A Municipal Electric Utility

Heber Light & Power

Founded 1909

August 19, 2014

Tracy M. Taylor
451 North 1300 East
Heber City, UT 84032

Re: Heber Light & Power Company's Response to Request for Government Records of Tracy M. Taylor, received August 5, 2014

Dear Ms. Taylor:

By email dated August 5, 2014, you requested that the Heber Light & Power Company ("Company") produce various Company records. This letter and attached records are the Company's response to your request ("Request") under the Government Records Access and Management Act ("GRAMA").

GRAMA requires a governmental entity, such as the Company, to produce certain government records, upon a proper request by a citizen. GRAMA, however, does not require the governmental entity to answer citizens' written interrogatories or

(i) to create a record;
(ii) to compile, format, manipulate, package, summarize, or tailor information; or
(iii) to provide a record in a particular format, medium, or program not currently maintained by the governmental entity.

Utah Code Ann. §63G-2-201(8)(a). The rationale for these limitations is to insure that governmental entity's performance of its primary functions is not unduly impeded by responding to GRAMA requests.

GRAMA also prohibits a governmental entity from disclosing records that are private or protected. *Utah Code Ann.* § 63G-2-201(5)(a). The rationale for this limitation is to protect the interests of persons who are the subject of the record.

In light of the foregoing, the Company's response to the Request provides records that the Company maintains, that appear to contain the information sought by the question, and that are not protected from disclosure.

The following are your questions and the Company's responses:

1. Accrued vacation and sick leave amounts for each employee--with employee's name removed and only showing job title; and the total cost of all accrued vacation and sick leave.

Response: Records concerning gross annual compensation and benefits of Company employees are public records and the Company has posted this information on the Company website. The employee's individual amount of accrued, unused vacation or sick leave is not public information, *Utah Code Ann.* § 63G-2-302(2)(b) and (d), and disclosure may infringe the employee's privacy rights. Use of job titles, rather than the employee's name, provides little protection because the Company has a small number of employees and some job types have only one employee. To protect the employees' privacy, the requested information is provided in Attachment A with employees identified as either exempt manager or employee.

2. The retirement payout agreement for Blaine Stewart retiring in August 2014.

Response: The requested document is attached as Attachment B.

3. The names of those receiving the retiree insurance benefits; plus total amount spent monthly and yearly in 2014 so far.

Response: The requested document is attached as Attachment C.

4. The total cost for internal electrical generation: including a breakdown of total employees and their total salaries & benefits; total lease costs and number of years on lease; 2014 natural gas costs; and total debt costs (principal, interest, and number of years) figured in.

Response: The Company records showing the Company's internal generation cost are attached as Attachment D. The internal generation is identified as Heber plant and Heber hydros. These costs include an embedded employee cost. The Company does not lease equipment. At the time that a generator is purchased, the Company estimates all life cycle costs including debt service, if the generator is debt financed.

5. The total amount of kilowatt hours internally generated so far in 2014; compared to the #4 request above of the total internal electrical generation costs divided by total kilowatt hours to show a cost per kilowatt for internal electrical generation only.

Response: The record containing this information is attached as Attachment D.

6. The number of current HL&P employees receiving the medical insurance payment-in-lieu benefit in 2013 & 2014 instead of the actual PEHP medical insurance, other dental and vision insurance. Total amount spent per month in 2014 on these medical insurance

payments-in-lieu benefits; and entire total spent in 2014 so far. A breakdown of the total amount of payroll and other taxes taken out of the total 2014 medical insurance payment-in-lieu amounts so far.

Response: The requested document is attached as Attachment E. The Company does not have a record showing "the total amount of payroll or other taxes" withheld from employees' in-lieu pay in 2014.

7. Breakdown of actual developer payments for underground service in 2013 & 2014 versus actual costs to install the underground service. Actual costs should include number of employees to install, total amount of employee time spent on installing underground service, cost of employee salaries and benefits according to total time spent on installation, & total cost of equipment for underground service.

Response: Attached as Attachment F is a document showing completed projects, invoiced costs, and Company costs for projects beginning in September, 2013. The Company does not have similar compilations for prior time periods. The cost of employee salaries and benefits is based on the hourly average salary and benefits of a crew consisting of a foreman, two journeymen lineman, and an apprentice lineman.

8. A schedule of dates for Executive Committee meetings held in 2013 and 2014 and attendees. All verification/documentation of public notices and minutes for these meetings.

Response: The Executive Committee does not have a formal schedule of dates on which the Executive Committee met and it did not publish public notices or prepare minutes for these meetings. The following is a list of the dates on which the Executive Committee is believed to have met in 2013 and 2014:

2013-01-16	2014-01-17
2013-03-07	2014-02-05
2013-03-22	2014-05-05
2013-05-28	2014-06-09
2013-06-13	2014-06-20
2013-06-22	2014-06-30
2013-07-11	2014-07-07
2013-10-29	2014-07-16
2013-11-01	2014-08-04
2013-11-06	2014-08-08

9. A schedule of dates for Audit Committee meetings held in 2013 & 2014 and attendees. All verification/documentation of public notices and minutes for these meetings.

Response: The Audit Committee does not have a formal schedule of dates on which the Audit Committee met and it did not publish public notices or prepare minutes for these meetings. The Company believes that the Audit Committee did not meet in 2013 but did meet on July 16, 2014.

