



# UTAH MUNICIPAL POWER AGENCY

33<sup>rd</sup> ANNUAL REPORT

LEVAN MANTI NEPHI PROVO SALEM SPANISH FORK

# 2013



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- W. Leon Pexton, COO/GM Retirement
- Member Load Growth
- \$6.6M 2012 Series Bonds Issuance
- Hunter Environmental Upgrades
- PacifiCorp Rate Case Settlement and Refund
- New Resources Feasibility Study
- Integrated Resource Plan Adopted
- Power Supply Resource Study

# 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. 7, 8, 9).

## CITY OFFICE

### 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.

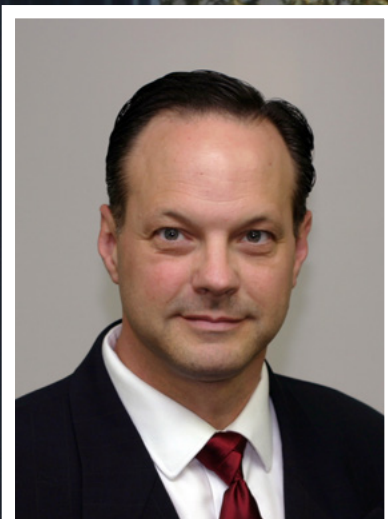


# Management Report

Stability in the midst of challenges and change is an attribute sought after by most organizations. Entities that believe and adhere to their mission and purpose, utilize prudent practices in achieving their objectives, and perform in a manner consistent with their guiding principles, will seldom fail. Utah Municipal Power Agency (UMPA or Agency) is perpetually focused on its foundation - its mission statement. Our obligation and responsibility is to fulfill the mission objectives for our members and their communities that we serve.

Fiscal year 2013 was distinct as it marked the retirement of W. Leon Pexton as Chief Operating Officer and General Manager. The culmination of Mr. Pexton's career encompassed over 22 years at UMPA, including 10 years as COO / GM. Mr. Pexton served on numerous industry boards and committees, including Treasurer on the Board of Directors for the American Public Power Association and on the Board of Directors of the Colorado River Energy Distributors Association. He participated in the Utah Energy Task Force and was effective in promoting and defending public power with the Governor, members of the Utah State Legislature, and members of the U.S. House of Representatives and Senate. In June 2008, Mr. Pexton received recognition and honor from his peers by being awarded the APPA James D. Donovan Individual Achievement Award. The UMPA Board of Directors, Technical Committee, and staff express our appreciation for his leadership and success in guiding the Agency.

The Agency realized unprecedented loads in fiscal year 13 due to a step toward normal growth from the recession and weather extremes. Member load growth increased 3.1% in capacity and 3.8% in energy. Revenue from non-member sales decreased 17.4% as energy sold to non-members decreased 25.2%. However, margins from non-members sales, which are a direct offset to the Agency's operating expenses, exceeded budgeted levels. Real-time market prices for energy continued to be weak for the majority of fiscal year 2013. Whereas depressed market prices are a limiting factor for off-system sales, UMPA aggressively purchased in the market to displace our higher cost resources and reduce operating costs. This strategy produced over a \$1.3 million decrease in



**LAYNE BURNINGHAM**  
Chief Operating Officer  
General Manager

resource costs during 2013. The Agency began evaluating and implementing low risk marketing arrangements in fiscal year 13 with some success and entered into two additional Purchase and Sale agreements with reputable counterparties.

In July of this fiscal year, UMPA issued \$6,600,000 of 2012 Series Electric System Revenue Bonds, with a favorable fixed rate of 2.06%, through a negotiated private placement with a major bank. The new five year bonds principal and interest payments were structured to integrate with the Agency's existing debt service requirements, level annual cash outflows, and mitigate upward pressure on rates. The bonds mature in fiscal year 2017 which coincides with the maturity of the 2003 Series Revenue Refunding Bonds. The existing Agency owned and dedicated generation resources and owned transmission resources will be essentially debt free by 2017, ensuring members lower cost baseload resources and the capacity to invest in future generation.

