



2012



UTAH MUNICIPAL POWER AGENCY

32nd ANNUAL REPORT

LEVAN MANTI NEPHI PROVO SALEM SPANISH FORK



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Notables:

- Member Load Growth
- PacifiCorp Transmission Rate Case
- Transmission Operating Agreement Modification Negotiations with PacifiCorp
- Renewable Generation Resource Study
- Rate Stabilization Fund Activity
- Moody's Credit Downgrade
- Bond Financing for Environmental Upgrades
- New Generation Resources
- General Manager Announces Retirement

MISSION & OBJECTIVES

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.

UMPA is a Joint Action Agency whose services include: power supply and control area support, scheduling, joint financing, energy load forecasting, wheeling arrangements, load research, limited political action, demand-side management, engineering, legal assistance and FERC case support.

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 Committee, 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)

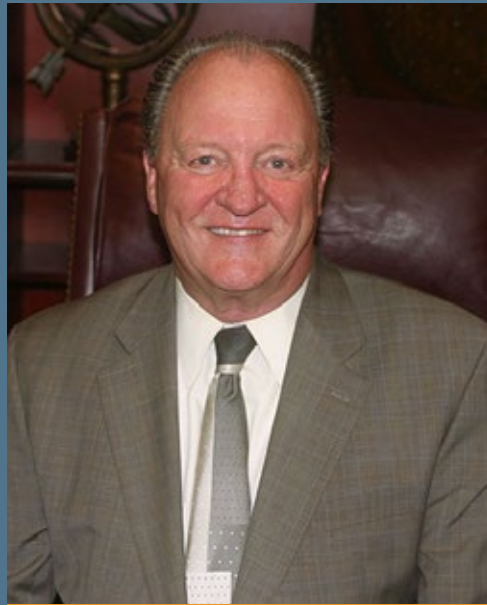
1. To develop a reliable and economic power supply program to meet the electric power and energy needs as required by the members and their customers.
2. To provide the benefits of economies of scale through joint endeavors relating to the generation, transmission, and distribution of electric power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

“ALWAYS BEAR IN MIND THAT YOUR OWN RESOLUTION TO SUCCEED IS MORE IMPORTANT THAN ANY ONE THING.”

- ABRAHAM LINCOLN

“THE GREATEST BARRIER TO SUCCESS IS THE FEAR OF FAILURE.”

- SVEN GORAN ERIKSSON



W. Leon Pexton
Chief Operating Officer
General Manager

Utah Municipal Power Agency achieved strong operational and financial performance in fiscal year 2012. Member load growth increased 1.3% in energy and 3.0% in capacity, reflecting a general strengthening of the economy and an increase in commercial and residential activity in our members' service area. Total revenues increased 2.0%. Revenues from member sales increased 4.8%, reflecting an increase in total member energy usage and the result of a rate increase effective in 2012. Non-member sales decreased during the year principally due to the weak off-system sales market, a continuing weak economy, and low natural gas prices throughout the western interconnection. Operating expenses increased 1.1% and total income from operations increased 22.9%. Energy delivered to members reached an all time high of 1,170,596 MWhs, surpassing 2011's record consumption. Throughout the UMPA marketing region the economy continues to slowly gain strength; however, Utah's key economic indicators continue to outperform those of the national economy.

PacifiCorp, UMPA's transmission provider, filed a rate case with the Federal Energy Regulatory Commission (FERC) near the end of fiscal 2011 for an increase in their open access transmission

and ancillary service rates that would also apply to UMPA's Transmission Service and Operating Agreement. UMPA's transmission and ancillary rates had been in effect since 1996. The rate methodology filed would abandon PacifiCorp's historical fixed rates and replace them with a defined input formula that would change the rates annually. The formula rate method, as filed, would increase UMPA's annual transmission cost nearly 60% in the first full fiscal year. UMPA, along with other impacted transmission customers, filed intervention petitions with the FERC. The case was set for hearing in 2012. As part of the intervention process, settlement negotiations with PacifiCorp were commenced by UMPA and the other major interveners covering all aspects of the proposed formula rate. During 2012, significant progress was made in the settlement negotiations. Extensive discovery filings plus a detailed examination of the elements of PacifiCorp's proposed rate formula revealed multiple areas of concern and disagreement with their filing. UMPA, along with the other major interveners, have been successful in negotiating terms and conditions more favorable than those originally filed by PacifiCorp. By the end of fiscal 2012, UMPA and the other major interveners were working towards a complete settlement with many issues resolved. We continued to work on several other rate elements at the end of fiscal 2012 with negotiations continuing into fiscal 2013. While the final settlement is not complete, we expect to settle with equitable formula elements, rates, terms and conditions.

