be remembered as the year visions began taking shape.

Just before the close of the fiscal year, Intermountain Power Agency issued municipal bonds totaling nearly $800 million to finance the first phases of IPP Renewed construction. By the time of IPA's Annual Meeting in December, approximately 300 construction workers were on-site, with more arriving weekly. Construction commenced on both sides of Brush Wellman Road – on IPP's property for the new natural gas and green hydrogen power generating units and at the Advanced Clean Energy Storage (ACES) project which was contracted to provide hydrogen production and geologic salt dome storage services.

It's going to be a busy next three years, with construction employment likely to peak at around 1,000 workers as IPP Renewed moves toward a mid-2025 start-up.

Discussions about this project began well over a decade ago. These discussions were undertaken with the best interests of all of IPP's stakeholders, including our host community of Millard County, in mind. You can look just 200 miles south of Intermountain Generating

Executive Summary

Station for an example of what very easily could have happened at IPP. The Navajo Generating Station near Page, Arizona, was of a similar age, size, and customer base as IPP. Today, Navajo Generating Station is already a flat spot in the desert – demolished with no significant plans for continuing activity at the site.

IPP Renewed was a conscious effort to avoid this fate and continue economic contributions to Millard County and the State of Utah – all while providing an energy project that will meet the needs of our participants for many more decades to come.

For Intermountain Power Agency's municipal members, the benefits are especially significant. IPA's members enjoy the right to unilaterally choose whether to use their entitlements of energy from the project or lay off those entitlements (and all of the related costs) to other participants. In years when IPA members have access to lower cost energy elsewhere, IPP costs them nothing. In the summer of 2022, on the other hand, IPA's members called back their shares of IPP energy and saved an estimated $6 million over what they would have paid if IPP was not available to them. With IPP Renewed, IPA's members will enjoy this same flexibility.

We have now begun construction – and the project that resulted from these years of diligent planning is one that has captured worldwide attention. What we are doing here will not only serve the energy needs of our IPP Renewed participants, but will serve as a model and catalyst for development in other industries and other regions around the world.

IPP Renewed is happening. And it's a project all Utahns can take pride in.

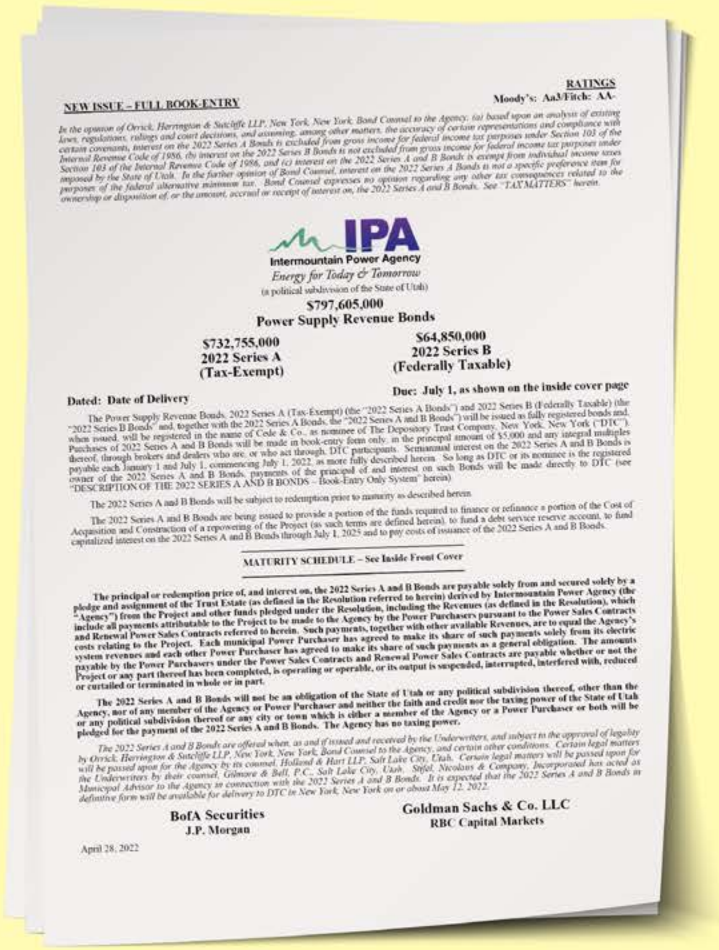
Executive Summary

Fiscal 2022 Financial Highlights

Intermountain Power Agency remained on solid financial footing during the fiscal year that ended June 30, 2022, and began the process of issuing new debt to finance the IPP Renewed project.

The Statements of Net Position at the end of the fiscal year totaled just over $2 billion, of which just over $1 billion were in cash and investments. A significant increase in cash and investments over the prior year was primarily the result of new financing for the IPP Renewed Project.

During fiscal 2022, $798 million of Power Supply Revenue Bonds in the 2022 A Series (Tax-exempt) and the 2022 B Series (Taxable) were issued to provide a portion of the funds required to construct IPP Renewed. The bonds were issued at a premium of $89 million which will be amortized over the life of the bonds. The bonds will be paid over 20 years, commencing with the first principal payment on July 1, 2026. Ratings for IPA's newly issued public bonds were very good with Moody's at Aa3, and Fitch at AA-.



RATINGS
Moody's: Aa3/Fitch: AA-

NEW ISSUE – FULL BOOK-ENTRY

In the opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Agency, (a) based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2022 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, (b) interest on the 2022 Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and (c) interest on the 2022 Series A and B Bonds is exempt from individual income taxes imposed by the State of Utah. In the further opinion of Bond Counsel, interest on the 2022 Series A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2022 Series A and B Bonds. See "TAX MATTERS" herein.

IPA
Intermountain Power Agency
Energy for Today & Tomorrow
(a political subdivision of the State of Utah)

$797,605,000
Power Supply Revenue Bonds

$732,755,000 2022 Series A (Tax-Exempt)	**$64,850,000 2022 Series B (Federally Taxable)**

Dated: Date of Delivery **Due: July 1, as shown on the inside cover page**

The Power Supply Revenue Bonds, 2022 Series A (Tax-Exempt) (the "2022 Series A Bonds") and 2022 Series B (Federally Taxable) (the "2022 Series B Bonds" and, together with the 2022 Series A Bonds, the "2022 Series A and B Bonds") will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of 2022 Series A and B Bonds will be made in book-entry form only, in the principal amount of $5,000 and any integral multiples thereof, through brokers and dealers who are, or who act through, DTC participants. Semiannual interest on the 2022 Series A and B Bonds is payable each January 1 and July 1, commencing July 1, 2022, as more fully described herein. So long as DTC or its nominee is the registered owner of the 2022 Series A and B Bonds, payments of the principal of and interest on such Bonds will be made directly to DTC (see "DESCRIPTION OF THE 2022 SERIES A AND B BONDS – Book-Entry Only System" herein).

The 2022 Series A and B Bonds will be subject to redemption prior to maturity as described herein.

The 2022 Series A and B Bonds are being issued to provide a portion of the funds required to finance or refinance a portion of the Cost of Acquisition and Construction of a repowering of the Project (as such terms are defined herein), to fund a debt service reserve account, to fund capitalized interest on the 2022 Series A and B Bonds through July 1, 2025 and to pay costs of issuance of the 2022 Series A and B Bonds.

MATURITY SCHEDULE – See Inside Front Cover

The principal or redemption price of, and interest on, the 2022 Series A and B Bonds are payable solely from and secured solely by a pledge and assignment of the Trust Estate (as defined in the Resolution referred to herein) derived by Intermountain Power Agency (the "Agency") from the Project and other funds pledged under the Resolution, including the Revenues (as defined in the Resolution), which include all payments attributable to the Project to be made to the Agency by the Power Purchasers pursuant to the Power Sales Contracts and Renewal Power Sales Contracts referred to herein. Such payments, together with other available Revenues, are to equal the Agency's costs relating to the Project. Each municipal Power Purchaser has agreed to make its share of such payments solely from its electric system revenues and each other Power Purchaser has agreed to make its share of such payments as a general obligation. The amounts payable by the Power Purchasers under the Power Sales Contracts and Renewal Power Sales Contracts are payable whether or not the Project or any part thereof has been completed, is operating or operable, or its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part.

The 2022 Series A and B Bonds will not be an obligation of the State of Utah or any political subdivision thereof, other than the Agency, nor of any member of the Agency or Power Purchaser and neither the faith and credit nor the taxing power of the State of Utah or any political subdivision thereof or any city or town which is either a member of the Agency or a Power Purchaser or both will be pledged for the payment of the 2022 Series A and B Bonds. The Agency has no taxing power.

The 2022 Series A and B Bonds are offered when, as and if issued and received by the Underwriters, and subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Agency, and certain other conditions. Certain legal matters will be passed upon for the Agency by its counsel, Holland & Hart LLP, Salt Lake City, Utah. Certain legal matters will be passed upon for the Underwriters by their counsel, Gilmore & Bell, P.C., Salt Lake City, Utah. Stifel, Nicolaus & Company, Incorporated has acted as Municipal Advisor to the Agency in connection with the 2022 Series A and B Bonds. It is expected that the 2022 Series A and B Bonds in definitive form will be available for delivery to DTC in New York, New York on or about May 12, 2022.

BofA Securities	**Goldman Sachs & Co. LLC**
J.P. Morgan	**RBC Capital Markets**

April 28, 2022

With construction of IPP Renewed beginning, the value of utility plant assets has begun to increase after years of declines. A net increase in gross utility plant of $164 million in fiscal 2022 resulted from additions of $166 million offset by retirements of $2 million. The 2022 additions were principally for the ongoing construction and engineering for IPP Renewed, the replacement of microwave equipment, the replacement of equipment at the Intermountain Switching Station, and the rehabilitation of the process water pond in compliance with environmental requirements.

As of July 1, 2022, IPA's outstanding debt (excluding unamortized bond premium/discount) totaled approximately $903 million, including publicly traded fixed rate bonds and non-public subordinated notes and drawdown bonds.

The net revenues, or the billable cost of combined electricity and transmission, for the year ended June 30, 2022, was $337 million – down from $558 million the previous year as the generating station operated at lower loads in order to conserve fuel during interruptions in the delivery of coal.

Executive Summary

Intermountain Power Agency Board of Directors members surveyed activity during the Spring 2022 maintenance outage at Intermountain Generating Station. Pictured are Joel Eves (Lehi City), Allen Johnson (City of Bountiful), Eric Larsen (Fillmore City, Town of Holden, Kanosh, and Town of Meadow), Bruce Rigby (Kaysville City), and Mark Montgomery (Logan City).