The 2012 Series bonds proceeds are being used to fund the Hunter resource's remaining capital expenditures for environmental projects and for compliance with emission standards at the Provo Power Plant as required by the Environmental Protection Agency. Hunter clean air projects, of which \$6 million of bond proceeds are committed, include installation of a baghouse, or fabric filter, to upgrade the sulfur dioxide (SO2) removal system to greater than 90% and also reduce emissions of particulate matter. In addition, low NOx burners designed to achieve a 27% reduction of NOx emissions produced in the boiler during the coal combustion process will be installed. Funding for the Hunter projects commenced in 2007 and will culminate with the installation of assets in late fiscal year 2014. Historically, the RSF was a significant financial asset for funding these projects without issuing debt. Usage of the RSF for the Hunter clean air projects through fiscal year 2012 totaled \$2.56 million.

As reported last year for fiscal year 2012, Moody's Investor Service (Moody's) downgraded the Agency's rating from A1 to A2, with a negative outlook, citing primarily the decline of liquid assets due to usage of the Rate Stabilization Fund (RSF). The fund was utilized in prior years during the economic downturn to assist in stabilizing rates and afford members time to assess, consult, and coordinate appropriate retail rate adjustments. Early this fiscal year 2014, Moody's initiated a review of UMPA's rating. The three month process concluded in October 2013 resulting in Moody's affirming the Agency's A2 rating and changing the outlook to stable from negative. The positive attributes in the action referenced the sound credit profile of its six municipal members, the Agency's independent rate setting ability, and improved financial performance. Liquidity improved in fiscal year 13 and the RSF increased \$984,000 to an ending balance of \$2.6 million.

Since fiscal year 2011, UMPA has been involved in a transmission rate case filed with the Federal Energy Regulatory Commission (FERC) by PacifiCorp, our transmission provider. The rate case, when initially filed, was a methodology change from the historical fixed rate design to a formula method with annual changes and reconciliations. The relevant issues and merits of UMPA's arguments and position have been provided in prior management reports. PacifiCorp settled with UMPA and three other major interveners in February 2013. Refunds to the Agency pursuant to the settlement provisions and protocols in the amount of \$516,890 was reimbursed in fiscal year 13 and returned to members.

UMPA engaged in a project feasibility study for a natural gas-fired combined cycled power plant to be located in central Utah. The potential project is being developed by an energy project development and consulting firm. The site offers access to two major natural gas lines, opportunities for electrical transmission interconnections with PacifiCorp, and water rights for cooling from Utah Lake. The study results indicated the project to be unfeasible for a plant size



**KEVIN GARLICK**  
Power Resource Manager



# Agency Statistics

to meet the Agency's future forecasted power supply needs. The study concluded that, for economic feasibility, a minimum plant capacity of 300 MW or larger would need to be considered. The appropriate plant size greatly exceeds UMPA forecasted electrical needs; therefore, the developer is currently looking for additional participants and/or partners to enable the project to proceed.

As required by the Western Area Power Administration (Western), UMPA prepared and filed its five year Integrated Resource Plan (IRP). The IRP provides forecasts of future growth by the member cities and identifies the current power resources to meet these electrical loads. The IRP process examined future power resources to meet growth and demand side management programs to manage growth. The public was invited to comment on the IRP. The IRP was adopted by the Board in April 2013 and approved by Western in May 2013.

In 2013, UMPA engaged the engineering and consulting services of Sawvel & Associates to perform a two-part power supply study. The first phase examines and defines the deficiency of power resources to meet future electrical loads for the member cities. It takes into consideration two major Agency power supply contracts terminating in 2017 and 2020. This 20 year study looks to define peaking, intermediate and base power supply needs for the Agency. The second phase will set the planning and selection criteria for evaluating specific power supply resources to meet the future power needs. Power resources, depending on type and size, can take years to develop and millions of dollars to construct. This study is designed to be a roadmap for the Agency in selecting the optimal power resources and culminate with the most reliable, beneficial, and economical power mix portfolio.