As part of PacifiCorp's transmission rate case filing with FERC, PacifiCorp also proposed to make significant changes to UMPA's Transmission Service and Operating Agreement relating to rates, billing

MANAGEMENT REPORT

unit components, additional charges for ancillary services, and operational flexibility. During the year, UMPA negotiated various changes to our Transmission Service and Operating Agreement that preserve the core elements of the Agreement while upholding equity for both parties. We are pleased to report the changes will be relatively favorable to UMPA. The agreement will secure many of the unique elements and benefits that have been negotiated over time, provide significant operational latitude in bringing resources to member load and, in addition, provide flexibility for off-system sales.

During 2012, UMPA used the Rate Stabilization Fund (RSF) to pay for capital environmental modification costs at the Hunter resource necessary to bring this resource into compliance with future Environmental Protection Agency regulations for regulated emissions. The RSF has been a significant asset to help fund capital environmental upgrades and other unique costs incurred by the Agency. Over the years, the RSF balance primarily grew through savings from system efficiencies and margins from off-system sales. In 2012, the Agency spent \$991,550 for capital environmental modifications. The Board revisited the funding methodology used for the RSF within the context of the Agency's members' sales agreements to explore ways to increase the fund balance. Those discussions within the Board are continuing and expect to be refined in the future. Currently the billing methodology to members is to bill for capacity and energy at budgeted rates or actual costs, whichever is higher, with all savings going into the RSF.

Earlier in the year Moody's Investor Service downgraded Utah Municipal Power Agency's rating from A-1 to A-2, citing principally the decline in the Agency's liquid assets due to usage of the RSF. Moody's indicated they preferred UMPA to fund operating costs and debt service from current revenues, regardless of the impact on rates. UMPA's Board had concluded that the members and their customers would best be served by using the RSF to provide rate stability while the economy was in turmoil. The use of the RSF helped maintain stable rates during these economic uncertainties while providing the member cities' governing bodies the necessary time to inform, consult, and coordinate with their customers and successfully complete the process of adjusting their retail rates. For many of our member cities, a retail rate increase was the first in over 19 years. The RSF has performed, as planned by the Board and management, to meet UMPA obligations and to maintain stable rates to our members and retail customers. At year end, the Agency had met the debt service requirements from current operations and stabilized the draws on the RSF. The Agency remains optimistic that, over the next several years, it will replenish the funds in the RSF to help respond to future unforeseen operational or capital requirements in addition to providing for unexpected economic circumstances. The Rate



Layne Burningham
Chief Financial Officer
Power Resource Manager

MANAGEMENT REPORT

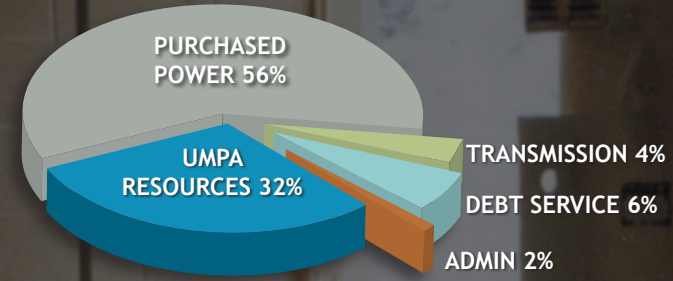
Stabilization Fund continues to be a valuable instrument in providing rate stability. The RSF is historically proven and essential for the future.

Near the end of the fiscal year, the Board opted to issue electric revenue bonds for financing environmental capital improvements at the Hunter Unit to complete the necessary enhancements required by the Environmental Protection Agency. The bonds were issued for \$6.6 million in a negotiated private placement to a major bank with closing shortly after year-end. The proceeds will be used to fund the Hunter environmental projects as well as certain other environmental modifications at the Provo Power Plant. The bonds were financed at an exceptionally favorable rate of 2.06% with a five year life. The bonds were structured to integrate with our existing debt service payments over a five year life, enabling UMPA to maintain level debt service payments as other existing debt is retired. This was a very efficient and effective way of funding the remaining environmental projects while maintaining stable rates to the members and their customers.

