

RESOLUTION NO. 24-46

A RESOLUTION AUTHORIZING AND APPROVING THE MILLARD COUNTY POWER PROJECT POWER SALES CONTRACT WITH UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS; AND RELATED MATTERS.

WHEREAS, Logan City, Utah (the "*Participant*") is a member of Utah Associated Municipal Power Systems ("*UAMPS*") pursuant to the provisions of the Utah Associated Municipal Power Systems Amended and Restated Agreement for Joint and Cooperative Action, as amended (the "*Joint Action Agreement*");

WHEREAS, one of the purposes of UAMPS under the Joint Action Agreement is the acquisition and construction of electric generating, transmission and related facilities in order to secure reliable, economic sources of electric power and energy for its members;

WHEREAS, UAMPS proposes to acquire and construct a natural gas-fired electric generating facility consisting of multiple reciprocating internal combustion engines to be known as the "Millard County Power Project" (the "*Project*") to be located at a site in Millard County, Utah, and to sell the capacity and output of the Project pursuant to the Millard County Power Project Power Sales Contracts (the "*Power Sales Contracts*") between UAMPS and the Participants (capitalized terms used and not defined herein have the meanings assigned to them in the Power Sales Contracts);

WHEREAS, the Governing Body has reviewed (or caused to be reviewed on its behalf) certain descriptions and summaries of the Project and the Power Sales Contracts, and representatives of the Participant have participated in discussions and conferences with UAMPS and others regarding the Project and have received from UAMPS all requested information and materials necessary for the decision of the Governing Body to authorize and approve the Power Sales Contract;

WHEREAS, the Participant acknowledges that the obligation of the Participant to make the payments provided for in the Power Sales Contract will be a special obligation of the Participant and an operating expense of the Participant's electric system, payable from the revenues and other available funds of the electric system, and that the Participant shall be unconditionally obligated to make the payments required under the Power Sales Contract whether or not the Project or any portion thereof is acquired, constructed, completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output thereof for any reason whatsoever; and

WHEREAS, the Governing Body has reviewed (or caused to be reviewed on its behalf) its current and projected needs for electric power and energy and information with respect to the Project prepared by UAMPS setting forth, among other things, preliminary estimates of the

Development Costs, the Cost of Acquisition and Construction, the estimated timeline for the development and construction of the Project and related matters, and now desires to authorize and approve the Power Sales Contract;

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of Logan City, Utah, as follows:

Section 1. Approval of Power Sales Contract; Development Share. (a) The Power Sales Contract, in substantially the form attached hereto as *Annex A*, is hereby authorized and approved, and the Mayor is hereby authorized, empowered and directed to execute and deliver the Power Sales Contract on behalf of the Participant, and the City Recorder is hereby authorized, empowered and directed to attest and countersign such execution and to affix the corporate seal of the Participant to the Power Sales Contract, with such changes to the Power Sales Contract from the form attached hereto as *Annex A* as shall be necessary to conform to the Participant's legal status, to complete the form of the Power Sales Contract or to correct any minor irregularities or ambiguities therein and as are approved by the Mayor, his execution thereof to constitute conclusive evidence of such approval.

(b) A Development Share representing 26,250 kW of capacity in the Project is hereby authorized and approved. The Participant acknowledges that (i) its Development Share may be increased to provide for a full allocation of the Project Output and (ii) by virtue of its Development Share, the Participant will have an Entitlement Share with the same amount of Electric Power as its Development Share from and after the Completion of Development through the remaining term of the Power Sales Contract, all as provided in the Power Sales Contract.

Section 2. Participant's Representative. (a) The appointment of Mark Montgomery as the Participant's Representative to UAMPS and Yuqi Zhao as alternate Representatives is hereby confirmed.

(b) Such Representative (or, in his or her absence, such alternate(s)) is hereby delegated full authority to (i) approve any appendix to the Pooling Agreement between UAMPS and the Participant that may be necessary or desirable in connection with the utilization of the Participant's Entitlement Share, and (ii) act on all matters that may come before the Project Management Committee established by the Power Sales Contract, and shall be responsible for reporting regularly to the Governing Body regarding the activities of the Project Management Committee.

