



**UTAH MUNICIPAL
POWER AGENCY**

2011

31st

ANNUAL REPORT

LEVAN MANTI NEPHI PROVO SALEM SPANISH FORK

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“IN THE BUSINESS WORLD,
THE REARVIEW MIRROR IS
ALWAYS CLEARER THAN THE
WINDSHIELD.”

- WARREN BUFFET

Notables:

- **Member Load Growth**
- **Member Rate Increase**
- **Rate Stabilization Fund Usage**
- **Renewable Generation Resource Study**
- **Nephi Point of Delivery Change**
- **Long-Term Off-System Power Sale Contract Renewed**
- **Integrated Resource Plan Revision**
- **Transmission Rate Case**

“IN PREPARING FOR BATTLE I HAVE ALWAYS FOUND THAT
PLANS ARE USELESS, BUT PLANNING IS INDISPENSABLE.”

- DWIGHT D. EISENHOWER



UMPA - Mission & Objectives

“UMPA will continue to provide a reliable and economic power supply program that meets all the required electric power and energy needs of its member municipalities.”

Utah Municipal Power Agency (UMPA), is a consumer owned corporation, established in 1980 with a mission to: *“develop a reliable and economic power supply program to meet all the required electric power and energy needs of its member municipalities”*. That is exactly what UMPA has done. UMPA’s current member municipalities are: Levan, Manti, Nephi, Provo, Salem, and Spanish Fork.

wheeling arrangements, load research, limited political action, demand-side management, engineering, legal assistance and FERC case support.

UMPA is a Joint Action Agency whose services include: power supply and control area support, scheduling, joint financing, energy load forecasting,

The Agency is governed by a six member Board of Directors, consisting of the Mayors, or Council Members, of each of the member cities. In addition, a Technical Board, consisting of appointees from each of the member cities, usually the city energy director, who provide technical studies, recommendations, and detailed analysis to assist the Board of Directors (See *Member Statistics* pgs. 6,7)

UMPA Objectives:

1. To develop a reliable and economic power supply program to meet the electric power and energy needs as required by the members and their customers.
2. To provide the benefits of economies of scale through joint endeavors relating to the generation, transmission, and distribution of electric power and energy.
3. To involve each member in the planning, operating and developing stages undertaken by the Agency.

UMPA 2011 - Management Report



W. Leon Pexton
Chief Operating Officer
General Manager

Fiscal Year 2011 was a year of diverse issues. The economic recession and the subsequent slow and sluggish recovery are continuing to affect the entire electric utility industry including UMPA. Uncertainty in environmental regulations going forward and the increasing costs of mandated regulatory compliance has caused us to re-examine all cost centers and operational practices to continue to reduce costs and improve operational efficiencies without compromising our core mission to serve our consumers while complying with all applicable laws and regulatory requirements. The economy for our members is showing signs of strengthening. Utah's economy continues to outperform the nation. Key economic indicators for Utah show most sectors are performing better with the exception of new housing construction.

There has been load growth in both the commercial and residential sectors. Member billed energy load increased 2.4% and member billed capacity increased 2.7% in 2011. Member billed energy reached an all time record high of 1,155,514 mWh surpassing UMPA's previous high in 2008. A new fiberglass insula-

tion manufacturing facility added a large load to Nephi City and has brought new jobs to the area. Other members saw mixed load growth within load sectors except for irrigation loads that were generally down because of increased snowpack and higher, longer runoff. Fiscal year 2011 load increase was consistent with our long term projections. The Agency is forecasting and planning for future load growth in the 2% to 2.5% range.

Billed member rates increased 2.9% in 2011. At the beginning of the fiscal year 2011 rates were adjusted to properly balance cost recovery between capacity and energy components. Some cost increases were passed to the members last year and some were mitigated using the Rate Stabilization Fund. Load decline in 2009, a decrease in wholesale off-system power sales margins, increased costs at owned generation resources and some contracted power resources required UMPA to increase its base rates to members.

