

**NEW ISSUE**  
**Full Book Entry**

**RATINGS: S&P: "A+"**  
**Fitch: "A"**  
**See "RATINGS" herein**

*Interest on the Series 2016A Bonds is includible in gross income of the owners thereof for federal income tax purposes. Subject to compliance by the Agency with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Series 2016B Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.*

*In the opinion of Bond Counsel, under existing laws of the State of Utah, as presently enacted and construed, interest on the Series 2016B Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act.*

*See "TAX MATTERS" herein for a more complete discussion.*

## **UTAH MUNICIPAL POWER AGENCY**

**\$98,290,000**

**POWER SUPPLY SYSTEM REVENUE BONDS,  
SERIES 2016A (TAXABLE)**

**\$18,215,000**

**POWER SUPPLY SYSTEM REVENUE BONDS,  
SERIES 2016B (TAX-EXEMPT)**

**Dated: Date of delivery**

**DUE: As shown below**

The Series 2016 Bonds are issued in book-entry-only form through The Depository Trust Company, which will act as securities depository for the Series 2016 Bonds. Interest on the Series 2016 Bonds is payable on each January 1 and July 1, commencing January 1, 2017. The Series 2016 Bonds are subject to redemption prior to maturity, as described herein. See "THE SERIES 2016 BONDS."

The Series 2016 Bonds are being issued for the purpose of providing long term financing for the cost of acquisition of, and certain capital improvements to, the West Valley Power Plant, financing the cost of construction of the Agency's Provo Power Plant and a new office building for the Agency, providing capitalized interest on the Series 2016 Bonds, funding a debt service reserve, and paying costs of issuance of the Series 2016 Bonds. See "THE PROJECTS."

**The Series 2016 Bonds are special obligations of the Agency secured solely by a pledge of the Revenues and certain funds established under the Resolution. The full faith and credit of the Agency is not pledged for the payment of the principal of or interest on the Series 2016 Bonds. The Series 2016 Bonds are not obligations of the State of Utah or any political subdivision thereof other than the Agency. The Agency has no taxing power. The Agency will not mortgage any System properties to secure payment of the Series 2016 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."**

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**See inside cover for maturity schedule**

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The Series 2016 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality and other matters by Chapman and Cutler LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by S. Junior Baker, Esq., Spanish Fork, Utah, counsel to the Agency, and by Chapman and Cutler LLP, in its capacity as Disclosure Counsel to the Agency. The Underwriters are being represented by their counsel, Ballard Spahr LLP. Zions Public Finance, Inc. has served as municipal advisor to the Agency in connection with the Series 2016 Bonds.

It is expected that the Series 2016 Bonds will be available for delivery, in book-entry form only, through the facilities of DTC on or about October 27, 2016.

**Wells Fargo Securities**

**BofA Merrill Lynch**

This cover page contains information for convenience of reference only. Investors must read the entire Official Statement to obtain information necessary for making an informed investment decision. This Official Statement is dated October 6, 2016, and the information contained herein speaks only as of such date.

**UTAH MUNICIPAL POWER AGENCY**

**\$98,290,000**

**POWER SUPPLY SYSTEM REVENUE BONDS  
SERIES 2016A (TAXABLE)**

**Price 100%**

DUE (JULY 1)	PRINCIPAL AMOUNT	INTEREST RATE	CUSIP (91756T) <sup>††</sup>
2019	\$4,340,000	1.630%	AG6
2020	4,410,000	1.823	AH4
2021	4,490,000	2.023	AJ0
2022	4,585,000	2.262	AK7
2023	4,685,000	2.512	AL5
2024	4,805,000	2.637	AM3
2025	4,930,000	2.787	AN1
2026	5,070,000	2.887	AP6
2027	5,215,000	3.087	AQ4
2028	5,375,000	3.237	AR2
2029	5,550,000	3.387	AS0
2030	5,735,000	3.487	AT8
2031	5,935,000	3.587	AU5

\$33,165,000 3.806% Term Bond due July 1, 2036, CUSIP 91756T AV3<sup>††</sup>

**\$18,215,000**

**POWER SUPPLY SYSTEM REVENUE BONDS  
SERIES 2016B (TAX-EXEMPT)**

DUE (JULY 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP (91756T) <sup>††</sup>
2019	\$555,000	4.000%	1.180%	AA9
2020	575,000	4.000	1.270	AB7
2021	595,000	5.000	1.380	AC5
2022	625,000	5.000	1.500	AD3
2023	660,000	5.000	1.620	AE1

\$15,205,000 5.000% Term Bond due July 1, 2038; Price 117.237%<sup>†</sup>; CUSIP 91756T AF8<sup>††</sup>

<sup>†</sup> Priced to par call on July 1, 2026.

<sup>††</sup> CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included for the convenience of the owners of the Series 2016 Bonds. Neither UMPA nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth above.

## UTAH MUNICIPAL POWER AGENCY

Utah Municipal Power Agency  
75 West 300 North, P.O. Box 818  
Spanish Fork, Utah 84660  
(801) 798-7489

### BOARD OF DIRECTORS

NAME	MEMBER REPRESENTED	TITLE
John Curtis	Provo	Chairman
Sterling Rees	Salem	Vice Chairman
Mark Jones	Nephi	Secretary-Treasurer
Russell Mangelson	Levan	Director
Korry Soper	Manti	Director
Steve Leifson	Spanish Fork	Director

### TECHNICAL COMMITTEE

NAME	MEMBER REPRESENTED	TITLE
Travis Ball	Provo	Chairman
Blake Demill	Manti	Vice Chairman
Jason Worwood	Levan	Committee Member
Rust Finlinson	Nephi	Committee Member
Clark Crook	Salem	Committee Member
Kelly Peterson	Spanish Fork	Committee Member

### MANAGEMENT

Layne Burningham	Chief Operating Officer/General Manager
Kevin Garlick	Power Resource Manager
Marianne Shepherd	Financial Manager
R. Scott Lynsky	Operations Manager

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## GENERAL INFORMATION

The information contained in this Official Statement has been furnished by the Agency, DTC and other sources that are believed to be reliable. No dealer, broker, salesperson or any other person has been authorized by the Agency or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon as having been authorized by the Agency or the Underwriters.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made thereunder shall under any circumstances create any implication that there has been no change in the affairs of the Agency or in any other information contained herein, since the date of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the market prices of the Series 2016 Bonds. Such transactions, if commenced, may be discontinued at any time.

THE SERIES 2016 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

This Official Statement contains “forward-looking statements” within the meaning of the federal securities laws. When used in this Official Statement, the words “project”, “estimate”, “intend”, “expect”, “proforma” and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The forward-looking statements have neither been reviewed nor reported on by any third party.

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## OFFICIAL STATEMENT

### UTAH MUNICIPAL POWER AGENCY

**\$98,290,000**  
**POWER SUPPLY SYSTEM REVENUE BONDS,**  
**SERIES 2016A (TAXABLE)**

**\$18,215,000**  
**POWER SUPPLY SYSTEM REVENUE BONDS,**  
**SERIES 2016B (TAX-EXEMPT)**

### INTRODUCTION

This introduction provides brief descriptions of the Agency, the Series 2016 Bonds (defined below), and the information contained in the Official Statement. Investors should make a full review of the Official Statement, including the Appendices. Capitalized terms used but not otherwise defined herein, have the meanings assigned to such terms in “APPENDIX C–FORM OF BOND RESOLUTION.”

#### UTAH MUNICIPAL POWER AGENCY

Utah Municipal Power Agency (the “Agency” or “*UMPA*”) is a political subdivision of the State of Utah that was organized in 1980 under the Interlocal Cooperation Act, Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the “*Interlocal Cooperation Act*”). The Agency provides “all-requirements” electric supply services to its six member municipalities, the Town of Levan, Manti City, the City of Nephi, Provo City, Salem City and Spanish Fork City (the “*Members*”). The Agency provides generation asset development, transmission services, energy markets transactions, project financing, legislative action, regulatory compliance, legal and engineering support, and energy efficiency and renewable programs. See “THE AGENCY.”

The following table provides summary operating information for the Agency’s power supply system (the “*System*”) for its fiscal years ending June 30 of the years shown:

#### OPERATING INFORMATION

ENERGY SALES:	2016	2015	2014	2013	2012
Members (MWh)	<u>1,225,208</u>	<u>1,216,810</u>	<u>1,215,421</u>	<u>1,215,555</u>	<u>1,170,596</u>
Non-members (MWh)	<u>139,031</u>	<u>133,589</u>	<u>143,190</u>	<u>101,364</u>	<u>135,460</u>
TOTAL ENERGY SALES	1,364,239	1,350,399	1,358,611	1,316,919	1,306,056
Member Peak Demand (MW)	272	280	270	265	255

#### THE MEMBERS

Each of the Members is a Utah municipality and a political subdivision of the State of Utah that owns and operates a municipal electric utility system. Together, the Members provide integrated electric utility service at retail to over 53,700 residential, commercial, institutional and industrial customers and a total population of over 170,000. See “APPENDIX B–CERTAIN FINANCIAL INFORMATION REGARDING THE MEMBERS.”

Under the Power Sale Agreements, each of the Members has agreed to purchase all of its electric power and energy requirements, net of any Member Projects (as described below), from the Agency at rates sufficient to enable the Agency to pay all of its operating and debt service costs. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Power Sale Agreements.”

#### THE SERIES 2016 BONDS

The \$98,290,000 Power Supply System Revenue Bonds, Series 2016A (Taxable) (the “*Series 2016A Bonds*”) and the \$18,215,000 Power Supply System Revenue Bonds, Series 2016B (Tax-Exempt) (the “*Series 2016B Bonds*”) and, collectively with the Series 2016A Bonds, the “*Series 2016 Bonds*”) are issued in book-entry form only and mature and bear interest as shown on the inside cover page of this Official Statement. Interest on the Series 2016 Bonds is payable on each January 1 and July 1, commencing January 1, 2017. See “THE SERIES 2016 BONDS.”

So long as the book-entry system is in effect, payments of principal and interest, and transfers of the Series 2016 Bonds, will be made through the facilities and under the procedures of The Depository Trust Company. See “THE SERIES 2016 BONDS–Book-Entry-Only System.”

#### REDEMPTION

The Series 2016 Bonds are subject to redemption prior to maturity, as described under “THE SERIES 2016 BONDS–Redemption.”

#### AUTHORIZATION AND PURPOSE

The Series 2016 Bonds are being issued pursuant to the authority contained in the Interlocal Cooperation Act. The Series 2016 bonds will be issued and secured under a Bond Resolution adopted on September 28, 2016 (the “*Bond Resolution*”) by the Board of Directors of the Agency (the “*Board of Directors*”) and a Supplemental Resolution, adopted on September 28, 2016 (the “*Supplemental Resolution*” and, together with the Bond Resolution, the “*Resolution*”), for the purpose of (i) providing long-term financing for the cost of acquisition of the West Valley Power Plant (the “*West Valley Plant*”) by paying and retiring the Agency’s outstanding Electric System Revenue Bond Anticipation Note, Series 2016 (the “*2016 Note*”), (ii) financing the costs of certain capital improvements to the West Valley Plant, (iii) financing the costs of acquisition and construction of a new power plant in Provo, Utah (the “*Agency’s Provo Power Plant*”) and an office building for the Agency (the “*Office Building*” and, collectively with the West Valley Plant, the improvements to the West Valley Plant, and the Agency’s Provo Power Plant, the “*Projects*”), (iv) providing for certain capitalized interest on the Series 2016 Bonds, (v) funding the Debt Service Reserve Account in an amount equal to the Debt Service Reserve Requirement, and (vi) paying costs of issuance of the Series 2016 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

The Series 2016 Bonds are the first bonds to be issued under the Resolution.



The 2016 Note was issued under the Prior Indenture in August 2016 in the principal amount of \$82,435,292, and will be paid and retired in full on the issue date of the Series 2016 Bonds.

The pledge of the Revenues securing the Series 2016 Bonds and any additional bonds issued under the Resolution (the “*Additional Bonds*” and, together with the Series 2016 Bonds, the “*Bonds*”) is subordinate to the pledge and lien created by the Prior Indenture. See “SECURITY; PRIOR BONDS” below and “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Pledge of the Resolution Subject to Lien of Prior Indenture.”

#### THE PROJECTS

The Agency will apply a portion of the proceeds of the Series 2016A Bonds to provide long-term financing for the cost of acquisition of the West Valley Plant and to finance the acquisition and construction of certain capital improvements to the West Valley Plant. The West Valley Plant is a natural gas-fired electricity generating plant located at 5935 West 4700 South in West Valley City, Utah. The West Valley Plant consists of five General Electric LM6000 simple-cycle gas turbine generating units, each with a nominal electric power output rating of 43.4 MW, for a plant total of 217 MW. Winter capacity of the Project is 200 MW net total and summer capacity is 185 MW net total. The Agency intends to use the West Valley Plant as a peaking facility.

The Agency will apply a portion of the proceeds of the Series 2016B Bonds to finance the cost of acquisition and construction of the Agency’s Provo Power Plant. The Agency’s Provo Power Plant, which will be located at 650 North 250 West in Provo, Utah, will consist of five Caterpillar G3520H reciprocating natural gas generators with an aggregate nominal electric power output rating of 12 MW. The Agency intends to use the Provo Power Plant for reserves, emergency backup services, and peaking power.

A portion of the proceeds of the Series 2016B Bonds will be used to finance the cost of acquisition and construction of an office building to be located in Spanish Fork, Utah, to be used in connection with the administration and operation of the Agency.

See “THE PROJECTS” below.

#### TRUSTEE AND PAYING AGENT

The Trustee and Paying Agent for the Series 2016 Bonds is ZB, National Association.

#### SECURITY; PRIOR BONDS

The Series 2016 Bonds are secured solely by a pledge of the Revenues of the System and certain Funds held under the Resolution, on a parity with any additional Bonds which may be issued under the Resolution, subject to the payment of Operating Expenses of the Agency and

the prior lien on Revenues pledged to secure the Agency's Prior Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds."

The Agency has closed the lien on the Revenues under the Prior Indenture, and has covenanted not to issue any additional bonds with a lien on the Revenues prior to the lien of the Resolution.

Upon the issuance of the Series 2016 Bonds, the Agency will have outstanding under the Prior Indenture (i) \$7,915,000 aggregate principal amount of its Electric System Revenue Refunding Bonds, Series 2003 (the "2003 Prior Bonds"), the final maturity date of which is July 1, 2018\*, and (ii) \$590,000 aggregate principal amount of its Electric System Revenue Bonds, Series 2012 (the "2012 Prior Bonds" and, collectively with the Series 2003 Prior Bonds, the "Prior Bonds"), the final maturity date of which is July 1, 2017. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Pledge of the Resolution Subject to Lien of Prior Indenture."

#### DEBT SERVICE RESERVE ACCOUNT

The Series 2016 Bonds and any additional Bonds that may be issued under the Resolution are also secured by the Debt Service Reserve Account in the Debt Service Fund. The Debt Service Reserve Account will be funded with proceeds of the Series 2016 Bonds in the amount of \$8,866,379, which is equal to the Debt Service Reserve Requirement as of the date of issuance of the Series 2016 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Debt Service Reserve."

#### RATE COVENANT

The Agency has covenanted in the Resolution to establish, revise, and collect rates and charges for System services to (i) provide Revenues sufficient in each fiscal year to pay all Operating Expenses, and (ii) provide Net Revenues for each year which are (a) exclusive of any Other Available Funds, equal to not less than 100% of the Aggregate Annual Debt Service Requirement for such year, and (b) including any Other Available Funds, equal to not less than 110% of the Aggregate Annual Debt Service Requirement for such year; and as shall be required, together with all other available funds, to pay or discharge all other indebtedness, obligations, charges and liens whatsoever payable out of Revenues for such Fiscal Year. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Covenant."

"Other Available Funds" consist of amounts that the Agency reasonably anticipates will be maintained on deposit in the Rate Stabilization Fund and available to pay Debt Service during the applicable Fiscal Year. See "FINANCIAL AND OPERATING INFORMATION—Rate Stabilization Fund."

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\* The Agency expects to use the amounts now on deposit in the debt service reserve fund for the 2003 Prior Bonds to pay the debt service on the 2003 Prior Bonds during the bond year ended July 1, 2018.

## ADDITIONAL BONDS

The Resolution permits the issuance of additional bonds secured by the Revenues on a parity with the Series 2016 Bonds upon the satisfaction of certain requirements set forth in the Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds” and Sections 2.02, 2.03 and 2.04 of “APPENDIX C—Form of Bond Resolution.”

## TAX MATTERS

Interest on the Series 2016A Bonds is includible in gross income of the owners thereof for federal income tax purposes. Prospective purchasers of the Series 2016A Bonds that are subject to personal income taxation by the State of Utah should consult their tax advisors regarding the treatment of interest on the Bonds under the Utah Individual Income Tax Act.

In the opinion of Bond Counsel, based on an analysis of currently existing laws, regulations, decisions, and interpretations, and assuming among other matters, compliance with certain covenants, interest on the Series 2016B Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Bond Counsel is also of the opinion that interest on the Series 2016B Bonds is exempt from State of Utah individual income taxes.

Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds.

See “TAX MATTERS” below.

## CONTINUING DISCLOSURE

The Agency will execute a Continuing Disclosure Undertaking for the benefit of the beneficial owners of the Series 2016 Bonds to comply with the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934. See “CONTINUING DISCLOSURE” and “APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

## CONDITIONS OF DELIVERY

The Series 2016 Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of legality and other matters by Chapman and Cutler LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency and the Underwriters by S. Junior Baker, Esq., Spanish Fork, Utah, counsel to the Agency, by Chapman and Cutler LLP, in its capacity as Disclosure Counsel to the Agency. The Underwriters are being represented by their counsel Ballard Spahr LLP. See “LEGAL MATTERS.”

## INVESTMENT CONSIDERATIONS

Investment in the Series 2016 Bonds is subject to certain risks, including the events and circumstances summarized under “INVESTMENT CONSIDERATIONS” in this Official Statement (the cross references below are to the subsections of that section). There can be no assurance that the occurrence of one or more of the events or circumstances identified under “INVESTMENT CONSIDERATIONS” or other circumstances will not materially and adversely affect the ability of the Agency to pay debt service on the Series 2016 Bonds. Such risks relate to the following events or circumstances, among others:

*Special Obligations.* The Bonds are special obligations of the Agency secured solely by a pledge of the Revenues of the System and certain Funds held under the Resolution. Neither the full faith and credit nor the taxing power of the State of Utah or any agency, instrumentality or political subdivision thereof (including the Agency) is pledged for the payment of principal of, premium, if any, or interest on the Bonds. The Bonds are not general obligations of the Agency, the State of Utah or any agency, instrumentality or political subdivision thereof. The issuance of the Bonds shall not directly, indirectly, or contingently obligate the Agency, the Members, or the State of Utah or any agency, instrumentality, or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for the payment of the Bonds. The Agency has no taxing power. The Resolution does not mortgage or grant a security interest in any physical properties of the System to secure the Bonds. See “INVESTMENT CONSIDERATIONS—Special Obligations.”

*Factors Affecting Electric Utilities.* A range of legislative, regulatory, financial, market, environmental and other factors have and will continue to affect the financial and operating position of electric utilities, including the Agency and its Members. These factors could affect, among other things, the availability and price of power supply resources, the availability and price of transmission service, and the costs of producing electricity. See “INVESTMENT CONSIDERATIONS—Certain Factors Affecting the Electric Utility Industry.”

## CONTACT PERSONS

The chief contact persons for the Agency concerning the Series 2016 Bonds are:

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Spanish Fork, Utah 84660  
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Chief Operating Officer/General Manager

Kevin Garlick  
Power Resource Manager

Marianne Shepherd  
Financial Manager

Additional requests for information may be directed to the Agency's Municipal Advisor at the following:

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(801) 844-7373

Brian Baker  
Vice President

## **THE SERIES 2016 BONDS**

### GENERAL

The Series 2016 Bonds will be dated the date of their original issuance and delivery (the "*Dated Date*") and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Series 2016 Bonds will be issued as fully-registered bonds, initially in book-entry form, in the denomination of \$5,000 or any integral multiple thereof.

The Series 2016 Bonds bear interest at the rates set forth on the inside cover page of this Official Statement. Interest on the Series 2016 Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2017 (each, an "*Interest Payment Date*"). Interest on the Series 2016 Bonds is computed on the basis of a 360-day year of twelve 30 day months. Interest on the Series 2016 Bonds accrues from the Dated Date.

ZB, National Association, Salt Lake City, Utah, is the Bond Registrar, Paying Agent and Trustee for the Series 2016 Bonds under the Resolution (in such respective capacities, the "*Bond Registrar*," "*Paying Agent*" and "*Trustee*").

## REDEMPTION

### **Series 2016A Bonds**

*Make-Whole Redemption of Series 2016A Bonds.* Prior to July 1, 2026, the Series 2016A Bonds are subject to redemption prior to maturity at the option of the Agency, in whole or in part, and if in part among maturities to be designated by the Agency, on any date, at a redemption price equal to the greater of (i) 100% of the principal amount of the Series 2016A Bonds to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2016A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2016A Bonds are to be redeemed, discounted to the date on which such Series 2016A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 20 basis points; plus, in each case, accrued interest on the Series 2016A Bonds to be redeemed to the redemption date.

*“Treasury Rate”* means, with respect to any redemption date for a particular Series 2016A Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2016A Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

*Optional Redemption of the Series 2016A Bonds.* The Series 2016A Bonds maturing on or prior to July 1, 2026 are not subject to redemption prior to maturity, except as described above under the caption, *“Make-Whole Redemption of Series 2016A Bonds.”* The Series 2016A Bonds maturing on or after July 1, 2027 are subject to redemption prior to maturity at the option of the Agency, in whole or in part, from such maturities as shall be determined by the Agency in its discretion, and within each maturity as selected by the Trustee, on any Business Day on or after July 1, 2026 at a redemption price of 100% of the principal amount of the Series 2016A Bonds to be redeemed plus accrued interest to the date of redemption.

*Mandatory Sinking Fund Redemption of the Series 2016A Bonds.* The Series 2016A Bonds maturing on July 1, 2036 are subject to mandatory redemption by operation of Sinking Fund Installments, at a redemption price equal to the principal amount of the Series 2016A Bonds to be redeemed, together with accrued interest to the date of redemption. The amounts and due dates of the Sinking Fund Installments for the Series 2016A Bonds maturing on July 1, 2036 are set forth in the following table:

JULY 1 OF THE YEAR	AMOUNT
2032	\$6,150,000
2033	6,385,000
2034	6,625,000
2035	6,880,000
2036*	7,125,000

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\* Stated maturity.

### Series 2016B Bonds

*Optional Redemption of the Series 2016B Bonds.* The Series 2016B Bonds maturing prior to July 1, 2026 are not subject to redemption prior to maturity. The Series 2016B Bonds maturing after July 1, 2027 are subject to redemption prior to maturity at the option of the Agency, in whole or in part, from such maturities as shall be determined by the Agency in its discretion, and within each maturity as selected by the Trustee, on any Business Day on or after July 1, 2026 at a redemption price of 100% of the principal amount of the Series 2016B Bonds to be redeemed plus accrued interest to the date of redemption.

*Mandatory Sinking Fund Redemption of the Series 2016B Bonds.* The Series 2016B Bonds maturing on July 1, 2038 are subject to mandatory redemption by operation of Sinking Fund Installments, at a redemption price equal to the principal amount of the Series 2016B Bonds to be redeemed, together with accrued interest to the date of redemption. The amounts and due dates of the Sinking Fund Installments for the Series 2016B Bonds maturing on July 1, 2038 are set forth in the following table:

JULY 1 OF THE YEAR	AMOUNT
2036	\$ 15,000
2037	7,410,000
2038*	7,780,000

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\* Stated maturity.

### Notice of Redemption

In the event any of the Series 2016 Bonds are called for redemption, notice thereof identifying the Series 2016 Bonds to be redeemed will be given by the Trustee by mailing a copy of the redemption notice by registered or certified mail not less than 30 days prior to the date fixed for redemption to the registered owner of each Series 2016 Bond to be redeemed at the address shown on the registration books. Any notice mailed as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. All Series 2016 Bonds so called for redemption will cease to bear interest after the

specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

If at the time of mailing of any notice of redemption there shall not be on deposit with the Trustee moneys sufficient to redeem all the Series 2016 Bonds called for redemption, such notice shall state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

#### BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will initially be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. So long as the Series 2016 Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or Holder of the Series 2016 Bonds for all purposes of the Resolution, the Series 2016 Bonds and this Official Statement. Purchases of beneficial ownership interests in the Series 2016 Bonds may be made in the denominations described above.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has an S&P Global Ratings rating of AA+. The DTC rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC’s records. The



ownership interest of each actual purchaser of each Series 2016 Bond (“*Beneficial Owner*”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2016 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as defaults and proposed amendments to the Series 2016 Bond documents. For example, Beneficial Owners of the Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

If applicable, redemption notices shall be sent to DTC. If less than all of the bonds within a maturity of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

As long as the book-entry system is in effect, payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative

of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of amounts due on the Series 2016 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2016 Bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2016 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.

#### TRANSFER AND EXCHANGE

So long as the book-entry system is in effect, beneficial owners may transfer their interests in the Series 2016 Bonds only through the book-entry system. In the event of a discontinuance of the book-entry system, the Series 2016 Bonds may be transferred or exchanged only upon the registration books of the Bond Registrar, subject to the restrictions described in Section 3.05 of the Bond Resolution. See "APPENDIX C-FORM OF BOND RESOLUTION."

The Record Date with respect to the Series 2016 Bonds is the fifteenth day immediately preceding an Interest Payment Date.

## SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series 2016 Bonds are as follows:

SOURCES OF FUNDS	SERIES 2016A	SERIES 2016B	TOTAL
Series 2016 Bond Proceeds.....	\$98,290,000	\$18,215,000	\$116,505,000
Initial Offering Premium.....	-	<u>3,074,716</u>	<u>3,074,716</u>
<b>Total .....</b>	<b><u>\$98,290,000</u></b>	<b><u>\$21,289,716</u></b>	<b><u>\$119,579,716</u></b>
USES OF FUNDS			
Retire 2016 Note .....	\$82,628,750	\$ -	\$ 82,628,750
West Valley Plant Capital Improvements.....	4,024,000	-	4,024,000
Agency's Provo Power Plant .....	-	16,500,000	16,500,000
Office Building .....	-	3,200,000	3,200,000
Deposit to Debt Service Reserve Account.....	7,480,163	1,386,216	8,866,379 <sup>1</sup>
Capitalized Interest .....	3,060,450	-	3,060,450
Costs of Issuance <sup>2</sup> .....	<u>1,096,637</u>	<u>203,500</u>	<u>1,300,137</u>
<b>Total .....</b>	<b><u>\$98,290,000</u></b>	<b><u>\$21,289,716</u></b>	<b><u>\$119,579,716</u></b>

<sup>1</sup> Equals the Debt Service Reserve Requirement as of the date of issuance of the Series 2016 Bonds.

<sup>2</sup> Includes Underwriters' discount, trustee fees, municipal advisor fees, legal fees, rating agency fees, printing fees and other miscellaneous costs of issuance.

## DEBT SERVICE REQUIREMENTS\*

The following table shows the annual debt service requirements of the Series 2016 Bonds and the Prior Bonds.

YEAR <sup>1</sup>	PRIOR BONDS DEBT SERVICE <sup>2</sup>	SERIES 2016A BONDS		SERIES 2016B BONDS		TOTAL DEBT SERVICE
		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2017	\$4,857,904	\$ -	\$ 2,082,085	\$ -	\$ 609,627	\$ 7,549,616
2018	4,257,750 <sup>3</sup>	-	3,071,929	-	899,450	8,229,129
2019	-	4,340,000	3,071,929	555,000	899,450	8,866,379
2020	-	4,410,000	3,001,187	575,000	877,250	8,863,437
2021	-	4,490,000	2,920,793	595,000	854,250	8,860,043
2022	-	4,585,000	2,829,960	625,000	824,500	8,864,460
2023	-	4,685,000	2,726,247	660,000	793,250	8,864,497
2024	-	4,805,000	2,608,560	-	760,250	8,173,810
2025	-	4,930,000	2,481,852	-	760,250	8,172,102
2026	-	5,070,000	2,344,453	-	760,250	8,174,703
2027	-	5,215,000	2,198,082	-	760,250	8,173,332
2028	-	5,375,000	2,037,095	-	760,250	8,172,345
2029	-	5,550,000	1,863,106	-	760,250	8,173,356
2030	-	5,735,000	1,675,128	-	760,250	8,170,378
2031	-	5,935,000	1,475,148	-	760,250	8,170,398
2032	-	6,150,000	1,262,260	-	760,250	8,172,510
2033	-	6,385,000	1,028,191	-	760,250	8,173,441
2034	-	6,625,000	785,178	-	760,250	8,170,428
2035	-	6,880,000	533,030	-	760,250	8,173,280
2036	-	7,125,000	271,178	15,000	760,250	8,171,428
2037	-	-	-	7,410,000	759,500	8,169,500
2038	-	-	-	<u>7,780,000</u>	<u>389,000</u>	<u>8,169,000</u>
<b>TOTAL:</b>	<b><u>\$9,115,654</u></b>	<b><u>\$98,290,000</u></b>	<b><u>\$40,267,390</u></b>	<b><u>\$18,215,000</u></b>	<b><u>\$16,789,527</u></b>	<b><u>\$182,677,571</u></b>

\* Columns and rows may not add due to rounding.

1 Bond Years ending July 1.

2 Includes principal and interest.

3 The debt service on the 2003 Prior Bonds for the bond year ended July 1, 2018 is expected to be paid from the amounts now on deposit in the debt service reserve fund for the 2003 Prior Bonds.

## THE PROJECTS

Under the Agency's current power supply plan (which is based on a Power Supply Resource Needs Report dated October 23, 2013 and prepared by Sawvel & Associates, Inc.\* ("*Sawvel*"), the Agency projected that it would need additional capacity of 234 MW by 2020, including a need for additional peaking capacity of 104 MW. This projection included 10MW of capacity from the existing Provo Plant and did not include the capacity obtained through the purchase of the West Valley Plant because it was not an existing power supply resource of the Agency at the time. The need for additional power resources results from projected load growth and the expiration of two power purchase contracts in 2017 and 2019, which provide capacity of 75 MW and 80 MW, respectively. See "POWER SUPPLY RESOURCES-PACIFICORP Contract" and "Deseret Wholesale Power Contract" below. In order to meet a portion of its power supply needs, the Agency (i) purchased the West Valley Plant in August 2016 with proceeds of the 2016 Note, which 2016 Note will be paid and retired with proceeds of the 2016A Bonds, and (ii) will acquire and construct the Agency's Provo Power Plant, the costs of which will be financed with proceeds of the Series 2016B Bonds. The Agency will initially use the West Valley Plant and the Agency's Provo Power Plant as peaking resources, capacity reserves and market sales. In addition, the Agency will apply a portion of the proceeds of the Series 2016 Bonds to finance the cost of acquisition and construction of the Office Building described below.

### THE WEST VALLEY PLANT

A portion of the proceeds of the Series 2016A Bonds will be used to (i) provide long-term financing for the cost of acquisition of the West Valley Plant through the payment and retirement of the 2016 Note and (ii) finance the costs of acquisition and construction of certain capital improvements to the West Valley Plant. See "ESTIMATED SOURCES AND USES OF FUNDS."

The West Valley Plant is a natural gas-fired electricity generating plant located at 5935 West 4700 South in West Valley City, Utah. The West Valley Plant consists of five General Electric LM6000 simple-cycle gas turbine generating units, each with a nominal electric power output rating of 43.4 MW, for a plant total of 217 MW. Winter capacity of the West Valley Plant is 200 MW net total, and summer capacity is 185 MW net total.

The West Valley Plant was originally developed and owned by PPM Energy, PacifiCorp's unregulated marketing/trading business (now Iberdrola Renewables), in 2001. Units 3 and 4 commenced commercial operations in 2001, with Units 1, 2, and 5 following in 2002. From 2001 to 2008, the West Valley Plant was leased to and operated by PacifiCorp. In June 2008, the West Valley Plant was acquired by Constellation Energy Group and subsequently

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\* Sawvel is an engineering services consulting firm founded in 1951 that offers a range of system and resource planning services, load forecasting services, economic power resource study services, and electric utility resource acquisition services. Since 1980, the Agency has retained Sawvel's services to perform system forecasts, conduct power plant feasibility studies, and evaluate proposals for power resources.

transferred to Exelon Corporation in 2012 as a result of the Constellation/Exelon merger. From September 2011 to December 2013, the West Valley Plant was operated under a tolling agreement with PacifiCorp. On December 3, 2014, the West Valley Plant was purchased by Wayzata Investment Partners (“Wayzata”).

The Agency contracted with several outside consultants to assist the Agency in its evaluation of the West Valley Plant, including Sega, Inc.\* (“Sega”), which conducted a technical evaluation and due diligence review of the plant, and Trinity Consultants\*\* (“Trinity”), which conducted an environmental and permit review of the West Valley Plant.

The Sega report concluded, among other things, that the condition of the West Valley Plant appears to be appropriate for a plant of its age; that the plant design is consistent with plants of its type, vintage, and intended service; that the plant appears to have been operated and maintained in accordance with the original equipment manufacturer’s recommended practices, consistent with good industry practices; and that Sega is not aware of any issues that would cause it to recommend against the Agency’s purchase of the plant. The Sega report also recommended that an estimated \$19 million of major plant maintenance projects be undertaken by the Agency during the next ten years to ensure continued plant reliability. Approximately \$4 million of such maintenance projects are being funded with proceeds of the Series 2016A Bonds, including approximately \$1.6 million of which will be used to finance the cost of replacing a CEMS (continuous emissions monitoring system) analyzer, approximately \$2.2 million of which will be used to finance the cost of replacing a control system, and the balance of which will be used for various other plant maintenance or upgrades.

Trinity found no records, notices, or issues of non-compliance with respect to applicable environmental regulations or permitting documents. Trinity also concluded that existing permits for the West Valley Plant, including the air quality permits, allow for significant operational flexibility. See “Permits and Approvals” below.

The Agency purchased the West Valley Plant from Wayzata in August 2016 for a purchase price of approximately \$82 million pursuant to an Asset Purchase Agreement with West Valley Power, LLC, a subsidiary of Wayzata. The Agency obtained interim financing for the purchase price of the West Valley Plant through the issuance of its 2016A Note, which was issued and sold to Wells Fargo Bank, National Association in August 2016, in anticipation of the

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\* Sega is an employee-owned company that was founded in 1973. As a single-source provider of energy-related services, it employs engineers and technical specialists in the areas of power generation and delivery, air quality, and control systems. Sega offers a full range of engineering services, including planning studies, project management, detailed design, permitting, construction management, and commissioning.

\*\* Trinity is an environmental consulting company that was founded in 1974. Trinity has offices across the U.S. and in Canada, the U.K., the Middle East, and China. Trinity specializes in air quality issues and assists organizations with regulatory issues such as permitting and compliance management, air dispersion modeling, and control technology analysis. Trinity also addresses broader environmental performance and risk management issues, including management issues such as environmental sustainability. In addition to serving as a consultant to the Agency in connection with the purchase of the West Valley Plant, Trinity is also advising and assisting the Agency in connection with the air permitting for the Agency’s Provo Power Plant.

issuance of the Series 2016 Bonds, a portion of the proceeds of which will be used to pay and retire the 2016 Note.

The West Valley Plant has been operated and maintained by NAES Corporation (“NAES”) since Wayzata took ownership in December 2014, pursuant to an Operating and Maintenance Agreement between Wayzata and NAES (the “O&M Agreement”), NAES acquired the same on-site plant personnel from Exelon that also operated and maintained the plant prior to Wayzata’s ownership. The West Valley Plant will initially be operated and maintained on behalf of the Agency by NAES pursuant to the O&M Agreement, which extends until June 30, 2019, with the option to automatically renew on a year-to-year basis. The West Valley Plant is currently operated by nine employees of NAES.\*

The following table shows certain West Valley Plant operating data since 2011:

CALENDAR YEAR	NET CAPACITY FACTOR	OPERATING HOURS (AVERAGE PER UNIT)	NET GENERATION (MWh)	NET AVAILABILITY FACTOR	FORCED OUTAGE RATE	AVERAGE STARTS PER UNIT	START RELIABILITY
2015**	6.0%	603	104,663	98.8%	2.4%	59	99.3%
2014**	6.6	655	115,628	97.0	2.7	86	98.4
2013	19.6	5,806	339,469	96.1	0.8	128	100.0
2012	15.4	4,068	268,440	96.7	1.3	271	99.9
2011	10.2	1,486	176,988	96.4	0.9	155	99.9

Source: Wayzata

\*\* Reduced operating hours in 2014 and 2015 are attributable to the expiration of the tolling agreement between Exelon and PacifiCorp in December 2013 and reflect the dispatch of plant energy based on market conditions at the time.

*Fuel Supply and Acquisition.* The fuel source for the West Valley Plant is pipeline quality natural gas. Gas supply is provided to the West Valley Plant by the Kern River Pipeline, which is owned by a Berkshire Hathaway Energy Holdings subsidiary, pursuant to an Operational Balancing Agreement with the Agency.

*Purpose of the West Valley Plant.* The Agency intends to initially use the West Valley Plant as a peaking power resource. A portion of the output of the West Valley Plant will be used by the Agency to meet the electric power and energy needs of its Members and to provide for additional growth in the energy needs of the Members. Based on forecasting and resource modeling, the Agency estimates that, by fiscal year 2020, it will use approximately 120 MW of the West Valley Plant’s capacity to meet Member peaking needs and will use approximately 89,600 MWh of the energy from the plant. Thereafter, the use of the West Valley Plant to meet

\* NAES is an independent services company dedicated to optimizing the performance of energy facilities across the power generation, oil and gas, and petrochemical industries. NAES is experienced in operating, maintaining, constructing, and providing engineering and technical support with respect to electric power plants. NAES is the leading independent operator in the industry, with a cumulative resume of over 250 plants across the U.S. and in 12 other countries.

the Agency's peaking needs will continue to increase as the Agency's current resource mix changes (including as a result of the expiration of certain power supply contracts, as described herein) and as Member loads are expected to increase.

During the times that the West Valley Plant is not needed for peaking and reserves for the Agency, any excess capacity will be sold by the Agency in the day-ahead energy market, through firm power sales to other utilities, or in the CAISO\* market. Based on historical operations of the West Valley Plant, there are marketing opportunities for selling the excess capacity of the plant into the power supply market on a day-ahead basis and into the CAISO market. The Agency has historically participated successfully in the power supply market and will utilize such sales of excess capacity to operate the West Valley Plant in an economical manner.

*Permits and Approvals.* The operation of the West Valley Plant is subject to various licenses, permits and approvals from federal, state and local bodies and authorities, and to on-going compliance with the terms and conditions of such licenses, permits and approvals. Based on the Agency's examination in connection with its purchase of the plant, including its review of the Sega and Trinity reports, the Agency reports that the West Valley Plant is presently in compliance, in all material respects, with all applicable state and federal and environmental laws and regulations. Various environmental permits for the West Valley Plant must be renewed from time to time, and the Agency does not currently anticipate any problems with the renewal of these permits.

*Interconnection.* The West Valley Plant is connected to PacifiCorp's 138kV transmission system.

*Tolling Agreement.* The West Valley Plant will be operated under a Tolling Agreement between the Agency and West Valley Power, LLC, a subsidiary of Wayzata (the "*Tolling Agreement*"), from August 1, 2016, the date the West Valley Plant was purchased by the Agency, through June 30, 2018. Under the Tolling Agreement, West Valley Power, LLC will make certain monthly capacity payments to the Agency, together with its proportionate share of the variable costs of the West Valley Plant, including the cost of gas and other operation and maintenance costs, and will have the right to schedule, during the first year of the Tolling Agreement, an amount of energy equal to up to 80% of the maximum output of the West Valley Plant (based on certain temperature and permit limitations at the time of dispatch), and schedule, during the second year of the Tolling Agreement, an amount of energy equal to up to 20% of the maximum output of the West Valley Plant. Capacity payments to be made by West Valley Power, LLC under the Tolling Agreement are secured by an escrow deposit in the amount of \$4.4 million. Payments to the Agency under the Tolling Agreement are an item of Revenues under the Resolution.

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\* CAISO is a non-profit independent system operator that oversees the operation of California's wholesale transmission grid.



## THE AGENCY'S PROVO POWER PLANT

A portion of the proceeds of the Series 2016B Bonds will be used to finance the cost of acquisition and construction of the Agency's Provo Power Plant to be located at 650 North 250 West in Provo, Utah. The Agency's Provo Power Plant will consist of five reciprocating Caterpillar G3520H natural gas generators with an aggregate nominal electric power output rating of 12 MW. The Agency has entered into a fixed-cost contract for the design and construction of the project with Wheeler Machinery Co. The estimated cost of the plant is approximately \$16,500,000. The estimated completion date of the Agency's Provo Power Plant is October 1, 2017.

The Agency's Provo Power Plant will replace a 10 MW power plant that was owned by Provo City, the capacity and energy of which Provo had dedicated to the Agency pursuant to a Capacity Purchase Agreement. Provo's prior plant was taken out of service in June 2016. The Agency's Provo Power Plant will be located on the site of the original plant, next to the Provo Department of Energy's newly constructed offices and warehouse facility. The Agency will lease the site from Provo for a 50-year term. The Agency applied for and received an air quality permit from the State of Utah Air Quality Division on August 3, 2016. The new Provo Power Plant will be constructed with the latest emission controls and selective catalytic reduction technology ("SCR") on the engines.

## THE OFFICE BUILDING

A portion of the proceeds of the Series 2016B Bonds will be used to finance the cost of acquisition and construction of an office building to be located in Spanish Fork, Utah (the "*Office Building*"). The Office Building will consist of an approximately 11,900 square-foot, single-story building that includes offices, a conference room, and other facilities relating to the administration and operation of the Agency. The estimated cost of the facility is \$3.2 million. The estimated completion date of the Office Building is April 2017.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### PLEDGE OF THE RESOLUTION

The Series 2016 Bonds are special obligations of the Agency and are payable exclusively from, and secured solely under the Resolution by, a pledge of the Revenues of the System and certain Funds held under the Resolution. The Series 2016 Bonds are payable on a parity with any additional Bonds which may be issued under the Resolution, subject to prior application of the Revenues for payment of Operating Expenses and payments with respect to the Agency's Prior Bonds. See "Pledge of the Resolution Subject to Lien of Prior Indenture" below.

"Revenues" include (i) all revenues, income, rents and receipts derived by the Agency from or attributable to the ownership and operation of the System, including all payments received by the Agency pursuant to the Power Sale Agreements between the Agency and its Members, the Tolling Agreement, and any other Power Sale Contracts between the Agency and a

Power Purchaser, and all other revenues attributable to the System or to the payment of the costs thereof received by the Agency under any contract for the sale of power, energy, transmission or other service from the System or any part thereof or any contractual arrangement with respect to the use of the System or any portion thereof or the services, output or capacity thereof, (ii) the proceeds of any insurance covering business interruption loss relating to the System, (iii) interest received on any moneys or securities held pursuant to the Resolution, and (iv) receipts of the Agency under any Interest Rate Swap or Commodity Price Swap entered into in connection with the ownership and operation of the System or with respect to a Series of Bonds.

The full faith and credit of the Agency is not pledged as security for the Bonds. The Agency has no taxing power. The Bonds do not constitute general obligations of the Agency, the Members, or any other entity or body, municipal, state or otherwise. The Agency will not mortgage or grant a security interest in any of the physical properties of the System to secure payment of the Bonds. See “INVESTMENT CONSIDERATIONS—Special Obligations.”

#### PLEDGE OF THE RESOLUTION SUBJECT TO LIEN OF PRIOR INDENTURE

The Agency’s 2003 Prior Bonds are currently outstanding in the aggregate principal amount of \$7,915,000, and its 2012 Prior Bonds are currently outstanding in the aggregate principal amount of \$590,000. The Prior Bonds were issued pursuant to the General Indenture of Trust, dated as of April 1, 2003, between the Agency and ZB, National Association, as supplemented (the “*Prior Indenture*”). See “DEBT SERVICE REQUIREMENTS.” So long as any Prior Bonds are outstanding, the Series 2016 Bonds and any additional Bonds issued under the Resolution are subordinate to the pledge of the Revenues and funds under the Prior Indenture in favor of the Prior Bonds.

The 2012 Prior Bonds have a final maturity of July 1, 2017, and the 2003 Prior Bonds have a final maturity of July 1, 2018. The Agency expects to apply the amounts now on deposit in the debt service reserve fund for the 2003 Prior Bonds to pay the debt service due on the 2003 Prior Bonds during the bond year ended July 1, 2018.

The Agency covenants in the Resolution that it shall not issue any additional obligations under the Prior Indenture, including any bonds issued for the purpose of refunding any obligations currently outstanding under the Prior Indenture.

#### RATE COVENANT

The Agency has covenanted in the Resolution that it will at all times establish, revise and collect rates and charges under the Power Sale Agreements and any other Power Sale Contracts, and shall otherwise charge and collect rates and charges for the use or the sale of the output, capacity or service of the System in each Fiscal Year, which are reasonably expected to provide (a) Revenues sufficient to pay all Operating Expenses and (b) Net Revenues which (i) will be equal to at least 100% of the Aggregate Debt Service for such Fiscal Year, exclusive of Other Available Funds, and (ii) together with any Other Available Funds and any other available moneys, will be equal to at least 110% of the Aggregate Debt Service for such Fiscal Year; and as shall be required, together with all other available funds, to pay or discharge all other

indebtedness, obligations (including, without limitation, any Termination Payment), charges and liens whatsoever payable out of Revenues for such Fiscal Year.

The Agency covenants in the Resolution to, not less frequently than once each Fiscal Year, review the rates and charges established by the Agency and promptly revise such rates and charges as necessary to comply with the foregoing requirements. The Agency covenants in the Resolution to include in the rates charged to its Members under the respective Power Sale Agreements, a Power Cost Adjustment, as established in the Power Sale Agreement with each of the Members, or such other cost recovery mechanism as the Board of Directors shall approve. See "THE POWER SALE AGREEMENTS."

#### DEBT SERVICE RESERVE

The Series 2016 Bonds are also secured, on a parity with any other Bonds that may be issued under the Resolution, by the Debt Service Reserve Account in the Debt Service Fund. If on the final day of any month the amount in the Debt Service Account shall be less than the amount required to be in such account, as required by the Resolution, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to cure the deficiency.

The Debt Service Reserve Account is required to be funded in an amount equal to the Debt Service Reserve Requirement. The Debt Service Reserve Requirement means, as of any date of calculation, an amount equal to the lesser of (i) 10% of the aggregate original principal amount of all Series of Bonds then Outstanding, (ii) the maximum aggregate Debt Service due in any Bond Year on all Series of Bonds then Outstanding, or (iii) 125% of the aggregate average Debt Service due during any Bond Year on all Series of Bonds then Outstanding.

The amount of the Debt Service Reserve Requirement to be on deposit in the Debt Service Reserve Account of the Debt Service Fund may be satisfied by a deposit of moneys and/or Investment Securities, a Reserve Instrument, or a combination thereof.

As of the time of issuance of the Series 2016 Bonds, the Debt Service Reserve Requirement will equal \$8,866,379, which will be funded with proceeds of the Series 2016 Bonds.

#### FUNDS AND ACCOUNTS

The following funds and accounts are created under, or confirmed by, the Resolution:

- Revenue Fund, held by the Agency,
- Project Fund, held by the Trustee,
- Debt Service Fund, including a Debt Service Account and a Debt Service Reserve Account, held by the Trustee,
- Subordinated Indebtedness Fund, held by the Trustee,

- Repair and Replacement Fund, held by the Agency,
- Rate Stabilization Fund, held by the Agency, and
- General Reserve Fund, held by the Agency.

#### FLOW OF FUNDS

Revenues are to be accounted for and maintained by the Agency in the Revenue Fund, and are to be applied in the following manner and order of priority:

*First*, to the payment of Operating Expenses (including any amounts to be set aside as a general reserve for Operating Expenses and any Operating Credit Obligations);

*Second*, for transfer to the Prior Trustee for payment of amounts required to be paid with respect to the Prior Bonds (see “DEBT SERVICE REQUIREMENTS”);

*Third*, for deposit in the Debt Service Account the amount required so that the balance in the Debt Service Account equals (i) the Accrued Aggregate Debt Service on the Bonds, (ii) any Security Instrument Repayment Obligations coming due, and (iii) any Interest Rate Swap Payment coming due, *provided* that if there are not sufficient moneys to satisfy the requirements of this paragraph with respect to all Series of Bonds, all moneys available for distribution among such Series shall be distributed on a *pro rata* basis;

*Fourth*, for deposit into the Debt Service Reserve Account, to the extent necessary to cause the amount in such account to equal the Debt Service Reserve Requirement;

*Fifth*, for deposit in the Subordinated Indebtedness Fund, such amount as shall be required to be deposited under each Supplemental Resolution, Swap Agreement, Power Purchase Contract, or other instrument under which such Subordinated Indebtedness is payable;

*Sixth*, for deposit in the Repair and Replacement Fund, such amount as may be required to satisfy the Repair and Replacement Fund Requirement, if any; and

*Seventh*, for deposit into the Rate Stabilization Fund such amount as the Agency shall determine is necessary or desirable to be deposited therein in accordance with the Power Sale Agreements.

Subject to making the foregoing deposits, the Agency may use the balance of the Revenues for deposit to the General Reserve Fund, to be applied for:

- (a) the purchase or redemption of any Bonds or Subordinated Indebtedness or the payment of any Operating Credit Obligation;

- (b) payments into the Project Fund;
- (c) payments of the Cost of Acquisition and Construction of any renewals, replacements, repairs, additions, betterments, enlargements and improvements to the System;
- (d) deposit in a special account in the General Reserve Fund for decommissioning reserves; and
- (e) any other lawful purpose.