Section 3. Compliance with Tax Covenants. The Participant agrees in the Power Sales Contract that it will apply all of the electric power and energy acquired under the Power Sales Contract to a Qualified Use and that it will not take or omit to take any action which could adversely affect the Tax Status of any Bond or Bonds theretofore issued or thereafter issuable by UAMPS. In furtherance of that agreement, the Governing Body of the Participant hereby agrees that it will observe and comply with such instructions as may be provided from time to time by UAMPS with respect to the Qualified Use of the electric power and energy acquired under the Power Sales Contract.

Section 4. Further Authority. (a) The Mayor and the City Recorder are hereby authorized, empowered and directed to (i) execute the Certificate of the Participant in substantially the form attached as EXHIBIT III to the Power Sales Contract and to deliver the same to UAMPS, and (ii) from time thereafter and upon the request of UAMPS, execute the Bring-Down Certificate of the Participant in substantially the form attached as *Exhibit IV* to the Power Sales Contract and to deliver the same to UAMPS.

(b) The Participant's legal counsel is hereby authorized, empowered and directed to (i) execute the Opinion of Counsel to the Participant in substantially the form attached as EXHIBIT V to the Power Sales Contract and to deliver the same to UAMPS, and (ii) from time thereafter and upon the request of UAMPS, execute the Bring-Down Opinion of Counsel to the Participant in substantially the form attached as EXHIBIT VI to the Power Sales Contract and to deliver the same to UAMPS.

Section 5. Miscellaneous; Effective Date. (a) This resolution shall be and remain irrevocable until the expiration or termination of the Power Sales Contract in accordance with its terms.

(b) All previous acts and resolutions in conflict with this resolution or any part hereof are hereby repealed to the extent of such conflict.

(c) In case any provision in this resolution shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(d) This resolution shall take effect immediately upon its adoption and approval.

THIS RESOLUTION ADOPTED AND APPROVED this _____ day of _____, 2024 by the following vote:

Ayes:

Nays:

Absent:

Amy Z. Anderson, Chair

LOGAN CITY

By _____
Mayor

ATTEST:

City Recorder

[SEAL]

**EXECUTIVE SUMMARY
UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS
MILLARD COUNTY POWER PROJECT**

October 24, 2024

INTRODUCTION AND OVERVIEW

INTRODUCTION

This Executive Summary provides an overview of UAMPS' proposed Millard County Power Project, summarizes the provisions of the Power Sales Contracts and outlines the Project Agreements. The Millard County Power Project is referred to in this Executive Summary as the "*Peaking Project*." The information contained in this Executive Summary has been prepared for the use of prospective Participants in connection with their decision to participate in the Peaking Project by entering into a Power Sales Contract with UAMPS.

This Executive Summary has six parts:

- Part 1: Definitions,
- Part 2: Preliminary Peaking Project description,
- Part 3: Estimated cost of construction; Budget and Plan of Finance,
- Part 4: Interconnection and Transmission,
- Part 5: Summary of the Power Sales Contracts, and
- Part 6: Outlines of the Project Agreements.

The descriptions and summaries contained in this Executive Summary are preliminary, broad and general, and are subject to change as the Project Agreements and the Budget and Plan of Finance for the Peaking Project are developed and finalized under the supervision of the Peaking Project Management Committee. If you have any questions or require any additional information, please contact Jackie Coombs, UAMPS' Managing Director of Corporate and Member Services, at 801-214-6402 or by e-mail to jackie@uamps.com.

PART 1. DEFINITIONS

As used in this Executive Summary:

Contractor: the contractor under the EPC Contract.

EPC Contract: the Engineering, Procurement and Construction Contract to be entered into by UAMPS and the Contractor with respect to the Peaking Project.