In past years, off-system power sales margins have offset cost increases in generation and kept member rates stable. Decline in the wholesale market margins have effectively shifted costs to member rates. The off-system wholesale power market continues to be weak. Electric demand is down throughout the West impacting the Agency's off-system sales. The market has been soft the last two years as the weakened economy has reduced the demand for power nationwide and in the western states. Natural gas prices have also been down making many utilities gas-fired generation units economical to operate rather than buy on the wholesale market. Market prices are somewhat seasonably stable and are expected to recover as the demand for power in the West increases. UMPA markets its surplus resource to other utilities when not needed to serve member load. Off-system sales decreased 41.5% in kWh during 2011 and 34.9% in revenue. We expect the market to remain weak for the next several years.

In order to meet the diverse needs of our consumers, we will continue to develop the necessary balance of maintaining a successful energy portfolio and a healthy electric utility.

The Rate Stabilization Fund (RSF) was used to pay for \$1.5 million of primarily environmental upgrade equipment at the Hunter 1 facility. In prior years, the RSF balance increased during an extremely favorable economic environment. The RSF has proven to be a valuable financial mechanism for maintaining stable predictable electric rates to our member cities. We expect to continue to draw on the RSF in 2012 for environmental equipment upgrades at Hunter 1.

During fiscal 2011 the Agency considered participation in a wind project located in a neighboring state. However, the project analysis concluded that the project would not provide any operational, financial or power supply benefit to the Agency. Nevertheless, UMPA continues to explore viable, attractive renewable energy resources that will enhance our diverse resource portfolio providing benefits and value to our consumers.

UMPA assisted member city, Nephi, in changing the point of delivery for receipt of power on PacifiCorp's transmission system. The new manufacturing customer's power needs exceeded the capacity of the line importing power to Nephi during the summer months. Also, the transmission point of delivery to Nephi was moved to the inter-connection point with PacifiCorp's transmission. PacifiCorp also had to upgrade their transmission delivery system to meet both Nephi's and PacifiCorp's future load growth. UMPA's transmission agreement with PacifiCorp and UMPA's power delivery agreement with Nephi required the Agency to assist in, and financially participate, in the process. The project was successfully completed at the end of the fiscal year. Other UMPA member cities provided line crews to help Nephi rebuild the line, saving Nephi and UMPA significant construction costs.

The renewal and modification of our long term, full-requirements, power sale agreement with a non-member municipal utility was completed near year-end. The agreement provides the non-member utility the opportunity to acquire their own generation assets, over time, while UMPA continues to supply all other power including scheduling, load following, ancillary services and other load growth. The agreement is beneficial to both parties assuring the non-member utility of power supply stability and UMPA a sale of surplus power.

UMPA continues to revise its Integrated Resource Plan. The plan provides a guide to examine all potential power supply alternatives comparing their attributes to the Agency's long term requirements and goals. The plan provides a mechanism to compare various potential resources, attributes, and characteristics against each other and a base case resource from an operational efficiency and flexibility perspective as well as the underlying economics. The plan will also provide for flexibility to adjust the underlying power supply metrics for changing utility and regulatory paradigms.



Layne Burningham
Chief Financial Officer
Power Resource Manager



UMPA 2011 - Management Report (continued)

Near year end PacifiCorp, UMPA's primary transmission provider, filed for approval of a major change in its transmission rate methodology and structure with the Federal Energy Regulatory Commission (FERC) that, if approved, would increase the transmission and related ancillary services costs paid by transmission customers. The financial impact to UMPA would increase transmission and ancillary services costs approximately 60% over the existing rate structure. The proposed structure will also adversely impact how we schedule our resources both to load and off-system.

The FERC controls rate setting methods and must approve any rate changes for investor owned transmission providers. UMPA has intervened, as have other transmission users, at the FERC as an impacted party, and asks that PacifiCorp's proposals be set for a hearing before the full FERC Commission. As part of that process UMPA, and other entities, will be allowed to enter into discovery proceedings with PacifiCorp which will allow all impacted parties to examine the details and underlying requirements, basis and justification, for the proposed change. Subsequent to year end, the FERC allowed the interventions and has set the case for a mid fiscal year hearing. In conjunction with the rate filing, PacifiCorp has notified UMPA that it intends to file with the FERC a modification of our transmission agreement with PacifiCorp that could result in significant changes to the way we move power from various resources to member loads and also off-system. UMPA is vigorously engaged in the case to protect our hard-won contractual agreements over the years and to protect our members and customers.

