POWERLINES

A Newsletter from Intermountain Power Agency

IPA Intermountain Power Agency
Energy for Today & Tomorrow

November 2018

Saporito to Keynote December 4 Annual Meeting

Intermountain Power Agency will conduct its annual meeting on Tuesday, December 4, 2018, at the Grand America Hotel in Salt Lake City. Events kick off at 9:30 am with the business meeting for IPA Representatives, followed by the General Meeting at 11:00 am. Topics covered will include the IPP Operations Report and an update on the alternative repowering plan.

Vincent Saporito, Vice President at Check-6 Inc., will deliver the keynote address at the IPA annual meeting.

Vincent Saporito, Vice President at performance consulting company Check-6 Inc., will deliver the keynote speech. The former Navy fighter pilot, military diplomat, and Top Gun instructor will share proven best practices from aircraft carrier operations, airline aviation, and space operations, identifying how tragic incidents within these industries kick-started performance/safety initiatives to create an environment of continuous improvement.

Contact Connie Perkins at connie@ipautah.com for further details.

Alternative Repowering Plan Receives Member, CEC Approval

The California Energy Commission (CEC) has issued its final approval of the alternative repowering plan involving construction of new gas-fueled generating facilities for the Intermountain Power Project. The CEC authorized development of 840 MW of generating capacity utilizing state-of-the-art technology—finding that the configuration would, for all five California participant utilities, comply with the environmental performance standard (EPS) of 1,100 pounds of carbon dioxide per megawatt hour. With this determination, IPA remains on track to begin construction of the new natural gas-fueled

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generating units in 2020, with completion by the originally anticipated date of July 1, 2025.

Originally, the Second Amendatory Power Sales Contract approved by IPP Purchasers in 2015 anticipated the development of a specific configuration of 1,200 MW of natural gas-fueled generating facilities. These facilities were intended to replace the existing coal-fueled units which, owing to California's EPS, would have been prevented from transmitting electricity to the state's utilities after expiration of the existing Power Sales Contracts. Renewal Power Sales Contracts were completed in January 2017, allowing the repowering project to move forward. But as design commenced, it became apparent that project participants would not be in a position to utilize the full 1,200 MW of capacity initially specified and that newer configurations of the generating units would be more efficient. The alternative repowering plan, involving the smaller configuration of generators, was approved earlier this year by the IPP Coordinating Committee (representing Purchasers under the existing Power Sales Contracts), the IPP Renewal Contract Coordinating Committee (representing Purchasers under the Renewal Power Sales Contracts), and the IPA Board of Directors.

Separately, IPA members earlier this year approved the Fifth Amendment to the Intermountain Power Agency Organization Agreement. This amendment is intended, among other things, to ensure that IPA conforms to changes that have occurred in state law governing interlocal entities such as IPA and that the organization agreement clearly reflects IPA's power to develop new projects. The amendment, which was approved by the IPA Board on April 11, 2018, prior to IPA member approval, also makes various housekeeping changes to address suggestions by IPA members and situations that have occurred in the past.

2017 IPA Officer and Director Elections; Chairman's Report

Intermountain Power Agency elected two new directors to its board at its annual meeting December 5, 2017, in Salt Lake City. IPA members elected Allen Johnson, Bountiful, to fill the directorship vacated by Von Mellor through December 31, 2020, and Mark Montgomery, Logan, to a term that commenced on January 1, 2018 and expires on December 31, 2021. Montgomery's directorship had previously been held by Ed Collins.

Allen Johnson, Bountiful (l), and Mark Montgomery, Logan, were both elected to the IPA Board of Directors at its 2017 annual meeting last December.

Four officers were subsequently elected by the Board at its February 5, 2018, meeting. Elected to new terms as officers were:

- Ted Olson (Chair), Ephraim City
- Blaine Haacke (Vice Chair), Murray City
- Eric Larsen (Secretary), Fillmore City, Holden Town, Kanosh Town, and Meadow Town
- Nick Tatton (Treasurer), Price City

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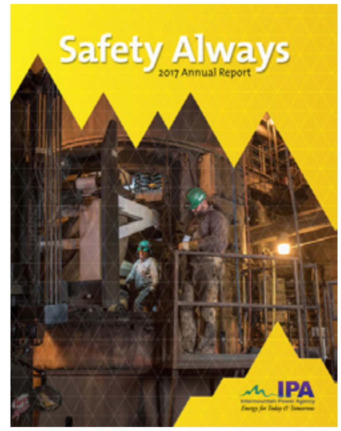
Policy directives and economics are driving changes in downstream electricity markets, with profound impact on Intermountain Power Agency operations, IPA Chair Ted Olson told annual meeting attendees. Regulations promoting the use of intermittent renewable energy in California are increasingly retasking the Intermountain Power Project's two units from baseload resources to ones that support loads when solar and other renewable energy resources are insufficient to meet demand. Ramping generation up and down throughout the day not only is not the most efficient mode of operation of IPP's units, it negatively impacts the durability and lifespan of plant equipment, Olson said.