See Section 5.05 of the Bond Resolution in APPENDIX C.

#### ADDITIONAL BONDS

Other than any obligations constituting Operating Expenses (as defined in Article I of APPENDIX C), no additional indebtedness, bonds or notes of the Agency payable on a priority to the pledge of Revenues for the payment of the Bonds herein authorized shall be created or incurred. In addition, no Bonds or other indebtedness, bonds or notes of the Agency payable on a parity with the Bonds herein authorized out of Revenues shall be created or incurred, unless the Agency shall have satisfied certain requirements, as set forth in the Resolution. See Article II of APPENDIX C for a further description of such requirements.

#### POWER SALE AGREEMENTS

The Agency has entered into an Amended and Restated Power Sale Agreement S-1, dated as of January 1, 2016, with each of the Members (collectively, the “*Power Sale Agreements*”). Each Power Sales Agreement is substantially similar to the other Power Sales Agreements. The Power Sale Agreements provide that the Agency will sell and deliver, and each Member will purchase and receive, substantially all electric power and energy required by the Member to meet the loads of its electric system, other than limited amounts of power and energy from any Member Projects, as described below. The Power Sale Agreements do not specify any particular power supply resource or resources as the source of the Agency’s power.

Payments by the Members under the Power Sale Agreements are the principal and expected source of the Revenues to be used to pay debt service on the Bonds.

The Power Sale Agreements have an initial term that extends to December 31, 2065.

The Power Sale Agreements replaced the prior power sale agreements that had been in place between the Agency and the Members for over 30 years. There has never been a payment default by any Member under the Power Sale Agreements or the predecessor agreements.

*Establishment of Rates.* The Agency recovers all of the costs of its power supply system, including debt service, through capacity and energy rates charged to its Members. The rates payable by Members to the Agency are revised annually as a part of the Agency’s budgeting

process, and are approved by the Board of Directors of the Agency. The Agency's rate structure includes a "Power Cost Adjustment" cost recovery mechanism that adjusts rates as necessary during the fiscal year to meet the Agency's revenue requirements.

The Power Sale Agreements provide for the Agency to establish and maintain rates that will provide revenues which are sufficient, but only sufficient, to meet the estimated revenue requirements of the Agency, which, to the extent that other revenues of the Agency have not actually been applied to meet such requirements, consist of:

(i) the cost to the Agency incurred in connection with any electric power and energy purchased by the Agency for resale under the Power Sale Agreements, and the cost of transmission service for delivery of electric power and energy provided under the Power Sale Agreements;

(ii) the cost to the Agency of operation and maintenance of facilities, including fuel costs and the costs of any hedging or similar transactions with respect to fuel supplies, owned or operated by the Agency for the acquisition, generation or transmission of electric power and energy provided under the Power Sale Agreements;

(iii) the cost to the Agency of renewals and replacements of facilities owned or operated by the Agency for the acquisition, generation or transmission of electric power and energy provided under the Power Sale Agreements and the costs of establishing allowances for working capital, liquidity and rate stabilization reserves, and other reasonable reserves for contingencies deemed necessary by the Agency in order to carry out its obligations thereunder;

(iv) the cost to the Agency of decommissioning, salvaging, discontinuing or otherwise disposing of facilities that the Board of Directors determines shall no longer be used to provide power and energy to the Members under the Power Sale Agreements, including, but not limited to, all accrued costs and liabilities resulting from the acquisition, construction, operation, and maintenance of, and renewals and replacements to, the facilities;

(v) the costs to the Agency of permits, approvals, and compliance with regulatory and environmental requirements;

(vi) wages, salaries and benefits for employees of the Agency and other costs to the Agency of managing, operating, and scheduling power supply resources, administration, general overhead and power supply planning and development required to meet the Agency's obligations under the Power Sale Agreements;

(vii) additional amounts, if any, which must be realized by the Agency to meet the requirements of any rate covenant or any obligation under certain System Agreements;

(viii) scheduled payments of principal and interest on all bonds, notes and other obligations of the Agency issued in connection with its obligations under the Power Sale Agreements, without regard to any acceleration provision that would cause all principal and interest to be immediately due and payable, and payments which the Agency is required to make into any debt service reserve fund or account under the terms of any bond or note resolution or other contract with holders of such bonds or notes;

(ix) the establishment and maintenance of additional reserves as may be required by the terms of any bond or note resolution or other contract with holders of such bonds or notes; and

(x) additional amounts, if any, which must be realized by the Agency in order to meet the requirements of any rate covenant with respect to coverage of debt service on such bonds or notes under the terms of any bond or note resolution or other contract with holders of such bonds or notes plus such additional amounts deemed desirable to facilitate marketing bonds and notes of the Agency on favorable terms.

*Member Projects.* The Power Sale Agreements provide that a Member may, in consultation with the Technical Committee of the Agency, undertake one or more facilities, contracts, or programs for the purpose of providing for a portion of the load of the Member's electric system (a "*Member Project*"); *provided, however*, that (i) the electric energy derived by a Member from all Member Projects shall not at any time constitute more than five percent of the total energy requirements of the Member's electric system; (ii) the Member shall mitigate any adverse economic or operational impacts on the Agency and the other Members; (iii) the Board of Directors may exempt from the five percent limitation electric energy derived from, or reductions to a Member's load resulting from, specific Member Projects for industrial and large institutional customers that receive electricity at substation voltages of 46 kV or above; and (iv) the Board of Directors may in specific circumstances increase the five percent limitation to up to ten percent of the Member's total energy requirements. For purposes of this provision of the Power Sale Agreement, a Member's electric energy requirements are its requirements for the Agency's most recent complete fiscal year of operations.

*Limitation on Assignment of Power Sale Agreements.* Each Power Sale Agreement prohibits the Members from assigning the Power Sale Agreement or selling or otherwise disposing of all or substantially all of its municipal electric utility system unless it provides at least 180 days' prior written notice to the Agency and the following conditions are met:

(i) The assignee of the Power Sale Agreement and purchaser of the Member's municipal electric utility system (the "*Assignee*") shall assume all obligations of such Member under the Power Sale Agreement;

(ii) The Assignee is a political subdivision, or the Agency determines to undertake remedial actions, if necessary, at the request and sole cost of the Member,

(iii) The Agency receives an opinion of bond counsel that the assignment, taking into account any remedial actions required by the Code, will not adversely affect the tax status of any obligations issued by the Agency;

(iv) The Assignee shall have a credit rating equal to or greater than (a) “A-” or “A3” from Standard & Poor’s Credit Market Services, Moody’s Investors Service, Inc. or Fitch Ratings, or (b) the ratings on the Agency’s outstanding bonds, whichever is higher, and confirmation of such ratings shall be delivered to the Agency; and

(v) The Member and the Assignee, as applicable, agree to such changes to the Power Sales Agreement, agree to such security arrangements, and provide such certificates and legal opinions as may be required by the Agency.

*Payments Under the Power Sale Agreements.* Each Member agrees in its Power Sale Agreement to maintain rates for electric power and energy for its customers which shall provide to the Member revenues sufficient to meet its obligations to the Agency under such Power Sale Agreement and to pay all other obligations payable from, or constituting a charge or lien on such revenues. The Members establish the electric rates for service to their respective retail electric customers, and such rates are not regulated by the Utah Public Service Commission or any other state or federal regulatory body or agency. The Power Sale Agreements provide that the obligations of the Members to make payments under the Power Sale Agreements are obligations payable as an operating expense solely from moneys derived from the Members’ respective electric utility systems. Members are not obligated to make any payments to the Agency from tax revenues or any other revenues other than electric utility system revenues.

There has never been a payment default by any Member under the Power Sale Agreements. However, in the event that any amount due by a Member to the Agency remains unpaid, the Agency may discontinue service after giving 15 days’ advance notice and take all available steps to collect such amounts. If any amount due remains unpaid for 180 or more days, the Agency may terminate its Power Sales Agreement with the Member after giving 30 days notice of its intention to do so.

## **THE AGENCY**

### **GENERAL**

Utah Municipal Power Agency (the “Agency” or “*UMPA*”) is a political subdivision of the State of Utah (the “*State*”) and a joint action agency organized under the Utah Interlocal Cooperation Act. The Agency currently exists pursuant to an Amended and Restated Interlocal Agreement, dated as of January 1, 2016 (the “*Interlocal Agreement*”), among the Town of Levan, Manti City, the City of Nephi, Provo City, Salem City and Spanish Fork City (the “*Members*”). The Agency was created in 1980 for the purpose of developing a reliable and economic power supply program to meet the all-requirements electric power and energy needs of the Members. The Agency also provides the benefits of economies of scale through joint endeavors relating to generation, transmission and distribution of electric power and energy. The



Agency provides generation asset development, transmission services, energy markets transactions, project financing, legislative action, regulatory compliance, legal and engineering support, and energy efficiency and renewable programs. The Interlocal Agreement provides that the Agency's existence extends until at least December 31, 2065, and at least as long as the Agency has any indebtedness outstanding or facilities and improvements in service.

The Agency has entered into an Amended and Restated Power Sale Agreement S-1, dated as of January 1, 2016 with each of the Members (collectively, the "Power Sale Agreements"). The initial term of the Power Sale Agreements extends to December 31, 2065. The Power Sale Agreements provide that the Agency will sell and deliver, and each Member will purchase and receive, all electric power and energy required by the Member to meet the loads of its electric system, other than limited amounts of electric power and energy derived by a Member from Member Projects, as described under "POWER SALE AGREEMENTS—Member Projects."

The Power Sale Agreements do not specify any particular power supply resource or resources as the source of the Agency's power under the agreements. The Agency accumulates all of its power resources and charges a single capacity rate and energy rate to its Members reflecting the costs of all Agency resources. The rates payable by Members to the Agency are revised at least once each calendar year by the Board of Directors to ensure that the rates are sufficient to satisfy the Agency's revenue requirements. The following table presents the percentage of the Agency's total energy deliveries that was taken by each of the Members for the fiscal year ended June 30, 2016:

MEMBER	ENERGY DELIVERED (MWh)	PERCENTAGE OF TOTAL
Provo	800,443	58.7%
Spanish Fork	261,619	19.2
Nephi	99,885	7.3
Salem	36,970	2.7
Manti	21,297	1.6
Levan	<u>4,994</u>	<u>0.4</u>
Total Member Deliveries	<u>1,225,208</u>	<u>89.8%</u>
Non-Member Deliveries	<u>139,031</u>	<u>10.2</u>
Total	1,364,239	100.0%

See APPENDIX B for certain information regarding the Members' electric utility systems and certain financial information regarding the Members.

The Agency has the sole authority to determine, fix, impose and collect rates and charges for the sale of electric power and energy to its Members.

The Resolution provides that the Agency will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with any Power Sale Agreement which will materially impair or adversely affect the rights of the Agency thereunder or the rights or security of the Bondholders under the Resolution; *provided* that (i) extension of the term of any Power Sale Agreement shall not constitute such a revision or

amendment and (ii) in connection with any addition to the System, the Agency may supplement or amend a Power Sale Agreement to provide for the sale or use by the Agency or others of the output, capacity or service of the System in any manner which does not reduce, or in any manner materially impair or adversely affect, the rights of the Agency thereunder or the rights or security of the Bondholders under the Resolution.

The Agency has entered into Capacity Purchase Agreements with its Members that own electric generating facilities (Provo, Nephi, Manti and Levan), pursuant to which such Members have agreed to dedicate the capacity and energy from their generating facilities to the Agency (the “*Capacity Purchase Agreements*”). The Capacity Purchase Agreements terminate at the time of expiration of the Power Sale Agreements with the respective Members (the initial term of which extends to December 31, 2065). See “POWER SUPPLY RESOURCES—Capacity Purchase Agreements” below.

Additional political subdivisions may be added as parties to the Interlocal Agreement and become Members of the Agency.

#### ORGANIZATION AND POWERS

Pursuant to the Interlocal Agreement, the Agency’s powers include the power to acquire, construct, operate, maintain and repair facilities for the generation and transmission of electric power and energy and enter into contracts regarding the same; borrow money or incur indebtedness; issue bonds; buy, sell and exchange electric power and energy; exercise the power of eminent domain; sell, lease or otherwise dispose of its properties; and enter into contracts with the Members.

*Board of Directors.* The Agency is governed by a six-member Board of Directors consisting of the Mayor or an elected official of each of the Members. Each member of the Board of Directors (a “*Director*”) has one vote, and decisions of the Board of Directors require a majority vote. However, decisions of the Board of Directors relating to (i) the approval of the Agency’s annual budget, (ii) the addition of new power supply resources to the Agency’s power supply portfolio, (iii) the issuance of bonds, or (iv) other financial transactions in excess of \$5 million, are made by weighted vote. In addition, any Director may call for a weighted vote on any other matter that comes before the Board of Directors for decision. For purposes of a weighted vote, (a) each Director has the same number of votes as the number of megawatt hours sold by the Agency to the Member appointing such Director in the last fiscal year for which Agency sales data is available, and (b) the decision of the Board of Directors requires the affirmative vote of (1) a majority of such megawatt hours sold and (2) at least three Directors. More than one-half of the Directors constitutes a quorum.

The Chairman of the Board of Directors and other officers are selected annually by the Board of Directors.

*Technical Committee.* The Agency has established a Technical Committee for the purpose of advising the Board of Directors. The Technical Committee meets monthly or as needed to project future load growth, review technical studies, examine power supply

alternatives, develop joint operating efforts, and make recommendations to the Board of Directors and Agency staff. Each Member appoints one person to the Technical Committee, and the Agency's operations manager serves as a non-voting member of the Technical Committee.

## MANAGEMENT

The day-to-day operations of the Agency are managed by the Chief Operating Officer/General Manager and staff under the guidance of the Board of Directors. The following is a brief description of the background of the Agency's Chief Operating Officer/General Manager, Power Resource Manager, Financial Manager, and Operations Manager:

*Layne Burningham, Chief Operating Officer/General Manager.* Layne Burningham has been with the Agency 22 years, with 19 years in management positions. The Agency's Board of Directors appointed Mr. Burningham as COO/General Manager in April 2013. Prior to his current position, Mr. Burningham served as the Agency's Chief Financial Officer & Power Resource Manager for ten years and as Financial Manager for six years. His experience includes power plant operations, contract negotiation and administration, power marketing, open access transmission tariff proceedings at the Federal Energy Regulatory Commission, power plant operations, issuance of bonds and other obligations of the Agency, and administration of all financial and accounting functions at the Agency. He has been the Agency's representative to several committees and organizations including serving on the Western Electric Coordinating Council's Operating Committee. He is currently a member of the Colorado River Energy Distributors Association's Board of Directors. Mr. Burningham has Bachelor of Science and Master of Accountancy degrees from Brigham Young University, which were awarded concurrently in 1993.

*Kevin Garlick, Power Resource Manager.* Kevin Garlick joined the Agency as the Power Resource Manager in January 2013. He has over 37 years of experience in the electric utility industry. In addition to power supply planning and working in government relations, he represents the Agency on the Hunter Unit 1 Operations Committee and on the Bonanza Operations Committee. Prior to joining the Agency, Mr. Garlick was the Energy Director for Provo City Power since 1997. At Provo, he directed the utility operation and customer service division in providing reliable electricity at competitive rates for the 35,000 metered electrical consumers. Prior to his work with Provo, Mr. Garlick was the Power Director for the City of Logan, Utah. He also worked four years as an Energy Consultant for Sawvel and Associates headquartered in Findley, Ohio. He started his utility career in the engineering division of Bountiful City Light & Power in 1977. Mr. Garlick has a Bachelor of Science degree in Computer Information Systems from Weber State University and an MBA degree from Utah State University.

*Marianne Shepherd, Financial Manager.* Marianne Shepherd joined the Agency as Financial Manager in June 2013. She has over 15 years of experience in accounting, auditing, and finance. She has worked in both public and corporate accounting. Ms. Shepherd worked at a public accounting firm for six years performing audits and financial statement preparation of local governments and non-profit organizations, including audits of utility enterprise funds. She also performed single audits to ensure compliance with grant requirements. Prior to joining the Agency, she worked in the manufacturing and oil industries. She earned her Bachelor of Science

and Master of Accountancy degrees from Southern Utah University. Ms. Shepherd has responsibility for the Agency's daily accounting functions as well as preparation of the annual budget, financial statements, and coordination of the annual audit. She reports monthly to the Agency's Board of Directors on the financial status of the Agency.

*R. Scott Lynsky, Operations Manager.* Scott Lynsky has over 28 years of experience in the electric utility industry. He started his career in 1988 as the Management/Budget Analyst for Provo City, Department of Energy. In December of 1993 he joined the Agency as its Management Analyst, developing the integrated resource plan. Over the next 14 years, the majority of Mr. Lynsky's responsibilities were focused on the day-ahead, short-term, and long-term off system energy sales functions. In 2008, he took over as the Operations Manager responsible for NERC and WECC reliability compliance standards, control center operations, off-system marketing, and SCADA reporting. Mr. Lynsky has a Bachelor of Science degree in Business Administration, Finance, and a Masters of Public Administration degree from Brigham Young University.

## POWER SUPPLY RESOURCES

### CAPACITY SUMMARY

The Agency adheres to a strategic and integrated resource plan which includes a variety of resources providing stable and economical power and energy to the Members. The following table shows the amounts of energy obtained by the Agency from its principal power supply resources as percentages of the Agency's total power supply, together with the Agency's total Member and non-member energy sales and the Members' peak demand for the fiscal years shown.

### SELECTED OPERATING INFORMATION

	Fiscal Years Ended June 30				
	2016	2015	2014	2013	2012
Energy Supply*	MWh	MWh	MWh	MWh	MWh
Deseret Contract	159,166	243,125	238,939	93,169	114,750
CRSP Contract	193,670	290,577	290,604	290,604	388,185
Bonanza Unit	237,345	274,104	273,797	285,754	232,545
PacifiCorp Contract	193,670	223,728	223,347	214,394	198,130
Hunter Unit 1**	163,916	224,352	187,599	223,149	214,900
Deer Creek	8,330	8,778	9,493	11,413	18,500
Member Hydroelectric Plants and Old Provo Power Plant***	5,879	6,909	5,506	5,471	11,006
Market Purchases	<u>364,159</u>	<u>136,225</u>	<u>209,908</u>	<u>249,158</u>	<u>173,497</u>
Total	1,423,070	1,407,798	1,439,193	1,373,112	1,351,513
Energy Sales:*					
Member Energy Sales	1,225,208	1,216,810	1,215,421	1,215,555	1,170,596
Non-Member Energy Sales	<u>139,031</u>	<u>133,589</u>	<u>140,190</u>	<u>101,364</u>	<u>135,460</u>
Total Energy Sales	1,364,239	1,350,399	1,358,611	1,316,919	1,306,056
Members' Peak Coincident Demand (MW)	272	280	270	265	255

\* The difference between the total Energy Supply and the total Energy Sales figures shown below are attributable to transmission line losses.

\*\* Hunter Unit 1 is owned by Provo and dedicated to the Agency under the Capacity Purchase Agreement between Provo and the Agency.

\*\*\* Dedicated facilities under the Capacity Purchase Agreements. The old Provo power plant was decommissioned in June, 2016.

The following table summarizes the Agency's current power resources, including the West Valley Plant and the Agency's Provo Power Plant:

UTAH MUNICIPAL POWER AGENCY RESOURCES

SOURCE	TOTAL (MW) (WINTER)	TOTAL (MW) (SUMMER)	YEAR OF INITIAL OPERATION
<b>FACILITIES OWNED BY AGENCY OR MEMBERS</b>			
West Valley Plant	200	185	2001
Bonanza Unit <sup>1</sup>	34	34	1986
Hunter Unit 1	27	32	1978
Agency's Provo Power Plant <sup>2</sup>	12	12	2017
Member Hydros			
Levan	0	0	1987
Manti	2	2	1985, 1989
Nephi	1	1	1985
<b>POWER PURCHASE CONTRACTS</b>			<b>CONTRACT EXPIRES</b>
CRSP/Contract Rate of Delivery	87	74	September 2024
PacifiCorp Contract <sup>3</sup>	25	75	June 2017
Deseret Contract	80	80	December 2019
Deer Creek Hydro (WAPA)	0	3	September 2024
Spanish Fork Wind Contract	Energy Only	Energy Only	January 2018
Six Mile Canyon Hydro Contract <sup>4</sup>	<u>1</u>	<u>1</u>	December 2019
TOTAL:	469	499	

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- 1 The Agency receives 34 MW during the two months constituting the Agency's peak demand months (July and August) and 33 MW during the remaining ten months of each year.
  - 2 Estimated completion date is October 1, 2017.
  - 3 The PacifiCorp Contract represents the maximum annual firm capacity nominated in any month. The contract provides for firm capacity of up to 408 MW-months each year. See "PacifiCorp Contract" below.
  - 4 This project is under construction and is expected to be operational in late fall 2016.

CAPACITY PURCHASE AGREEMENTS

The Agency has entered into Capacity Purchase Agreements with Provo, Manti, Nephi and Levan under which such Members' resources are dedicated to the Agency to meet a portion of the load requirements of the Members. Pursuant to the Capacity Purchase Agreements, the Agency purchases the entire capacity generated by such resources. As part of the Capacity Purchase Agreements, the Agency pays such Members for operation and maintenance costs, major replacements, capital additions and any applicable debt service related to the electric

energy resources of such Members. These costs and other expenses are paid monthly by the Agency to such Members and constitute special, limited obligations of the Agency, payable as an Operation and Maintenance Expense solely out of monies derived from the Agency's electric utility system.

The Agency operates such Member resources. Under the Capacity Purchase Agreements, the Agency may sell all or any portion of its electric capacity to a non-member purchaser, and the Agency may collect the revenues from any such sale of capacity. Total capacity currently available to the Agency during the summer months under the Capacity Purchase Agreements is approximately 35 MW during July and August and 30 MW during the remaining 10 months. Each Capacity Purchase Agreement terminates when the Power Sale Agreement with the respective Member terminates.

Scheduling of all the Agency's resources is currently performed at the Agency's operations center in Spanish Fork. Power and energy available to the Agency under Capacity Purchase Agreements with its Members, along with other Agency resources, are scheduled hourly with the exception of the hydroelectric facilities which are operated based on the run-of-the-river.

#### BONANZA UNIT

The Agency owns an interest in a 458 megawatt ("MW") coal-fired steam electric generating station located in Uintah County, Utah (the "*Bonanza Unit*"). In 1985, the Agency entered into a Purchase and Sale Agreement with Deseret Generation & Transmission Cooperative ("*Deseret*"), pursuant to which the Agency purchased from Deseret: (i) a 3.75% undivided ownership interest (representing approximately 17 MW of capacity) in the Bonanza Unit, which commenced commercial operation on May 4, 1986; (ii) a 1.875% undivided ownership interest in certain common facilities constructed by Deseret to serve both the Bonanza Unit and a similar-sized unit which was originally expected to be constructed adjacent to the Bonanza Unit; and (iii) a 6.25% undivided ownership interest in certain related transmission facilities and miscellaneous related rights and interest (collectively, and together with the Agency's additional 3.5% contractual interest in the Bonanza Unit described below, the "*Bonanza Project*"). The Agency subsequently negotiated the long-term purchase of additional capacity, representing a contractual 3.5% undivided ownership interest in the Bonanza Unit (which additional interest expires in March 2025). Under its ownership and contractual interests in the Bonanza Unit, the Agency presently receives 34 MW during the two months of the year in which the Agency's peak demand occurs and 33 MW during the remaining ten months of each year.

Pursuant to an Operating Agreement, dated December 19, 1985, between the Agency and Deseret, Deseret operates the Bonanza Unit. For the past three fiscal years, the Bonanza Unit has operated at an 88.8% average availability factor, including scheduled and routine maintenance outages. The average resource cost, including operating and debt service, for the past fiscal three years has been approximately \$49.80 per MWh.

In October 2015, Deseret entered into a settlement agreement (the “*Settlement Agreement*”) with the U.S. Environmental Protection Agency (the “*EPA*”) and certain environmental groups, pursuant to which Deseret must limit coal consumption and emissions at the Bonanza Unit. The Settlement Agreement was entered into in connection with the environmental groups’ claim that the EPA’s decision to grant a permit with respect to the Bonanza Unit after Deseret made major upgrades to the plant in 2000 did not comply with the Clean Air Act. Under the terms of the Settlement Agreement, Deseret must install a new pollution control system, limit emissions of nitrous oxides, and consume no more than 20 million short tons of coal at the plant beginning in 2020. Deseret has not yet determined a long-term strategy for utilizing the Bonanza Unit within the terms of the Settlement Agreement. The Agency has taken this uncertainty into account in its long-term resource planning.

#### HUNTER UNIT 1

Provo owns a 6.25% interest in Hunter Unit 1, a coal-fired steam electric generating station located in Emery County, Utah, approximately 110 miles southeast of Provo. Provo’s 6.25% interest was purchased from Utah Power & Light Company (“*UP&L*”) pursuant to a Purchase and Sale Agreement dated June 27, 1980. UP&L merged into PacifiCorp in 1989, and PacifiCorp is the owner of the remaining 93.75% interest in the plant. Provo’s capacity from this and its other resources is dedicated to the Agency under the Capacity Purchase Agreement between the Agency and Provo. See “Capacity Purchase Agreements” above.

Hunter Unit 1 was constructed by UP&L in the mid-1970s. Pursuant to an Agreement for Joint Ownership, Operation and Maintenance, dated June 27, 1980, PacifiCorp is responsible for the administration, construction, operation and maintenance of Hunter Unit 1 and has exclusive responsibility for decisions regarding the timing, extent and nature of repairs and replacements. Representatives of Provo and PacifiCorp must both give their consent before any of the following decisions are made: (i) decisions relating to major capital additions, repairs, improvements and replacements, (ii) decisions resulting in the reduction of long-term capacity by more than 5 MW, except to the extent any such reduction is required by law or regulations, (iii) any decision regarding a final termination of operations, and (iv) decisions regarding the settlement of claims or disputes arising out of construction work and which affect construction costs.

Operation and maintenance costs and capital additions, repairs, improvements or replacements for Hunter Unit 1 are shared and paid for by PacifiCorp and Provo in proportion to their respective ownership interests. Costs related to the production of energy are shared and paid for by PacifiCorp and Provo in proportion to the energy scheduled and produced from Hunter Unit 1 for each party during each month.

In 1999, the manufacturer of Hunter Unit 1 completed improvements to the facility resulting in a capacity increase from approximately 400 MW to approximately 430 MW. In 2013, PacifiCorp upgraded the emission control equipment (baghouse) to satisfy new environmental regulations. An evaluation to install selective catalytic reduction (SCR) technology at the plant is being considered for future operations.

For the past three fiscal years, Hunter Unit 1 has operated at an 86.9% average availability factor including scheduled and routine maintenance outages. The average resource cost, including operating and debt service, for the past three fiscal years has been approximately \$50.30 per MWh. The debt issued by Provo City for the purchase of Hunter 1 has been retired.

## HYDROGENERATION

Levan, Manti and Nephi have dedicated the capacity and energy from a total of six run-of-the-river hydrogeneration facilities (consisting of two facilities located in each of the municipalities) to the Agency pursuant to their respective Capacity Purchase Agreements with the Agency. With a combined rated capacity of 3.42 MWs, these small hydro facilities represent a minor portion of the Agency's total generation resources. Currently these facilities are compliant with Federal Energy Regulatory Commission ("*FERC*") regulations. The average operating cost for the combined units has been approximately \$38.30 per MWh for the past three fiscal years.

## COLORADO RIVER STORAGE PROJECT

A significant portion of the Agency's electric power and energy comes from the electric power and energy generated by the Colorado River Storage Project ("*CRSP*"), which is owned by the United States government and marketed by the Western Area Power Administration ("*WAPA*"). *CRSP* has been and continues to be a low cost power and energy resource for the Agency. As a primarily hydroelectric-based resource, the amounts of *CRSP* power and energy available for purchase are subject to seasonal and annual hydrologic variations in the watershed of the Colorado River Basin.

*Generally.* *WAPA* is responsible for the marketing and transmission of federal power in 15 western and central states. *WAPA's* customers in this 1,300,000-square-mile area include municipal power systems, such as the Agency, rural electric cooperatives, investor-owned utilities, utility and irrigation districts and state and federal agencies. *WAPA* annually markets and transmits approximately 10,600 MW of electric power generated by 56 hydropower plants operated by the United States Bureau of Reclamation, the Corps of Engineers and the International Boundary and Water Commission. *WAPA* operates and maintains approximately 17,231 circuit miles of transmission lines, 319 substations and related electric facilities.

*CRSP Contract.* The Agency has a firm allocation of *CRSP* capacity and energy that is purchased pursuant to an Integrated Contract for Electric Service between *WAPA* and the Agency (the "*Original Contract*"), as amended from time to time including by the Replacement Purchase Options Amendment (the "*Amendment*" and, collectively with the Original Contract, the "*CRSP Contract*"). Under the *CRSP Contract*, *WAPA* is obligated to furnish firm electric service, subject to the available capacity of substation and transmission facilities, to the points of delivery. The current *CRSP Contract* extends through September 30, 2024, and *WAPA* is currently in the process of renewing contracts with all of its preference customers, including the Agency, with respect to periods beyond the current expiration dates.



Under the CRSP Contract, 87 MW of capacity and 156,985 MWh of energy are allocated to the Agency during the winter season (October through March), and 73.6 MW of capacity and 133,619 MWh of energy are allocated to the Agency during the summer season (April through September).

The Amendment was entered into in early 1998 for the purposes of implementing WAPA's Record of Decision for the Electric Power Marketing Environmental Impact Statement and to provide solutions to the operational changes and reduced generating levels resulting from the Record of Decision for the Glen Canyon Dam Environmental Impact Statement. Because WAPA will at times lack sufficient hydroelectric generation to meet its commitment to the Agency as a result of these operational changes and reduced generating levels, the Amendment provides options for either WAPA or the Agency to supply the additional necessary resources. As determined by WAPA, a portion of its commitment to the Agency will be made available through available hydro power. WAPA is obligated only to firm up this level as necessary with all associated costs included in its firm power rate. At the Agency's option, WAPA may provide necessary additional power through purchases on the open market on a cost pass-through basis, or the Agency may acquire power itself. There are incremental administrative charges associated with acquiring this additional power.

The CRSP Contract contains a "resale clause" that requires the benefits of CRSP power be made available to consumers at rates that are established at the lowest possible level, consistent with sound business principals, in an open and public manner. Failure to comply with the provisions of the CRSP Contract can result in certain penalties, including a reduction in allocations of CRSP capacity and energy.

The Energy Policy Act of 1992 (the "1992 Energy Act") contains an Energy Planning and Management Program that includes provisions for integrated resource planning ("IRP"). Under the 1992 Energy Act, WAPA adopted regulations requiring all of WAPA's customers, including the Agency, to adopt and to implement an IRP program. The IRP program requires all of WAPA's customers to consider all reasonable opportunities to meet their future energy requirements through demand-side management, renewable resources and other programs that minimize costs and adverse environmental effects. WAPA is required to review and approve each IRP plan submitted to it and each of WAPA's customers is required to revise its IRP plan every five years. Failure by any of WAPA's customers to adopt or comply with an IRP plan can result in either a reduction in the amount of CRSP capacity allocated to such customer or a surcharge on the purchase price for such capacity. The Agency is currently in compliance with its IRP filing with WAPA. The Agency has an approved IRP plan on file with WAPA and is in compliance with the provisions of the plan.

*Rates.* WAPA is obligated to review annually its rates for CRSP energy to ensure that such rates generate sufficient revenues to cover the operating and other expenses of CRSP. WAPA's composite rate was 29.62 mills/kWh from October 1, 2009 to October 1, 2015, and decreased to 29.42 mills/kWh effective October 1, 2015.

*Transmission.* Electric energy is wheeled on behalf of WAPA over transmission facilities owned by PacifiCorp, pursuant to wheeling contracts between the United States and

PacifiCorp. These contracts consist of a high-voltage contract (delivery at 138 kV and above) and a low-voltage contract (delivery below 138 kV). The current term of the high-voltage contract extends to 2017 and, pursuant to notice delivered by WAPA to the Agency in 2014, WAPA and the Agency will extend the contract through 2027 (with a right of WAPA to renew the high-voltage contract for an additional 10-year term upon three years' prior notice). The low-voltage contract extends to September 30, 2024.

#### DESERET WHOLESALE POWER CONTRACT

On May 23, 2002, the Agency entered into a Wholesale Power Contract with Deseret (as amended, the "*Deseret Contract*") for the purchase of additional power and energy. Under the Deseret Contract, Deseret will provide the Agency with 80 MW of capacity through the contract's December 31, 2019 termination date.

Capacity and energy are to be provided from Deseret's interests in the Hunter Unit 2 power plant, the Bonanza Unit power plant, or other Deseret power resources. Deseret may interrupt or curtail capacity and energy made available to the Agency whenever the available output from Hunter Unit 2, Bonanza Unit, or both, is less than the nominal capacity of each unit, to the extent of such reduction in capacity. Deseret may also interrupt or curtail delivery in the event of a reduction in its share of firm transmission capacity available to deliver power from Bonanza Unit to the Mona substation or from Hunter Unit 2 to the Mona substation.

The Deseret Contract provides for an energy charge of \$22.99 per MWh, indexed for actual increases in fuel costs. The Agency is required to pay monthly capacity charges without regard to the amount of associated energy actually available or delivered to the Agency. However, the Deseret Contract provides for reductions in capacity charges if the amount of energy made available to the Agency falls below certain levels for more than 180 days.

#### PACIFICORP CONTRACT

The Agency entered into a long-term power supply agreement in 1996 with PacifiCorp, one of the western United States' largest investor-owned utilities. That agreement was subsequently restated and amended in 2002 (the "*PacifiCorp Contract*"). Pursuant to PacifiCorp Contract, the Agency is entitled to annually receive from PacifiCorp up to a total of 408 MW-months of firm capacity and associated energy through June 2017. The PacifiCorp Contract provides 34 MW of average capacity to the Agency, but enables the Agency to schedule this capacity during the months when it is most needed by the Agency. Monthly capacity scheduled by the Agency under the PacifiCorp Contract ranges between 25 MW to 75 MW. The Agency pays a maximum of \$23.24 per MWh for energy delivered pursuant to the PacifiCorp Contract.

#### DEER CREEK POWER PLANT

In December 1994, the Agency executed a contract with WAPA to purchase power and energy from the Deer Creek Power Plant, a component of the Provo River Project (a federal

water and power project undertaken by the U.S. Bureau of Reclamation). The plant is located about 20 miles east of Provo, Utah. The Deer Creek Power Plant was constructed in 1958. The Deer Creek Power Plant consists of two 2,475 kW generators for a total of 4.95 MW. Since the plant was placed in operation, the plant has generated an average of approximately 25 million kWh per year. The Agency purchases approximately 70% of the generation output during the summer months. The Agency agrees to pay WAPA for charges developed in accordance with regulatory requirements and a portion of the repayment obligation of Provo River Water Users Association for the rights of hydroelectric generation from the Deer Creek Power Plant. Production from the plant is based on the run-of-the river water supply. Electric generation is delivered to the Agency pursuant to WAPA's existing transmission agreement with the Agency.

In fiscal year 2015, the Deer Creek Power Plant provided 8,778 MWh to the Agency at a cost of \$26.40 per MWh. The original term of the contract expired in 2008. However, the parties extended the agreement through 2024, and the current terms of the contract include another option to renew to 2030. The contract adds to the Agency's renewable power supply portfolio.

#### SPANISH FORK WIND POWER PURCHASE AGREEMENT

In January 2015, the Agency contracted with Windward Engineering LC to purchase renewable wind generation from a wind farm at the mouth of Spanish Fork Canyon. Currently, there are nine small operating wind turbines with various turbine capacities operated by Windward Engineering for testing and electricity production. The purpose for these wind facility tests is to assist in the design of small wind turbines that may be used in more isolated areas where large wind turbines are not practical. The electricity is delivered at distribution voltage to Spanish Fork's distribution system. There is no cost for wheeling services. The contract is for three years and will automatically renew unless notice is given to terminate by either party.

In fiscal year 2015, the generation from this wind turbine site was 280,044 kWh. The Agency pays \$35 per MWh for all generation delivered at the meter. The Agency retains the renewable energy credits, and the contract adds to the Agency's renewable energy resource portfolio.

#### SIX MILE CANYON HYDROELECTRIC POWER PURCHASE AGREEMENT

In February 2016, the Agency contracted with BMB Enterprises, Inc. to purchase renewable hydroelectric generation from a new power plant located in Six Mile Canyon approximately ten miles south of Manti, Utah. The plant will consist of three small turbines with a combined capacity of 1.36 MW and is expected to generate approximately 4,440 MWh annually. The plant is a FERC-licensed project and is expected to be operation in late Fall of 2016. Production is based on the run-of-the river water supply. The electricity is delivered at distribution voltage to Manti City's distribution system about nine miles from the project. There is no cost for wheeling services. The contract is for three years after the plant commences operation and will automatically renew unless notice is given to terminate by either party.

The Agency has agreed to pay \$37 per MWh for all generation delivered at the metering, with a small annual escalation. The Agency retains the renewable energy credits, and the contract adds to the Agency's renewable energy portfolio.

#### TRANSMISSION ARRANGEMENTS

The Agency delivers power from the Bonanza Unit to the Mona substation through the Bonanza-Mona line of the Bonanza Unit's transmission system (345 kV line). Transmission of such power from the Mona substation as well as all of the other power provided by the Agency is provided by PacifiCorp on a firm basis, as scheduled by the Agency, over PacifiCorp transmission lines pursuant to an Amended and Restated Transmission Service and Operating Agreement, as amended, between the Agency and PacifiCorp.

PacifiCorp charges the Agency a network transmission charge, which is determined annually in PacifiCorp's formula rate filing with FERC.

The Agency's allocation of CRSP power is delivered by the Agency to its Members over PacifiCorp's facilities pursuant to a long-term contract between WAPA and PacifiCorp. This contract also permits the Agency to deliver or transmit other power to its Members.

*PacifiCorp.* PacifiCorp is a regulated electric utility that serves approximately 1.8 million customers in six western states and a service area of approximately 143,000 square miles (as of December 31, 2015). PacifiCorp is an indirect wholly-owned subsidiary of Berkshire Hathaway Energy Holdings Company.

#### TRANSMISSION FACILITIES

The Agency's acquisition of the Bonanza Project includes a 6.25% interest in Deseret's transmission system, which enables the Agency to deliver power to the Vernal, Upalco and Mona substations in Utah and the Rangely substation in Colorado. Additional transmission facilities have been connected between Bears Ears, Colorado and the Bonanza Project. This provides the Agency with access to WAPA's Federal Transmission System in Utah and to WAPA's high voltage system in the western United States.

#### SCHEDULING OF POWER RESOURCES

Scheduling of the Agency's power resources is done on an economic dispatch basis. Baseload power resources are utilized first to meet the power and energy requirements of the Members followed by intermediate power resources and finally by peaking power resources. The Agency is required by the Power Sale Agreements to attempt to market all surplus energy.

#### LICENSES, PERMITS AND APPROVALS

The Agency holds all licenses, permits and approvals necessary for the operation of the System and power resources owned or operated by the Agency.

## QUALIFYING FACILITIES AND PURPA COMPLIANCE

In 1992, the Agency and its Members received waivers from FERC from certain requirements of Section 210 of the Public Utility Regulatory Policies Act of 1978 (“*PURPA*”). The Members received waivers of their obligations, as individual electric utilities under the *PURPA* Regulations, to purchase power directly from qualifying small power production and cogeneration facilities (“*Qualifying Facilities*”), and the Agency received a waiver of its obligation, as an electric utility, to sell power directly to *Qualifying Facilities*. These waivers have the effect of transferring the Member’s purchase obligations from *Qualifying Facilities* to the Agency and the Agency’s obligation to sell to *Qualifying Facilities* to the Members. The waivers are subject to the following conditions:

(i) the Agency and the Members are required to permit any *Qualifying Facility* to interconnect with their respective electric systems, without duplicative interconnection or wheeling charges;

(ii) the Agency is required to be ready and willing to purchase energy and capacity at rates which comply with applicable FERC regulations from any *Qualifying Facility* from which a Member would otherwise be required to purchase, without duplicative charges or additional fees; and

(iii) the Members are required to be ready and willing to provide to any *Qualifying Facility* supplemental, back-up and maintenance power on either a firm or non-firm basis at rates which comply with applicable FERC regulations.

## RENEWCHOICE – RENEWABLE ENERGY PROGRAM

The Agency developed and now offers to its Members a renewable energy program for their retail customers called *RenewChoice*. *RenewChoice* is a program that allows customers to choose to support renewable energy by purchasing renewable energy blocks from the Member utility. The program is voluntary and provides for an easy and convenient way for the Member utility to supply renewable energy beyond the basic resource mix. Based on the level of customer’s interest, the Agency purchases renewable energy and brings it into the resource mix, thereby reducing the need for fossil generation and eliminating the associated greenhouse gases. Customers can choose to purchase 100-kilowatt-hour block increments for an additional charge.

This program was launched in January 2015. The program continues to grow with marketing of this service to those wanting renewables in their power supply. As of June 2016, there were 149 *RenewChoice* subscribers. The Agency is providing 57,300 kWh monthly to meet the subscription demand. The Agency and the Members are committed to expanding the renewable options for its customers and are moving forward with a plan to offer community solar power in the coming year.

## FINANCIAL AND OPERATING INFORMATION

### POWER SUPPLY RATES

For the ten-year period ended June 30, 2016, the rates charged by the Agency have increased by an average of approximately 2.8% per year. The Agency's average blended power supply rates charged to the Members for the last ten fiscal years are shown below. Rates include adjustments for contributions to, or transfers from, the Rate Stabilization Fund described below.

FISCAL YEAR	\$/MWH
2016	\$56.11*
2015	56.10
2014	57.39
2013	53.58
2012	51.58
2011	50.54
2010	49.13
2009	41.71
2008	39.79
2007	41.36

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\* Estimated

### RATE STABILIZATION FUND

In September 1999, the Agency established a Rate Stabilization and Reserve Fund (the "*Rate Stabilization Fund*") for the purpose of setting aside funds for reduction or restructuring of current or future Agency debt and mitigating the impact of fluctuations in System operating costs on the rates the Agency is required to charge the Members under the Resolution and the Power Sale Agreements. Under the Resolution, Revenues remaining after payment of other amounts due under the Resolution may, among other things, be transferred to the Rate Stabilization Fund.

Under current Agency policy, the Board of Directors annually adopts, as part of its annual budget, a specific per MWh rate as a component of the Agency's rates under the Power Sales Agreements pursuant to which the Members contribute to the Rate Stabilization Fund. This rate is in addition to the adopted base energy rate for energy delivered to the Members. UMPA's targeted funding level for the Rate Stabilization Fund is 90 days' cash on hand, calculated by dividing the total operating expenses for the most recent fiscal year by 365 and multiplying such average daily expense rate by 90. Based on expenses for the fiscal year ended June 30, 2015, the target funding level for fiscal year 2016 was approximately \$15.6 million. In September 2016, the Board approved a contribution to the Rate Stabilization Fund in addition to the defined rate contribution that was in effect for fiscal year 2016. The additional contribution increases the defined contribution rate by 50.8%. The defined Rate Stabilization Fund

contribution was \$1.20 per kWh for fiscal year 2016, and the additional contribution resulted in a total contribution of \$1.81 per kWh for fiscal year 2016.

The following table shows the balances in the Rate Stabilization Fund as of June 30 of the fiscal years shown.

FISCAL YEAR	ENDING BALANCE AS OF JUNE 30
2016	\$6,904,349
2015	4,647,533
2014	2,925,132
2013	2,591,684
2012	1,607,654

#### OPERATING RESULTS AND DEBT SERVICE COVERAGE

The following table presents certain operating results and debt service coverage information regarding the System.

## OPERATING RESULTS AND DEBT SERVICE COVERAGE

FISCAL YEAR ENDED JUNE 30	2016 <sup>1</sup>	2015	2014	2013	2012
<b>Operating Revenues</b>					
Power Sales:					
Members	\$68,745,158	\$67,292,158	\$70,229,935	\$66,106,250	\$61,193,859
Non-Members	6,790,181	6,825,991	7,811,737	5,749,124	6,957,647
Other Operating Revenue	<u>14,673</u>	<u>4,238</u>	<u>2,327</u>	<u>25,631</u>	<u>8,402</u>
Total Operating Revenues	<u>75,550,012</u>	<u>74,122,387</u>	<u>78,043,999</u>	<u>71,881,005</u>	<u>68,159,908</u>
<b>Operating Expenses<sup>2</sup></b>					
Dedicated Resource Costs	8,379,785	9,552,965	14,647,730	11,098,809	11,738,068
Western Area Power Administration	8,536,718	8,534,346	8,533,998	8,533,998	9,733,163
Generation Costs	9,964,962	10,103,638	11,912,898	10,163,337	10,538,283
Other Power Costs <sup>3</sup>	37,833,433	33,965,487	38,142,622	33,762,708	30,133,092
General and Administrative Costs	<u>996,180</u>	<u>1,009,645</u>	<u>940,954</u>	<u>1,463,833</u>	<u>1,314,911</u>
<b>Total Operating Expenses</b>	<u>65,711,078</u>	<u>63,166,081</u>	<u>74,178,202</u>	<u>65,022,685</u>	<u>63,457,517</u>
<b>Income from Operations</b>	9,838,934	10,956,306	3,865,797	6,858,320	4,702,391
<b>Other Revenues</b>					
Interest income	252,737	200,560	172,500	373,275	324,291
Rate Stabilization Fund & Other Funds	<u>-</u>	<u>-</u>	<u>348,913<sup>4</sup></u>	<u>-</u>	<u>-</u>
<b>Net Revenues Available for Debt Service</b>	<u>10,091,671</u>	<u>11,156,866</u>	<u>4,387,210</u>	<u>7,231,595</u>	<u>5,026,682</u>
<b>Debt Service<sup>5</sup></b>	7,470,464	7,266,710	4,387,210	4,385,295	4,251,000
<b>Debt Service Coverage</b>	1.35x	1.54x	1.00x	1.65x	1.18x

<sup>1</sup> Preliminary and unaudited.

<sup>2</sup> Operating expenses exclude extraordinary items, interest, depreciation and amortization.

<sup>3</sup> Consists principally of purchased power expenses under the PacifiCorp Contract, the Deseret Contract, Deer Creek, market purchases and transmission.

<sup>4</sup> In accordance with the Agency's budget for such year, \$157,751 was withdrawn from the Rate Stabilization Fund to pay for a transmission rate increase. In 2014, an unexpected Bonanza resource overhead true-up of \$356,866, was not recovered in rates and was paid with other available funds.

<sup>5</sup> Includes principal and interest paid on July 1 of the following fiscal year.



**UTAH MUNICIPAL POWER AGENCY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	FISCAL YEAR ENDED JUNE 30,*				
	2016*	2015	2014	2013	2012
<b>Operating Revenues</b>					
Power sales:					
Members	\$68,745,158	\$67,292,158	\$70,229,935	\$66,106,250	\$61,193,859
Non-members	6,790,181	6,825,991	7,811,737	5,749,124	6,957,647
Other operating revenue	<u>14,673</u>	<u>4,238</u>	<u>2,327</u>	<u>25,631</u>	<u>8,402</u>
<b>Total Operating Revenues</b>	<u>75,550,012</u>	<u>74,122,387</u>	<u>78,043,999</u>	<u>71,881,005</u>	<u>68,159,908</u>
<b>Operating Expenses</b>					
Dedicated resource costs	8,379,785	9,552,965	14,647,730	11,098,809	11,738,068
Western Area Power Administration	8,536,718	8,534,346	8,533,998	8,533,998	9,733,163
Generation costs	9,964,962	10,103,638	11,912,898	10,163,337	10,538,283
Other power costs	37,833,433	33,965,487	38,142,622	33,762,708	30,133,092
Depreciation	1,307,999	1,307,999	1,184,990	1,064,595	1,054,911
General and administrative	<u>996,180</u>	<u>1,009,645</u>	<u>940,954</u>	<u>1,463,833</u>	<u>1,314,911</u>
<b>Total Operating Expenses</b>	<u>67,019,077</u>	<u>64,474,080</u>	<u>75,363,192</u>	<u>66,087,280</u>	<u>64,512,428</u>
<b>Income (Loss) From Operations</b>	<u>8,530,935</u>	<u>9,648,307</u>	<u>2,680,807</u>	<u>5,793,725</u>	<u>3,647,480</u>
<b>Non-Operating Revenue (Expenses)</b>					
Interest income	252,737	200,560	172,500	373,275	324,291
Interest expense	(642,649)	(868,900)	(1,033,513)	(1,127,955)	(1,222,317)
Amortization expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,766)</u>
<b>Net Non-Operating Expenses</b>	<u>(389,912)</u>	<u>(668,340)</u>	<u>(861,013)</u>	<u>(754,680)</u>	<u>(937,792)</u>
Change in net position before adjustment	8,141,023	8,979,967	1,819,794	5,039,045	2,709,688
Deferred inflow of resources adjustment**	(8,141,023)	(8,979,967)	(1,819,794)	(5,039,045)	(2,709,688)
<b>Net Position, Beginning of Year</b>	<u>3,350</u>	<u>3,350</u>	<u>3,350</u>	<u>3,350</u>	<u>3,350</u>
<b>Net Position, End of Year</b>	<u>\$ 3,350</u>	<u>\$ 3,350</u>	<u>\$ 3,350</u>	<u>\$ 3,350</u>	<u>\$ 3,350</u>

\* Fiscal year 2016 information is preliminary and unaudited. Information for fiscal years 2012 through 2015 is extracted from the Agency's audited financial statements for the respective years.

