Intermountain Power Agency

Financial Statements as of and for the Years Ended June 30, 2023 and 2022, Supplemental Schedule for the Years Ended June 30, 2023 and 2022, and Independent Auditor's Report

INTERMOUNTAIN POWER AGENCY

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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, 2023 and 2022, 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, 2023 and 2022, 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.
- 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 the management's discussion and analysis listed in the foregoing table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the 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, 2022 and 2023 listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Deloitte & Touche LLP

September 28, 2023

Intermountain Power Agency

Management's Discussion and Analysis (Unaudited)

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, 2023 and 2022, 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, 2023, 2022 and 2021 (in thousands):

Assets:	2023	2022	2021
Utility plant, net	$ 1,057,789	$ 744,100	$ 692,149
Cash, cash equivalents, and investments	732,080	1,010,553	258,283
Other	112,164	121,549	112,933
Total assets	1,902,033	1,876,202	1,063,365
Deferred outflows of resources	94,799	125,100	135,854
Total assets and deferred outflows of resources	$ 1,996,832	$ 2,001,302	$ 1,199,219

Liabilities:			
Debt	$ 886,362	$ 997,232	$ 280,499
Asset retirement obligations	307,050	298,107	273,242
Other	267,491	163,171	122,741
Total liabilities	1,460,903	1,458,510	676,482
Deferred inflows of resources:			
Net costs billed to participants not yet expensed	334,440	420,599	519,056
Prefunding of decommissioning and hydrogen betterments	197,000	118,000	-
Other	4,489	4,193	3,681
Total deferred inflows of resources	535,929	542,792	522,737
Total liabilities and deferred inflows of resources	$ 1,996,832	$ 2,001,302	$ 1,199,219

Revenues, Expenses, and Changes in Net Position			
Operating revenues, net	$ 387,413	$ 336,927	$ 558,461
Fuel	(152,651)	(133,420)	(175,409)
Other operating expenses	(309,285)	(295,584)	(159,028)
Operating income (loss)	(74,523)	(92,077)	224,024
Non-operating income	1,757	1,805	1,133
Net interest charges	(13,393)	(8,185)	(2,503)
Net costs to be recovered from billings to participants	86,159	98,457	(222,654)
Change in net position	$ -	$ -	$ -

Financial Highlights:

Assets

The net increase in gross utility plant of $427 million in 2023 resulted from additions of $429 million offset by retirements of $2 million. The 2023 additions were principally for the ongoing construction and engineering for the gas turbines associated with IPA Repowering (see discussion of Project Repowering below), the replacement of microwave equipment, the replacement of equipment at the Intermountain Switching Yard, construction of additional groundwater remediation wells, and the rehabilitation of the process water pond in compliance with environmental requirements. 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 turbines associated with IPA Repowering, 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 2023 decrease in cash, cash equivalents, and investments, combined current and restricted of $278 million is primarily due to current year renewal expenditures of $505 million. These were offset by $187 million in payments-in-aid of construction received from Southern California Public Power Authority (SCPPA) for the portion of renewal costs associated with the Southern Transmission System (STS), and an additional $79 million received from certain purchasers to prefund future decommissioning and hydrogen betterments. 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 2023 decrease of $9 million in other assets was caused by a decrease of $9 million in fuel inventory due to limited availably in the Utah coal market during the year. 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.

Deferred Outflows of Resources
Deferred outflows of resources primarily consist of unamortized asset retirement costs. The decrease of $30 million in 2023 was due to $39 million in normal amortization offset by $9 million of additional unamortized retirement costs (See Note 9). The decrease of $10 million in 2022 was due to $35 million in normal amortization offset by $25 million of additional unamortized retirement costs.

Liabilities
During 2023, an additional $121 million of Transitional Project Indebtedness was issued in the form of 2019 Drawdown Bonds (See Note 7) for the upgrade of the STS which brought the total of 2019 Drawdown Bonds issued to $150 million. During June 2023, payments-in-aid of construction received from SCPPA were used to fully repay the outstanding balance. This activity resulted in a net decrease in Drawdown Bonds payable of $29 million. The 2019 Drawdown Bonds were officially closed in June 2023. Additionally, $76 million of scheduled principal maturities on subordinated notes were paid during 2023. Other liabilities increased by $104 million in 2023 due to a $108 million increase in accounts payable compared to the prior year associated with the escalating Renewal Project construction activity and a $15 million increase in interest payable due to an increase in the July 1 payment for the 2022 A Series (Tax-exempt) and the 2022 Series B (Taxable) compared to the prior year. These were offset by a $19 million decrease in credit to participants.