Year after year the electric utility industry grows more challenging and uncertain. Year after year, joint action provides answers and security to ensure our members are on a course to a reliable and affordable future. We operate in uncertain times, complicated by increasing and changing regulatory requirements, changing political power direction, climate-change debate, uncertain energy market variations, a growing need to generate and deliver additional electricity, and more. It is not easy to succeed in this environment; however, historically the Agency has consistently responded to the challenges and dynamics of our industry. We view them as opportunities to do what we have always done – serve our members and protect their interests.

Mapping a course 10 to 20 years down the road, we navigate with confidence by making reasonable choices while staying alert and ready to adapt to changing circumstances. The UMPA team is a blend of stability, continuity, new talent, and experienced professionals in their field. UMPA has the experience and ability to solve these challenges.

The goal of providing efficient, cost effective, and reliable supply and delivery of electricity in a responsible manner has guided the Agency's decision making process since its inception. Our mission concept mirrors the mantra of public power, and while seemingly simple by definition, execution requires balance, tough decisions, collaboration among our members, and guidance by our Board to achieve the optimal resource portfolio. The Agency will

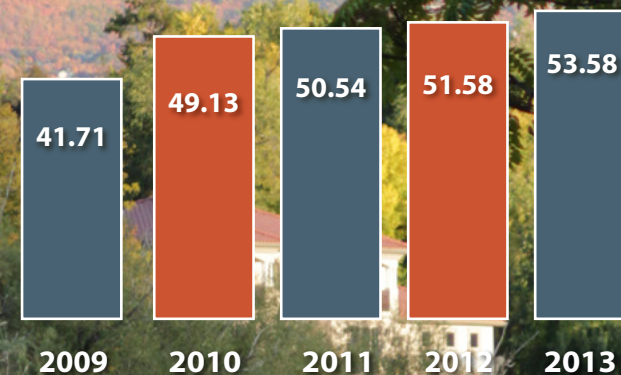
continue to actively plan, prepare, and progress on the commitment to our member utilities and their customers.



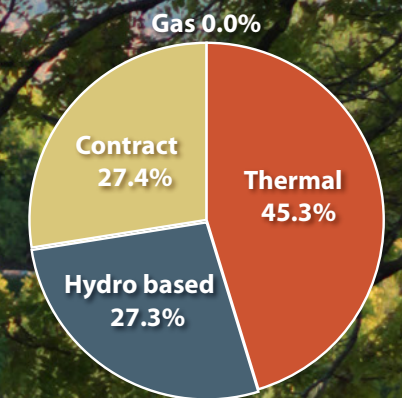
## Five-Year Financial & Operational Review

	2013	2012	2011	2010	2009
<b>FINANCIAL DATA</b>					
Total operating revenues	\$71,881,005	\$68,159,908	\$66,801,832	\$62,428,536	\$72,248,985
Total operating expenses	66,087,280	64,512,428	63,833,628	69,532,515	70,041,087
Income (loss) from Operations	5,793,725	3,647,480	2,968,204	(7,103,979)	2,207,898
Utility plant and equipment	15,294,925	13,935,319	14,775,477	15,734,786	16,727,185
Current assets	33,991,041	27,961,617	26,952,367	27,909,443	38,211,105
Long-term liabilities	25,110,316	21,707,607	25,553,331	29,194,317	32,759,490
Current liabilities	8,550,604	9,518,833	8,268,977	8,562,915	7,965,642
Rate Stabilization Fund Balance	2,591,684	1,607,654	1,803,767	3,297,864	12,866,376
Debt Service Coverage	1.68	1.18	1.00	1.00	1.00
<b>STATISTICAL DATA</b>					
Total member energy sales (kWh)	1,215,555,322	1,170,595,819	1,155,514,483	1,125,612,319	1,114,706,234
Total non-member energy sales (kWh)	101,363,636	135,459,532	185,272,563	316,471,692	457,798,251
Member Peak demand (kW)	264,667	254,843	250,896	241,680	243,434
Energy growth rate - member	3.84%	1.31%	2.43%	0.98%	(2.62)%
Billed capacity growth rate - member	3.08%	3.04%	2.66%	(0.94)%	(1.80)%