\*\* UMPA bills its Members at rates which provide revenues sufficient to cover the costs of operating and maintaining the System and the costs of debt service plus Board directed charges, but excluding depreciation, amortization, gains/losses on sale and disposal of capital assets, and deferred inflow of resources. This amount represents the unbilled amounts of such costs, other charges to Members, and unanticipated revenues which are to be recovered or returned in future billings and are classified as deferred outflow or deferred inflow of resources in the financial statements.

**UTAH MUNICIPAL POWER AGENCY**  
**STATEMENT OF NET POSITION<sup>1</sup>**

	FISCAL YEAR ENDED JUNE 30,*				
	2016	2015	2014	2013	2012
<b>Current Assets</b>					
Cash, cash equivalents, and investments	\$28,216,649	\$24,739,622	\$19,468,641	\$22,951,028	\$16,545,771
Accounts receivable					
Power Sales	8,853,222	8,388,093	9,670,745	7,713,322	7,641,784
Non-Power Sales	584,746	510,222	555,298	561,844	728,514
Inventory	1,791,667	2,759,531	1,991,654	2,764,847	2,813,443
Prepaid capacity purchase	-	-	-	-	220,046
Prepaid Deseret expense	-	-	-	-	12,059
Net pension asset	<u>612</u>	<u>612</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Current Assets</b>	<u>39,446,896</u>	<u>36,398,080</u>	<u>31,686,338</u>	<u>33,991,041</u>	<u>27,961,617</u>
<b>Noncurrent Assets</b>					
Utility Plant and Equipment					
Interest in generating plant	35,657,693	35,250,938	35,537,104	31,926,340	29,561,998
Interest in transmission system	8,703,149	8,702,715	8,696,748	8,676,126	8,669,374
Other utility assets	1,793,103	1,697,475	1,724,869	1,681,754	1,665,125
Less accumulated depreciation	<u>(29,934,441)</u>	<u>(28,626,442)</u>	<u>(28,145,004)</u>	<u>(26,989,295)</u>	<u>(25,961,178)</u>
Utility Plant and Equipment - Net	<u>16,219,504</u>	<u>17,024,686</u>	<u>17,813,717</u>	<u>15,294,925</u>	<u>13,935,319</u>
<b>Deferred Outflows of Resources</b>					
Capitalized bond issue costs <sup>2</sup>	-	-	-	-	125,732
Future recoverable costs <sup>3</sup>	54,270	69,775	85,281	100,787	116,292
Deferred outflow of resources related to pensions	<u>141,945</u>	<u>141,945</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Deferred Outflows of Resources</b>	<u>196,215</u>	<u>211,720</u>	<u>85,281</u>	<u>100,787</u>	<u>242,024</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$55,862,615</u>	<u>\$53,634,486</u>	<u>\$49,585,336</u>	<u>\$49,386,753</u>	<u>\$42,138,960</u>

\* Fiscal year 2016 information is preliminary and unaudited. Information for fiscal years 2012 through 2015 is extracted from the Agency's audited financial statements for the respective years.

<sup>1</sup> The financial statements are shown as Presented or Restated in the audited financial reports. Several GASB Statements have been implemented during the periods shown. In March 2012, GASB Statement No. 65 required that debt issuance costs be recognized as an expense in the period incurred, thus eliminating the Capital bond issue costs and Amortization account for the periods following. In July 2014, GASB Statement No. 68 and 71 required governments to calculate and report the cost and obligations associated with pensions. Pension amounts for all benefits provided through the plan include Net pension liability, Deferred outflows of resources, Deferred inflows of resources, and Pension expense.

<sup>2</sup> Net of accumulated amortization of \$533,125 in 2012.

<sup>3</sup> Net of accumulated amortization of \$179,730 in 2016; \$164,225 in 2015; \$148,719 in 2014; \$133,213 in 2013; and \$177,708 in 2012.

**UTAH MUNICIPAL POWER AGENCY**  
**STATEMENT OF NET POSITION**

<b>Liabilities</b>	<b>FISCAL YEAR ENDED JUNE 30,*</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Current liabilities</b>					
Accounts payable	\$ 5,523,790	\$ 4,954,431	\$ 6,491,332	\$ 4,835,604	\$ 5,078,341
Accrued bond interest payable	289,875	377,375	460,625	540,000	615,492
Current portion of member payable	-	-	-	-	805,000
Current portion of revenue bonds payable	<u>6,814,000</u>	<u>6,376,000</u>	<u>3,330,000</u>	<u>3,175,000</u>	<u>3,020,000</u>
<b>Total Current Liabilities</b>	<u>12,627,665</u>	<u>11,707,806</u>	<u>10,281,957</u>	<u>8,550,604</u>	<u>9,518,833</u>
<b>Long-Term Liabilities</b>					
Net pension liability	685,690	685,690	-	-	-
Member payable	-	-	-	-	-
Revenue bonds payable	<u>8,527,567</u>	<u>15,360,320</u>	<u>21,757,752</u>	<u>25,110,316</u>	<u>21,707,607</u>
<b>Total Long-Term Liabilities</b>	<u>9,213,257</u>	<u>16,046,010</u>	<u>21,757,752</u>	<u>25,110,316</u>	<u>21,707,607</u>
<b>Total Liabilities</b>	21,840,922	27,753,816	32,039,709	33,660,920	31,226,440
<b>Deferred Inflows of Resources</b>					
Deferred inflow of resources related to pensions	88,086	88,086	-	-	-
Deferred inflow of resources related to future billings to members	<u>33,930,257</u>	<u>25,789,234</u>	<u>17,542,277</u>	<u>15,722,483</u>	<u>10,909,170</u>
<b>Total Deferred Inflows of Resources</b>	<u>34,018,343</u>	<u>25,877,320</u>	<u>17,542,277</u>	<u>15,722,483</u>	<u>10,909,170</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	55,859,265	53,631,136	49,581,986	49,383,403	42,135,610
<b>Net Position</b>					
Net investment in capital assets	877,937	(4,711,634)	(7,274,035)	(12,990,391)	(10,792,288)
Restricted for debt service	11,370,018	11,023,741	8,060,950	7,985,325	7,895,242
Unrestricted	<u>(12,244,605)</u>	<u>(6,308,757)</u>	<u>(783,565)</u>	<u>5,008,416</u>	<u>2,900,396</u>
<b>Total Net Position</b>	<u>3,350</u>	<u>3,350</u>	<u>3,350</u>	<u>3,350</u>	<u>3,350</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$55,862,615</u>	<u>\$53,634,486</u>	<u>\$49,585,336</u>	<u>\$49,386,753</u>	<u>\$42,138,960</u>

\* Fiscal year 2016 information is preliminary and unaudited. Information for fiscal years 2012 through 2015 is extracted from the Agency's audited financial statements for the respective years.

## INVESTMENT OF FUNDS

*The Utah Money Management Act.* The Utah Money Management Act, Title 51, Chapter 7, Utah Code (the “*Money Management Act*”) governs the investment of all public funds held by public treasurers in the State. It establishes criteria for investment of public funds with an emphasis on safety, liquidity, and yield. The Money Management Act provides a limited list of approved investments, including qualified in-state and out-of-state financial institutions, approved government agency securities, and investments in corporate securities meeting certain minimum credit rating criteria. The Money Management Act requires diversification of investments. Not more than 5% of the portfolio may be invested with any one issuer. Investments in mortgage pools and mortgage derivatives or any security making unscheduled periodic principal payments are prohibited. The Money Management Act establishes the Money Management Council to exercise oversight of public deposits and investments. The Money Management Council is comprised of five members appointed by the Governor of the State of Utah for terms of four years after consultation with the State Treasurer and with the advice and consent of the State Senate. The Agency is currently complying with all of the provisions of the Money Management Act for all Agency operating funds.

*The Utah Public Treasurer’s Investment Fund.* A significant portion of the Agency’s funds are invested in the Utah Public Treasurers Investment Fund (“*PTIF*”). The PTIF, which was established in 1981, is a local government investment fund managed by the State Treasurer. All moneys transferred to the PTIF are promptly invested in securities authorized by the Money Management Act. Securities owned by the PTIF are completely segregated from securities owned by the State. Deposits are not insured or otherwise guaranteed by the State. PTIF securities include certificates of deposit, commercial paper, short-term corporate notes, obligations of the U.S. Treasury and securities of certain agencies of the U.S. Government. These short-term securities must be rated “first tier” (“A1,” “P1,” for short-term investments and “A” or better for long-term investments) by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Service or Standard & Poor’s. Variable rate securities in the PTIF must have an index or rate formula that has a correlation of at least 94% of the effective Federal Funds rate. Investment activity of the State Treasurer in the management of the PTIF is reviewed monthly by the Money Management Council and is audited by the State Auditor. See “APPENDIX A—FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2015—Notes to the Financial Statements—Note 3. Deposits and Investments.”

## NO DEFAULTED OBLIGATIONS

The Agency has never failed to pay principal of or interest on any of its financial obligations when due.

## INVESTMENT CONSIDERATIONS

The purchase of the Series 2016 Bonds involves certain investment risks that are discussed throughout this Official Statement. No prospective purchaser of the Series 2016 Bonds should make a decision to purchase any of the Series 2016 Bonds without first reading and considering the entire Official Statement, including all Appendices, and making an independent evaluation of all such information. Certain of those investment risks are described below. The list of risks described below is not intended to be definitive or exhaustive and the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

### SPECIAL OBLIGATIONS

The Bonds are special obligations of the Agency secured solely by the Revenues of the System and certain Funds held under the Resolution. The Bonds are not general obligations of the Agency, the State of Utah or any agency, instrumentality or political subdivision thereof. The issuance of the Bonds shall not directly, indirectly, or contingently obligate the State of Utah or any agency, instrumentality, or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for the payment of the Bonds. The Agency has no taxing power. The Resolution does not mortgage or grant a security interest in any physical properties of the System to secure the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” above.

### CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The U.S. electric utility industry is in a period of significant change and is facing a range of challenges and uncertainties that will continue to impact the financial and operating position of investor-owned, cooperative and municipal electric utilities, including the Agency. Much of the change results from actions taken by legislative and regulatory bodies at the national, regional and state level.

*Energy Policy Act of 2005.* The Energy Policy Act of 2005 (the “2005 Energy Policy Act”) provides incentives for traditional energy production as well as newer, more efficient energy technologies, and conservation. The 2005 Energy Policy Act provides for, among other things: (i) the repeal of the Public Utility Holding Company Act (“PUHCA”), although some responsibilities under PUHCA are transferred to FERC and state regulatory commissions; (ii) a grant to FERC of authority to site transmission facilities if states are unwilling or unable to approve siting; (iii) a directive to FERC to permit incentive rate policies as a means to encourage transmission expansion; (iv) revisions to the Public Utility Regulatory Policies Act; (v) the establishment of service obligation protections for native load customers of utilities in certain areas of the country; (vi) the creation of limited FERC jurisdiction over interstate transmission assets of municipal utilities, cooperatives and federal utilities, to permit FERC to order those entities to provide transmission services on rates and terms comparable to those that the entities charge and provide to themselves; (vii) the establishment of mandatory electric reliability rules for all market participants and the creation of a self-regulatory reliability organization, subject to oversight by FERC; and (viii) the provision of certain tax incentives to encourage expansion of

transmission facilities and improvement of environmental standards. As directed by the 2005 Energy Policy Act, FERC has adopted many of the applicable implementing regulations.

FERC continues to issue regulations and decisions interpreting and implementing the various provisions of the 2005 Energy Policy Act. The Agency is not able to predict at this time the effects, if any, that the 2005 Energy Policy Act or the adoption of such regulations will have on the Agency.

*FERC Transmission Regulation.* The National Energy Policy Act of 1992 (the “*Energy Policy Act*”) included provisions that promoted competition in wholesale electric markets by, among other things, easing restrictions on wholesale power producers and by allowing FERC to order transmission access for wholesale buyers and sellers of electricity over transmission systems owned by “transmitting utilities.”

In 1996, FERC issued its Order 888, which requires jurisdictional utilities to file wholesale transmission tariffs providing pricing and terms for transmission access for wholesale purposes. FERC Order 888 also requires non-jurisdictional utilities (including municipal and consumer-owned utilities) that purchase transmission services from a jurisdictional utility to provide, in turn, non-discriminatory, open access transmission services back to the jurisdictional utility upon terms and conditions that are comparable to the transmission service that they provide to themselves. FERC Order 889 (i) imposes certain standards of conduct intended to restrict transmission-owning utilities from using those facilities to obtain an unfair competitive advantage in power sales transactions and (ii) requires utilities to post information electronically regarding the availability and pricing of their transmission services.

The Energy Policy Act does not permit FERC to order transmission access for purchases or sales of electricity at retail (commonly known as “*retail wheeling*”). However, various bills have been introduced in prior sessions of Congress that would require existing utilities to allow competitors to use their transmission and distribution facilities to provide electric service to retail customers of the existing utilities. Various states have implemented or are considering legislative or regulatory proposals that would also allow such use of utility property by competitors to serve the retail customers of the existing utilities.

*FERC Transmission Reliability Initiative.* Section 215 of the Federal Power Act which was enacted by the 2005 Energy Policy Act, provides for FERC to establish a system of mandatory, enforceable reliability standards. FERC has designated the North American Electric Reliability Council (“*NERC*”) as the Electric Reliability Organization to develop the reliability standards for submittal to FERC for approval and then administer the approved standards with the industry.

The reliability standards apply to all users, owners and operators of the bulk power system within the United States (other than Alaska or Hawaii) and requires that each reliability standard identify the subset of users, owners and operators to which that particular reliability standard applies. Violations of the reliability standards may result in penalties, which FERC continues to monitor and adjust. The Agency is in compliance with all of the current applicable

reliability standards but the Agency is not able to predict the effects, if any, that future standards or changes to current standards will have on the Agency.

*Renewable Portfolio Standards.* Certain states are now implementing renewable portfolio standards (RPS) which typically require electricity providers to obtain a minimum percentage of their power from renewable energy resources by a certain date. In 2008 the Utah Legislature adopted S.B. 202 – Energy Resource and Carbon Emission Reduction Initiative (“S.B. 202”) (now codified at Title 10, Chapter 19, Utah Code Annotated 1953, as amended), which provides that 20% of a municipal electric utility’s or electrical corporation’s adjusted retail electric sales beginning in 2025 come from renewable energy resources or renewable energy certificates, if cost effective. S.B. 202 does not provide for any incremental targets or goals before 2025, but does require reports concerning a municipal electric utility’s progress in acquiring qualifying resources. S.B. 202 does not require an electric utility to (i) substitute renewable energy resources for existing energy sources, including existing power purchase contracts and generation units or (ii) enter into any additional power sales contracts or any other arrangement for the sale or disposition of electricity that such electric utility would not otherwise enter into. The financial and operational impact, if any, on the Agency resulting from the adoption of S.B. 202 is not known at this time.

In recent legislative sessions, the Utah Legislature has considered and adopted several other bills and resolutions relating to various energy policy matters, including economic development incentives for alternative energy projects and encouragement of municipally-owned utilities to consider participating in renewable energy projects.

The financial and operational impact, if any, on the Agency resulting from the bills and resolutions adopted by the Utah Legislature is not known at this time.

*Other Factors.* In addition to these legislative and regulatory actions, a number of other factors are having or may have significant impacts on the electric utility industry generally and on the financial and operating condition of individual utilities. These factors include, among other things:

- changes resulting from conservation and demand-side management programs on the timing and use of electric energy;
- the development and impact of alternate energy sources;
- the lack of a comprehensive national energy policy;
- effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions and strategic alliances of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity;

- increased competition from independent power producers and marketers, brokers and federal power marketing agencies;
- “self-generation” or “distributed generation” (such as rooftop solar, microturbines and fuel cells) by industrial and commercial consumers and others;
- changes in systems, including systems that would provide certain customers with the ability to generate their own electrical power and reduce or eliminate their dependency on power provided by the Agency;
- volatility in the price of energy purchased on the wholesale market that may occur in times of high peak demand;
- unavailability of or substantial volatility in the cost of coal or natural gas used as fuel for generation facilities;
- availability and sufficiency of transmission capacity, particularly during times of high demand;
- issues relating to the ability to issue tax-exempt obligations;
- restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations;
- changes from projected future load requirements;
- effects of inflation on the operating and maintenance costs of an electric utility and its facilities;
- inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy, fuel, and transmission capacity;
- effects of financial instability of various participants in the power market;
- climate change and the potential contributions made to climate change by coal-fired and other fossil-fueled generating units;
- issues relating to cyber and physical security; and
- local, regional and national economic conditions.

It is not possible to predict what impact these and other factors will have on the financial and operating position of the Agency. The foregoing discussion is a general summary of complex matters. This discussion is not comprehensive or definitive and the matters discussed are subject to change.



## CERTAIN ENVIRONMENTAL MATTERS AFFECTING THE AGENCY

Electric utilities are subject to continuing environmental regulation. The Agency must maintain various environmental permits and approvals from state and federal agencies in order to operate the System. To date, the Agency has obtained and is in compliance with all environmental permits and approvals necessary for the operation of the System. However, federal, state and local standards and procedures that regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the System and the utility facilities operated by the Agency will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of individual electric generating units not in compliance.

There is increased concern by the public, the scientific community and Congress regarding environmental damage resulting from the use of fossil fuels. There are a number of pending or recently enacted legislative proposals in Congress that may affect the electric utility industry. Increased environmental regulation has created and may create additional barriers to new facility development and modification of existing facilities. The additional costs, including time, human resources, uncertainty and delay, could increase the cost of electricity from affected resources.

*Clean Air Act.* Legislation was enacted in 1990 that substantially revised the Clean Air Act (the “1990 Amendments”). The 1990 Amendments seek to improve the ambient air quality throughout the United States. A main objective of the 1990 Amendments is the reduction of sulfur dioxide (“SO<sub>2</sub>”) and nitrogen oxide (“NO<sub>x</sub>”) emissions caused by electric utility power plants, particularly those fueled by coal. Under the 1990 Amendments, SO<sub>2</sub> emission reduction was to be achieved in two phases. Phase I, which does not affect any System facilities or Power Purchase Contracts, addressed specific generating units named in the 1990 Amendments.

In Phase II, which became effective January 1, 2000, total United States SO<sub>2</sub> emissions are capped at 8.9 million tons per year. The 1990 Amendments contain provisions for allocating annual allowances (“Allowances”) under the cap to power plants based on historical or calculated levels.

*National Ambient Air Quality Standards.* The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards (“NAAQS”) for certain air pollutants. When the EPA establishes NAAQS, each state must identify each area within its boundaries that does not meet the EPA standards for one or more air pollutants (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan to reduce or control the emissions of the air pollutants exceeding the applicable limits in order to meet the EPA NAAQS (known as an “attainment area”). When an area is designated as a non-attainment area for a pollutant, stricter restrictions on the emissions of the air pollutants exceeding the applicable standards are imposed, and it can be more difficult and costly to obtain permits for new major sources or major modifications to existing sources. In April 2007 the EPA promulgated final

rules and guidance for fine particulate matter, known as the PM 2.5 Standard, under NAAQS. The PM 2.5 Standard regulates particles less than 2.5 microns in diameter and could possibly lead to further controls on utilities in the future. On December 22, 2008, the EPA designated certain geographic areas as “non-attainment” for the PM 2.5 Standard. Utah counties included in the EPA’s list of PM 2.5 non-attainment areas include Salt Lake County, where the West Valley Plant is located, and Utah County, where the existing Provo Power Plant is located and the replacement Agency’s Provo Power Plant is anticipated to be located. The Agency cannot predict the impact on the operation costs of the System of any future regulations or changes in conditions.

*Greenhouse Gas and Climate Change Issues.* In April 2009, the EPA issued final findings that (i) the current and projected concentrations of the mix of six key greenhouse gases (GHGs)—carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride—in the atmosphere threaten the public health and welfare of current and future generations; and (ii) the combined emissions of these well-mixed GHGs from new motor vehicles and new motor vehicle engines contribute to the GHG pollution, which threatens public health and welfare.

On May 13, 2010, the EPA issued a final rule that requires Prevention of Significant Deterioration (“PSD”) and Title V operating permits to be obtained by stationary sources, including power plants, satisfying certain thresholds and other criteria in connection with GHG emissions. PSD permitting requirements in connection with GHGs would require a “best available control technology” (“BACT”) analysis. EPA has been gradually phasing in these requirements, focusing on the largest emitters first.

On September 20, 2013, EPA proposed a performance standard for new fossil fuel-fired electric generating units. Under the proposed rule, conventional coal-fired power plants will be required to employ partial carbon capture and sequestration technology to meet emission standards for carbon dioxide. For new natural gas-fired units, EPA has concluded that compliance should be achievable without additional controls. The performance standard will not apply to existing plants. The Agency’s Provo Power Plant is designed to comply with such standards.

*Clean Power Plan.* On August 3, 2015, EPA issued its final Clean Power Plan under Section 111(d) of the Clean Air Act (the “*Clean Power Plan*”) which sets performance standards for existing power plants to reduce carbon dioxide (CO<sub>2</sub>) emissions. The Clean Power Plan requires every state to submit a State Implementation Plan (a “SIP”) for reducing its CO<sub>2</sub> emissions rate from existing fossil fuel plants relative to 2005 emission levels to meet state-specific standards starting in 2020, with a final rate for 2030 and beyond. The Clean Power Plan outlines several methods by which emission reductions can be achieved, but does not prescribe specifically to states which methods to employ.

The State of Utah, 26 other states and state agencies, and various industry groups filed lawsuits (which have since been consolidated) in the U.S. Court of Appeals for the District of Columbia Circuit (the “*DC Circuit*”) challenging the legality of the Clean Power Plan on constitutional and other grounds, *State of West Virginia v. United States Environmental*

*Protection Agency*, Case No, 15-1363. In February 2016, the U.S. Supreme Court stayed the implementation of the Clean Power Plan pending the resolution of this litigation. A ten-judge panel of the DC Circuit heard oral arguments on the Clean Power Plan on September 27, 2016, and a decision of the court is expected to be issued in late 2016 or early 2017.

An initial plan providing a general outline of potential implementation options being considered by the State of Utah was initially required to be submitted by September 6, 2016. As a result of the stay issued by the Supreme Court, states are not required to commence implementation of the Clean Power Plan, pending the outcome of the litigation described above. Prior to the stay, the Utah Division of Air Quality was in the process of developing an SIP in order to comply with the Clean Power Plan in the event that the states' challenge to the Clean Power Plan failed. Utah Governor Gary Herbert has since suspended Utah's development of the SIP.

The costs and impacts that the Clean Power Plan or any alternative or additional emissions standards may have on the Agency are not determinable at this time, as such will depend on the outcome of the legal challenge to the plan and, if such challenge is unsuccessful, or if alternative standards are implemented, the extent and relative cost of CO<sub>2</sub> abatement measures available to the Agency.

There have been numerous judicial and legislative challenges to the EPA's efforts to regulate GHGs that may impact the regulatory status outlined above. The Agency cannot predict the outcome of such challenges or the effects on the Agency of current or subsequent rulemaking by the EPA with regard to GHGs.

*Coal Combustion Byproducts.* EPA finalized a rule regarding the disposal of coal combustion byproducts ("CCBs") from electric utilities on December 19, 2014 (the "*CCBs Final Rule*"). The CCBs Final Rule regulates CCBs under Subtitle D of the RCRA as non-hazardous solid waste. The CCBs Final Rule establishes guidelines and new minimum standards for the disposal of CCBs in landfills and surface impoundments. The Agency does not anticipate that the CCBs Final Rule will have a material impact on the System.

*Mercury and Air Toxics Standards.* On December 16, 2011, the EPA issued final rules titled "Mercury and Air Toxics Standards." The rules establish national emission standards for mercury and other hazardous air pollutants from coal- and oil-fired power plants. They require significant reductions in mercury and acid gas emissions from coal-fired power plants and provide facilities with up to four years to meet the new standards. The rules apply to coal- and oil-fired electric generating units greater than 25 MW. On July 20, 2012, EPA agreed to review new technical information submitted by industry groups regarding toxic air pollution limits for new power plants under the Mercury and Air Toxics Standards ("*MATS*"), but this reconsideration does not cover the standards set for existing power plants. In June 2013, EPA reopened the public comment period to solicit additional input on startup and shutdown provisions, and notice of final action on these provisions was published in the Federal Register on November 19, 2014. There have been efforts in Congress to repeal the rules, but none have been successful so far.

On November 26, 2014, the U.S. Supreme Court agreed to hear three related cases to consider the narrow question of whether EPA unreasonably refused to consider costs in determining whether it is appropriate to regulate hazardous air pollutants emitted by electrical utilities. In June 2015, the U.S. Supreme Court ruled that the Obama administration acted improperly when it decided to regulate power plant emissions of mercury and other toxic air pollutants. The court's 5-4 decision will require the EPA to review and reanalyze the Mercury and Air Toxics Standards, which took effect in April 2015, and consider the costs the regulations will impose on power producers. The court held that the EPA must consider cost, including, most importantly, the cost of compliance, before deciding whether regulation is appropriate and necessary.

The Supreme Court's decision remanded the MATS rule back to the D.C. Circuit Court of Appeals for further Review. The D.C. Circuit ruled against the industry groups and the 20 states that argued the entire rule should be vacated. Instead, the appeals court allowed the MATS rule to remain in effect while the EPA makes the revisions ordered by the Supreme Court. On appeal to the Supreme Court, the states argued that the D.C. circuit wrongly left the original MATS rule in place while the EPA revised it. However, on March 3, 2016, the Supreme Court rejected the states' petition to stay the regulations pending the EPA revisions.

*Regional Haze.* The EPA's Regional Haze Rule requires emissions controls using best available retrofit technology ("BART") for industrial facilities emitting air pollutants that impair visibility in Class I areas (national parks and wilderness areas). Such pollutants include fine particulate matter (" $PM_{2.5}$ ") and compounds that contribute to  $PM_{2.5}$  such as nitrogen oxides, sulfur dioxides, certain volatile organic compounds and ammonia. Hunter Unit 1 and Hunter Unit 2 (in which the Agency has a contractual interest under the Deseret Contract) are subject to the EPA's Regional Haze Rule.

*Effluent Limitation Guidelines.* The EPA's Effluent Limitation Guidelines for coal-fired steam electric plants were, prior to 2015, last revised in 1982. The EPA has in recent years considered adopting more stringent limits for new pollutants and parameters for individual wastewater streams generated by steam electric power plants, with a particular focus on coal-fired power plants. In September 2015, the EPA finalized a rule revising the regulations for steam electric power plants. The rule sets the first federal limits on the levels of toxic metals in wastewater that can be discharged from power plants, based on technology improvements in the steam electric power industry over the last three decades. Under the proposed rule, new requirements for existing power plants would be phased in between 2017 and 2022.

*Future Legislation and Rules.* Various Congressional bills have been introduced in both the House of Representatives and the Senate that would require the reduction of emissions of sulfur dioxides, nitrogen oxides, mercury and carbon dioxide from coal-fired electric generating units. It is uncertain if or when any of these Congressional bills may be enacted into law and what effect, if any, such legislation will have on the Agency.

The Agency cannot predict at this time whether any additional legislation or rules will be enacted that will affect the operations of the Agency and if such laws or rules are enacted, what the costs to the Agency might be in the future because of such action.

The Project has been designed, and is expected, to meet the requirements of current federal and state air quality laws.

#### DESTRUCTION OF SYSTEM FACILITIES

The Resolution requires that the Agency, in its operation of the System, maintain insurance in such amounts and to such extent as is normally carried by other municipalities operating public utilities of the same size and type. In the event of any loss or damage, the Resolution generally requires that the proceeds of any insurance first be applied to the purpose of restoring or replacing the property lost or damaged. See Section 7.13 of the Bond Resolution. See “APPENDIX C–FORM OF BOND RESOLUTION.” However, there can be no assurance that the proceeds of such insurance will be sufficient to restore or replace the lost or damaged property. Damage to or destruction of all or part of the System may prevent the Agency from providing electricity to some or all of its Members. In such event, the Revenues may decrease.

#### SIGNIFICANT CUSTOMER

Provo is a significant customer of the System that accounted for approximately 65% of Member energy sales and 59% of the Agency’s total energy sales for the fiscal year ended June 30, 2016. Damage or destruction of Provo’s municipal energy system, financial difficulties, or other factors that negatively impact the Provo system, could have a significant negative impact on the Revenues of the System.

Brigham Young University (the “*University*”) is the largest customer of Provo’s electric system. In fiscal year 2015, the University purchased 138,874 MWh of energy, representing approximately 17.8% of Provo’s total energy sales. This represents 11.5% of the Agency’s energy sales to its Members.

Recently, the University gave notice to Provo and the Agency that it plans to replace its central heating and cooling plant, which is near the end of its useful life, with a new cogeneration facility or combined heat and power facility (the “*CHP*”). The University is undertaking the cogeneration facility for the principal purpose of meeting certain environmental regulations and objectives through the replacement of its existing facilities, which are partially fueled by coal. To comply with federal environmental regulations, the University will be replacing its dual fuel system of coal/natural gas-fired boilers with new equipment that uses only natural gas to fire a simple cycle combustion turbine and uses the waste heat for heating and cooling purposes on the campus. The Agency understands that the cogeneration facility will include a single combustion turbine rated at 16.2 MW that is expected to produce approximately 110,000 MWh per year, or about 80% of the electrical needs of the University. Construction of the CHP is expected to begin in early 2017 and to be completed by the spring of 2018.

The University and Agency expect to enter into a power purchase agreement for the electrical output of the CHP at the Agency’s avoided costs. Provo expects to continue to provide all the energy and capacity needs to the University at its current retail rates, thereby avoiding any negative impact to its current revenues. Under such arrangements, no material impact to the rates the Agency charges its Members would result from the construction and operation of the

CHP by the University, and the proposed CHP would, in effect, become a base load resource for the Agency. The addition of the CHP will assist the Agency in replacing a portion of the base load requirements currently supplied under the PacifiCorp and Deseret Contracts, which are scheduled to expire on June 30, 2017 and December 31, 2019, respectively. The University's acquisition and construction of the CHP will not adversely affect the Agency's need for the peaking capacity of the West Valley Plant. While the Agency expects to enter into such an arrangement with the University, in the absence of such an approach, the Agency estimates that the Members' cost of power would increase by up to 4% annually, for up to two years, due to the reduction in Member loads resulting from the CHP. After the expiration of the Deseret Contract, the Agency will be able to adjust its future electric resource mix to mitigate any potential rate impact of Provo's lower Member load. Provo will, in any event, continue to provide peaking power to the University following the completion of the CHP.

#### ECONOMIC AND DEMOGRAPHIC CONDITIONS

The Series 2016 Bonds are payable solely from and secured by a pledge of Revenues and certain Funds held under the Resolution. Future economic and other conditions, the demand for electricity within the Members' boundaries and their surrounding areas, economic and employment trends and events, demographic changes, changes in governmental regulations and policies and other factors may adversely affect the future financial condition of the System and, consequently, the availability of the Revenues.

#### INDEPENDENT AUDITORS

The audited financial statements of the Agency for fiscal years ended June 30, 2015 and 2014 are included herewith as APPENDIX A. Such financial statements have been audited by Eide Bailly LLP, as stated in their report in APPENDIX A of this Official Statement.

#### CONTINUING DISCLOSURE

The Agency will enter into a Continuing Disclosure Undertaking (the "*Undertaking*") for the benefit of the beneficial owners of the Series 2016 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system pursuant to the requirements of Section (b)(5) of Rule 15c2-12 ("*Rule 15c2-12*") adopted by the Securities and Exchange Commission (the "*Commission*") under the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis, and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth in the Undertaking. The proposed form of the Undertaking is attached as APPENDIX E to this Official Statement.

Except as described in the next sentence, there have been no instances in the previous five years in which the Agency has failed to comply, in all material respects, with any undertaking previously entered into by it pursuant to Rule 15c2-12. The Agency filed its annual financial information and operating data and audited financial statements for its fiscal year ended

June 30, 2011 on the MSRB's EMMA system on May 8, 2012, which was approximately 102 days later than required by its continuing disclosure undertaking for its Series 2003 Bonds. The Agency is in the process of implementing policies and procedures for the purpose of ensuring compliance with its continuing disclosure obligations.

A failure by the Agency to comply with the Undertaking will not constitute an event of default under the Indenture, and beneficial owners of the Series 2016 Bonds are limited to the remedies described in the Undertaking. See "Consequences of Failure of the Agency to Provide Information" in APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING. A failure by the Agency to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2016 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2016 Bonds and their market price.

### **LITIGATION**

There is no action, suit, proceeding, inquiry, or any other litigation or investigation at law or in equity, before or by any court, public board or body, which is pending or threatened, challenging the creation, organization, or existence of the Agency or the operation of the System; or the titles of its officers to their respective offices; or seeking to restrain or enjoin the issuance, sale, or delivery of the Series 2016 Bonds; or directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2016 Bonds are issued; or the validity of the Series 2016 Bonds or the issuance thereof.

### **LEGAL MATTERS**

All legal matters incident to the authorization and issuance of the Series 2016 Bonds are subject to the approval of Chapman and Cutler, LLP, Bond Counsel to the Agency.

The approving opinion of Bond Counsel in the form set forth in APPENDIX F to this Official Statement will be delivered with the Series 2016 Bonds. The Series 2016 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality and other matters by Chapman and Cutler LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by S. Junior Baker, Esq., Spanish Fork, Utah, counsel to the Agency, and by Chapman and Cutler LLP, in its capacity as Disclosure Counsel to the Agency. The Underwriters are being represented by their counsel, Ballard Spahr LLP. Certain legal matters will be passed upon for the Agency's Members by their respective counsel.

## TAX MATTERS

### FEDERAL INCOME TAXATION OF SERIES 2016A BONDS

Interest on the Series 2016A Bonds is includible in gross income of the owners thereof for federal income tax purposes.

### FEDERAL INCOME TAX EXEMPTION OF SERIES 2016B BONDS

Federal tax law contains a number of requirements and restrictions which apply to the Series 2016B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Series 2016B Bond proceeds and the facilities financed therewith, and certain other matters. The Agency has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2016B Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2016B Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2016B Bonds.

Subject to the Agency's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2016B Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Agency with respect to certain material facts within the Agency's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "*Code*") includes provisions for an alternative minimum tax ("*AMT*") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("*AMTI*"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Series 2016B Bonds.

Ownership of the Series 2016B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt



obligations. Prospective purchasers of the Series 2016B Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the “*Issue Price*”) for each maturity of the Series 2016B Bonds is the price at which a substantial amount of such maturity of the Series 2016B Bonds is first sold to the public. The Issue Price of a maturity of the Series 2016B Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Series 2016B Bonds who dispose of Series 2016B Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2016B Bonds in the initial public offering, but at a price different from the Issue Price or purchase Series 2016B Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2016B Bond is purchased at any time for a price that is less than the Series 2016B Bond’s stated redemption price at maturity, the purchaser will be treated as having purchased a Series 2016B Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2016B Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2016B Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2016B Bonds.

An investor may purchase a Series 2016B Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2016B Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Series 2016B Bond. Investors who purchase a Series 2016B Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2016B Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2016B Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to herein or adversely affect the market value of the Series 2016B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2016B Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “*Service*”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such

tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2016B Bonds. If an audit is commenced, under current procedures the Service may treat the Agency as the taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2016B Bonds until the audit is concluded, regardless of the ultimate outcome.

Payment of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2016B Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2016B Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2016B Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

#### UTAH TAX EXEMPTION

Prospective purchasers of the Series 2016A Bonds should consult their tax advisors regarding the treatment of interest on the Bonds for Utah Bondholders under Utah Individual Income Tax Act.

In the opinion of Bond Counsel, under the existing laws of the State of Utah, as presently enacted and construed, interest on the Series 2016B Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act.

Bond Counsel expresses no opinion with respect to any other taxes imposed by the State of Utah or any political subdivision thereof. Ownership of the Series 2016 Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2016 Bonds.

#### **BOND RATINGS**

As of the date of this Official Statement, Standard & Poor's Ratings Service, a division of The McGraw Hill Companies Inc., ("*S&P*") and Fitch Ratings ("*Fitch*") have assigned municipal bond ratings of "A+" and "A", respectively.

Such ratings assigned to the Series 2016 Bonds do not constitute a recommendation by such rating agencies to buy, sell or hold the Series 2016 Bonds. Such ratings reflect only the view of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies, and assumptions of its own.

There is no assurance that any rating assigned to the Series 2016 Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by

the rating agency if, in its judgment, circumstances so warrant. Any such downward change or withdrawal of such ratings may have an adverse effect on the market price of the Series 2016 Bonds.

## UNDERWRITING

The Agency has entered into a Bond Purchase Agreement dated the date of this Official Statement (the “*Bond Purchase Agreement*”) with Wells Fargo Bank, National Association and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “*Underwriters*”). The Bond Purchase Agreement provides for the purchase and sale of all of the Series 2016 Bonds, subject to various terms and conditions set forth therein. The Underwriters have agreed to purchase all of the Series 2016A Bonds at a purchase price of \$97,871,507 (representing the principal amount of the Series 2016A Bonds, less an underwriting discount of \$418,493). The Underwriters have agreed to purchase all of the Series 2016B Bonds at a purchase price of \$21,212,161 (representing the principal amount of the Series 2016B Bonds, plus original issue premium of \$3,074,716 and less an underwriting discount of \$77,555).

The Series 2016 Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the Series 2016 Bonds. The Underwriters may offer and sell the Series 2016 Bonds to certain dealers (including dealers depositing the Series 2016 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2016 Bonds to the public. The obligation of the Underwriters to accept delivery of the Series 2016 Bonds is subject to the terms and conditions set forth in the Bond Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 2016 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the Agency in connection with such activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Agency for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities

and instruments of the Agency (directly, as collateral securing other obligations or otherwise) and/or persons or entities with relationships with the Agency. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934. Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), the lead underwriter of the Series 2016 Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2016 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2016 Bonds with WFA. WFBNA also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) for the distribution of municipal securities offerings, including the Series 2016 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Bank, National Association is the sole owner of the 2016 Note, the principal of and interest on which will be paid with proceeds of the Series 2016A Bonds. See “INTRODUCTION—Authorization and Purpose,” and “ESTIMATED SOURCES AND USES OF FUNDS.”

#### **MUNICIPAL ADVISOR**

The Agency has engaged Zions Public Finance, Inc., Salt Lake City, Utah as Municipal Advisor (the “*Municipal Advisor*”). The Municipal Advisor provides financial recommendations and guidance to the Agency with respect to preparation for sale of the Series 2016 Bonds, timing of sale, bond market conditions, costs of issuance and other factors relating to the sale of the Series 2016 Bonds. The Municipal Advisor has read and participated in the drafting of certain provisions of this Official Statement. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the Agency, with respect to accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Municipal Advisor respecting accuracy and completeness of the Official Statement or any other matters related to the Official Statement. Municipal Advisor fees are contingent upon the sale and delivery of the Series 2016 Bonds.

## MISCELLANEOUS

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Agency, the System, the Series 2016 Bonds, the Resolution, and the Members are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Resolution are qualified in their entirety by reference to such document, the form of which is attached hereto as APPENDIX C, and references herein to the Series 2016 Bonds are qualified in their entirety by reference to the form thereof included in the Resolution and the information with respect thereto included in the Resolution.

Descriptions of the Resolution and the Series 2016 Bonds are qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction. The summaries of and references to all documents, statutes, reports, and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to such document, statute, report, or instrument.

All quotations from and summaries and explanations of the Utah statutes and court decisions that are contained herein, do not purport to be complete, and reference is made to said statutes and court decisions for full and complete statements of their respective provisions.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, is intended as such and not as representations of fact.

The appendices attached hereto are an integral part of this Official Statement, and should be read in conjunction with the foregoing material.

The delivery of the Official Statement has been duly authorized by the Agency.

UTAH MUNICIPAL POWER AGENCY

By /s/ John Curtis  
Chairman

By /s/ Layne Burningham  
Chief Operating Officer/General Manager

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**APPENDIX A**

**FINANCIAL STATEMENTS OF THE AGENCY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Financial Statements  
June 30, 2015 and 2014

# Utah Municipal Power Agency

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## Independent Auditor's Report

The Board of Directors of  
Utah Municipal Power Agency  
Spanish Fork, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of Utah Municipal Power Agency, which comprise the statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Municipal Power Agency as of June 30, 2015 and 2014, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Notes 1 and 2 to the financial statements, Utah Municipal Power Agency has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. In accordance with GASB Statement No. 68, the 2014 financial statements have not been restated to reflect this change. Our opinions are not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 - 6 and schedule of the proportionate share of the net pension liability on page 26 and schedule of contributions to the pension plan on page 26, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Changes in Funds Established by the Bond Indenture on page 27 are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Changes in Funds Established by the Bond Indenture is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Changes in Funds Established by the Bond Indenture is fairly stated, in all material respects, in relation to the financial statements taken as a whole

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2015 on our consideration of Utah Municipal Power Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Municipal Power Agency's internal control over financial reporting and compliance.



Salt Lake City, Utah  
October 28, 2015

This discussion and analysis provides an overview of the financial performance and activities of Utah Municipal Power Agency (UMPA or the Agency) for the fiscal years ended June 30, 2015 and 2014. The information presented should be read in conjunction with the basic financial statements and the accompanying notes to the financial statements.

### Financial Statements Overview

The Agency operates as a utility enterprise and substantially follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. The accompanying basic financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Agency's basic financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

The statement of net position provides information about the nature and amount of assets and obligations (liabilities) of the Agency as of the end of the year. The statements of revenues, expenses, and changes in net position reports revenues and expenses for the current year. The statements of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, capital and related financing activities, and investing activities.

### Condensed Financial Statements and Analysis

The following comparative condensed statements of net position summarize the financial position of the Agency for the years ended June 30, 2015, 2014 and 2013:

Condensed Statements of Net Position			
	2015	2014	2013
<b>Assets and Deferred Outflow of Resources:</b>			
Current assets	\$ 36,398,080	\$ 31,686,338	\$ 33,991,041
Utility plant & equipment, net	17,024,686	17,813,717	15,294,925
Deferred outflow of resources	211,720	85,281	100,787
<b>Total assets and deferred outflow of resources</b>	<b>\$ 53,634,486</b>	<b>\$ 49,585,336</b>	<b>\$ 49,386,753</b>
<b>Liabilities and Deferred Inflow of Resources:</b>			
Current liabilities	\$ 11,707,806	\$ 10,281,957	\$ 8,550,604
Long-term liabilities	16,046,010	21,757,752	25,110,316
Deferred inflow of resources	25,877,320	17,542,277	15,722,483
<b>Total liabilities and deferred inflow of resources</b>	<b>53,631,136</b>	<b>49,581,986</b>	<b>49,383,403</b>
<b>Net Position:</b>			
Net investment in capital assets	(4,711,634)	(7,274,035)	(12,990,391)
Restricted for debt service	11,023,741	8,060,950	7,985,325
Unrestricted	(6,308,757)	(783,565)	5,008,416
<b>Total net position</b>	<b>3,350</b>	<b>3,350</b>	<b>3,350</b>
<b>Total liabilities, deferred inflow, and net position</b>	<b>\$ 53,634,486</b>	<b>\$ 49,585,336</b>	<b>\$ 49,386,753</b>

\*Due to the implementation of GASB 68 in the current year, figures may not be comparable to the prior years for some areas of the financial statements.

Condensed statements of net position highlights are as follows:

- An increase in current assets at year-end of \$4.7 million is the primary effect of a \$5.3 million increase in cash and investments, a \$1.3 million decrease in receivables for member and non-member power sales, and \$768,000 higher inventory of coal stockpiled at the Bonanza Station. The 2015 increase in cash and investments was due to \$2.2 million billed and collected from members for the current debt service payment of the Series 2012 Electric System Revenue Bonds and an increase of \$1.7 million net contributions to the Rate Stabilization Fund (RSF). In 2014 current assets decreased \$2.3 million due to a \$3.5 million decrease in cash and investments from \$2.6 million project costs paid from Series 2012 Bond proceeds and from contributions to the RSF, a \$1.9 million increase in receivables for member and non-member power sales, and \$773,000 lower inventory valuation.
- Utility plant & equipment, net decreased by approximately \$789,000 during 2015. This decrease is attributable to the difference of 2015 depreciation in excess of capital additions. Capital additions in the amount of \$402,000 was a clean air project at a dedicated resource facility. Utility plant & equipment, net includes the Agency's 3.75% undivided ownership interest in the Bonanza Unit I, with a historical cost of \$28.2 million, and the Agency's 6.25% undivided ownership interest in certain related transmission facilities, with a historical cost of \$8.7 million. In 2014, utility plant & equipment increased \$2.5 million due to capital additions in excess of depreciation. Capital additions in the amount of \$3.6 million were included in work in process in 2014 for clean air projects.
- Long-term revenue bond payable decreased \$6.4 million in 2015. Long-term 2012 revenue bonds outstanding decreased by \$2.9 million and long-term 2003 revenue bonds outstanding decreased \$3.5 million due to classification of the current portion of long-term liabilities and the net effect of bond premium and cost of reacquired debt amortization. Long-term liabilities decreased \$3.4 million in 2014.
- Deferred inflow of resources increased \$8.9 million in 2015. This is attributable to a net increase of \$1.7 million of member contributions to the Rate Stabilization Fund and an increase of \$7.3 million of the net revenues to be returned in future billings to members. The Agency's rate stabilization account may be used to meet unanticipated increases in revenue requirements in subsequent periods or achieve rate stability to members. Deferred inflow of resources increased \$1.7 million from 2013 to 2014, which represented a \$333,000 increase in the Rate Stabilization Fund and a \$1.3 million increase in net revenues to be returned in future billings to members.
- Deferred inflow of resources decreased \$733,000 with implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 required the proportionate share of the net pension liability of the pension plan to be reported on the statement of net position of the Agency.
- Restricted net position consists of the Bond Fund. The unrestricted net position consists of the Revenue, Repair & Replacement Funds, and Rate Stabilization Funds. These funds were created under UMPA's General Indenture of Trust (Bond Indenture) for the Series 2003 Revenue Refunding Bonds. The Rate Stabilization Fund, created by UMPA Board resolution in 1999 and subsequently incorporated by the Bond Indenture in 2003, is used as designated by UMPA's Board.

The comparative condensed statements of revenues, expenses, and changes in net position summarizes the changes in financial position of the Agency for the years ended June 30, 2015, 2014 and 2013:

Condensed Statements of Revenues, Expenses, and Changes in Net Position			
	2015	2014	2013
Power sales	\$ 74,118,149	\$ 78,041,672	\$ 71,855,374
Other revenues	4,238	2,327	25,631
Operating revenues	74,122,387	78,043,999	71,881,005
Operating expenses	64,474,080	75,363,192	66,087,280
Operating income	9,648,307	2,680,807	5,793,725
Interest income	200,560	172,500	373,275
Interest expense	(868,900)	(1,033,513)	(1,127,955)
Deferred inflow of resources adjustment	(8,979,967)	(1,819,794)	(5,039,045)
Net non-operating (revenues) expenses	(9,648,307)	(2,680,807)	(5,793,725)
Change in net position	-	-	-
Beginning net position	3,350	3,350	3,350
Ending net position	\$ 3,350	\$ 3,350	\$ 3,350

\*Due to the implementation of GASB 68 in the current year, figures may not be comparable to the prior years for some areas of the financial statements.

- Operating revenues from power sales decreased by approximately \$3.9 million between 2015 and 2014. Power sales consist principally of member power sales revenue and power sales to non-members. Revenue from power sales to members decreased \$2.9 million in 2015. Billed rate to members was 2.2% lower than the rate in 2014 with a capacity decrease of 0.34% and energy increase of 0.11% with a favorable effect on rates. Capacity and energy not needed for sales to members, in addition to power purchased on the market for resale, are sold to non-members. Energy sold to non-members in 2015 decreased 12.6% resulting in \$1 million less revenue than in 2014. In 2014, operating revenues from total power sales increased by approximately \$6.2 million from 2013. Sales to members increased \$4.1 million due to a billed rate increase of 7.1%. Sales to non-members increased \$2.1 million due to 35.9% increase in energy sold.
- Operating expenses decreased by approximately \$10.9 million between 2015 and 2014. This difference is attributable primarily to dedicated resources, generation costs, other power costs, and general and administrative expenses.

Dedicated resource costs decreased \$5.1 million in 2015 due primarily to expenses at the Hunter dedicated resource. The Capacity Purchase debt service payment decreased \$4.7 million from the prior year. The clean air project assets in the amount of \$402,000 were put into service during the year and funded from the 2012 bond issuance. Capital additions and maintenance expenses decreased \$1.4 million due to no planned major outage and completion of clean air project. Fuel costs increased \$1.1 million as a result of a 19.8% increase in output and a 12.0% increase per kWh fuel costs. In 2014, dedicated resource costs increased \$3.5 million due primarily to expenses at the Hunter dedicated resource from a planned major outage.

Generation costs in 2015 decreased \$1.8 million primarily due to a decrease of \$1.9 million in fuel costs from less coal burned during planned outages and a lower price per ton than previous year. Maintenance expense increased \$338,000 for planned outage repairs. Generation costs in 2014 were \$1.8 million more than the previous year due to \$1.5 million additional fuel costs related to coal excise taxes and royalties.

Other power purchased costs decreased \$4.2 million in 2015. Other power costs consist of UMPA's long-term and firm contracts for power, supplemental power purchased on the market, and transmission. Other power costs also include power purchased for resale to non-members. Other purchased power costs decreased 11% due to less replacement power during planned major outages during the year. In 2014, other power costs increased \$4.4 million.