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 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.

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 are not rated because they are not publicly traded.

Deferred Inflows of Resources

At June 30, 2023 and 2022, 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, 2023 and 2022. The resulting changes in net costs billed to participants not yet expensed are outlined in Note 4. During 2023 and 2022, $79 million and $118 million, respectively, 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.

Revenues, Expenses, and Changes in Net Position

Net operating revenues increased $50 million in 2023 and decreased by $222 million in 2022. The increase in 2023 is primarily due to an increase in scheduled power compared to the prior year. Warmer than average temperatures in late summer 2022 and high natural gas prices in December and January drove the increase in scheduled power. 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. In addition, changes in revenues from corresponding changes to net costs billed to participants not yet expensed in 2023 and 2022 are due principally to the following: an increase of $11 million and a decrease of $156 million in 2023 and 2022, respectively, for bond and subordinated note principal requirements; an increase of $11 million and $130 million in 2023 and 2022, respectively, in billings for previously deferred expenses in conformity with U.S. GAAP, and an increase of $12 million in 2023 and a decrease of $35 million in 2022 for capital improvements and required fund deposits.

Fuel expense increased by $19 million in 2023 and decreased by $42 million in 2022. The increase in 2023 is primarily due to a 6% increase in net capacity factor caused by the increase in scheduled power noted above. Conversely, 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. Other operating expenses increased by $14 million in 2023 primarily due to the increase in scheduled power during late summer 2022 and December and January noted above. 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.

Net interest charges increased by $5 million in 2023 and by $6 million in 2022. The 2023 and 2022 increases were due to the interest associated with the issuance of the 2022 Series A and 2022 Series B

Bonds. Other non-operating income did not change significantly in 2023 or 2022. Changes in net position are zero because IPA is completely debt financed and the Contracts contain no provision for profit.

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 were 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 Second Amendatory Power Sales 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 could 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 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 will 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 of providing a portion of the monies necessary to pay the cost and acquisition and construction of the STS Renewal Project. During the year ended June 30, 2023, an additional $121 million of Drawdown Bonds were issued for the STS Renewal Project, which brought the total to $150 million. On May 30, 2023, IPA received payments-in-aid of construction from SCPPA for the entire outstanding balance of $150 million of Drawdown Bonds. The Drawdown Bonds were fully paid and closed on June 23, 2023. During June 2023, IPA received an additional $37 million of payments-in-aid of construction from SCPPA to cover ongoing construction costs on the STS.

On August 15, 2023, IPA issued Power Supply Revenue Bonds 2023 Series A (Tax-Exempt) and 2023 Series B (Taxable) in the amount of $835 million to finance a portion of the cost of acquisition and construction of the Gas Repowering. IPA anticipates issuing another series of bonds in late 2024 or early 2025 which will fund the completion of the construction of the Gas Repowering.

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INTERMOUNTAIN POWER AGENCY

STATEMENTS OF NET POSITION, JUNE 30, 2023 AND 2022 (IN THOUSANDS)

ASSETS	2023	2022
UTILITY PLANT:		
Electric plant in service	$ 3,771,742	$ 3,345,215
Less accumulated depreciation	(2,713,953)	(2,601,115)
Net	1,057,789	744,100
RESTRICTED ASSETS:		
Cash and cash equivalents	179,472	178,884
Investments	431,174	706,976
Interest receivable	1,537	460
Total	612,183	886,320
OTHER NON-CURRENT ASSETS:		
Prepaid personnel services contract costs	34,685	34,416
Other	3,080	3,886
Total	37,765	38,302
Total Non-Current Assets	1,707,737	1,668,722
CURRENT ASSETS:		
Cash and cash equivalents	52,847	35,120
Investments	68,587	89,573
Interest receivable	396	289
Fuel inventories	51,640	60,591
Materials and supplies	17,130	18,674
Other	3,696	3,233
Total Current Assets	194,296	207,480
Total Assets	1,902,033	1,876,202
DEFERRED OUTFLOWS OF RESOURCES:		
Unamortized refunding charge	-	2,648
Unamortized asset retirement costs	91,641	121,040
Other	3,158	1,412
Total Deferred Outflows of Resources	94,799	125,100
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,996,832	$ 2,001,302

See notes to financial statements.