The Agency's future involves many dynamic challenges and issues. We must continue to adjust to industry, regulatory, and environmental changes, plan for future load growth, and investigate, evaluate, and plan for additional resources. Our continued focus is meeting member and customer expectations in an effective and responsible manner. In order to meet the diverse needs of our consumers, we will continue to develop the necessary balance of maintaining a successful energy portfolio and a healthy electric utility.

UMPA - Agency Statistics

Five-Year Financial & Operational Review

FINANCIAL DATA

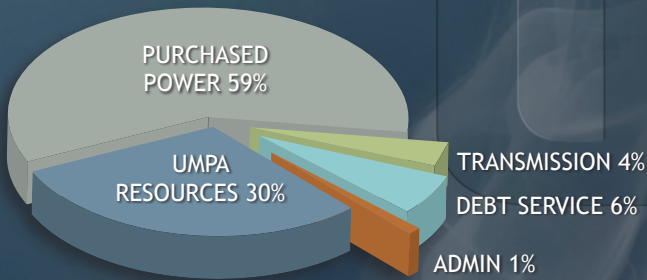
	2011	2010	2009	2008	2007
Total operating revenues	\$66,801,832	\$62,428,536	\$72,248,985	\$74,458,305	\$73,439,280
Total operating expenses	63,833,628	69,532,515	70,041,087	74,125,968	69,967,767
Income (loss) from Operations	2,968,204	(7,103,979)	2,207,898	332,337	3,471,513
Utility plant and equipment	14,775,477	15,734,786	16,727,185	17,556,327	18,510,833
Current assets	26,952,367	27,909,443	38,211,105	39,646,467	43,205,491
Long-term liabilities	25,553,331	29,194,317	32,759,490	36,020,881	39,103,608
Current liabilities	8,368,977	8,562,915	7,965,642	8,260,218	9,347,677
Rate Stabilization Fund Balance	1,803,767	3,297,864	12,866,376	13,446,850	11,992,252
Debt Service Coverage	1.00	1.00	1.00	1.00	1.46

SELECTED DATA

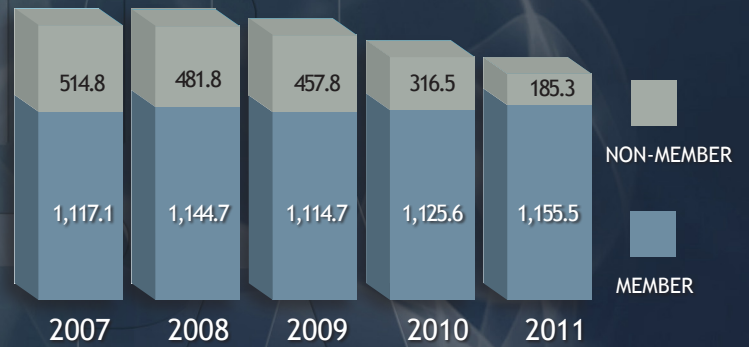
Total member energy sales (kWh)	1,155,514,483	1,125,612,319	1,114,706,234	1,144,740,437	1,117,062,852
Total non-member energy sales (kWh)	185,272,563	316,471,692	457,798,251	481,801,498	514,759,815
Member Peak demand (kW)	250,896	241,680	243,434	252,771	241,418
Energy growth rate - member	2.43%	0.98%	-2.62%	2.48%	4.09%
Billed capacity growth rate - member	2.66%	-0.94%	-1.80%	2.06%	4.80%

UMPA - Agency Statistics (continued)

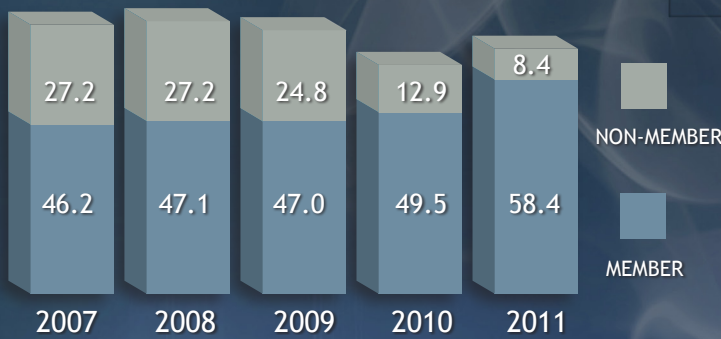
COSTS (RATE BASED)