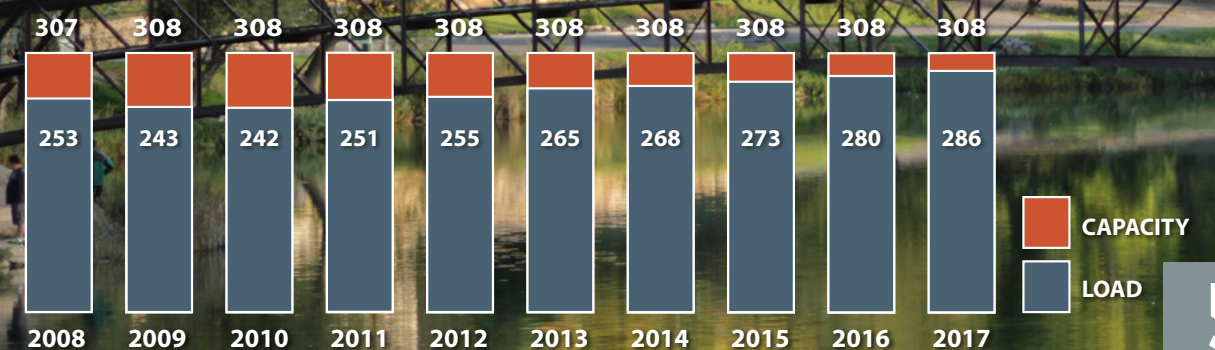
## RATES (MILLS/kWh)



## FUEL RESOURCE MIX



## CAPACITY AND LOAD ACTUAL AND PROJECTED (MW)

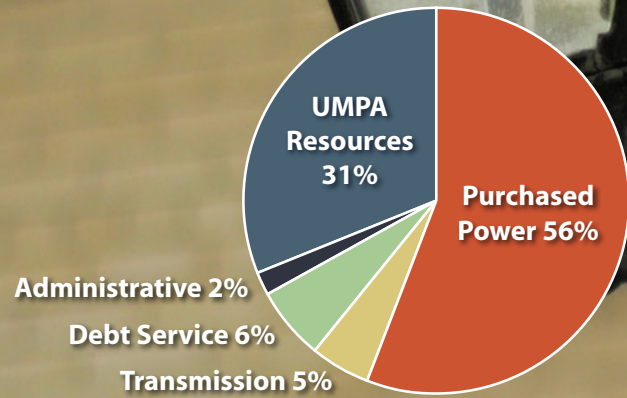




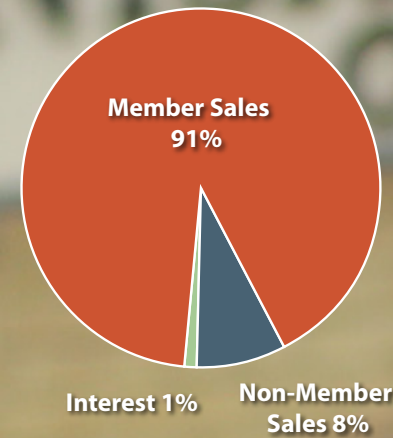
# Agency Statistics



## COSTS (RATE BASED)



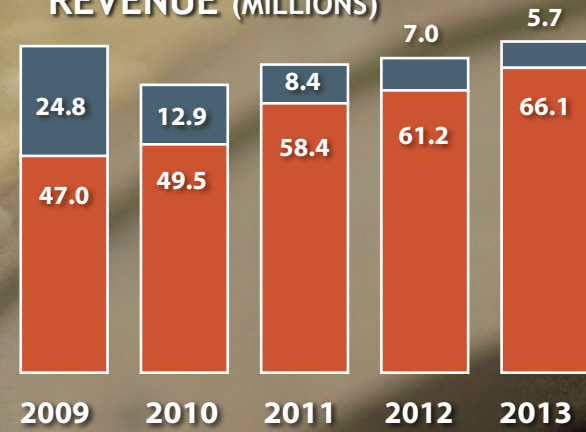
## INCOME (RATE BASED)