(Continued)

INTERMOUNTAIN POWER AGENCY

STATEMENTS OF NET POSITION, JUNE 30, 2023 AND 2022 (IN THOUSANDS)

LIABILITIES	2023	2022
LONG-TERM PORTION OF BONDS PAYABLE - Net	$ 879,980	$ 886,920
LONG-TERM PORTION OF SUBORDINATED NOTES PAYABLE - Net	-	5,521
LONG-TERM DRAWDOWN BONDS	-	29,000
ADVANCES FROM SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY	10,930	10,930
OTHER NON-CURRENT LIABILITIES:		
Asset retirement obligations	307,050	298,107
Other	1,777	1,680
Total Non-Current Liabilities	308,827	299,787
CURRENT LIABILITIES:		
Current maturities of subordinated notes payable	6,382	75,791
Interest payable	19,621	4,506
Accrued credit to participants	38,555	57,496
Accounts payable and accrued liabilities	196,608	88,559
Total Current Liabilities	261,166	226,352
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 1, 7, 11, and 13)		
Total Liabilities	1,460,903	1,458,510
DEFERRED INFLOWS OF RESOURCES:		
Net costs billed to participants not yet expensed	334,440	420,599
Prefunding of decommissioning and hydrogen betterments	197,000	118,000
Other	4,489	4,193
Total Deferred Inflows of Resources	535,929	542,792
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 1,996,832	$ 2,001,302

See notes to financial statements.

(Concluded)

INTERMOUNTAIN POWER AGENCY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (IN THOUSANDS)

	2023	2022
OPERATING REVENUES:		
Power sales to participants	$ 425,968	$ 394,565
Less credit to participants	(38,555)	(57,638)
Net revenues	387,413	336,927
OPERATING EXPENSES:		
Fuel	152,651	133,420
Operation	87,663	73,765
Maintenance	54,283	63,622
Depreciation and amortization	153,287	144,737
Taxes and payment in lieu of taxes	14,052	13,460
Total expenses	461,936	429,004
OPERATING LOSS	(74,523)	(92,077)
NON-OPERATING INCOME	1,757	1,805
INTEREST CHARGES (BENEFIT):		
Interest on bonds, subordinated notes, and other debt	35,184	(9,287)
Financing expenses (including amortization of bond discount and refunding charge on defeasance of debt)	419	10,794
Charge on retirement of debt	-	814
(Earnings) loss on investments	(22,210)	5,864
Net interest charges	13,393	8,185
NET COSTS TO BE RECOVERED FROM BILLINGS TO PARTICIPANTS	(86,159)	(98,457)
CHANGE IN NET POSITION	$ -	$ -

See notes to financial statements.

INTERMOUNTAIN POWER AGENCY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (IN THOUSANDS)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from billings to participants	$ 447,472	$ 469,226
Other cash receipts	1,757	1,805
Cash paid to suppliers	(282,504)	(313,081)
Net cash provided by operating activities	166,725	157,950
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	121,000	974,420
Defeasance and retirement of bonds	(150,000)	(140,941)
Debt issuance costs	(699)	(3,740)
Principal paid on long-term debt	(75,791)	(119,001)
Interest (paid) received on long-term debt and commercial paper	(20,069)	11,713
Additions to electric plant in service	(528,156)	(121,656)
Payments in aid of construction	187,491	-
Net cash (used in) provided by capital and related financing activities	(466,224)	600,795
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(285,183)	(766,544)
Proceeds from sales/maturities of investments	589,674	134,753
Interest earnings received on investments	13,323	1,522
Net cash provided by (used in) investing activities	317,814	(630,269)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,315	128,476
CASH AND CASH EQUIVALENTS:		
Beginning balance	214,004	85,528
Ending balance	$ 232,319	$ 214,004

See notes to financial statements.