Entitlement Share: each Participant's percentage entitlement to the capability of the Peaking Project.

Interconnection Agreement: the agreement providing for the interconnection of the Peaking Project with the transmission facilities of PacifiCorp.

Kern River Pipeline: an interstate natural gas pipeline running from Opal, Wyoming to the San Joaquin Valley near Bakersfield, California, consisting of 1,717 miles of 36- and 42-inch diameter steel pipe. This pipeline will be the source of natural gas for the Peaking Project via an interconnect.

Operating Agreement: the agreement, if any, providing for the operation and maintenance of all or any portion of the Peaking Project.

Participants: the power purchasers under the Power Sales Contracts.

Peaking Project: the Millard County Power Project.

Power Sales Contracts: the Millard County Power Project Power Sales Contracts between UAMPS and the Participants.

Project Agreements: the EPC Contract, major equipment agreements, the Operating Agreement, the Interconnection Agreement and the Transmission Agreement.

Project Management Committee: the committee established under the Power Sales Contracts, consisting of one representative appointed by each of the Participants.

Transmission Agreements: the Amended and Restated Transmission Service and Operating Agreement between UAMPS and PacifiCorp, and each other transmission contract, agreement or tariff entered into by UAMPS or the Participant that is used or necessary for the delivery of power and energy from the Point of Delivery to the Participant's System Point of Receipt, whether by direct transmission, displacement, exchange or otherwise.

Capitalized terms not defined above have the meanings assigned to them in the Power Sales Contracts.

PART 2. THE PEAKING PROJECT

The following is a summary description of the Peaking Project. This description is subject to change as the Peaking Project is developed and based upon the terms of Permits and Approvals, the EPC Contract and the other Project Agreements. The initial description of the Peaking Project will be approved by the Project Management Committee upon the Effective Date of the Power Sales Contracts and the final Peaking Project description will be approved by the Project Management Committee after the Project achieves commercial operation.

PROJECT DESCRIPTION

The Peaking Project consists of the planning, design, construction and installation of a 200,000 kW generation peaking power plant in Millard County, Utah. The principal components of the Peaking Project include:

1. Preliminary planning and design of the facility with a third-party Owner's Engineer, including site studies, long-lead time ordering of equipment and estimation of project costs.
2. Preliminary site work and preparation, including clearing, fencing, grading and concrete foundations work, as well as final site work upon completion of the Peaking Project.
3. A Peaking Generation System consisting of:
 - a. Twelve Reciprocating Internal Combustion Engines (RICE) as the prime movers driving directly-connected electrical generators,
 - b. All ancillary equipment associated with the prime mover equipment: fuel system, lubricant system, coolant systems, exhaust silencers, etc.,
 - c. Air emission control equipment: Selective Catalytic Reduction (SCR) equipment,
 - d. Major electrical systems: switchgear, disconnects and generator step-up transformers,
 - e. All balance-of-plant equipment: fire suppression, crane equipment, etc., and
 - f. RICE Equipment, control and warehouse buildings.
4. Electric interconnection facilities including a substation, a step-up transformer, control, metering and communications equipment, and a new transmission line to the Pavant substation. See "Transmission and Interconnection" below.
5. A natural gas measurement station and small lateral supplied by Kern River Pipeline.

ENGINEERING, CONSTRUCTION AND FINANCING

Pursuant to the EPC Contract, it is expected that the Contractor will provide all design, engineering, procurement, construction services necessary for the acquisition and construction of

the Peaking Project. If necessary, UAMPS will be responsible for the design and construction work on the remaining components of the Peaking Project.

PERMITS AND APPROVALS

Rights-of-Way. All work performed within the project boundaries (generation, transmission and pipeline) will be done on private land and will not require a federal nexus for permitting.

Air Permits. The Peaking Project will require an air quality permit under Title V of the Clean Air Act as administered by the Utah Division of Air Quality. The location of the project is outside of state-defined areas of nonattainment for Ozone and PM2.5 and UAMPS expects that these permits will be obtained in due course and will not impact the construction schedule for the Peaking Project.