Fiscal 2022 Operations Highlights

Operationally, electricity generation at IPP was negatively affected during fiscal 2022 by rail service issues that persisted for shippers of coal and other commodities nationwide. Generation at IPP was restricted for several months in order to conserve coal for the peak summer season. The result was record low utilization for the year.

Net generation was 5,604 gigawatt-hours. Net facility heat rate – a key measurement of efficiency – was 10,176 BTUs per kilowatt-hour – ranking 33rd in the 35-year history of the project. Efficiency was negatively affected primarily by low utilization of the generating station.

Decreased electricity generation results in decreased coal consumption. In fiscal 2022, Intermountain Generating Station consumed just over 2.5 million tons of coal – also the lowest annual amount in Project history.

Decreased electricity generation also creates challenges for operation and maintenance at large power plants. Generating units that previously ran at steady base-load rates are increasingly called upon to cycle between various output levels. This accelerates wear on some components of the generating station, presenting challenges for availability and reliability.

During fiscal 2022, equivalent availability at Intermountain was 89.8 percent – a performance that ranked 29th in project history. The equivalent forced outage rate of 0.73 percent and forced outage rate of 0.65 percent ranked 11th and 17th respectively for those measurements over the Project's history. The net capacity factor of 35.5 percent and net output factor of 48.4 percent ranked 35th and 34th respectively for those measurements over the Project's history.

Executive Summary

Eight unit shutdowns occurred during the fiscal year, including two that were planned. Planned outages included a major outage for Unit 2 maintenance, and a minor outage for bi-pole and Unit 1 minor maintenance.

The seven-week major outage was two weeks longer than normal to allow replacement of a convertor transformer at the Adelanto substation in California. Also during that outage, Unit 2's turbine-generator received major overhauls to the high pressure and intermediate pressure sections. Inspection and repairs were conducted in the boiler, including replacement of some burner injectors. Bottom ash handling equipment was also rebuilt or replaced. In the scrubber and baghouse, corrosion damage was repaired. Routine maintenance was also conducted on electrical and instrumentation and control systems.

One of IPP's most remarkable operating accomplishments is related to the generating station's Boiler Tube Failure Reduction Program. Boiler tube leaks – which are common at large coal-fueled power plants – are an unusual event at Intermountain. Only 11 boiler tube leaks have occurred at IPP in more than 12 years – a significant achievement for any facility, even more for one that is now 35 years old and operating under variable conditions.

Ensuring the safety of the Generating Station's employees remains the Intermountain Power Project's top priority. The effectiveness of IPP's Safety programs are evident in the Generating Facility's safety statistics. At the end of fiscal 2022, the Facility's OSHA lost time incident rate was 1.7 cases with days missed per 200,000 hours worked. Its Recordable Incident Rate was also 1.7 cases per 200,000 hours worked.

Community involvement is another hallmark of Intermountain Generating Station's operations, and now that spirit is spreading to the contractors mobilizing on the IPP Renewed construction site. A food drive challenge between the companies onsite launched in November 2022 resulted in more than 8,800 pounds of donations to Central Utah Food Sharing, a community food bank located in Delta and Fillmore. The donation included 11,526 individual items supplemented by $23,000 dollars in cash donations. In the past five years, Intermountain Generating Station and its employees have contributed more than $600,000 dollars in labor, materials, and services to the local community.

Photo courtesy of Matt Ward - MIllard County Chronicle Progress

Executive Summary

A Long Term Vision

Intermountain Power Agency's Renewal Power Sales Contracts provide entitlements to IPP generating capacity through 2077 – well beyond the 20-year planned life of the generating units now under construction. That is because the vision for IPP extends well beyond any single energy source.

Consider the numbers: IPP's Southern Transmission System has capacity for 2,400 megawatts and will be modernized as part of the IPP Renewed project. When 1,800 megawatts of coal-fueled generating capacity retires in 2025, only 840 megawatts of natural gas-fueled generating capacity will step into its place. Approximately 300 megawatts of wind energy is already transmitted on the system and a long queue of additional renewable energy projects are in the wings available for the remaining 1,000 megawatts of transmission capacity.

What's more, the natural gas units to be constructed will be capable of blending 30 percent hydrogen fuel at start-up, expanding to 100 percent by 2045. IPP's unique location, physical facilities, trained workforce, and even the geology beneath the project make it the ideal location for scaling up technologies related to green hydrogen production and storage.

We are diligently pursuing these opportunities with a steadfast commitment to serving the American West's energy needs and continuing IPP's economic contributions to IPA member municipalities, our host community, and the state of Utah generally.

Blaine D. Haacke

Blaine Haacke, *Chairman of the Board*

Cameron R Cowan

Cameron Cowan, *General Manager*

IPA Management

From left to right:
Cody R. Combe, *Internal Audit Manager*
Vance K. Huntley, *Audit Manager*
Cameron R. Cowan, *General Manager*
Linford E. Jensen, *Accounting Manager*

IPA Board of Directors

From left to right:
Joel Eves, *Lehi City*
Mark Montgomery, *Logan City*
Allen Johnson, *City of Bountiful*
Blaine J. Haacke, Chair, *Murray City*
Bruce Rigby, *Kaysville City*
Eric Larsen, *Fillmore City, Town of Holden, Kanosh, and Town of Meadow*
Nick Tatton, *Price City*

IPP Coordinating Committee

From left to right:
Blaine J. Haacke, *Murray City*
Scott Mellon, *City of Glendale*
Eldon Krause, *City of Anaheim*
LaDel Laub, *Rural Electric Cooperatives*
Mandip Kaur Samra, *City of Burbank*
Kevin Robison, *Mt. Wheeler Power, Inc.*
Greg Huynh, *Operating Agent, Los Angeles Dept. of Water and Power*
Cameron R. Cowan, *Committee Chair and IPA General Manager*
Paul Schultz, *Los Angeles Dept. of Water and Power*
Lori Morrish, *Project Manager, Los Angeles Dept. of Water and Power*
Eric Larsen, *Utah Municipalities*
Mark Montgomery, *Logan City*
Brian Beelner, *City of Anaheim*
Roy Xu, *City of Riverside*

Not pictured:
Yankton Johnson, *Moon Lake Electric Association*
Jeffrey Kightinger, *City of Pasadena*

IPP Renewal Contract Coordinating Committee

From left to right:
Scott Mellon, *City of Glendale*
Allen Johnson, *City of Bountiful*
Blaine J. Haacke, *Murray City*
Eric Larsen, *Utah Municipalities*
Kevin Robison, *Mt. Wheeler Power, Inc.*
Greg Huynh, *Operating Agent, Los Angeles Dept. of Water and Power*
Cameron R. Cowan, *Committee Chair and IPA General Manager*
Paul Schultz, *Los Angeles Dept. of Water and Power*
Lori Morrish, *Project Manager, Los Angeles Dept. of Water and Power*
Mark Montgomery, *Logan City*
Mandip Kaur Samra, *City of Burbank*
LaDel Laub, *Rural Electric Cooperatives*

Not pictured:
Yankton Johnson, *Moon Lake Electric Association*

2022 Financial and Operating Summary

DEBT OUTSTANDING (as of July 1, 2022)

Weighted average borrowing cost on publicly held debt for FY 2022	3.57%
Fixed rate bonds (IPP Renewed)	$ 797,605,000
Drawdown bonds (IPP Renewed)	29,000,000
Subordinated notes (IPP)	76,585,000
Total	**$ 903,190,000**

BOND UNDERLYING RATINGS

	Moody's	Fitch
Fixed rate bonds	Aa3	AA-

INVESTMENT PERFORMANCE

Average invested assets	$ 170,626,306
Realized investment portfolio earnings	$ 1,142,412
Rate of return	0.67%

OPERATING SUMMARY

	2022	2021	2020	2019	2018
Gross generation (gWh)	6,096	7,879	7,367	9,347	8,743
Equivalent availability	89.8%	89.8%	94.9%	92.0%	92.8%
Net capacity factor	35.5%	46.3%	43.0%	55.2%	51.5%
Heat rate (BTU/kWh)	10,176	10,212	10,377	9,870	10,002

Participants' Generation Entitlement Shares

	Generation Entitlement Share	
CALIFORNIA PURCHASERS		
Los Angeles Department of Water & Power	48.617	%
City of Anaheim	13.225	
City of Riverside	7.617	
City of Pasadena	4.409	
City of Burbank	3.371	
City of Glendale	1.704	
Total: 6 California Purchasers	78.943	%
UTAH MUNICIPAL PURCHASERS		
Murray City	4.000	%
Logan City	2.469	
City of Bountiful	1.695	
Kaysville City	.739	
Heber Light & Power	.627	
Hyrum City	.551	
Fillmore City	.512	
City of Ephraim	.503	
Lehi City	.430	
Beaver City	.413	
Parowan City	.364	
Price City	.361	
Mount Pleasant	.357	
City of Enterprise	.199	
Morgan City	.190	
City of Hurricane	.147	
Monroe City	.130	
City of Fairview	.120	
Spring City	.060	
Town of Holden	.048	
Town of Meadow	.045	
Kanosh	.040	
Town of Oak City	.040	
Total: 23 Utah Municipal Purchasers	14.040	%
COOPERATIVE PURCHASERS		
Moon Lake Electric Association, Inc.	2.000	%
Mt. Wheeler Power, Inc.	1.786	
Dixie-Escalante Rural Electric Association, Inc.	1.534	
Garkane Power Association, Inc.	1.267	
Bridger Valley Electric Association	.230	
Flowell Electric Association	.200	
Total: 6 Cooperative Purchasers	7.017	%
TOTAL: 35 PURCHASERS	**100.000**	%

Participants and Transmission Lines Map

Independent Auditor’s Report

TO THE BOARD OF DIRECTORS OF INTERMOUNTAIN POWER AGENCY:

Opinion

We have audited the financial statements of Intermountain Power Agency (IPA), which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IPA as of June 30, 2022 and 2021, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IPA’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IPA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedule of Changes in Funds Established by the IPA Revenue Bond Resolution for the Years Ended June 30, 2021 and 2022 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of IPA's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Deloitte & Touche LLP

Salt Lake City, Utah
September 28, 2022

Management's Discussion and Analysis

The Intermountain Power Agency (IPA) is a political subdivision of the State of Utah formed by 23 Utah municipalities pursuant to the provisions of the Utah Interlocal Co-operation Act. IPA owns, finances, operates, and maintains a two-unit, coal-fired, steam-electric generating plant and switchyard located in Millard County, Utah and transmission systems through portions of Utah, Nevada and California (the "Project"). IPA has irrevocably sold the entire capacity of the Project pursuant to Power Sales Contracts, as amended (the "Contracts"), to 35 utilities (the "Purchasers"). The Purchasers are unconditionally obligated to pay all costs of operation, maintenance and debt service, whether or not the Project or any part thereof is operating or operable, or its output is suspended, interrupted, interfered with, reduced, or terminated.

