

RESOLUTION

RCCC-2024-007

ADOPTION OF GAS OPERATING PROCEDURES

On motion of Kevin Robison, seconded by Mark Montgomery, at a meeting of the Intermountain Power Project (“IPP”) Renewal Contract Coordinating Committee (the “Renewal Committee”) held on November 5, 2024, the following Resolution was duly adopted:

WHEREAS, Intermountain Power Agency (“IPA”) is a party with the Purchasers (as defined in such Power Sales Contracts) to those certain Power Sales Contracts, dated as of September 28, 1978 for the Utah Purchasers (as defined in such Power Sales Contracts) and August 6, 1980 for the California Purchasers (as defined in such Power Sales Contracts) (such Power Sales Contracts, as amended, revised and updated, collectively, the “Power Sales Contracts”); and

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

WHEREAS, pursuant to its authority under the Power Sales Contracts, the IPP Coordinating Committee previously adopted Resolution Nos. CC-1986-016-A through CC-1986-16-E, which established a set of procedures to govern IPP operations (collectively, the “Operating Agent Procedures”); and

WHEREAS, some of the Operating Agent Procedures – designated Operating Agent Procedure No. 2 (Amount of Fuel Required for Storage), Operating Agent Procedure No. 3 (Purchases of Supplemental Fuel), and Operating Agent Procedure No. 4 (Determining or Estimating Heating Values, Quantities, Expenses, and Costs of Fuel) – were specific to operations of the two coal-fired generating units (collectively, the “Coal Operating Procedures”); and

WHEREAS, the Gas Repowering (as defined in the Power Sales Contracts) is now nearing completion, and it is necessary for the Renewal Committee to adopt a new set of procedures to replace the Coal Operating Procedures (which are to cease to be effective upon the last Firm Operation Date of the two Gas Units to occur), and govern operations of the two new gas-fired generating units, Gas Unit 1 and Gas Unit 2 (as such terms are defined in the Renewal Power Sales Contracts); and

WHEREAS, the Operating Agent, in cooperation with an informal working group of Purchaser representatives, and with advice from outside consultants and legal counsel, has prepared the following procedures (collectively, the “Gas Operating Procedures”), which are

attached as Exhibit A to Resolution No. CC-2024-023 adopted by the IPP Coordinating Committee on November 5, 2024:

- *Gas Operating Procedure No. 1, Gas Procurement and Risk Management* (“GOP 1”). This procedure defines three different categories of natural gas to be used for combustion at the Generation Station: Baseload Gas, Variable Gas, and Balancing Gas (all as defined in GOP 1). GOP 1 authorizes the Operating Agent to execute contracts for the purchase and sale of each category of gas, subject to certain conditions and parameters designed to limit financial risks associated with participation in the market for natural gas;
- *Gas Operating Procedure No. 2, Gas Forecasting and Requesting* (“GOP 2”). This procedure defines the process and deadlines for Purchasers to forecast their demand for natural gas to support their energy schedules;
- *Gas Operating Procedure No. 3, Gas Billing* (“GOP 3”). This procedure establishes the methodology and process for allocating the costs of gas among the Purchasers;
- *Gas Operating Procedure No. 4, Gas Transportation and Balancing* (“GOP 4”). This procedure defines the process the Operating Agent will use to manage and balance IPA’s pipeline capacity; and

WHEREAS, because the different Gas Operating Procedures address different issues, the Operating Agent proposes that the Renewal Committee adopt them with different effective dates (collectively, the “Proposed Effective Dates”), as follows:

- GOP 1 is to become effective immediately upon adoption by the IPP Coordinating Committee, Renewal Committee, and IPA Board of Directors (“IPA Board”). This will allow the Operating Agent to execute contracts for Baseload Gas in advance of the Date of Firm Operation of each Gas Unit (as defined in the Power Sales Contracts);
- GOP 2 is to become effective as to Gas Unit 1 on the Date of Firm Operation of Gas Unit 1, and effective as to Gas Unit 2 on the Date of Firm Operation of Gas Unit 2; provided, however, that the Operating Agent will allow Purchasers to submit gas requests with respect to each Gas Unit prior to the respective Date of Firm Operation of such Gas Unit;
- GOP 3 is to become effective as to Gas Unit 1 on the Date of Firm Operation of Gas Unit 1, and effective as to Gas Unit 2 on the Date of Firm Operation of Gas Unit 2;