Construction and Use Permits. Construction and operation of the Peaking Project will require building and conditional use permits from Millard County, Utah. UAMPS expects to begin the permitting process upon member subscription and approval and as site-specific design details are determined. The permitting process with Millard is expected to take from three to six months and has been incorporated into project timelines.

Additional Permits. In connection with the construction of the project, it is expected that UAMPS will be required to obtain a storm water pollution prevention plan and a storm water discharge permit under the Clean Water Act (Utah Division of Water Quality) and a wastewater discharge permit and a spill prevention containment control plan (Utah Division of Water Quality). Additional road permits may be required by Millard County and Utah Department of Transportation to facilitate the transport of large equipment to construct the project. UAMPS expects that these permits will be obtained in due course and will not impact the construction schedule for the Peaking Project.

PROJECT CONSTRUCTION SCHEDULE

Various factors will affect the proposed construction schedule and completion date of the Peaking Project. The engineering, procurement and construction of the project is currently estimated to require approximately 24 months after the execution of the EPC Contract. Typical contractual arrangements for an EPC Contract requires UAMPS to make an initial payment to the Contractor upon execution of the EPC Contract to initiate equipment ordering and fabrication. Current challenges for obtaining long-lead items require that UAMPS will submit a purchase order deposit for the Generator Step Up Transformer (GSU) once the preliminary engineering is complete. The GSU for the project is the longest lead item in the schedule and may take up to 120+ weeks depending on demand in the market and supply chain constraints. The Project Management Committee will determine when to authorize the execution of the long-lead purchase order and the EPC Contract and execute the initial payment to the Contractor.

An interconnection application for the project has been made to PacifiCorp. However, the current state of electrical transmission service requests within the PacifiCorp system is the most

significant unknown that may impact the project schedule. While study agreements for large generator interconnects and transmission service are expected to be submitted in late 2024 or 2025, contingent facilities that may arise as a result of these studies could require an unpredictable number of years to complete. UAMPS will follow the results of these studies and adjust spending and the project execution schedules to ensure that the project can be utilized at the earliest date that transmission services are available. UAMPS will advise the Project Management Committee to determine the timing for purchasing long lead equipment and executing the EPC contract based on results from the transmission service studies.

PROJECT CONSULTANTS

UAMPS has retained Burns & McDonnell to assist with the preliminary engineering and to conduct a siting study using transmission and natural gas infrastructure to locate the generation facility and highlighted risks for permitting. Following this work, a technology assessment study was conducted to refine the type and manufacturer of equipment that would meet fuel requirements and generation limits. Finally, a Project Sequencing Plan was developed that utilized a Burns & McDonnell project database to determine high-level costs and develop a high-level project schedule using assumed best-case results from transmission studies.

UAMPS will retain an Owner's Engineer to assist in the writing of the Contractor EPC specifications so that various aspects of the project can be competitively bid. This Owner's Engineer will also help with procuring the long-lead equipment and will provide a specification to the Original Equipment Manufacturer (OEM) that will supply the major equipment (RICE engines, generators, cooling fans, etc.) that will entail the bulk of the equipment that needs procurement on the project.

OPERATION OF THE PEAKING PROJECT

UAMPS may perform the general operation and maintenance work on the Peaking Project with its own employees or may contract with a third party for these services. The operations plan for the Peaking Project will be approved by the Project Management Committee.