IPA's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and consist of statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and the related notes to the financial statements. The statements of net position report IPA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the end of the fiscal year. Investments are stated at fair value. No net position is reported in the statements of net position because IPA is completely debt financed and the Contracts contain no provision for profit. The Contracts govern how and when Project costs become billable to the Purchasers. Net costs billed to participants not yet expensed in accordance with U.S. GAAP or expenses recognized but not currently billable under the Contracts are recorded as net costs billed to participants not yet expensed (a deferred inflow) or deferred as net costs to be recovered from future billings to participants (an asset), respectively, in IPA's statements of net position. In future periods, the deferred inflow will be settled, or the asset will be recovered as the associated expenses are recognized in accordance with U.S. GAAP or when they become billable Project costs in future participant billings, respectively. At June 30, 2022 and 2021, total accumulated Project costs billed to participants exceeded accumulated U.S. GAAP expenses, resulting in a deferred inflow, net costs billed to participants not yet expensed. Over the life of the Project, aggregate U.S. GAAP expenses will equal aggregate billed Project costs. The statements of revenues, expenses, and changes in net position report the results of operations and changes in net position, and the statements of cash flows report the resulting cash flows for the fiscal year. Net costs billed to participants not yet expensed, as reported in the statements of revenues, expenses, and changes in net position, reflects the extent to which billable Project costs are greater than U.S. GAAP expenses during the fiscal year. The following table summarizes the financial condition and operations of IPA for the years ended June 30, 2022, 2021 and 2020 (in thousands):

	2022	2021	2020
Assets			
Utility plant - net	$ 744,100	$ 692,149	$ 719,252
Cash, cash equivalents, and investments	1,010,553	258,283	226,076
Other	121,549	112,933	91,470
Total assets	1,876,202	1,063,365	1,036,798
Deferred outflows of resources	125,100	135,854	159,715
Total assets and deferred outflows of resources	**$ 2,001,302**	**$ 1,199,219**	**$ 1,196,513**

(Continued)

Management's Discussion and Analysis

	2022	2021	2020
Liabilities			
Debt	$ 997,232	$ 280,499	$ 446,152
Commercial paper notes	—	—	35,200
Other	461,278	395,983	417,064
Total liabilities	1,458,510	676,482	898,416
Net costs billed to participants not yet expensed	420,599	519,056	296,402
Prefunding of decommissioning and hydrogen betterments	118,000	—	—
Other	4,193	3,681	1,695
Total deferred inflows of resources	542,792	522,737	298,097
Total liabilities and deferred inflows of resources	**$ 2,001,302**	**$ 1,199,219**	**$ 1,196,513**

	2022	2021	2020
Revenues, Expenses, and Changes in Net Position			
Operating revenues - net	$ 336,927	$ 558,461	$ 555,007
Fuel	(133,420)	(175,409)	(158,934)
Other operating expenses	(295,584)	(159,028)	(294,639)
Operating income (loss)	(92,077)	224,024	101,434
Non-operating income	1,805	1,133	1,113
Net interest charges	(8,185)	(2,503)	(20,984)
Net costs recovered from (billed to) participants not yet expensed	98,457	(222,654)	(81,563)
Change in net position	**$ —**	**$ —**	**$ —**

(Concluded)

FINANCIAL HIGHLIGHTS

ASSETS – The net increase in gross utility plant of $164 million in 2022 resulted from additions of $166 million offset by retirements of $2 million. The 2022 additions were principally for the ongoing construction and engineering for the gas turbine associated with IPA Repowering (see discussion of Project Repowering below), the replacement of microwave equipment, the replacement of equipment at the Intermountain Switching Station, and the rehabilitation of the process water pond in compliance with environmental requirements. The net increase in gross utility plant of $56 million in 2021 resulted from additions of $68 million offset by retirements of $12 million. The 2021 additions were principally for the initial construction and engineering for the gas turbine associated with IPA Repowering, the procurement and installation of an additional spare transformer for the Adelanto Converter Station, the refurbishing of microwave equipment, and the rehabilitation of the process water pond in compliance with environmental requirements.

The 2022 increase in cash, cash equivalents, and investments, combined current and restricted of $752 million is primarily due to proceeds of $785 million from the issuance of the 2022 Series A (Tax-exempt) and 2022 Series B (Taxable) Power Supply Revenue Bonds for the construction associated with IPA Repowering which were deposited in the Construction Fund and Debt Service Fund. Also, $118 million was received from certain purchasers to prefund future decommissioning and hydrogen betterments. These were offset by current year renewal expenditures of $108 million and a decrease in July 1 principal and interest payments compared to the prior year of $43 million. The 2021 increase in cash, cash equivalents and investments, combined current and restricted of

$32 million is primarily due to an increase of $21 million in the July 1 principal and interest payments on debt compared to the prior year, an increase in the credit to participants of $15 million compared to the prior year that were credited against purchaser billings in October, offset by a decrease of $4 million in other reserves used for repowering costs.

The 2022 increase of $9 million in other assets was primarily caused by an increase of $17 million in fuel inventory as coal reserves were increased in anticipation of higher power demand in late summer 2022 and a $4 million increase in prepaid personnel service contracts for certain employee pensions and other postretirement benefits. These increases were offset by an $8 million decrease in receivable from participants as purchasers did not schedule variable power in June 2022 to build reserves for the anticipated late summer demand, and a $4 million decrease in materials and supplies. The 2021 increase of $22 million in other assets was primarily caused by an increase of $6 million in receivables from participants as higher variable energy was scheduled in June 2021 compared to the prior year and a $30 million increase in prepaid personnel service contract costs due to IPA’s contractual rights and obligations under a Personnel Services Contract for certain employee pensions and other postretirement benefits resulting in a reported asset in the current year compared to a liability in the prior year. These increases were offset by a $16 million decrease in fuel inventory as a higher percentage of existing reserves were used compared to coal purchases to bring the fuel reserve to its optimal level.

DEFERRED OUTFLOWS OF RESOURCES – Deferred outflows of resources primarily consist of unamortized refunding charge on defeasance of debt and unamortized asset retirement costs. The decrease of $10 million in 2022 was due to $35 million in normal amortization offset by $25 million of additional unamortized retirement costs (See Note 9). The decrease of $24 million in 2021 was due to $38 million in normal amortization offset by $14 million of additional unamortized retirements costs.

LIABILITIES – During 2022, $798 million of Power Supply Revenue Bonds in the 2022 A Series (Tax-exempt) and the 2022 Series B (Taxable) were issued to provide a portion of the funds required to finance a portion of the cost of acquisition and construction of Project Repowering. The bonds were issued at a premium of $89 million which will be amortized over the life of the bonds. The bonds will be paid over 20 years, commencing with the first principal payment on July 1, 2026. Prior to the issuance of the 2022 Series A and Series B Bonds, an additional $59 million of Transitional Project Indebtedness was issued in the form of 2019 Drawdown Bonds (See Note 7) to bring the total of 2019 Drawdown Bonds issued to $100 million. A portion of the proceeds of the 2022 Series A and 2022 Series B Bonds was used to fully repay the outstanding balance of 2019 Drawdown Bonds. Subsequently, the 2019 Drawdown Bond agreement was amended to allow their use for Transitional Project Indebtedness associated with the upgrade of the Southern Transmission System (STS) in connection with Project Repowering. An additional $29 million of 2019 Drawdown Bonds were issued for this purpose. This was also offset by $119 million of scheduled principal maturities on bonds and subordinated notes and the $39 million defeasance of the 2022 and 2023 maturities which constituted the last remaining subordinated lien bonds (See Note 5). Other liabilities increased by $65 million in 2022 due to an increase of $25 million in asset retirement obligations due to inflation adjustments, a $6 million increase in credit to participants, a $2 million increase in interest payable due to the July 1, 2022 interest payment on the 2022 Series A and 2022 Series B Bonds, and a $32 million increase in accounts payable compared to the prior year, associated with the increased Renewal Project construction activity.

During 2021, $19 million of Transition Project Indebtedness was issued in the form of 2019 Drawdown Bonds (see Note 7) to finance initial construction for the Project Repowering (see discussion of Project Repowering below). This was offset by $185 million of scheduled principal maturities on bonds and subordinated notes that were paid. Commercial paper notes decreased by $35 million as the remaining outstanding notes were paid. Other liabilities decreased by $21 million in 2021. As discussed above, IPA’s contractual rights and obligations for certain employee pensions and postretirement benefits resulted in a reported asset in the current year compared to a liability in the prior year, resulting in a decrease in personnel services contract obligations of $64 million along with a $2 million decrease in other non-current liabilities. This was offset by a $14 million increase in asset retirement obligations due to inflation adjustments, a $15 million increase in credit to participants and a $16 million increase in accounts payable compared to the prior year.

The 2022 Series A (Tax-exempt) and 2022 Series B (Taxable) Power Supply Revenue Bonds are rated by Moody's at Aa3, while Fitch rates them AA-. The subordinated notes and drawdown bonds are not rated because they are not publicly traded.

DEFERRED INFLOWS OF RESOURCES – At June 30, 2022 and 2021, total accumulated Project costs billed to participants exceeded accumulated U.S. GAAP expenses. Accordingly, the excess of such billings is reported as a deferred inflow, net costs billed to participants not yet expensed at June 30, 2022 and 2021. The resulting changes in net costs billed to participants not yet expensed are outlined in Note 4. During 2022, $118 million was collected from certain purchasers to prefund anticipated decommissioning and hydrogen expenditures. These pre-fundings are recorded as deferred inflows of resources and will be recognized as revenue as the related expenditures become billable as monthly power costs in future years.

REVENUE, EXPENSES, AND CHANGE IN NET POSITION – Net operating revenues decreased $222 million in 2022 and increased by $4 million in 2021. The decrease in 2022 is primarily due to less revenue being billed to the Purchasers due to the decrease in scheduled power. In the fall of 2021, nationwide labor shortages caused a significant number of train deliveries of coal to be canceled, which caused the supply of coal inventory to drop considerably. To ensure sufficient coal supply to meet anticipated demand in the late summer of 2022, plant capacity was significantly reduced from October 2021 through June 2022. The 2021 change is not significant. In addition, changes in revenues from corresponding changes to net costs billed to participants not yet expensed in 2022 and 2021 are due principally to the following: a decrease of $156 million and $1 million in 2022 and 2021, respectively, for bond and subordinated note principal requirements; an increase of $130 million and a decrease of $122 million in 2022 and 2021, respectively, in billings for previously deferred expenses in conformity with U.S. GAAP, and an decrease of $35 million in 2022 and an increase of $20 million in 2021 for capital improvements and required fund deposits.