- GOP 4 is to become effective immediately upon adoption by the IPP Coordinating Committee, Renewal Committee, and IPA Board. This will allow the Operating Agent to manage pipeline capacity and gas balancing during the testing and commissioning of the Gas Units; and

WHEREAS, the Operating Agent further proposes that the Gas Operating Procedures remain effective until June 15, 2027 (subject to the Operating Agent's option to extend the term of the Gas Operating Procedures for up to four additional 90-day periods, for a total of up to 360 days), in order to give the Renewal Committee time to adopt Fuel Management Practices and Procedures pursuant to Section 6.2.10 of the Renewal Power Sales Contracts, which will supersede and replace the Gas Operating Procedures to allow for the purchase of natural gas in accordance with the terms of the Renewal Power Sales Contracts; and

WHEREAS, the Operating Agent is of the opinion that it is important for the Purchasers to understand that the terms of GOP 3 differ from what is contemplated by the Power Sales Contracts, in the two different respects described below; and

WHEREAS, first, Section 7.2.4 of the Power Sales Contracts provides that the Variable Cost Component will be invoiced to the Purchasers in proportion to each Purchaser's share of delivered energy over the course of a month; and

WHEREAS, the Operating Agent is of the opinion that billing the Variable Cost Component as called for by Section 7.2.4 of the Power Sales Contracts would result in an unjust and inequitable allocation of fuel costs, because it would ignore fluctuations in daily gas prices and would treat each kilowatt-hour delivered in a month as having the same fuel cost, and thereby undermine Purchasers' incentive to schedule their energy demand on time and as accurately as possible; and

WHEREAS, GOP 3 calls for a modified approach to allocating costs of Variable Gas, in which DA1 Gas (as defined in GOP 3) is treated as a common asset of the Project, while the cost of Interval Gas (as defined in GOP 3) is allocated to Purchasers based on their specific requests for Interval Gas (such cost allocation approach, the "Modified Variable Cost Methodology"); and

WHEREAS, the Operating Agent is of the opinion that the Modified Variable Cost Methodology provides a reasonable balance between cost sharing principles that promote overall efficiency and cost savings, and cost causation principles that allocate costs to Purchasers responsible for causing the cost to be incurred; and

WHEREAS, secondly, Section 4.22.1.4.2 of the Power Sales Contracts provides that the Minimum Cost Component includes "[t]he total cost of all transportation of coal or natural gas, as applicable"; and

WHEREAS, the total cost of natural gas transportation includes a fixed charge called the Reservation Cost of Transportation (as defined in GOP 3) that is appropriate to include in the Minimum Cost Component, but also includes charges that vary proportionately with the amount of gas delivered to the Project, called the Variable Cost of Transportation (as defined in GOP 3); and

WHEREAS, the Operating Agent is of the opinion that including all costs of gas transportation in the Minimum Cost Component would result in an unjust and inequitable allocation of gas transportation costs, because it would allocate Variable Costs of Transportation based on Net Generation Shares (as defined in GOP 1 and GOP 3), instead of based on actual requests for Variable Gas (as defined in GOP 1 and GOP 3); and

WHEREAS, GOP 3 calls for a modified approach to allocating the Variable Cost of Transportation, in which the Variable Cost of Transportation associated with deliveries of Baseload Gas (as defined in GOP 1 and GOP 3) is included in the Minimum Cost Component, and the Variable Cost of Transportation associated with deliveries of Variable Gas is included in the Variable Cost Component, and allocated to the Purchasers consistent with the Modified Variable Cost Methodology (such cost allocation approach, the "Modified Transportation Cost Methodology"); and

WHEREAS, because the Modified Variable Cost Methodology and the Modified Transportation Cost Methodology allocate costs in a manner that differs from the Power Sales Contracts, the Operating Agent proposes that GOP 3 be adopted subject to the condition that it will remain in effect until such time, if any, as the representative on the IPP Coordinating Committee of any Purchaser notifies the other members of the IPP Coordinating Committee in writing that such Purchaser requests the reconsideration of the applicability of the Modified Variable Cost Methodology and/or the Modified Transportation Cost Methodology (that condition, the "Ongoing Consensus Condition"); and