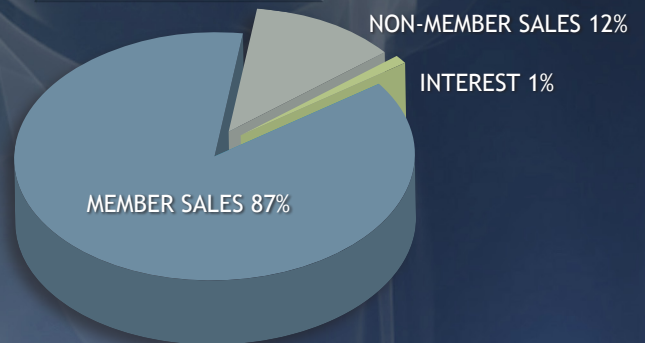
ENERGY SALES (kWh) MILLIONS



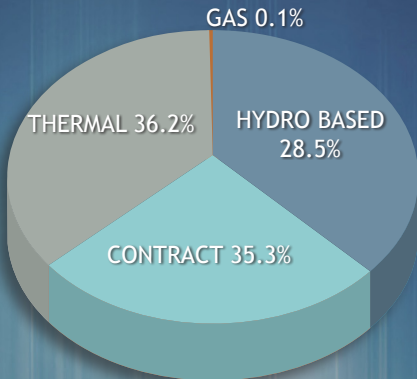
REVENUE (MILLIONS)



INCOME (RATE BASED)



FUEL RESOURCE MIX



RATES (MILLS/kWh)



CAPACITY AND LOAD ACTUAL AND PROJECTED (MW)





RUSSELL MANGELSON
UMPA Vice-Chair
Levan Town Mayor



JASON WORWOOD
UMPA Technical Committee
Levan Power Superintendent

LEVAN TOWN

Population: 792
Number of Customers: 410
Energy Consumption (kWh): 4,683,626
Peak Demand (kW): 1,290
Peak Date: July 25, 2010 @ 1700 hrs.
Energy Growth Rate: -9.67%
Capacity Growth Rate: 2.22%

NEPHI CITY

Population: 5,389
Number of Customers: 2,316
Energy Consumption (kWh): 86,391,068
Peak Demand (kW): 14,269
Peak Date: August 18, 2010 @ 1200 hrs.
Energy Growth Rate: 41.00%
Capacity Growth Rate: 10.00%



MARK JONES
UMPA Director
Nephi City Mayor



TONY FERGUSON
UMPA Technical Committee
Nephi Power Superintendent

SALEM CITY

Population: 6,423
Number of Customers: 1,936
Energy Consumption (kWh): 32,341,586
Peak Demand (kW): 8,753
Peak Date: August 2, 2010 @ 1700 hrs.
Energy Growth Rate: -2.89%
Capacity Growth Rate: 6.97%



LYNN DURRANT
UMPA Director
Salem City Council



CLARK CROOK
Vice Chair UMPA Technical Committee
Salem Power Superintendent

STATISTICS

MANTI CITY

Population: 3,001
Number of Customers: 1,394
Energy Consumption (kWh): 20,331,266
Peak Demand (kW): 4,326
Peak Date: July 16, 2010 @ 1500 hrs.
Energy Growth Rate: -0.30%
Capacity Growth Rate: -8.83%



ALAN JUSTESEN
UMPA Secretary-Treasurer
Manti City Council



EUGENE ROGERS
UMPA Technical Committee
Manti Power Superintendent



JOHN CURTIS
UMPA Director
Provo City Mayor



KEVIN GARLICK
Chair-UMPA Technical Committee
Provo Director of Energy

PROVO CITY

Population: 112,488
Number of Customers: 35,119
Energy Consumption (kWh): 783,110, 339
Peak Demand (kW): 169,217
Peak Date: July 21, 2010 @ 1700 hrs.
Energy Growth Rate: 0.28%
Capacity Growth Rate: 3.05%

SPANISH FORK CITY

Population: 34,691
Number of Customers: 10,719
Energy Consumption (kWh): 228,656,598
Peak Demand (kW): 53,793
Peak Date: August 2, 2010 @ 1700 hrs.
Energy Growth Rate: 1.84%
Capacity Growth Rate: 1.47%