### **Long Term Debt Activity**

In July 2012, the Agency issued \$6.6 million of 2012 Series Electric System Revenue Bonds with a fixed interest rate of 2.06%. The bonds mature on July 1, 2017 and required interest only payments through the Agency's fiscal year 2015. The bonds were structured to level the Agency's total debt service requirements through the bonds maturity, including debt for a dedicated resource which is reflected in Note 9-Commitments and Contingencies, Dedicated Resource Costs. The bonds were issued to fund the remaining clean air capital projects at the Hunter resource and install pollution control equipment at another dedicated resource. These projects were both completed in fiscal year 2014.

In 2003, UMPA took advantage of low interest rates and current refunded the 1993 Series Revenue Refunding Bonds through the issuance of the 2003 Series Revenue Refunding Bonds.

### **Budgetary Highlights**

UMPA's Board of Directors adopted a fiscal year 2015 budget with total expenditures of \$72.3 million including budgeted operating expenses of \$68.1 million and debt service of \$4.3 million. Actual operating expenses and debt service were \$74.1 million, \$1.8 million or 2.5% over budget. Total operating revenues were less than budget by \$3.9 million or 5.0%.

### **Economic Factors**

The electric markets continue to exhibit a high level of sensitivity to domestic natural gas prices, transmission capacity, and available supply of surplus generating capacity. UMPA will continue to benefit from a surplus resource portfolio. Should the Agency suffer an extended loss of resources, it may be necessary to replace any lost capacity and energy at market wholesale rates which may be higher than the current blended cost-based resource mix. Environmental regulations are in a state of long-term uncertainty for current and new power generation resources. Changes in regulated emissions could have a significant impact on the cost of operating both existing and any new carbon-based generation resources for UMPA and for similar generation resources of other utilities throughout the electric generation industry.

### **Contact Information**

This financial report is designed to provide a general overview of the Agency's finances. Questions or requests for additional information should be addressed to the Accounting Manager, P.O. Box 818, Spanish Fork, UT 84660.



Utah Municipal Power Agency  
 Statements of Net Position  
 June 30, 2015 and 2014

	2015	2014
<b>Current Assets</b>		
Cash, cash equivalents, and investments - Note 1 & 3	\$ 24,739,622	\$ 19,468,641
Accounts receivable		
Member power sales	8,388,093	9,670,745
Non-member power sales	510,222	555,298
Inventory - Note 1	2,759,531	1,991,654
Net pension asset - Note 10	612	-
	<u>36,398,080</u>	<u>31,686,338</u>
<b>Noncurrent Assets</b>		
Utility Plant and Equipment - Note 1 & 4		
Interest in generating plant	35,250,938	35,537,104
Interest in transmission system	8,702,715	8,696,748
Other utility assets	1,697,475	1,724,869
Less: accumulated depreciation	(28,626,442)	(28,145,004)
	<u>17,024,686</u>	<u>17,813,717</u>
<b>Deferred Outflows of Resources</b>		
Future recoverable costs (net of accumulated amortization of \$164,225 in 2015 and \$148,719 in 2014) - Note 1	69,775	85,281
Deferred outflow of resources related to pensions - Note 10	141,945	-
	<u>211,720</u>	<u>85,281</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 53,634,486</u>	<u>\$ 49,585,336</u>

Utah Municipal Power Agency  
 Statements of Net Position  
 June 30, 2015 and 2014

	2015	2014
Current Liabilities		
Accounts payable	\$ 4,954,431	\$ 6,491,332
Accrued bond interest payable	377,375	460,625
Current portion of revenue bonds payable - Note 6	6,376,000	3,330,000
Total Current Liabilities	11,707,806	10,281,957
Long-Term Liabilities		
Net pension liability - Note 10	685,690	-
Revenue bonds payable - Note 6	15,360,320	21,757,752
Total Long-Term Liabilities	16,046,010	21,757,752
Total Liabilities	27,753,816	32,039,709
Deferred Inflows of Resources		
Deferred inflow of resources related to pensions - Note 10	88,086	-
Deferred inflow of resources related to future billings to members - Note 5	25,789,234	17,542,277
Total Deferred Inflows of Resources	25,877,320	17,542,277
Total Liabilities and Deferred Inflows of Resources	53,631,136	49,581,986
Net Position		
Net investment in capital assets	(4,711,634)	(7,274,035)
Restricted for debt service	11,023,741	8,060,950
Unrestricted	(6,308,757)	(783,565)
Total Net Position	3,350	3,350
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 53,634,486	\$ 49,585,336

Utah Municipal Power Agency  
Statements of Revenues, Expenses & Changes in Net Position  
For the Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Power sales:		
Members	\$ 67,292,158	\$ 70,229,935
Non-members	6,825,991	7,811,737
Other operating revenue	4,238	2,327
Total Operating Revenues	74,122,387	78,043,999
Operating Expenses		
Dedicated resource costs	9,552,965	14,647,730
Western Area Power Administration	8,534,346	8,533,998
Generation costs	10,103,638	11,912,898
Other power costs	33,965,487	38,142,622
Depreciation	1,307,999	1,184,990
General and administrative	1,009,645	940,954
Total Operating Expenses	64,474,080	75,363,192
Income from Operations	9,648,307	2,680,807
Non-Operating Revenues (Expenses)		
Interest income	200,560	172,500
Interest expense	(868,900)	(1,033,513)
Net Non-Operating Expenses	(668,340)	(861,013)
Change in net position before adjustment	8,979,967	1,819,794
Deferred inflow of resources adjustment - Note 1 & 5	(8,979,967)	(1,819,794)
Change in Net Position	-	-
Net Position, Beginning of Year	3,350	3,350
Net Position, End of Year	\$ 3,350	\$ 3,350

Utah Municipal Power Agency  
Statements of Cash Flows  
June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Receipts from members	\$ 68,574,810	\$ 68,272,512
Other operating receipts	6,875,305	7,820,610
Payments for dedicated resources	(11,741,659)	(12,834,115)
Payments for UMPA resources	(10,812,208)	(11,214,583)
Payments for purchased power	(41,973,084)	(46,744,123)
Payments for other operating expenses	(1,030,193)	(940,954)
	9,892,971	4,359,347
Net Cash from Operating Activities		
Cash Flows from Capital Financing Activities		
Bond and member payable payments	(3,330,000)	(3,175,000)
Interest paid on bonds	(973,582)	(1,135,452)
Acquisition of utility and equipment	(518,968)	(3,703,782)
	(4,822,550)	(8,014,234)
Net Cash used in Capital Financing Activities		
Cash Flows from Investing Activities		
Interest received on cash and investments	200,560	172,500
	200,560	172,500
Net Cash from Investing Activities		
Net Change in Cash, Cash Equivalents, and Investments	5,270,981	(3,482,387)
Cash, Cash Equivalents, and Investments at Beginning of Year	19,468,641	22,951,028
Cash, Cash Equivalents, and Investments at End of Year	\$ 24,739,622	\$ 19,468,641
Reconciliation of Income from Operations to Net Cash		
Provided by Operating Activities		
Income from operations	\$ 9,648,307	\$ 2,680,807
Noncash operating activities adjustment:		
Depreciation	1,307,999	1,184,990
Amortization expense	15,506	15,506
Changes in assets and liabilities:		
Accounts receivable	1,327,728	(1,950,877)
Inventory	(767,877)	773,193
Accounts payable	(1,536,901)	1,655,728
Net pension liability	(101,791)	-
	\$ 9,892,971	\$ 4,359,347
Net Cash Flows from Operating Activities		

## Note 1 - Summary of Significant Accounting Policies

The accounting policies of Utah Municipal Power Agency (UMPA or Agency) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies.

**Organization and Purpose**—UMPA, a separate legal entity and political subdivision of the State of Utah, was formed by an agreement dated September 17, 1980, pursuant to the provisions of the Utah Interlocal Co-Operation Act. UMPA's membership consists of six municipalities (the Members). UMPA's purposes include planning, financing, development, acquisition, construction, improvement, betterment, operation, or maintenance of projects for the generation, transmission and distribution of electric energy for the benefit of its Members. UMPA purchased from Deseret Generation and Transmission Co-Operative (DG&T) an undivided interest in the Bonanza Station on December 19, 1985, and began selling power to the Members at that time. The following governmental entities are UMPA Members:

- Town of Levan
- Manti City Corporation
- Nephi City Corporation
- Provo City Corporation
- Salem City Corporation
- Spanish Fork City Corporation

**Basis of Accounting**—The Agency follows the Federal Energy Regulatory Commission's Uniform System of Accounts and maintains accounting records on an accrual basis, in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental entities, including the application of the Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as the guidance relates to regulated operations. The guidance allows for deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process.

**Recently Adopted Accounting Principles**—As of July 1, 2014 the Agency adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 2 and the additional disclosures required by these standards are included in Note 10.

**Reclassifications**—Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

**Cash Equivalents**—For purposes of the Statements of Cash Flows, the Agency considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents (Note 3).

**Investments**—Investments consist of certificates of deposit, United States Government and government agency securities, and securities allowed according to the State of Utah Money Management Act which are stated at fair value. All investments other than unrestricted funds are restricted as to their use by the General Indenture of Trust, dated as of April 1, 2003, (the Bond Indenture) to Zions First National Bank.

**Utility Plant and Equipment**—The interest in generating plants consists of (1) a 3.75% undivided ownership interest (representing approximately 17 MW of capacity) in a 458 MW coal-fired generating unit (Bonanza Unit 1) located at the Bonanza Station in northeastern Utah, (2) a 1.875% undivided ownership interest in certain common facilities constructed to serve both Bonanza Unit 1 and a similar sized unit which may be constructed adjacent thereto (Bonanza Unit 2), (3) a 6.25% undivided ownership interest in certain related transmission facilities and miscellaneous related rights and interests, and (4) inclusion of study costs for potential future resources.

The plant is stated at original cost, which represents the actual cost to DG&T of labor, materials, and indirect costs, such as engineering, supervision, transportation, and allowance for borrowed funds used during construction, plus capitalized interest on bonds until the Bonanza Unit 1 was placed in commercial operation.

Furniture and equipment purchased by UMPA are stated at cost.

UMPA uses the following useful lives in depreciating fixed assets under the straight-line method:

Office Building	30 Years
Furniture and Equipment	3 – 7 Years
Interest in Utility Plant	20 – 40 Years

**Subsequent Events**— Management of the Agency has evaluated subsequent events through October 28, 2015, the date which the financial statements were available to be issued.

**Future Recoverable Costs**—Costs incurred in conducting project feasibility studies.

**Taxes**—UMPA is not subject to federal or state taxes but has agreed to make payments in lieu of ad valorem taxes to Uintah County in respect of its interest in Bonanza Unit 1. UMPA paid \$27,979 to Uintah County during the 2015 fiscal year and \$32,633 in fiscal year 2014.

**Inventory**—Inventory consists of the following items:

1. Coal stockpiled at the Bonanza Station. The inventory is valued at lower of cost or market on the moving average basis, valued at \$2,486,531 and \$1,718,654 at June 30, 2015 and 2014, respectively.
2. Working capital inventory warehoused at Hunter #1 Plant. The inventory is valued at lower of cost or market on the moving average basis, valued at \$273,000 and \$273,000 at June 30, 2015 and 2014, respectively.

**Rates**—Utah State law provides that UMPA’s Board of Directors (Board) has sole authority to establish power supply rates to its Members. In accordance with its Bond Indenture, the Agency shall establish rates which, together with other revenues, are reasonably expected to pay its operating costs (not including depreciation and amortization) and at least 1.00 times its aggregate debt service. Power supply services provided by the Agency are not subject to state or federal rate regulation.

**Revenue**—The Bond Indenture requires UMPA to fix and collect fees and charges sufficient to meet operating expenses and debt service. UMPA accomplishes this by estimating the current year operating expenses and debt service and then billing the member cities monthly at a rate sufficient to match the estimates plus Board directed charges (Note 5). The estimates and billings are updated periodically to reflect the difference between the actual and the estimates.

***Deferred Outflow of Resources Related to Future Billings to Members***—Costs in excess of the amounts currently billable to the Members are to be recovered from future revenues by setting rates sufficient to provide funds for the related debt service requirements. As allowed through the applications of the provisions of GASB 62, current costs in excess of funding are deferred and shown as deferred costs to be recovered in future periods on the accompanying statement of net position and as expenses to be recovered in future periods on the statements of revenues, expenses, and changes in net position. These costs represent depreciation of utility and equipment, amortization of long-term debt premium/discount, gain/loss on disposed assets, amortization of cost of reacquired debt in excess of amounts currently billed to Members, and change in net pension liability.

***Deferred Inflow of Resources Related to Future Billings to Members***—The Agency designs its electric service rates to recover costs, as defined above, of providing power supply services including costs of establishing allowances for working capital, liquidity and rate stabilization reserves, and other reasonable reserves for contingencies deemed necessary by the Agency in order to carry out its obligations.

***Pensions***—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement System Pension Plan (URS) and additions to/deductions from URS’s fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 2 - Adoption of New Standard**

As of July 1, 2014, the Agency adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning deferred inflow of resources was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Deferred inflow of resources at June 30, 2014, as previously reported	\$ 17,542,277
Net pension liability at June 30, 2014	(852,294)
Deferred outflow of resources relating to contributions made during the year ended June 30, 2014	<u>119,284</u>
Deferred inflow of resources at July 1, 2014, as restated	<u><u>\$ 16,809,267</u></u>

**Note 3 - Cash, Cash Equivalents, and Investments**

Cash, cash equivalents and investments as of June 30, 2015 and 2014 are detailed as follows:

	2015	2014
Cash, cash equivalents, and investments:		
Deposits	\$ 1,931,496	\$ 2,091,332
Investment in the Utah State PTIF	22,808,126	17,377,309
 Total cash, cash equivalents, and investments	 \$ 24,739,622	 \$ 19,468,641

**Deposits**—It is the policy of UMPA to invest funds in compliance with state and local laws, regulations, and other policies governing the investment of public funds, specifically according to the terms and conditions of the State Money Management Act of 1974 and Rules of the State Money Management Council as currently amended (the “Act”), and the Agency’s own written investment policy. UMPA’s bank deposits are covered by federal depository insurance up to \$250,000.

The Act requires the depositing of UMPA funds in a “qualified depository.” The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. All of the Agency’s deposits during the years ended June 30, 2015 and 2014 were made with qualified depositories.

**Deposit Custodial Credit Risk**—Custodial credit risk is the risk that in the event of a bank failure, the Agency’s deposits may not be returned to it. Investments in the Utah State PTIF are not insured or otherwise guaranteed by the State of Utah. The State of Utah does not require collateral on deposits. As of June 30, 2015, \$24,489,622 of the Agency’s bank balance was uninsured and uncollateralized and therefore was exposed to some degree of custodial credit risk.

**Investments**—The Agency may place public money in investments authorized by the Money Management Act (U.C.A. 51-7-11). The Chief Financial Manager shall ensure that all purchases and sales of securities are settled within 15 days of the trade date. In general, these investments can be any of the following subject to restrictions specified in the Act: (1) Obligations of the U.S. Treasury and most Government-Sponsored Enterprises; (2) Commercial paper; (3) Bankers Acceptances; (4) Publicly traded, fixed rate corporate obligations; (5) Certain variable rate securities and deposits; (6) Deposits with the State Public Treasurer’s Investment Pool; and (7) Certain fixed rate negotiable deposits with a certified depository. The Agency’s investment policy does not allow an investment in a master repurchase agreement, a repurchase agreement, or a reverse-repurchase agreement. Further by policy, as measured by cost, no more than 50% of the Agency’s portfolio may be invested in any one class of investment. This restriction does not apply to obligations of the U.S. Government and the Utah State Public Treasurer’s Investment Fund.

**Investment Interest Rate Risk**—The Agency’s formal investment policy limits investment maturities to a maximum of three years as a means of managing its exposure to fair value losses arising from increasing interest rates.



**Forward Delivery Agreements**—On November 18, 2003, UMPA entered into a forward delivery agreement for the purchase of Qualified Investments, as defined by the 2003 Series Bond Indenture, for the Series 2003 bond service funds. The Qualified Investments delivered under this agreement provide an investment rate of return of 4.50% through June 29, 2018, the term of the agreement.

**Arbitrage Rebate**—Under U. S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. Interest income on bond proceeds which exceeds the cost of borrowing is payable to the federal government on every fifth anniversary of each bond issue. The estimated arbitrage liability is included in accrued liabilities on the balance sheet and the estimated arbitrage expense is recorded as a reduction of interest income. At June 30, 2015 and 2014, the estimated liability is \$0 and \$0, respectively.

#### Note 4 - Utility Plant and Equipment

Capital asset activity for the years ended June 30, 2015 and 2014 was as follows:

Utility Plant and Equipment as of June 30, 2015	Beginning Balance	Additions	Retirements & Transfers	Ending Balance
Generation plant	\$ 35,244,788	\$ 484,482	\$ (770,648)	\$ 34,958,622
Work in process	292,316	-	-	292,316
Transmission plant	8,696,748	5,967	-	8,702,715
Other utility assets	1,724,869	28,519	(55,913)	1,697,475
Total Utility Plant and Equipment	<u>45,958,721</u>	<u>518,968</u>	<u>(826,561)</u>	<u>45,651,128</u>
Less accumulated depreciation:				
Generation plant	(20,705,073)	(1,020,294)	770,648	(20,954,719)
Transmission plant	(6,061,457)	(231,170)	-	(6,292,627)
Other utility assets	(1,378,474)	(56,535)	55,913	(1,379,096)
Total Depreciation	<u>(28,145,004)</u>	<u>(1,307,999)</u>	<u>826,561</u>	<u>(28,626,442)</u>
Utility Plant and Equipment, net	<u>\$ 17,813,717</u>	<u>\$ (789,031)</u>	<u>\$ -</u>	<u>\$ 17,024,686</u>
Utility Plant and Equipment as of June 30, 2014	Beginning Balance	Additions	Retirements & Transfers	Ending Balance
Generation plant	\$ 29,284,159	\$ 5,981,310	\$ (20,681)	\$ 35,244,788
Work in process	2,642,181	3,595,105	(5,944,970)	292,316
Transmission plant	8,676,126	20,622	-	8,696,748
Other utility assets	1,681,754	51,715	(8,600)	1,724,869
Total utility plant and equipment	<u>42,284,220</u>	<u>9,648,752</u>	<u>(5,974,251)</u>	<u>45,958,721</u>
Less accumulated depreciation:				
Generation plant	(19,827,264)	(898,490)	20,681	(20,705,073)
Transmission plant	(5,829,279)	(232,178)	-	(6,061,457)
Other utility assets	(1,332,752)	(54,322)	8,600	(1,378,474)
Total accumulated depreciation	<u>(26,989,295)</u>	<u>(1,184,990)</u>	<u>29,281</u>	<u>(28,145,004)</u>
Utility Plant and Equipment, net	<u>\$ 15,294,925</u>	<u>\$ 8,463,762</u>	<u>\$ (5,944,970)</u>	<u>\$ 17,813,717</u>

**Note 5 - Deferred Inflow/Outflow of Resources Related to Future Billings to Members**

UMPA bills its Members at rates which will provide revenues sufficient to cover the costs of operating and maintaining UMPA and the costs of debt service plus any Board directed charges, but not items such as depreciation, amortization, gains/losses on sale and disposal of capital assets, and deferred inflow of resources. This amount represents the unbilled amount of such costs, other charges to Members, and unanticipated revenues which are to be recovered or returned in future billings and are classified as deferred outflow or deferred inflow of resources in the accompanying financial statements.

UMPA's Board of Directors established a Rate Stabilization Fund (RSF) on September 22, 1999. The purpose of the fund is to set aside funds to assist in maintaining stable rates to Members in the event of unplanned or extraordinary operation, maintenance, or capital replacement costs. The fund can also be used for early retirement of debt. For fiscal year 2014 and those years prior, the monthly fund contribution, if any, was the difference between the budgeted results of operations and actual results of operations. Beginning in fiscal year 2015, the RSF funding methodology was modified to a defined rate per kWh included in the base power rate to Members. For the year ended June 30, 2015 the Agency made net contributions of \$1,722,401, including interest, and for the year ended June 30, 2014 net contributions of \$333,448, net of interest earned in the fund, reflected in the Rate Stabilization Fund and reported in deferred inflow of resources on the statements of net position.

Differences exist between the costs used in the determination of power rates and the revenues and expenses reportable under generally accepted accounting principles (GAAP). Change in net position is not reported in the accompanying financial statements because differences described above have been deferred and will reverse when costs included in power rates exceed revenues and expenses reportable under GAAP. These timing differences consist mainly of debt service payments, depreciation, amortization, gains and losses for the sale of assets, unanticipated revenues, and RSF additions and uses. The following is a summary of those differences.

The statements of net position amounts at end of year June 30, 2015 and 2014 include the following classifications:

	2015	2014
Deferred inflow of resources related to future billings		
Designated for rate stabilization	\$ (4,647,533)	\$ (2,925,132)
Net revenues to be returned in future billings to members	(21,141,701)	(14,617,145)
Total deferred inflow of resources related to future billings	\$ (25,789,234)	\$ (17,542,277)

**Note 6 - Revenue Bonds Payable**

Revenue bonds payable activity for the years ended June 30, 2015 and 2014 were as follows:

June 30, 2015	Beginning Balance	Additions	Reductions	Ending Balance
Long-term revenue bonds	\$ 25,025,000	\$ -	\$ (3,330,000)	\$ 21,695,000
Adjusted for:				
Current maturities	(3,330,000)	(6,376,000)	3,330,000	(6,376,000)
Unamortized premium, net	316,489	-	(120,922)	195,567
Unamortized reacquisition cost	(253,737)	-	99,490	(154,247)
<b>Total Long-Term Revenue Bonds, net</b>	<b><u>\$ 21,757,752</u></b>	<b><u>\$ (6,376,000)</u></b>	<b><u>\$ (21,432)</u></b>	<b><u>\$ 15,360,320</u></b>
June 30, 2014	Beginning Balance	Additions	Reductions	Ending Balance
Long-term revenue bonds	\$ 28,200,000	\$ -	\$ (3,175,000)	\$ 25,025,000
Adjusted for:				
Current maturities	(3,175,000)	(3,330,000)	3,175,000	(3,330,000)
Unamortized premium, net	460,978	-	(144,489)	316,489
Unamortized reacquisition cost	(375,662)	-	121,925	(253,737)
<b>Total Long-Term Revenue Bonds, net</b>	<b><u>\$ 25,110,316</u></b>	<b><u>\$ (3,330,000)</u></b>	<b><u>\$ (22,564)</u></b>	<b><u>\$ 21,757,752</u></b>

**Revenue Bonds Payable**—On April 3, 2003 the Agency issued \$43,780,000 of 2003 Series Electric System Revenue Refunding Bonds (referred to as 2003 Bonds), with an average coupon rate of 4.96% to advance refund \$45,560,000 of outstanding 1993 Series A Electric Revenue Bonds (referred to as 1993 Bonds). The 2003 Bonds, combined with the fiscal year 2003 annual debt service payments, retires 100 percent of the outstanding 1993 Bonds. The net proceeds of \$45,810,894 (including premium of \$2,703,218 and reduction for \$658,857 cost of issuance) and additional UMPA funds of \$547,839 were deposited in an irrevocable trust with an escrow agent to provide for the July 1, 2003 call of the 1993 Bonds.

The current refunding resulted in a difference between the reacquisition price and the net carry amount of the old debt of \$2,720,490. This cost of reacquired debt, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2018 using the effective interest method.

The cash outflows without this refund were to be \$67,360,038 and the cash outflows as a result of this refund are to be \$63,823,939 for a reduction in total debt service payments over the life of the bonds of \$3,536,099. The economic gain is \$1,987,454 as a result of this refunding.

On July 16, 2012 UMPA issued \$6,600,000 of 2012 Series Electric System Revenue Bonds, with a fixed interest rate of 2.06%. The net proceeds of \$6,500,000 (including a reduction of \$100,000 for cost of issuance) were used to finance clean air projects at two dedicated power resource facilities.

Maturities and coupon interest rates associated with the bonds as of June 30, 2015 are as follows:

	<b>Amount</b>	<b>Rate</b>
Remaining Revenue Bonds Payable		
Series 2003A Bonds, due April 3, 2003 - July 1, 2018	\$ 15,095,000	5.00%
Series 2012 Bonds, due July 16, 2012 - July 1, 2017	6,600,000	2.06%
Principal Amount	21,695,000	
Series 2003A Unamortized premium	195,567	
Series 2003A Unamortized cost of reacquired debt	(154,247)	
Total Bonds Payable, Net	21,736,320	
Less current portion	(6,376,000)	
Total Long-Term Revenue Bonds Payable	<u>\$ 15,360,320</u>	

The Bond Indenture provides that UMPA is not obligated to make payment of the Revenue Bonds from funds other than Pledged Funds, generally defined as: (1) the proceeds from the sale of the Revenue Bonds; (2) revenues from UMPA's electric system and certain investment income; and (3) all funds established by the Indenture.

The following table shows Series 2003A revenue bond debt service requirements:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 3,500,000	\$ 667,250	\$ 4,167,250
2017	3,680,000	487,750	4,167,750
2018	3,860,000	299,250	4,159,250
2019	4,055,000	101,375	4,156,375
	<u>\$ 15,095,000</u>	<u>\$ 1,555,625</u>	<u>\$ 16,650,625</u>

The following table shows Series 2012 revenue bond debt service requirements:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 2,876,000	\$ 81,652	\$ 2,957,652
2017	3,134,000	17,534	3,151,534
2018	590,000	1,013	591,013
	<u>\$ 6,600,000</u>	<u>\$ 100,199</u>	<u>\$ 6,700,199</u>

The Bond Indenture requires that certain funds be established to account for UMPA's receipts and disbursements. The cash and investments held in these funds are restricted for the purposes as stipulated in the Indenture.

**Revenue Fund Held by UMPA**—This fund receives revenue and pays all costs of operation and maintenance. Funds are transferred to other funds in the following order: Bond Fund, Repair and Replacement Fund, and Rate Stabilization Fund.

**Bond Fund Held by Trustee**—This fund pays all interest and principal related to the Revenue Bonds. At the end of each month, amounts required to be on deposit are the accrued interest payable, the accrued portion of the next principal installment due, and an amount equal to the largest future annual debt service requirement.

**Repair and Replacement Fund Held by UMPA**—This fund may be drawn on and used by the Agency for the purpose of (1) paying the cost of unusual or extraordinary maintenance or repairs of the system; (2) paying the costs of any renewals, renovation, improvements, expansion or replacements to the system; and (3) paying the cost of any replacement of buildings, lines, equipment and other related facilities, to the extent the same are not paid as part of the ordinary and normal expense of the operation of the system. The Bond Indenture, and First Supplemental Indenture dated April 1, 2003, do not establish a minimum repair and replacement fund requirement with respect to the 2003 Bonds. The amount in the Repair and Replacement Fund is determined annually by the Board.

**Rate Stabilization Fund Held by UMPA**—This fund may receive transfers from the net revenues of the Revenue Fund and may transfer amounts to the Revenue Fund to cover any insufficiency. The Board periodically reviews the amounts collected and may adjust the contribution as they deem prudent. Amounts on deposit in the fund may be used for any lawful purpose.

#### Note 7 - Deseret Expenses

**Related Party Transaction**—DG&T, which is a joint owner with UMPA and operator of the Bonanza Plant, bills UMPA in advance under DG&T's operating budget for costs expected to be incurred for each month's power usage. The actual costs are finalized two months after the initial billing. At June 30, 2015 and 2014 UMPA had prepaid DG&T for May and June's power usage. Prepayment and actual expenses as of June 30, 2015 and 2014 were as follows:

	2015	2014
Prepayment	\$ 1,533,742	\$ 1,562,371
Actual expenses	(1,749,892)	(1,719,214)
Payable to DG&T	\$ (216,150)	\$ (156,843)

#### Note 8 - Capacity Purchase Agreement

**Related Party Transaction**—Provo City, a member of UMPA, bills UMPA in advance each month in accordance with the Capacity Purchase Agreement. The actual costs are determined two months after the initial billing. Prepayment and actual expenses as of June 30, 2015 and 2014 were as follows:

	2015	2014
Prepayment	\$ 55,798	\$ 831,400
Actual expenses	(79,855)	(1,661,721)
Payable under Capacity Purchase Agreement	\$ (24,057)	\$ (830,321)

**Note 9 - Commitments and Contingencies**

**Power Sales Contracts**—Power Sales Agreements between UMPA and each of the Members provide that UMPA shall sell and deliver and the Member shall purchase and receive all electric power and energy required by the Member to meet the loads on its electric system. The Power Sales Agreements shall remain in effect through December 21, 2025. The agreements do not specify any particular power supply resource as the source of UMPA’s power.

**Power Purchase Contracts**—UMPA has entered into several power purchase contracts with various terms and conditions. The estimated minimum payments required are summarized below. The Western Area Power Administration (WAPA) contracts provide power and energy through September 30, 2024. UMPA has two contracts with DG&T. One contract is based on a fixed percentage share of the fixed costs of the Bonanza plant over the expected plant life and is estimated to end June 30, 2025. The other contract provides for a predetermined power amount and no associated minimum energy amount from various DG&T resources through December 31, 2019. UMPA has a firm contract with PacifiCorp that expires June 30, 2017, and provides for different minimum power and energy requirements. Contract pricing is fixed for each five-year period with a provision for UMPA to cancel at the end of such period if better pricing terms are found elsewhere and PacifiCorp elects not to offer a matching price.

<u>Year Ending June 30,</u>	<u>WAPA</u>	<u>DG&amp;T</u>	<u>PacifiCorp</u>
Actual expenses:			
2015	\$ 8,765,961	\$ 25,941,121	\$ 9,595,639
2014	8,805,216	24,079,707	9,586,784
Estimated minimum payments:			
2016	8,983,139	16,809,194	7,521,000
2017	8,988,676	17,433,570	7,521,000
2018	8,994,325	17,578,913	-
2019	9,000,086	17,821,244	-
2020	9,005,962	10,293,380	-
2021-2025	36,084,998	13,897,618	-

**Dedicated Resource Costs**—UMPA has entered into Capacity Purchase Agreements with Levan, Manti, Nephi and Provo as to their existing electric generating capacity. These agreements have estimated remaining facility lives of 10-25 years. Under the Capacity Purchase Agreements, generation capacity and energy from the Members’ resources are dedicated to UMPA to meet the load requirements of its Members. The agreements provide that UMPA pays to the Members actual fixed and variable costs associated with the resources. The contracts terms coincide with the Members Power Sale Contracts.

Minimum payments are estimated to be:

Year Ending June 30,	Dedicated Resource Costs
Actual expenses:	
2015	\$ 7,248,840
2014	12,698,517
Estimated minimum payments:	
2016	3,150,015
2017	2,201,173
2018	2,756,090
2019	2,224,881
2020	2,267,699
2021-2025	12,713,087

#### **Note 10 - Employee Pensions**

**Plan Description**—Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- Tier 1 Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Contributory System); is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issued a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

**Benefits Provided**—URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

**Summary of Benefits by System**

<u>System</u>	<u>Final Average Salary</u>	<u>Years of service required and/or age eligible for benefit</u>	<u>Benefit percent per year of service</u>	<u>COLA**</u>
Tier 1 Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Contributory System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65.	1.5% per year all years	Up to 2.5%

\* with actuarial reductions

\*\*All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**Contributions**—As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

	<u>Employee Paid</u>	<u>Paid by Employer For Employee</u>	<u>Employer Contribution Rates</u>
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%
Contributory System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.830%

**Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2014, UMPA reported a net pension asset of \$612 and a net pension liability of \$685,690.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Tier 1 Noncontributory System	0.1579117%	\$ -	\$ 685,690
Tier 2 Contributory System	0.0202041%	612	-
Total Net Pension Asset / Liability		<u>\$ 612</u>	<u>\$ 685,690</u>



The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, the Agency recognized pension expense for \$162,317. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 21,151
Changes in assumptions	-	66,935
Net difference between projected and actual earnings on pension plan investments	15,479	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	126,466	-
<b>Total</b>	<b>\$ 141,945</b>	<b>\$ 88,086</b>

Deferred outflows of resources related to pensions in the amount of \$126,466 was reported as a result of contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows (inflows) of Resources
2016	\$ (18,204)
2017	(18,204)
2018	(18,204)
2019	(17,326)
2020	(107)
Thereafter	(562)

**Actuarial Assumptions**—The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50 – 10.50%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below:

**Retired Member Mortality**

Class of Member

**Educators**

Mem EDUM (90%)

Women EDUF (100%)

**Public Safety and Firefighters**

Men RP 2000mWC (100%)

Women EDUF (120%)

**Local Government, Public Employees**

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
Inflation			2.75%
Expected arithmetic nominal return			7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

**Discount Rate**—The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

**Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate**—The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) of 1-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of Net pension (asset) / liability	\$ 1,649,741	\$ 685,078	\$ (118,282)

**Pension Plan Fiduciary Net Position**— Detailed information about the pension plan’s fiduciary net position is available in the separately issued URS financial report.

### **Note 11 - Risk Management**

The Agency is subject to various risks of loss related to general liability and property insurance. The Agency has purchased commercially available indemnity insurance to cover these risks. The deductible amounts for this insurance would be immaterial to the Agency. The amount of insurance settlements has not exceeded insurance coverage in the past three years.

Schedule of the Proportionate Share of the Net Pension Liability

	Tier 1 Noncontributory System	Tier 2 Contributory System
Proportion of the net pension liability (asset)	0.1579117%	0.0202041%
Proportionate share of the net pension liability (asset)	\$ 685,690	\$ (612)
Covered employee payroll	\$ 1,352,785	\$ 99,116
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	50.7%	(0.6)%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	103.5%

Schedule of Contributions

	Tier 1 Noncontributory System	Tier 2 Contributory System
Contractually required contribution	\$ 248,193	\$ 8,336
Contribution in relation to the contractually required contribution	(248,193)	(8,336)
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 1,352,785	\$ 99,116
Contributions as a percentage of covered-employee payroll	18.35%	8.41%

Utah Municipal Power Agency  
Schedule of Changes in Funds Established by the Bond Indenture  
June 30, 2015

	Revenue Fund	Bond Fund	Repair & Replacement Fund	Rate Stabilization Fund	Total
Balance July 1, 2014	\$ 5,860,057	\$ 9,483,452	\$ 1,200,000	\$ 2,925,132	\$ 19,468,641
Additions and Transfers					
Investment earnings	199,241	1,319	-	-	200,560
Power sales and other receipts	75,450,115	-	-	-	75,450,115
Transfers from (to) other funds	(7,967,225)	6,244,824	-	1,722,401	-
Total Additions and Transfers	67,682,131	6,246,143	-	1,722,401	75,650,675
Deductions					
Operation and maintenance expenses	65,557,144	-	-	-	65,557,144
Purchase of capital additions	116,696	402,272	-	-	518,968
Interest expense	-	973,582	-	-	973,582
Bond principal payments	-	3,330,000	-	-	3,330,000
Total Deductions	65,673,840	4,705,854	-	-	70,379,694
Balance June 30, 2015	\$ 7,868,348	\$ 11,023,741	\$ 1,200,000	\$ 4,647,533	\$ 24,739,622

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## **APPENDIX B**

### **CERTAIN FINANCIAL INFORMATION REGARDING THE MEMBERS**

#### **GENERAL**

The Members of the Agency are located in central Utah in Utah, Juab and Sanpete Counties. The primary industrial and commercial activities in the area include light manufacturing, retail trade, agriculture and related services. The Members have a combined population of approximately 170,000.

The Members independently own and operate their respective electric systems and distribute electric power and energy at retail to residential, commercial and industrial customers and for municipal and public use within their respective service areas. During the fiscal year ended June 30, 2015, the Members provided electric service to a total of 53,731 customers and had a peak demand of 280 MW and an aggregate electric energy requirement of 1217 MWh. During the fiscal year ended June 30, 2016, sales to Provo and Spanish Fork accounted for 65.3% and 21.4%, respectively, of the Agency's total sales to its Members, and accounted for 58.7% and 19.2%, respectively, of the Agency's total sales, including off-systems sales.

#### **COMPARATIVE RETAIL SALES**

The following table shows the typical monthly electric service bills for the Agency's members, several Utah municipalities and Rocky Mountain Power (a Utah investor-owned utility and a division of PacifiCorp), based on August 1, 2016 rates for a typical residential service customer, a small commercial service customer, a large commercial service customer and an industrial service customer. These monthly bills were computed using the published tariffs from the respective Members, Bountiful City, Logan City and Rocky Mountain Power.

## COMPARISON OF MONTHLY ELECTRIC COSTS

MEMBERS	RESIDENTIAL SERVICE (800 KWH)	COMMERCIAL SERVICE (SMALL) (5,600 KWH) <sup>1</sup>	COMMERCIAL SERVICE (LARGE) (29,000 KWH) <sup>2</sup>	INDUSTRIAL SERVICE (4,500,000 KWH) <sup>3</sup>
Provo City	\$79.41	\$454.49	\$2,392.27	\$295,864.92
Spanish Fork City	77.74	582.60	2,419.41	N/A
City of Nephi	72.94	481.61	2,271.10	293,550.00
Salem City	82.48	441.54	2,267.39	N/A
Manti City	80.60	534.20	2,745.50	N/A
Town of Levan	73.44	478.08	2,450.70	N/A
<b>OTHER ELECTRIC UTILITIES</b>				
Bountiful City	80.00	432.64	2,476.10	282,270.31 <sup>4</sup>
Logan City	88.24	475.30	2,402.27	262,526.00 <sup>5</sup>
Rocky Mountain Power (investor owned)	91.15	463.86	2,588.11	302,428.24 <sup>6</sup>

<sup>1</sup> Monthly calculation assumes a 15 kW demand.

<sup>2</sup> Monthly calculation assumes a 80 kW demand.

<sup>3</sup> Monthly calculation assumes a 10 MW demand. This rate is for high-voltage service delivered at 46 kV and above.

<sup>4</sup> This rate is for interruptible high-voltage service.

<sup>5</sup> This rate is for supplemental electricity for CRSP customer with high-voltage service.

<sup>6</sup> This rate is calculated using a weighted average of both summer and winter seasonal rates.

## FINANCIAL INFORMATION

The following descriptions of the Members and certain data concerning their electric systems were provided to the Agency by the Members. The following tables set forth financial information regarding the Members' electric systems for the fiscal years shown. Information in the five-year financial statement summaries below are taken from the Members' respective comprehensive annual financial reports for the years shown. The summaries themselves have not been audited.

### PROVO

*Location and Population.* Provo lies at the base of the Wasatch Mountains approximately 45 miles south of Salt Lake City. Provo encompasses approximately 43 square miles and is the county seat of Utah County.



The following table presents historical population statistics for Provo since 1980:

YEAR	POPULATION
2015	114,801
2010	112,488
2000	105,166
1990	86,835
1980	74,108

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Source: U.S. Census Bureau.

*Electric System.* Provo’s Department of Energy (the “*Department*”) has been in existence since 1940. The Department provides comprehensive electric utility services to all customers located within the boundaries of Provo City, with the exception of a large State mental health facility and several retail customers, which are served by Rocky Mountain Power pursuant to arrangements that predated the establishment of the Department. The Department provides electric utility service to 14 customers outside of the boundaries of Provo City. The Department is the largest municipal electric utility in the State of Utah. Pursuant to its Capacity Purchase Agreement and Power Sale Agreement with the Agency, Provo sells the output of its Hunter 1 electricity generating facility to, and purchases all of its electric power and energy requirements from, the Agency. During the fiscal year ended June 30, 2016, Provo accounted for 65.3% of the Agency’s total energy deliveries to its Members.

As of June 30, 2015, the Department provided electricity to approximately 36,000 residential, commercial and institutional customers located within the boundaries of Provo. The electric system is operated by 63 employees, consisting of line workers, engineers, technicians and administrative personnel under the management of the Energy Director. The Energy Director manages the day-to-day operations and reports to the Mayor. The Energy Director is an appointed position approved by Provo City’s Municipal Council. The policies, budgets, codes and rates are set by the Municipal Council and administered by the Mayor and the Energy Director. Provo has a seven-member Energy Board that advises the Mayor and the Municipal Council on energy and rate making matters. The Provo electric system also includes electrical 138 kV and 46 kV transmission and 12.5 kV distribution lines aggregating 403 circuit miles together with 22 transmission and distribution substations.

*Generation Facilities.* Provo also owns a 6.25% interest in PacifiCorp’s Unit No. 1 of the Hunter coal fired, steam electric plant (“*Hunter Unit 1*”), which is dedicated back to the Agency under the Capacity Purchase Agreement, as described herein. Provo recently demolished its office building and power facility that was built in 1940 and, in replacement of certain of such facilities, will construct a new energy campus with offices, garages, warehouse facilities and storage space. The Agency’s Provo Plant is to be constructed on property leased from Provo at this site.

*Electric Customers.* The Department’s largest customer is Brigham Young University (the “*University*”), which, for the fiscal year ended June 30, 2015, purchased 138,874 MWh of energy and accounted for approximately 17.8% of Provo’s total energy sales. This represents 11.5% of the Agency’s energy sales to its Members.

Other principal customers of the Department include the other departments and buildings under the Provo City Corporation, Utah Valley Regional Medical Center, and Ace Holdings (data center), which accounted for 3.6%, 2.7%, and 1.9%, respectively, of the system's revenues during fiscal year 2015.

*BYU Cogeneration Plant.* Recently, the University gave notice to Provo and the Agency that it plans to replace its central heating and cooling plant, which is near the end of its useful life, with a new cogeneration facility or combined heat and power facility (the "CHP"). The University is undertaking the cogeneration facility for the principal purpose of meeting certain environmental regulations and objectives through the replacement of its existing facilities, which are partially fueled by coal. To comply with federal environmental regulations, the University will be replacing its dual fuel system of coal/natural gas-fired boilers with new equipment that uses only natural gas to fire a simple cycle combustion turbine and uses the waste heat for heating and cooling purposes on the campus. The Agency understands that the cogeneration facility will include a single combustion turbine rated at 16.2 MW that is expected to produce approximately 110,000 MWh per year, or about 80% of the electrical needs of the University. Construction of the CHP is expected to begin in early 2017 and to be completed by the spring of 2018.

The University and Agency expect to enter into a power purchase agreement for the electrical output of the CHP at the Agency's avoided costs. Provo expects to continue to provide all the energy and capacity needs to the University at its current retail rates, thereby avoiding any negative impact to its current revenues. Under such arrangements, no material impact to the rates the Agency charges its Members would result from the construction and operation of the CHP by the University, and the proposed CHP would, in effect, become a base load resource for the Agency. The addition of the CHP will assist the Agency in replacing a portion of the base load requirements currently supplied under the PacifiCorp and Deseret Contracts, which are scheduled to expire on June 30, 2017 and December 31, 2019, respectively. The University's acquisition and construction of the CHP will not adversely affect the Agency's need for the peaking capacity of the West Valley Plant. While the Agency expects to enter into such an arrangement with the University, in the absence of such an approach, the Agency estimates that the Members' cost of power would increase by up to 4% annually, for up to two years, due to the reduction in Member loads resulting from the CHP. After the expiration of the Deseret Contract, the Agency will be able to adjust its future electric resource mix to mitigate any potential rate impact of the Provo's lower Member load. Provo will, in any event, continue to provide peaking power to the University following the completion of the CHP.

*Electric System Operating Information.* The following table shows certain operating statistics provided by the Department for Provo's electric system for the fiscal years shown.

PROVO ELECTRIC SYSTEM OPERATING STATISTICS

	FISCAL YEAR ENDED JUNE 30				
	2015	2014	2013	2012	2011
<b>System Requirements</b>					
Peak Demand (MW)	183.0	180.9	175.9	172.3	169.2
Energy (MWh)	806,337	811,255	805,107	800,027	783,110
<b>Number of Customers</b>					
Residential	31,684	31,551	31,150	30,986	30,569
Commercial	4,277	4,595	4,585	4,261	4,278
Industrial	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Customers	<u>35,962</u>	<u>35,147</u>	<u>35,736</u>	<u>35,248</u>	<u>34,848</u>
<b>Energy Sales (MWh)</b>					
Residential	225,488	237,624	241,339	236,269	239,195
Commercial	407,501	413,988	403,667	391,601	387,147
Industrial	138,874	136,598	136,090	137,472	134,572
Other <sup>1</sup>	<u>5,305</u>	<u>5,406</u>	<u>5,671</u>	<u>4,752</u>	<u>4,905</u>
Total Energy Sales	<u>777,168</u>	<u>793,616</u>	<u>786,767</u>	<u>770,094</u>	<u>765,819</u>

Source: Provo's Department of Energy.

<sup>1</sup> Other: Street lights, agricultural/wells, and city exempt accounts.

*Electric System Debt.* Provo currently has outstanding \$18,675,000 of its Energy System Revenue Bonds, Series 2015A. The bond resolution relating to such bonds designates Provo's obligation to the Agency under the Power Sale Agreement as an operating expense which is to be paid before determining the net revenues available for payment of such bonds. Provo's Energy System Revenue Bonds, Series 2015A are the only outstanding bonds payable from revenues of Provo's electric system.

**PROVO CITY**  
**Statement of Net Position—Energy Enterprise Fund**  
**Fiscal Year Ended June 30**

<b>Assets</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>					
Cash	\$ 26,820,155	\$25,709,002	\$17,552,890	\$ 8,351,339	\$ 5,115,119
Restricted cash	20,051,875	665	758,990	5,245,553	5,563,526
Accounts receivable	8,644,954	9,620,520	9,736,343	10,296,612	7,761,871
Inventory	842,020	871,059	868,661	764,979	681,692
Notes receivable	-	-	-	805,000	743,000
Current due from other funds	-	-	-	-	-
<b>Total Current Assets</b>	<u>56,359,004</u>	<u>36,201,246</u>	<u>28,916,884</u>	<u>25,463,483</u>	<u>19,865,208</u>
<b>Noncurrent Assets</b>					
Capital Assets:					
Non Depreciable	4,243,611	4,243,611	3,784,345	4,529,263	5,096,950
Depreciable assets (net of depreciation)	<u>49,861,727</u>	<u>48,890,814</u>	<u>47,723,870</u>	<u>45,249,716</u>	<u>43,820,996</u>
<b>Net Capital Assets</b>	<u>54,105,338</u>	<u>53,134,425</u>	<u>51,508,215</u>	<u>49,778,979</u>	<u>48,917,946</u>
Other Assets:					
Notes receivable	-	-	-	-	805,000
Due from other funds	521,565	1,471,786	1,612,957	1,926,302	2,255,732
Net pension asset	<u>50,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Assets</b>	<u>572,499</u>	<u>1,471,786</u>	<u>1,612,957</u>	<u>1,926,302</u>	<u>3,060,732</u>
<b>Total Noncurrent Assets</b>	<u>54,677,787</u>	<u>54,606,211</u>	<u>53,121,172</u>	<u>51,705,281</u>	<u>51,978,678</u>
<b>Total Assets</b>	<u>111,036,791</u>	<u>90,807,457</u>	<u>82,038,056</u>	<u>77,168,764</u>	<u>71,843,886</u>
<b>Deferred Outflows of Resources</b>					
Deferred loss on refunding	<u>319,560</u>	<u>-</u>	<u>113,373</u>	<u>-</u>	<u>-</u>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	668,719	109,676	639,705	222,985	273,963
Accrued liabilities	5,949,333	6,936,078	5,282,911	5,294,021	4,536,489
Due to other funds	-	-	-	-	2,097
Accrued interest payable	97,339	1,195,353	-	54,219	81,759
Customer deposits	1,168,740	-	1,470,397	1,561,746	1,380,803
Accrued compensated absences	244,263	241,024	222,785	41,950	35,917
Bonds, leases and loans payable	<u>875,000</u>	<u>-</u>	<u>4,185,000</u>	<u>4,015,000</u>	<u>3,855,000</u>
<b>Total Current Liabilities</b>	<u>9,003,394</u>	<u>8,482,113</u>	<u>11,826,373</u>	<u>11,189,921</u>	<u>10,166,028</u>
<b>Long-term Liabilities</b>					
Due to other Funds	-	2,914,736	-	-	-
Accrued compensated absences	569,947	562,392	519,835	797,072	682,444
Net OPEB payable	2,344	59,890	59,598	154,600	207,084
Bonds payable	<u>19,553,101</u>	<u>-</u>	<u>101,519</u>	<u>4,015,269</u>	<u>7,945,404</u>
<b>Total Long-term Liabilities</b>	<u>21,901,501</u>	<u>3,537,018</u>	<u>680,952</u>	<u>4,966,941</u>	<u>8,834,932</u>
<b>Total Liabilities</b>	<u>30,904,895</u>	<u>12,019,131</u>	<u>12,507,325</u>	<u>16,156,862</u>	<u>19,000,960</u>
<b>Net Position</b>					
Net investment in capital assets	53,729,112	53,134,425	47,221,696	41,748,710	37,117,542
Restricted for:					
Debt service	-	665	748,140	5,245,553	4,814,758
Unrestricted	<u>26,392,863</u>	<u>25,653,236</u>	<u>21,672,268</u>	<u>14,017,640</u>	<u>10,910,629</u>
<b>Total Net Position</b>	<u>\$ 80,121,975</u>	<u>\$78,788,326</u>	<u>\$69,642,104</u>	<u>\$61,011,903</u>	<u>\$52,842,929</u>
<b>Total Liabilities &amp; Net Position</b>	<u>\$111,026,870</u>	<u>\$90,807,457</u>	<u>\$82,038,056</u>	<u>\$77,168,764</u>	<u>\$71,843,886</u>

Source: Information taken from Provo's comprehensive annual financial reports for the years shown. This summary has not been audited.)