PART 3. COST OF CONSTRUCTION, PLAN OF FINANCE AND COST OF ENERGY

ESTIMATED COST OF CONSTRUCTION

Based upon its initial review and analysis of the Peaking Project, UAMPS presently estimates that the total cost of construction of the Peaking Project will be approximately \$600 million. The project is projected to be below this amount, but uncertainty in the marketplace (transmission, long-lead procurement and constraints in obtaining contractor resources) have resulted in a conservative approach to estimating project costs to cover currently known contingencies. The following table summarizes the estimated costs of construction of the Peaking Project:

<u>COST CATEGORY</u>	<u>ESTIMATED COST</u>
EPC Contract	\$405,000,000
Substation and interconnection	35,000,000
Engineering, permitting and development	10,000,000
Contingency	25,000,000
Financing Costs (interest during construction, fees, etc.)	75,000,000
Owners Costs (insurance, land acquisition, sales taxes, inspection, etc.)	<u>50,000,000</u>
ESTIMATED COSTS OF CONSTRUCTION	\$600,000,000

BUDGET AND PLAN OF FINANCE

UAMPS is in the process of developing a Budget and Plan of Finance for the Peaking Project. The Budget and Plan of Finance will be approved by the Project Management Committee as provided in the Power Sales Contract. The initial Budget and Plan of Finance will be based on the estimated costs of construction outlined above and will provide for the Development Costs of the Peaking Project to be financed under one or more lines of credit or credit facilities and for the Costs of Acquisition and Construction of the Peaking Project to be financed with the proceeds of Bonds. The intent of the Budget and Plan of Finance is for all Development Costs and the Costs of Acquisition and Construction, including financing and interest charges, to be financed to the Commercial Operation Date of the Peaking Project such that the Participants will not be billed until after they receive energy from the Peaking Project.

If the Peaking Project is terminated by the Project Management Committee at or prior to the end of the Development Period under the Power Sales Contracts, each Participant will be responsible for the repayment of its Development Cost Share of the Development Costs incurred by UAMPS. If Completion of Development of the Peaking Project occurs, each Participant will pay its Entitlement Share of all of the costs of the Peaking Project, including operating expenses, fuel and debt service costs and transmission charges. See the summary of the Power Sales Contracts below for additional information.

PART 4. TRANSMISSION OF PROJECT POWER AND ENERGY

INTERCONNECTION

The Peaking Project will interconnect with PacifiCorp's existing Pavant Substation utilizing a new ~8 mile 345 kV transmission line. UAMPS has submitted an interconnection request for the Peaking Project under PacifiCorp's Open Access Transmission Tariff. An initial scoping study will be performed, and PacifiCorp will prepare a system impact study that will determine the transmission facilities necessary to interconnect the Peaking Project. UAMPS expects that the system impact study will be completed by December of 2025.

The Peaking Project will also interconnect and be supplied by Kern River Gas Transmission Pipeline's (Kern) 24 inch natural gas lateral. UAMPS will sign an Interconnection Agreement and pay for facilities with Kern after project is approved and work can be performed within the required project schedule.

TRANSMISSION

UAMPS has a network transmission agreement with PacifiCorp that will provide network service to Participants connected to the PacifiCorp transmission system in Utah. All Utah Participants are currently points of delivery on the network transmission agreement.

Transmission service charges for the Peaking Project will be determined under the network transmission agreement.

PART 5. THE POWER SALES CONTRACTS

The following provides a summary of the basic terms and provisions of the Power Sales Contracts between UAMPS and its the Participants, but does not describe all of the provisions of the Power Sales Contracts. Participants should refer to the text of the Power Sales Contracts for their complete provisions.

THE PROJECT

A summary description of the Peaking Project and its components will be approved by the Project Management Committee and attached to the Power Sales Contract as EXHIBIT I.

SALE OF OUTPUT

UAMPS will sell the Electric Power and Electric Energy from the Peaking Project to the Participants pursuant to the Power Sales Contracts.

TERM

The Power Sales Contracts will become effective upon the receipt by UAMPS of executed Power Sales Contracts, authorizing resolutions, certificates and legal opinions from Participants that have requested Development Shares (in kW) totaling at least 85% of the expected Project Capability (the "*Minimum Subscription*").

Each of the Power Sales Contracts will have a term that extends to the later of (a) the final payment of the Bonds and (b) the date the Peaking Project and any Additional Facilities are permanently removed from service and decommissioned.