STEVE LEIFSON
UMPA Chair
Spanish Fork City Council



KELLY PETERSON
UMPA Technical Committee
Spanish Fork Power Superintendent

GENERATION

Bonanza Unit 1 Plant

458,000	Capacity - KW
Load following	Resource type
3.75%	Resource interest-owned
3.50%	Resource interest-contract
Coal	Fuel type
280,924,000	KWH output, 2010
248,849,000	KWH output, 2011
-11.42%	Percent change
19.84%	Percent of 2011 resources

Millions Killowatt Hours



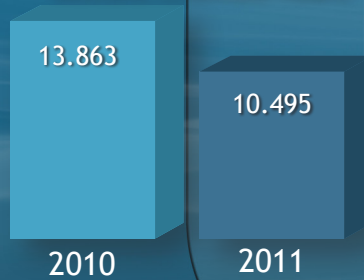
Nephi Hydras

900	Capacity - KW
Run of river	Resource type
100% Dedicated	Resource interest
Hydro	Fuel type
2,078,927	KWH output, 2010
2,352,747	KWH output, 2011
13.17%	Percent change
0.19%	Percent of 2011 resources

Deer Creek

4,000	Capacity - KW
Intermediate	Resource type
Contract	Resource interest
Hydro	Fuel type
13,863,000	KWH output, 2010
10,495,000	KWH output, 2011
-24.29%	Percent change
0.84%	Percent of 2011 resources

Millions Killowatt Hours



Levan Hydras

320	Capacity - KW
Run of river	Resource type
100% Dedicated	Resource interest
Hydro	Fuel type
585,898	KWH output, 2010
720,753	KWH output, 2011
23.02%	Percent change
0.06%	Percent of 2011 resources

PacifiCorp Firm

75,000	Capacity - KW
Load following	Resource type
Firm contract	Resource interest
Coal	Fuel type
208,421,000	KWH output, 2010
205,130,000	KWH output, 2011
-1.58%	Percent change
16.35%	Percent of 2011 resources

Millions Killowatt Hours



Manti Hydras

2,200	Capacity - KW
Run of river	Resource type
100% Dedicated	Resource interest
Hydro	Fuel type
5,172,355	KWH output, 2010
5,101,734	KWH output, 2011
-1.37%	Percent change
0.41%	Percent of 2011 resources

DG&T Contract

80,000	Capacity - KW
Load following	Resource type
Contingent contract	Resource interest
358,929,000	KWH output, 2010
237,528,000	KWH output, 2011
-33.82%	Percent change
18.%	Percent of 2011 resources

Millions Killowatt Hours



RESOURCES

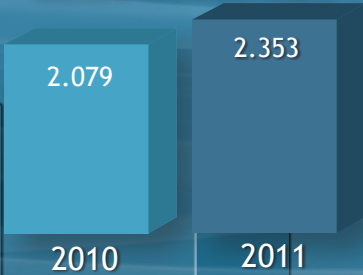
Hunter Unit 1 Plant

430,000	Capacity - KW
Load following	Resource type
6.25% Dedicated	Resource interest
Coal	Fuel Type
173,490,000	KWH output, 2010
205,027,000	KWH output, 2011
18.18%	Percent change
16.34%	Percent of 2011 resources

Millions Killowatt Hours



Millions Killowatt Hours



CRSP

87,016	Capacity - KW
Load following	Resource type
Firm contract	Resource interest
Hydro	Fuel type
290,603,524	KWH output, 2010
338,312,614	KWH output, 2011
16.42%	Percent change
26.97%	Percent of 2011 resources

Millions Killowatt Hours



Millions Killowatt Hours



Provo Plant

20,110	Capacity - KW
Peaking & reserves	Resource type
100% Dedicated	Resource interest
Gas	Fuel type
1,576,039	KWH output, 2010
936,421	KWH output, 2011
-40.58%	Percent change
0.07%	Percent of 2011 resources