**PROVO CITY**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**Energy Enterprise Fund**  
**Fiscal Year Ended June 30**

	2015	2014	2013	2012	2011
<b>Operating Revenues:</b>					
Charges for services	\$68,259,149	\$66,169,618	\$64,763,595	\$60,682,707	\$53,291,589
Fees & rentals	1,219,894	(2,156)	-	2	-
Lease income	45,888	64,376	93,514	93,431	100,035
Miscellaneous	<u>1,756,795</u>	<u>6,982,353</u>	<u>6,387,187</u>	<u>5,913,907</u>	<u>3,539,829</u>
Total operating revenues	<u>71,281,726</u>	<u>73,214,191</u>	<u>71,244,296</u>	<u>66,690,047</u>	<u>56,931,453</u>
<b>Operating Expenses:</b>					
Salaries and wages	3,491,527	3,230,007	2,855,275	3,868,164	3,580,607
Employee benefits	1,797,449	1,795,891	1,617,120	1,845,596	1,740,997
Operating expenses	50,014,855	46,647,955	45,517,079	42,357,007	39,563,281
Depreciation	<u>2,403,242</u>	<u>2,302,784</u>	<u>2,185,008</u>	<u>2,428,005</u>	<u>3,120,340</u>
Total operating expenses	<u>57,707,073</u>	<u>53,976,637</u>	<u>52,174,482</u>	<u>50,498,772</u>	<u>48,005,225</u>
Operating income (loss)	<u>13,574,653</u>	<u>19,237,554</u>	<u>19,069,814</u>	<u>16,191,275</u>	<u>8,926,228</u>
<b>Non-operating Revenues (expenses)</b>					
Impact fees	393,216	425,018	613,873	412,911	553,609
Federal grants	-	-	17,355	474,060	576,876
Interest income	223,868	201,441	157,641	186,466	303,328
Interest expense	(444,834)	(133,946)	(463,272)	(634,022)	(881,485)
Gain (loss) on disp. of assets	<u>-</u>	<u>-</u>	<u>(85,476)</u>	<u>(313,832)</u>	<u>(753)</u>
<b>Total non-operating revenues (expenses)</b>	<u>172,250</u>	<u>492,513</u>	<u>240,121</u>	<u>125,583</u>	<u>551,575</u>
<b>Income (loss) before contributions, and transfers</b>	<u>13,746,903</u>	<u>19,730,067</u>	<u>19,309,935</u>	<u>16,316,858</u>	<u>9,477,803</u>
Special item (interfund loan write-off)	-	-	-	-	(5,357,316)
Capital contributions	-	-	36,886	-	-
Transfers in	-	5,386,433	4,792,538	4,865,252	2,214,093
Transfers out	(10,465,813)	(15,970,276)	(15,509,156)	(13,013,137)	(7,644,042)
<b>Change in Net Position</b>	3,281,090	9,146,224	8,630,203	8,168,974	(1,309,462)
<b>Net Position-beginning</b>	<u>76,840,885</u>	<u>69,642,102</u>	<u>61,011,903</u>	<u>52,842,929</u>	<u>54,152,391</u>
<b>Net Position-ending</b>	<u>\$80,121,975</u>	<u>\$78,788,326</u>	<u>\$69,642,106</u>	<u>\$61,011,903</u>	<u>\$52,842,929</u>

## SPANISH FORK

*Location and Population.* Spanish Fork is located in the southern part of Utah County, approximately eight miles south of Provo, and approximately 53 miles south of Salt Lake City. Spanish Fork covers approximately 10.7 square miles. The following table presents historical population statistics for Spanish Fork since 1980.

YEAR	POPULATION
2015	38,030
2010	34,691
2000	20,246
1990	11,272
1980	9,825

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Source: U.S. Census Bureau.

*Electric System.* The Spanish Fork electric system has been in existence since 1909. The city's electric system provides comprehensive electric utility services to all customers located within the boundaries of Spanish Fork. The electric system also provides electric utility services to approximately 30 customers outside the boundaries of Spanish Fork, in Springville and in Rocky Mountain Power's service territory. During the fiscal year ended June 30, 2016, Spanish Fork accounted for 21.4% of the Agency's total energy deliveries to its Members.

As of June 30, 2015, the electric system provided electricity to approximately 11,881 residential, commercial and industrial customers located within the service territory of Spanish Fork. The electric system is operated by 17 employees, consisting of line workers, planning, technicians and administrative personnel under the management of the Electric Division Manager. The Electric Division Manager directs the day-to-day operations and reports to the Public Works Director and the City Manager. The policies, budgets, codes and rates are set by the Mayor and the City Council. The Spanish Fork electric system consists of six substations and transmission and distribution lines aggregating approximately 339 circuit miles. Since 2000, Spanish Fork has owned and operated a telecommunication network that provides television, high-speed internet and phone services to its customers.

*Generation Facilities.* Spanish Fork owns no generating assets.

*Electric Customers.* The three largest customers served by the electric system include Alcoa/Sapa, Longview Fiber DBA Kapstone, and Klune Industries, which accounted for 7.5%, 4.2% and 2.8%, respectively, of the Spanish Fork electric system's revenues during fiscal year 2015.

*Electric System Operating Information.* The following table shows certain operating statistics provided by Spanish Fork for its electric system for the fiscal years shown.

SPANISH FORK ELECTRIC SYSTEM OPERATING STATISTICS

	FISCAL YEAR ENDED JUNE 30				
	2015	2014	2013	2012	2011
<b>System Requirements</b>					
Peak Demand (MW)	63.6	57.7	57.6	54.7	53.8
Energy (MWh)	250,674	245,098	246,680	237,501	228,657
<b>Number of Customers</b>					
Residential	10,233	10,029	9,897	9,730	9,632
Commercial	1,190	1,148	1,120	1,088	1,073
Industrial	<u>9</u>	<u>9</u>	<u>9</u>	<u>8</u>	<u>9</u>
Total Customers	<u>11,432</u>	<u>11,186</u>	<u>11,026</u>	<u>10,826</u>	<u>10,714</u>
<b>Energy Sales (MWh)</b>					
Residential	89,246	91,020	93,753	86,982	86,603
Commercial	84,568	83,283	85,068	81,415	77,049
Industrial	52,668	49,762	49,402	45,641	45,965
Other <sup>1</sup>	<u>9,396</u>	<u>11,144</u>	<u>10,496</u>	<u>9,453</u>	<u>-<sup>2</sup></u>
Total Energy Sales	<u>235,878</u>	<u>235,209</u>	<u>238,719</u>	<u>223,491</u>	<u>209,617</u>

<sup>1</sup> Other: Street lights, agricultural/wells, and city exempt accounts.

<sup>2</sup> The Other category of energy usage was not collected.

*Electric System Debt.* As of June 30, 2015, Spanish Fork had outstanding electric system debt consisting of \$845,000 of its Electric Utility Revenue Refunding Bonds, Series 2009. All of these bonds have subsequently been paid in full, and Spanish Fork currently has no bonds outstanding that are payable from the revenues of its electric system.

**SPANISH FORK CITY**  
**Statement of Net Position—Electric Utility Fund**  
**Fiscal Year Ended June 30**

<b>Assets</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>					
Cash and cash equivalents	\$16,721,784	\$15,844,755	\$14,541,272	\$12,189,871	\$15,094,841
Accounts receivable	2,880,863	2,927,008	2,813,848	2,763,273	2,433,688
Allowance for doubtful accounts	(30,357)	(30,357)	(30,357)	(30,357)	(30,357)
Due from other funds	4,303,292	4,363,524	6,120,904	6,147,300	5,882,682
Prepaid expenses	130	130	130	45,656	45,315
Inventory	1,283,320	1,333,962	1,196,717	<u>1,061,766</u>	<u>1,354,890</u>
Total Current Assets	<u>25,159,032</u>	<u>24,439,022</u>	<u>24,642,514</u>	<u>22,177,509</u>	<u>24,781,059</u>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	1,424,212	1,108,305	1,090,153	749,293	729,569
Net pension asset	1,577	-	-	-	-
Capital Assets					
Land	894,009	853,156	853,156	853,156	853,156
Buildings	3,399,514	3,346,925	3,339,150	3,203,438	2,918,816
Improvements	46,723,786	45,072,104	41,823,663	40,978,611	40,350,344
Equipment	3,505,527	3,009,790	3,059,906	2,333,808	1,480,552
Less accumulated depreciation	<u>(17,992,003)</u>	<u>(16,465,021)</u>	<u>(15,082,938)</u>	<u>(13,804,668)</u>	<u>(12,754,953)</u>
Other Assets					
Deferred bond costs	-	-	-	84,081	112,108
Total noncurrent assets	<u>37,956,622</u>	<u>21,430,839</u>	<u>35,083,090</u>	<u>34,397,719</u>	<u>33,689,592</u>
<b>Total Assets</b>	<u>63,115,654</u>	<u>35,495,096</u>	<u>59,725,604</u>	<u>56,575,228</u>	<u>58,470,651</u>
Deferred Outflows of Resources					
Due to Pensions	<u>216,077</u>	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$63,331,731</u>	<u>\$35,495,096</u>	<u>\$59,725,604</u>	<u>\$56,575,228</u>	<u>\$58,470,651</u>
<b>Liabilities</b>					
Current liabilities					
Due to other funds	\$ 406,559	\$ 612,718	\$ 1,176,134	\$ 1,717,078	\$ 1,656,627
Accounts payable	607,238	707,125	380,931	214,665	170,601
Accrued Interest payable	8,714	17,170	25,369	-	-
Compensated absences payable	404,527	361,206	305,587	295,785	288,051
Customer deposits	633,705	336,510	331,859	441,574	410,415
Final inspection deposits	224,810	195,300	238,450	335,050	421,350
Connector agreements	31,937	31,937	31,937	-	-
Bonds payable	<u>845,000</u>	<u>820,000</u>	<u>795,000</u>	<u>775,000</u>	<u>745,000</u>
Total current liabilities	<u>3,162,490</u>	<u>3,081,966</u>	<u>3,285,267</u>	<u>3,811,090</u>	<u>3,692,044</u>
Noncurrent liabilities					
Net pension liability	929,091	-	-	-	-
Bonds payable	-	845,000	1,665,000	2,460,000	3,235,000
Total noncurrent Liabilities	<u>929,091</u>	<u>845,000</u>	<u>1,665,000</u>	<u>2,460,000</u>	<u>3,235,000</u>
<b>Total Liabilities</b>	<u>4,091,581</u>	<u>3,926,966</u>	<u>4,950,267</u>	<u>6,271,090</u>	<u>6,927,044</u>
Deferred Inflows of Resources					
Due to Pensions	<u>148,721</u>	-	-	-	-
<b>Net Assets</b>					
Net investment in capital assets	36,471,337	34,923,749	32,291,231	31,078,638	29,597,484
Restricted for Impact fees	5,003	-	-	-	-
Restricted for bond requirements	-	771,795	758,294	749,293	729,569
Unrestricted	<u>21,829,585</u>	<u>21,741,771</u>	<u>21,725,812</u>	<u>18,476,207</u>	<u>21,216,554</u>
<b>Total Net Assets</b>	<u>\$59,091,429</u>	<u>\$57,437,315</u>	<u>\$54,775,337</u>	<u>\$50,304,138</u>	<u>\$51,543,607</u>



**SPANISH FORK CITY**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**Electric Enterprise Fund**  
**Fiscal Year Ended June 30**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Operating revenues</b>					
Charges for sales and services	\$29,112,539	\$28,385,732	\$27,141,630	\$24,874,771	\$23,962,501
Other income	<u>1,156,002</u>	<u>1,523,760</u>	<u>1,165,741</u>	<u>1,159,863</u>	<u>1,247,631</u>
Total operating revenues	<u>30,268,541</u>	<u>29,909,492</u>	<u>28,307,371</u>	<u>26,034,634</u>	<u>25,210,132</u>
<b>Operating expenses</b>					
Power purchases	14,393,114	14,019,653	13,738,234	12,338,655	11,696,235
Employee salaries	3,444,687	2,927,658	2,754,227	2,685,682	2,640,897
Materials and supplies	2,052,225	1,285,005	771,495	1,199,151	1,123,198
Repairs and maintenance	141,373	103,360	116,037	115,852	83,956
Professional services	3,741,897	3,622,287	3,232,781	2,727,713	2,592,773
Motorpool charges	391,566	295,403	286,382	293,264	265,536
Utilities	150,010	148,550	85,556	77,062	82,282
Insurance	57,152	39,851	50,032	37,135	41,250
Depreciation	1,526,982	1,432,199	1,288,271	1,204,637	1,113,097
Amortization	-	-	-	21,527	43,054
Indirect services	399,527	659,971	527,708	532,791	512,719
Plant assessment	741,892	1,091,892	741,892	741,892	741,892
Sundry charges	90,615	110,222	96,821	151,030	595,675
Total operating expenses	<u>27,431,040</u>	<u>25,736,051</u>	<u>23,689,436</u>	<u>22,126,391</u>	<u>21,532,564</u>
<b>Operating income (loss)</b>	<u>2,837,501</u>	<u>4,173,441</u>	<u>4,617,935</u>	<u>3,908,243</u>	<u>3,677,568</u>
<b>Non-Operating revenue (expenses)</b>					
Interest revenue	165,817	130,528	124,362	157,356	119,811
Impact fees and water right fees	435,103	404,270	493,269	308,404	167,324
Contributions from private contractors	706,113	355,635	281,723	216,010	602,951
Gain (loss) on sale of fixed assets	-	-	-	(49,256)	(3,877)
Pension Benefit expense	384,720	-	-	-	-
Pension expense	(243,171)	-	-	-	-
Interest expense	<u>(28,056)</u>	<u>(50,520)</u>	<u>(72,314)</u>	<u>(102,024)</u>	<u>(102,828)</u>
<b>Total non-operating revenue (expense)</b>	<u>1,420,526</u>	<u>839,913</u>	<u>827,040</u>	<u>530,490</u>	<u>783,381</u>
Income (loss) before operating transfers	<u>4,258,027</u>	<u>5,013,354</u>	<u>5,444,975</u>	<u>4,438,733</u>	<u>4,460,949</u>
Operating transfers from (to) Other Funds					
Transfers in (out)	<u>(1,602,207)</u>	<u>(2,351,376)</u>	<u>(889,695)</u>	<u>(5,678,182)</u>	<u>(970,203)</u>
Total contributions and operating transfers	<u>(1,602,207)</u>	<u>(2,351,376)</u>	<u>(889,695)</u>	<u>(5,678,182)</u>	<u>(970,203)</u>
<b>Change in Net Position</b>	<u>2,655,820</u>	<u>2,661,978</u>	<u>4,555,280</u>	<u>(1,239,449)</u>	<u>3,490,746</u>
<b>Net Position - beginning</b>	<u>57,437,315</u>	<u>54,775,337</u>	<u>50,304,138</u>	<u>51,543,587</u>	<u>48,052,861</u>
Prior period adjustment	<u>(1,001,706)</u>	<u>-</u>	<u>(84,081)</u>	<u>-</u>	<u>-</u>
<b>Net Position - ending</b>	<u>\$59,091,429</u>	<u>\$57,437,315</u>	<u>\$54,775,337</u>	<u>\$50,304,138</u>	<u>\$51,543,607</u>

## NEPHI

*Location and Population.* Nephi is located in the central part of the State of Utah, approximately 85 miles south of Salt Lake City. Nephi covers approximately 14 square miles. The following table presents historical population statistics for Nephi since 1980.

YEAR	POPULATION
2015	5,830
2010	5,389
2000	4,733
1990	3,515
1980	3,285

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Source: U.S. Census Bureau.

*Electric System.* The Nephi electrical department has been in existence since 1903. The electric department provides comprehensive electric utility services to all customers located within the boundaries of Nephi. The electric system also provides electric utility services to approximately 44 customers outside of the boundaries of Nephi located in Rocky Mountain Power's service territory. During the fiscal year ended June 30, 2016, Nephi accounted for 8.2% of the Agency's total energy deliveries to its Members.

As of June 30, 2015, the electric system provided electricity to approximately 2,256 residential, commercial and industrial customers located within the service territory of Nephi. The electric system employs six full-time equivalent employees consisting of line workers and supervisory personnel under the management of the Electric Manager. The Electric Manager directs the day-to-day operations and reports to the Public Works Director and the City Administrator. The policies, budgets, codes and rates are set by the Mayor and the City Council. The Nephi electric system consists of three substations and approximately 45 circuit miles of transmission and distribution lines. Since 1995, Nephi has also owned and operated a natural gas distribution system providing natural gas delivery to residential and commercial customers.

*Generation Facilities.* The electrical department operates two hydroelectric generating units, which were placed in service in 1986. These two units have a combined rated net capacity of 900 kW, which is dedicated back to the Agency under the Capacity Purchase Agreement, as described herein.

*Electric Customers.* The three largest customers served by the electric system include Owens Corning, National Vinyl Products, and Nephi Rubber Products, which accounted for 37.2%, 3.9% and 3.5%, respectively, of the Nephi electric system's revenues during fiscal year 2015.

*Electric System Operating Information.* The following table shows certain operating statistics provided by Nephi for its electric system for the fiscal years shown.

NEPHI ELECTRIC SYSTEM OPERATING STATISTICS

	FISCAL YEAR ENDED JUNE 30				
	2015	2014	2013	2012	2011
System Requirements					
Peak Demand (MW)	17.8	16.5	17.0	15.9	14.3
Energy (MWh)	99,376	98,359	101,268	73,777	86,391
Number of Customers					
Residential	1,960	1,939	1,895	1,907	2,003
Commercial	275	280	315	310	311
Industrial	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Customers	<u>2,236</u>	<u>2,220</u>	<u>2,211</u>	<u>2,218</u>	<u>2,315</u>
Energy Sales (MWh)					
Residential	19,209	19,638	20,308	19,669	20,697
Commercial	24,460	25,637	27,110	25,735	27,360
Industrial	49,219	46,711	48,144	24,550	33,888
Other <sup>1</sup>	<u>4,378</u>	<u>3,951</u>	<u>3,833</u>	<u>2,062</u>	<u>-<sup>2</sup></u>
Total Energy Sales	<u>97,266</u>	<u>95,937</u>	<u>99,395</u>	<u>72,016</u>	<u>81,945</u>

<sup>1</sup> Other: Street lights, agricultural/wells, and city exempt accounts.

<sup>2</sup> The Other category of energy usage was not collected.

**City of Nephi**  
**Statement of Net Position—Electric Enterprise Fund**  
**Fiscal Year Ended June 30**

<b>Assets and Deferred Outflows</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>					
Cash and cash equivalents					
Unrestricted	\$2,518,877	\$2,232,995	\$2,019,993	\$1,471,368	\$1,668,707
Designated	-	-	876,354	876,354	876,354
Restricted	1,009,124	1,030,954	159,809	345,500	339,950
Joint venture investment	196	196	196	196	196
Receivables					
Utilities (net of allowance)	551,228	519,748	573,176	608,009	316,958
Inventory	<u>226,795</u>	<u>227,261</u>	<u>121,874</u>	<u>89,366</u>	<u>89,366</u>
<b>Total Current Assets</b>	<u>4,306,220</u>	<u>4,011,154</u>	<u>3,751,402</u>	<u>3,390,793</u>	<u>3,291,531</u>
<b>Noncurrent Assets</b>					
Property and Equipment					
Land	1,942,529	1,942,529	1,942,529	1,914,029	1,914,029
Construction in progress	-	-	-	-	119,112
Buildings and Systems	5,453,125	5,453,125	5,286,525	5,286,525	4,906,734
Accumulated depreciation	(4,459,716)	(4,392,037)	(4,305,495)	(4,173,732)	(4,059,868)
Machinery and equipment	840,844	840,844	797,203	665,672	676,564
Accumulated depreciation	<u>(609,409)</u>	<u>(576,193)</u>	<u>(548,572)</u>	<u>(524,381)</u>	<u>(511,624)</u>
<b>Total noncurrent assets</b>	<u>3,167,373</u>	<u>3,268,268</u>	<u>3,172,190</u>	<u>3,168,113</u>	<u>3,044,947</u>
<b>Total Assets</b>	<u>\$7,473,593</u>	<u>\$7,279,422</u>	<u>\$6,923,592</u>	<u>\$6,558,906</u>	<u>\$6,336,478</u>
Deferred outflows of resources					
Deferred outflows related to pensions	<u>27,508</u>	-	-	-	-
<b>Total Assets and Deferred Outflows</b>	<u>\$7,501,101</u>	<u>\$7,279,422</u>	<u>\$6,923,592</u>	<u>\$6,558,906</u>	<u>\$6,336,478</u>
<b>Liabilities and Deferred Inflows</b>					
Current liabilities					
Accounts payable	650,076	575,118	505,930	445,825	408,961
Customer utility deposits	132,770	154,600	159,809	345,500	339,950
Compensated absences payable	<u>9,992</u>	<u>11,590</u>	<u>13,333</u>	<u>15,925</u>	<u>11,970</u>
<b>Total current liabilities</b>	<u>792,838</u>	<u>741,308</u>	<u>679,072</u>	<u>807,250</u>	<u>760,881</u>
Noncurrent liabilities					
Net pension liability	<u>129,455</u>	-	-	-	-
<b>Total noncurrent liabilities</b>	<u>129,455</u>	-	-	-	-
<b>Total Liabilities</b>	<u>\$ 922,293</u>	<u>\$ 741,308</u>	<u>\$ 679,072</u>	<u>\$ 807,250</u>	<u>\$ 760,881</u>
Deferred inflows of resources					
Deferred inflows related to pensions	<u>20,416</u>	-	-	-	-
<b>Total Liabilities and Deferred Inflows</b>	<u>\$ 942,709</u>	<u>\$ 741,308</u>	<u>\$ 679,072</u>	<u>\$ 807,250</u>	<u>\$ 760,881</u>
<b>Net Position</b>					
Net investment in capital assets	3,167,373	3,268,268	3,172,190	3,168,113	2,925,835
Restricted					
Expendable	1,009,124	1,030,954	159,809	345,500	339,950
Nonexpendable	226,795	227,261	121,874	89,366	89,366
Unrestricted	<u>2,155,100</u>	<u>2,011,631</u>	<u>2,790,647</u>	<u>2,148,677</u>	<u>2,220,446</u>
<b>Total Net Position</b>	<u>\$6,558,392</u>	<u>\$6,538,114</u>	<u>\$6,244,520</u>	<u>\$5,751,580</u>	<u>\$5,575,597</u>

**CITY OF NEPHI**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**Electric Enterprise Fund**  
**Fiscal Year Ended June 30**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Operating revenues</b>					
Charges for sales and services	\$6,832,773	\$6,606,463	\$6,866,078	\$5,014,625	\$5,163,177
Miscellaneous	<u>17,537</u>	<u>21,583</u>	<u>33,160</u>	<u>32,869</u>	<u>44,778</u>
Total operating revenues	<u>6,850,310</u>	<u>6,628,046</u>	<u>6,899,238</u>	<u>5,047,494</u>	<u>5,207,955</u>
<b>Operating expenses</b>					
Employee salaries	290,892	299,243	293,474	296,283	252,861
Employee benefits	119,172	133,917	126,892	127,800	119,098
Contractual services	960	1,446	-	5,309	2,242
Supplies	91,635	20,645	68,599	41,750	37,551
materials	149,736	33,670	48,319	77,669	73,697
Administrative charges	486,000	486,000	486,000	472,000	472,000
Repairs and maintenance	17,122	17,256	14,934	13,238	9,228
Depreciation and amortization	100,894	114,163	155,953	137,514	145,086
Power and natural gas purchases	5,372,335	5,216,703	5,199,506	3,690,970	4,191,625
Miscellaneous	<u>76,909</u>	<u>24,892</u>	<u>29,771</u>	<u>27,629</u>	<u>21,167</u>
Total operating expenses	<u>6,705,655</u>	<u>6,347,935</u>	<u>6,423,448</u>	<u>4,890,162</u>	<u>5,324,555</u>
<b>Operating income (loss)</b>	<u>144,655</u>	<u>280,111</u>	<u>475,790</u>	<u>(157,332)</u>	<u>(116,600)</u>
<b>Non-Operating revenue (expense)</b>					
Interest revenue	14,749	13,483	17,074	17,176	13,156
Gain on sale of capital asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,551</u>	<u>-</u>
<b>Total non-operating revenues (expenses)</b>	<u>14,749</u>	<u>13,483</u>	<u>17,074</u>	<u>18,727</u>	<u>13,156</u>
<b>Change in Net Position</b>	<u>159,404</u>	<u>293,594</u>	<u>492,864</u>	<u>176,059</u>	<u>(103,444)</u>
<b>Net Position - beginning</b>	<u>6,538,114</u>	<u>6,244,520</u>	<u>5,751,656</u>	<u>5,575,597</u>	<u>5,609,617</u>
<b>Prior period adjustment</b>	<u>(139,126)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,424</u>
<b>Net Position - ending</b>	<u>\$6,558,392</u>	<u>\$6,538,114</u>	<u>\$6,244,520</u>	<u>\$5,751,656</u>	<u>\$5,575,597</u>

## MANTI

*Location and Population.* Manti is located in central Utah, approximately 125 miles south of Salt Lake City. Manti covers approximately two square miles. The following table presents historical population statistics for Manti since 1980.

YEAR	POPULATION
2015	3,289
2010	3,276
2000	3,040
1990	2,268
1980	2,080

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Source: U.S. Census Bureau.

*Electric System.* The Manti electric system has been in existence since 1912. The electric system provides comprehensive electric utility services to all customers located within the boundaries of Manti City. The electric system also provides electric utility services to approximately 111 customers outside of the boundaries of Manti located in Rocky Mountain Power's service territory. During the fiscal year ended June 30, 2016, Manti accounted for 1.7% of the Agency's total energy deliveries to its Members.

As of June 30, 2015, the system provided electricity to approximately 1,419 residential, commercial and industrial customers located within the service territory of Manti's service territory. The electric system employs three full-time equivalent employees consisting of line workers and supervisory personnel under the management of the Power Superintendent. The Power Superintendent directs the day-to-day operations and reports to the City Administrator. The policies, budgets, codes and rates are set by the Mayor and City Council. The Manti electric system consists of four substations and approximately 15 circuit miles of transmission and distribution lines.

*Generation Facilities.* The electric system operates two hydroelectric generating units, which were placed in service in 1988. These two hydroelectric generating units have a combined rated net capacity of 2,200 kW, which is dedicated back to the Agency under the Capacity Purchase Agreement.

*Electric Customers.* The three largest customers served by the electric system include LDS Manti Temple, South West Farms, and Sanpete County Jail, which accounted for 7.5%, 6.0% and 5.0%, respectively, of the Manti electric system's revenues during fiscal year 2015.

*Electric System Operating Information.* The following table shows certain operating statistics provided by Manti for its electric system for the fiscal years shown.

MANTI ELECTRIC SYSTEM OPERATING STATISTICS

	FISCAL YEAR ENDED JUNE 30				
	2015	2014	2013	2012	2011
<b>System Requirements</b>					
Peak Demand (MW)	4.3	4.4	4.4	4.3	4.3
Energy (MWh)	20,401	20,689	20,943	20,178	20,331
<b>Number of Customers</b>					
Residential	1,253	1,246	1,236	1,235	1,269
Commercial	124	124	124	124	90
Industrial	-	-	-	-	-
Total Customers	<u>1,377</u>	<u>1,370</u>	<u>1,360</u>	<u>1,359</u>	<u>1,359</u>
<b>Energy Sales (MWh)</b>					
Residential	10,073	10,448	10,721	10,554	10,786
Commercial	5,950	5,888	6,129	6,068	5,572
Industrial	-	-	-	-	-
Other <sup>1</sup>	<u>3,181</u>	<u>3,085</u>	<u>3,002</u>	<u>1,440</u> <sup>2</sup>	<u>1,723</u> <sup>2</sup>
Total Energy Sales	<u>19,204</u>	<u>19,421</u>	<u>19,852</u>	<u>18,062</u>	<u>18,081</u>

<sup>1</sup> Other: Street lights, agricultural/wells, and city exempt accounts.

<sup>2</sup> Street light usage was not collected.

*Electric System Debt.* As of June 30, 2015, Manti had outstanding \$212,000, of its Electric Bonds, Series 2011. Bond resolution provisions relating to the outstanding Manti electric revenue bonds designate the obligation of Manti to the Agency under the Power Sale Agreement as an operating expense which is to be paid before determining the net revenues which are pledged as security for the Manti bonds.

**MANTI CITY**  
**Statement of Net Position—Electric Enterprise Fund**  
**Fiscal Year Ended June 30**

<b>Assets</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>					
Cash and cash equivalents	\$ 875,596	\$ 787,435	\$ 827,122	\$ 749,745	\$ 190,926
Accounts receivable, net	137,219	126,877	140,096	153,537	137,223
Inventory of supplies	152,651	165,497	184,448	189,820	169,193
Due from other funds	<u>-</u>	<u>53,065</u>	<u>-</u>	<u>4,351</u>	<u>82,152</u>
Total Current Assets	<u>1,165,466</u>	<u>1,132,874</u>	<u>1,151,666</u>	<u>1,097,453</u>	<u>597,494</u>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	33,390	29,881	27,470	24,780	328,571
Capital Assets, net of accumulated depreciation					
Utility distribution and collection systems	193,528	334,826	481,266	627,705	774,145
Equipment	28,708	33,464	25,372	18,940	33,275
Deferred charges	-	-	-	18,460	3,619
Net pension asset	<u>155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>255,781</u>	<u>398,171</u>	<u>534,108</u>	<u>689,885</u>	<u>1,139,610</u>
<b>Total Assets</b>	<u>1,421,247</u>	<u>1,531,045</u>	<u>1,685,774</u>	<u>1,787,338</u>	<u>1,719,104</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows (pensions)	11,733	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$1,432,980</u>	<u>\$1,531,045</u>	<u>\$1,685,774</u>	<u>\$1,787,338</u>	<u>\$1,719,104</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	99,926	95,918	100,615	9,650	10,786
Accrued liabilities	20,237	10,399	10,345	10,356	69,922
Customer deposits, refundable	33,390	29,881	27,470	24,780	-
Compensated absences	9,240	9,240	10,800	10,800	-
Bonds payable	<u>105,000</u>	<u>102,000</u>	<u>101,000</u>	<u>100,000</u>	<u>103,000</u>
Total current liabilities	<u>267,793</u>	<u>247,438</u>	<u>250,230</u>	<u>155,586</u>	<u>183,708</u>
<b>Noncurrent liabilities</b>					
Compensated absences	6,160	6,160	4,600	7,200	-
Bonds payable	107,000	212,000	314,000	415,000	603,000
Net pension liability	50,023	-	-	-	-
Total Noncurrent Liabilities	<u>163,183</u>	<u>218,160</u>	<u>318,600</u>	<u>422,200</u>	<u>603,000</u>
<b>Total Liabilities</b>	<u>\$ 430,976</u>	<u>\$ 465,598</u>	<u>\$ 568,830</u>	<u>\$ 577,786</u>	<u>\$ 786,708</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows (pensions)	<u>6,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>					
Net investment in capital assets	10,236	54,290	91,638	131,645	101,420
Restricted for debt service	-	-	-	-	328,571
Restricted for customer deposits	-	-	27,470	-	-
Unrestricted	<u>985,145</u>	<u>1,011,157</u>	<u>997,836</u>	<u>1,077,907</u>	<u>502,405</u>
<b>Total Net Position</b>	<u>995,381</u>	<u>1,065,447</u>	<u>1,116,944</u>	<u>1,209,552</u>	<u>932,396</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$1,432,980</u>	<u>\$1,531,045</u>	<u>\$1,685,774</u>	<u>\$1,787,338</u>	<u>\$1,719,104</u>



**MANTI CITY**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Electric Enterprise Fund**  
**Fiscal Year Ended June 30**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Operating revenues</b>					
Charges for services	\$1,751,815	\$1,751,350	\$1,777,468	\$1,703,381	\$1,597,454
Material and labor sales	20,648	54,971	8,431	30,624	62,452
Other	<u>95,190</u>	<u>85,525</u>	<u>92,712</u>	<u>102,103</u>	<u>84,777</u>
Total operating revenues	<u>1,867,653</u>	<u>1,891,846</u>	<u>1,878,611</u>	<u>1,836,108</u>	<u>1,744,683</u>
<b>Operating expenses</b>					
Purchased power	1,007,870	998,282	984,015	834,812	849,841
Salaries and wages	317,577	298,177	322,182	296,944	295,343
Materials and supplies	115,136	121,403	78,896	68,205	129,155
Depreciation	146,054	151,196	161,868	160,775	160,775
Other operating expenses	<u>46,197</u>	<u>41,816</u>	<u>54,764</u>	<u>47,333</u>	<u>44,406</u>
Total operating expenses	<u>1,632,834</u>	<u>1,610,874</u>	<u>1,601,725</u>	<u>1,408,069</u>	<u>1,479,520</u>
<b>Operating income (loss)</b>	<u>234,819</u>	<u>280,972</u>	<u>276,886</u>	<u>428,039</u>	<u>265,163</u>
<b>Non-Operating revenue (expenses)</b>					
Investment earnings	1,633	1,470	1,532	2,303	1,403
Interest expense	(11,364)	(5,372)	(10,656)	(40,886)	(40,947)
Transfer in/(out)	<u>(242,450)</u>	<u>(328,565)</u>	<u>(240,900)</u>	<u>(112,300)</u>	<u>(310,000)</u>
<b>Total non-operating revenue (expense)</b>	<u>(9,731)</u>	<u>(3,902)</u>	<u>(9,124)</u>	<u>(38,583)</u>	<u>(349,544)</u>
<b>Change in Net Position</b>	<u>(17,362)</u>	<u>(51,495)</u>	<u>26,862</u>	<u>277,156</u>	<u>(84,381)</u>
<b>Net Position - beginning</b>	<u>1,012,743</u>	<u>1,116,942</u>	<u>1,209,552</u>	<u>932,396</u>	<u>1,016,777</u>
<b>Prior period adjustment</b>	<u>-</u>	<u>-</u>	<u>(119,470)</u>	<u>-</u>	<u>-</u>
<b>Net Position - ending</b>	<u>\$ 995,381</u>	<u>\$1,065,447</u>	<u>\$1,116,944</u>	<u>\$1,209,552</u>	<u>\$ 932,396</u>

## SALEM

*Location and Population.* Salem is located in the southern part of Utah County, approximately 60 miles south of Salt Lake City. Salem covers approximately nine square miles. The following table presents historical population statistics for Salem since 1980.

YEAR	POPULATION
2015	7,330
2010	6,423
2000	4,372
1990	2,284
1980	2,233

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Source: U.S. Census Bureau.

*Electric System.* The Salem electric system was established in 1912. The electric system provides comprehensive electric utility services to all customers located within the boundaries of Salem. The electric system also provides electric utility services to six customers outside of the boundaries of Salem located in either Rocky Mountain Power's service territory or South Utah Valley Electric Service District's service area. During the fiscal year ended June 30, 2016, Salem accounted for 3.0% of the Agency's total energy deliveries to its Members.

As of June 30, 2015, the electric system provided electricity to approximately 2,285 residential, commercial and industrial customers located within the service territory of Salem. The electric system employs four full-time equivalent employees consisting of line workers and supervisory personnel under the management of the Electric Manager. The Electric Manager directs the day-to-day operations and reports to the Mayor and City Council. The policies, budgets, codes and rates are set by the Mayor and City Council. The Salem electric system consists of two substations and approximately 40 circuit miles of distribution lines.

*Generation Facilities.* Salem owns no generating assets.

*Electric Customers.* The three largest customers served by the electric system include a high school operated by Nebo School District, Stokes Grocery Store, and a junior high school operated by Nebo School District, which accounted for 4.4%, 3.7% and 2.2%, respectively, of Salem's electric system revenues during fiscal year 2015.

*Electric System Operating Information.* The following table shows certain operating statistics provided by Salem for its electric system for the fiscal years shown.

SALEM ELECTRIC SYSTEM OPERATING STATISTICS

	FISCAL YEAR ENDED JUNE 30				
	2015	2014	2013	2012	2011
<b>System Requirements</b>					
Peak Demand (MW)	10.0	9.5	9.9	9.1	8.8
Energy (MWh)	34,975	34,970	36,245	33,718	32,342
<b>Number of Customers</b>					
Residential	2,061	1,906	1,902	1,808	1,793
Commercial	233	205	189	171	142
Industrial	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Total Customers</b>	<u><b>2,295</b></u>	<u><b>2,112</b></u>	<u><b>2,092</b></u>	<u><b>1,980</b></u>	<u><b>1,936</b></u>
<b>Energy Sales (MWh)</b>					
Residential	20,624	20,004	20,114	18,735	17,553
Commercial	11,174	11,784	12,719	11,462	8,632
Industrial	1,017	888	815	781	843
Other <sup>1</sup>	<u>1,343</u>	<u>1,362</u>	<u>1,271</u>	<u>1,042</u>	<u>-<sup>2</sup></u>
<b>Total Energy Sales</b>	<u><b>34,158</b></u>	<u><b>34,038</b></u>	<u><b>34,919</b></u>	<u><b>32,020</b></u>	<u><b>27,028</b></u>

<sup>1</sup> Other: Street lights, agricultural/wells, and city exempt accounts.

<sup>2</sup> The Other category of energy usage was not collected.

*Electric System Debt.* As of June 30, 2015, Salem had outstanding electric system debt in the amount of \$755,695, consisting of a contract obligation payable from a percentage of electric impact fees collected by the city. As of June 30, 2016, the amount of this contract obligation has been reduced to \$696,626.

**SALEM CITY**  
**Statement of Net Position—Electric Enterprise Fund**  
**Fiscal Year Ended June 30**

<b>Assets</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>					
Cash and cash equivalents	\$ 445,881	\$ 393,230	\$ 288,091	\$ -	\$ 254,870
Accounts receivable, net	249,923	282,884	254,633	263,307	229,789
Inventories	<u>207,640</u>	<u>134,546</u>	<u>152,389</u>	<u>136,446</u>	<u>131,028</u>
Total Current Assets	<u>903,444</u>	<u>810,660</u>	<u>695,113</u>	<u>399,753</u>	<u>615,687</u>
<b>Noncurrent Assets</b>					
Land, equipment, buildings, and improvements	10,260,269	9,932,621	9,719,94	9,637,856	9,638,100
Less accumulated depreciation	<u>(2,063,483)</u>	<u>(1,853,648)</u>	<u>(1,646,951)</u>	<u>(1,441,301)</u>	<u>(1,272,160)</u>
Total noncurrent assets	<u>8,196,786</u>	<u>8,078,973</u>	<u>8,072,243</u>	<u>8,196,555</u>	<u>8,365,940</u>
<b>Total Assets</b>	<u>\$ 9,100,230</u>	<u>\$8,889,633</u>	<u>\$8,767,356</u>	<u>\$8,596,308</u>	<u>\$8,981,627</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	430,247	411,829	428,204	350,439	11,966
Due to other funds	-	-	-	3,164	-
Loans payable	102,744	28,903	82,675	23,695	60,512
Bonds and capital leases	-	-	21,893	21,070	50,121
Total current liabilities	<u>532,991</u>	<u>440,732</u>	<u>532,772</u>	<u>398,368</u>	<u>569,934</u>
<b>Noncurrent liabilities</b>					
Loans payable	652,951	829,536	804,201	955,428	942,306
Bonds and capital leases	-	-	46,388	68,281	89,351
Total Noncurrent Liabilities	<u>652,951</u>	<u>829,536</u>	<u>850,589</u>	<u>1,023,709</u>	<u>1,031,657</u>
<b>Total Liabilities</b>	<u>\$ 1,185,942</u>	<u>\$1,270,268</u>	<u>\$1,383,361</u>	<u>\$1,422,077</u>	<u>\$1,601,591</u>
<b>Net Position</b>					
Net investment in capital assets	7,441,091	7,220,534	7,117,086	7,128,081	7,223,650
Unrestricted	<u>473,197</u>	<u>398,831</u>	<u>266,909</u>	<u>46,150</u>	<u>156,386</u>
<b>Total Net Position</b>	<u>\$ 7,914,288</u>	<u>\$7,619,365</u>	<u>\$7,383,995</u>	<u>\$7,174,231</u>	<u>\$7,380,036</u>

**SALEM CITY**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Electric Enterprise Fund**  
**Fiscal Year Ended June 30**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Operating revenues</b>					
Charges for services	\$3,770,033	\$3,678,278	\$3,336,797	\$3,027,226	\$3,046,933
Fees and miscellaneous	<u>41,314</u>	<u>14,727</u>	<u>44,034</u>	<u>14,842</u>	<u>208,467</u>
Total operating revenues	<u>3,811,347</u>	<u>3,693,005</u>	<u>3,380,831</u>	<u>3,042,068</u>	<u>3,255,400</u>
<b>Operating expenses</b>					
Purchased power	2,261,023	2,200,602	2,168,677	1,993,344	1,913,751
Salaries and wages	351,153	39,137	326,180	350,941	313,377
Employee benefits	153,750	141,906	132,720	114,582	137,637
Contractual services	50,322	47,957	33,599	46,712	104,029
Supplies and materials	465,500	282,312	136,245	157,461	281,735
Administrative services	224,916	197,616	183,600	179,462	153,060
Utilities and telephone	-	-	-	-	-
Depreciation and amortization	209,835	206,697	205,650	196,503	187,880
Total operating expenses	<u>3,716,499</u>	<u>3,406,227</u>	<u>3,186,671</u>	<u>3,039,005</u>	<u>3,091,469</u>
<b>Operating income (loss)</b>	<u>94,848</u>	<u>286,778</u>	<u>194,160</u>	<u>3,063</u>	<u>163,931</u>
<b>Non-Operating revenue (expense)</b>					
Interest revenue	-	-	-	501	1,689
Impact fees	179,431	83,801	282,296	76,630	121,860
Interest expense and fiscal charges	-	-	-	-	(7,226)
<b>Total non-operating revenue (expense)</b>	<u>179,431</u>	<u>83,801</u>	<u>282,296</u>	<u>77,131</u>	<u>116,323</u>
Net income before contributions & transfers	274,279	370,579	476,456	80,194	280,254
Transfers in (out)	(305,004)	(255,804)	(305,004)	(313,117)	(401,248)
Developers contributions	<u>325,648</u>	<u>120,595</u>	<u>38,312</u>	<u>27,118</u>	<u>230,878</u>
<b>Change in Net Position</b>	<u>294,923</u>	<u>235,370</u>	<u>209,764</u>	<u>(205,805)</u>	<u>109,884</u>
<b>Net Position - beginning</b>	<u>7,619,365</u>	<u>7,383,995</u>	<u>7,174,231</u>	<u>7,380,036</u>	<u>7,270,152</u>
<b>Net Position - ending</b>	<u>\$7,914,288</u>	<u>\$7,619,365</u>	<u>\$7,383,995</u>	<u>\$7,174,231</u>	<u>\$7,380,036</u>

LEVAN

*Location and Population.* Levan is located approximately 95 miles southwest of Salt Lake City in Juab County. Levan, which was settled in 1868 and incorporated in 1906, covers approximately two square miles. The following table presents historical population statistics for Levan since 1980.

YEAR	POPULATION
2015	855
2010	841
2000	688
1990	416
1980	453

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Source: U.S. Census Bureau.

*Electric System.* The Levan electric system has been in existence since 1919. The electric system provides comprehensive electric utility services to all customers located within the boundaries of Levan. The electric system also provides electric utility services to approximately 14 customers outside of the boundaries of Levan located in Rocky Mountain Power’s service territory. During the fiscal year ended June 30, 2016, Levan accounted for 0.4% of the Agency’s total energy deliveries to its Members.

As of June 30, 2015, the electric system provided electricity to approximately 343 residential and commercial customers located within the service territory of Levan. The electric system employs three fulltime equivalent employees consisting of line workers and supervisory personnel under the management of the Electric Manager. The Electric Manager directs the day-to-day operations and reports to the Mayor and Town Council. The policies, budgets, codes and rates are set by the Mayor and Levan Town Council. The Levan electric system consists of one substation and approximately 12 circuit miles of distribution lines. Since 1986, Levan Town owns and operates a telecommunication network providing television and high-speed internet services to its customers.

*Generation Facilities.* The Levan electric system operates two hydroelectric facilities which were placed in service in 1988. These two hydroelectric generating units have a combined rated net capacity of 320 kW, which is dedicated back to the Agency under the Capacity Purchase Agreement.

*Electric Customers.* The three largest customers served by the electric system include Levan Irrigation Company, Country Junction, and Victorian House, which accounted for 21.3%, 4.1% and 1.7%, respectively, of the Levan electric system’s revenues during fiscal year 2015.

*Electric System Operating Information.* The following table shows certain operating statistics for the Levan electric system for the fiscal years shown.

LEVAN ELECTRIC SYSTEM OPERATING STATISTICS

	FISCAL YEAR ENDED JUNE 30				
	2015	2014	2013	2012	2011
<b>System Requirements</b>					
Peak Demand (MW)	1.2	1.3	1.3	1.2	1.3
Energy (MWh)	5,048	5,048	5,312	5,395	4,684
<b>Number of Customers</b>					
Residential	317	313	316	315	313
Commercial	12	12	12	12	11
Industrial	-	-	-	-	-
<b>Total Customers</b>	<u>329</u>	<u>325</u>	<u>328</u>	<u>327</u>	<u>324</u>
<b>Energy Sales (MWh)</b>					
Residential	2,874	2,965	3,121	2,976	3,085
Commercial	297	316	309	302	310
Industrial	-	-	-	-	-
Other <sup>1</sup>	<u>1,515</u>	<u>1,379</u>	<u>1,579</u>	<u>1,696</u>	<u>-</u>
<b>Total Energy Sales</b>	<u>4,686</u>	<u>4,660</u>	<u>5,009</u>	<u>4,974</u>	<u>3,396</u>

<sup>1</sup> Other: Street lights, agricultural/wells, and municipal exempt accounts.

<sup>2</sup> The Other category of energy usage was not collected.

<sup>3</sup> The Other category was adjusted to match historical system losses.

*Electric System Debt.* As of June 30, 2015, Levan had outstanding electric system debt consisting of \$283,000 Electric Revenue Bonds, Series 2014. Debt service on these bonds is payable from the net revenues of the Levan electric system. Bond resolution provisions relating to the outstanding Levan electric revenue bonds designate the obligation of Levan to the Agency under the Power Sale Agreement as an operating expense which is to be paid before determining the net revenues which are pledged as security for the Levan bonds.

**TOWN OF LEVAN**  
**Statement of Net Position—Electric Enterprise Fund**  
**Fiscal Year Ended June 30**

<b>Assets and Deferred Outflows of Resources</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 228,409	\$ 577,440	\$123,390	\$119,370	\$178,637
Accounts receivable, net	<u>46,788</u>	<u>40,612</u>	<u>47,202</u>	<u>46,987</u>	<u>28,269</u>
<b>Total Current Assets</b>	<u>275,197</u>	<u>618,053</u>	<u>170,592</u>	<u>166,358</u>	<u>206,906</u>
<b>Noncurrent Assets</b>					
Capital assets:					
Not being depreciated	573,654	245,626	22,005	22,005	22,005
Net of accumulated depreciation	<u>381,867</u>	<u>394,315</u>	<u>408,562</u>	<u>412,347</u>	<u>335,782</u>
<b>Total noncurrent assets</b>	<u>955,521</u>	<u>639,941</u>	<u>430,568</u>	<u>434,352</u>	<u>357,788</u>
<b>Total Assets</b>	<u>1,230,718</u>	<u>1,257,994</u>	<u>601,160</u>	<u>600,710</u>	<u>564,694</u>
Deferred outflows of resources - pensions	<u>3,023</u>	-	-	-	-
<b>Total assets and deferred outflows of resources</b>	<u>\$1,233,741</u>	<u>\$1,257,994</u>	<u>\$601,160</u>	<u>\$600,710</u>	<u>\$564,694</u>
<b>Liabilities and Deferred Inflows of Resources</b>					
<b>Liabilities</b>					
Current liabilities					
Accounts payable	43,402	130,098	20,802	55,220	28,482
Compensated absences	20,349	18,280	14,766	14,138	12,512
Customer deposits	-	-	<u>138</u>	<u>99</u>	-
<b>Total current liabilities</b>	<u>63,750</u>	<u>148,378</u>	<u>35,706</u>	<u>69,457</u>	<u>40,994</u>
Noncurrent liabilities					
Revenue bonds, long-term	283,000	293,000	-	-	-
Net pension liability	13,613	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>296,613</u>	<u>293,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>360,364</u>	<u>441,378</u>	<u>35,706</u>	<u>69,457</u>	<u>40,994</u>
Deferred inflows of resources - pensions	<u>1,727</u>	-	-	-	-
<b>Total liabilities and deferred inflows of resources</b>	<u>\$ 362,091</u>	<u>\$ 441,378</u>	<u>\$ 35,706</u>	<u>\$ 69,457</u>	<u>\$ 40,994</u>
<b>Net Position</b>					
Net investment in capital assets	672,521	346,941	430,568	434,352	357,788
Unrestricted	<u>199,129</u>	<u>469,675</u>	<u>134,886</u>	<u>96,901</u>	<u>165,911</u>
<b>Total Net Position</b>	<u>871,650</u>	<u>816,615</u>	<u>565,454</u>	<u>531,252</u>	<u>523,699</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$1,233,741</u>	<u>\$1,257,994</u>	<u>\$601,160</u>	<u>\$600,710</u>	<u>\$564,694</u>



**TOWN OF LEVAN**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Electric Enterprise Fund**  
**Fiscal Year Ended June 30**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Operating revenues</b>					
Charges for sales and services	\$360,774	\$353,673	\$375,649	\$373,662	\$289,960
Connection fees	3,394	325	274	-	6,919
Other operating income	<u>103,126</u>	<u>29,188</u>	<u>11,695</u>	<u>9,857</u>	<u>12,713</u>
Total operating revenues	<u>467,294</u>	<u>383,186</u>	<u>387,619</u>	<u>383,519</u>	<u>309,592</u>
<b>Operating expenses</b>					
Personnel services	55,252	51,639	47,929	46,460	43,082
Cost of sales	275,856	262,805	243,142	253,261	228,380
Utilities	3,731	837	1,008	944	856
Repair & maintenance	35,250	28,648	15,123	9,419	11,339
Other supplies & expenses	9,229	25,822	22,401	9,960	5,689
Depreciation expense	<u>24,392</u>	<u>24,971</u>	<u>24,577</u>	<u>22,376</u>	<u>21,183</u>
Total operating expenses	<u>403,711</u>	<u>394,722</u>	<u>354,180</u>	<u>342,420</u>	<u>310,530</u>
<b>Net operating income (loss)</b>	<u>63,583</u>	<u>(11,536)</u>	<u>33,439</u>	<u>41,099</u>	<u>(938)</u>
<b>Non-Operating revenue (expense)</b>					
Interest income	<u>1,160</u>	<u>631</u>	<u>762</u>	<u>855</u>	<u>668</u>
<b>Total non-operating revenue (expense)</b>	<u>1,160</u>	<u>631</u>	<u>762</u>	<u>855</u>	<u>668</u>
Income (loss) before capital contributions	64,743	(10,906)	-	41,953	-
Capital Contributions	-	292,000	-	-	-
Transfers in (out)	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>(34,400)</u>	<u>-</u>
<b>Change in Net Position</b>	<u>69,743</u>	<u>281,094</u>	<u>34,201</u>	<u>7,553</u>	<u>(271)</u>
<b>Net Position - beginning</b>	<u>816,615</u>	<u>565,454</u>	<u>531,252</u>	<u>523,699</u>	<u>523,970</u>
<b>Prior period adjustment</b>	<u>(14,709)</u>	<u>(29,933)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position, beginning-adjusted</b>	<u>801,907</u>	<u>535,521</u>	<u>531,252</u>	<u>523,699</u>	<u>523,970</u>
<b>Net Position - ending</b>	<u>\$871,650</u>	<u>\$816,615</u>	<u>\$565,454</u>	<u>\$531,252</u>	<u>\$523,699</u>

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**APPENDIX C**

**FORM OF BOND RESOLUTION**

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UTAH MUNICIPAL POWER AGENCY

BOND RESOLUTION

PROVIDING FOR THE ISSUANCE OF  
POWER SUPPLY SYSTEM REVENUE BONDS

Adopted September 28, 2016

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EXHIBIT A – Form of Written Certificate and Request for Payment from Project Fund

**RESOLUTION NO. 16-09-28**

**BOND RESOLUTION  
PROVIDING FOR THE ISSUANCE OF  
POWER SUPPLY SYSTEM REVENUE BONDS**

BE IT RESOLVED by Utah Municipal Power Agency as follows:

**ARTICLE I**

**DEFINITIONS AND STATUTORY AUTHORITY**

*Section 1.01. Definitions.* The following terms shall, for all purposes of the Resolution, have the following meanings:

“*Accountant’s Certificate*” means a certificate signed by an independent certified public accountant or a firm of independent certified public accountants, who may be the accountant or firm of accountants who regularly audit the books of UMPA.