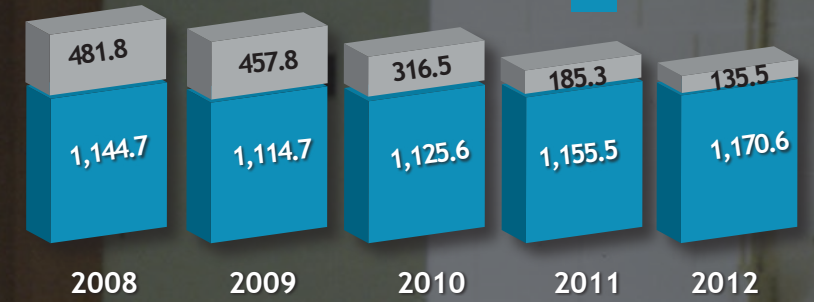
During the year, the Agency continued to explore various potential new generation resources to meet future load growth in accordance with our Integrated Resource Plan (IRP). All types of generation resources continue to be considered and analyzed as UMPA plans for its future load growth, particularly base load requirements. The Agency expects a decision to be made during next fiscal year as to the generation type, capacity, and the specific projects necessary to meet future load growth.

Near year end, UMPA's Chief Operating Officer/General Manager announced his retirement effective at the end of fiscal 2013. Upon his retirement, Mr. Pexton will have 22 years of total service at UMPA in various capacities, 10 years as COO/General Manager. The Board commenced the process to fill his position and that process continued into the first part of 2013.

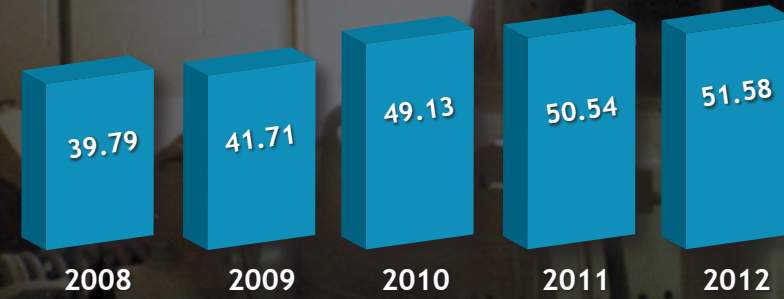
COSTS (RATE BASED)



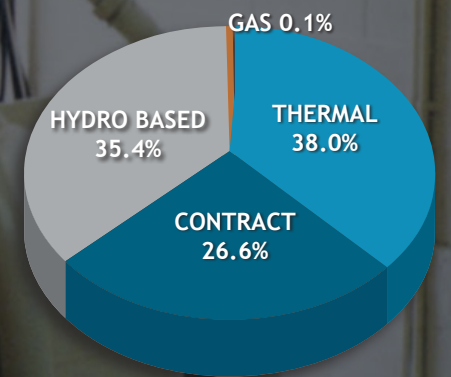
ENERGY SALES (kWh) MILLIONS



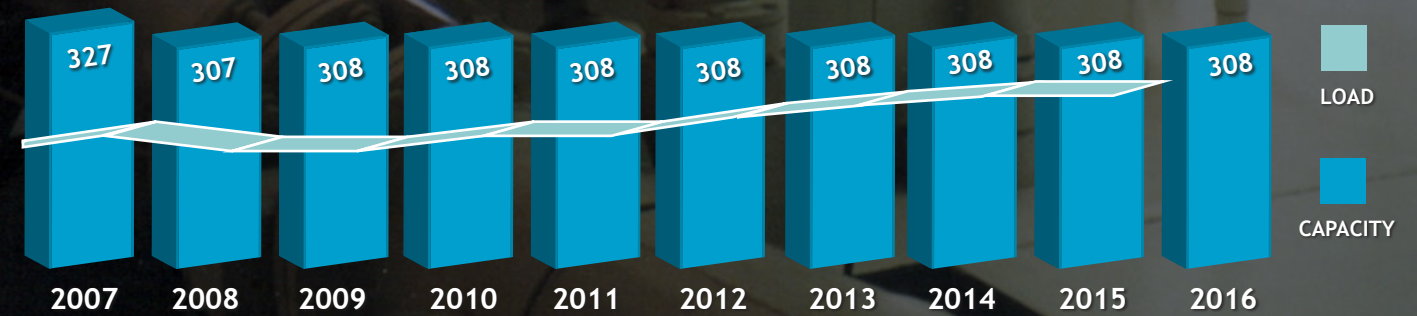
RATES (MILLS/kWh)