(Continued)

INTERMOUNTAIN POWER AGENCY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (IN THOUSANDS)

	2023	2022
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (74,523)	$ (92,077)
Other non-operating income	1,757	1,805
Depreciation and amortization	153,287	144,737
Financing expenses, net of amortization of bond discount and refunding charge on defeasance of debt	(3,151)	(885)
Changes in operating assets and liabilities:		
Receivable from participants	-	7,752
Fuel inventories	8,951	(17,093)
Materials and supplies	1,544	3,597
Other current assets	(463)	3,455
Prepaid personnel services contract costs	(270)	(4,409)
Other liabilities	97	(174)
Accounts payable and accrued liabilities	20,082	(12,777)
Accrued credit to participants	(18,941)	6,547
Other assets	806	(1,307)
Deferred outflows of resources	(1,746)	266
Deferred inflows of resources	79,295	118,513
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 166,725	$ 157,950

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Accounts payable and accrued liabilities included $137,438 and $49,469 at June 30, 2023 and 2022, respectively, of accruals for additions to electric plant in service.

See notes to financial statements.

(Concluded)

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 $34,685,000 and $34,416,000 as of June 30, 2023 and 2022, respectively, as reported in the accompanying statements of net position. For the years ended June 30, 2023 and 2022, the accompanying statements of revenues, expenses, and changes in net position includes a benefit of approximately $270,000 and $4,409,000, 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 $925,390,000 and $737,900,000 as of June 30, 2023 and 2022, respectively, 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, 2023 and 2022.

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, 2023 and 2022 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 $25,237,000 and $24,167,000 greater than the stated last-in, first-out value at June 30, 2023 and 2022, respectively. Materials and supplies are stated at average cost, and the carrying value is written down for estimated excess and obsolete inventory.

Unamortized Bond Premium and 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 the 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, 2023 and 2022, 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, 2023, 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 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 adopted this statement during the year ended June 30, 2023, the adoption of which did not have a material effect on the financial statements.

Recently Issued Accounting Pronouncements – In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* The statement updates the recognition and measurement guidance for compensated absences. This statement is effective for financial statements for years beginning after December 15, 2023. IPA is currently evaluating the effects the adoption of this statement will have on the financial statements.

2. UTILITY PLANT

Utility plant activity for the years ended June 30, 2023 and 2022, is as follows (in thousands):

	July 1, 2022	Increases	Decreases	June 30, 2023
Utility plant not being depreciated -				
Construction work-in-progress	$ 210,554	$ 604,032	$ (50)	$ 814,536
Land and land rights	113,823	-	-	113,823
Total	324,377	604,032	(50)	928,359
Utility plant being depreciated/amortized:				
Production	2,843,742	6,194	(1,323)	2,848,613
Transmission	861,900	1,169	(195)	862,874
Payments-in-aid of construction - transmission	(739,937)	(187,491)	-	(927,428)
General	55,131	4,782	(589)	59,324
Total	3,020,836	(175,346)	(2,107)	2,843,383
Accumulated depreciation	(3,214,496)	(158,756)	2,107	(3,371,145)
Accumulated amortization of payments-in-aid of construction	613,383	43,809	-	657,192
Total accumulated depreciation	(2,601,113)	(114,947)	2,107	(2,713,953)
Utility Plant, Net	$ 744,100	$ 313,739	$ (50)	$ 1,057,789

	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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consist of the following at June 30, 2023 and 2022 (in thousands):

	2023		2022	
	Fair Value	Weighted Average Remaining Maturity	Fair Value	Weighted Average Remaining Maturity
Cash and Cash Equivalents:				
Restricted:				
Short-term investments	$ 49,734	90 days or less	$ 76,881	90 days or less
Money market funds	104,321	1 day or less	95,180	1 day or less
Cash	25,417	1 day or less	6,823	1 day or less
Total Restricted	179,472		178,884	
Current:				
Money market funds	48,400	1 day or less	32,700	1 day or less
Cash	4,447	1 day or less	2,420	1 day or less
Total Current	52,847		35,120	
Total Cash and Cash Equivalents	$ 232,319		$ 214,004	
Investments:				
Restricted:				
U.S. Treasuries	$ 198,228	1.44 years	$ 291,152	3.13 years
U.S. Agencies	112,496	1.57 years	198,697	1.10 years
Commercial paper	1,953	0.41 years	128,041	0.49 years
Corporate bonds	118,497	1.15 years	89,086	1.52 years
Total Restricted	431,174		706,976	
Current:				
U.S. Agencies	27,907	1.75 years	25,556	2.78 years
Commercial paper	15,524	0.34 years	9,988	0.29 years
Corporate bonds	25,156	0.80 years	54,029	1.20 years
Total Current	68,587		89,573	
Total Investments	$ 499,761		$ 796,549	