“*Accreted Value*” means with respect to any Capital Appreciation Bonds and to any Convertible Capital Appreciation Bonds prior to the related Current Interest Commencement Date, (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds or Convertible Capital Appreciation Bond, and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates.

“*Accrued Aggregate Debt Service*” means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (i) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installment for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month. For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds coming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest and Principal Installments in such manner and during such period of time as is specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds or Convertible Capital Appreciation Bonds.

“Act” means the Interlocal Cooperation Act, Title 11, Chapter 13, Utah Code Annotated 1953, as amended; the Utah Refunding Bond Act, Title 11, Chapter 27 Utah Code Annotated 1953, as amended; and all acts supplemental thereto or amendatory thereof.

“Aggregate Debt Service” for any period means, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds; *provided, however,* that for purposes of estimating Aggregate Debt Service for any future period, any Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof. For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest and Principal Installments in such manner and during such period of time as is specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds or Convertible Capital Appreciation Bonds.

“Annual Budget” means the annual budget, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in Section 7.08.

“Authorized Officer” any officer or employee of UMPA authorized by UMPA’s Bylaws or by resolution to perform the act or sign the document in question.

“Bank Loan” means a loan, line of credit or other extension of credit (other than a loan, line of credit or other extension of credit the repayment obligations of which are evidenced by Direct Purchase Bonds) by a Bank Lender, if designated as a Bank Loan in the Supplemental Resolution authorizing such loan, line of credit or other extension of credit.

“Bank Loan Document” means a loan agreement, line of credit agreement or other credit agreement or similar instrument entered into in connection with a Bank Loan.

“Bank Lender” means a bank, other financial institution, or other lender that provides a Bank Loan to UMPA to finance or refinance the Cost of Acquisition and Construction.

“Board” means the Board of Directors of UMPA.

“Bond” or “Bonds” means any bonds, notes, Commercial Paper or other obligations issued and Outstanding pursuant to this Resolution. “Bonds” shall not include Operating Credit Obligations or Subordinate Indebtedness.

“Bondholder” or “Holder of Bonds” means any person who shall be the registered owner of any Bond or Bonds.

“Bond Registrar” means the Trustee and any other bank or trust company organized under the laws of any state or national banking association appointed by UMPA to perform the duties of Bond Registrar under this Resolution.

“Bond Year” means, for purposes of calculating the average Annual Debt Service and the maximum annual Debt Service on a Series of Bonds, each Year ending on the date on which the Principal Installments for such Series are payable.

“Business Day” means any day (i) on which banking business is transacted, but not including any Saturday, Sunday or any other day on which banks are authorized to be closed in New York City or in the city in which the Trustee has its principal corporate trust office and (ii) on which the New York Stock Exchange is open.

“Capacity Purchase Agreements” means agreements entered into by UMPA for the purchase of all or a portion of the energy generation capacity of any facilities or improvements owned by a Member, including the Amended and Restated Capacity Purchase Agreements, dated as of January 1, 2016, between UMPA and the Town of Levan, the City of Manti, the City of Nephi, and the City of Provo, respectively.

“Capital Appreciation Bonds” means any Bonds the interest on which is payable only at the maturity or prior redemption of such Bonds. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default as provided in Section 8.01 of this Resolution, or (iii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to UMPA or the Trustee any notice, consent, request or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

“Certificate of Determination” means, with respect to a Series of Bonds, one or more certificates executed by a Designated Officer, designated as a Certificate of Determination and setting forth certain terms and provisions of the Bonds.

“Commercial Paper” means commercial paper obligations with maturities of not more than 270 days from the dates of issuance thereof, which are issued and reissued by UMPA from time to time under this Resolution.

“Commodity Price Swap” means a financial arrangement entered into between UMPA and a Swap Counterparty with respect to the purchase or acquisition of fuel or other commodities in connection with the operation of the System, which is a cap, floor or collar, forward rate, future rate, swap, asset, index, price or market-linked transaction or agreement, or other exchange or rate protection transaction agreement, or similar transaction (however designated), or any combination thereof, or any option with respect to any of the foregoing.

“Convertible Capital Appreciation Bonds” means any Bonds hereafter issued as to which interest is payable only following the Current Interest Commencement Date for such Bonds, as set forth in the Supplemental Resolution under which such Bonds are issued, and at the maturity or prior redemption of such Bonds. For the purposes of (i) receiving payment of the Redemption Price, if a Convertible Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Convertible Capital Appreciation Bond if the principal of all Bonds is declared



immediately due and payable following an Event of Default as provided in Section 8.01 of this Resolution or (iii) computing the principal amount of Bonds held by the registered owner of a Convertible Capital Appreciation Bond in giving to UMPA or the Trustee any notice, consent, request or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Convertible Capital Appreciation Bond shall be deemed to be its Accreted Value.

“*Cost of Acquisition and Construction*,” with respect to any part of the System, means:

(i) UMPA’s costs, expenses and liabilities paid or incurred or to be paid or incurred by UMPA in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, operating, maintaining, retiring, decommissioning and disposing of any part thereof and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, including, but not limited to, any good faith or other similar payments or deposits in connection with the purchase of such part of the System or any part thereof;

(ii) the cost of acquisition by or for UMPA of real and personal property or any interests therein;

(iii) the costs of physical construction and costs of UMPA incidental to such construction or acquisition;

(iv) the cost of acquisition of fuel or fuel inventory and working capital and reserves therefore;

(v) costs relating to injury and damage claims relating to the System;

(vi) the costs of retiring from service, decommissioning, or disposal of generation facilities;

(vii) the cost of any indemnity or surety bonds and premiums on insurance during construction;

(viii) preliminary investigation and development costs, engineering fees and expenses, contractors’ fees and expenses;

(ix) the costs of labor, materials, equipment, and utility services and supplies;

(x) legal and financial advisory fees and expenses, financing costs, fees and expenses of the Fiduciaries, administration and general overhead expense and costs of keeping accounts and making reports required by the Resolution prior to or in connection with the completion of construction;

(xi) amounts, if any, required by the Resolution to be paid into the Debt Service Fund to provide, among other things, for interest on the Bonds during construction or for such longer period of time as the Resolution or a Supplemental

Resolution shall establish and to provide for the Debt Service Reserve Requirement or to pay operation and maintenance expenses or provide for other working capital appertaining to any facilities to be acquired for a Project, or amounts to be paid into the Repair and Replacement Fund for any of the respective purposes thereof upon the issuance of any Series;

(xii) payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of UMPA, including notes and Subordinated Indebtedness, incurred in respect of any of the foregoing, and initial working capital and reserves therefore; and

(xiii) reimbursements to UMPA for any of the above items theretofore paid by or on behalf of UMPA.

It is intended that this definition of Cost of Acquisition and Construction be broadly construed to encompass all costs, expenses and liabilities of UMPA related to the System which on the date of this Resolution or in the future shall be permitted to be funded with the proceeds of Bonds pursuant to the provisions of Utah law.

“*Current Interest Commencement Date*” means the date specified in a Supplemental Resolution as the date on and from which interest on the Accreted Value of Convertible Capital Appreciation Bonds issued under such Supplemental Resolution will thereafter accrue and be payable on the dates specified in such Supplemental Resolution and otherwise as if such Bonds were Interest Bearing Bonds.

“*Debt Service*” for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits in the Debt Service Account made from the proceeds of Bonds and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). For purposes of the calculating the interest during any period on a Series of Variable Rate Bonds, such interest shall be computed by assuming (a) that the rate of interest borne by such Series of Bonds during such period is equal to the rate established (the “*Assumed Rate*”) for such computation in writing by an Authorized Officer, *provided* that such Assumed Rate shall not be less than the average rate borne by such Series of Bonds during the 12 full calendar months immediately preceding the date on which such computation is made and *provided further* that, to the extent such Series of Variable Rate Bonds have not been outstanding during the entirety of such 12-month period, the Assumed Rate shall not be less than the average rate on the SIFMA Index during such 12-month period, or (b) to the extent UMPA has entered into an Interest Rate Swap with respect to all or a portion of a Series of Bonds, that such Series of Bonds or such portion thereof will bear interest during such period at a rate equal to the rate payable by UMPA under such Interest Rate Swap. In addition, for purposes of this definition, the principal and interest portions of the Accreted Value of Capital

Appreciation Bonds and Convertible Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest and Principal Installments in such manner and during such period of time as is specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds or Convertible Capital Appreciation Bonds.

“*Debt Service Account*” means the Debt Service Account established in the Debt Service Fund pursuant to Section 5.02.

“*Debt Service Fund*” means the Debt Service Fund established in Section 5.02.

“*Debt Service Reserve Account*” means the Debt Service Reserve Account established in the Debt Service Fund pursuant to Section 5.02.

“*Debt Service Reserve Requirement*” means, as of any date of calculation, an amount equal to the lesser of (i) 10% of the aggregate original principal amount of all Series of Bonds then Outstanding, (ii) the maximum Aggregate Debt Service due in any Bond Year on all Series of Bonds then Outstanding, or (iii) 125% of the average Aggregate Debt Service due during any Bond Year on all Series of Bonds then Outstanding; *provided, however*, that if so provided in the Supplemental Resolution providing for the issuance of a Bank Loan, a separate Debt Service Reserve Requirement in the amount specified in such Supplemental Resolution may be established with respect to such Bank Loan and a separate subaccount may be established in the Debt Service Reserve Account with respect to such Bank Loan; and if such separate Debt Service Reserve Requirement is established, amounts in such subaccount shall not secure any other Bonds and the Debt Service Reserve Requirement with respect to such other Bonds shall not secure payment of such Bank Loan. The amount of the Debt Service Reserve Requirement to be on deposit in the Debt Service Reserve Account of the Debt Service Fund shall be satisfied by a deposit of moneys and/or Investment Securities, a Reserve Instrument, or a combination thereof.

“*Defeasance Securities*” means any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America.

“*Depository*” means any bank or trust company organized under the laws of any state of the United States or any national banking association selected by UMPA as a depository of moneys and securities held under the provisions of the Resolution, and may include the Trustee.

“*Designated Officer*” means the Chairman of the Board, the Chief Operating Officer, or any other officer or employee of UMPA authorized by resolution to execute a Certificate of Determination.

“*Direct Purchase Bonds*” means Bonds (other than a Bank Loan) purchased directly by a bank or other financial institution and issued hereunder to evidence UMPA’s obligation to repay principal and interest on a loan, line of credit or other extension of credit by the bank or other financial institution to UMPA to finance or refinance the Cost of Acquisition and Construction.

“*DTC*” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for the Bonds, or any successor thereto.

“*Event of Default*” shall have the meaning given to such term in Section 8.01.

“*Fiduciary*” or “*Fiduciaries*” means the Trustee, the Bond Registrar, the Paying Agents and the Depositories, or any or all of them, as may be appropriate.

“*Fiscal Year*” means the then current annual accounting period of UMPA for its general accounting purposes. As of the date of this Resolution, UMPA’s fiscal year runs from July 1 to June 30 of the following calendar year.

“*Fitch*” means Fitch Ratings, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer issue ratings on obligations of a type similar to the Bonds, “*Fitch*” shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s or S&P) designated by UMPA, by written notice to the Trustee.

“*Funds*” or “*Accounts*” means Funds or Accounts, including subaccounts, established pursuant to this Resolution.

“*General Reserve Fund*” shall mean the General Reserve Fund established in Section 5.02.

“*Interest Bearing Bonds*” means Bonds as to which interest is payable on each Interest Payment Date.

“*Interest Payment Date*” means, with respect to each Series of Bonds, the date or dates specified in the related Supplemental Resolution on which interest on the Bonds of such Series is payable.

“*Interest Rate Swap*” means an agreement between UMPA or the Trustee and a Swap Counterparty related to all or a portion of the interest on the Bonds of one or more Series whereby a fixed or a variable rate cash flow on a notional amount is exchanged for a variable or fixed rate of return, on an equal notional amount.

“*Interest Rate Swap Payment*” means as of each scheduled payment date specified in an Interest Rate Swap, the amount, if any, payable to the Swap Counterparty by UMPA or by the Trustee on behalf of UMPA. Interest Rate Swap Payment does not include any Termination Payment.

“*Interest Rate Swap Receipts*” means amounts (other than Termination Payments) received by UMPA under an Interest Rate Swap.

“*Investment Securities*” means and include any investments that are at the time legal for investment of UMPA funds, that are allowed pursuant to UMPA’s investment policy as in effect

on the date of such investment, and that are not restricted by the terms of any applicable Supplemental Resolution.

“*Maximum Interest Rate*” means, with respect to any particular Variable Rate Bonds, the numerical rate of interest set forth in the Supplemental Resolution authorizing such Bonds, which shall be the maximum rate of interest such Bonds may bear at any particular time.

“*Member*” means a party to the Amended and Restated Interlocal Cooperation Agreement Establishing Utah Municipal Power Agency, dated as of January 1, 2016, as amended from time to time.

“*Money Management Act*” means the State Money Management Act, Title 51, Chapter 7, Utah Code Annotated 1953, as amended.

“*Moody’s*” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer issue ratings on obligations of a type similar to the Bonds, “*Moody’s*” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Fitch) designated by UMPA, by written notice to the Trustee.

“*Net Revenues*” for any period means (i) the Revenues during such period, plus (ii) Other Available Funds, minus (iii) Operating Expenses during such period.

“*Operating Credit Obligation*” means one or more obligations of UMPA, as authorized by Section 2.05, to evidence a line of credit made available to UMPA by a financial institution to provide working capital for the payment by UMPA of its Operating Expenses.

“*Operating Expenses*” means all actual maintenance and operation costs of the System incurred by UMPA in any particular Fiscal Year or period to which said term is applicable or charges made therefor during such Fiscal Year or period (but only if such charges are made in conformity with generally accepted accounting principles), including principal and interest payments on Operating Credit Obligations; amounts reasonably required to be set aside in reserves for items of Operating Expenses the payment of which is not then immediately required; and payment obligations for the then-current year under the System Agreements, including Power Purchase Contracts, transmission service agreements, fuel supply agreements and similar arrangements for the purchase of electric power and energy, transmission services, fuel and other commodities, and other services or property used or useful in the operation of the System. Operating Expenses shall also include, but are not limited to, expenses for ordinary repairs, renewals and replacements of the System, salaries and wages, employees’ health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses, insurance expenses, legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting and technical services, taxes (except as set forth in the following paragraph), payments in lieu of taxes and other governmental charges, fuel costs, costs of purchased power and transmission service, net payments (other than any Termination Payment) owed by UMPA pursuant to a Commodity Price Swap, any other current expenses or obligations required to be paid by UMPA under the provisions of the Resolution or

by law, all to the extent properly allocable to the System, and the fees and expenses of the Fiduciaries.

Operating Expenses do not include depreciation or obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of UMPA, Termination Payments, costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to or retirements from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System nor such property items, including taxes and fuel, which are capitalized pursuant to the then existing accounting practice of UMPA.

“*Opinion of Counsel*” means an opinion in writing signed by an attorney or firm of attorneys (who may be counsel to UMPA) selected by UMPA.

“*Option Bonds*” means Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment prior to the stated maturity thereof.

“*Other Available Funds*” means amounts that UMPA reasonably anticipates will be maintained on deposit in the Rate Stabilization Fund and available to pay Debt Service during the applicable Fiscal Year.

“*Outstanding*,” when used with reference to Bonds, means, as of any date of calculation, Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

- (i) Bonds cancelled by the Trustee at or prior to such date;
- (ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), *provided* that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 4.06 or 11.05, unless proof satisfactory to the Trustee is presented that any such Bonds are held by a bona fide purchaser in due course; and
- (iv) Bonds deemed to have been paid as provided in Section 12.01(b).

“*Paying Agent*” means any bank or trust company organized under the laws of any state of the United States or any national banking association designated as paying agent for the

Bonds of any Series, and its successor or successors hereafter appointed in the manner provided in the Resolution.

“*Power Purchase Contract*” means any contract or agreement between UMPA and a seller of electric power and energy, pursuant to which UMPA agrees to purchase and receive from the power seller, and the power seller agrees to sell and deliver to UMPA, electric power and energy as set forth in the contract or agreement.

“*Power Purchaser*” means the Members and any other entity, whether public or private, which shall have entered into a Power Sale Contract with UMPA.

“*Power Sale Agreements*,” means the Amended and Restated Power Sale Agreements S-1, dated as of January 1, 2016, between UMPA and the Members.

“*Power Sale Contracts*” means, collectively, the Power Sale Agreements and any other contract or agreement between UMPA and a Power Purchaser, pursuant to which UMPA agrees to sell and deliver electric power and energy to the Power Purchaser, and the Power Purchaser agrees to purchase and buy from UMPA, electric power and energy.

“*Principal Installment*” means, as of any date of calculation, with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installment due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to such unsatisfied balance of such Sinking Fund Installment.

“*Prior Bonds*” means UMPA’s Electric Revenue Refunding Bonds, Series 2003 and Electric Revenue Bonds, Series 2012, which were issued pursuant to the Prior Indenture.

“*Prior Indenture*” means the General Indenture of Trust, dated as of April 1, 2003, between UMPA and the Prior Trustee, as supplemented and amended, pursuant to which the Prior Bonds were issued.

“*Prior Indenture Retirement Date*” means the first date on which no Prior Bonds are “outstanding” under (and as defined in) the Prior Indenture.

“*Prior Trustee*” means Zions Bank, a division of ZB, National Association, as trustee under the Prior Indenture.

“*Project*” means the acquisition or construction of additions or improvements to, or the acquisition of resources, including prepayments for gas or other fuel supplies or electricity, with an expected life beyond a current Fiscal Year, for use in the System.

“*Project Fund*” means the Project Fund established in Section 5.02.

“*Prudent Utility Practice*” means, at a particular time, any of the practices, methods and acts, which, in the exercise of reasonable judgment in the light of the facts (including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts. In evaluating whether any manner conforms to Prudent Utility Practice, the parties shall take into account (i) the nature of the parties hereto under the laws of the State of Utah and the statutory duties and responsibilities thereof, and (ii) in the case of any facility jointly owned, the applicable ownership agreement among the owners of the facility.

“*Rating Agency*” means Fitch, Moody’s or S&P or any other rating agency so designated in a Supplemental Resolution.

“*Rating Category*” means one or more of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category or categories by a numerical modifier or otherwise.

“*Reserve Instrument Issuer*” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Reserve Instrument and which has been assigned a rating by Moody’s or S&P that is not lower than the unenhanced rating assigned by such rating agency to UMPA’s senior lien electric revenue bonds.

“*Rate Stabilization Fund*” means the Rate Stabilization Fund described in Sections 5.02 and 5.09.

“*Record Date*” means the record date established for a Series of Bonds pursuant to the Supplemental Resolution under which such Series of Bonds is issued.

“*Redemption Price*” means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Resolution.

“*Refunding Bonds*” means Bonds issued pursuant to Section 2.04 and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 4.06 or Section 11.05.

“*Repair and Replacement Fund*” means the Repair and Replacement Fund described in Sections 5.02 and 5.08.

“*Repair and Replacement Fund Requirement*” means, as of any date of calculation, an amount as shall from time to time be established by the Board.

*“Repayment Obligations”* means the amounts payable by UMPA (i) to reimburse or repay the issuer of a Security Instrument or a Reserve Instrument for amounts paid or advanced thereunder and (ii) to a Bank Lender with respect to the regularly scheduled principal and interest due on a Bank Loan.

*“Reserve Instrument”* means any credit facility, insurance policy, surety bond, letter of credit or other credit support agreement or mechanism obtained by UMPA from a Reserve Instrument Issuer to satisfy its obligation to fund the Debt Service Reserve Requirement for a Series of Bonds. The Reserve Instrument shall provide that amounts may be drawn thereunder by the Trustee (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of a Principal Installment of or interest on any Bonds and such withdrawal cannot be met by amounts on deposit in the Debt Service Reserve Account.

*“Reserve Instrument Agreement”* means any agreement entered into by UMPA and a Reserve Instrument Issuer in connection with the issuance by such Reserve Instrument Issuer of a Reserve Instrument.

*“Reserve Instrument Issuer”* means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company, or other institution issuing a Reserve Instrument and which has been assigned a rating by Moody’s or S&P that is not lower than the unenhanced rating assigned by such rating agency to UMPA’s senior lien electric revenue bonds.

*“Resolution”* means this Bond Resolution Providing for the Issuance of Electric Revenue Bonds, adopted September 28, 2016, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms hereof.

*“Revenue Fund”* means the Revenue Fund identified in Section 5.02.

*“Revenues”* means (i) all revenues, income, rents and receipts derived by UMPA from or attributable to the ownership and operation of the System, including all payments received by UMPA pursuant to the Power Sale Contracts and the Tolling Agreement and all other revenues attributable to the System or to the payment of the costs thereof received by UMPA under any contract for the sale of power, energy, transmission or other service from the System or any part thereof or any contractual arrangement with respect to the use of the System or any portion thereof or the services, output or capacity thereof, (ii) the proceeds of any insurance covering business interruption loss relating to the System, (iii) interest received on any moneys or securities held pursuant to the Resolution, all as determined in accordance with generally accepted accounting principles, and (iv) receipts of UMPA under any Swap Agreement entered into in connection with the ownership and operation of the System or with respect to a Series of Bonds issued pursuant to this Resolution.

*“S&P”* means Standard & Poor’s Ratings Service, a division of The McGraw Hill Companies Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no

longer issue ratings on obligations of a type similar to the Bonds, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s or Fitch) designated by UMPA, by written notice to the Trustee.

*“Security Instrument”* means an outstanding instrument or other device (other than a Reserve Instrument) issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds. The term “Security Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit and other security instruments and credit enhancement or liquidity devices; *provided, however*, that no such device or instrument shall be a “Security Instrument” for purposes of this Resolution unless specifically so designated with respect to a Series of Bonds in a Supplemental Resolution authorizing the use of such device or instrument.

*“Security Instrument Agreement”* means any agreement entered into by UMPA and a Security Instrument Issuer in connection with the issuance by such Security Instrument Issuer of a Security Instrument.

*“Security Instrument Issuer”* means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Security Instrument.

*“Security Instrument Repayment Obligations”* means, as of any date of calculation and with respect to any Security Instrument, any outstanding amounts payable by UMPA to repay the Security Instrument Issuer for payments previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument.

*“Series”* means all of the Bonds authenticated and delivered pursuant to this Resolution and the related Supplemental Resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 4.06 or Section 11.05, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

*“SIFMA Index”* means the SIFMA Municipal Swap Index, as calculated and published by Bloomberg.

*“Sinking Fund Installment”* means with respect to a Series of Bonds issued pursuant to Section 2.03 or 2.04, an amount so designated pursuant to Section 2.02(a)(iii)(J).

*“Subordinated Indebtedness”* means any bond, note, loan, line of credit or other evidence of indebtedness or extension of credit which is expressly made subordinate and junior in right of payment to the Bonds and Bank Loans, and which complies with the provisions of Section 2.10. Subordinated Indebtedness shall not be, nor shall be deemed to be, Bonds or Bank Loans for purposes of the Resolution, except as may be expressly provided by Supplemental Resolution.

*“Subordinated Indebtedness Fund”* means the Fund by that name established pursuant to Section 5.02.

“*Supplemental Resolution*” means any resolution supplemental to or amendatory of the Resolution, adopted by UMPA in accordance with Article X.

“*Swap Agreement*” means an Interest Rate Swap or Commodity Price Swap.

“*Swap Counterparty*” means (i) a member of the International Swap Dealers Association (ISDA) rated in one of the three top Rating Categories by at least one Rating Agency, provided that if such Swap Counterparty is not rated in one of the top three Rating Categories, UMPA shall require such Swap Counterparty to agree to such collateral and security arrangements as UMPA shall determine to be necessary to protect its interests, (ii) an entity that satisfies any applicable requirements of UMPA’s risk management policy; and (iii) with respect to a counterparty with which UMPA enters into an Interest Rate Swap, an entity that satisfies any applicable requirements of the Money Management Act.

“*System*” means the complete electric generating, supply, and transmission system of UMPA serving the Members pursuant to the Power Sale Agreements, including all improvements, extensions, and additions thereto which may be made while any of the Bonds remain Outstanding, and including all property, real, personal and mixed, of every nature now or hereafter owned by UMPA and used or useful in the operation of the System, other than any properties or interests in properties of UMPA that UMPA shall, in accordance with Section 5.01(c), determine by Resolution shall not constitute a part of the System for the purpose of the Resolution.

“*System Agreements*” means the Power Sale Contracts, Capacity Purchase Agreements, Power Purchase Contracts, any operating or participation agreements entered into by UMPA with respect to the System, and such other agreements as UMPA may from time to time designate as System Agreements for purposes of the Resolution.

“*Tax Agreement*” means any agreement or certificate delivered by UMPA in connection with the issuance of a Series of tax-exempt or tax-advantaged Bonds in order to assure the exclusion from gross income of interest received on such Series of Bonds or other tax status of the Bonds.

“*Termination Payment*” means the amount, if any, that may become due from UMPA or its counterparty under a Swap Agreement or Power Purchase Contract in connection with the termination of such Swap Agreement or Power Purchase Contract (exclusive of monthly or other regular periodic net payments). Where a Termination Payment is to be amortized pursuant to the terms of a Swap Agreement, the term “Termination Payment” shall refer to any amortizing payments of such Termination Payment that are then due and payable. Any Termination Payment due from UMPA shall be payable as Subordinated Indebtedness as provided herein.

“*Tolling Agreement*” means the Tolling Agreement between UMPA and West Valley Power, LLC, relating to the West Valley Power Plant.

“*Trustee*” means Zions Bank, a division of ZB, National Association, or any successor corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as trustee hereunder.

“*UMPA*” means Utah Municipal Power Agency.

“*Valuation Date*” means with respect to any Capital Appreciation Bonds, and to any Convertible Capital Appreciation Bonds prior to the related Current Interest Commencement Date, the date or dates set forth in the Supplemental Resolution authorizing such Bonds on which specific Accreted Values are assigned to such Capital Appreciation Bonds or Convertible Capital Appreciation Bonds.

“*Variable Rate*” means an interest rate to be borne by a Series of Bonds or a maturity or maturities within a Series which may vary or change in accordance with the provisions therefor established in the Supplemental Resolution authorizing such Series.

“*Variable Rate Bond*” means a Bond not bearing interest throughout its term at a specified rate or specified rates determined at the time of issuance of the Bond.

“*Written Certificate*” “*Written Request*” and “*Written Statement*” mean an instrument in writing signed on behalf of UMPA by an Authorized Officer thereof. Any such instrument and any supporting opinions or certificates may, but need not, be combined in a single instrument with any other instrument, opinion or certificate, and the two or more so combined shall be read and construed so as to form a single instrument. Any such instrument may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or certificate of counsel, consultants, accountants or engineers, unless the Authorized Officer signing such Written Certificate or Request or Statement knows, or in the exercise of reasonable care should know, that the opinion or certificate with respect to the matters upon which such Written Certificate or Request or Statement may be based, as aforesaid, is erroneous. The same Authorized Officer, or the same counsel, consultant, accountant or engineer, as the case may be, need not certify to all of the matters required to be certified under any provision of the Resolution, but different Authorized Officers, counsel, consultants, accountants or engineers may certify to different facts, respectively. Every Written Certificate or Request or Statement of UMPA, and every certificate or opinion of counsel, consultants, accountants or engineers provided for herein shall include:

- (1) a statement that the person making such certificate, request, statement or opinion has read the pertinent provisions of the Resolution to which such certificate, request, statement or opinion relates;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate, request, statement or opinion is based;
- (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and

(4) with respect to any statement relating to compliance with any provision hereof, a statement whether or not, in the opinion of such person, such provision has been complied with.

“Year” means any period of 12 consecutive months.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, districts, agencies, and other bodies.

All references in the Resolution to Articles, Sections, and other subdivisions are to the corresponding Articles, Sections, or subdivisions of the Resolution, and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to the Resolution as a whole and not to any particular Article, Section, or subdivision of the Resolution. The headings or titles of the several articles and sections of the Resolution, shall be solely for convenience of reference and shall not affect the meaning, construction, or effect of the Resolution. Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine, or feminine gender, as appropriate.

*Section 1.02. Authority for this Resolution.* This Resolution is adopted pursuant to the provisions of the Act. So long as any Prior Bonds remain outstanding, the Bonds issued hereunder shall constitute subordinated indebtedness within the meaning of Section 2.15 of the Prior Indenture. In accordance with Section 5.01 of this Resolution, the pledge of the Revenues with respect to the Bonds is subject and subordinate in all respects to the pledge and lien created by the Prior Indenture. Upon execution and delivery of this Resolution, the lien of the Prior Indenture shall be closed and no additional bonds or other obligations shall be issued under the Prior Indenture.

*Section 1.03. Resolution To Constitute Contract.* In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between UMPA and the Holders from time to time of the Bonds; and the pledge and assignment made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of UMPA shall be for the equal benefit, protection, and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority, or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by this Resolution.

## ARTICLE II AUTHORIZATION AND ISSUANCE OF BONDS

*Section 2.01. Authorization of Bonds.* (a) This Resolution authorizes Bonds of UMPA to be designated as “Power Supply System Revenue Bonds.” The aggregate principal amount of the Bonds which may be executed, authenticated, and delivered under the Resolution is not limited except as may hereafter be provided in the Resolution or as may be limited by law.

(b) The Bonds may, if and when authorized by UMPA pursuant to this Resolution and one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name “Power Supply System Revenue Bonds,” shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as UMPA may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

(c) Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation into a single series for purposes of issuance and sale of Bonds otherwise permitted by the Resolution to be issued at the same time in two or more separate Series, *provided* that solely for the purpose of satisfying the requirements of Sections 2.02, 2.03, and 2.04, as applicable to each such separate Series, the Bonds otherwise permitted by the Resolution to be issued as a separate Series shall be considered separately as if such Bonds were to be issued as a separate Series. In the event that separate Series are combined for purposes of issuance and sale, they may be issued under a single Supplemental Resolution notwithstanding any other provision of the Resolution.

*Section 2.02. General Provisions for Issuance of Bonds.* (a) Other than any obligations constituting Operating Expenses, no additional indebtedness, bonds, or notes of UMPA payable on a priority to the pledge of Net Revenues for the payment of the Bonds herein authorized shall be created or incurred. In addition, no Bonds or other indebtedness, bonds, or notes of UMPA payable on a parity with the Bonds herein authorized out of Revenues shall be created or incurred, unless there shall be delivered to the Trustee:

(i) An Opinion of Counsel of recognized standing in the field of law relating to municipal bonds to the effect that (a) UMPA has the right and power under the Act as amended to the date of such Opinion to adopt the Resolution, and the Resolution has been duly and lawfully adopted by UMPA, is in full force and effect and is valid and binding upon UMPA and enforceable in accordance with its terms; (b) the Resolution creates the valid pledge and assignment which it purports to create of the Revenues and funds held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution; and (c) the Bonds of such Series are valid and binding obligations of UMPA as provided in the Resolution and enforceable in accordance with their terms, and are entitled to the benefits of the Resolution and the Act, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the Resolution, *provided* that such Opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors’ rights generally;

(ii) A written order as to the delivery of such Bonds, signed by an Authorized Officer;

(iii) A copy of the Supplemental Resolution authorizing such Bonds, certified by an Authorized Officer, which, together with any Certificate of Determination accompanying such Supplemental Resolution, shall, among other provisions, specify:

(A) the authorized principal amount, designation and Series of such Bonds;

(B) the purposes for which such Series of Bonds is being issued, which shall be to pay all or part of the Cost of Acquisition and Construction of the System or to refund Bonds of one or more Series;

(C) the date, and the maturity date or dates, of the Bonds of such Series;

(D) the interest rate or rates, or if any Bonds of such Series are Variable Rate Bonds, the methods of determining the Variable Rate and a Maximum Interest Rate,

(E) the Interest Payment Dates therefor, or in the case of Capital Appreciation Bonds or Convertible Capital Appreciation Bonds, the Valuation Dates and the Accreted Value on such dates;

(F) if any of the Bonds of such Series are Option Bonds, the terms and conditions of the exercise by the Holders of such Bonds of the payment and/or redemption options granted thereby;

(G) the minimum denomination of, and the manner of dating, numbering and lettering, the Bonds of such Series;

(H) the Paying Agent and the place or places of payment of the principal and Redemption Price, if any, of, and interest on, the Bonds of such Series;

(I) the Redemption Price or Prices, if any, and, subject to Article IV, the redemption terms for the Bonds of such Series;

(J) the amount and due date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series, *provided* that each Sinking Fund Installment due date shall fall upon an Interest Payment Date for such Bonds;

(K) if so determined by UMPA, provisions for the sale of the Bonds of such Series;

(L) the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds in the Debt Service Account and provisions for the application thereof to the payment of all or a portion of the interest on such Series of Bonds or any other Series of Bonds;

(M) the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds in the Debt Service Reserve Account;

(N) the pledge under the Resolution, if any, by UMPA, to secure the payment of amounts due to the provider of any Security Instrument, and, if any Bonds of such Series are Variable Rate Bonds, the Swap Counterparty, if any, with respect to the related Series of Bonds;

(O) any Security Instrument or Reserve Instrument authorized to be executed and delivered by UMPA in connection with the issuance of the Bonds of such Series and any further covenants by UMPA required by any Security Instrument Issuer, Reserve Instrument Issuer or purchaser of Bonds or otherwise deemed necessary or desirable by UMPA; and

(P) the forms of the Bonds of such Series and of the Trustee's certificate of authentication, which forms shall contain such variations, omissions and insertions as are required or permitted by the Resolution.

(iv) The amount, if any, necessary for deposit in the Debt Service Reserve Account so that such Account shall equal the Debt Service Reserve Requirement as of the authentication and delivery of such Series of Bonds and the terms of any Reserve Instrument used in lieu of a deposit of moneys to the Debt Service Reserve Account;

(v) The amount of Bond proceeds, if any, to be used for working capital;

(vi) A certificate of an Authorized Officer stating that either (A) no Event of Default has occurred and is continuing under the Resolution or (B) the application of the proceeds of sale of such Series of Bonds as required by the Supplemental Resolution will cure any such Event of Default; and

(vii) Such further documents, moneys and securities as are required by the provisions of Section 2.04 or any Supplemental Resolution adopted pursuant to Article X.

(b) Except as otherwise provided in the Supplemental Resolution under which a Series of Bonds is issued, all the Bonds of a Series of like maturity shall be identical in all respects. After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III, Section 4.06, or Section 11.05. The Bonds shall be issuable as fully-registered bonds without coupons in Authorized Denominations. Unless UMPA shall otherwise direct, the Bonds of a Series shall be numbered as determined by the Trustee.

(c) The principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America with principal and any premium being payable at the designated corporate trust office of the Trustee, or of its successor in trust, or at the duly designated office of any Paying Agents. Payment of interest on any Bond on any Interest



Payment Date shall be made by check or draft mailed to the Bondholder as of the close of business on the Record Date at its address as it appears on the registration books of UMPA kept by the Trustee, in its capacity as Bond Registrar, on the Interest Payment Date or at such other address as shall have been furnished to the Trustee in writing by such Bondholder not later than the close of business on the Record Date.

*Section 2.03. Bonds Other than Refunding Bonds.* (a) One or more Series of Bonds may be issued at any time for the purpose of (i) paying all or a portion of the Cost of Acquisition and Construction of the System and (ii) paying and retiring the bond anticipation notes issued and outstanding under the Prior Indenture. Bonds of each such Series shall be issued and delivered by the Trustee only upon compliance with the terms and conditions set forth in Section 2.02.

(b) The proceeds, including accrued interest, of each Series of Bonds authorized under this Section 2.03, and capitalized interest, if any, thereon, shall be applied simultaneously with the delivery of such Bonds, as provided in the Supplemental Resolution authorizing such Series.

*Section 2.04. Refunding Bonds.* (a) One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or part of the Outstanding Bonds of one or more Series. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution authorizing such Bonds.

(b) Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by Section 2.02) of the following documents, all dated as of the date of such delivery (unless the Trustee shall accept any of such documents bearing a prior date):

(i) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;

(ii) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for in Section 12.01 to the Holders of the Bonds being refunded; and

(iii) Either (A) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (B) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of Section 12.01(b), which Defeasance Securities and moneys shall be held in trust and used only as provided in Section 12.01(b).

(c) The proceeds of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such Funds and Accounts under the Resolution as shall be provided by the Supplemental Resolution authorizing such Series of Refunding Bonds.

*Section 2.05. Operating Credit Obligation.* UMPA may, by Supplemental Resolution, authorize and enter into one or more Operating Credit Obligations. The terms and conditions of the Operating Credit Obligation shall be as set forth in the loan agreement or similar agreement with respect to the line of credit and the authorizing resolution of UMPA with respect thereto, *provided* that advances under the Operating Credit Obligation shall be applied by UMPA solely to the timely payment of Operating Expenses. The principal of and interest on Operating Credit Obligations shall be payable as an Operating Expense.

*Section 2.06. Provisions Regarding Bonds Secured by a Security Instrument.* UMPA may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Bonds secured by a Security Instrument as UMPA deems appropriate, including:

(a) authorization of the execution and delivery of a Security Instrument Agreement;

(b) provisions to the effect that, (i) so long as the Security Instrument is in full force and effect, and payment on the Security Instrument is not in default, the Security Instrument Issuer shall be deemed to be the Holder of the Outstanding Bonds of such Series when the approval, consent or action of the Bondholders for such Series of Bonds is required or may be exercised under the Resolution and following an Event of Default, (ii) the Resolution may not be amended in any manner which affects the rights of such Security Instrument Issuer without its prior written consent; and (iii) in the event that the Principal and Redemption Price, if applicable, and interest due on any Series of Bonds Outstanding shall be paid under the provisions of a Security Instrument, all covenants, agreements and other obligations of UMPA to the Bondholders of such Series of Bonds shall continue to exist and such Security Instrument Issuer shall be subrogated to the rights of such Bondholders in accordance with the terms of such Security Instrument; and

(c) such provisions as are necessary to provide relevant information to the Security Instrument Issuer and to provide a mechanism for paying Principal Installments and interest on such Series of Bonds from the Security Instrument.

*Section 2.07. Special Provisions for Bank Loans.* (a) UMPA may, by Supplemental Resolution, from time to time, execute one or more Bank Loans for any of the purposes for which Bonds may be issued.

(b) Whenever UMPA shall determine to execute a Bank Loan, UMPA shall enter into a Supplemental Resolution with the Trustee which shall specify the following:

(i) The purpose for which such Bank Loan is to be executed;

- (ii) The authorized principal amount of such Bank Loan;
- (iii) The maturity date or dates of the Bank Loan;
- (iv) The interest rate or rates (including a zero interest rate) of the Bank Loan, or the manner of determining such rate or rates, *provided* that the Supplemental Resolution shall specify the maximum rate that the Bank Loan may bear if the Bank Loan is a Variable Rate Bank Loan, and the interest payment dates of the Bank Loan;
- (v) Any Paying Agents and the places of payment of the principal and interest on the Bank Loan;
- (vi) The prepayment prices and terms, if any, for the Bank Loan;
- (vii) The amount and due date of each Principal Installment due prior to maturity, if any, for the Bank Loan;
- (viii) The amounts, if any, to be deposited as working capital amounts from the proceeds of such Bank Loan or any other legally available source into the Revenue Fund;
- (ix) The amount, if any, to be deposited into the Repair and Replacement Fund from the proceeds of such Bank Loan or any other legally available source;
- (x) The amount, if any, to be deposited into the Project Fund from the proceeds of Bank Loan or any other legally available source;
- (xi) Whether the Bank Loan will be secured by the Debt Service Reserve Account on a parity basis with the other Outstanding Bonds; the amount, if any, of the separate Debt Service Reserve Requirement securing the Bank Loan (if the Bank Loan is not secured by the Debt Service Reserve Account on a parity basis with the other Outstanding Bonds); and the amount, if any, to be deposited into the Debt Service Reserve Account from the proceeds of Bank Loan or any other legally available source;
- (xii) The amount, if any, to be deposited into the Debt Service Account as capitalized interest on such Bank Loan, and any additional provisions relating to the manner of payment of capitalized interest on such Bank Loan;
- (xiii) To the extent applicable, the obligations payable under any Security Instrument Agreement or Reserve Instrument Agreement entered into in connection with the execution of the Bank Loan which, when outstanding, shall constitute Repayment Obligations and which portions of such Repayment Obligations are to be attributed to principal of and to interest on such Repayment Obligations; and
- (xiv) Any further covenants by UMPA required in connection with any Security Instrument or Reserve Instrument or by the purchaser of Bonds and deemed necessary or desirable by UMPA in connection with the execution of the Bank Loan.

(c) In connection with the execution of a Bank Loan, UMPA shall deliver or cause to be delivered to the Trustee the following documents, moneys, or securities, all of such documents dated or certified, as the case may be, as of the date of such delivery (unless the Trustee shall accept any of such documents bearing a prior date):

(i) A copy of the Supplemental Resolution authorizing the execution of the Bank Loan executed by UMPA, an executed copy of the Bank Loan Document and a written request of UMPA as to the Trustee's execution of the Supplemental Resolution;

(ii) An Opinion of Counsel of nationally recognized standing in the field of law relating to municipal bonds to the effect that: (A) UMPA has the power under the Act, as amended to the date of such Opinion of Counsel, to execute the Bank Loan, and the Resolution constitutes a legal, valid and binding instrument of UMPA enforceable in accordance with its terms and no other authorization for the execution and delivery of the Resolution by UMPA is required; (B) the Resolution creates the valid pledge which it purports to create of the Revenues, Funds, moneys, securities and funds held or set aside under the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution; (C) the Bank Loan is the valid and binding special obligation of UMPA, enforceable in accordance with its terms and the terms of the Resolution and are entitled to the benefits of the Resolution and the Act, as amended to the date of such Opinion of Counsel; and (D) the Bank Loan has been duly and validly authorized and executed in accordance with the Act and the Resolution; *provided* that such Opinion of Counsel may contain limitations as to enforcement by bankruptcy or similar laws, equity principles, sovereign police powers, and federal powers;

(iii) A Written Certificate of UMPA setting forth (A) the Debt Service for each Fiscal Year of Bank Loan and (B) the Aggregate Debt Service for all Series of Bonds and all Bank Loans, including the Bank Loan being executed, for each Fiscal Year;

(iv) The amounts, if any, for deposit into the Project Fund, the Revenue Fund, the Debt Service Account and the Debt Service Reserve Account; and

(5) Such further documents, moneys and securities as are required by any Supplemental Resolution.

In connection with the execution of a Bank Loan, the requirements of Sections 2.03 and 2.04, as applicable, shall be satisfied with respect to such Bank Loan, and the documents, moneys and securities required by such Sections, as applicable, shall be delivered to the Trustee together with the other deliverables required pursuant to subsection (c) above. UMPA may enter into such Bank Loan Documents as shall be deemed necessary or appropriate in connection with such Bank Loan.

(d) For purposes of this Resolution, unless the context otherwise requires, with respect to Bank Loans: references to the "Owners" and "Bonds" shall be deemed to include Bank Lenders and Bank Loans; references to "Outstanding" shall be deemed to mean a principal

amount equal to the amount outstanding under such Bank Loans; and references to payment of interest or Principal on Bonds shall be deemed to include the interest and principal components of Bank Loan Repayment Obligations.

*Section 2.08. Provisions Regarding Interest Rate Swaps.* (a) UMPA may determine from time to time to enter into one or more Interest Rate Swaps pursuant to the provisions of the applicable provisions of the Money Management Act and UMPA's risk management policy, if any, provided that UMPA and the Trustee execute a Supplemental Resolution, which shall include provisions that:

(i) Specify (A) the Bonds for which such Interest Rate Swap is a hedge, (B) the notional amount of such Interest Rate Swap which shall correspond to the principal amount of the hedged Bonds Outstanding from time to time and (C) the manner or method for the calculation of the Interest Rate Swap Payments and Interest Rate Swap Receipts and the scheduled payment dates therefor;

(ii) Provide that Interest Rate Swap Payments shall be made by UMPA (or by the Trustee for the account of UMPA) out of a special subaccount in the Debt Service Account, on a parity with the principal of and interest on the Bonds or Bank Loan Repayment Obligations;

(iii) Notwithstanding the provisions of Section 5.05(a), may provide that Interest Rate Swap Receipts received by UMPA or the Trustee shall be deposited directly into the Debt Service Account (or a subaccount therein); and

(iv) Provide that any Termination Payment (A) owed by UMPA shall be payable solely from amounts on deposit in the Subordinated Indebtedness Fund or an account or subaccount therein or (B) received by UMPA or the Trustee shall be deposited promptly upon receipt into the Revenue Fund.

Nothing in this Section shall preclude UMPA from entering into an Interest Rate Swap under which all Interest Rate Swap Payments and Termination Payments owed by UMPA are to be made solely from the Subordinated Indebtedness Fund or an account or subaccount therein.

(b) The Trustee shall execute the Supplemental Resolution described in (a) only upon its receipt of the following:

(i) A Written Certificate of UMPA stating that the execution and performance of the Interest Rate Swap by UMPA complies with the requirements of the Resolution;

(ii) An Opinion of Counsel to the effect that the Interest Rate Swap has been duly authorized and executed by UMPA and the Swap Counterparty and constitutes their respective valid and binding obligation, and that the Interest Rate Swap has been entered into in compliance with the requirements of the Money Management Act;

(iii) Evidence that the requirements contained in the definition of "Swap Counterparty" have been satisfied; and

(iv) An executed counterpart of the Interest Rate Swap.

*Section 2.09. Provisions Regarding Commodity Price Swaps.* (a) UMPA may determine from time to time to enter into one or more Commodity Price Swaps pursuant to UMPA's risk management policy. Monthly or other regular periodic net payments under a Commodity Price Swap shall constitute Operating Expenses. Termination Payments owed by UMPA pursuant to a Commodity Price Swap shall be payable solely from amounts on deposit in the Subordinated Indebtedness Fund or an account or subaccount therein.

(b) Nothing in this Section shall preclude UMPA from entering into a Commodity Price Swap under which all Commodity Price Swap Payments and Termination Payments owed by UMPA are to be made solely from the Subordinated Indebtedness Fund or an account or subaccount therein.