10. A copy of all conflict of interest forms filed by current Board Members and 2014 HL&P Management.

Response: The Company does not have records responsive to this request.

11. Copy of depreciation schedule for all HL&P assets, capital equipment, etc.

Response: The requested document is attached as Attachment G.

12. Copy of last Impact Fee Study.

Response: The requested document is attached as Attachment H.

13. Copy of closed session minutes in 2013 where the HL&P Board of Directors decided to NOT make the Insurance Claim for Fraud in the Anthony Furness case. The date this meeting was held.

Response: On December 10, 2013, the board of directors held a special meeting at which the board voted to go into closed session to discuss a proposed settlement of pending litigation and personnel matters. The records related to this closed session are not public records subject to production GRAMA. *Utah Code Ann.* § 63G-2-305(32). These records are also protected from disclosure under *Utah Code Ann* §§ 63G-2-305(17) (records subject to attorney client privilege), 63G-2-305(18)(records prepared for or in anticipation of litigation, 63G-2-305(23)(records concerning litigation strategy), 63G-2-305(33)(records revealing the contents of settlement negotiations), 63G-2-305(22)(draft documents).

14. All payments made to any and all of the HL&P Board of Directors, for any reason - e.g. board pay, allowances or reimbursements for 2013 and 2014, including payments made to, or from, Heber City on behalf of said Mayor and/or Board members.

Response: The requested document is attached as Attachment I.

15. Explain these fees to OWEN COMMUNICATIONS LLC and STOKES STRATEGIES MONTHLY:

CONSULATATION FEE 1067 12/11/2013 150.00
607500 973 STOKES STRATEGIES MONTHLY RETAINER 81 12/14/2013 1,670.00

607500 1277 OWEN COMMUNICATIONS LLC Public Relations (Marketing Retail [sic] HLP0713 07/01/2013 2,000.00
607500 1277 OWEN COMMUNICATIONS LLC Public Relations (Marketing Retai [sic] HLP-1013 10/15/2013 2,000.00
607500 1277 OWEN COMMUNICATIONS LLC Public Relations (Marketing Retai [sic] HLP1113 11/15/2013 2,000.00

<u>Response</u>: Company records responsive to this request are attached as Attachment J.

16. A list of the current projects/contracts that Legal Counsel is working on. A list of projects/contracts that Legal Counsel completed in 2013 and 2014, so far.

<u>Response</u>: The General Counsel maintains, solely for his own use, a running compilation of current and anticipated future legal projects. This compilation is a working document that changes regularly, depending on the Company's day-to-day legal needs. This compilation is not a "record" subject to production under GRAMA. *Utah Code Ann.* §§ 63G-2-103(22)(b)(ii), 63G-2-103(22)(b)(ix). This compilation is also protected from disclosure under *Utah Code Ann* §§ 63G-2-305(17) (records subject to attorney client privilege), 63G-2-305(18)(records prepared for or in anticipation of litigation, 63G-2-305(23)(records concerning litigation strategy), 63G-2-305(33)(records revealing the contents of settlement negotiations), 63G-2-305(22)(draft documents).

The General Counsel does not maintain a list or compilation of completed legal projects/contracts.

The General Counsel regularly reports to the Company's board, in regular or special meetings, on legal matters including the status of legal projects. The board minutes for 2013-2014 are attached as Attachment K.

17. Copies of the HL&P 2010, 2011, 2012, and 2013 Audited Financial Statements.

<u>Response</u>: The Company's audited financial statements, which are available on the Utah State Auditor's website, are attached as Attachment L.

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The Request seeks a waiver of the fee and an expedited response because you are member of the media or the request primarily benefits the public. The only support provided for this request is reference to a website. Given the ubiquitous nature of websites, a relationship to or ownership of a website is insufficient to justify a fee waiver or an expedited response. Otherwise, nearly all persons making documents requests would be entitled to waiver of fees and to expedited responses. With this said, the Company is not requiring a fee for a response to this Request but reserves the right to require payment of fees for future requests.

Pursuant to Utah Code Ann. § 63-2-205, you are hereby notified that you have the right to appeal this determination to Jason Norlen, the Company's chief administrative officer, 31 South 100 West, Heber City, Utah, within 30 days.