DEVELOPMENT SHARES AND ENTITLEMENT SHARES

In connection with its decision to enter into the Power Sales Contract, each Participant requests a Development Share (in kW) in the expected Project Capability of the Peaking Project. In the event that the requested Development Shares are greater than the Minimum Subscription but less than the expected Project Capability, UAMPS will seek subscription from additional participants under Power Sales Contracts or joint ownership arrangements. If the Peaking Project is not fully subscribed by the time that Completion of Development occurs, UAMPS will downsize the Project Capability to align it with project subscription.

Each Participant's Development Share is a contractual right to participate in the development of the Peaking Project and in the decision-making over the development of the Peaking Project through the Participant's Representative on the Project Management Committee. Each Participant's Development Cost Share (the ratio of a Participant's Development Share to the Development Shares of all Participants) is a contractual obligation to pay for a corresponding percentage of all of the costs of the ownership, financing and operation of the Peaking Project.

If the Project Management Committee determines that Completion of Development of the Peaking Project has occurred (*i.e.*, development of the Peaking Project is complete and ready to proceed to construction), each Participant's Development Share will automatically convert to an Entitlement Share with the same amount of kW capacity as its Development Share. The Entitlement Share is a contractual right to receive a specific percentage of the Project capability and a contractual obligation to take or pay for a corresponding percentage of all of the costs of the ownership, financing and operation of the Peaking Project.

FINANCING

UAMPS will use its best efforts to finance the Development Costs and the Costs of Acquisition and Construction of the Peaking Project under lines of credit and the issuance of revenue bonds ("*Bonds*"). The amount of Bonds issued by UAMPS will be reduced by the amount of any Capital Contributions made by Participants. Additional Bonds may be issued as parity or subordinated obligations to pay future costs of the Peaking Project. Refunding Bonds may be issued by UAMPS to reduce debt service costs or to achieve other objectives.

SECURITY FOR BONDS

The Bonds will be secured by a pledge of all of the revenues produced by the operation of the Peaking Project, including the amounts paid under the Power Sales Contracts. The Bonds will be special obligations of UAMPS and will have no claim on any of the revenues or assets of UAMPS from its other projects. The Bonds will not be debts or obligations of the Participants.

CAPITAL CONTRIBUTION OPTION

Prior to UAMPS' issuance of Bonds to finance the Cost of Acquisition and Construction, each Participant has the option (but not an obligation) to make a Capital Contribution to UAMPS. Capital Contributions will be used by UAMPS to pay the Cost of Acquisition and Construction of the Peaking Project, and the amount of Bonds UAMPS issues will be reduced by the amount of Capital Contributions made by the Participants.

UAMPS will provide at least 30 days' written notice to the Participants of their right to elect to make a Capital Contribution and the amount of their Capital Contributions. A Participant's election to make a Capital Contribution must be made by a written resolution adopted by its governing body. Each Participant that has elected to make a Capital Contribution will be required to deposit the payment in a segregated escrow account established under the financing documents for the Bonds.

The Project Management Committee will determine whether to make a capital contribution option available to the Participants in connection with the issuance of Additional Bonds.

PRICE

The Entitlement Share will be sold at cost. Each Participant will pay its proportionate share (the ratio of its Entitlement Share to the sum of all Entitlement Shares) of all of the costs of the Peaking Project, including:

- amounts payable by UAMPS under the Project Agreements;
- other operation and maintenance expenses of the Peaking Project, including fuel costs and working capital charges;
- Debt Service Costs with respect to Bonds issued to finance the costs of the Peaking Project;
- costs of capital improvements, replacements and additions to the Peaking Project, and reserves for such costs, approved by the Project Management Committee; and
- all other costs incurred in connection with the Peaking Project.

Costs will be allocated proportionately to all Entitlement Shares, except that the allocation of Debt Service Costs on the Bonds will be adjusted to reflect Capital Contributions made by any Participants. Each Participant will also pay the Transmission Costs for the transmission of Project output from the Point of Delivery to the Participant's system. The amounts paid by the Participants will be sufficient to enable UAMPS to pay all of the costs of the ownership, operation and financing of the Peaking Project.