*Section 2.10. Subordinated Indebtedness.* (a) UMPA may, at any time or from time to time, issue Subordinated Indebtedness for any purpose of UMPA, including, without limitation, the financing of any part of the Cost of Acquisition and Construction or the refunding of any Subordinated Indebtedness or Outstanding Bonds. Such Subordinated Indebtedness shall be payable out of and may be secured by a pledge of such amounts in the Subordinated Indebtedness Fund as may from time to time be available therefor; *provided, however*, that any such payment or pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the pledge and lien created under the Resolution as security for the Bonds; and *provided, further*, that unless the resolution, indenture, or other instrument, including any Supplemental Resolution, authorizing any issue of Subordinated Indebtedness shall provide that no such certificate shall be required, no such Subordinated Indebtedness may be so issued upon original issuance except upon receipt by the Trustee of a certificate of an Authorized Officer stating that UMPA is not in default in the performance of any of the covenants, conditions, agreements, or provisions contained in the Resolution.

(b) The resolution, indenture, or other instrument, including any Supplemental Resolution, securing each issue of Subordinated Indebtedness shall contain provisions (which shall be binding on all holders of such Subordinated Indebtedness) not more favorable to the holders of such Subordinated Indebtedness than the following:

(i) Upon the occurrence of an Event of Default under Section 9.01, the Owners of all Bonds then Outstanding shall be entitled to receive payment in full of all principal and interest due on all such Bonds in accordance with the provisions of the Resolution before the holders of the Subordinated Indebtedness are entitled to receive any payment from the moneys, Revenues and Funds pledged pursuant to the Resolution on account of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(ii) If any issue of Subordinated Indebtedness is declared due and payable before its expressed maturity, the Owners of all Bonds Outstanding at the time such Subordinated Indebtedness becomes due and payable shall be entitled to receive payment in full of all principal and interest on all the applicable Bonds before the holders of the Subordinated Indebtedness are entitled to receive any accelerated payment from the moneys, Revenues and Funds pledged pursuant to the Resolution on account of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(iii) If any Event of Default with respect to the Bonds shall have occurred and be continuing, the Owners of all Bonds then Outstanding shall be entitled to receive payment in full of all principal and interest then due on all applicable Bonds before the holders of the Subordinated Indebtedness are entitled to receive any payment from the moneys, Revenues and Funds pledged pursuant to the Resolution on account of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(iv) No Owner of a Bond and no Bank Lender shall be prejudiced in its right to enforce subordination of the Subordinated Indebtedness by any act or failure to act on the part of UMPA.

(v) The Subordinated Indebtedness may provide that the provisions of this Section 2.10(b) are solely for the purpose of defining the relative rights of the Owners of the Bonds on the one hand, and the holders of Subordinated Indebtedness on the other hand, and that nothing therein shall impair, as between UMPA and the holders of the Subordinated Indebtedness, the obligation of UMPA, which is unconditional and absolute, to pay to the holders thereof the principal thereof and premium, if any, and interest thereon in accordance with its terms, nor shall anything therein prevent the holders of the Subordinated Indebtedness from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under this Section 2.10(b) of the Owners of Bonds to receive cash, property or securities otherwise payable or deliverable to the holders of the Subordinated Indebtedness; and the Subordinated Indebtedness may provide that, insofar as a trustee or paying agent for such Subordinated Indebtedness is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Indebtedness if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(c) Any issue of Subordinated Indebtedness may have such rank or priority with respect to any other issue of Subordinated Indebtedness as may be provided in the resolution, indenture or other instrument, including any Supplemental Resolution, securing such issue of Subordinated Indebtedness and may contain such other provisions as are not in conflict with the provisions of the Resolution.

### ARTICLE III

#### GENERAL TERMS AND PROVISIONS OF BONDS

*Section 3.01. Medium of Payment; Form and Date; Letters and Numbers.* (a) The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(b) The Bonds of each Series may be issued only in the form of fully-registered Bonds without coupons, unless otherwise authorized by a Supplemental Resolution.

(c) Each Bond shall be lettered and numbered as provided in the Supplemental Resolution authorizing the Series of which such Bond is a part and so as to be distinguished from every other Bond.

(d) Bonds of each Series shall be dated the date of authentication, except as may be otherwise provided in the Supplemental Resolution authorizing the Bonds of such Series, and shall bear interest as provided in the Supplemental Resolution authorizing the Bonds of such Series.

*Section 3.02. Legends.* The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Resolution as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by UMPA prior to the authentication and delivery thereof.

*Section 3.03. Execution and Authentication.* (a) The Bonds shall be executed in the name of UMPA by its Chairman or its Vice Chairman, and its corporate seal shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of the Secretary-Treasurer of UMPA, or in such other manner as may be required or permitted by law. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been authenticated and delivered by the Trustee, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of UMPA by such persons as at the time of the execution of such Bonds shall be duly authorized or hold the proper office in UMPA although at the date borne by the Bonds of such Series such persons may not have been so authorized or have held such office.

(b) Except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, the Bonds of each Series shall bear thereon a certificate of authentication, in such form as provided in the Supplemental Resolution authorizing such Series of Bonds, executed by the Trustee. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed

by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of UMPA shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered, under the Resolution and that the Holder thereof is entitled to the benefits of the Resolution.

*Section 3.04. Negotiability, Transfer and Registry.* (a) The Bonds shall be transferable only upon the books of UMPA, which shall be kept for such purposes at the corporate trust office of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such registered Bond, UMPA shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series, maturity and interest rate as the surrendered Bond.

(b) The registered owner of any Bond or Bonds of one or more denominations shall have the right to exchange such Bond or Bonds for a new Bond or Bonds of any denomination of the same aggregate principal amount and Series and maturity of the surrendered Bond or Bonds. Such Bond or Bonds shall be exchanged by UMPA for a new Bond or Bonds upon the request of the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender of such Bond or Bonds together with a written instrument requesting such exchange satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

(c) UMPA and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of UMPA as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither UMPA nor any Fiduciary shall be affected by any notice to the contrary. UMPA agrees to indemnify and save each Fiduciary harmless from and against any and all loss, costs, charges, expenses, judgments, or liabilities incurred by it, acting in good faith and without negligence under the Resolution, in so treating such registered owner.

*Section 3.05. Regulations With Respect to Exchanges and Transfers.* In all cases in which the privilege of exchanging or transferring Bonds is exercised, UMPA shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Trustee and cancelled or retained by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, UMPA or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither UMPA nor the Bond Registrar shall be required (a) to transfer or exchange Bonds of any Series for a period of 20 days next preceding an Interest Payment Date on the Bonds of such Series or next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption; or (b) to transfer or exchange any Bonds called for redemption.

*Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost.* If any Bond becomes mutilated or is lost, stolen or destroyed, UMPA shall execute and the Trustee shall authenticate and deliver a new Bond of like date of issue, maturity date, principal amount, and interest rate per annum as the Bond so mutilated, lost, stolen, or destroyed, *provided* that (i) in the case of such mutilated Bond, such Bond is first surrendered to the Trustee, (ii) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft, or destruction satisfactory to the Trustee and UMPA together with indemnity satisfactory to the Trustee and UMPA, (iii) all other reasonable requirements of the Trustee and UMPA are complied with, and (iv) expenses in connection with such transaction are paid by the Holder. Any Bond surrendered for exchange shall be cancelled. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of UMPA, whether or not the Bonds so alleged to be destroyed, stolen, or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under the Resolution, in any moneys or securities held by UMPA or any Fiduciary for the benefit of the Holders of the Bonds.

*Section 3.07. Temporary Bonds.* (a) Until the definitive Bonds of any Series are prepared, UMPA may execute, in the same manner as is provided in Section 3.03, and upon the request of UMPA the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds except as to the denominations thereof and as to exchangeability for registered Bonds, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations equal to the minimum denomination of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued or any multiples thereof authorized by UMPA and with such omissions, insertions and variations as may be appropriate to temporary Bonds. UMPA at its own expense shall prepare and execute and, upon the surrender of such temporary Bonds, for exchange and the cancellation of such surrendered temporary Bonds, the Trustee shall authenticate and, without charge to the Holder thereof, deliver in exchange therefor, definitive Bonds of the same aggregate principal amount, Series, maturity, and interest rate as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to the Resolution.

(b) If UMPA shall authorize the issuance of temporary Bonds in more than one denomination, the Holder of any temporary Bond or Bonds may, at his option, surrender the same to the Trustee in exchange for another temporary Bond or Bonds of like aggregate principal amount, Series, maturity, and interest rate of any other authorized denomination or denominations, and thereupon UMPA shall execute and the Trustee shall authenticate and, in exchange for the temporary Bond or Bonds so surrendered and upon payment of the taxes, fees and charges provided for in Section 3.05, shall deliver a temporary Bond or Bonds of like aggregate principal amount, Series, maturity and interest rate in such other authorized denomination or denominations as shall be requested by such Holder.

(c) All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

*Section 3.08. Book-Entry System.* (a) Except as provided in paragraph (c) below, or as otherwise provided in the Supplemental Resolution under which such Series of Bonds is issued, the Holder of all Bonds shall be Cede & Co., as nominee of DTC. Payment of interest for any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer to the account of Cede & Co. on the Interest Payment Date for the Bonds at the address indicated on the Record Date for Cede & Co. in the registration books of UMPA kept by the Trustee, as the Bond Register.

(b) Except as otherwise provided in the Supplemental Resolution under which such Series of Bonds is issued, the Bonds of a Series shall initially be issued in the form of a single authenticated fully-registered Bond for, and in the principal amount of, each maturity of the Bonds of such Series. Upon initial issuance, the ownership of each Bond shall be registered in the registration books of UMPA kept by the Trustee in the name of Cede & Co., as nominee of DTC. The Trustee and UMPA may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of, premium, if any, or interest on the Bonds, giving any notice permitted or required to be given to Bondholders under this Resolution, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee nor UMPA shall be affected by any notice to the contrary. Neither the Trustee nor UMPA shall have any responsibility or obligation to any DTC participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC participant or any other person which is not shown on the registration books of UMPA kept by the Trustee as being a Bondholder with respect to the accuracy of any records maintained by DTC, Cede & Co. or any DTC participant; the payment by DTC or any DTC participant to any beneficial owner of any amount in respect of the principal of, premium, if any, or interest on the Bonds; the delivery to any DTC participant or any beneficial owner of any notice which is permitted or required to be given to Bondholders under this Resolution; the selection by DTC or any DTC participant of any person to receive payment in the event of a partial payment of the Bonds; or any consent given or other action taken by DTC as Bondholder. The Paying Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of Cede & Co., as nominee of DTC, and all such payments shall be valid and effective to fully satisfy and discharge UMPA's obligations with respect to the principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC had determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the words "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(c) In the event that (i) DTC determines not to act as securities depository for a Series of Bonds; (ii) UMPA advises DTC of its determination that DTC is incapable of discharging its duties with respect to a Series of Bonds; or (iii) UMPA determines that it is in the best interest of the beneficial owners of the Bonds of a Series that they be able to obtain Bond certificates, UMPA shall, if the event is triggered by either (i) or (ii) above, attempt to locate another qualified securities depository for such Series of Bonds. If UMPA fails to locate such a replacement, then it shall notify DTC and the Trustee, requesting DTC to notify its participants, of the availability through DTC of Bond certificates. In any such event, the Trustee shall issue, transfer and exchange Bond certificates as requested by DTC and any other Bondholders in

appropriate amounts. UMPA and the Trustee shall be obligated to deliver Bond certificates as described in this Resolution. In the event Bond certificates are issued to Bondholders other than DTC, the provisions of this Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of, premium, if any, and interest on such Bond certificates. Whenever DTC requests UMPA and Trustee to do so, Trustee and UMPA will cooperate with DTC in taking appropriate action after reasonable notice (A) to make available one or more separate certificates evidencing the Bonds to any DTC participant having Bonds credited to its DTC account or (B) to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

(g) So long as any Bond is registered in the name Cede & Co., as nominee of DTC, all payments with respect to the principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given to DTC as provided in the representation letters entered into by UMPA, the Trustee and DTC on or prior to the delivery date of the Bonds.

(h) In connection with any notice or other communication to be provided to Bondholders pursuant to this Resolution by UMPA or the Trustee with respect to any consent or other action to be taken by Bondholders, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, UMPA or the Trustee, as the case may be, shall establish a record date for such consent to other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

#### ARTICLE IV

##### REDEMPTION OF BONDS

*Section 4.01. Privilege of Redemption and Redemption Price.* Bonds of a Series subject to redemption prior to maturity pursuant to this Resolution or a Supplemental Resolution shall be redeemable, upon notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms in addition to the terms contained in this Article IV as may be specified in the Resolution or in the Supplemental Resolution authorizing such Series.

*Section 4.02. Redemption at the Election or Direction of UMPA.* Except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, in the case of any redemption of Bonds at the election or direction of UMPA, UMPA shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series and of the principal amounts of the Bonds of each maturity of such Series and of the Bonds of each interest rate within a maturity to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by UMPA in its sole discretion, subject to any limitations with respect thereto contained in the Resolution). Except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, such notice shall be given at least 45 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 4.05 provided, there shall be paid prior to the redemption date to the appropriate Paying

Agents an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed. UMPA shall promptly notify the Trustee in writing of all such payments by it to a Paying Agent.

*Section 4.03. Redemption or Tender Other than at UMPA's Election or Direction.* Whenever by the terms of the Resolution the Trustee is required or authorized to tender or redeem Bonds other than at the election or direction of UMPA, the Trustee shall (i) select the Bonds to be tendered or redeemed, (ii) give the notice of tender or redemption for and on behalf of and at the expense of UMPA, and (iii) pay out of moneys available therefor the purchase price or Redemption Price thereof, plus interest accrued and unpaid to the purchase or redemption date, to the appropriate Paying Agents, as provided in the applicable Supplemental Resolution.

*Section 4.04. Selection of Bonds To Be Redeemed.* Except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, if fewer than all of the Bonds of like maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; *provided, however*, that for any Bond (other than a Capital Appreciation Bond or a Convertible Capital Appreciation Bonds) of a denomination of more than the minimum denomination specified in the Supplemental Resolution relating to such Series, the portion of such Bond to be redeemed shall be in a principal amount equal to such minimum denomination or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of such minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of such minimum denomination. For purposes of this Section 4.04, if less than all of the Capital Appreciation Bonds or Convertible Capital Appreciation Bonds shall be called for prior redemption, the portion of any Capital Appreciation Bond or Convertible Capital Appreciation Bond of a denomination of more than the minimum maturity amount specified in the Supplemental Resolution relating to such Series, the portion of such Bond to be redeemed shall be in a maturity amount equal to such minimum maturity amount or a multiple thereof, and in selecting portions of such Capital Appreciation Bond or Convertible Capital Appreciation Bond for redemption, the Trustee shall treat each such Capital Appreciation Bond or Convertible Capital Appreciation Bonds as representing that number of Capital Appreciation Bonds or Convertible Capital Appreciation Bonds of such minimum maturity amount which is obtained by dividing the maturity amount of such Capital Appreciation Bond or Convertible Capital Appreciation Bonds to be redeemed in part by the minimum maturity amount specified in such Supplemental Resolution.

*Section 4.05. Notice of Redemption.* (a) When the Trustee shall receive notice from UMPA of its election or direction to redeem Bonds pursuant to Section 4.02, and when redemption of Bonds is authorized or required pursuant to Section 4.03, the Trustee shall give notice, in the name of, on behalf of and at the expense of UMPA, of the redemption of such Bonds, which notice shall specify the Series, maturities and interest rates within maturities, if any, of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if fewer than all of the Bonds of any like Series, maturity and interest rate within maturities are to be redeemed, the letters and numbers or other

distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Unless otherwise provided in the related Supplemental Resolution, such notice shall be mailed by the Trustee, postage prepaid, not less than 30 days before the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure of the registered owner of any Bond which is to be redeemed to receive any such notice shall not affect the sufficiency or validity of the proceedings for the redemption of Bonds.

(b) Any notice of optional redemption (other than redemptions to satisfy mandatory Sinking Fund Installment requirements) of Bonds may state that it is conditional upon receipt by the Trustee of moneys sufficient to pay the Redemption Price together with accrued interest to the redemption date, or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected Holders of such Bonds as is promptly as practicable upon the failure of such condition or the occurrence of such other event.

*Section 4.06. Payment of Redeemed Bonds.* Notice having been given in the manner provided in Section 4.05 or in the manner provided in the Supplemental Resolution authorizing a Series of Bonds, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, if presentation and surrender thereof are required hereby, upon presentation and surrender thereof at the office specified in such notice, such Bonds or portions thereof shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date, all subject to Section 4.05(b). If there shall be drawn for redemption less than all of a Bond, if presentation and surrender thereof are required hereby, UMPA shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bonds so surrendered, at the option of the owner thereof, Bonds of like Series, maturity and interest rate in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series, maturity, or of like interest rate within a maturity, to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof of such Series, maturity and interest rate so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

*Section 4.07. Cancellation and Destruction of Bonds.* Except as may be otherwise be provided with respect to Option Bonds in the Supplemental Resolution providing for the

issuance thereof, all Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or reduction is made, and such Bonds, together with all Bonds purchased which have been delivered to the Trustee for application as a credit against Sinking Fund Installments and all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with UMPA and the other executed certificate shall be retained by the Trustee.

## ARTICLE V

### ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

#### *Section 5.01. The Pledge Effected by the Resolution; Subordinate to Prior Indenture.*

(a) The Bonds shall be special obligations of UMPA payable solely from and secured as to the payment of the principal and Redemption Price thereof, and interest thereon, in accordance with their terms and provisions of the Resolution solely by (i) the proceeds of sale of the Bonds, (ii) the Revenues, and (iii) all Funds established or confirmed by the Resolution, including the investment income, if any, thereof, and the same hereby are pledged and assigned to, and a security interest in the same is hereby granted to, the Trustee for the benefit of the Holders of the Bonds, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. The pledge of the Revenues is hereby expressly declared to be subject and subordinate in all respects to the pledge and lien created by the Prior Indenture.

(b) In accordance with Section 11-14-501, Utah Code Annotated 1953, as amended, the Revenues and Funds pledged by UMPA for the purpose of securing the Bonds and other obligations under this Resolution are immediately subject to the lien of the pledge of this Resolution. The physical delivery, filing, or recording of this Resolution under the Uniform Commercial Code or otherwise, or any other similar act, is not necessary to perfect the lien of this Resolution, and the lien of this Resolution is valid, binding, perfected, and enforceable from the date of this Resolution. The lien of this Resolution has priority based on the time of the creation of the pledge hereunder and as against all parties having claims of any kind in tort, contract, or otherwise against UMPA, regardless of whether or not the parties have notice of the lien.

(c) The Bonds shall not constitute a debt of the Members or the State of Utah, and none of the State of Utah, any Member or other Power Purchaser, nor any municipality shall be liable thereon.

(d) Nothing contained in the Resolution shall be construed to prevent UMPA from acquiring, constructing or financing through the issuance of its bonds, notes or other evidences of indebtedness any facilities which do not constitute a part of the System for the purposes of the Resolution or from securing such bonds, notes or other evidences of indebtedness by a mortgage of the facilities so financed or by a pledge of the revenues therefrom or any lease or other

agreement with respect thereto or any revenues derived from such lease or other agreement, *provided* that such bonds, notes or other evidences of indebtedness shall not be payable out of or secured by the Revenues or any Fund held under the Resolution and neither the cost of such facilities nor any expenditure in connection therewith or with the financing thereof shall be payable from the Revenues or from any such Fund.

(e) UMPA expressly reserves the right to adopt one or more resolutions separate and apart from the Resolution and reserves the right to issue bonds or other obligations of UMPA under such resolutions for any of its authorized purposes, *provided* that such bonds or other obligations shall not be secured by a lien on or pledge of, or be otherwise payable from, any Revenues, except on a basis subordinate to that of the pledge of this Resolution.

*Section 5.02. Establishment and Confirmation of Funds.* The following Funds are hereby established or confirmed:

(a) There is hereby established a Project Fund, to be held by the Trustee.

(b) UMPA previously established a Revenue Fund pursuant to the Prior Indenture, which shall be used as provided in Section 5.05 of this Resolution (subject to the terms of the Prior Indenture in the event of any conflict between the Resolution and the Prior Indenture) and which, following the Prior Indenture Retirement Date, shall continue to be maintained and held by UMPA pursuant to this Resolution.

(c) There is hereby established a Debt Service Fund, consisting of a Debt Service Account and a Debt Service Reserve Account (and, within the Debt Service Reserve Account, a separate subaccount with respect to any Bank Loan for which a separate Debt Service Reserve Requirement is established pursuant to Section 2.07(b)(xi)), to be held by the Trustee.

(d) There is hereby established a Subordinated Indebtedness Fund, to be held by the Trustee, in which the Trustee shall, from time to time, establish such accounts and subaccounts as may be provided for by a Supplemental Resolution or as may be otherwise required for the purposes of such Fund.

(e) UMPA previously established a Repair and Replacement Fund pursuant to the Prior Indenture, which shall be used as provided in Section 5.08 of this Resolution and which, following the Prior Indenture Retirement Date, shall continue to be maintained and held by UMPA pursuant to this Resolution.

(f) UMPA has previously established a Rate Stabilization Fund, which shall be held by UMPA and used as described in Section 5.09.

(g) There is hereby established a General Reserve Fund, which shall be held by UMPA and used as described in Section 5.11.



In addition to the above Funds and Accounts, UMPA may from time to time establish or cause the Trustee to establish one or more funds or one or more accounts or subaccounts in the above-described Funds and Accounts.

*Section 5.03. Project Fund.* (a) There shall be paid into the Project Fund the amounts required to be so paid by the provisions of this Resolution and any Supplemental Resolutions thereto, and there may be paid into the Project Fund, at the option of UMPA, any moneys received for or in connection with the System by UMPA from any other source, unless required to be otherwise applied as provided by the Resolution. Amounts in the Project Fund shall be applied to the Cost of Acquisition and Construction of the System.

(b) The proceeds of insurance maintained pursuant to the Resolution against physical loss of or damage to the System, or of contractors' performance bonds with respect thereto, pertaining to the period of construction thereof, shall be paid into the appropriate separate account in the Project Fund.

(c) Notwithstanding any of the other provisions of this Section, to the extent that other moneys are not available therefor, amounts in the Project Fund shall be applied to the payment of Principal Installments of and interest on Bonds when due.

(d) Before any payment is made from the Project Fund by the Trustee (except for transfers into the Debt Service Account to pay interest on the Bonds during the period of construction of a Project, if applicable), UMPA shall file with the Trustee a Written Request and Written Certificate, showing with respect to each payment to be made, the name of the person to whom payment is due and the amount to be paid, and certifying that the obligation to be paid was incurred and is a proper charge against the Project Fund and has not been theretofore included in a prior Written Request and Written Certificate, and that insofar as any such obligation was incurred for work, materials, equipment, or supplies, such work was actually performed, or such materials, equipment, or supplies were actually installed in furtherance of the acquisition of the Project or delivered at the site of the Project for that purpose or delivered for storage or fabrication at an approved place or places, or as a progress payment due on equipment being fabricated to order. Upon receipt of each such Written Request and Written Certificate, the Trustee shall pay the amounts set forth therein as directed by the terms thereof.

(e) The completion date of a Project shall be evidenced by a Written Certificate of UMPA, which shall be filed with the Trustee as soon as practicable upon completion of the Project, stating (1) that such Project has been completed substantially in accordance with the plans and specifications applicable thereto, as from time to time amended, (2) the completion date, and (3) the amounts, if any, required for the payment of any remaining part of the Cost of Acquisition and Construction of such Project. Upon the filing of such Written Certificate, the balance in Project Fund (or the related account in the Project Fund, as applicable) shall, subject to the provisions of the applicable Tax Agreement, be transferred to the Trustee for deposit in the Debt Service Reserve Account in the Debt Service Fund, if and to the extent necessary to make the amount in such account equal to the Debt Service Reserve Requirement, and any remaining balance shall be, subject to any applicable Tax Agreement, (i) deposited in the Debt Service Account and applied to the payment of Debt Service on the Bonds when due, (ii) applied to the

purchase or retirement of Bonds, or (iii) transferred to a separate account or accounts established in the Project Fund for application to the Cost of Acquisition and Construction of one or more other System Improvements.

(f) Nothing in this Section 5.03 shall be construed to prevent UMPA from permanently discontinuing the acquisition or construction of any portion of the System the Cost of Acquisition and Construction of which is at the time being paid out of the Project Fund, if the Board determines by official action that such discontinuance is necessary or desirable in the conduct of the business of UMPA and not disadvantageous to the Holders of the Bonds.

*Section 5.04. Operating Expenses.* (a) As soon as practicable in each month after the deposit of Revenues in the Revenue Fund and, in any case, no later than the last Business Day of such month, UMPA shall withdraw from time to time from the Revenue Fund an amount which, together with any amount therein not set aside as a general reserve for Operating Expenses, is equal to the Operating Expenses for such calendar month. UMPA may also, from time to time, retain in the Revenue Fund, or transfer to a subaccount in the Revenue Fund, additional amounts from the Revenue Fund to be set aside as a general reserve for Operating Expenses.

(b) The Board shall determine, at least annually, which determination may in the annual adopted budget, the amount of working capital reasonably required for the efficient operation and maintenance of the System, which amount shall be not less than an amount reasonably estimated to pay the Operation and Maintenance Costs of the System for three calendar months.

(c) Any amounts advanced to UMPA pursuant to an Operating Credit Obligation shall be deposited in the Revenue Fund and applied to the payment of Operating Expenses.

*Section 5.05. Use of Revenue Fund.* The following provisions shall apply with respect to the Revenue Fund so long as any Bonds are Outstanding under this Resolution:

(a) All Revenues shall be promptly deposited by UMPA upon receipt thereof to the credit of the Revenue Fund, which fund shall be kept separate and apart from all other accounts of UMPA and which shall be expended and used by UMPA in the manner and order of priority specified below.

(b) *First*, UMPA shall cause to be paid from the Revenue Fund, from time to time as UMPA shall determine, all Operating Expenses (including any amounts to be set aside as a general reserve for Operating Expenses and any Operating Credit Obligations) as the same become due and payable.

(c) *Second*, UMPA shall, on or before the first Business Day of each month, transfer from the Revenue Fund to the Prior Trustee the amounts required to be transferred pursuant to Sections 5.2(b) and (c) of the Prior Indenture.

(d) *Third*, UMPA shall, on or before the first Business Day of each month, transfer from the Revenue Fund to the Trustee for deposit in the Debt Service Account the amount required so that the balance in the Debt Service Account shall equal (i) the Accrued Aggregate

Debt Service on the Bonds (net of any amounts otherwise available to pay capitalized interest on a Series of Bonds, as specified in the applicable Supplemental Indenture), (ii) any Security Instrument Repayment Obligations coming due, as provided in the Supplemental Indenture authorizing the related Security Instrument, and (iii) any Interest Rate Swap Payment coming due, as provided in the Supplemental Indenture authorizing the related Interest Rate Swap; *provided* that if there are not sufficient moneys to satisfy the requirements of this paragraph with respect to all Series of Bonds, all moneys available for distribution among such Series shall be deposited into the Debt Service Account and distributed on a *pro rata* basis, such distribution to be determined by multiplying the amount available for distribution by the proportion that the deficiency bears to the total deficiency with respect to all Series of Bonds;

(e) *Fourth*, if moneys shall ever have been paid out of such Series Subaccount or a draw on a Reserve Instrument shall have been made, and if such moneys shall not have been replaced from any source, UMPA shall transfer from the Revenue Fund to the Trustee for deposit into the Debt Service Reserve Account, such amount of the money remaining in the Revenue Fund, or all of the money so remaining if less than the amount necessary, until either the amount so paid out of the Debt Service Reserve Account or drawn on the Reserve Instrument shall have been replaced, so as to cause an amount equal to the Debt Service Reserve Requirement to be on deposit therein; *provided* that if there has been established a subaccount in the Debt Service Reserve Account with respect to one or more Bank Loans and there are not sufficient moneys to satisfy the requirements of this paragraph with respect to such Bank Loans and all other Bonds, all moneys available for deposit in the Debt Service Reserve Account shall be deposited in the applicable subaccounts therein on a *pro rata* basis, such distribution to be determined by multiplying the amount available for distribution by the proportion that the deficiency bears to the total deficiency with respect to all Series of Bonds;

(f) *Fifth*, UMPA shall, on or before the first Business Day of each month, transfer from the Revenue Fund to the Trustee for deposit in the Subordinated Indebtedness Fund such amount as shall be required to be deposited under each Supplemental Resolution, Swap Agreement, Power Purchase Contract, or other instrument under which Subordinated Indebtedness (including any Termination Payment) is payable; and

(f) *Sixth*, UMPA shall deposit in the Repair and Replacement Fund any amount required to accumulate therein the Repair and Replacement Fund Requirement. In the event that the amount on deposit in the Repair and Replacement Fund shall ever be less than the Repair and Replacement Fund Requirement, UMPA shall deposit to the Repair and Replacement Fund from the Revenue Fund all remaining Revenues of the System after the payments required by Paragraphs (b), (c), (d), and (e) above have been made, until there is on deposit in the Repair and Replacement Fund an amount equal to the Repair and Replacement Fund Requirement.

(g) *Seventh*, UMPA shall deposit in the Rate Stabilization Fund such amount as UMPA shall determine is necessary or desirable to be deposited therein in accordance with the Power Sale Agreements.

(h) Subject to making the foregoing deposits, UMPA may use the balance of the Revenues accounted for in the Revenue Fund for deposit to the General Reserve Fund, to be applied as set forth in Section 5.11.

*Section 5.06. Debt Service Account.* (a) The Trustee shall pay out of the Debt Service Account to the respective Paying Agents (i) on or before each Interest Payment Date for any of the Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (iii) on or before any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Debt Service Account the accrued interest included in the purchase price of Bonds purchased for retirement.

(b) The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in the Debt Service Account and applied to the payment of interest on the Bonds of such Series as the same becomes due and payable.

(c) The Trustee shall pay out of the Debt Service Account, on or before the date when due, any Interest Rate Swap Payments required to be paid by UMPA to the provider of any Interest Rate Swap.

*Section 5.07. Debt Service Reserve Account.* (a) If on the final day of any month the amount in the Debt Service Account shall be less than the amount required to be in such account pursuant to Section 5.06(a), the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to cure the deficiency; *provided*, however, that, if a separate subaccount in the Debt Service Reserve Account has been established with respect to a Bank Loan, or if the Supplemental Resolution authorizing the issuance of a Bank Loan provides that there shall be no Debt Service Reserve Requirement with respect to such Bank Loan, any amounts in the Debt Service Reserve Account securing the other Bonds shall not be used to cure a deficiency with respect to such Bank Loan, and any amounts in a separate subaccount with respect to such Bank Loan shall not be used to cure a deficiency with respect to the other Outstanding Bonds.

(b) Whenever the moneys on deposit in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, such excess shall be deposited in the Revenue Fund.

(c) Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Debt Service Account.

(d) In lieu of the required transfers of moneys to the Debt Service Reserve Account, UMPA may cause to be deposited into the Debt Service Reserve Account for the benefit of the Holders of the Bonds one or more Reserve Policies in an amount equal to the difference between

the Debt Service Reserve Requirement and the sums of moneys or value of Investment Securities then on deposit in the Debt Service Reserve Account, if any. If a disbursement is made from the Debt Service Reserve Account, including pursuant to a Reserve Instrument, UMPA shall, within 12-months, (i) reinstate the maximum limits of such Reserve Instrument and/or (ii) deposit into the Debt Service Reserve Account, funds in the amount of the disbursement made from the Debt Service Reserve and/or pursuant to a Reserve Instrument, as shall provide that the amount in the Debt Service Reserve Account equals the Debt Service Reserve Requirement.

(e) In the event that the rating attributable to any Reserve Instrument Issuer providing a Reserve Instrument held as above provided in the Debt Service Reserve Account shall fall below that required for such entity to qualify as a Reserve Instrument Issuer, UMPA shall within 12-months either (i) replace such Reserve Instrument with a Reserve Instrument from an entity that then qualifies as a Reserve Instrument Issuer or (ii) deposit into the Debt Service Reserve Account sufficient funds, or a combination of such alternatives, as shall provide that the amount in the Debt Service Reserve Account equals the Debt Service Reserve Requirement.

*Section 5.08. Repair and Replacement Fund.* (a) Moneys in the Repair and Replacement Fund may be drawn on and used by UMPA for the purpose of (a) paying the cost of unusual or extraordinary maintenance or repairs of the System; (b) paying the costs of any renewals, renovation, improvements, expansion, or replacements to the System; (c) paying the cost of any replacement of buildings, lines, equipment, and other related facilities, to the extent the same are not paid as part of the ordinary and normal expense of the operation of the System; and (d) paying the decommissioning costs of any System facilities.

(b) Funds shall be deposited monthly from available Revenues (and Other Available Funds if applicable) in such amounts as may be required from time to time by each Supplemental Resolution until the Repair and Replacement Fund has an amount equivalent to the Repair and Replacement Requirement. Any deficiencies below the Repair and Replacement Requirement shall be made up from Revenues of the System (and Other Available Funds, if applicable) available for such purposes. Funds at any time on deposit in the Repair and Replacement Fund in excess of the amount required to be maintained therein may, at any time, be transferred to the General Reserve Fund and used by UMPA for any lawful purpose.

(c) UMPA may establish separate accounts in the Repair and Replacement Fund in connection with specific power supply projects or other System facilities.

*Section 5.09. Rate Stabilization Fund.* UMPA has created, and shall maintain at all times hereafter, the Rate Stabilization Fund as a separate fund of UMPA. The Rate Stabilization Fund has been funded by UMPA from Revenues of the System and shall continue to be funded by UMPA from amounts transferred from the Revenue Fund as provided in Section 5.05(g)(iv). UMPA may, from time to time, designate all or a portion of the amounts on deposit in the Rate Stabilization Fund as Other Available Funds. Except for amounts designated as provided in the immediately preceding sentence (for the year so designated), amounts on deposit in the Rate Stabilization Fund may be used by UMPA for any lawful purpose. To the extent that amounts on deposit in the Revenue Fund are insufficient in any year for any of the purposes thereof, UMPA covenants that, to the extent amounts are on deposit in the Rate Stabilization Fund, it shall

transfer amounts from the Rate Stabilization Fund to the Revenue Fund to cover any such insufficiency.

*Section 5.10. Subordinated Indebtedness Fund.* (a) The Trustee shall apply amounts in each separate account in the Subordinated Indebtedness Fund at the times, in the amounts, and to the purposes specified with respect thereto in the respective resolutions, indentures or other instruments (including any Supplemental Resolution, Swap Agreement or Power Purchase Contract), relating to such account and the Subordinated Indebtedness (including any Termination Payment) payable therefrom or secured thereby. Upon the withdrawal of any moneys from the Subordinated Indebtedness Fund for application to such purposes, such money shall be released and discharged from the lien of the Resolution.

(b) Subject to the provisions of, and to the priorities and limitations and restrictions provided in, the resolution, indenture or other instrument, including any Supplemental Resolution, securing each issue of Subordinated Indebtedness, amounts in the Subordinated Indebtedness Fund which UMPA at any time determines to be in excess of the requirements of such Fund, may, at the discretion of UMPA, be transferred to the General Reserve Fund and applied in accordance with Section 5.11.

*Section 5.11. General Reserve Fund.* Amounts in the General Reserve Fund may, upon determination of UMPA, be applied to or set aside for any one or more of the following:

(a) the purchase or redemption of any Bonds or Subordinated Indebtedness (including any Termination Payment), or the payment or prepayment of any Operating Credit Obligation, and expenses in connection with the purchase or redemption of any Bonds or Subordinated Indebtedness or the payment or prepayment of the Operating Credit Obligation, or the funding of any escrow or reserve which UMPA determines shall be required for such purposes;

(b) payments into any the Project Fund for application to the purposes of such Fund;

(c) payments of the Cost of Acquisition and Construction of any renewals, replacements, repairs, additions, betterments, enlargements, or improvements to the System;

(d) deposit in a special account in the General Reserve Fund which may be created by UMPA for a decommissioning reserve (to the extent not otherwise provided for in connection with an account in the Repair and Replacement Fund); and

(e) any other lawful purpose.

## ARTICLE VI

### DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

*Section 6.01. Depositaries.* (a) All moneys held by the Trustee under the provisions of the Resolution shall be deposited with the Trustee and the Trustee may deposit such moneys with one or more Depositaries appointed by UMPA and approved by the Trustee (which approval may not be unreasonably withheld) in trust for the Trustee. All moneys held by UMPA under the Resolution shall be deposited in one or more Depositaries in trust for UMPA. All moneys deposited under the provisions of the Resolution with the Trustee or any Depositary shall be held in trust and applied only in accordance with the provisions of the Resolution, and each of the Funds established by the Resolution shall be a trust fund for the purposes thereof.

(b) Each Depositary shall be a bank or trust company organized under the laws of any state of the United States or a national banking association which is willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the Resolution.

*Section 6.02. Investment of Certain Funds.* Moneys held in the Debt Service Account and the Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities which mature not later than at such times as shall be necessary to provide moneys when needed for payments to be made from such Accounts. Moneys held in the Revenue Fund, the Project Fund, the Repair and Replacement Fund, and the Rate Stabilization Fund may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. The Trustee shall make all such investments of moneys held by it in accordance with written instructions received from any Authorized Officer, except if an Event of Default has occurred and is continuing, in which event the Trustee shall make such investments as are proper. UMPA may instruct the Trustee, in making any investment in any Investment Securities with moneys in any Fund or Account established under the Resolution, to combine such moneys with moneys in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

Nothing in the Resolution shall prevent any Investment Securities acquired as investments of funds held under the Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

*Section 6.03. Valuation and Sale of Investments.* Obligations purchased as an investment of moneys in any Fund or Account created under the provisions of the Resolution, together with investment earnings thereon, shall be deemed at all times to be a part of such Fund or Account and any profit realized from the liquidation of such investment shall be credited to such Fund or Account and any loss resulting from the liquidation of such investment shall be charged to the respective Fund or Account.

In computing the amount in any Fund created under the provisions of the Resolution for any purpose provided in the Resolution, obligations purchased as an investment of moneys

therein shall be valued at the amortized cost of such obligations, exclusive of accrued interest, unless such obligations do not mature or are not redeemable at the option of the holder thereof in less than seven years from the date of valuation, in which case such obligations shall be valued at the amortized cost of such obligations or at the market price thereof, whichever is lower, exclusive of accrued interest. The accrued interest paid from such moneys in connection with the purchase of any obligation shall be included in the value thereof until the interest on such obligation is paid. Such computation shall be determined as of the end of UMPA's Fiscal Year in each year.

Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption, any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized Officer so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

## ARTICLE VII

### PARTICULAR COVENANTS OF UMPA

UMPA covenants and agrees with the Trustee and the Bondholders as follows:

*Section 7.01. Payment of Bonds.* UMPA shall duly and punctually pay or cause to be paid, but solely from the Revenues, Funds, and the proceeds of the Bonds pledged therefor by the Resolution, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof.

*Section 7.02. Extension of Payment of Bonds.* UMPA shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the funding of such Bonds, claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of Revenues or Funds established by the Resolution, including the investments, if any, thereof, pledged under the Resolution or the moneys (except moneys held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Fiduciaries, except subject to the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of UMPA to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

*Section 7.03. Offices for Servicing Bonds.* UMPA shall at all times maintain one or more addresses where Bonds may be presented for registration, transfer or exchange, and for the

service upon UMPA of notices, demands and other documents as provided with respect to each Series of Bonds, in the Supplemental Resolution authorizing the issuance of such Series of Bonds.

*Section 7.04. Further Assurance.* At any and all times UMPA shall, as far as it may be authorized by law, comply with any reasonable request of the Trustee to pass, make, do, execute, acknowledge and deliver all such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys, securities and Funds hereby pledged or assigned, or intended so to be, or which UMPA may become bound to pledge or assign.

*Section 7.05. Power to Issue Bonds and Pledge Revenues and Other Funds.* UMPA is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge, assign and grant a security interest in the Revenues and other moneys, securities and Funds purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Resolution, the Revenues and other moneys, securities and Funds so pledged and assigned are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and assignment created by the Resolution, and all corporate or other action on the part of UMPA to that end has been and will be duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of UMPA in accordance with their terms and the terms of the Resolution. UMPA shall at all times, to the extent permitted by law, defend, preserve and protect the pledge and assignment of the Revenues and other moneys, securities and Funds pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

*Section 7.06. Power To Fix and Collect Rates, Fees and Charges.* UMPA has, and will have as long as any Bonds are Outstanding, good right and lawful power to establish and collect rates, fees and charges with respect to the use and the sale of the capacity, output or service of the System, subject to the terms of the System Agreements.

*Section 7.07. Creation of Liens; Sale and Lease of Property.* (a) UMPA shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge or assignment of the Revenues or other moneys, securities or Funds held or set aside by UMPA or by the Fiduciaries under the Resolution and shall not create or cause to be created any lien or charge on the Revenues or such moneys, securities or Funds; *provided, however,* that nothing contained in the Resolution shall prevent UMPA from issuing, if and to the extent permitted by law, (i) evidences of indebtedness (A) payable out of moneys in the Project Fund as part of the Cost of Acquisition and Construction of the System, or (B) payable out of, or secured by a pledge and assignment of, Revenues to be received on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in Section 12.01, (ii) Operating Credit Obligations, or (iii) Subordinated Indebtedness.

(b) No part of the System shall be sold, leased, mortgaged or otherwise disposed of, except as follows:

(i) UMPA may sell or exchange at any time and from time to time any property or facilities constituting part of the System only (A) if it shall determine that such property or facilities are not useful in the operation of the System, (B) the book value of property or facilities sold or exchanged is not more than the greater of \$1,000,000 or 5% of the book value of the assets of the System at such time or (C) UMPA shall file with the Trustee a certificate of an Authorized Officer setting forth a determination of the Board that the sale or exchange of such property will not impair the ability of UMPA to comply during the current or any future Fiscal Year with the provisions of Section 7.10.

(ii) UMPA may lease or make contracts or grant licenses for operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, *provided* that any such lease, contract, license, arrangement, easement or right does not impede the operation by UMPA or its agents of the System and *provided, further,* that if the depreciated cost of the property to be covered by any such lease, contract, license, arrangement, easement or other right is in excess of the greater of \$1,000,000 or 5% of the book value of the assets of UMPA at such time, UMPA shall first file with the Trustee a certificate of an Authorized Officer setting forth a determination of the Board that the action of UMPA with respect thereto does not result in a breach of the conditions under this paragraph (ii). Any payments received by UMPA under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System or any part thereof shall constitute Revenues; and

(iii) UMPA may permanently discontinue the acquisition or construction of any portion of the System as provided in Section 5.03(e).

(c) UMPA shall not make any determination, pursuant to the last sentence of the definition of the term "System" in this Resolution, that any properties or interests in properties do not constitute a part of the System for the purposes of the Resolution unless either (i) such determination is made prior to the acquisition of such properties or interests in properties or (ii) such determination is made in accordance with Section 7.07(b).

*Section 7.08. Annual Budget.* UMPA shall prepare and file with the Trustee an Annual Budget for the ensuing Fiscal Year which shall set forth in reasonable detail the estimated Revenues and Operating Expenses and other expenditures of the System for such Fiscal Year and which shall include appropriations for the estimated Operating Expenses for such Fiscal Year, including provision for any general reserve for Operating Expenses, the estimated amount to be deposited during such Fiscal Year in the Repair and Replacement Fund and the requirements, if any, for the amounts estimated to be expended for each Fund and Account established under the Resolution. Following the end of each quarter of each Fiscal Year UMPA shall review its estimates set forth in the Annual Budget for such Fiscal Year, and in the event such estimates do not substantially correspond with actual Revenues, Operating Expenses or other requirements, or if there are at any time during any such Fiscal Year extraordinary receipts or payments of

unusual costs, UMPA shall prepare an amended Annual Budget for the remainder of such Fiscal Year. UMPA also may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

*Section 7.09. Operation and Maintenance of System.* UMPA shall at all times use its best efforts to operate or cause to be operated the System properly and in an efficient and economical manner, subject to the System Agreements and consistent with Prudent Utility Practice, and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or use its best efforts to cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted.

*Section 7.10. Rates, Fees and Charges.* (a) UMPA shall at all times establish and collect rates and charges under the Power Sale Agreements and shall otherwise charge and collect rates and charges for the use or the sale of the output, capacity or service of the System in each Fiscal Year which, together with all other Revenues, are reasonably expected to yield Net Revenues which

(i) shall be equal to at least 100% of the Aggregate Debt Service for such Fiscal Year (excluding any Other Available Funds), and

(ii) together with any Other Available Funds, shall be equal to at least 110% of the Aggregate Debt Service for such Fiscal Year;

and as shall be required, together with all other available funds, to pay or discharge all other indebtedness, obligations (including any Termination Payment), charges, and liens whatsoever payable out of Revenues for such Fiscal Year.

(b) Not less frequently than once each Fiscal Year, UMPA shall review the rates and charges established pursuant to Section 7.10(a) and shall promptly revise such rates and charges as necessary to comply with the foregoing requirements.

*Section 7.11. Power Sale Agreements.* (a) UMPA shall collect and forthwith deposit in the Revenue Fund all amounts payable to it pursuant to the Power Sale Agreements, any other Power Sale Contracts or any other contract for the sale or use of output, capacity or other service from the System or any part thereof. UMPA shall enforce the provisions of the Power Sale Agreements and any other Power Sale Contracts and duly perform its covenants and agreements thereunder.

(b) UMPA shall include in the rates charged to its Members under the Power Sale Agreements, a Power Cost Adjustment (as defined in the S-1 Rate Schedule attached to the Power Sale Agreements) or such other cost recovery mechanism as the Board shall approve.

(c) UMPA will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with any Power Sale Agreement which will materially impair or adversely affect the rights of UMPA thereunder or the rights or security of the Bondholders under the Resolution; *provided* that (i) extension of the term of any Power Sale Agreement shall not constitute such a revision or amendment and (ii) in connection with any addition to the System, UMPA may supplement or amend a Power Sale Agreement to provide for the sale or use by UMPA or others of the output, capacity, or service of the System in any manner which does not reduce or in any manner materially impair or adversely affect the rights of UMPA thereunder or the rights or security of the Bondholders under the Resolution.

*Section 7.12. Maintenance of Insurance.* (a) UMPA shall, at all times, use its best efforts to keep or cause to be kept the properties of the System which are of an insurable nature and of the character usually insured by those operating properties similar to the System insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are usually obtained. UMPA shall, at all times, use its best efforts to maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of the System.

(b) Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to UMPA unless otherwise required by the System Agreements.

*Section 7.13. Reconstruction; Application of Insurance Proceeds.* (a) If any useful portion of the System shall be damaged or destroyed, UMPA shall, as expeditiously as possible, continuously and diligently pursue or cause to be pursued the reconstruction or replacement thereof, unless it is determined under the provisions of the System Agreements that such reconstruction and replacements are not to be undertaken. The proceeds of any insurance paid on account of such damage or destruction (other than any business interruption loss insurance or insurance proceeds deposited in the Project Fund pursuant to Section 5.03(b)), unless held and applied under the System Agreements, shall be held by UMPA in a special account and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement. Pending such application, such proceeds may be invested by UMPA in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such costs of reconstruction or replacement or may be invested as otherwise provided for under the System Agreements. Interest earned on such investments shall be deposited in the Repair and Replacement Fund. The proceeds of any insurance not applied within 36 months after receipt thereof by UMPA to repairing or replacing damaged or destroyed property, or in respect of which notice in writing of intention to apply the same to the work of repairing or replacing the property damaged or destroyed shall not have been given to the Trustee by UMPA within such 36 months, or which UMPA shall at any time notify the Trustee are not to be so applied, shall be deposited in the Repair and Replacement Fund unless otherwise applied or to be applied in accordance with the System Agreements.

(b) If the proceeds of insurance authorized by this Section to be applied to the reconstruction or replacement of any portion of the System are insufficient for such purpose, the deficiency may be supplied out of moneys in the Repair and Replacement Fund.

(c) The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund.

*Section 7.14. Accounts and Reports.* (a) UMPA shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the System and each Fund and Account established under the Resolution and relating to its costs and charges under the System Agreements, and which, together with all System Agreements and all other books and papers of UMPA, including insurance policies, relating to the System, shall at all times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

(b) The Trustee shall advise UMPA after the end of each calendar month of the transactions during such monthly period relating to each Fund and Account held by it under the Resolution.

(c) UMPA shall annually, within 120 days after the close of each Fiscal Year (the first such report to be filed with respect to the Fiscal Year ending June 30, 2016) file with the Trustee, and otherwise as provided by law, a financial statement in reasonable detail for the preceding Fiscal Year showing the Revenues, all expenditures from the Revenues for operation and maintenance of the System and other expenditures from the Revenues applicable to the System, together with a balance sheet in reasonable detail reflecting the financial condition of UMPA, including the balances of all funds relating to the System as of the end of such Fiscal Year, which financial statement and balance sheet shall be accompanied by an Accountant's Certificate. Such Accountant's Certificate or a separate certificate shall also state whether or not, to the knowledge of the signer, UMPA is in default with respect to any of the covenants, agreements or conditions on its part contained in the Resolution, and if so, the nature of such default.

(d) The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Resolution shall be available for the inspection of Bondholders at the office of the Trustee and shall be mailed to each Bondholder who shall file a written request therefor with UMPA. UMPA may charge for such reports, statements and other documents, a reasonable fee to cover reproduction, handling and postage.