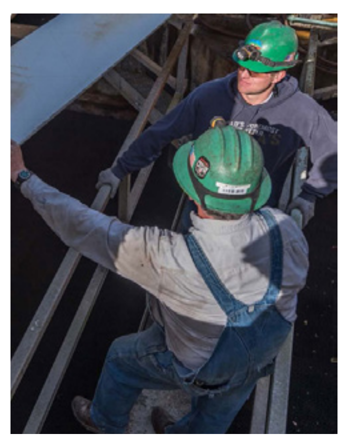
IPA's 2017 annual report and annual operating report video are available for viewing at the preceding links.

Nonetheless, O&M work carried out by the Intermountain Power Service Corporation helped mitigate these effects, Olson added, keeping the units online and available 90.9 percent of the time in fiscal year 2016-2017. Among the operational highlights for FY 2017 were the following:

- Net facility heat rate—at 9,716 BTU/kWh—was an improvement over 2016's 9,767 BTU/kWh.
- Forced outage rate was 0.02 percent—the best performance ever recorded.
- Four unplanned shutdowns occurred—the lowest number in project history.
- Net generation—at 8,143 gigawatt hours—was the lowest-ever annual total.
- 3.65 million tons of coal was used—the lowest-ever annual consumption.

IPA Closes on $105.23 Million in Refunding Bonds

IPA closed on $105,230,000 of its Subordinated Power Supply Revenue Refunding Bonds, 2018 Series A, on April 4, 2018. The bonds have an average life of 3.4 years and are non-callable. Proceeds of the bonds were used to refund prior series bonds with a present-value savings of more than $10 million.



Separately, Moody's Investors Service in February assigned an A1 rating to IPA's $102.5 million Subordinated Power Supply Revenue Refunding Bonds, 2018 Series A (with a par value of $105.23 million). S&P rated the bonds A+, while Fitch assigned them an AA rating (up from AA- in the previous year) and revised its Rating Outlook to "Stable" from

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"Positive." Moody's also affirmed the A1 rating for the outstanding $213.6 million revenue refunding bonds—meaning these obligations are judged to be low credit risk.

Moody's said it views favorably IPA's plans to repower its existing coal units into combined-cycle natural gas units by July 1, 2025, as agreed to by IPA and its 35 participant utilities in March 2016. Moving ahead with the conversion gives IPA a "roadmap" for meeting California regulations that are likely to cause the state's municipal electric utilities to eliminate coal exposure from their resource mix, the agency said.

IPA filed an official statement in connection with the issuance of the bonds. IPA will also file its annual disclosure report, updating its disclosure relating to its outstanding bonds, on or before December 31, 2018. That update will be available at http://emma.msrb.org.

Energy Items of Interest

- *Utility Dive* summarized electric utilities comments on U.S. Environmental Protection Agency's proposed replacement for the Clean Power Plan.
- President Trump designated Commissioner Neil Chatterjee to be the chairman of the Federal Energy Regulatory Commission.
- *Utility Dive* reported on "Western Regionalization Plan B" concepts for an energy imbalance market after the California legislature declined to pursue an expanded regional market.
- *Utility Dive* published "California strives to nix its natural gas habit without letting the lights go out."
- President Donald Trump nominated Department of Energy official Bernard McNamee to serve as a FERC commissioner.
- U.S. Energy Information Administration forecasted that natural gas inventories going into winter are the lowest they have been since 2005.
- ICF published a white paper examining price spikes within California Independent System Operator territory.
- *Power Engineering* profiled Los Angeles Department of Water and Power's new 20-megawatt battery energy storage facility at the Beacon solar plant.
- U.S. Energy Information Administration reported summer average wholesale electricity prices in western U.S. were the highest since 2008.
- Moody's Investors Service estimated the price tag for California's push for 100 percent renewable resources by 2045 at well above $100 billion.
- *Utility Dive* published "California has a 100% clean energy goal, but not the laws to get it there."

Links

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Intermountain Power Agency
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10653 South River Front Parkway, Suite 120
South Jordan, Utah 84095
801.938.1333

Learn more about Intermountain Power Agency, please visit: www.ipautah.com

PowerLines is a publication of Intermountain Power Agency. The Intermountain Power Project includes a two-unit coal-fueled generating station located near Delta, Utah, two transmission systems, a microwave communication system and a railcar service center, all built as a joint undertaking by 35 utilities in Utah and California.