Investments consist entirely of U.S. Treasuries, U.S. Government Agencies, 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, 2023, approximately $29,863,000 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, 2023 and 2022, IPA's fair value measurements and their levels within the fair value hierarchy were as follows (in thousands):

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments by fair value level:				
U.S. Treasuries	$ -	$ 198,228	$ -	$ 198,228
U.S. Agencies	-	140,403	-	140,403
Commercial paper	-	17,477	-	17,477
Corporate bonds	-	143,653	-	143,653
Total investments by fair value level	$ -	$ 499,761	$ -	$ 499,761

	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

4. NET COSTS BILLED TO PARTICIPANTS NOT YET EXPENSED

Net costs billed to participants not yet expensed for the years ended June 30, 2023 and 2022 and the accumulated totals as of June 30, 2023 and 2022, consisted of the following (in thousands):

	For the Years Ended June 30,		Accumulated Totals as of June 30,	
	2023	2022	2023	2022
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	(153,287)	(144,737)	(3,123,939)	(2,970,652)
Amortization of bond discount and refunding on defeasance of bonds	3,431	(6,169)	(1,366,886)	(1,370,317)
Accretion of interest on zero coupon bonds	-	-	(349,408)	(349,408)
Charge on retired debt		(814)	(158,467)	(158,467)
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	(501)	(8,664)	(9,020)	(8,519)
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	1,249	129	(7,833)	(9,082)
Change in liabilities and other	(1,854)	(3,203)	(3,731)	(1,877)
Renewal project earnings	19,478	-	19,478	-
Renewal project interest expense	(42,801)	-	(42,801)	-
Amounts billed to participants under the bond resolution and the power sales contracts:				
Bond and subordinated note principal	76,585	65,120	5,041,757	4,965,172
Deferred fuel costs	-	-	32,228	32,228
Capital improvements	12,395	27	598,304	585,909
Reduction of required fund deposits	(854)	(146)	3,096	3,950
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 be recovered from billings to participants	$ (86,159)	$ (98,457)	$ 334,440	$ 420,599

5. BONDS PAYABLE

To finance the construction of the Project, IPA sold Revenue Bonds (the "Senior Bonds") pursuant to IPA's Amended and Restated Power Supply Revenue Bond Resolution adopted September 28, 1978, as amended and supplemented (the "Bond Resolution"). As of June 30, 2023 and 2022, for the Senior Bonds the principal amount consisted of the following (in thousands):

Series	Bonds Dated	Final Maturity on July 1	2023	2022
Senior Bonds				
2022 A	5/12/2022	2045	$ 732,755	$ 732,755
2022 B	5/12/2022	2045	64,850	64,850
Total Bonds payable			797,605	797,605
Unamortized bond premium			82,375	89,315
Current maturities of Bonds payable			-	-
Long-term portion of Bonds payable - net			$ 879,980	$ 886,920

Interest rates on the Bonds payable outstanding at June 30, 2023 and 2022 range from and 3.50% to 5.25%.