Sincerely,

Joseph T. Dunbeck, Jr.
General Counsel

cc: Jason Norlen

ATTACHMENT A

Accrued/Unused Sick/Vacation Leave as of 08-08-2014

	Pay Code Title	Accrued/ Unused Hours	Accrued/ Unused Amount
Exempt Manager	Vacation	600.5	$ 21,116.82
	Sick Leave	1,319.75	$ 46,409.54
Employee	Vacation	346	$ 10,520.41
	Sick Leave	1,520.00	$ 46,216.82
Employee	Vacation	74	$ 2,029.38
	Sick Leave	284	$ 7,788.42
Employee	Vacation	39.5	$ 1,498.91
	Sick Leave	157	$ 5,957.69
Employee	Vacation	28.5	$ 608.93
	Sick Leave	162.5	$ 3,471.96
Employee	Vacation	264	$ 11,337.53
	Sick Leave	1,032.00	$ 44,319.45
Employee	Vacation	64	$ 2,419.44
	Sick Leave	569	$ 21,510.36
Employee	Vacation	245	$ 10,725.34
	Sick Leave	1,405.00	$ 61,506.54
Employee	Vacation	240	$ 9,420.00
	Sick Leave	565	$ 22,176.25
Employee	Vacation	106	$ 3,459.52
	Sick Leave	387	$ 12,630.52
Employee	Vacation	60	$ 1,281.92
	Sick Leave	190	$ 4,059.43
Exempt Manager	Vacation	315	$ 18,072.97
	Sick Leave	880	$ 50,489.56
Employee	Vacation	344	$ 15,020.24
	Sick Leave	1,448.75	$ 63,257.50
Exempt Manager	Vacation	518	$ 32,105.28
	Sick Leave	1,220.00	$ 75,614.75
Employee	Vacation	207	$ 8,120.78
	Sick Leave	96	$ 3,766.16
Employee	Vacation	257.25	$ 11,234.78
	Sick Leave	667	$ 29,129.62
Employee	Vacation	68.5	$ 1,676.88
	Sick Leave	107.5	$ 2,631.60
Employee	Vacation	49	$ 1,559.97
	Sick Leave	30	$ 955.08
Exempt Manager	Vacation	378	$ 21,879.13
	Sick Leave	727	$ 42,079.71
Employee	Vacation	264	$ 7,233.97
	Sick Leave	871	$ 23,866.62
Employee	Vacation	43	$ 1,396.90
	Sick Leave	247	$ 8,024.07
Employee	Vacation	73.75	$ 2,271.75
	Sick Leave	335	$ 10,319.14
Employee	Vacation	192	$ 7,406.67
	Sick Leave	547	$ 21,101.29
Exempt Manager	Vacation	208	$ 15,536.39
	Sick Leave	329.5	$ 24,611.74
Employee	Vacation	118	$ 3,569.90
	Sick Leave	197	$ 5,959.92
Employee	Vacation	77.5	$ 1,495.75
	Sick Leave	235	$ 4,535.50
Employee	Vacation	12	$ 415.05
	Sick Leave	341	$ 11,794.34
Exempt Manager	Vacation	92	$ 8,285.80
	Sick Leave	459	$ 41,338.92
Employee	Vacation	96.75	$ 2,294.91
	Sick Leave	103.5	$ 2,455.02
Employee	Vacation	4	$ 110.72
	Sick Leave	273.5	$ 7,570.15
Employee	Vacation	105	$ 2,963.10
	Sick Leave	401	$ 11,316.22
Employee	Vacation	52	$ 2,062.75
	Sick Leave	68	$ 2,697.44
Employee	Vacation	60	$ 2,323.20
	Sick Leave	89.5	$ 3,465.44
Exempt Manager	Vacation	11	$ 528.85
	Sick Leave	96	$ 4,615.38
Employee	Vacation	56	$ 1,092.00
	Sick Leave	68	$ 1,326.00
Employee	Vacation	41.5	$ 1,203.50
	Sick Leave	50	$ 1,450.00
Total			$ 974,697.59

ATTACHMENT B

CONFIDENTIAL

JOHN BLAINE STEWART EARLY RETIRMENT SEVERANCE AGREEMENT AND RELEASE OF ALL CLAIMS

This Severance Agreement and Release of All Claims is entered into as of August 4th, 2014, by and between Heber Light & Power Company and John Blaine Stewart.

DEFINITIONS

1. The term "Stewart" shall mean John Blaine Stewart and his heirs, successors, assigns.

2. The term "Heber Light & Power" shall mean Heber Light & Power Company and its officials, board members, employees, servants, predecessors, successors, attorneys, affiliates, subsidiaries, insurers, assigns, agents, agencies, representatives, and all persons acting by, through, or under them, or any of them.

3. Heber Light & Power and Stewart shall collectively be referred to as the "Parties".

RECITALS

1. WHEREAS Stewart has been employed by Heber Light & Power since 2007 and as General Manager since 2008; and

2. WHEREAS Stewart's employment is subject to certain terms and conditions set forth in the Employee Handbook for Exempt Managers; and

3. WHEREAS the Parties entered into a "Consultant Services Agreement" on or about November 20, 2013, which anticipates Stewart providing certain services to Heber Light & Power after his employment ends; and

4. WHEREAS on April 17, 2014, Stewart submitted to the Board Chairman and Executive Committee a "Notice of Intent to Retire" on March 31, 2015, to give the Board sufficient time to plan for the transition; and

5. WHEREAS the Board subsequently requested that Stewart take early retirement, effective this summer; and

6. WHEREAS, the Parties would like to provide for a smooth transition in management and to avoid any problems associated with the ending of Stewart's employment;

NOW THEREFORE, in consideration of the mutual covenants set forth herein, Stewart and Heber Light & Power agree as follows:

AGREEMENT

1. Use of Annual Leave and Sick Leave

Stewart will be relieved of all day to day assignments and projects, effective with the close of business on August 8, 2014. In accordance with the provisions set forth in the Employee Handbook, beginning on August 11, 2014 and ending on November 19, 2014 Stewart will be allowed to use his 2014 vacation and sick leave allotment (which currently totals 551 hours) at his current wage rate of $90.06 per hour, paid out at 40 hours per week, until such leave is expended. During this three month period, Heber Power & Light will pay Stewart for those Holiday days occurring during that period, which are the 1st Monday in September, Labor Day and Columbus Day, 2nd Monday in October and Veterans Day, November 11, 2014as per the 2014 Employee Handbook terms page 29.

a. During this three month period Stewart will remain on the record as an employee of Heber Light & Power and be paid under normal payroll practices, but will not be assigned any duties;
b. Heber Light & Power will continue to pay Stewart $1593.36 per month in lieu of receiving insurance benefits;
c. Payment for this accrued leave time, intervening holidays, and in-lieu insurance payment, will be made by Heber Light & Power to Stewart on the regularly scheduled pay days, in accordance with normal payroll practices; and
d. After August 8, 2014, Stewart will not be entitled to receive any other benefits, or payments, except as detailed in this paragraph.