FUEL RESOURCE MIX



CAPACITY AND LOAD ACTUAL AND PROJECTED (MW)



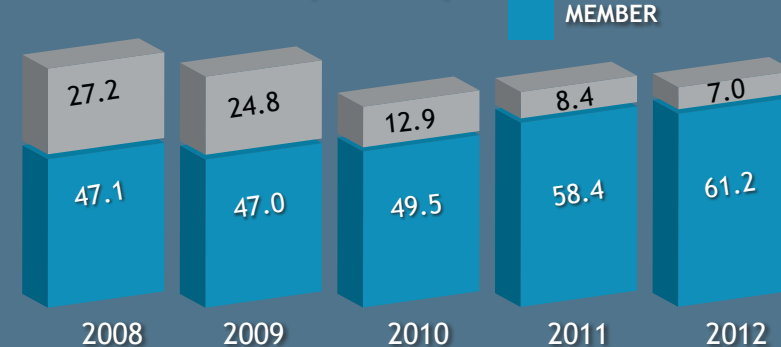
AGENCY - STATISTICS

Five-Year Financial & Operational Review

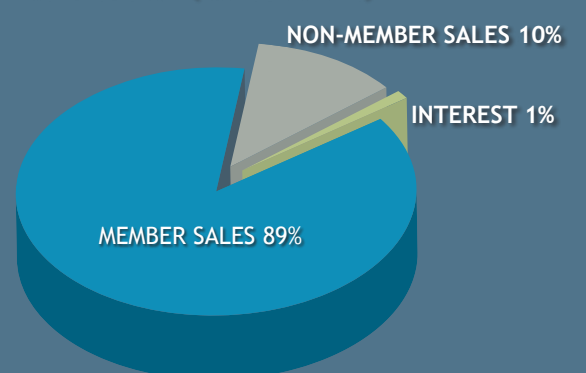
FINANCIAL DATA	2012	2011	2010	2009	2008
Total operating revenues	\$68,159,908	\$66,801,832	\$62,428,536	\$72,248,985	\$74,458,305
Total operating expenses	64,512,428	63,833,628	69,532,515	70,041,087	74,125,968
Income (loss) from Operations	3,647,480	2,968,204	(7,103,979)	2,207,898	332,337
Utility plant and equipment	13,935,319	14,775,477	15,734,786	16,727,185	17,556,327
Current assets	27,961,617	26,952,367	27,909,443	38,211,105	39,646,467
Long-term liabilities	21,707,607	25,553,331	29,194,317	32,759,490	36,020,881
Current liabilities	9,518,833	8,268,977	8,562,915	7,965,642	8,260,218
Rate Stabilization Fund Balance	1,607,654	1,803,767	3,297,864	12,866,376	13,446,850
Debt Service Coverage	1.18	1.00	1.00	1.00	1.00

SELECTED DATA	2012	2011	2010	2009	2008
Total member energy sales (kWh)	1,170,595,819	1,155,514,483	1,125,612,319	1,114,706,234	1,144,740,437
Total non-member energy sales (kWh)	135,459,532	185,272,563	316,471,692	457,798,251	481,801,498
Member Peak demand (kW)	254,843	250,896	241,680	243,434	252,771
Energy growth rate - member	1.31%	2.43%	0.98%	-2.62%	2.48%
Billed capacity growth rate - member	3.04%	2.66%	-0.94%	-1.80%	2.06%