The changes in the par value of Bonds payable for the years ended June 30, 2023 and 2022, are as follows (in thousands):

	2023	2022
Beginning balance	$ 797,605	$ 82,830
Additions - Revenue bonds issued		797,605
Deductions:		
Principal maturities	-	(44,030)
Bonds defeased/retired	-	(38,800)
Ending balance	$ 797,605	$ 797,605

The principal amounts of future maturities, sinking fund requirements and interest to be paid for the Bonds outstanding as of June 30, 2023, are as follows (in thousands):

	Principal	Interest
Years ending June 30:		
2024	$ -	$ 39,348
2025	-	39,348
2026	-	39,348
2027	24,400	38,754
2028	25,585	37,535
2029 - 2033	148,005	167,094
2034 - 2038	187,940	126,306
2039 - 2043	238,145	74,616
2044 - 2046	173,530	13,352
Total	$ 797,605	$ 575,701

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, 2023 and 2022, is as follows (in thousands):

	2023	2022
Restricted assets:		
Debt Service Fund:		
Debt Service Account	$ 99,405	$ 122,856
Debt Service Reserve Account	61,737	63,469
Subordinated Indebtedness Fund:		
Debt Service Account	6,382	4,738
Construction Fund:		
Tax Exempt Account	217,310	529,438
Taxable Account	9,821	42,498
STS Account (1)	33,885	5,454
Decommissiong Fund (2)	80,543	52,138
Hydrogen Fund (3)	68,221	61,229
Hydrogen Reserve (3)	30,379	-
Self-Insurance Fund	4,500	4,500
Total restricted assets	612,183	886,320
Revenue Fund (Note 11)	121,830	124,982
Total	$ 734,013	$ 1,011,302

(1) Funded by SCPPA payments-in-aid of construction

(2) 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, 2023 and 2022, is as follows (in thousands):

	2023	2022
Current assets reported in statements of net position:		
Cash and cash equivalents	$ 52,847	$ 35,120
Investments	68,587	89,573
Interest receivable	396	289
Revenue Fund	$ 121,830	$ 124,982

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, 2023.

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. No bonds were defeased during the year ended June 30, 2023. The aggregate outstanding principal amount of Bonds extinguished through prior period defeasance was $0 at June 30, 2023.

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, 2023 and 2022, the principal amount of interest bearing subordinated notes payable consisted of the following (in thousands):

Note Holder	Issue Date	Final Maturity on July 1	2023	2022
LADWP	3/2/2000	2023	$ 6,308	$ 80,733
City of Pasadena	1/29/2009	2023	74	1,440
Total subordinated notes payable			6,382	82,173
Unamortized discount				(861)
Current maturities of subordinated notes payable			(6,382)	(75,791)
Long-term portion of subordinated notes payable			$ -	$ 5,521

The changes in the par value of subordinated notes payable for the years ended June 30, 2023 and 2022, are as follows (in thousands):

	2023	2022
Beginning balance	$ 82,173	$ 157,144
Deductions - principal maturities	(75,791)	(74,971)
Ending balance	$ 6,382	$ 82,173

The principal amounts of future maturities and interest to be received on subordinated notes payable as of June 30, 2023, are as follows (in thousands):

	Principal	Interest
Year ending June 30:		
2024	$ 6,382	$ (53)
Total	$ 6,382	$ (53)

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. During the year ended June 30, 2023, an additional $121,000,000 of Drawdown Bonds were issued for the STS Renewal Project, which brought the total to $150,000,000. On May 30, 2023, IPA received payments-in-aid of construction from SCPPA for the entire outstanding balance of the Drawdown Bonds. The Drawdown Bonds were closed on June 23, 2023.

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 on 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, 2023 and 2022, the current value of IPA's asset retirement obligations totaled approximately $307,050,000 and $298,107,000, 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 $8,943,000 during the year ended June 30, 2023 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 $38,555,000 and $57,638,000 for the years ended June 30, 2023 and 2022, 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 $596,000 as of June 30, 2022, which was returned to the Purchasers in October 2022.

11. RELATED PARTY TRANSACTIONS

LADWP, as Operating Agent, performed engineering and other services for the Project totaling approximately $44,985,000 and $43,662,000 for the years ended June 30, 2023 and 2022, respectively, which has been billed to IPA and charged to operations or utility plant, as appropriate. Operating Agent unbilled costs totaling approximately $1,007,000 and $411,000 are included in accounts payable at June 30, 2023 and 2022, respectively.