Fuel expense decreased by $42 million in 2022 and increased by $16 million in 2021. The decrease in 2022 is primarily due to a 23% decrease in net capacity factor caused by the planned reduction in plant generation noted above. Conversely, the increase in 2021 is primarily due to an 8% increase in net capacity during the year. Other operating expenses increased by $136 million in 2022 due primarily to a benefit of approximately $4 million compared to $86 million in the prior year arising from changes in the reported asset amounts under a Personnel Services Contract for IPSC's pensions and other postretirement benefits. In addition, depreciation and amortization increased by $22 million resulting from the increase in asset retirement obligations and the related asset retirement cost. Other operating expenses decreased by $135 million in 2021 due primarily to a benefit of approximately $86 million in 2021 compared to an expense of $45 million in 2020 arising from changes in the reported asset and liability amounts under a Personnel Services Contract for IPSC's employee pensions and other postretirement benefits.

Net interest charges increased by $6 million in 2022 and decreased by $18 million in 2021, respectively. The 2022 increase was due to the interest associated with the issuance of the 2022 Series A and 2022 Series B Bonds. The decrease in 2021 was due to the decrease in outstanding debt, combined with the impact of the required adjustment to the interest rates on certain outstanding subordinated notes. The Subordinated Notes require an annual adjustment of interest rates to reflect the impact of cash flow savings from IPA retirements of bonds that had previously been defeased through subordinated notes. These adjustments resulted in certain notes having negative interest (see Note 6). Other non-operating income did not change significantly in 2022 or 2021. Changes in net position are zero because IPA is completely debt financed and the Contracts contain no provision for profit.

Management's Discussion and Analysis

ELECTRIC INDUSTRY LEGISLATION AND REGULATION – California has enacted legislation prohibiting its municipally owned electric utilities from entering into new long-term financial commitments for base load generation that do not meet certain greenhouse gases emissions performance standards. During August 2018, the California legislature passed legislation stating California policy that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by December 31, 2045. These and other environmental regulation issues are discussed in Note 13 to the financial statements.

PROJECT REPOWERING – Over the past several years, IPA and the Purchasers have engaged in strategic activities so that the Project may continue operation in compliance with current electric industry regulation applicable to its Purchasers, beyond the expiration of the current Power Sales Contracts. IPA and the Purchasers executed the Second Amendatory Power Sales Contracts, which provides that the Project be repowered, and that IPA offer the Purchasers renewal in their generation and associated transmission entitlements through Renewal Power Sales Contracts (the "Renewal Contracts"), the term of which commences upon the termination of the current Power Sales Contracts on June 15, 2027. IPA and 32 of the Purchasers entered into Renewal Contracts, which became effective on January 16, 2017. Two renewing California Purchasers subsequently provided a notice of termination of their Renewal Contracts to IPA effective November 1, 2019. All entitlement shares abandoned by non-renewing purchasers are fully allocated among the remaining purchasers. The 50-year term of the Renewal Contracts is to commence upon the termination of the Contracts.

On September 24, 2018, IPA and the Purchasers approved changes to the repowering that constituted an Alternative Repowering under the Contracts. The Alternative Repowering is described to include the construction and installation of two combined-cycle natural gas fired power blocks, each block consisting of one gas turbine, a heat recovery steam generator train and a single steam turbine, with an approximate combined net generation capability of 840 MW.

On August 6, 2019, the IPA Board and Intermountain Power Project (IPP) Coordinating Committee formally approved the Retirement Plan for the decommissioning and retirement of the existing facilities that are not to be used for the generation or transmission of power pursuant to the Contracts or the Renewal Contracts, which created a contractual requirement to retire certain capital assets under the Renewal Contracts.

On November 25, 2019, IPA and the Purchasers approved a Plan of Finance for funding renewal project activities that provided using shorter-term bridge financing in early project stages followed by long-term financing as required to fund anticipated costs to complete construction. Accordingly, on December 30, 2019, IPA entered into a bond purchase agreement with Royal Bank of Canada (RBC), by which IPA issued one subseries of Tax-Exempt Drawdown Bonds and one subseries of Taxable Drawdown Bonds, collectively called the 2019 Drawdown Series. Up to $100 million of drawdown bonds can be issued. As of May 2022, the entire $100 million of Drawdown Bonds had been issued. On May 12, 2022, IPA issued Power Supply Revenue Bonds 2022 Series

A (Tax-Exempt) and 2022 Series B (Taxable) in the amount of $798 million to finance a portion of the cost of acquisition and construction of the Gas Repowering. A portion of the proceeds of the sale of the 2022 Series A and B Bonds was used to fully repay the $100 million of outstanding Drawdown Bonds.

On February 14, 2020, IPA awarded Mitsubishi Hitachi Power Systems a contract for two M501JAC power trains for the renewal project gas turbines. Initial milestone payments for turbine construction commenced in April 2020 and have continued through June 2022. The turbines will be commercially guaranteed capable of using a mix of 30% hydrogen and 70% natural gas at start-up in 2025. This mixture is expected to reduce carbon emissions by more than 75% compared to the retiring coal-fueled technology.

The costs of the hydrogen facilities are being funded by the Purchasers to the extent such elect to facilitate the development of such facilities. The costs of the hydrogen betterments are and some of the initial costs of the hydrogen production and storage capacity have been funded by payments to a Hydrogen Betterments Fund established by and funded pursuant to resolutions adopted by the IPP Coordinating Committee, and the Renewal Contract Coordinating Committee established pursuant to the Renewal Power Sales Contracts and IPA. LADWP, Burbank and Glendale are the only Purchasers that have elected to make payments to the Hydrogen Betterment Fund.

IPA and the Coordinating Committee have also approved a capital improvement plan for the STS consisting of the replacement, renewal, and expansion of AC switchyards, reactive power equipment and associated facilities at the Adelanto Converter Station and the Intermountain Converter Station (STS Renewal Project). The cost of acquisition and construction is expected to be funded through payments-in-aid of construction to be made by the Southern California Public Power Authority (SCPPA). On May 12, 2022, IPA and RBC amended and restated the bondholder agreements to allow IPA to issue additional subordinated indebtedness not to exceed $200,000,000 for the purpose providing a portion of the monies necessary to pay the cost and acquisition and construction of the STS Renewal Project. As of June 30, 2022, $29 million of Drawdown Bonds have been issued for the STS Renewal Project.

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Statements of Net Position

June 30, 2022 and 2021 (in thousands)

	2022	2021
ASSETS		
UTILITY PLANT:		
Electric plant in service	$ 3,345,215	$ 3,180,813
Less accumulated depreciation	(2,601,115)	(2,488,664)
Net	744,100	692,149
RESTRICTED ASSETS:		
Cash and cash equivalents	178,884	55,699
Investments	706,976	11,330
Interest receivable	460	16
Total	886,320	67,045
OTHER NON-CURRENT ASSETS:		
Prepaid personnel services contract costs	34,416	30,007
Other	3,886	2,579
Total	38,302	32,586
Total Non-Current Assets	1,668,722	791,780
CURRENT ASSETS:		
Cash and cash equivalents	35,120	29,829
Investments	89,573	161,425
Interest receivable	289	122
Receivable from participants	–	7,752
Fuel inventories	60,591	43,498
Materials and supplies	18,674	22,271
Other	3,233	6,688
Total Current Assets	207,480	271,585
TOTAL ASSETS	1,876,202	1,063,365
DEFERRED OUTFLOWS OF RESOURCES:		
Unamortized refunding charge	2,648	7,860
Unamortized asset retirement costs	121,040	126,316
Other	1,412	1,678
Total Deferred Outflows of Resources	125,100	135,854
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 2,001,302**	**$ 1,199,219**

See notes to financial statements.

(Continued)

Statements of Net Position

June 30, 2022 and 2021 (in thousands)

	2022	2021
LIABILITIES		
LONG-TERM PORTION OF BONDS PAYABLE - Net	$ 886,920	$ 40,062
LONG-TERM PORTION OF SUBORDINATED NOTES PAYABLE - Net	5,521	79,936
LONG-TERM DRAWDOWN BONDS	29,000	41,500
ADVANCES FROM SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY	10,930	10,930
OTHER NON-CURRENT LIABILITIES:		
Asset retirement obligations	298,107	273,242
Other	1,680	1,854
Total Non-Current Liabilities	299,787	275,096
CURRENT LIABILITIES:		
Current maturities of bonds payable	–	44,030
Current maturities of subordinated notes payable	75,791	74,971
Interest payable	4,506	2,565
Accrued credit to participants	57,496	50,949
Accounts payable and accrued liabilities	88,559	56,443
Total Current Liabilities	226,352	228,958
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 1, 7, 11, and 13)	–	–
TOTAL LIABILITIES	1,458,510	676,482
DEFERRED INFLOWS OF RESOURCES:		
Net costs billed to participants not yet expensed	420,599	519,056
Prefunding of decommissioning and hydrogen betterments	118,000	–
Other	4,193	3,681
Total Deferred Inflows of Resources	542,792	522,737
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**$ 2,001,302**	**$ 1,199,219**

See notes to financial statements.

(Concluded)

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2022 and 2021 (in thousands)

	2022	2021
OPERATING REVENUES:		
Power sales to participants	$ 394,565	$ 609,552
Less credit to participants	(57,638)	(51,091)
Net revenues	336,927	558,461
OPERATING EXPENSES (INCOME):		
Fuel	133,420	175,409
Operation	73,765	(46,750)
Maintenance	63,622	66,096
Depreciation and amortization	144,737	122,095
Taxes and payment in lieu of taxes	13,460	17,587
Total expenses	429,004	334,437
OPERATING INCOME (LOSS)	(92,077)	224,024
NON-OPERATING INCOME	1,805	1,133
INTEREST CHARGES (BENEFIT):		
Interest on bonds, subordinated notes, and other debt	(9,287)	(8,177)
Financing expenses (principally amortization of bond discount and refunding charge on defeasance of debt)	10,794	11,928
Charge on retirement of debt	814	–
Loss (earnings) on investments	5,864	(1,248)
Net interest charges	8,185	2,503
NET COSTS BILLED TO (RECOVERED FROM) PARTICIPANTS NOT YET EXPENSED	(98,457)	222,654
CHANGE IN NET POSITION	$ –	$ –

See notes to financial statements.