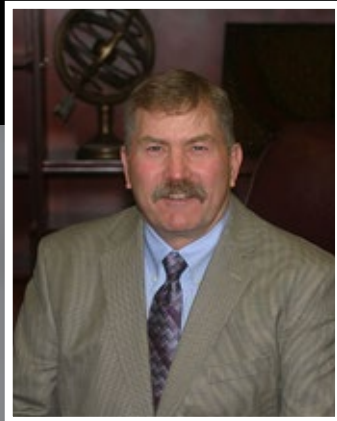
REVENUE (MILLIONS)



INCOME (RATE BASED)



MEMBER - MUNICIPALITIES STATISTICS



RUSSELL MANGELSON
UMPA Vice-Chair
Levan Town Mayor



JASON WORWOOD
UMPA Technical Committee
Levan Power Superintendent

LEVAN TOWN

Population: 836
Number of Customers: 413
Energy Consumption (kWh): 5,394,581
Peak Demand (kW): 1,248
Peak Date: June 25, 2012 @ 1800 hrs.
Energy Growth Rate: 15.18%
Capacity Growth Rate: -3.26%

MANTI CITY

Population: 3,005
Number of Customers: 1,400
Energy Consumption (kWh): 20,177,800
Peak Demand (kW): 4,288
Peak Date: June 28, 2012 @ 1600 hrs.
Energy Growth Rate: -0.75%
Capacity Growth Rate: -0.88%



NATASHA MADSEN
UMPA DIRECTOR
Manti City Mayor



EUGENE ROGERS
UMPA Technical Committee
Manti Power Superintendent

NEPHI CITY

Population: 5,436
Number of Customers: 2,221
Energy Consumption (kWh): 73,777,024
Peak Demand (kW): 15,891
Peak Date: June 25, 2012 @ 1300 hrs.
Energy Growth Rate: -14.60%
Capacity Growth Rate: 11.37%



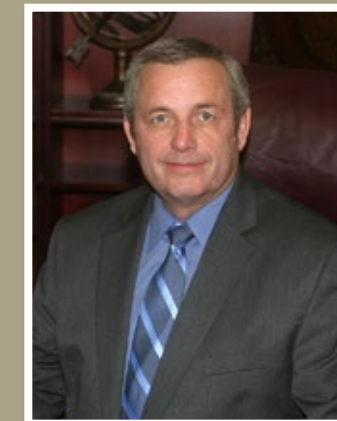
MARK JONES
UMPA Secretary-Treasurer
Nephi City Mayor



TONY FERGUSON
UMPA Technical Committee
Nephi Electric & Gas
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: 35,563
Energy Consumption (kWh): 800,027,250
Peak Demand (kW): 172,285
Peak Date: August 24, 2011 @ 1630 hrs.
Energy Growth Rate: 2.16%
Capacity Growth Rate: 1.81%



STERLING REES
UMPA Director
Salem City Council



CLARK CROOK
Vice-Chair UMPA Technical Committee
Salem Power Superintendent

SALEM CITY

Population: 6,603
Number of Customers: 1,980
Energy Consumption (kWh): 33,718,322
Peak Demand (kW): 9,068
Peak Date: August 24, 2011 @ 1630 hrs.
Energy Growth Rate: 4.26%
Capacity Growth Rate: 3.60%

SPANISH FORK CITY

Population: 34,691
Number of Customers: 10,831
Energy Consumption (kWh): 237,500,842
Peak Demand (kW): 54,736
Peak Date: August 24, 2011 @ 1630 hrs.
Energy Growth Rate: 3.87%
Capacity Growth Rate: 1.75%



STEVE LEIFSON
UMPA Chair
Spanish Fork City Council



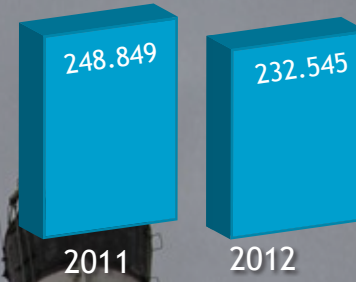
KELLY PETERSON
UMPA Technical Committee
Spanish Fork Power Superintendent