2. Retirement Date

Stewart will retire from his position with Heber Light & Power effective the close of business on November 26, 2014.

3. Consultant Service Agreement

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The Parties hereby agree that the Consultant Services Agreement dated November 20, 2013, is hereby void and neither party will have any further obligations or responsibilities under said agreement.

4. Payment to Stewart.

Heber Light & Power shall pay Stewart severance in the amount of One Hundred and Fifty thousand dollars ($150,000.00). Of this amount, thirty thousand ($30,000.00) , less appropriate state and federal withholding, shall be paid in a check made payable to "Blaine Stewart" and will be mailed to Stewart, via U.S. Postal Service Certified Mail on August 11, 2014, One-hundred twenty thousand ($120,000.00), less appropriate state and federal withholding, shall be paid in a check made payable to "Blaine Stewart" and will be mailed to Stewart, via U.S. Postal Service Certified Mail no earlier than November 19, 2014, and no later than November 26, 2014 and in addition to the cash payment(s) the Company will contribute thirty thousand ($30,000.00) as an employer contribution into Stewarts 401k account no earlier than November 19, 2014 and no later than November 26, 2014

5. Press release and Public Statements

Heber Light & Power wishes to acknowledge Stewart's work and agrees to submit for publication a mutually approved press release, in the form attached hereto as Exhibit A, to the first Wasatch Wave edition after August 1, 2014. Other than this press release, the Parties agree not to make any other statements about Stewart's retirement, or the terms of this agreement, other than to say that "Stewart [I] voluntarily retired from his [my] position with Heber Light & Power, and we want to thank him for his years of service [I want to thank the Board for allowing me to serve as General Manager.] The parties also agree to be bound by the mutual non-disparagement provision set forth below.

6. Work on Legal Matters

If Stewart is required, after August 8, 2014, to perform any work or otherwise support the criminal prosecution or any civil action against Mr. Anthony Furness, past Heber Light & Power Company CFO, he will be paid $90.06 per hour for his time and for actual additional expense incurred for travel, and materials including costs for phone, fax, etc. Payment will only be made for out-of–court work. If subpoenaed to testify, Stewart will comply with the terms of the subpoena, and will receive no payment for his services.

8. Release of All Claims by Stewart.

(a) In consideration of said sum, Stewart does hereby release and forever discharge Heber Light & Power from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, guaranties, agreements, promises, liabilities, claims, demands, injuries, damages, loss, wages, income, profits, employment losses of any other kind or character, attorneys' fees, costs or expenses, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called "Claims"), which Stewart now has or may hereafter have against Heber Light & Power by reason of any matter, cause or thing whatsoever from the beginning of time to the date hereof including, without limiting the generality of the

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foregoing, any Claims arising out of, based upon, or relating to Stewart's employment with Heber Light & Power, Stewart's employment remuneration from Heber Light & Power, or the termination of Stewart's employment with Heber Light & Power. In giving this Release, Stewart forever releases and gives up his employment rights and employee status with Heber Light & Power and agrees that he will not apply for any position with Heber Light & Power in the future.

(b) Stewart affirms, acknowledges and agrees that he currently does not have on file any other complaints, charges, and/or claims (whether civil, administrative or otherwise) against Heber Light & Power in any court or administrative forum or before any governmental agency or entity.

(c) Stewart understands and agrees that this is a release of all claims and includes, but is not limited to, claims for lost wages or income, time, profits, expenses incurred, punitive or exemplary damages, court costs or attorneys' fees, claims for interest, claims for mental distress, humiliation, anguish or suffering, claims for damage to reputation, claims for violation of civil, constitutional or statutory rights, claims for violation of the Age Discrimination and Employment Act of 1967 (except as provided in Paragraph (f), below), claims for violation of Title VII of the Civil Rights Act of 1964, claims for violation of the Americans With Disabilities Act, and claims for both direct and consequential damages of any and all kind or character.

(d) STEWART FURTHER UNDERSTANDS AND AGREES THAT THE AMOUNT RECEIVED FULLY SATISFIES, AND THAT THIS IS A RELEASE

OF ALL CLAIMS OF ANY KIND AGAINST HEBER LIGHT & POWER FOR ATTORNEYS' FEES AND COSTS.

(e) Stewart further understands and agrees that the occurrences herein described may have caused injuries or damages, or given rise to claims for damages, the existence of which and the consequences of which are now unknown but which may become known in the future. STEWART NEVERTHELESS INTENDS TO AND DOES RELEASE ALL CLAIMS FOR ALL INJURIES, DAMAGES OR CLAIMS OF WHATEVER TYPE OR NATURE, WHETHER NOW KNOWN OR UNKNOWN, AND WHETHER NOW IN EXISTENCE OR HEREAFTER TO ARISE.