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021 (in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from power billings to participants	$ 469,226	$ 566,683
Other cash receipts	1,805	1,133
Cash paid to suppliers	(313,081)	(277,106)
Net cash provided by operating activities	157,950	290,710
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	974,420	19,000
Defeasance and retirement of bonds	(140,941)	–
Debt issuance costs	(3,740)	(9)
Principal paid on long-term debt	(119,001)	(184,903)
Principal paid on commercial paper	–	(35,200)
Interest received on long-term debt and commercial paper	11,713	7,587
Additions to electric plant in service	(121,656)	(66,382)
Net cash provided by (used in) capital and related financing activities	600,795	(259,907)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(766,544)	(149,822)
Proceeds from sales/maturities of investments	134,753	130,474
Interest earnings received on investments	1,522	1,500
Net cash used in investing activities	(630,269)	(17,848)
NET INCREASE IN CASH AND CASH EQUIVALENTS	128,476	12,955
CASH AND CASH EQUIVALENTS:		
Beginning balance	85,528	72,573
Ending balance	**$ 214,004**	**$ 85,528**

See notes to financial statements.

(Continued)

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021 (in thousands)

	2022	2021
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (92,077)	$ 224,024
Other non-operating income	1,805	1,133
Depreciation and amortization	144,737	122,095
Financing expenses, net of amortization of bond discount and refunding charge on defeasance of debt	(885)	(425)
Changes in operating assets and liabilities:		
Receivable from participants	7,752	(6,591)
Fuel inventories	(17,093)	16,347
Materials and supplies	3,597	(440)
Other current assets	3,455	(371)
Prepaid/accrued personnel services contract costs	(4,409)	(94,249)
Other liabilities	(174)	(1,942)
Accounts payable and accrued liabilities	(12,777)	14,698
Accrued credit to participants	6,547	14,813
Other assets	(1,307)	(557)
Deferred outflows of resources	266	190
Deferred inflows of resources	118,513	1,985
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 157,950**	**$ 290,710**

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Accounts payable and accrued liabilities included $49,469 and $4,577 at June 30, 2022 and 2021, respectively, of accruals for additions to electric plant in service.

See notes to financial statements.

(Concluded)

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE – Intermountain Power Agency (IPA), a separate legal entity and political subdivision of the State of Utah, was formed in 1977 by an Organization Agreement pursuant to the provisions of the Utah Interlocal Co-operation Act. IPA's membership consists of 23 municipalities which are suppliers of electric energy in the State of Utah. IPA's purpose is to own, acquire, construct, finance, operate, maintain, repair, administer, manage and control a facility to generate electricity located in Millard County, Utah and transmission systems through portions of Utah, Nevada and California (the "Project"). The operation and maintenance, along with construction of certain capital improvements of the Project are managed for IPA by the Department of Water and Power of the City of Los Angeles (LADWP) in its capacity as Operating Agent and Project Manager, respectively, pursuant to agreements. LADWP has also contracted to purchase a portion of the electric energy generated from the Project (see Note 11). Personnel at the generating plant are employed by Intermountain Power Service Corporation (IPSC), a separate legal non-governmental entity. IPSC is not a component unit of IPA. However, under a Personnel Services Contract ("PSC") between IPA and IPSC, IPA is required to pay all costs incurred by IPSC, including employee pensions and other postretirement benefits offered by IPSC to its employees. IPA's contractual rights and obligations under the PSC for IPSC's employee pensions and other postretirement benefits resulted in non-current assets of approximately $34,416,000 and $30,007,000 as of June 30, 2022 and 2021, respectively, as reported in the accompanying statements of net position. For the years ended June 30, 2022 and 2021, the accompanying statements of revenues, expenses, and changes in net position includes a benefit of approximately $4,409,000 and $86,449,000, respectively, within operation expense related to changes in these reported contractual amounts.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BASIS OF ACCOUNTING – IPA maintains its records substantially in accordance with the Federal Energy Regulatory Commission Uniform System of Accounts, as required by its Contracts (see Note 11), and in conformity with U.S. GAAP. IPA applies all of the pronouncements of the Governmental Accounting Standards Board (GASB).

UTILITY PLANT – Electric plant in service is stated at cost, which represents the actual direct cost of labor, materials, and indirect costs, including interest and other overhead expenses, net of related income during the construction period. Depreciation of electric plant in service is computed using the straight-line method over the estimated useful lives of the assets which range from five to 50 years.

PAYMENTS-IN-AID OF CONSTRUCTION – IPA and the Southern California Public Power Authority (SCPPA), which is comprised of certain California Purchasers (see Note 9), have entered into the Southern Transmission System Agreement, as amended, ("STS Agreement") whereby SCPPA has made payments-in-aid of construction accumulating to approximately $737,900,000 as of June 30, 2022 and 2021, to IPA for costs associated with the acquisition, construction and improvements of the Southern Transmission System of the Project ("STS"). Such payments-in-aid are recorded as reductions to utility plant. IPA has also entered into inter-connection agreements with other entities that have made additional payments-in-aid of construction accumulating to approximately $2,037,000 as of June 30, 2022 and 2021.

CASH AND CASH EQUIVALENTS – IPA considers short-term investments with an original maturity of three months or less to be cash equivalents. As more fully discussed in Note 5, the IPA Bond Resolution required the establishment of certain funds and prescribes the use of monies in these funds. Accordingly, the assets held in certain of these funds are classified as restricted in the accompanying statements of net position. Such restricted amounts are considered cash equivalents for purposes of the statements of cash flows.

INVESTMENTS – The IPA Bond Resolution, as amended, stipulates IPA may invest in any securities, obligations or investments that are permitted by Utah Law. Investments are held by IPA as beneficial owner in book-entry form. Management believes there were no investments held by IPA during the years ended June 30, 2022 and 2021 that were in violation of the requirements of the IPA Bond Resolution.

Investments are stated at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets in the statements of net position and as earnings on investments in the statements of revenues, expenses, and changes in net position.

FUEL INVENTORIES, MATERIALS AND SUPPLIES – Fuel inventories for the Project, principally coal, which have been purchased for the operation of the utility plant are stated at cost (computed on a last-in, first-out basis). The replacement cost of Project fuel inventory is approximately $24,167,000 and $20,318,000 greater than the stated last-in, first-out value at June 30, 2022 and 2021, respectively. Materials and supplies are stated at average cost.

UNAMORTIZED BOND DISCOUNT AND REFUNDING CHARGE ON DEFEASANCE OF DEBT – Unamortized premium and discount related to the issuance of bonds and the unamortized refunding charge related to the refunding of certain bonds are deferred and amortized using the interest method over the terms of the respective bond issues. Bonds payable have been reported net of the unamortized bond premium and discount in the accompanying statements of net position. Unamortized refunding charge is reported as a deferred outflow of resources.

NET COSTS BILLED TO PARTICIPANTS NOT YET EXPENSED – Billings to participants are designed to recover power costs as set forth by the Power Sales Contracts (see Note 10), which principally include current operating expenses, scheduled debt principal and interest, and deposits into certain funds. Pursuant to GASB Statement No. 62 related to regulated operations, net costs billed to participants not yet expensed in accordance with U.S. GAAP or expenses recognized but not currently billable under the Contracts are recorded as net costs billed to participants not yet expensed (a deferred inflow) or deferred as net costs to be recovered from future billings to participants (an asset), respectively, in IPA's statements of net position. In future periods, the deferred inflow will be settled, or the asset will be recovered as the associated expenses are recognized in accordance with U.S. GAAP or when they become billable Project costs in future participant billings, respectively. At June 30, 2022 and 2021, total accumulated Project costs billed to participants to date exceeded accumulated U.S. GAAP expenses, resulting in a deferred inflow, net costs billed to participants not yet expensed (see Note 4). Over the life of the Power Sales Contracts, aggregate U.S. GAAP expenses will equal aggregate billable power costs.

California has enacted legislation prohibiting its municipally owned electric utilities from entering into new long-term financial commitments for base-load generation that do not meet certain greenhouse gases emissions performance standards. During August 2018, the California Legislature passed legislation stating California policy that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by December 31, 2045. The Environmental Protection Agency (EPA) has also proposed regulation of certain greenhouse gases emissions. Future federal and state legislative and regulatory action may also result from the increasing national and international attention to climate change. Legislative and regulatory actions, both nationally and in California, have had and may yet have significant (yet hard to quantify) effects on IPA and the Purchasers (see Note 10). If these effects, which are not currently determinable, were to cause the Purchasers to be unable to meet their future power sales contract payment obligations, IPA may then be required to remove assets and liabilities recognized pursuant to IPA's regulated operations from the statement of net position when the related application criteria is no longer met unless those costs continue to be recoverable through a separate regulatory billing. As of June 30, 2022, costs deferred are probable of recovery through future billings.

LONG-LIVED ASSETS – IPA evaluates the carrying value of long-lived assets based upon an evaluation of indicators of impairment including evidence of physical damage, enactment or approval of laws and regulations, technological developments, changes in the manner or expected duration of use of a long-lived asset, and changes in demand. A long-lived asset that is potentially impaired is then tested to determine whether the magnitude of the decline in service utility is significant and unexpected. Measurement of the amount of impairment, if any, is based upon a restoration cost approach, service units approach, or deflated depreciated replacement cost approach, or the difference between carrying value and fair value.

PENSION AND OTHER POSTRETIREMENT OBLIGATIONS – IPA sponsors a defined benefit pension plan and a postretirement medical plan that are accounted for pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, respectively. No disclosures related to these plans are presented herein because amounts are not significant to the financial statements.

ASSET RETIREMENT OBLIGATIONS – IPA records asset retirement obligations when the liability associated with the retirement of its tangible long-lived assets is both incurred and reasonably estimable. The determination of when the liability is incurred is based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates an entity to perform asset retirement activities. An asset retirement obligation (ARO) is measured based on the best estimate of the current value of outlays expected to be incurred, including probability weighting of potential outcomes, with a deferred outflow of resources recognized at the amount of the corresponding liability upon initial measurement. The current value of an ARO is adjusted for the effects of general inflation or deflation at least annually. All relevant factors are evaluated at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. The deferred outflows of resources of asset retirement costs are amortized over the estimated useful life of the tangible capital assets. See Note 9 for additional information on IPA's asset retirement obligations.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS – In June 2017, the GASB issued Statement No. 87, Leases. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about an entity's leasing activities. IPA adopted his statement during the fiscal year ended June 30, 2022, the adoption of which did not have a material effect on the financial statements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS – In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting of subscription-based information technology arrangements (SBITs) for government end users. This statement is effective for financial statements for years beginning after June 15, 2022. IPA is currently evaluating the effects the adoption of this statement will have on the financial statements.