GENERATION RESOURCES

Bonanza Unit 1 Plant

Millions Killowatt Hours

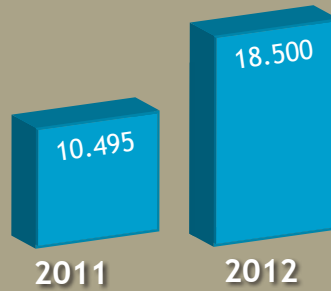
458,000	Capacity - KW
Load following	Resource type
3.75%	Resource interest-owned
3.50%	Resource interest-contract
Coal	Fuel type
248,849,000	KWH output, 2011
232,545,000	KWH output, 2012
-6.55%	Percent change
19.74%	Percent of 2012 resources



Deer Creek

Millions Killowatt Hours

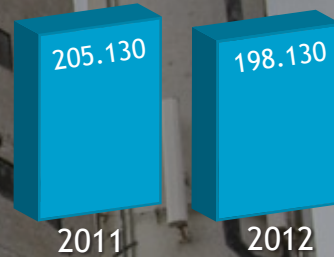
4,000	Capacity - KW
Intermediate	Resource type
Contract	Resource interest
Hydro	Fuel type
10,495,000	KWH output, 2011
18,500,000	KWH output, 2012
76.21%	Percent change
1.57%	Percent of 2012 resources



PacifiCorp Firm

Millions Killowatt Hours

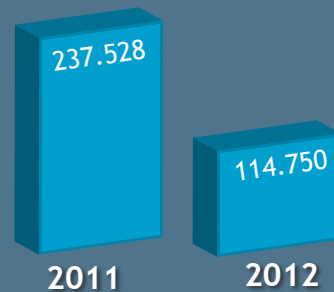
75,000	Capacity - KW
Load following	Resource type
Firm contract	Resource interest
Coal	Fuel type
205,130,000	KWH output, 2011
198,130,000	KWH output, 2012
-3.41%	Percent change
16.82%	Percent of 2012 resources



DG&T Contract

Millions Killowatt Hours

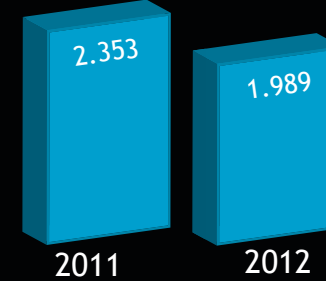
80,000	Capacity - KW
Load following	Resource type
Contingent contract	Resource interest
237,528,000	KWH output, 2011
114,750,000	KWH output, 2012
-51.69%	Percent change
9.74%	Percent of 2012 resources



Nephi Hydros

Millions Killowatt Hours

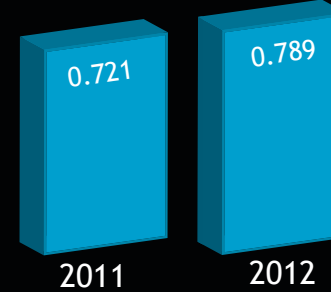
900	Capacity - KW
Run of river	Resource type
100% Dedicated	Resource interest
Hydro	Fuel type
2,352,747	KWH output, 2011
1,988,840	KWH output, 2012
-15.47%	Percent change
0.17%	Percent of 2012 resources



Levan Hydros

Millions Killowatt Hours

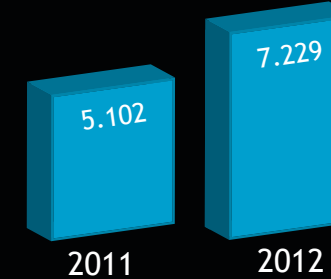
320	Capacity - KW
Run of river	Resource type
100% Dedicated	Resource interest
Hydro	Fuel type
720,753	KWH output, 2011
788,968	KWH output, 2012
9.46%	Percent change
0.07%	Percent of 2012 resources



Manti Hydros

Millions Killowatt Hours

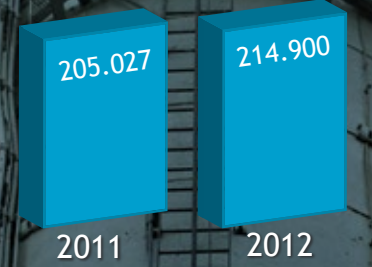
2,200	Capacity - KW
Run of river	Resource type
100% Dedicated	Resource interest
Hydro	Fuel type
5,101,734	KWH output, 2011
7,228,546	KWH output, 2012
41.69%	Percent change
0.61%	Percent of 2012 resources