## ENERGY SALES (kWh) MILLIONS



## REVENUE (MILLIONS)



Member Non-Member

Member Non-Member

# Levan Town

## Member Statistics



**RUSSELL MANGELSON**  
UMPA Director  
Chair  
Levan Town Mayor



**JASON WORWOOD**  
UMPA Technical Committee  
Levan Power Superintendent

Population: 851  
Number of Customers: 415  
Energy Consumption (kWh): 5,311,575  
Peak Demand (kW): 1,279  
Peak Date: July 09, 2012 @ 1830 hrs.  
Energy Growth Rate: (1.54)%  
Capacity Growth Rate: 2.48%

# Manti City

## Member Statistics



**NATASHA MADSEN**  
UMPA Director  
Manti City Mayor



**BLAKE DEMILL**  
UMPA Technical Committee  
Manti Power Superintendent

Population: 3,276  
Number of Customers: 1,433  
Energy Consumption (kWh): 20,942,784  
Peak Demand (kW): 4,365  
Peak Date: June 28, 2013 @ 1500 hrs.  
Energy Growth Rate: 3.79%  
Capacity Growth Rate: 1.80%





**MARK JONES**  
UMPA Director  
Secretary-Treasurer  
Nephi City Mayor



**TONY FERGUSON**  
UMPA Technical Committee  
Vice Chair  
Nephi Electric & Gas Superintendent

# Nephi City

## Member Statistics

Population: 5,436  
Number of Customers: 2,214  
Energy Consumption (kWh): 101,267,945  
Peak Demand (kW): 16,959  
Peak Date: July 12, 2012 @ 1630 hrs.  
Energy Growth Rate: 37.26%  
Capacity Growth Rate: 6.72%



# Salem City

## Member Statistics



**STERLING REES**  
UMPA Director  
Salem City Council



**CLARK CROOK**  
UMPA Technical Committee  
Chair  
Salem Power Superintendent

Population: 6,826  
Number of Customers: 2,092  
Energy Consumption (kWh): 36,245,372  
Peak Demand (kW): 9,930  
Peak Date: June 27, 2013 @ 1700 hrs.  
Energy Growth Rate: 7.49%  
Capacity Growth Rate: 9.51%



# Provo City

## Member Statistics



**JOHN CURTIS**  
UMPA Director  
Vice Chair  
Provo City Mayor



**TRAVIS BALL**  
UMPA Technical Committee  
Provo Energy Director

Population: 115,915  
Number of Customers: 35,920  
Energy Consumption (kWh): 805,107,083  
Peak Demand (kW): 175,885  
Peak Date: June 28, 2013 @ 1600 hrs.  
Energy Growth Rate: 0.63%  
Capacity Growth Rate: 2.09%



**STEVE LEIFSON**  
UMPA Director  
Spanish Fork City Council



**KELLY PETERSON**  
UMPA Technical Committee  
Spanish Fork  
Power Superintendent

Population: 36,000  
Number of Customers: 11,236  
Energy Consumption (kWh): 246,680,381  
Peak Demand (kW): 57,565  
Peak Date: June 28, 2013 @ 1630 hrs.  
Energy Growth Rate: 3.87%  
Capacity Growth Rate: 5.17%