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

2. UTILITY PLANT

Utility plant activity for the years ended June 30, 2022 and 2021, is as follows (in thousands):

	July 1, 2021	Increases	Decreases	June 30, 2022
Utility plant not being depreciated -				
Construction work-in-progress	$ 54,864	$ 155,755	$ (65)	$ 210,554
Land and land rights	113,823	-	-	113,823
Total	168,687	155,755	(65)	324,377
Utility plant being depreciated/amortized:				
Production	2,838,551	7,083	(1,892)	2,843,742
Transmission	860,262	1,617	21	861,900
Payments-in-aid of construction - transmission	(739,937)	-	-	(739,937)
General	53,248	2,157	(274)	55,131
Total	3,012,124	10,857	(2,145)	3,020,836
Accumulated depreciation	(3,060,508)	(156,133)	2,145	(3,214,496)
Accumulated amortization of payments-in-aid of construction	571,846	41,537	-	613,383
Total accumulated depreciation	(2,488,662)	(114,596)	2,145	(2,601,113)
Utility plant - net	**$ 692,149**	**$ 52,016**	**$ (65)**	**$ 744,100**

	July 1, 2020	Increases	Decreases	June 30, 2021
Utility plant not being depreciated -				
Construction work-in-progress	$ 39,246	$ 31,595	$ (15,977)	$ 54,864
Land and land rights	113,823	-	-	113,823
Total	153,069	31,595	(15,977)	168,687
Utility plant being depreciated/amortized:				
Production	2,826,644	13,347	(1,440)	2,838,551
Transmission	832,239	38,635	(10,612)	860,262
Payments-in-aid of construction - transmission	(739,937)	-	-	(739,937)
General	52,679	649	(80)	53,248
Total	2,971,625	52,631	(12,132)	3,012,124
Accumulated depreciation	(2,926,888)	(145,752)	12,132	(3,060,508)
Accumulated amortization of payments-in-aid of construction	521,446	50,400	-	571,846
Total accumulated depreciation	(2,405,442)	(95,352)	12,132	(2,488,662)
Utility plant - net	**$ 719,252**	**$ (11,126)**	**$ (15,977)**	**$ 692,149**

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consist of the following at June 30, 2022 and 2021 (in thousands):

	2022		2021	
	Fair Value	Weighted Average Remaining Maturity	Fair Value	Weighted Average Remaining Maturity
Cash and Cash Equivalents:				
Restricted:				
Short-term investments	$ 76,881	90 days or less	$ –	
Money market funds	95,180	1 day or less	–	
Cash	6,823	1 day or less	55,699	1 day or less
Total Restricted	178,884		55,699	
Current:				
Money market funds	32,700	1 day or less	20,000	1 day or less
Cash	2,420	1 day or less	9,829	1 day or less
Total Current	35,120		29,829	
Total Cash and Cash Equivalents	**$ 214,004**		**$ 85,528**	
Investments:				
Restricted:				
U.S. Treasuries	$ 291,152	3.13 years	$ –	
U.S. Agencies	198,697	1.10 years	2,076	0.04 years
Commercial paper	128,041	0.49 years	5,198	1 day or less
Corporate bonds	89,086	1.52 years	4,056	0.35 years
Total Restricted	706,976		11,330	
Current:				
U.S. Agencies	25,556	2.78 years	25,901	1.59 years
Commercial paper	9,988	0.29 years	34,675	0.32 years
Corporate bonds	54,029	1.20 years	100,849	1.45 years
Total Current	89,573		161,425	
Total Investments	**$ 796,549**		**$ 172,755**	

Investments consist entirely of U.S. Government Agencies, U.S. Treasuries, commercial paper and corporate bonds whose fair value is derived from inputs using observable market data to estimate current interest rates.

INTEREST RATE RISK – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, IPA manages its exposure to interest rate risk by requiring that the remaining term to maturity of investments not exceed the date the funds will be required to meet cash obligations.

CREDIT RISK – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with its investment policy, IPA manages its exposure to credit risk by limiting its investments to securities authorized for investment of public funds under the Utah Money Management Act, which requires a rating of "A" or higher or the equivalent of "A" or higher by two nationally recognized statistical rating organizations.

CUSTODIAL CREDIT RISK – CASH DEPOSITS – Custodial credit risk is the risk that, in the event of a failure of the counterparty holding the funds, IPA's deposits may not be returned. IPA does not require deposits to be fully insured and collateralized. As of June 30, 2022, approximately $9,243,000 of IPA's bank balances are uninsured and uncollateralized.

FAIR VALUE MEASUREMENTS – IPA measures and records its investments using fair value measurement guidelines established by U.S. GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1 – Quoted prices for identical investments in active markets;
Level 2 – Observable inputs other than quoted market prices; and,
Level 3 – Valuations derived from unobservable inputs.

At June 30, 2022 and 2021, IPA's fair value measurements and their levels within the fair value hierarchy were as follows (in thousands):

	2022			
	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
U.S. Treasuries	$ –	$ 291,152	$ –	$ 291,152
U.S. Agencies	–	224,253	–	224,253
Commercial paper	–	138,029	–	138,029
Corporate bonds	–	143,115	–	143,115
Total investments by fair value level	**$ –**	**$ 796,549**	**$ –**	**$ 796,549**

	2021			
	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
U.S. Treasuries	$ –	$ –	$ –	$ –
U.S. Agencies	–	27,977	–	27,977
Commercial paper	–	39,873	–	39,873
Corporate bonds	–	104,905	–	104,905
Total investments by fair value level	**$ –**	**$ 172,755**	**$ –**	**$ 172,755**

4. NET COSTS BILLED TO PARTICIPANTS NOT YET EXPENSED

Net costs billed to participants not yet expensed for the years ended June 30, 2022 and 2021 and the accumulated totals as of June 30, 2022 and 2021, consisted of the following (in thousands):

	For the Years Ended June 30,		Accumulated Totals as of June 30,	
	2022	**2021**	**2022**	**2021**
Items in accordance with U.S. GAAP not billable to participants under the power sales contracts:				
Interest expense in excess of amounts billable	$ –	$ –	$ (452,454)	$ (452,454)
Depreciation and amortization expense	(144,737)	(122,095)	(2,970,652)	(2,825,915)
Amortization of bond discount and refunding on defeasance of bonds	(6,169)	(11,494)	(1,370,317)	(1,364,148)
Accretion of interest on zero coupon bonds	–	-	(349,408)	(349,408)
Charge on retired debt	(814)	-	(158,467)	(157,653)
Cumulative effect of a change in accounting principle	–	-	(18,241)	(18,241)
Accretion of asset retirement obligations	–	-	(26,965)	(26,965)
Unrealized gains on investments	(8,664)	82	(8,519)	145
Change in fair value of interest rate exchange agreements	–	-	(27,652)	(27,652)
Gain on sale of ownership interest in coal mines	–	-	4,877	4,877
Amortization of deferred fuel costs	–	-	(69,379)	(69,379)
Accrued interest earnings	129	(83)	(9,082)	(9,211)
Change in liabilities and other	(3,203)	100,386	(1,877)	1,326
Amounts billed to participants under the bond resolution and the power sales contracts:				
Bond and subordinated note principal	65,120	221,191	4,965,172	4,900,052
Deferred fuel costs	–	-	32,228	32,228
Capital improvements	27	34,531	585,909	585,882
Reduction of required fund deposits	(146)	136	3,950	4,096
Cash received from sale of assets	–	-	(18,904)	(18,904)
Participant funds expended for debt reduction, refinancing and/or other financing costs (Note 10)	–	-	310,380	310,380
Net costs billed to (recovered from) participants not yet expensed	**$ (98,457)**	**$ 222,654**	**$ 420,599**	**$ 519,056**

5. BONDS PAYABLE

To finance the construction of the Project, IPA sold Revenue and Revenue Refunding Bonds (the "Senior Bonds") pursuant to IPA's Power Supply Revenue Bond Resolution adopted September 28, 1978, as amended and supplemented (the "Bond Resolution") and IPA sold Subordinated Revenue Refunding Bonds (the "Subordinated Bonds") pursuant to IPA's Subordinated Power Supply Revenue Resolution adopted March 4, 2004, as supplemented (the "Subordinated Bond Resolution"). As of June 30, 2022 and 2021, for the Senior Bonds and the Subordinated Bonds (collectively, the "Bonds") the principal amount consisted of the following (in thousands):

Series	Bonds Dated	Final Maturity on July 1	2022	2021
Senior Bonds				
2022 A	5/12/2022	2045	$ 732,755	$ –
2022 B	5/12/2022	2045	64,850	–
Subordinated Bonds				
2018 A	4/4/2018	2023	–	82,830
Total Bonds payable			797,605	82,830
Unamortized bond premium			89,315	1,262
Current maturities of Bonds payable			–	(44,030)
LONG-TERM PORTION OF BONDS PAYABLE - Net			**$ 886,920**	**$ 40,062**

Interest rates on the Bonds payable outstanding at June 30, 2022 range from and 3.50% to 5.25% and were 5.00% at June 30, 2021.

The changes in the par value of Bonds payable for the years ended June 30, 2022 and 2021, are as follows (in thousands):

	2022	2021
Beginning balance	$ 82,830	$ 105,230
Additions - Revenue bonds issued	797,605	–
Deductions:		
Principal maturities	(44,030)	(22,400)
Bonds defeased/retired	(38,800)	–
Ending balance	**$ 797,605**	**$ 82,830**

The principal amounts of future maturities, sinking fund requirements and interest to be paid for the Bonds outstanding as of June 30, 2022, are as follows (in thousands):

Years ending June 30:	Principal	Interest
2023	$ –	25,030
2024	–	39,348
2025	–	39,348
2026	–	39,348
2027	24,400	38,754
2028 - 2032	141,085	174,189
2033 - 2037	179,410	135,057
2038 - 2042	226,775	86,279
2043 - 2046	225,935	23,379
Total	**$ 797,605**	**$ 600,732**

The Subordinated Bond Resolution stipulates that the Subordinated Bonds are direct and special obligations of IPA payable from and secured by amounts on deposit in the Subordinated Indebtedness Debt Service Account. The Bond Resolution and the Subordinated Bond Resolution require that after providing for monthly operating expenses and the required monthly deposits of revenues have been made to the Debt Service Fund that revenues in amounts sufficient to provide for the debt service requirements of Subordinated Bonds be deposited each month into the Subordinated Indebtedness Debt Service Account. The security for the Subordinated Bonds is senior to the security for the subordinated notes payable.

