UTAH MUNICIPAL POWER AGENCY

TOGETHER

Investing In Our Future

LEVAN MANTI NEPHI PROVO SALEM SPANISH FORK

34th ANNUAL REPORT

UMPA 2014

Contents

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- Increased Market Sales Opportunities
- Financial Reserves and Rate Stabilization Structure
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- Legislative Teamwork with Utah Public Power

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*". 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, control area support, scheduling, financing, energy load forecasting, transmission services, legislative and regulatory action, demand-side management, engineering, and legal assistance.

The Agency is governed by a six member Board of Directors, consisting of either the Mayor or Council Member of each of the member cities. In addition, a Technical Committee, consisting of the Energy Director from each of the member cities, provides technical studies, recommendations, and detailed analysis to assist the Board of Directors.

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

LAYNE BURNINGHAM
Chief Operating Officer
General Manager

As UMPA embarks on the 35th year of serving our members, reflecting on the past underscores the dramatic extent that our world and our industry have changed. Has there ever been a more explosive period of technology growth and adaptation than what we have witnessed in the past 30 years? The rise of personal computing, the Internet and mobile communications, to name only a few, have changed our lives in ways none of us could have expected or comprehended in 1980 when UMPA was founded. These innovations have enriched our quality of life and paved the way for even broader social change. Yet, one thing has remained remarkably consistent: the need for reliable, affordable electricity to power our homes and businesses.

As we closed the 2014 fiscal year, UMPA was in the process of updating its long term planning for future power supply resource. A concerted effort to integrate renewable resources is being initiated. It's too early to say what the exact results of the planning process will be, but one thing is clear: affordable power is paramount. Many of our members' consumers are still recovering from the economic downturn, and our Board of Directors and staff are mindful of the importance of keeping power reliable and affordable for their consumers. That sense of purpose is the characteristic that connects our past to our future. By asking good questions about how our energy choices impact our customers' quality of life, we can shape a brighter future for all.

An overview of fiscal year 2014 illustrates positive operational and financial results. Member loads were relatively flat in 2014, and were below the significant load increase from the prior year. Energy sales to non-members increased by 41.3% during fiscal year 2014, which translated to a 36.6% increase in revenue from non-member sales. The increases in non-member sales and revenue were due to new market opportunities with other entities, which included monthly capacity sales from unused portions of an Agency resource, and day-ahead energy sales to capture margins from the California ISO. Margins from non-member sales, which are a direct offset to the Agency's operating expenses, also exceeded budget by 72%. UMPA aggressively continued its purchases in the market to displace our higher cost resources and reduce operating costs. This strategy produced over a $1.1 million decrease in resource costs during fiscal year 2014.

The Agency has been engaged in developing a Board adopted financial reserve policy which demonstrates prudent financial management and conservative policymaking to the rating agencies, and will reduce variability regarding future liquidity levels. Financial reserves are important for the Agency and our members for various reasons. Reserves are used for rate stability in the face of outages, cost fluctuations, and environmental regulation changes. They are also necessary for working capital, fuel risk management, capital projects, and emergencies.

The rate stabilization structure has been changed to a defined rate that will be included in the base rate to members effective in fiscal year 2015. This enables the members to set a contribution goal each budget year to fund the Rate Stabilization Fund. The balance of the fund can therefore be managed where in the past the only contributions made to the fund were in those months actual costs were under budget.

Proceeds from the 2012 Series bonds funded environmental upgrades at both the Provo Power Plant and the Hunter Unit 1 coal-fired plant. Four new exhaust stacks with CO catalysts and proper noise control to comply with EPA regulations were installed and tested on the Fairbanks Morse engines at the Provo Plant. In the spring of 2014, PacifiCorp completed clean air projects on Hunter Unit 1 with (1) the installation of new baghouse (fabric filter system), (2) upgrades to the sulfur dioxide (SO2) removal systems, and (3) low NOX burners in the boiler. The total cost to UMPA for these projects over the last five years was $9.1 million, which comprised funds from bond proceeds and the Rate Stabilization Fund.

In the spring of 2014, UMPA initiated the development of a renewable program that allows for electric customers in participating member cities to choose to buy renewable energy at a slightly higher price. This program is expected to be available to our members in early 2015.

During fiscal year 2014, UMPA continued working with consultants on future power resources. A request for proposal seeking new power resources was issued and several proposals were received. The power supply proposals were evaluated and UMPA decided to consider the feasibility of self-supplying the future loads with a new power plant located within a member city's electrical system. Investigative efforts are underway to consider three sites and make a final assessment for future resources in fiscal year 2015. UMPA continues to explore extending the supply contracts with Deseret Power beyond the 2019 termination date. Planning and securing future power supplies without significantly impacting rates to meet growing member loads and replace expiring contracts are a priority.