WHEREAS, the Operating Agent considers it advisable and in accordance with Prudent Utility Practice for the Renewal Committee to adopt the Gas Operating Procedures, including the Modified Variable Cost Methodology and Modified Transportation Cost Methodology, to become effective consistent with the Proposed Effective Dates, and subject to the Ongoing Consensus Condition; and

WHEREAS, the Renewal Committee has received a letter dated October 22, 2024 from Mr. Kevin T. Peng on behalf of the Operating Agent (the "Operating Agent Recommendation Letter") recommending that the Renewal Committee adopt, and recommend that the IPA Board adopt, the Gas Operating Procedures on the conditions described herein; and

WHEREAS, the Operating Agent provided a briefing at a virtual conference on October 29, 2024, and at a meeting of the Renewal Committee on November 5, 2024 (collectively, the

“Operating Agent Briefing”), during which the Operating Agent described and explained the basis of the Operating Agent’s recommendations, advice and determinations as set forth herein; and

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

NOW, THEREFORE, BE IT RESOLVED, that the Renewal Committee hereby finds and determines that notwithstanding the provisions of Section 7.2.4 of the Power Sales Contracts, adoption of the Modified Variable Cost Methodology subject to the Ongoing Consensus Condition is in the best interests of all the Purchasers; and

BE IT FURTHER RESOLVED, that the Renewal Committee hereby finds and determines that notwithstanding the provisions of Section 4.22.1.4.7 of the Power Sales Contracts, adoption of the Modified Transportation Cost Methodology subject to the Ongoing Consensus Condition is in the best interests of all the Purchasers; and

BE IT FURTHER RESOLVED, that the Renewal Committee hereby adopts, and recommends that the IPA Board adopt, the Gas Operating Procedures including the Modified Variable Cost Methodology and Modified Transportation Cost Methodology, to become effective consistent with the Proposed Effective Dates, to continue in effect subject to the Ongoing Consensus Condition, and to supersede and replace the Coal Operating Procedures as of the last Date of Firm Operation of the Gas Units; and

BE IT FURTHER RESOLVED, that notwithstanding the foregoing provisions of this Resolution, if at any time the representative on the IPP Coordinating Committee of any Purchaser notifies the other members of the IPP Coordinating Committee in writing that such Purchaser requests the reconsideration of the Modified Variable Cost Methodology, then unless all of the members of the IPP Coordinating Committee vote, in accordance with Section 6.1 of the Power Sales Contracts (except that approval will require the affirmative vote of all members of the IPP Coordinating Committee, including the representative of the Purchaser requesting reconsideration), to continue the Modified Variable Cost Methodology in effect for the then current Fiscal Year and such future Fiscal Years as such members approve, then such methodology shall no longer remain in effect; and

BE IT FURTHER RESOLVED, that notwithstanding the foregoing provisions of this Resolution, if at any time the representative on the IPP Coordinating Committee of any Purchaser notifies the other members of the IPP Coordinating Committee in writing that such Purchaser requests the reconsideration of the Modified Transportation Cost Methodology, then unless all of the members of the IPP Coordinating Committee vote, in accordance with Section 6.1 of the Power Sales Contracts (except that approval will require the affirmative vote of all members of the IPP Coordinating Committee, including the representative of the Purchaser requesting

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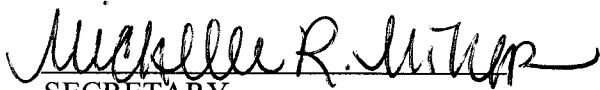
reconsideration), to continue the Modified Transportation Cost Methodology in effect for the then current Fiscal Year and such future Fiscal Years as such members approve, then such methodology shall no longer remain in effect; and

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

INTERMOUNTAIN POWER PROJECT


CHAIRMAN, RENEWAL CONTRACT
COORDINATING COMMITTEE

ATTEST:


SECRETARY