(e) UMPA shall file with the Trustee (i) forthwith upon becoming aware of any Event of Default or default in the performance by UMPA of any covenant, agreement or condition contained in the Resolution, a certificate signed by an appropriate Authorized Officer and specifying such Event of Default or default and (ii) within 120 days after the end of each year, commencing with the year ending June 30, 2017, a certificate signed by an appropriate Authorized Officer stating that, to the best of his knowledge and belief, UMPA has kept, observed, performed and fulfilled each and every one of its covenants and obligations contained

in the Resolution and there does not exist at the date of such certificate any default by UMPA under the Resolution or any Event of Default or other event which, with the lapse of time specified in Section 8.01 would become an Event of Default, or, if any such default or Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

*Section 7.15. Payment of Taxes and Charges.* UMPA will, from time to time, duly pay and discharge, or cause to be paid and discharged, all taxes, assessments, and other governmental charges, or required payments in lieu thereof, lawfully imposed upon the properties of UMPA or upon the rights, revenues, income, receipts, and other moneys, securities, and funds of UMPA when the same shall become due (including all rights, moneys and other property transferred, assigned, or pledged under the Resolution), and all lawful claims for labor, material, and supplies, except those taxes, assessments, charges, or claims which UMPA shall, in good faith, contest by proper legal proceedings if UMPA shall, in all such cases, have set aside on its books reserves deemed adequate with respect thereto.

*Section 7.16. Power Purchase Contracts and System Agreements.* (a) UMPA may from time to time enter into Power Purchase Contracts and additional System Agreements for the purchase of electric power and energy, transmission service, fuel and other commodities, and other services or property used or useful in the operation of the System. The amounts payable by UMPA under Power Purchase Contracts and System Agreements shall constitute items of Operating Expenses unless otherwise determined by UMPA. UMPA shall not enter into any System Agreement or Power Purchase Contract under which it is obligated to make payments on a "take-or-pay" basis and as an item of Operating Expenses unless it shall first determine that such Agreement or Contract will not adversely affect its ability to meet its obligations under Section 7.01 and 7.10.

*Section 7.17. General.* (a) UMPA shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of UMPA under the provisions of the Act and the Resolution.

(b) Upon the date of authentication and delivery of any of the Bonds, all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of UMPA, shall comply in all respects with the applicable laws of the State of Utah.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

*Section 8.01. Events of Default.* Each of the following events is hereby defined as and declared to be and shall constitute an Event of Default:

(a) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call or proceedings for redemption, or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment, when and as such interest installment or Sinking Fund Installment shall become due and payable;

(c) if default shall be made by UMPA in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall have continued for a period of 60 days after written notice specifying such default and requiring that it shall have been remedied is given to UMPA by the Trustee or to UMPA and to the Trustee by the Holders of not less than 25% in principal amount of the Bonds Outstanding;

(d) if UMPA shall become insolvent or fail generally to pay its debts as they become due, or make any general assignment for the benefit of creditors or apply for, consent to or acquiescence in, the appointment of a trustee or receiver for itself or any part of its property, or shall take any action to authorize or effect any of the foregoing; or in the absence of any such application, consent or acquiescence, a trustee or receiver shall be appointed for it or for a substantial part of its property and shall not be discharged within a period of 30 days;

(e) all, or any substantial part, of the property of the System shall be condemned, seized or otherwise appropriated, or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against UMPA (or any action shall be taken to authorize or effect the institution by it of any of the foregoing) and, if instituted against it, shall be consented to or acquiesced in by it, or shall not be dismissed within a period of 90 days; or

(f) if an "Event of Default" shall have occurred under Section 7.1(a) or (b) of the Prior Indenture;

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, either the Trustee (by notice in writing to UMPA), or the Holders of not less than 25% in principal amount of the Bonds Outstanding (by notice in writing to UMPA and the Trustee), may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee or of the Holders of not less than 25% in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such

overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by UMPA under the Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of UMPA or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provisions deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of a majority in principal amount of the Bonds Outstanding, by written notice to UMPA and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of a majority in principal amount of the Bonds then Outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default and its consequences shall *ipso facto* be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

*Section 8.02. Accounting and Examination of Records After Default.* (a) UMPA covenants that if an Event of Default shall have happened and shall not have been remedied, the books of records and accounts of UMPA and all other records relating to the System shall be subject to the inspection and use of the Trustee and of its agents and attorneys.

(b) UMPA covenants that if an Event of Default shall happen and shall not have been remedied, UMPA, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution for such period as shall be stated in such demand.

*Section 8.03. Application of Revenues and Other Moneys After Default.* (a) UMPA covenants that if an Event of Default shall happen and shall not have been remedied, UMPA, upon the demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all moneys, securities and funds then held by UMPA in any Fund under the Resolution, and (ii) all Revenues as promptly as practicable after receipt thereof.

(b) During the continuance of an Event of Default, the Trustee shall apply all moneys, securities, funds and Revenues received by the Trustee pursuant to any right given or action taken under the provisions of this Article as follows and in the following order:

(i) *Expenses of Fiduciaries*—to the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries;

(ii) *Operating Expenses*—to the payment of the amounts required for reasonable and necessary Operating Expenses and for the reasonable renewals, repairs and replacements of the System necessary in the judgment of the Trustee to prevent a loss of Revenues. For this purpose, the books of records and accounts of UMPA relating to the System shall be subject to the inspection of the Trustee and its representatives and agents during the continuance of such Event of Default;



(iii) *Principal or Redemption Price and Interest*—to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

(A) *Interest.* To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

(B) *Principal or Redemption Price.* To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption or acceleration, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference;

(c) If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums payable by UMPA under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable, shall either be paid by or for the account of UMPA, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made thereof, the Trustee shall pay over to UMPA all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon UMPA and the Trustee shall be restored, respectively, to their former positions and rights under the Resolution. No such payment over to UMPA by the Trustee nor such restoration of UMPA and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

*Section 8.04. Appointment of Receiver.* If an Event of Default shall happen and shall not have been remedied as of the Prior Indenture Retirement Date, the Trustee shall have the right to apply in an appropriate proceeding for the appointment of a receiver of the System with power to operate and maintain the System, collect, receive and apply all Revenues and prescribe rates, tolls and charges, in the same way and manner that UMPA might do. Whenever all defaults in the payment of principal of, and interest on the Bonds and all defaults under the Resolution or the Bonds shall be made good, such receiver shall be discharged by the court and shall surrender control of the System to UMPA.

*Section 8.05. Proceedings Brought by Trustee.* (a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and

attorneys, may proceed, and upon written request of the Holders of not less than 25% in principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted or any remedy granted under the Act, or for an accounting against UMPA as if UMPA were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

(b) All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

(c) The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

(d) Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Resolution and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(e) Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

*Section 8.06. Restriction on Bondholder's Action.* (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Holders of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Resolution or by the Act or by the laws of the State of Utah or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred

therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 7.02.

(b) Nothing in the Resolution or in the Bonds contained shall affect or impair the obligation of UMPA, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and premium, if any, and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of his Bond.

*Section 8.07. Remedies Not Exclusive.* The remedies described in the preceding sections of this Article VIII shall be the sole and exclusive remedies available to the Trustee and the Bondholders under this Resolution at all times prior to the Prior Indenture Retirement Date. From and after the Prior Indenture Retirement Date, no remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law, including under the Act, or in equity or by statute on or after the date of adoption of the Resolution.

*Section 8.08. Effect of Waiver and Other Circumstances.* (a) No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

(b) The Holders of not less than 66-2/3% in aggregate principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Holders of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium, if any, on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

*Section 8.09. Notice of Default.* The Trustee shall mail to registered Holders of Bonds, and to all Bondholders who have filed their names and addresses with the Trustee, written notice of the occurrence of any Event of Default, *provided* that, except in the case of an Event of Default described in subsections (a) and (b) of Section 8.01, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the best interests of the Bondholders.

## ARTICLE IX

### CONCERNING THE FIDUCIARIES

*Section 9.01. Trustee; Appointment and Acceptance of Duties.* Zions Bank, a division of ZB, National Association, is hereby appointed as Trustee under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution and all other agreements with UMPA by executing and delivering to UMPA a written acceptance thereof, and by executing such acceptance, the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be validly issued, but only, however, upon the terms and conditions set forth in the Resolution.

*Section 9.02. Paying Agents; Appointment and Acceptance of Duties.* (a) UMPA shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 9.13 for a successor Paying Agent. The Trustee may be appointed a Paying Agent.

(b) Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to UMPA and to the Trustee a written acceptance thereof.

(c) Unless otherwise provided, the principal corporate trust offices of the Paying Agents are designated as the respective offices or agencies of UMPA for the payment of the interest on and principal or Redemption Price of the Bonds.

*Section 9.03. Responsibilities of Fiduciaries.* (a) The recitals herein and in the Bonds contained shall be taken as the statements of UMPA, and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representation as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Resolution to or upon the order of UMPA or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of Section 9.03(b), no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or misconduct.

(b) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. Any provision

of the Resolution relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section 9.03.

*Section 9.04. Evidence on Which Fiduciaries May Act.* (a) Each Fiduciary, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of the Resolution, shall examine such instrument to determine whether it conforms to the requirements of the Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may reasonably consult with counsel, who may or may not be of counsel to UMPA, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

(b) Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof; but in its discretion, the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as may seem reasonable to it.

(c) Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by UMPA to any Fiduciary shall be sufficiently executed in the name of UMPA by an Authorized Officer.

*Section 9.05. Compensation.* Prior to its appointment, each Fiduciary shall file with UMPA a negotiated schedule of anticipated fees and charges for services to be performed pursuant to the Resolution. UMPA shall pay to each Fiduciary from time to time pursuant to such schedule reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees, and other disbursements, including those of its attorneys, agents and other persons not regularly in its employ, incurred in and about the performance of their powers and duties under the Resolution, and each Fiduciary shall have a lien therefor on any and all funds at any time held by it under the Resolution. Subject to the provisions of Section 9.03, UMPA further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence, misconduct or default.

*Section 9.06. Certain Permitted Acts.* Any Fiduciary may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

*Section 9.07. Resignation of Trustee.* The Trustee may at any time resign and be discharged from the duties and obligations created by the Resolution by giving not less than 60 days' written notice to UMPA, and such resignation shall take effect upon the date specified in such notice unless previously a successor shall have been appointed by UMPA or the Bondholders as provided in Section 9.09, in which event such resignation shall take effect immediately on the appointment of such successor.

*Section 9.08. Removal of Trustee.* The Trustee may be removed at any time with or without cause by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of UMPA. UMPA may remove the Trustee at any time, except during the existence of an Event of Default, with or without cause in the sole discretion of UMPA, by filing with the Trustee an instrument signed by an Authorized Officer. The Trustee's rights to indemnity and amounts then due and payable shall survive any such removal.

*Section 9.09. Appointment of Successor Trustee.* (a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of UMPA, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to UMPA and the predecessor Trustee; provided, nevertheless, that unless a successor Trustee shall have been appointed by the Bondholders as aforesaid, UMPA by a duly executed written instrument signed by an Authorized Officer shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders as authorized in this Section 9.09. After such appointment of a successor Trustee, UMPA shall mail notice of any such appointment by it or the Bondholders to the registered owners of the Bonds then Outstanding. Any successor Trustee appointed by UMPA shall, immediately and without further act, be superseded by a Trustee appointed by the Bondholders.

(b) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to UMPA written notice as provided in Section 9.07 or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

(c) Any Trustee appointed under the provisions of this Section 9.09 in succession to the Trustee shall be a bank or trust company or national banking association having capital stock, surplus and undivided earnings aggregating at least \$50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

*Section 9.10. Transfer of Rights and Property to Successor Trustee.* Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to UMPA, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall, nevertheless, on the written request of UMPA, or of the successor Trustee, execute, acknowledge and deliver such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth should any deed, conveyance or instrument in writing from UMPA be reasonably required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, power and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by UMPA. UMPA shall promptly notify the Paying Agents of the appointment of any such successor Trustee.

*Section 9.11. Merger or Consolidation.* Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all duties imposed upon it by the Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

*Section 9.12. Adoption of Authentication.* In case any of the Bonds contemplated to be issued under the Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in the Resolution provided that the certificate of the Trustee shall have.

*Section 9.13. Resignation or Removal of Paying Agent and Appointment of Successor.*  
 (a) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least 60 days' written notice to UMPA, the Trustee and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer. Any successor Paying Agent shall be appointed by UMPA and shall be a bank or trust company organized under the laws of any state of the United States or national banking association, having capital stock, surplus and undivided earnings aggregating at least \$50,000,000, and willing and able to

accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(b) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

## ARTICLE X

### SUPPLEMENTAL RESOLUTIONS

*Section 10.01. Supplemental Resolutions Effective Upon Filing With the Trustee.* For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(a) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(b) To add to the covenants and agreements of UMPA in the Resolution, other covenants and agreements to be observed by UMPA which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(c) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by UMPA which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(d) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Section 2.02, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify, or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(e) to provide for the issuance, execution, delivery, authentication, payment, registration, transfer and exchange of Bonds in bearer or coupon form or in uncertificated form, and, in connection therewith, to specify and determine any matters and things relative thereto;

(f) To confirm, as further assurance, any pledge or assignment under and the subjection to any security interest, pledge, or assignment created or to be created by the Resolution, of the Revenues, or any other moneys, securities, or funds;

(g) To modify any of the provisions of the Resolution in any other respect whatever, *provided* that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

(h) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or

(i) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to the Resolution as theretofore in effect.

*Section 10.02. Supplemental Resolutions Effective With Consent of Bondholders.* At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article XI, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer and upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI.

*Section 10.03. General Provisions.* (a) The Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article X and Article XI. Nothing contained in this Article X or Article XI contained shall affect or limit the right or obligation of UMPA to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.04 or the right or obligation of UMPA to execute and deliver to any Fiduciary any instrument which elsewhere in the Resolution it is provided shall be delivered to said Fiduciary.

(b) Any Supplemental Resolution referred to and permitted or authorized by Section 10.01 may be adopted by UMPA without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent, and at the time provided in said Section. Except for a Supplemental Resolution adopted pursuant to Section 10.01(d), the copy of every Supplemental Resolution, when filed with the Trustee, shall be accompanied by an Opinion of Counsel stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon UMPA in accordance with its terms.

(c) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 10.01 or 10.02 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an Opinion of Counsel that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

(d) No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

## ARTICLE XI

### AMENDMENTS

*Section 11.01. Mailing of Notice.* Any provision in this Article for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid (i) to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of UMPA, and (ii) to the Trustee.

*Section 11.02. Powers of Amendment.* In addition to amendments permitted by Article X, any modification or amendment of the Resolution and of the rights and obligations of UMPA and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Section 11.03, (i) of the Holders of not less than a majority in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of not less than a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, (iii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of not less than a majority in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given, and (iv) in case the modification or amendment changes the terms of the Resolution applicable to the Operating Credit Obligation, of the Holder of the Operating Credit Obligation; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of not less than a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages

or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section 11.02, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series.

*Section 11.03. Consent of Bondholders.* UMPA may, at any time, adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 11.02 to take effect when and as provided in this Section 11.03. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by UMPA to the Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in this Section 11.03). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (i) the written consents of Holders of the percentages of Outstanding Bonds specified in Section 11.02 and (ii) an Opinion of Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by UMPA in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon UMPA and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 12.02. A certificate or certificates executed by the Trustee and filed with UMPA stating that it has examined such proof and that such proof is sufficient in accordance with Section 12.02 shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 12.02 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section 11.03 provided for is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 12.02. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with UMPA to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with UMPA a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by UMPA on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section 11.03, may be given to Bondholders by UMPA by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this Section 11.03). UMPA shall file with the Trustee proof of the mailing thereof. A record, consisting of the certificates or statements required or permitted by this Section 11.03

to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon UMPA, the Fiduciaries, and the Holders of all Bonds at the expiration of 40 days after the filing with the Trustee of the proof of the mailing of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such 40-day period; *provided, however*, that any Fiduciary and UMPA during such 40-day period and any such further period during which any such action or proceeding may be pending shall be entitled, in its absolute discretion, to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

*Section 11.04. Exclusion of Bonds.* Bonds owned or held by or for the account of UMPA shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article XI, and UMPA shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, UMPA shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

*Section 11.05. Notation on Bonds.* Bonds authenticated and delivered after the effective date of any action taken as provided in Article X or this Article XI may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by UMPA and the Trustee as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the corporate trust office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If UMPA or the Trustee shall so determine, new Bonds so modified as, in the opinion of the Trustee and UMPA to, conform to such action shall be prepared, authenticated, and delivered and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series, maturity, and interest rate then Outstanding, upon surrender of such Bonds. Any action taken as in Article X or this Article XI provided shall be effective and binding upon all Bondholders notwithstanding that the notation is not endorsed on all Bonds.

## ARTICLE XII

### MISCELLANEOUS

*Section 12.01. Defeasance.* (a) If UMPA shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of any Revenues and other moneys and securities pledged under the Resolution and all covenants, agreements, and other obligations of UMPA to the Bondholders, shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by UMPA to

be prepared and filed with UMPA and, upon the request of UMPA, shall execute and deliver to UMPA all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to UMPA all moneys or securities held by them pursuant to the Resolution which are not required for the payment of principal or Redemption Price, if applicable, on Bonds not theretofore surrendered for such payment or redemption. If UMPA shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds of a particular Series, or of a particular maturity within a Series, the principal or Redemption Price and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit, or security under the Resolution, and all covenants, agreements, and obligations of UMPA to the Holders of such Bonds shall thereupon cease, terminate, and become void and be discharged and satisfied.

(b) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by UMPA of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in Section 12.01(a). All Outstanding Bonds of any Series, or of any maturity within a Series, shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in Section 12.01(a) if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, UMPA shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to mail as provided in Article IV notice of redemption of such Bonds on said date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities (including any Defeasance Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay, when due the principal or Redemption Price and interest due, and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, UMPA shall have given the Trustee, in form satisfactory to it, irrevocable instructions to mail a notice to the Holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 12.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price on said Bonds. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section, nor principal or interest payments on any such Defeasance Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price and interest on said Bonds, *provided* that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to UMPA as received by the Trustee, free and clear of any trust, lien, or pledge securing said Bonds or otherwise existing under the Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay, when due, the principal or Redemption Price and interest to become due on said Bonds on or prior to such

redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to UMPA, as received by the Trustee, free and clear of any trust, lien, or pledge.

(c) For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the second sentence of subsection (b) of Section 12.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; *provided, however*, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Rate Bonds in order to satisfy the second sentence of subsection (b) of Section 12.01, the Trustee shall, if requested, by UMPA, pay the amount of such excess to UMPA free and clear of any trust, lien, security interest, pledge or assignment securing the Bonds or otherwise existing under the Resolution.

(d) Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for five years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall, at the written request of UMPA, be repaid by the Fiduciary to UMPA, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to UMPA for the payment of such Bonds; *provided, however*, that before being required to make any such payment to UMPA, the Fiduciary shall, at the expense of UMPA, cause a notice to be filed with the Municipal Securities Rulemaking Board, or any successor Board, by means of its Electronic Municipal Market Access system, or any authorized alternate system then in use, that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to UMPA.

*Section 12.02. Evidence of Signatures of Bondholders and Ownership of Bonds.* (a) Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(i) The fact and date of the execution by any Bondholder or his attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgements of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(ii) The amount of Bonds transferable by delivery held by any person executing any instrument as a Bondholder, the date of his holding such Bonds, and the numbers and other identification thereof, may be proved by a certificate, which need not be acknowledged or verified, in form satisfactory to the Trustee, executed by the Trustee or by a member of a financial firm or by an officer of a bank, trust company, insurance company, or financial corporation or other depository wherever situated, showing at the date therein mentioned that such person exhibited to such member or officer or had on deposit with such depository the Bonds described in such certificate. Such certificate may be given by a member of a financial firm or by an officer of any bank, trust company, insurance company, or financial corporation or depository with respect to Bonds owned by it, if acceptable to the Trustee.

(b) The ownership of Bonds registered otherwise than to bearer and the amount, numbers and other identification, and date of holding the same, shall be proved by the registry books.

(c) Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by UMPA or any Fiduciary in accordance therewith.

*Section 12.03. Moneys Held for Particular Bonds.* The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

*Section 12.04. Preservation and Inspection of Documents.* All documents received by any Fiduciary under the provisions of the Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of UMPA, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

*Section 12.05. Parties Interested Herein.* Nothing in the Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than UMPA, the Fiduciaries, and the Holders of the Bonds any right, remedy, or claim under or by reason of the Resolution or any covenant, condition, or stipulation thereof; and all the covenants, stipulations, promises, and agreements in the Resolution contained by and on behalf

of UMPA shall be for the sole and exclusive benefit of the UMPA, the Fiduciaries, and the Holders of the Bonds.

*Section 12.06. No Recourse on the Bonds.* No Board member, officer, agent or employee of UMPA shall be individually or personally liable for the payment of the principal or Redemption Price or interest on the Bonds.

*Section 12.07. Severability of Invalid Provisions.* If any one or more of the covenants or agreements provided in the Resolution on the part of UMPA or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of the Resolution.

*Section 12.08. Repeal of Inconsistent Resolutions.* Any resolution of UMPA, and any part of any resolution, inconsistent with the Resolution is hereby repealed to the extent of such inconsistency.

### ARTICLE XIII

#### PRIOR INDENTURE TRANSITIONAL PROVISIONS AND EFFECTIVE DATE

*Section 13.01. Subordinated to Lien of Prior Indenture.* At all times prior to the Prior Indenture Retirement Date, all Bonds, Subordinated Indebtedness, and other obligations issued under this Resolution shall be subordinate in all respects to the pledge and assignment of the Revenues and the moneys, securities, and funds created by the Prior Indenture as security for Bonds issued under the Prior Indenture.

*Section 13.02. Covenants With Respect to Prior Indenture.* (a) UMPA covenants and agrees that, from and after the date of the original adoption of this Resolution, it shall not issue any obligations under the Prior Indenture, including any Bonds issued for the purpose of refunding any Bonds (as defined in the Prior Indenture) currently Outstanding under the Prior Indenture.

(b) UMPA shall do and perform, or cause to be done and performed, all acts and things required to be done or performed by or on behalf of UMPA under the provisions of the Prior Indenture, so long as the same shall be in force, and shall not amend the Prior Indenture in any manner which adversely affects or diminishes the rights of the Bondholders under this Resolution. A copy, certified by an Authorized Officer, of any supplements or amendments to the Prior Indenture shall be promptly filed with the Trustee.

*Section 13.03. Retirement of Prior Indenture; Directions to Prior Trustee.* On the date that UMPA shall pay or cause to be paid, in accordance with Article X of the Prior Indenture, all Bonds as defined in and issued under the Prior Indenture, the Prior Trustee is hereby directed to cause an accounting under the Prior Indenture, for such period or periods as shall be requested by UMPA, to be prepared and filed with UMPA and to prepare, execute, and deliver to UMPA all



such instruments as may be necessary to evidence such discharge and satisfaction, and the Fiduciaries under the Prior Indenture are directed to promptly pay over or deliver to UMPA all moneys or securities held by them pursuant to the Prior Indenture which are not required for the payment of principal or Redemption Price, if applicable, on bonds issued under the Prior Indenture or payment of coupons not theretofore surrendered for such payment or redemption. The date that such moneys and securities are paid over and delivered to UMPA is herein referred to as the "Prior Indenture Retirement Date."

Section 13.04. *Effective Date.* The Resolution shall take effect immediately.

Adopted and Approved this 28th day of September, 2016.

UTAH MUNICIPAL POWER AGENCY

By \_\_\_\_\_  
Vice-Chair

ATTEST:

\_\_\_\_\_  
Secretary-Treasurer

[SEAL]

**EXHIBIT A**

**FORM OF WRITTEN CERTIFICATE AND REQUEST FOR PAYMENT FROM PROJECT FUND**

To: ZB, National Association, as trustee under that certain Bond Resolution Providing for the Issuance of Power Supply System Revenue Bonds, adopted September 28, 2016 (the "Resolution")

DATED: \_\_\_\_\_

WRITTEN CERTIFICATE AND REQUEST NO. \_\_\_\_\_

The undersigned Authorized Officer of Utah Municipal Power Agency ("UMPA"), does hereby certify and request to ZB, National Association, as trustee, as follows:

1. I have read the provisions of Section 1.01 (Written Certificate, Written Request, Written Statement) of the Resolution, as supplemented by a Supplemental Resolution adopted \_\_\_\_\_, 2016 (the "Supplemental Resolution"), and in connection therewith have undertaken an examination and investigation of the facts and circumstances on which this Written Request and Written Certificate is based in order to make the request and certification contained herein, and in my opinion this Written Request and Written Certificate complies with the provisions of Section 1.01, Section [301] of the Supplemental Resolution, and Section 5.03 of the Resolution.

2. Pursuant to the provisions of Section [301] of the Supplemental Resolution and Section 5.03 of the Resolution, the undersigned hereby requests and authorizes a payment from the Series \_\_\_\_\_ Account in the Project Fund (the "Project Account") to pay the amounts shown on the attached schedule (the "Payment Schedule") to the persons designated in such schedule.

3. Each payment proposed to be made as set forth on the Payment Schedule has been incurred and is a proper charge against the Project Account and has not been theretofore included in a prior Written Certificate and Request. Insofar as any such obligation was incurred for work, materials, equipment, or supplies, such work was actually performed, or such materials, equipment, or supplies were actually installed in furtherance of the acquisition of the Series \_\_\_\_\_ Project or delivered at the site thereof for that purpose or delivered for storage or fabrication at a place or places approved by a qualified engineer, or as a progress payment due on equipment being fabricated to order.

4. This Written Request and Written Certificate, including the Payment Schedule attached hereto, shall be conclusive evidence of the facts and statements set forth herein.

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The terms used herein which are defined in the Resolution shall have the respective meanings therein assigned to them.

UTAH MUNICIPAL POWER AGENCY

By \_\_\_\_\_  
Authorized Officer

**SCHEDULE A**  
**PAYMENT SCHEDULE**

PAYEE	AMOUNT	PURPOSE
	\$	
	_____	
TOTAL	\$_____	

STATE OF UTAH        )  
                                  )  
COUNTY OF UTAH     )

I, the duly chosen, qualified and acting Secretary-Treasurer of Utah Municipal Power Agency (“*UMPA*”) do hereby certify that the foregoing Supplemental Resolution was duly adopted by the Board of Directors of UMPA at a regular meeting held at the West Valley Power Plant, a special meeting place of the Board of Directors, at 5935 West 4700 South, West Valley City, Utah, on September 28, 2016, and became effective as of said date, that such resolution has been compared by me with the original thereof, recorded in the official books of UMPA and that such resolution is a correct transcript of the whole thereof, and that said resolution has not been altered, amended or repealed but is in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Utah Municipal Power Agency on this day, September 28, 2016.

UTAH MUNICIPAL POWER AGENCY

By \_\_\_\_\_  
Secretary-Treasurer

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## APPENDIX D

### INFORMATION REGARDING UTAH, JUAB AND SANPETE COUNTIES

The following demographic information is provided solely as background information regarding the counties in which the Members are located, consisting of Utah County, Juab County and Sanpete County.

#### UTAH COUNTY

##### POPULATION

	Population	% Increase From Prior Period
2010 Census .....	516,564	40.2%
2000 Census .....	368,536	39.8
1990 Census .....	263,590	20.9
1980 Census .....	218,106	58.3
1970 Census .....	137,776	28.8

Source: U.S. Census Bureau.

##### ECONOMIC INDICATORS

	2014	2013	2012	2011	2010
<i>Population</i>	560,974	551,926	541,378	530,789	516,564
<i>Income:</i>					
Average monthly nonagricultural wage (\$)	3,167	3,108	3,057	2,964	2,888
Nonagricultural payroll (\$thousands)	7,936	7,460	6,974	6,439	6,052
Median household income (\$thousands)	61	60	58	58	54
Per capita personal income (\$thousands)	32	31	31	29	27
<i>Taxes:</i>					
Total assessed valuation (\$millions)	43,096	38,579	36,543	25,042	25,863
Property taxes charged by all taxing units (\$thousands)	330,109	318,464	313,577	314,233	308,098
Gross taxable sales (\$millions)	7,555	7,187	6,886	6,251	5,832
Net local sales tax collection (\$thousands)	81,280	77,867	72,132	67,483	65,021
Payment in Lieu of Taxes Act (\$thousands)	25,961	25,328	25,618	23,606	27,871

Source: Utah State Tax Commission; Utah Department of Workforce Services. 2015 data is not available.

## PROPERTY VALUE OF PRE-AUTHORIZED CONSTRUCTION

	2015	2014	2013	2012	2011
<i>Construction</i> (permit authorized):					
New dwelling units (number)	4,256	5,182	3,240	2,464	2,050
Value of new residential construction (\$thousands)	1,184,068	905,681	911,858	535,004	406,030
Value of new nonresidential construction (\$thousands)	427,297	362,344	360,621	171,904	203,941
Value of total construction (\$thousands)	1,834,150	1,436,719	1,484,010	835,662	721,086

Source: Kem C. Gardner Policy Institute, University of Utah—Ivory-Boyer Construction Database.

## LABOR MARKET

	2014	2013	2012	2011	2010
Total Civilian Workforce	255,571	249,450	239,088	231,334	229,820
Employed	246,669	238,673	227,084	216,768	212,729
Unemployed	8,902	10,777	12,004	14,566	17,091
<i>Rate</i>	3.5	4.3	5.0	6.3	7.4
Nonfarm Jobs	208,837	200,152	190,112	181,044	174,640
<i>% Change prior year</i>	4.3	5.3	5.0	3.7	-0.4
Mining	111	103	126	76	56
Construction	16,320	14,770	12,447	10,558	9,673
Manufacturing	17,773	17,474	16,538	15,824	15,664
Trade/Trans./Utilities	34,524	32,591	31,047	30,021	29,055
Information	9,994	9,347	8,604	8,017	7,850
Financial Activities	6,803	6,813	6,320	5,901	6,063
Professional/Business Services	27,616	25,920	24,676	23,401	21,517
Education and Health Services	45,552	44,616	43,132	41,742	40,338
Leisure and Hospitality	16,610	15,694	14,981	14,149	13,639
Other Services	4,722	4,572	4,380	4,276	4,197
Government	28,813	28,252	27,860	27,077	26,590

Source: Utah Department of Workforce Services. 2015 data is not available.

## RATE OF UNEMPLOYMENT—ANNUAL AVERAGE

YEAR	UTAH COUNTY	STATE OF UTAH	UNITED STATES
2015	3.2%	3.5%	5.0%
2014	3.5	3.8	6.2
2013	4.3	4.7	7.4

Source: Utah State Department of Workforce Services

BUSINESS AND INDUSTRY — LARGEST EMPLOYERS IN UTAH COUNTY

EMPLOYER	BUSINESS	APPROXIMATE NUMBER OF EMPLOYEES
Brigham Young University	Education/private university	10,000-14,999
Utah Valley University Foundation	Education/private university	5,000-6,999
Alpine School District	Education/primary	5,000-6,999
Intermountain Health Care, Inc.	Health care/hospital	5,000-6,999
Nebo School District	Education/primary	3,000-3,999
Wal-Mart Associates, Inc.	Retail items	2,000-2,999
State of Utah - Fourth District Court	Government	2,000-2,999
Vivint, Inc.	Customer service	2,000-2,999
Utah Office Supply Inc.	Retail items	2,000-2,999
Provo City School District	Education/primary	1,000-1,999

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Source: Utah Department of Workforce Services.

## JUAB COUNTY

### POPULATION

	Population	% Increase From Prior Period
2010 Census .....	10,246	24.4%
2000 Census .....	8,238	41.6
1990 Census .....	5,817	5.2
1980 Census .....	5,530	20.9
1970 Census .....	4,574	(0.5)

Source: U.S. Census Bureau.

### ECONOMIC INDICATORS

	2014	2013	2012	2011	2010
<i>Population</i>	10,486	10,327	10,426	10,323	10,246
<i>Income:</i>					
Average monthly nonagricultural wage (\$)	2,747	2,766	2,608	2,489	2,501
Nonagricultural payroll (\$thousands)	106,900	109,000	97,000	90,000	93,909
Median household income (\$thousands)	55	52	52	52	52
Per capita personal income (\$thousands)	30	29	27	27	25
<i>Taxes:</i>					
Total assessed valuation (\$millions)	1,007	1,018	992	775	756
Property taxes charged by all taxing units (\$thousands)	10,852	10,251	9,980	9,584	9,406
Gross taxable sales (\$thousands)	96,865	89,241	111,083	99,979	86,788
Net local sales tax collection (\$thousands)	1,309	1,350	1,364	1,178	1,110
Payment in Lieu of Taxes Act (\$thousands)	720	718	749	736	826

Source: Utah State Tax Commission; Utah Department of Workforce Services. 2015 data is not available.

### PROPERTY VALUE OF PRE-AUTHORIZED CONSTRUCTION

	2015	2014	2013	2012	2011
<i>Construction (permit authorized):</i>					
New dwelling units (number)	36	26	26	5	10
Value of new residential construction (\$thousands)	10,507	6,434	5,966	1,347	1,772
Value of new nonresidential construction (\$thousands)	6,346	3,222	4,124	796	3,382
Value of total construction (\$thousands)	17,139	10,860	11,937	4,021	5,585

Source: Kem C. Gardner Policy Institute, University of Utah—Ivory-Boyer Construction Database.



## LABOR MARKET

	2014	2013	2012	2011	2010
Total Civilian Workforce	4,817	4,711	4,633	4,601	4,612
Employed	4,622	4,469	4,346	4,221	4,191
Unemployed	195	242	287	380	421
<i>Rate</i>	4.0	5.1	6.2	8.3	9.1
Nonfarm Jobs	3,243	3,278	3,087	3,029	3,130
<i>% Change prior year</i>	-1.1	6.2	1.9	-3.2	-4.6
Mining	0	62	59	82	72
Construction	286	366	244	236	319
Manufacturing	729	681	644	616	634
Trade/Trans./Utilities	357	351	354	343	360
Financial Activities	49	55	61	60	58
Professional/Business Services	151	163	144	159	142
Education and Health Services	505	500	481	0	466
Leisure and Hospitality	274	264	257	265	268
Other Services	49	0	0	0	0
Government	766	770	789	783	763

Source: Utah Department of Workforce Services. 2015 data is not available.

## RATE OF UNEMPLOYMENT—ANNUAL AVERAGE

YEAR	JUAB COUNTY	STATE OF UTAH	UNITED STATES
2015	3.8%	3.5%	5.0%
2014	4.0	3.8	6.2
2013	5.1	4.7	7.4

Source: Utah State Department of Workforce Services

## BUSINESS AND INDUSTRY—LARGEST EMPLOYERS IN JUAB COUNTY

EMPLOYER	BUSINESS	APPROXIMATE NUMBER OF EMPLOYEES
Juab School District	Primary education	250-499
Central Valley Medical Center	Hospital	250-499
Houweling Utah Operations, Inc.	Agricultural	100-249
Quality Craft Wood Works, Inc.	Furniture store	100-249
Juab County	County government	100-249
Ash Grove Cement	Cement manufacturing	50-99
Nephi City	City government	50-99
NRP Jones, LLC	Mfg. rubber and plastics hosing	50-99
Juab Special Service Fire District	Special District	50-99
Sunset Rail Incorporated	Metal manufacturing	50-99

Source: Utah Department of Workforce Services.

**SANPETE COUNTY**

**POPULATION**

	Population	% Increase From Prior Period
2010 Census .....	27,822	22.2%
2000 Census .....	22,763	40.0
1990 Census .....	16,259	11.3
1980 Census .....	14,609	33.1
1970 Census .....	10,976	(0.7)

Source: U.S. Census Bureau.

**ECONOMIC INDICATORS**

	2014	2013	2012	2011	2010
<i>Population</i>	28,477	28,243	28,067	28,173	27,822
<i>Income:</i>					
Average monthly nonagricultural wage (\$)	2,239	2,235	2,187	2,143	2,117
Nonagricultural payroll (\$thousands)	194,000	191,000	188,000	177,000	174,112
Median household income (\$thousands)	45	45	44	45	40
Per capita personal income (\$thousands)	25	25	24	23	22
<i>Taxes:</i>					
Total assessed valuation (\$millions)	1,615	1,618	1,588	1,125	1,155
Property taxes charged by all taxing units (\$thousands)	15,101	14,920	13,912	13,989	13,455
Gross taxable sales (\$thousands)	228,738	210,988	209,280	194,290	183,995
Net local sales tax collection (\$thousands)	3,446	3,360	3,201	2,842	2,735
Payment in Lieu of Taxes Act (\$thousands)	1,490	1,499	1,523	1,488	1,754

Source: Utah State Tax Commission; Utah Department of Workforce Services. 2015 data is not available.

**PROPERTY VALUE OF PRE-AUTHORIZED CONSTRUCTION**

	2015	2014	2013	2012	2011
<i>Construction (permit authorized):</i>					
New dwelling units (number)	36	26	26	5	10
Value of new residential construction (\$thousands)	10,507	6,434	5,966	1,347	1,772
Value of new nonresidential construction (\$thousands)	6,346	3,222	4,124	796	3,382
Value of total construction (\$thousands)	17,139	10,860	11,937	4,021	5,585

Source: Kem C. Gardner Policy Institute, University of Utah—Ivory-Boyer Construction Database.

## LABOR MARKET

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total Civilian Workforce	11,078	11,093	11,274	11,127	11,461
Employed	10,575	10,457	10,541	10,242	10,426
Unemployed	503	636	733	885	1,035
<i>Rate</i>	4.5	5.7	6.5	8.0	9.0
Nonfarm Jobs	7,232	7,131	7,177	6,869	6,854
<i>% Change prior year</i>	1.4	-0.6	4.5	0.2	-4.8
Mining	30	54	58	52	43
Construction	326	339	323	288	340
Manufacturing	766	740	727	631	621
Trade/Trans./Utilities	1,042	1,041	1,071	1,047	1,102
Information	168	158	165	171	180
Financial Activities	155	170	179	208	218
Professional/Business Services	199	165	159	133	125
Education and Health Services	933	949	888	835	757
Leisure and Hospitality	513	494	537	496	458
Other Services	165	155	159	145	141
Government	2,935	2,867	2,911	2,864	2,869

Source: Utah Department of Workforce Services. 2015 data is not available.

## RATE OF UNEMPLOYMENT — ANNUAL AVERAGE

YEAR	SANPETE COUNTY	STATE OF UTAH	UNITED STATES
2015	4.1%	3.5%	5.0%
2014	4.5	3.8	6.2
2013	5.7	4.7	7.4

Source: Utah State Department of Workforce Services

BUSINESS AND INDUSTRY — LARGEST EMPLOYERS IN SANPETE COUNTY

EMPLOYER	BUSINESS	APPROXIMATE NUMBER OF EMPLOYEES
South Sanpete School District	Primary education	500-999
Snow College	Higher education	250-499
Moroni Feed Company	Meat production, feeding, etc.	250-499
State of Utah	Utah Public Safety	250-499
North Sanpete School District	Primary education	250-499
Wal-Mart Associates, Inc.	Retail items	100-249
Gunnison Valley Hospital	Hospital care	100-249
Intermountain Health Care, Inc.	Hospital care	100-249
Wasatch Academy	Primary education	100-249
Applied Composite Technology Aerospace	Manufacturing	100-249

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Source: Utah Department of Workforce Services.

## APPENDIX E

### CONTINUING DISCLOSURE UNDERTAKING

FOR THE PURPOSE OF PROVIDING  
CONTINUING DISCLOSURE INFORMATION  
UNDER SECTION (b)(5) OF RULE 15c2-12

[TO BE DATED CLOSING DATE]

This Continuing Disclosure Undertaking (the “*Agreement*”) is executed and delivered by Utah Municipal Power Agency (the “*Agency*”) in connection with the issuance of \$98,290,000 Power Supply System Revenue Bonds, Series 2016A (Taxable) and \$18,215,000 Power Supply System Revenue Bonds, Series 2016B (Tax-Exempt) (collectively, the “*Bonds*”). The Bonds are being issued pursuant to a Bond Resolution adopted September 28, 2016, as supplemented by a Supplemental Resolution, adopted September 28, 2016 (collectively, the “*Resolution*”).

In consideration of the issuance of the Bonds by the Agency and the purchase of such Bonds by the beneficial owners thereof, the Agency covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the Agency as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Agency represents that the Agency, Provo City, Spanish Fork City, the City of Nephi, Manti City, the City of Salem, and the Town of Levan will constitute “obligated persons” within the meaning of the Rule (collectively, the “*Obligated Persons*”).

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in *Exhibit I*.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the Agency and the other Obligated Persons prepared pursuant to the standards and as described in *Exhibit I*.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the Agency and which has filed with the Agency a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriters*” means each broker, dealer or municipal securities dealer acting as an Underwriters in the primary offering of the Bonds.

“*Reportable Event*” means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II*.

“*Reportable Events Disclosure*” means dissemination of a notice of a Reportable Event as set forth in Section 5.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Utah.

“*Undertaking*” means the obligations of the Agency pursuant to Sections 4 and 5.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Number of the Bonds are as set forth on the inside cover page of the Final Official Statement (defined below). The Final Official Statement relating to the Bonds is dated October 6, 2016 (the “*Final Official Statement*”). the Agency will include the CUSIP Number in all disclosure described in Sections 4 and 5 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the Agency hereby covenants that it will disseminate (a) its Annual Financial Information and its Audited Financial Statements, and (b) the Audited Financial Statements and, to the extent not provided therein, the Annual Financial Information of the other Obligated Persons to the extent the same can be practicably obtained by the Agency; in each case in the form and by the dates set forth in *Exhibit I* to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the Agency hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Indenture.

6. CONSEQUENCES OF FAILURE OF THE AGENCY TO PROVIDE INFORMATION. The Agency shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Agency to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause the Agency to provide the information as required by this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the Agency to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Agency by resolution authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the Agency, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee or Bond Counsel), or by approving vote of Bondholders pursuant to the terms of the Indenture at the time of the amendment or waiver.

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Agency shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. **TERMINATION OF UNDERTAKING.** The Undertaking of the Agency shall be terminated hereunder if the Agency shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Indenture. The Agency shall give notice to EMMA in a timely manner if this Section is applicable.

9. **DISSEMINATION AGENT.** The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

10. **ADDITIONAL INFORMATION.** Nothing in this Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If the Agency chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the Agency shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event. If the name of the Agency or its identity as the issuer of and obligor on the Bonds is changed, the Agency shall disseminate such information to EMMA.

11. **BENEFICIARIES.** This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Agency, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

12. **RECORDKEEPING.** The Agency shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. **ASSIGNMENT.** The Agency shall not transfer its obligations under the Indenture unless the transferee agrees to assume all obligations of the Agency under this Agreement or to execute an Undertaking under the Rule.



14. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

Dated the date first above written.

UTAH MUNICIPAL POWER AGENCY

By \_\_\_\_\_  
Chairman

## EXHIBIT I

### ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“*Annual Financial Information*” means financial information and operating data of the type contained in the Official Statement under the following captions:

- (i) “POWER SUPPLY RESOURCES–Capacity Summary,”
- (ii) “FINANCIAL AND OPERATING INFORMATION–Rate Stabilization Fund,”
- (iii) “FINANCIAL AND OPERATING INFORMATION–Operating Results and Debt Service Coverage,”
- (iv) “FINANCIAL INFORMATION–Provo–Provo Electric System Operating Statistics” in APPENDIX B,
- (v) “FINANCIAL INFORMATION–Spanish Fork–Spanish Fork Electric System Operating Statistics” in APPENDIX B,
- (vi) “FINANCIAL INFORMATION–Nephi–Nephi Electric System Operating Statistics” in APPENDIX B,
- (vii) “FINANCIAL INFORMATION–Manti–Manti Electric System Operating Statistics” in APPENDIX B,
- (viii) “FINANCIAL INFORMATION–Salem–Salem Electric System Operating Statistics” in APPENDIX B, and
- (ix) “FINANCIAL INFORMATION–Levan–Levan Electric System Operating Statistics” in APPENDIX B.

“*Audited Financial Statements*” means (i) with respect to the Agency, the Agency’s audited financial statements for its most recent fiscal year, prepared in accordance with generally accepted accounting principles in the United States as promulgated to apply to governmental entities in the United States from time to time (or such other accounting principles as may be applicable to the Agency in the future pursuant to applicable law); and (ii) with respect to each other Obligated Person, the audited financial statements of such Obligated Person, including income statement, balance sheet and any cash flow information regarding such Obligated Person’s electric utility enterprise fund for its most recent fiscal year, prepared in accordance with generally accepted accounting principles in the United States as promulgated to apply to governmental entities in the United States from time to time (or such other accounting principles as may be applicable to such Obligated Person in the future pursuant to applicable law).

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA. The Agency shall clearly identify each such item of information included by reference.

The Agency's Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA by 210 days after the last day of the Agency's fiscal year. The Agency's Audited Financial Statements as described below should be filed at the same time as its Annual Financial Information. With respect to the other Obligated Persons, Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA by 210 days after the last day of each such Obligated Person's fiscal year. Audited Financial Statements of the other Obligated Persons as described below should be filed at the same time as their respective Annual Financial Information. In each case, Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared in accordance with Government Accounting Standards Board principals. Audited Financial Statements will be submitted to EMMA within 30 days after availability to the Agency or, if later, by the date prescribed in the immediately preceding paragraph.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Agency will disseminate a notice of such change as required by Section 4.

## EXHIBIT II

### EVENTS WITH RESPECT TO THE BONDS FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Agency\*
13. The consummation of a merger, consolidation, or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Agency in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Agency.

## APPENDIX F

### FORM OF OPINION OF BOND COUNSEL

*Upon the issuance of the Bonds, Chapman and Cutler, LLP, Bond Counsel to the Issuer, proposes to issue its opinion in substantially the following form:*

We have acted as bond counsel for the Utah Municipal Power Agency, an interlocal entity created under the provisions of the Interlocal Cooperation Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended, (the “Agency”) in connection with the issuance by the Agency of its \$98,290,000 Power Supply System Revenue Bonds, Series 2016 (Taxable) (the “Series 2016A Bonds”) and the \$18,215,000 Power Supply System Revenue Bonds, Series 2016B (Tax-Exempt) (the “Series 2016B Bonds” and, collectively with the Series 2016A Bonds, the “Bonds”). The Bonds are being issued pursuant to (i) the Interlocal Cooperation Act, Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the “Act”) and other applicable provisions of law, and (ii) a Bond Resolution adopted September 28, 2016 by the Board of Directors of the Agency (the “Bond Resolution”), as supplemented by a Supplemental Resolution, adopted September 28, 2016 by the Board of Directors of the Agency (the “Supplemental Resolution” and, together with the Bond Resolution, the “Resolution”).

The Bonds are being issued for the purpose of (i) providing long-term financing for the cost of purchasing the West Valley Power Plant by paying and retiring the Agency’s outstanding Electric System Revenue Bond Anticipation Note, Series 2016, (ii) financing the costs of certain capital improvements to the West Valley Plant, (iii) financing the costs of acquisition and construction of a new power plant in Provo, Utah and an office building, (iv) providing for certain capitalized interest on the Series 2016 Bonds, (v) funding a debt service reserve, and (vi) paying costs of issuance of the Series 2016 Bonds.

The Agency has previously entered into Amended and Restated Power Sale Agreements S-1 dated as of January 1, 2016 (collectively, the “Power Sale Agreements”) with its six members, the Town of Levan and the Cities of Manti, Nephi, Provo, Salem and Spanish Fork, each of which is a municipal corporation and a political subdivision of the State of Utah (the “Members”). Pursuant to the Power Sale Agreements, the Agency has agreed to sell to each of the Members, and each of the Members has agreed to purchase from the Agency, substantially all of such Member’s electric capacity and energy requirements upon the terms and conditions set forth therein. Amounts received by the Members under the Power Sale Agreements constitute the primary source of the Revenues (as defined in the Resolution) pledged to the payment of principal of and interest on the Bonds pursuant to the Resolution.

The Internal Revenue Code of 1986, as amended (the “Code”), contains a number of requirements and restrictions which apply to the Bonds. The Agency has covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2016B Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2016B Bonds. We have assumed, without undertaking to determine or confirm, continuing compliance

by the Agency with such requirements and restrictions in rendering our opinion regarding the tax-exempt status of interest on the Series 2016B Bonds.

Our services as bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Bonds under the applicable laws of the State of Utah and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion as of the date hereof and under currently existing law, as follows:

1. The Resolution has been authorized, executed and delivered by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.
2. Each of the Power Sale Agreements (a) has been duly authorized, executed and delivered by the Agency and the Member that is the other party thereto, (b) constitutes the legal, valid and binding obligation of Agency and the Member that is the other party thereto, and (c) is enforceable in accordance with its respective terms;
3. The Resolution creates a valid lien on the Revenues and other amounts pledged thereunder for the security of the Bonds, subject to the application thereof to the purposes and on the conditions permitted by the Resolution.
4. The Bonds are valid and binding special obligations of the Agency, payable solely from the Revenues, Other Available Revenues, and certain funds pledged therefor in the Resolution, and the Bonds do not constitute a general obligation indebtedness of the Agency within the meaning of any state constitutional provision or statutory limitation, nor a charge against the general credit of the Agency.
5. Subject to the Agency's compliance with certain covenants, under present law, interest on the Series 2016B Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "*Code*"), but is taken into account in computing adjusted current earnings, which is used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Agency covenants could cause interest on the Series 2016B Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2016A Bonds. Ownership of the Series 2016B Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2016B Bonds.

6. Under the laws of the State of Utah, as presently enacted and construed, interest on the Series 2016B Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. We express no opinion with respect to any other taxes imposed by the State of Utah or any political subdivision thereof. Ownership of the Series 2016B Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2016B Bonds.

7. Interest on the Series 2016A Bonds is includible in gross income of the owners thereof for federal income tax purposes. Prospective purchasers of the Series 2016A Bonds should consult their tax advisors regarding the applicability of the Utah Individual Income Tax Act. Ownership of the Series 2016A Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2016A Bonds.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Resolution and the Power Sales Agreements may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases.

We express no opinion herein to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds.

Respectfully submitted,

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