In spring of 2014, the UMPA Board of Directors met with Utah's congressional leaders in Washington during the American Public Power Association (APPA) legislative rally. UMPA was seeking the support of several key regulatory and legislative matters important to our municipal electric utilities and local control. Working collaboratively with Utah Associated Municipal Power Systems (UAMPS), we were able promote public power principles with our state legislative leaders and protect our local interests.

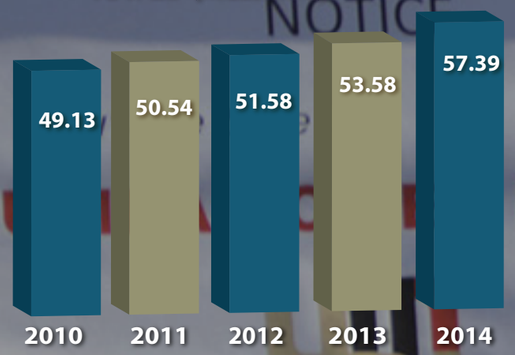
More than 130 years have passed since the first modern power plant began generating in 1882, and the importance of electricity only continues to grow. UMPA's member municipal electric utilities understand that. That's why they exist. UMPA's opportunities and challenges have changed through the years. The tools of our business have changed. The faces in our organization have changed. However, through the years, our purpose has never varied and the key focus has remained the same: customers need power that is reliable and affordable. That's why UMPA's member utilities began working together in 1980. That's why UMPA is here today. And that's why we'll be here for the next 35 years and beyond, still combining our resources for the mutual benefit of our member communities. Power is a long-term business, so the work we do today sets the resources and rates of tomorrow. We may not know exactly what our business will look like in 2050, but we are actively planning and, together, investing in our future.

Agency Statistics

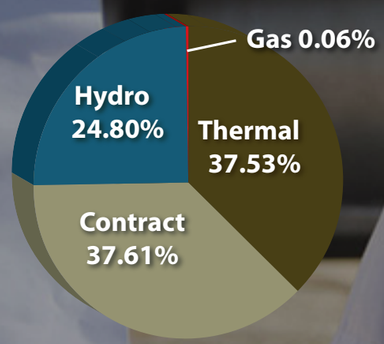
Five-Year Financial & Operational Review

	2014	2013	2012	2011	2010
FINANCIAL DATA					
Total operating revenues	$78,043,999	$71,881,005	$68,159,908	$66,801,832	$62,428,536
Total operating expenses	75,363,192	66,087,280	64,512,428	63,833,628	69,532,515
Income (loss) from Operations	2,680,807	5,793,725	3,647,480	2,968,204	(7,103,979)
Utility plant and equipment	17,813,717	15,294,925	13,935,319	14,775,477	15,734,786
Current assets	31,686,338	33,991,041	27,961,617	26,952,367	27,909,443
Long-term liabilities	21,757,752	25,110,316	21,707,607	25,553,331	29,194,317
Current liabilities	10,281,957	8,550,604	9,518,833	8,268,977	8,562,915
Rate Stabilization Fund Balance	2,925,132	2,591,684	1,607,654	1,803,767	3,297,864
Debt Service Coverage	1.00	1.68	1.18	1.00	1.00
STATISTICAL DATA					
Total member energy sales (kWh)	1,215,420,469	1,215,555,322	1,170,595,819	1,155,514,483	1,125,612,319
Total non-member energy sales (kWh)	143,190,270	101,363,636	135,459,532	185,272,563	316,471,692
Member Peak demand (kW)	270,298	264,667	254,843	250,896	241,680
Energy growth rate - member	(0.01)%	3.84%	1.31%	2.66%	0.98%
Billed capacity growth rate - member	(0.66)%	3.08%	3.04%	2.43%	(0.94)%

RATES (MILLS/kWh)

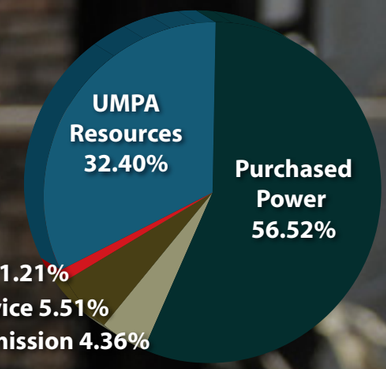


FUEL RESOURCE MIX

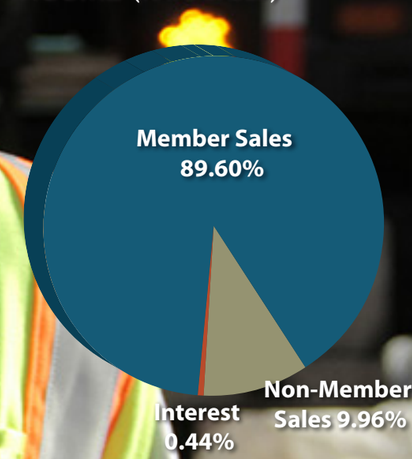


CAPACITY AND LOAD ACTUAL AND PROJECTED (MW)