(f) Stewart acknowledges that he is waiving and releasing any rights he may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this wavier and release is knowing and voluntary. Stewart and Heber Light & Power agree that this waiver and release does not apply to any rights or claims that may arise under ADEA after the effective date of this Severance Agreement and Release of All Claims. Stewart acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Stewart was already entitled. Stewart further acknowledges that he has been advised by this writing that (i) he should consult with an attorney prior to executing this Severance Agreement and Release of All Claims; (ii) he has at least twenty-one (21) days within which to consider this Confidential Settlement Agreement and Release of All Claims; (iii) he has at least seven (7) days following the execution of this Severance Agreement and Release of All Claims to revoke this Severance Agreement and Release of All Claims; and (iv) this Severance

Agreement and Release of All Claims shall not be effective until the revocation period has expired.

(g) Stewart represents and warrants that there has been no assignment or other transfer of any interest in any Claim which he may have against Heber Light & Power, and Stewart agrees to indemnify and hold Heber Light & Power harmless from any liability, Claims, demands, damages, costs, expenses and attorneys' fees incurred by Heber Light & Power as a result of any person asserting any such assignment or transfer. It is the intention of the parties that this indemnity does not require payment as a condition precedent to recovery by Heber Light & Power against Stewart.

(h) Stewart agrees that if he hereafter commences, joins in, or in any manner seeks relief through any suit arising out of, based upon, or relating to any of the Claims released hereunder, or in any manner asserts against Heber Light & Power any of the Claims released hereunder, and Heber Light & Power is the prevailing party as determined by a Court, then Stewart shall pay to Heber Light & Power, in addition to any other damages caused to Heber Light & Power, all attorneys' fees incurred by Heber Light & Power in defending or otherwise responding to said suit or Claim. This provision does not apply to any action to enforce the terms of this agreement.

(i) Stewart further understands and agrees that the execution of this Release shall not constitute or be construed as an admission of any liability whatsoever by Heber Light & Power which has consistently taken the position that it has no liability whatsoever to Stewart.

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9. **Release of Claims by Heber Light & Power**

(a) In consideration of the promises contained herein, Heber Light & Power does hereby release and forever discharge Stewart from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, guaranties, agreements, promises, liabilities, claims, demands, injuries, damages, loss, wages, income, profits, employment losses of any other kind or character, attorneys' fees, costs or expenses, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called "Claims"), which Heber Light & Power now has or may hereafter have against Stewart by reason of any matter, cause or thing whatsoever from the beginning of time to the date hereof including, without limiting the generality of the foregoing, any Claims arising out of, based upon, or relating to Heber Light & Power's employment of Stewart, the performance of Stewart's duties as General Manager, or Stewart's retirement from Heber Light & Power.

(b) Heber Light & Power affirms, acknowledges and agrees that it currently does not have on file any other complaints, charges, and/or claims (whether civil, administrative or otherwise) against Stewart in any court or administrative forum or before any governmental agency or entity.

(c) Heber Light & Power further understands and agrees that the occurrences herein described may have caused injuries or damages, or given rise to claims for damages, the existence of which and the consequences of which are now unknown but which may become known in the future. HEBER LIGHT & POWER NEVERTHELESS INTENDS TO AND DOES RELEASE ALL CLAIMS FOR ALL

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INJURIES, DAMAGES OR CLAIMS OF WHATEVER TYPE OR NATURE, WHETHER NOW KNOWN OR UNKNOWN, AND WHETHER NOW IN EXISTENCE OR HEREAFTER TO ARISE.

(d) Heber Light & Power represents and warrants that there has been no assignment or other transfer of any interest in any Claim which it may have against Stewart, and Heber Light & Power agrees to indemnify and hold Stewart harmless from any liability, Claims, demands, damages, costs, expenses and attorneys' fees incurred by Stewart as a result of any person asserting any such assignment or transfer.

(e) Heber Light & Power agrees that if it hereafter commences, joins in, or in any manner seeks relief through any suit arising out of, based upon, or relating to any of the Claims released hereunder, or in any manner asserts against Stewart any of the Claims released hereunder, and if Stewart is the prevailing party as determined by the court then Heber Light & Power shall pay to Stewart, in addition to any other damages caused to Stewart, all attorneys' fees incurred by Stewart in defending or otherwise responding to said suit or Claim.

9. Mutual Non-Disparagement Provision

The Parties agree not to make any statement or disclose any information detrimental to the interests of the other party, or make any statements that are derogatory, stigmatizing, or otherwise depict the other party in a bad light.

The Parties agree and acknowledge that violating this provision will cause the other party real harm and damage, but that said losses may be hard to quantify.

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10. Indemnification

Heber Light & Power further agrees to defend, indemnify and hold harmless Stewart for any amounts he may be required to pay to other persons or entities for and damages resulting from the performance of his duties as General Manager, as well as all costs and attorneys' fees.

11. Miscellaneous.

(a) STEWART AND HEBER LIGHT & POWER EACH ACKNOWLEDGE AND UNDERSTAND THAT THIS IS A LEGALLY BINDING CONTRACT AND FURTHER ACKNOWLEDGE THAT PRIOR TO SIGNING BELOW, THEY HAVE EACH FULLY READ AND UNDERSTAND ALL OF THE TERMS OF THIS SEVERANCE AGREEMENT AND RELEASE OF ALL CLAIMS.