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

FUNDS ESTABLISHED BY THE BOND RESOLUTION – The Bond Resolution requires that certain funds be established to account for IPA's receipts and disbursements and stipulates the use of monies, investments held in such funds and balances that are to be maintained in certain of the funds. Balances in the other funds are determined by resolution of the IPA Board of Directors. Except as identified below, a summary of funds established by the Bond Resolution and the aggregate amount of assets held in these funds, including accrued interest receivable as of June 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Restricted assets:		
Debt Service Fund:		
Debt Service Account	$ 122,856	$ –
Debt Service Reserve Account	63,469	–
Subordinated Indebtedness Fund:		
Debt Service Account	4,738	60,095
Debt Service Reserve Account	–	1,531
Construction Fund:		
Tax Exempt Account	529,438	761
Taxable Account	42,498	9
STS Account(1)	5,454	–
Decommissioning Fund(2)	52,138	–
Hydrogen Fund(3)	61,229	–
Self-Insurance Fund	4,500	4,649
Total restricted assets	886,320	67,045
Revenue Fund (Note 11)	124,982	191,376
Total	**$1,011,302**	**$ 258,421**

(1) Subject to the pledge in favor of bondholders until funded by SCPPA payments-in-aid of construction
(2) To be established by supplemental resolution and not subject to the pledge in favor of bondholders
(3) Established by resolution of the IPA Board of Directors and not subject to the pledge in favor of bondholders

The reconciliation of the current assets as reported in the accompanying statements of net position to the Revenue Fund at June 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Current assets reported in statements of net position:		
Cash and cash equivalents	$ 35,120	$ 29,829
Investments	89,573	161,425
Interest receivable	289	122
Revenue Fund	**$ 124,982**	**$ 191,376**

COVENANTS – The Bond Resolution has imposed certain covenants upon IPA which, among others, include a promise to establish rates sufficient to pay the bondholders scheduled interest and principal payments and to make such payments on a timely basis, keep proper books of record and account, and comply with certain financial reporting and auditing requirements. IPA believes that it is in compliance with all covenants as of June 30, 2022.

DEFEASANCE OF DEBT – On October 1, 2021, $38,880,000, constituting the 2022 and 2023 maturities of the Series 2018A Bonds, were retired with cash held for such purposes by IPA (see Note 10). Accordingly, all amounts related to the retired Bonds were removed from the statement of net position, which resulted in a charge on retirement of debt during the year ended June 30, 2022 of $814,000. Because these bonds were retired rather than defeased through a refunding, the charge on retirement of debt has been reflected as an expense in the accompanying statements of revenue, expenses, and changes in net position. The aggregate outstanding principal amount of Bonds extinguished through prior period defeasance was $38,880,000 at June 30, 2022. No bonds were defeased during the year ended June 30, 2021.

6. SUBORDINATED NOTES PAYABLE

IPA and the California Purchasers (see Note 10) have entered into the Intermountain Power Project Prepayment Agreement ("Prepayment Agreement"). Pursuant to the Prepayment Agreement, a California Purchaser, upon providing IPA sufficient funds, can direct IPA to defease certain IPA outstanding Bonds. In consideration for IPA's use of the California Purchaser's funds to defease such outstanding Bonds, IPA issues to the California Purchaser a subordinated note or notes payable. Such subordinated notes payable are not subject to early redemption by IPA and are not transferable by the holder, but otherwise carry terms substantially equivalent to the defeased Bonds (subject to certain adjustments, some of which can result in negative interest) and are junior and subordinate to Bonds payable and commercial paper notes. As of June 30, 2022 and 2021, the principal amount of interest bearing subordinated notes payable consisted of the following (in thousands):

Note Holder	Issue Date	Final Maturity on July 1	2022	2021
LADWP	2/10/2000	2021	$ –	$ 2,534
LADWP	3/2/2000	2023	80,733	142,538
LADWP	5/2/2000	2021	–	4,025
City of Pasadena	1/29/2009	2023	1,440	8,047
Total subordinated notes payable			82,173	157,144
Unamortized discount			(861)	(2,237)
Current maturities of subordinated notes payable			(75,791)	(74,971)
Long-term portion of subordinated notes payable			**$ 5,521**	**$ 79,936**

The changes in the par value of subordinated notes payable for the years ended June 30, 2022 and 2021, are as follows (in thousands):

	2022	2021
Beginning balance	$ 157,144	$ 319,647
Deductions - principal maturities	(74,971)	(162,503)
Ending balance	**$ 82,173**	**$ 157,144**

The principal amounts of future maturities and interest to be received on subordinated notes payable as of June 30, 2022, are as follows (in thousands):

Years ending June 30:	Principal	Interest
2023	$ 75,791	$ (4,960)
2024	6,382	(53)
Total	**$ 82,173**	**$ (5,013)**

7. TRANSITION PROJECT INDEBTEDNESS

On November 25, 2019, IPA and the Purchasers approved a Plan of Finance for funding renewal project activities that anticipates using shorter-term bridge financing in early project stages followed by long-term financing as required to fund anticipated costs to complete construction. On December 27, 2019, IPA amended its subordinated indebtedness resolution to allow IPA to issue subordinated indebtedness not to exceed $100,000,000 for the purpose of providing a portion of the monies necessary to pay the Cost of Acquisition and Construction of the Gas Repowering (as defined in the Power Sales Contracts). These subordinated bonds are designated by the title "Subordinated Power Supply Revenue Bonds, 2019 Drawdown Series" (the "Drawdown Bonds") and deemed to constitute Transition Project Indebtedness as defined by the Power Sales Contracts. The Drawdown Bonds were issued by Royal Bank of Canada (RBC) on December 30, 2019, in two subseries, designated as Tax-Exempt and Taxable. The Drawdown Bonds issued and outstanding at June 30, 2021 were $38,000,000 and $3,500,000 and bore interest at 0.41% and 0.69% in the Tax-Exempt and Taxable subseries, respectively. During the year ended June 30, 2022, IPA issued additional Drawdown Bonds for construction activities resulting in the maximum amount of $92,000,000 and $8,000,000 being outstanding in the Tax- Exempt and Taxable subseries, respectively. On May 12, 2022, a portion of the proceeds of the sale of the 2022 Series A and B Bonds was used to fully repay the outstanding Drawdown Bonds.

On May 12, 2022, IPA and RBC amended and restated the bondholder agreements to allow IPA to issue additional subordinated indebtedness not to exceed $200,000,000 for the purpose providing a portion of the monies necessary to pay Cost and Acquisition and Construction of the Gas Repowering and the STS Renewal Project. The Drawdown Bonds are to be terminated and repaid on or before December 29, 2023. Should any principal of Drawdown Bonds not be repaid on or before December 29, 2023, the principal will be redeemed through installment payments during an amortization period that ends on June 17, 2027. The Drawdown Bonds issued and outstanding at June 30, 2022 were $29,000,000 and $0 and bore interest at 1.37% and 0.00% in the Tax-Exempt and Taxable subseries, respectively.

8. ADVANCES FROM SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

In accordance with the STS Agreement, SCPPA has funded an allocable portion of certain of IPA's reserves. Management believes that advances from SCPPA in the accompanying financial statements meet those required under and are co-terminus with the STS Agreement.

9. ASSET RETIREMENT OBLIGATIONS

IPA's transmission facilities are generally located upon land that is leased from Federal and certain state governments. Upon termination of the leases, the structures, improvements and equipment are to be removed and the land is to be restored. Because these leases are expected to be renewed indefinitely and because of the inherent value of the transmission corridors, the leases have no foreseeable termination date and, therefore, IPA has no asset retirement obligations (AROs) recorded related to the transmission facilities. IPA does have certain AROs related to other long-lived assets at or near the generation station site resulting from applicable laws and regulations. These obligations are related to the reclamation of certain rights-of-way, wastewater ponds, settling ponds, landfills and other facilities that may affect ground water quality.

On August 6, 2019, the IPA Board and Intermountain Power Project (IPP) Coordinating Committee formally approved the Retirement Plan for the decommissioning and retirement of the existing facilities that are not to be used for the generation or transmission of power pursuant to the Contracts or the Renewal Contracts, which created a contractual requirement to retire certain capital assets under the Renewal Contracts.

As of June 30, 2022 and 2021, the current value of IPA's asset retirement obligations totaled approximately $298,107,000 and $273,242,000, respectively. The current value of AROs is generally estimated based on decommissioning cost studies performed by third-party experts. The increase in the current value of AROs of approximately $24,865,000 during the year ended June 30, 2022 is due to the effects of general inflation.

10. POWER SALES AND POWER PURCHASE CONTRACTS

IPA has sold the entire capacity of the Project pursuant to Power Sales Contracts, as amended (the "Contracts"), to 35 utilities consisting of six California municipalities ("California Purchasers"), 23 Utah municipalities ("Utah Municipal Purchasers") and six rural electrical cooperatives ("Cooperative Purchasers") (collectively, the "Purchasers"). The California Purchasers, Utah Municipal Purchasers and the Cooperative Purchasers have contracted to purchase approximately 79%, 14%, and 7%, respectively, of the capacity of the Project. The Contracts expire on June 15, 2027. As long as any of the Bonds are outstanding, the Contracts cannot be terminated nor amended in any manner which will impair or adversely affect the rights of the bondholders. Under the terms of the Contracts, the Purchasers are obligated to pay their proportionate share of all operation and maintenance expenses and debt service on the Bonds and any other debt incurred by IPA, whether or not the Project or any part thereof is operating or operable, or its output is suspended, interrupted, interfered with, reduced, or terminated. In accordance with the Contracts, billings in excess of monthly power costs, as defined, are credited to Purchasers taking power in any fiscal year (the "Participants"). IPA recorded credits to Participants in operating revenue of approximately $57,638,000 and $51,091,000 for the years ended June 30, 2022 and 2021, respectively. Such credits to Participants are applied in the subsequent year to reduce power billings in accordance with the Contracts.

As part of IPA's strategic planning initiatives, IPA and the Purchasers executed the Second Amendatory Power Sales Contracts which provides that the Project be repowered, and that IPA offer the Purchasers renewal in their generation and associated transmission entitlements through the Renewal Power Sales Contracts (the "Renewal Contracts"). IPA and 32 of the Purchasers entered into Renewal Contracts, which became effective on January 16, 2017. Two renewing California Purchasers subsequently provided a notice of termination of their Renewal Contracts to IPA effective November 1, 2019. The 50-year term of the Renewal Contracts is to commence upon termination of the Contracts.