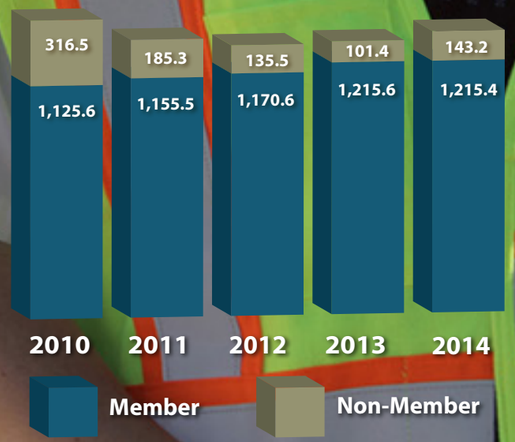
COSTS (RATE BASED)



INCOME (RATE BASED)



ENERGY SALES (kWh) MILLIONS



REVENUE (MILLIONS)

Member Statistics

RUSSELL MANGELSON
UMPA Chair
Levan Town Mayor

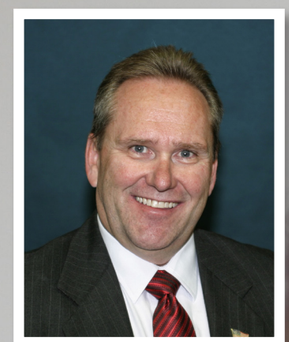
JASON WORWOOD
UMPA Technical Committee
Levan Power Superintendent

LEVAN TOWN

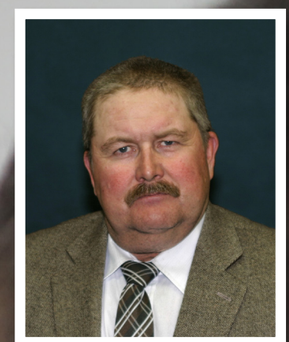
Population: 845
Number of Customers: 408
Energy Consumption (kWh): 5,048,448
Peak Demand (kW): 1,270
Peak Date: August 18, 2013 @ 1700 hrs.
Energy Growth Rate: (4.96)%
Capacity Growth Rate: (0.70)%

MANTI CITY

Population: 3,276
Number of Customers: 1,431
Energy Consumption (kWh): 20,688,877
Peak Demand (kW): 4,412
Peak Date: July 3, 2013 @ 1600 hrs.
Energy Growth Rate: (1.21)%
Capacity Growth Rate: 1.08%



KORRY SOPER
UMPA Director
Manti City Mayor



BLAKE DEMILL
UMPA Technical Committee
Manti Power Superintendent

NEPHI CITY

Population: 5,500
Number of Customers: 2,240
Energy Consumption (kWh): 98,359,486
Peak Demand (kW): 16,462
Peak Date: July 1, 2013 @ 1330 hrs.
Energy Growth Rate: (2.87)%
Capacity Growth Rate: (2.93)%

MARK JONES
UMPA Secretary-Treasurer
Nephi City Mayor

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

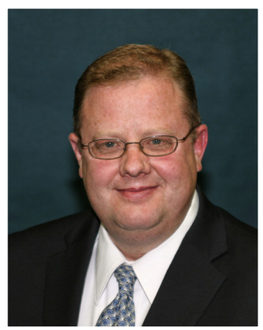
STERLING REES
UMPA Director
Salem City Council

CLARK CROOK
Technical Committee
UMPA Chair
Salem Power Superintendent

SALEM CITY

Population: 6,928
Number of Customers: 2,112
Energy Consumption (kWh): 34,970,445
Peak Demand (kW): 9,523
Peak Date: July 1, 2013 @ 1600 hrs.
Energy Growth Rate: (3.52)%
Capacity Growth Rate: (4.10)%

JOHN CURTIS
UMPA Vice Chair
Provo City Mayor



TRAVIS BALL
UMPA Technical Committee
Provo Energy Director

PROVO CITY

Population: 115,919
Number of Customers: 36,147
Energy Consumption (kWh): 811,254,857
Peak Demand (kW): 180,935
Peak Date: July 1, 2013 @ 1700 hrs.
Energy Growth Rate: 0.76%
Capacity Growth Rate: 2.87%