(b) STEWART AND HEBER LIGHT & POWER EACH ALSO ACKNOWLEDGE THAT THEY ARE SIGNING THIS SEVERANCE AGREEMENT AND RELEASE OF ALL CLAIMS FREELY AND VOLUNTARILY, AND THAT THEY HAVE NOT BEEN THREATENED OR COERCED INTO MAKING THIS AGREEMENT OR RELEASING ANY RIGHTS HEREUNDER.

(c) The Parties further agree that any action to enforce this agreement will be brought in the Third District Court for the State of Utah.

(d) If either party materially defaults, breaches or violates this Agreement, and a dispute arises to enforce the terms hereof, the prevailing party

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shall be entitled to recover from the other party all attorneys' fees and costs incurred to enforce the terms of this Agreement.

(e) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective predecessors, successors and assigns.

(f) A fully executed facsimile copy and/or photocopy of this Agreement are as legally enforceable and binding as the original Agreement.

(g) The obligations of the parties hereto are severable and divisible, and in the event any portion of this Agreement is determined to be unlawful or unenforceable, the remainder of this Agreement shall be enforceable.

(h) The parties agree not to disclose the terms of this agreement, except to their financial/accounting advisor, or Stewart to his spouse, or as required under GRAMA or by order of a court.

IN WITNESS WHEREOF Stewart and Heber Light & Power each have executed this Severance Agreement and Release of all Claims as of the date written above.

By John Blaine Stewart
John Blaine Stewart

STATE OF UTAH)
: ss.
COUNTY OF Wasatch)

On the 4th day of August, 2014, personally appeared before me Blaine Stewart, the signer of the foregoing Severance Agreement and Release of All Claims who acknowledged to me that he read and understood its contents and voluntarily signed it.

KARLY SCHINDLER
Notary Public State of Utah
My Commission Expires on:
August 18, 2016
Comm. Number: 656843

Notary Public
Residing in the State of Utah

My Commission Expires:
8/18/2016

Heber Light & Power Company, Inc.

By ______________________

Its BOARD CHAIRMAN.

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ATTACHMENT C

Retiree Medical Benefits 2014

Retirees Receiving Medical Benefits:

Tim VanWagoner
Wayne Montgomery
Troy Klungervik

Total cost per month (Jan-Jun)	$ 2,570.16
Total cost per month (July-Dec)	$ 2,897.24
Total cost year to date (2014-07-31)	$ 18,318.20

ATTACHMENT D

Wholesale kWhs by Resource						
2014	Jan	Feb	Mar	Apr	May	Jun
Power Exchange Energy-kWhs	2,815,261	2,981,993	2,470,791	2,941,368	2,686,910	2,847,477
Wapa Energy	5,922,487	4,495,079	4,054,219	3,430,487	3,479,879	3,890,573
IPP Energy	698,003	492,574	407,079	0	0	0
Hunter Energy	2,322,979	2,067,860	2,474,974	2,437,980	2,482,844	2,085,632
Horse Butte	209,890	312,904	293,297	272,421	184,464	218,561
Wind Energy	60,132	62,647	47,690	24,872	16,463	13,553
Unplanned Pool Energy	130,834	207,991	156,013	121,223	106,583	111,533
Cat Plant Energy	965,977	751,478	962,693	828746	971,760	889,789
Heber Plant Energy	203,485	216	0	54,511	89,821	88,688
Heber Hydros Energy	753,379	628,228	460,919	705,874	1,330,227	1,440,679
Jordanelle Energy	1,092,156	977,290	1,108,178	656,894	1,255,111	1,428,555
Energy Totals	15,174,583	12,978,260	12,435,853	11,474,376	12,604,062	13,015,040
Retail Kwh	14,673,458	13,418,351	10,906,796	11,242,944	11,267,381	12,026,435

Peak KWH	26,527	25,217	21,861	21,546	24,374	26,716
Date of	January 6, 2014	February 4, 2014	March 6,2014	April 1, 2014	May 23, 2014	June 30, 2014
Time of	HE 19	HE 18	HE 20	HE 21	HE 15	HE 18

Wholesale Power Costs by Resource						
2014	Jan	Feb	Mar	Apr	May	Jun
Power Exchange	$ 149,383.31	$ 159,223.10	$ 136,836.89	$ 157,017.43	$ 149,806.84	$ 182,014.68
Wapa	$ 141,559.56	$ 111,343.60	$ 112,202.14	$ 83,603.65	$ 106,965.50	$ 84,471.71
IPP	$ 42,027.15	$ 31,036.98	$ 6,868.07	$ 515.61	$ 515.61	$ 515.61
Hunter	$ 83,989.15	$ 78,416.31	$ 88,532.88	$ 96,930.46	$ 97,398.05	$ 86,284.69
Horse Butte	$ 17,605.38	$ 19,646.23	$ 19,086.06	$ 19,179.41	$ 16,360.65	$ 17,531.83
Wind Energy	$ 4,992.25	$ 4,712.40	$ 4,230.17	$ 2,552.93	$ 1,744.44	$ 1,513.86
Craig Mona	$ -	$ 74.86	$ -	$ 1,621.94	$ 108.20	$ 40.95
Unplanned Pool	$ 5,942.31	$ 15,300.64	$ 6,953.21	$ 5,221.88	$ 5,045.99	$ 6,314.28
Cat Plant	$ 42,004.95	$ 41,914.03	$ 39,697.47	$ 36,294.29	$ 47,262.71	$ 49,715.49
Heber Plant	$ 12,555.02	$ 13.72	$ -	$ 1,047.70	$ 5,712.62	$ 5,906.62
Heber Hydros	$ 15,067.58	$ 12,564.56	$ 9,218.38	$ 14,117.48	$ 26,604.54	$ 28,813.58
Jordanelle	$ 64,867.33	$ 57,996.67	$ 65,949.33	$ 36,622.20	$ 69,064.67	$ 78,582.67
Total Cost	$ 579,994.00	$ 532,243.09	$ 489,574.60	$ 454,724.98	$ 526,589.82	$ 541,705.97