Hunter Unit 1 Plant

Millions Killowatt Hours

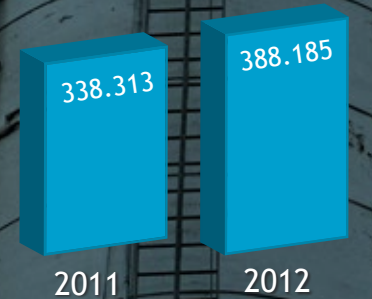
430,000	Capacity - KW
Load following	Resource type
6.25% Dedicated	Resource interest
Coal	Fuel Type
205,027,000	KWH output, 2011
214,900,000	KWH output, 2012
4.82%	Percent change
18.24%	Percent of 2012 resources



CRSP

Millions Killowatt Hours

87,016	Capacity - KW
Load following	Resource type
Firm contract	Resource interest
Hydro	Fuel type
338,312,614	KWH output, 2011
388,184,845	KWH output, 2012
14.74%	Percent change
32.95%	Percent of 2012 resources



Provo Plant

Millions Killowatt Hours

20,110	Capacity - KW
Peaking & reserves	Resource type
100% Dedicated	Resource interest
Gas	Fuel type
936,421	KWH output, 2011
999,571	KWH output, 2012
6.74%	Percent change
0.08%	Percent of 2012 resources

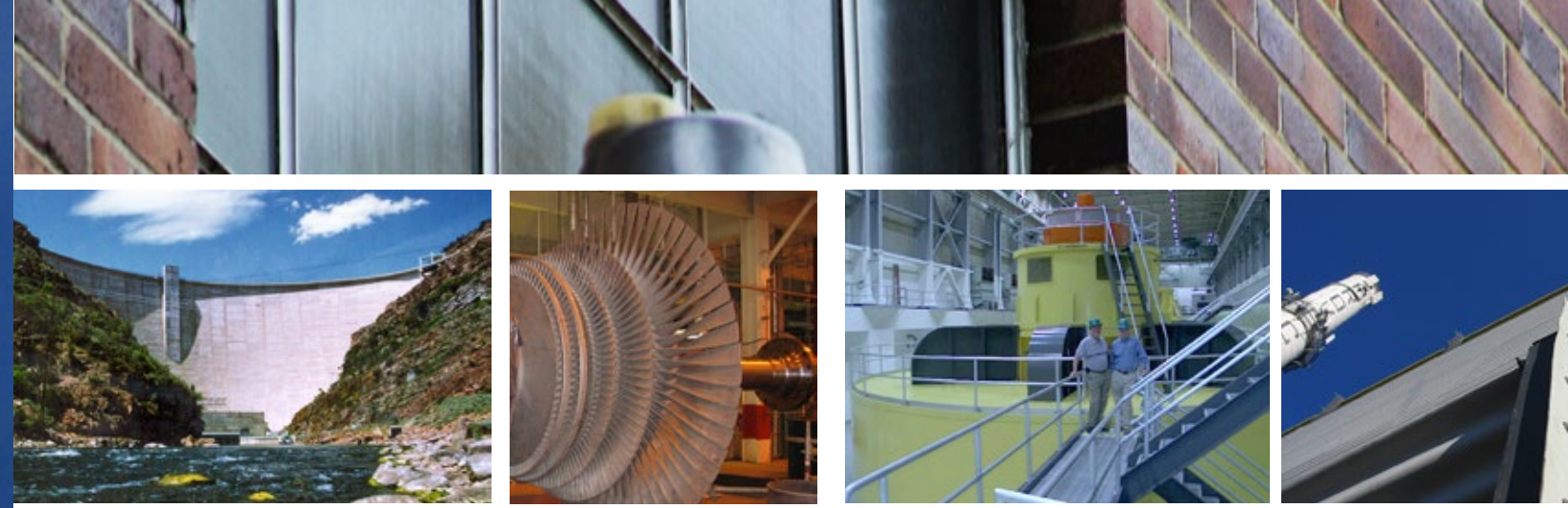


Wind Project

Thousands Killowatt Hours

11	Capacity - KW
Base load	Resource type
Partnership test project	Resource interest
110,407	KWH output, 2011
186,609	KWH output, 2012
69.02%	Percent change
0.02%	Percent of 2012 resources





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