Power sales to LADWP for the years ended June 30, 2023 and 2022, totaled approximately $273,381,000 and $258,900,000, respectively. There was no receivable for power sales from LADWP at June 30, 2023 and 2022. Power sales to the City of Anaheim for the years ended June 30, 2023 and 2022, totaled approximately $57,257,000 and $55,865,000, respectively. There was no receivable for power sales from the City of Anaheim at June 30, 2023 and 2022. 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 $4,052,000 and $14,333,000 has been recorded for the years ended June 30, 2023 and 2022, respectively, of which approximately $52,000 and $828,000 was receivable at June 30, 2023 and 2022, respectively,

Subordinated notes payable have been issued to the City of Pasadena (see Note 6). Interest income on these subordinated notes payable of approximately $111,000 and $794,000 has been recorded for the years ended June 30, 2023 and 2022, respectively, of which approximately $1,000 and $21,000 was receivable at June 30, 2023 and 2022, respectively.

12. COMMITMENTS AND CONTINGENCIES

Coal Supply – At June 30, 2023, 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:	
2024	$ 217,765
2025	95,224
Total	$ 312,989

The actual cost of coal purchases under the coal supply contracts for the years ended June 30, 2023 and 2022, was approximately $136,894,000 and $145,300,000, 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.

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INTERMOUNTAIN POWER AGENCY

SUPPLEMENTAL SCHEDULES OF CHANGES IN FUNDS ESTABLISHED BY THE IPA REVENUE BOND RESOLUTION FOR THE YEARS ENDED JUNE 30, 2022 AND 2023 (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	-	-	-	(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	-	-	147,863	-	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

(Continued)

INTERMOUNTAIN POWER AGENCY

SUPPLEMENTAL SCHEDULES OF CHANGES IN FUNDS ESTABLISHED BY THE IPA REVENUE BOND RESOLUTION FOR THE YEARS ENDED JUNE 30, 2022 AND 2023 (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)	Hydrogen Reserve Fund (3)	Self-Insurance Fund	Total
BALANCE, JULY 1, 2022	$ 124,982	$ 122,856	$ 63,469	$ 4,738	$ -	$ 529,438	$ 42,498	$ 5,454	$ 52,138	$ 61,229	$ -	$ 4,500	$ 1,011,302
ADDITIONS:													
Proceeds from issuance of Bonds	-	-	-	-	-	-	-	121,000	-	-	-	-	121,000
Billings received	447,472	-	-	-	-	-	-	-	-	-	-	-	447,472
Other revenues	1,757	-	-	-	-	-	-	-	-	-	-	-	1,757
Investment earnings (loss)	3,529	1,441	(343)	-	-	11,246	907	1,514	1,405	2,203	379	(71)	22,210
Payments-in-aid of construction	-	-	-	-	-	-	-	187,491	-	-	-	-	187,491
Total	452,758	1,441	(343)	-	-	11,246	907	310,005	1,405	2,203	379	(71)	779,930
DEDUCTIONS:													
Defeasance and retirement of Bonds	-	-	-	-	-	-	-	150,000	-	-	-	-	150,000
Operating expenditures	282,504	-	-	-	-	-	-	-	-	-	-	-	282,504
Capital expenditures	23,113	-	-	-	-	356,258	-	132,165	-	16,620	-	-	528,156
Interest paid (received) on long-term debt	-	25,030	-	(4,961)	-	-	-	-	-	-	-	-	20,069
Principal paid on long-term debt	-	-	-	75,791	-	-	-	-	-	-	-	-	75,791
Debt issuance costs	-	-	-	-	-	699	-	-	-	-	-	-	699
Total	305,617	25,030	-	70,830	-	356,957	-	282,165	-	16,620	-	-	1,057,219
TRANSFERS:													
Transfer of revenues to other Funds	(72,474)	-	-	72,474	-	-	-	-	-	-	-	-	-
Other transfers	(77,819)	138	(1,389)	-	-	33,583	(33,584)	591	27,000	21,409	30,000	71	-
Total	(150,293)	138	(1,389)	72,474	-	33,583	(33,584)	591	27,000	21,409	30,000	71	-
BALANCE, JUNE 30, 2023	$ 121,830	$ 99,405	$ 61,737	$ 6,382	$ -	$ 217,310	$ 9,821	$ 33,885	$ 80,543	$ 68,221	$ 30,379	$ 4,500	$ 734,013

(1) Funded by SCPPA payments-in-aid of construction
(2) 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)