# Spanish Fork City

## Member Statistics



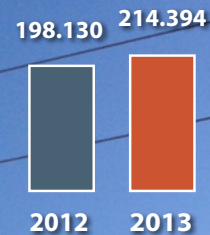


# GENERATION RESOURCES

## PacifiCorp Firm

## Millions Kilowatt Hours

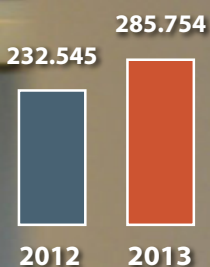
Capacity - kW	75,000
Resource type	Load following
Resource interest	Firm contracts
Fuel type	Coal
kWh output, 2012	198,130,000
kWh output, 2013	214,394,000
Percent change	8.21%
Percent of 2013	19.07%



## Bonanza Unit 1 Plant

## Millions Kilowatt Hours

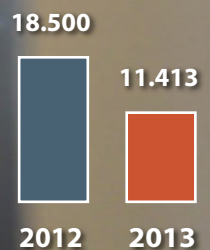
Capacity - kW	458,000
Resource type	Load following
Resource interest-owned	3.75%
Resource interest-contract	3.50%
Fuel type	Coal
kWh output, 2012	232,545,000
kWh output, 2013	285,754,000
Percent change	22.88%
Percent of 2013	25.42%



## Deer Creek

## Millions Kilowatt Hours

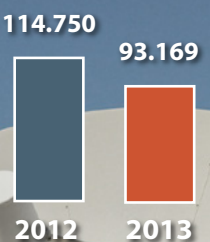
Capacity - kW	4,000
Resource type	Intermediate
Resource interest	Contract
Fuel type	Hydro
kWh output, 2012	18,500,000
kWh output, 2013	11,413,000
Percent change	(38.31)%
Percent of 2013	1.02%



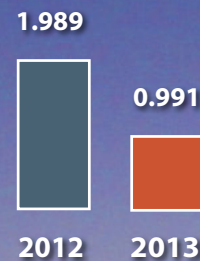
## DG&T Contract

## Millions Kilowatt Hours

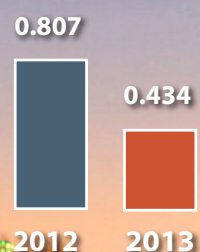
Capacity - kW	80,000
Resource type	Load following
Resource interest	Contingent contract
kWh output, 2012	114,750,000
kWh output, 2013	93,169,000
Percent change	(18.81)%
Percent of 2013	8.29%



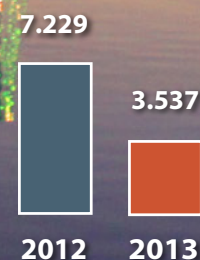
## Millions Kilowatt Hours



## Millions Kilowatt Hours



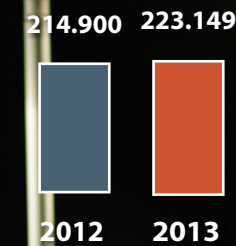
## Millions Kilowatt Hours



## Hunter Unit 1 Plant

## Millions Kilowatt Hours

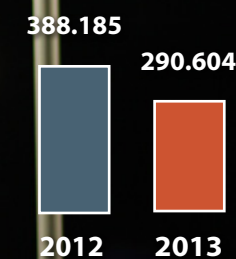
Capacity - kW	430,000
Resource type	Load following
Resource interest	6.25% Dedicated
Fuel Type	Coal
kWh output, 2012	214,900,000
kWh output, 2013	223,149,000
Percent change	3.84%
Percent of 2013	19.85%



## CRSP

## Millions Kilowatt Hours

Capacity - kW	87,016
Resource type	Load following
Resource interest	Firm contract
Fuel type	Hydro
kWh output, 2012	388,184,845
kWh output, 2013	290,603,524
Percent change	(25.14)%
Percent of 2013	25.85%