BILLINGS AND PAYMENTS

Billings and payments will be made monthly. All payments will be made on a "take-or-pay" basis (*i.e.*, regardless of whether the Peaking Project is operable, operating, damaged or destroyed in whole or in part) and are not subject to counterclaim, offset or reduction for any reason.

The payment obligations of Participants under the Power Sales Contracts are several and not joint.

PROJECT MANAGEMENT COMMITTEE

The Project Management Committee will function in the same manner as the project management committees for UAMPS' other projects, and pursuant to the provisions of UAMPS' Joint Action Agreement and Bylaws that govern project management committees. The Project Management Committee will recommend decisions on the Peaking Project to the UAMPS Board of Directors. The Project Management Committee will have complete and comprehensive decision-making authority over the Peaking Project.

Promptly after the Effective Date of the Power Sales Contracts, the Project Management Committee is required to establish a maximum target price for the cost of energy (\$/MWh) from the Project (the "*Target Price*") and development milestones for determining whether the expected cost of energy from the Project exceeds the Target Price. A determination by the Project Management Committee that the Target Price is exceeded as of any determination date constitutes a determination by the Project Management Committee to terminate the Project.

ANNUAL BUDGETS

UAMPS will develop, and the Project Management Committee and the Board of Directors will approve, annual budgets for the Peaking Project that will cover all of the costs of the Peaking Project (see "PRICE" above). The annual budget will be the basis for the monthly billings and payments for the Peaking Project. The annual budget may be revised from time to time as necessary to reflect the actual costs of the Peaking Project.

PROJECT OUTPUT

Each Participant will assign the output attributable to its Entitlement Share to the UAMPS Power Pool for operating and scheduling purposes.

Under the Power Sales Contract Project output will be delivered to each Participant at the Point of Delivery (the point of interconnection between the Peaking Project and the transmission grid). Each Participant will be responsible for, and will pay all costs of, the transmission of Project output from the Point of Delivery to the Participant's System Point of Receipt.

CAPITAL REPLACEMENTS, IMPROVEMENTS AND ADDITIONS

The Project Management Committee will have authority to approve capital replacements, improvements and additions to the Peaking Project and to determine whether to expense or capitalize and finance the cost of capital items. In the event that such items are financed by the issuance of Bonds, the Project Management Committee will determine whether to make a capital contribution option available to the Participants.

ADDITIONAL FACILITIES

UAMPS may from time to time recommend the acquisition and construction of Additional Facilities to improve or add to the Peaking Project. All Additional Facilities require the approval of the Project Management Committee.

DEFAULTS AND REMEDIES; STEP-UP OF NON-DEFAULTING PARTICIPANTS

Upon a default by any Participant, UAMPS is authorized to exercise various remedies in order to ensure that it will have sufficient revenues to meet its obligations as owner of the Peaking Project and to pay the debt service on the Bonds. Among other things, UAMPS is authorized to terminate a defaulting Participant's Entitlement Share and to make a mandatory reallocation of

such Entitlement Share to the other Participants. No Participant's original Entitlement Share (as adjusted to reflect any voluntary assignments of Entitlement Shares previously accepted by the Participant) may be increased by more than a specified percentage (which is expected to be less than 25%) as a result of all permanent mandatory reallocations of defaulting Participants' Entitlement Shares.

PART 6. THE PROJECT AGREEMENTS

The following outlines the purpose and expected terms of the Project Agreements. The Project Agreements have not yet been drafted and will be subject to negotiation. The Project Management Committee's approval is required before execution of any of the Project Agreements.

THE EPC CONTRACT

UAMPS will enter into the EPC Contract with the Contractor to design, engineer, acquire, construct, commission, test and deliver the RICE peak power generating facility using a contractual arrangement that emphasizes professional expertise, leverages efficiencies using prior designs and competitively bids at least 80% of the construction phases and materials of the project.