On September 24, 2018, IPA and the Purchasers approved changes to the repowering that constituted an Alternative Repowering under the Contracts. The Alternative Repowering is described to include the construction and installation of two combined-cycle natural gas fired power blocks, each block consisting of one gas turbine, a heat recovery steam generator train and a single steam turbine, with an approximate combined net generation capability of 840 MW.

A Bond Retirement and Financing Account ("BRFA") was established by the Forty-First Supplemental Power Supply Revenue Bond Resolution (the "Forty-First Supplemental Resolution"). Amounts deposited into the BRFA have been held in the Revenue Fund and were to be used to purchase, redeem or defease outstanding IPA debt; for contributions required to be made by IPA in refunding bond issues; or for other financing costs since the BRFA was established. The remaining BRFA funds totaled approximately $40,017,000 as of June 30, 2021. During the year ended June 30, 2022, BRFA funds were used to defease the last remaining subordinated lien bonds, leaving $596,000 which will be returned to the Purchasers.

11. RELATED PARTY TRANSACTIONS

LADWP, as Operating Agent, performed engineering and other services for the Project totaling approximately $43,662,000 and $35,660,000 for the years ended June 30, 2022 and 2021, respectively, which has been billed to IPA and charged to operations or utility plant, as appropriate. Operating Agent unbilled costs totaling approximately $411,000 and $4,415,000 are included in accounts payable at June 30, 2022 and 2021, respectively.

Power sales to LADWP for the years ended June 30, 2022 and 2021, totaled approximately $258,900,000 and $401,921,000, respectively. The receivable from LADWP at June 30, 2022 and 2021, was approximately $0 and $4,233,000, respectively. Power sales to the City of Anaheim for the years ended June 30, 2022 and 2021, totaled approximately $55,865,000 and $82,873,000, respectively. The receivable from the City of Anaheim at June 30, 2022 and 2021, was approximately $0 and $1,600,000, respectively. No other individual purchasers are over 10% of generation entitlement.

Subordinated notes payable have been issued to LADWP (see Note 6). Interest income on these subordinated notes payable of approximately $14,333,000 and $11,852,000 has been recorded for the years ended June 30, 2022 and 2021, respectively, of which approximately $828,000 was receivable at June 30, 2022 and $519,000 was payable at June 30, 2021.

Subordinated notes payable have been issued to the City of Pasadena (see Note 6). Interest income on these subordinated notes payable of approximately $794,000 and $503,000 has been recorded for the years ended June 30, 2022 and 2021, respectively, of which approximately $21,000 and $24,000 was receivable at June 30, 2022 and 2021, respectively.

12. COMMITMENTS AND CONTINGENCIES

COAL SUPPLY – At June 30, 2022, IPA was obligated under short and long-term take-or-pay coal supply contracts for the purchase of coal. The cost of coal is computed at a base price per ton, adjusted periodically for various price and quality adjustments and includes transportation to the plant. The contracts require minimum purchases of coal over the lives of the contracts, exclusive of events of force majeure, as follows (computed using the current price under the contracts, in thousands):

Years ending June 30:	
2023	$ 223,290
2024	178,617
2025	82,749
Total	**$ 484,656**

The actual cost of coal purchases under the coal supply contracts for the years ended June 30, 2022 and 2021, was approximately $145,300,000 and $148,191,000, respectively.

Litigation – IPA is in litigation arising from its operating activities. The probability or extent of unfavorable outcomes of these suits is not presently determinable.

CALIFORNIA GREENHOUSE GAS INITIATIVES – For several years, California policy makers have sought to limit greenhouse gas emissions in California. Both the Los Angeles City Council and the State of California have adopted renewable portfolio standards, which, among other things required LADWP and the other California utilities to serve 33% and 50% of their load with renewable energy by 2020 and 2030, respectively. On September 29, 2006, California Senate Bill 1368 – An Act to Impose Greenhouse Gas Performance Standards on Locally Owned Public Utilities (SB 1368) was signed into law. SB 1368 was directed specifically at limiting greenhouse gas emissions associated with electric power consumed in California by prohibiting California electric providers from entering into long-term financial commitments for base load generation unless such generation complies with greenhouse gas emission performance standards. On September 10, 2018, California Senate Bill 100 (SB 100) was signed into law. SB 100 states California policy that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by December 31, 2045. SB 100 also accelerates the existing target of 50% renewable energy by 2030, to 60% renewable energy by 2030. While these and other actions by California policy makers have the potential to impact IPA and its power purchasers, IPA does not believe that any of these initiatives will render existing Power Sales Contracts between IPA and the California Purchasers void, ineffective or unenforceable.

OTHER ENVIRONMENTAL REGULATION – The EPA has proposed regulation of certain greenhouse gases emissions. Future federal and state legislative and regulatory action may also result from the increasing intensity of national and international attention to climate change. Legislative and regulatory actions, both nationally and in California, have had and may yet have significant (yet hard to quantify) effects on IPA and the Purchasers.

13. SUBSEQUENT EVENT

On September 21, 2022, ACNR Coal Sales, Inc. announced that the Lila Canyon Mine was evacuated and that an underground fire continues to burn unabated at the mine. IPA does not have a current contract to purchase coal directly from Lila Canyon. However, since Lila Canyon produces approximately 25% of the coal currently sold in Utah, a prolonged closure of the mine may significantly impact the future coal market. The effects on IPA are not currently estimable.

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Supplemental Schedule of Changes in Funds Established by the IPA Revenue Bond Resolution

for the Years Ended June 30, 2021 and 2022 (in thousands)

		Restricted Assets					
		Subordinated Indebtedness Fund		Construction Fund			
	Revenue Fund	Debt Service Account	Debt Service Reserve Account	Tax Exempt Construction Account	Taxable Construction Account	Self-Insurance Fund	Total
BALANCE, JULY 1, 2020	$ 179,346	$ 39,251	$ 2,345	$ 740	$ 29	$ 4,659	$ 226,370
ADDITIONS:							
Proceeds from issuance of Bonds	-	-	-	17,650	1,350	-	19,000
Power billings received	566,683	-	-	-	-	-	566,683
Other revenues	1,133	-	-	-	-	-	1,133
Investment earnings (loss)	1,383	(76)	(51)	2	-	(10)	1,248
Total	569,199	(76)	(51)	17,652	1,350	(10)	588,064
DEDUCTIONS:							
Operating expenditures	277,106	-	-	-	-	-	277,106
Capital expenditures	47,707	-	-	18,675	-	-	66,382
Interest paid (received) on long-term debt and commercial paper	-	(7,904)	-	269	48	-	(7,587)
Principal paid on long-term debt	-	184,903	-	-	-	-	184,903
Principal paid on commercial paper	-	35,200	-	-	-	-	35,200
Debt issuance costs	-	-	-	9	-	-	9
Total	324,813	212,199	-	18,953	48	-	556,013
TRANSFERS:							
Transfer of revenues to other Funds	(213,150)	213,090	60	-	-	-	-
Other transfers	(19,206)	20,029	(823)	1,322	(1,322)	-	-
Total	(232,356)	233,119	(763)	1,322	(1,322)	-	-
BALANCE, JUNE 30, 2021	**$ 191,376**	**$ 60,095**	**$ 1,531**	**$ 761**	**$ 9**	**$ 4,649**	**$ 258,421**

(Continued)

Supplemental Schedule of Changes in Funds Established by the IPA Revenue Bond Resolution

for the Years Ended June 30, 2021 and 2022 (in thousands)

		Restricted Assets										
		Debt Service Fund		Subordinated Indebtedness Fund		Construction Fund						
	Revenue Fund	Debt Service Account	Debt Service Reserve Account	Debt Service Account	Debt Service Reserve Account	Tax Exempt Construction Account	Taxable Construction Account	STS Construction Account (1)	Decommissioning Fund (2)	Hydrogen Betterments Fund (3)	Self-Insurance Fund	Total
BALANCE, JULY 1, 2021	$ 191,376	$ –	$ –	$ 60,095	$ 1,531	$ 761	$ 9	$ –	$ –	$ –	$ 4,649	$ 258,421
ADDITIONS:												
Proceeds from issuance of Bonds	–	123,400	63,751	–	–	703,120	55,149	29,000	–	–	–	974,420
Billings received	469,226	–	–	–	–	–	–	–	–	–	–	469,226
Other revenues	1,805	–	–	–	–	–	–	–	–	–	–	1,805
Investment earnings (loss)	(867)	(458)	(238)	(3)	8	(1,492)	(113)	9	(1,862)	(542)	(306)	(5,864)
Total	470,164	122,942	63,513	(3)	8	701,628	55,036	29,009	(1,862)	(542)	(306)	1,439,587
DEDUCTIONS:												
Defeasance and retirement of Bonds	–	–	–	40,941	–	92,000	8,000	–	–	–	–	140,941
Operating expenditures	313,081	–	–	–	–	–	–	–	–	–	–	313,081
Capital expenditures	18,982	–	–	–	–	80,468	–	22,194	–	12	–	121,656
Interest paid (received) on long-term debt and commercial paper	–	–	–	(12,079)	–	303	63	–	–	–	–	(11,713)
Principal paid on long-term debt	–	–	–	119,001	–	–	–	–	–	–	–	119,001
Debt issuance costs	–	–	–	–	–	3,567	173	–	–	–	–	3,740
Total	332,063	–	-	149,863	–	176,338	8,236	22,194	–	12	–	686,706
TRANSFERS:												
Transfer of revenues to other Funds	(90,420)	(86)	(44)	90,569	(19)	–	–	–	–	–	–	–
Other transfers	(114,075)	–	–	1,940	(1,520)	3,387	(4,311)	(1,361)	54,000	61,783	157	–
Total	(204,495)	(86)	(44)	92,509	(1,539)	3,387	(4,311)	(1,361)	54,000	61,783	157	–
BALANCE, JUNE 30, 2022	**$ 124,982**	**$ 122,856**	**$ 63,469**	**$ 4,738**	**$ –**	**$ 529,438**	**$ 42,498**	**$ 5,454**	**$ 52,138**	**$ 61,229**	**$ 4,500**	**$ 1,011,302**

(1) Subject to the pledge in favor of bondholders until funded by SCPPA payments-in-aid of construction

(2) To be established by supplemental resolution and not subject to the pledge in favor of bondholders

(3) Established by resolution of the IPA Board of Directors and not subject to the pledge in favor of bondholders

(Concluded)