## Provo Plant

## Millions Kilowatt Hours

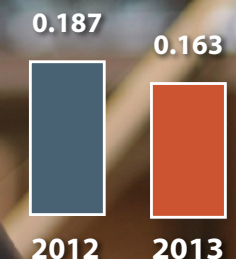
Capacity - kW	20,110
Resource type	Peaking & reserves
Resource interest	100% Dedicated
Fuel type	Gas
kWh output, 2012	999,571
kWh output, 2013	509,692
Percent change	(49.01)%
Percent of 2013	0.05%



## Wind Project

## Millions Kilowatt Hours

Capacity - kW	11
Resource type	Base load
Resource interest	Test Project
kWh output, 2012	186,609
kWh output, 2013	163,312
Percent change	(12.48)%
Percent of 2013	0.01%







**LAYNE BURNINGHAM**  
Chief Operating Officer  
General Manager

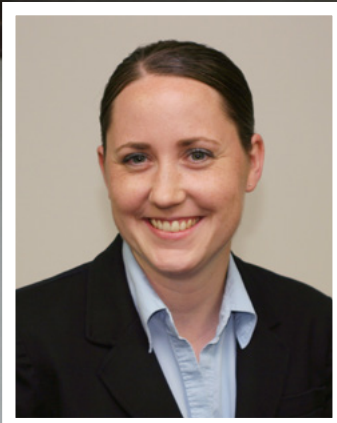
# UMPA

## Management Team



**KEVIN GARLICK**  
Power Resource Manager

- Master of Accountancy, Auditing & Information Systems, BYU 1993
- Bachelor of Science, Accounting, BYU 1993
- 19 Years - UMPA
  - 10 Years - CFO and Power Resource Manager
  - 6 Years - Financial & Information Manager



**MARIANNE SHEPHERD**  
Financial & Information  
Systems Manager

- Master of Business Administration, USU 1990
- Bachelor of Science, Computer Science, WSU 1986
- 35 Years - Electric Utility Industry
  - 30 Years - Energy/ Power Director, Provo City, Logan City, & Bountiful City
  - 5 Years - Energy Consultant for a National Firm



**SCOTT LYSKY**  
Operations Manager

- Master of Accountancy, SUU 2005
- Bachelor of Science, Accounting, SUU 2004
- 14 Years - Financial Accounting
  - 6 Years - Public Accounting Auditing Government and Utility Entities
  - 8 Years - Financial Controller Manufacturing & Oil Industries



**TODD SPERRY**  
Provo Power Plant Manager

- Master of Public Administration, BYU 1988
- Bachelor of Science, Finance, BYU 1986
- 25 Years - Electric Utility Industry
  - 5 Years - Management Analyst
  - 14 Years - Off System Sales Marketing
  - 6 Years - Operations Manager

- Bachelor of Science, Accounting, UOPX 2004
- Bachelor of Science, Business Administration, UPOX 1990
  - 13 Years - Manager of Geothermal and Dual Fuel Power Plants
  - 10 Years - Financial Information Manager at UMPA
  - 3 Years - DSM & Power Contracts
  - 3 Years - Power Lineman

# Previous Management Tribute



UMPA's Chief Operating Officer/General Manager W. Leon Pexton retired in July of 2013. Mr. Pexton had 22 years of service with the Agency. Most noteworthy was the 10 years he served as Chief Operating Officer/General Manager. He served as UMPA's Power Resource Manager from 1994 to 2003 and its Financial Manager from 1991 to 1994. As General Manager, Leon had global responsibility for strategic planning, operations, power resources, transmission, regulatory compliance, administration, financial and budgeting functions as well as political affairs and member issues. He represented UMPA at several industry and public power organizations. Leon was recognized for his dedicated service to UMPA in August 2013.



In remembrance of Wayne Johnson who managed the Provo Power Plant for 18 years from 1995 until his death in February of 2013. Wayne valiantly battled cancer while performing his duties for the Agency with diligence and tenacity.







PROVO  
SPANISH FORK  
SALEM

BONANZA

MONA

NEPHI

LEVAN

MANTI

HUNTER

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



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