Under the EPC Contractual arrangement, the Contractor will perform generally all necessary and incidental work to bring the generating facility to full completion and commercial operation. The work will be completed in accordance with a project schedule with specified milestones and completion dates. The Contractor may be required to pay damages in the event an item is not completed by its guaranteed completion date, and the amount of such damages may be limited.

It is expected that the Contractor will provide certain warranties with respect to the certain components of the generating facility and with respect to the work it performs under the EPC Contract, subject to standard exclusions.

Prior to substantial completion, the Contractor will be required to conduct a range of tests to confirm mechanical completion and the performance of the combined cycle generating facility. The Contractor is required to take remedial actions to correct performance test failures. The EPC Contract will establish various testing protocols and procedures.

It is expected that EPC Contract will require satisfaction of a number of conditions before the Contractor can certify substantial completion of the generating facility, including: (a) the generating facility can be operated in a safe and efficient manner in accordance with its plans and specifications, applicable laws and regulations; (b) the performance tests have been successfully passed and approved by UAMPS and the net deliverable capacity equals or exceeds the guaranteed minimum capacity; (c) the generating facility is capable of delivering electricity to the point of connection with the electrical grid; (d) the generating facility has received all certificates and governmental authorizations to be provided by the Contractor; (e) all quality assurance documentation has been provided to UAMPS in accordance with the quality control and quality assurance plan; (f) the Contractor has provided all training required under the EPC Contract; (g) the Contractor and UAMPS have agreed to a list of punchlist items, including estimated costs and schedules completion; and (h) the generating facility has been properly constructed with no defects and all work is mechanically, electrically and structurally sound as set forth in the plans and specifications.

The EPC Contract is expected to include a guaranteed minimum capacity for the generating facility at specified design point conditions. The EPC Contractor will be required to take remedial

actions or, in certain circumstances, to pay liquidated damages if the generating facility fails to meet the capacity guarantee.

UAMPS will be responsible to pay the Contractor under the contractual arrangement cost, to be set forth in the EPC Contract. The contract price may be adjusted to account for, possibly among other things, scope of work changes from time to time under the EPC Contract. In addition to the contract price, UAMPS may be responsible to pay other costs, such as interest on delayed payments, sales tax reimbursement, costs associated with indemnification and a termination payment in the event the EPC Contract is terminated by UAMPS without cause, as authorized by the EPC Contract.

The contract price will be payable from time to time pursuant to a payment schedule provided in the EPC Contract. A percentage of each payment may be withheld as retainage, as security for the performance of Contractor's obligations under the EPC Contract. The retained amounts will be fully released upon final completion of all work under the EPC Contract by the Contractor.

The EPC Contract will specify events that constitute a default by either party, including, with respect to the Contractor, a material breach by it under the EPC Contract and, with respect to UAMPS, the failure to make payment when due (in each case, subject to specified cure periods). In the event of a Contractor default, UAMPS may terminate the EPC Contract and take possession and use of various equipment located at the job site for the purpose of completing the remaining work, subject to the terms and conditions provided in the EPC Contract. In the event of a default by UAMPS, the Contractor may suspend service and/or terminate the EPC Contract, in which case the Contractor shall be entitled to a termination payment as specified in the EPC Contract.

THE OPERATING AGREEMENT

UAMPS may enter into an Operating Agreement to provide for the general day-to-day operation and management of the Peaking Project until an operations team has been integrated into UAMPS organization. The terms of the Operating Agreement and the identity of the operator will be approved by the Project Management Committee.

THE INTERCONNECTION AGREEMENT

The Interconnection Agreement will be the standard form Interconnection Agreement under PacifiCorp's OATT.

UAMPS will be responsible to pay for all facilities and equipment needed for the interconnection and its own operating expenses. The Interconnection Agreement will have an initial term of 10 years, and automatically renew for successive one-year terms after the expiration of the initial term.