HLP Plant Natural Gas Costs	$ 56,124.88	$ 40,197.19	$ 53,863.17	$ 39,412.69	$ 48,136.46	$ 45,884.25

Wholesale Net Mills

2014	Jan	Feb	Mar	Apr	May	Jun	Average Net Mills per kWh
Power Exchange	$53.06	$53.39	$55.38	$53.38	$55.75	$63.92	$0.06
Wapa	$23.90	$24.77	$27.68	$24.37	$30.74	$21.71	$0.03
IPP	$60.21	$63.01	$16.87	$0.00	$0.00	$0.00	$0.05
Hunter	$36.16	$37.92	$35.77	$39.76	$39.23	$41.37	$0.04
Horse Butte	$83.88	$62.79	$65.07	$70.40	$88.69	$80.21	$0.08
Wind Energy	$83.02	$75.22	$88.70	$102.64	$105.96	$111.70	$0.09
Unplanned Pool	$45.42	$73.56	$44.57	$43.08	$47.34	$56.61	$0.05
Cat Plant	$43.48	$55.78	$41.24	$43.79	$48.64	$55.87	$0.05
Heber Plant	$61.70	$63.50	$19.22	$63.60	$62.80	$66.60	$0.06
Heber Hydros	$20.00	$20.00	$20.00	$20.00	$20.00	$20.00	$0.02
Jordanelle	$59.39	$59.34	$59.51	$55.75	$55.03	$55.00	$0.06
Net Mills	$37.27	$40.48	$36.75	$40.76	$42.58	$42.91	$0.04

Note: All internal generation costs include fuel, major overhaul, and maintenance.

ATTACHMENT E

Employee In-Lieu Medical, Dental and/or Vision

No. of Employees receiving all or part of benefit 2013:	20-22
No. of Employees receiving all or part of benefit 2014:	19-21
No. of Employees receiving all or part of benefit as of 2014-08-08:	19

2014 Monthly Cost

Jan	$29,662.08	
Feb	$26,866.28	
Mar	$26,866.28	
Apr	$26,866.28	
May	$38,967.24	
June	$24,908.36	
July	$24,522.72	
Aug	$12,261.36	
Total	$210,920.60	(as of 2014-08-08)

Normal federal, state and FICA (7.65%) taxes apply to in-lieu payments.

