



Resolution of the Board of Directors Of Heber Light & Power 2013 Fiscal Year Operating Policies

WHEREAS, Heber Light & Power (HL&P) desires to adopt a yearly operating policy that supports and provides direction and flexibility for the ongoing operation of the company and;

WHEREAS, HL&P has policy requirements that the Board of Directors approve an annual Operating Budget and associated expenditures and;

WHEREAS HL&P will utilize this operating policy in conjunction with existing Company policies to conduct its business.

BE IT RESOLVED, the HL&P Budget for the fiscal year ending December 31, 2013 will be based on underlying Board policies.

A. REVENUE RECOVERY:

The 2013 Budget estimates revenue from all sources.

1. Electricity Revenues

Electricity Revenues are projected using load and customer growth estimates. Distribution system losses are also considered when determining total revenues and historical

percentages of what each rate class is, of the total revenue amount, to provide the allocation factor.

2. Street Lighting

Currently, Heber Light & Power provides the energy for Street Lighting to the Cities and County without charge. Monthly billing is performed but, the Cities and County are not required, at this time, to pay those bills. However, the Cities and County pay for the capital costs associated with the installation or replacement of Street Light fixtures, bulbs and the associated materials. For the purposes of the 2013 Operating Budget amounts have not been included for Street Lighting revenue.

B. COST TO SERVE

The HL&P Budget is an estimate of the cost to serve its customers and is segregated into four distinct areas.

1. Fixed Costs

Fixed Costs represent the cost of ownership, take or pay obligations, administration and service associated with the ongoing business activities. These costs include, but are not limited to, renewals and replacements, direct operating and maintenance expense, purchased capacity, reserves and HL&P administrative and general expenses.

2. Debt Service Costs

Debt service costs including principal and interest.

3. Production, Transmission and Distribution

Production and transmission expenses are variable energy costs and are directly related to the cost of electricity purchased from suppliers or generated by Heber Light & Power assets. Distribution costs represent the expenses

associated with renewing, maintaining and expanding the Heber Light & Power Distribution System.

4. Scheduling, planning, metering, meter calibration and forecasting expenses

These costs include, but are not limited to, outside scheduling charges and administrative and general costs associated with metering, scheduling, collections, billing and marketing HL&P resources.

C. COST TO SERVE

Costs fall into the following:

1. Direct Costs

Direct obligations include, but are not limited to, debt service, operation and maintenance, renewals and replacements, reserves and purchased or produced capacity.

2. Energy

Energy costs will generally include fuel and/or replacement power and purchase contracts.

3. Administrative and General

HL&P administrative and general costs will include the following:

a. Functional Costs

These costs include, but are not limited to, outside scheduling charges and administrative and general costs associated with metering, scheduling, billing, collections and marketing HL&P resources.

b. General Liability Insurance

General Liability coverage including Officers and Directors insurance.

c. Audit, Legal and Outside Services Costs

General audit, legal and outside services and study costs.

d. General Administrative Costs

General Administrative costs include, but are not limited to, facility insurance, project audits, fees, salaries and benefits, board compensation, dues and subscriptions, training, equipment, maintenance, office supplies, postage, public information, rent(s), telephone, travel and vehicle expenses.

4. Fixed Costs

- a. **Production \$'s / MWH** This cost is a per MWH charge for each hour of generation unit operation.
- b. **Administration \$'s** This cost will be fixed for the entire budget year to cover administrative expenses such as sick leave and vacation accrual.
- c. **Fixed Debt Service \$'s** This cost will be fixed for existing borrowings interest and principle charges

D. SPECIFIC POLICY

1. Generation Acquisition

HL&P is currently in need of additional resources. The budget must set aside funds for the study and implementation of new resource acquisitions such as new gas generation, old coal acquisition, wind power, photovoltaic, biomass, geothermal, energy storage and demand side planning.

2. Wages and Benefits

Salary ranges are determined by benchmark market surveys constructed triennially by a consultant. The latest benchmark market survey was completed mid Fiscal 2011. Wages are fully funded between the minimum and maximum salary ranges. 2013 salary adjustments are as follows:

- a. Adjust all salary ranges and board compensation for a COLA of 2%;
- b. Fund a 5% merit pool based on total management salaries;
- c. Fund merit changes to General Manager's base salary and provide for a 5% bonus opportunity;
- d. Fund a Company Christmas Bonus Program based on 10% of an employee's monthly regular salary for all employees and 10% of the annual stipend for Board Members.
- e. The Company shall continue to pay the Chairman and Directors monthly stipends adjusted from the previous year's rate. In addition, the General Manager may authorize the payment of additional amounts for work not routinely or typically required of a Director or Chairman.
- f. The Company shall pay a Director for travel and other out-of-pocket expenses incurred in connection with Company business. A Director seeking reimbursement for such expenses shall submit appropriate receipts evidencing the expenses.

The General Manager will determine all employee remuneration adjustments.

Employee Benefits are fully funded, for the current complement of employees, by HL&P and include health, dental, life and disability insurance, pension, personal leave, holidays and other company policy items. In 2013, the Benefits Review Committee will study and evaluate the current benefits.

3. **Computer Equipment**

Computer equipment will be acquired or replaced under the following criteria:

- a. As per a Resolution of the Power Board all computer equipment and peripheral devices will be supplied by Dell Computers.
- b. Equipment will have a minimum service life of 3 years.
- c. Keep software complement current and add other business critical components as required.

4. **Vehicles / Equipment**

Vehicles and Equipment will be acquired or replaced under the following guidelines:

- a. Vehicles and Equipment should be purchased and resold with the objective of the least overall cost for transportation and operations.
- b. Vehicles and Equipment should be acquired locally while considering lowest overall cost policy.

5. **Training**

Training must be related to the services provided by the employee or as required by the company. Training location will have the following priority:

- a. In state;
- b. Western region;
- c. National

6. **Travel**

Employee travel on HL&P business will be reimbursed according to IRS Guidelines and Company policy.

7. **Miscellaneous**

- a. Company will sponsor a Safety Incentive Program;
- b. Company will sponsor Employee Incentive / Recognition programs;

8. **Contingency / Capital Reserve Fund**

Heber Light & Power's Contingency Fund addresses certain large capital purchases and /or reserve requirements associated with internal generation, rate stabilization and power market escalation.

The Contingency Fund is fully funded and is to be invested in the Public Treasurers Investment Fund (PTIF). If funds are withdrawn from the fund at any time as required by the above, those funds used can then be returned to the fund when available through normal operating revenue.

In addition to the Contingency Fund, the Company will maintain a Capital Reserve Fund. The funds accumulated in this fund will be used to offset additional debt to complete

major projects considered in the Company's current Strategic Plan.

APPROVED AND ADOPTED this day of .

Heber Light & Power Company

Chairman of the Board

{SEAL}
ATTEST AND COUNTERSIGN

Secretary