Millions Killowatt Hours



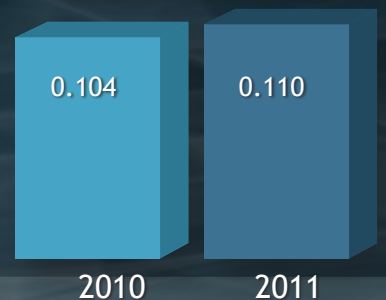
Millions Killowatt Hours

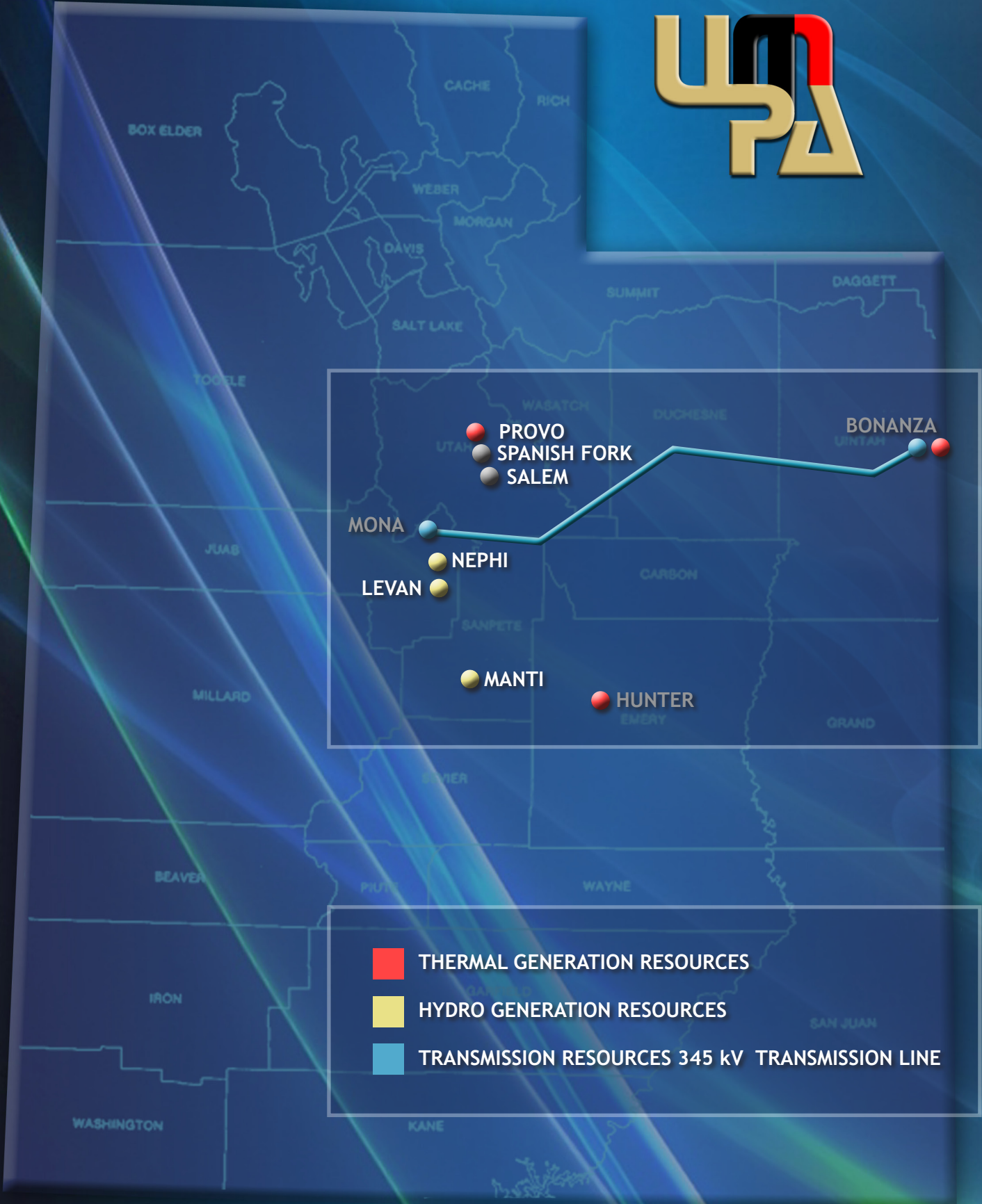





Wind Project

11	Capacity - KW
Base load	Resource type
Partnership test project	Resource interest
104,300	KWH output, 2010
110,407	KWH output, 2011
5.86%	Percent change
0.01%	Percent of 2011 resources

Thousands Killowatt Hours





-  THERMAL GENERATION RESOURCES
-  HYDRO GENERATION RESOURCES
-  TRANSMISSION RESOURCES 345 kV TRANSMISSION LINE



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