SPANISH FORK CITY

Population: 36,932
Number of Customers: 11,398
Energy Consumption (kWh): 245,098,356
Peak Demand (kW): 57,736
Peak Date: July 2, 2013 @ 1730 hrs.
Energy Growth Rate: (0.64)%
Capacity Growth Rate: 0.30%

STEVE LEIFSON
UMPA Director
Spanish Fork City Council

KELLY PETERSON
UMPA Technical Committee
Spanish Fork
Power Superintendent

GENERATION
RESOURCES

PacifiCorp Firm

Capacity - kW	75,000
Resource type	Load following
Resource interest	Firm contracts
Fuel type	Coal
kWh output, 2013	214,394,000
kWh output, 2014	223,347,000
Percent change	4.18%
Percent of 2014	18.17%

Millions Kilowatt Hours

Bonanza Unit 1 Plant

Capacity - kW	458,000
Resource type	Load following
Resource interest-owned	3.75%
Resource interest-contract	3.50%
Fuel type	Coal
kWh output, 2013	285,754,000
kWh output, 2014	273,797,000
Percent change	(4.18)%
Percent of 2014	22.27%

Millions Kilowatt Hours

Deer Creek

Capacity - kW	4,000
Resource type	Intermediate
Resource interest	Contract
Fuel type	Hydro
kWh output, 2013	11,413,000
kWh output, 2014	9,493,000
Percent change	(16.82)%
Percent of 2014	0.77%

Millions Kilowatt Hours

DG&T Contract

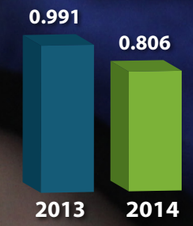
Capacity - kW	80,000
Resource type	Load following
Resource interest	Contingent contract
kWh output, 2013	93,169,000
kWh output, 2014	238,939,000
Percent change	156.46%
Percent of 2014	19.43%

Millions Kilowatt Hours

Nephi Hydros

Capacity - kW	900
Resource type	Run of river
Resource interest	100% Dedicated
Fuel type	Hydro
kWh output, 2013	990,786
kWh output, 2014	806,267
Percent change	(18.62)%
Percent of 2014	0.07%

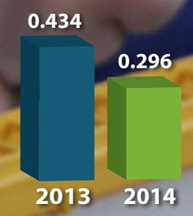
Millions Kilowatt Hours



Levan Hydros

Capacity - kW	320
Resource type	Run of river
Resource interest	100% Dedicated
Fuel type	Hydro
kWh output, 2013	433,760
kWh output, 2014	296,361
Percent change	(31.68)%
Percent of 2014	0.02%

Millions Kilowatt Hours



Manti Hydros

Capacity - kW	2,200
Resource type	Run of river
Resource interest	100% Dedicated
Fuel type	Hydro
kWh output, 2013	3,537,203
kWh output, 2014	3,669,879
Percent change	3.75%
Percent of 2014	0.30%

Millions Kilowatt Hours

Hunter Unit 1 Plant

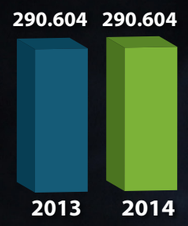
Capacity - kW	430,000
Resource type	Load following
Resource interest	6.25% Dedicated
Fuel Type	Coal
kWh output, 2013	223,149,000
kWh output, 2014	187,599,000
Percent change	(15.93)%
Percent of 2014	15.26%

Millions Kilowatt Hours

CRSP

Capacity - kW	87,016
Resource type	Load following
Resource interest	Firm contract
Fuel type	Hydro
kWh output, 2013	290,603,524
kWh output, 2014	290,603,524
Percent change	0.00%
Percent of 2014	23.64%

Millions Kilowatt Hours



Provo Plant

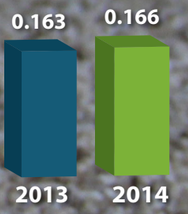
Capacity - kW	20,110
Resource type	Peaking & reserves
Resource interest	100% Dedicated
Fuel type	Gas
kWh output, 2013	509,692
kWh output, 2014	733,371
Percent change	43.89%
Percent of 2014	0.06%

Millions Kilowatt Hours

Wind Project

Capacity - kW	11
Resource type	Base load
Resource interest	Test Project
kWh output, 2013	163,312
kWh output, 2014	165,608
Percent change	1.41%
Percent of 2014	0.01%

Millions Kilowatt Hours



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