ATTACHMENT F

List all Projects							Invoiced			Actuals			
PROJ ID	TITLE	STATUS	START DATE	END DATE	ADDRESS	CITY	MATERIAL	LABOR & EQUIP	TOTAL INVOICED	ACTUAL MATERIAL	MAN HOURS	MAN COST	EQUIP COST
10010		Complete	2013-09-30	2014-03-26		Heber	$41,826.16	$13,786.64	**$55,612.80**	$40,160.01	192.00	$11,072.64	$3,344.32
10031		Complete	2013-09-10	2014-06-12		County	$25,516.15	$12,991.81	**$38,507.96**	$24,956.96	144.00	$8,304.48	$5,169.68
10035		Complete	2013-09-12	2013-09-03		Daniel	$2,006.45	$1,451.76	**$3,458.21**	$2,015.45	36.00	$2,076.12	$88.00
10036		Complete	2013-09-12	2013-10-22		Midway	$2,453.15	$1,031.81	**$3,484.96**	$2,886.46	26.00	$1,499.42	$142.00
10037		Complete	2013-09-12	2013-09-02		Heber	$755.68	$558.92	**$1,314.59**	$686.05	12.00	$692.04	$430.00
10038		Complete	2013-09-30	2014-03-26		Heber	$22,402.35	$4,912.94	**$27,315.29**	$22,610.50	84.00	$4,844.28	$419.00
10039		Complete	2013-09-30	0000-00-00		Heber	$21,326.85	$3,979.16	**$25,306.01**	$4,598.18	64.00	$3,690.88	$539.00
10042		Complete	2013-10-16	2013-11-19		Heber	$12,223.08	$5,629.64	**$17,852.72**	$12,421.43	72.00	$4,152.24	$1,184.00
10043		Complete	2013-10-16	2014-01-13		Heber	$11,490.74	$5,322.75	**$16,813.49**	$10,717.99	88.00	$5,074.96	$544.00
10045		Complete	2013-10-31	2014-04-07		Heber	$11,876.99	$2,866.61	**$14,743.60**	$12,131.13	64.00	$3,690.88	$563.00
10046		Complete	2013-10-25	2014-06-12		Midway	$10,727.43	$7,485.87	**$18,213.30**	$11,053.99	40.00	$2,306.80	$458.00
10047		Complete	2013-10-28	2014-08-11		Timberlakes	$613.65	$604.17	**$1,217.82**	$522.39	16.00	$922.72	$130.00
10048		Complete	2013-10-28	2014-08-12		Timberlakes	$689.78	$667.52	**$1,357.30**	$592.89	12.00	$692.04	$108.00
10049		Complete	2013-10-31	2014-06-12		Charleston	$4,797.33	$1,725.38	**$6,522.71**	$4,559.05	20.00	$1,153.40	$410.00
10050		Complete	2013-11-13	2014-04-07		Heber	$18,337.01	$2,433.22	**$20,770.23**	$18,190.44	48.00	$2,768.16	$336.00
10051		Complete	2013-11-19	2014-01-21		Heber	$15,646.39	$2,459.10	**$18,105.49**	$15,598.53	48.00	$2,768.16	$217.00
10052		Complete	2014-01-07	2014-04-07		Daniel	$2,741.60	$1,546.24	**$4,287.84**	$2,741.60	32.00	$1,845.44	$304.00
10054		Complete	2014-01-13	2014-04-07		Heber	$411.99	$359.82	**$771.81**	$411.99	14.00	$807.38	$124.00
10055		Complete	2014-01-27	2014-06-12		Daniel	$6,818.29	$2,246.98	**$9,065.27**	$6,849.41	32.00	$1,845.44	$128.00
10058		Complete	2014-02-24	2014-07-08		Heber	$36,653.02	$24,489.07	**$61,142.09**	$37,257.55	254.00	$14,648.18	$1,788.00
10062		Complete	2014-02-25	2014-06-12		Heber	$48,175.99	$9,760.31	**$57,936.30**	$47,842.90	333.00	$19,204.11	$3,298.00
10063		Complete	2014-02-28	2014-04-07		Heber	$8,179.84	$3,493.84	**$11,673.68**	$8,502.09	56.00	$3,229.52	$511.00
10064		Complete	2014-04-04	2014-06-12		County	$4,272.58	$1,695.58	**$5,968.16**	$3,963.03	40.00	$2,306.80	$312.00
10065		Complete	2014-04-04	2014-06-12		Heber	$1,388.16	$749.62	**$2,137.78**	$1,409.90	12.00	$692.04	$112.00
10066		Complete	2014-04-15	2014-06-12		Midway	$215.76	$729.52	**$945.28**	$215.76	16.00	$922.72	$112.00
10068		Complete	2014-05-02	2014-06-12		County	$5,393.11	$3,188.49	**$8,581.60**	$4,563.84	47.00	$2,710.49	$930.00
10071		Complete	2014-05-20	0000-00-00		Charleston	$4,916.94	$4,629.77	**$9,546.71**	$4,894.44	25.00	$1,441.75	$303.00

10073		Complete	2008-04-16	2008-06-16		Heber	$35,089.45	$9,941.95	**$45,031.40**	$0.00	0.00	$0.00	$0.00
10074		Complete	2014-07-02	0000-00-00		Timberlakes	$6,237.26	$4,332.93	**$10,570.19**	$6,832.64	32.00	$1,845.44	$218.00
10078		Complete	2014-07-14	0000-00-00		Heber	$0.00	$0.00	**$0.00**	$697.91	74.00	$4,267.58	$639.00
10081		Complete	2014-07-30	2014-08-15		Midway	$1,014.28	$1,392.64	**$2,406.92**	$1,170.19	24.00	$1,384.08	$427.00

ATTACHMENT G

2014 DEPRECIATION SCHEDULE
HEBER LIGHT AND POWER COMPANY

NO	DESCRIPTION	DATE ACQUIRED	DATE SOLD	COST/ BASIS	PRIOR 179/ SDA/ DEPR	METHOD	LIFE	12/31/2013 DEPR
	OFFICE EQUIPMENT							
	Account 155000							
50	OIL PAINTINGS	11/30/1978		1,400	840	S/L	50	28
51	SAFE	4/1/1983		1,050	1,050	S/L	5	0
80	MICROWAVE/FRIDGE	6/12/2000		505	505	S/L	5	0
81	CASELLE SOFTWARE	1/1/2000		5,750	5,750	S/L	5	0
82	PHONE SYSTEM	1/1/2000		4,174	4,174	S/L	5	0
84	SOFTWARE	6/30/2001		5,191	5,191	S/L	5	0
85	COMPUTER	6/30/2001		1,871	1,871	S/L	5	0
91	OFFICE SOFTWARE	11/1/2002		7,225	7,225	S/L	3	0
101	TELECOM	8/28/2003		15,697	15,697	0	5	0
102	OFFICE COMPUTERS	8/22/2003		5,496	5,496	S/L	5	0
103	OFFICE FURNITURE	8/31/2003		35,132	35,132	S/L	7	0
104	OFFICE EQUIPMENT	9/15/2003		12,846	12,846	S/L	5	0
105	COMPUTER UPGRADES	11/30/2003		4,886	4,886	S/L	5	0
106	DISPATCH CENTER PHONES	12/16/2003		5,041	5,041	S/L	5	0
107	DISPATCH CENTER FURNITURE	12/31/2003		1,081	1,081	S/L	7	0
108	COPIER	9/8/2003		2,000	2,000	S/L	5	0
111	COMPUTER EQUIPMENT & UPGR	5/21/2004		13,308	13,308	S/L	3	0
112	SHELVING	2/19/2004		7,452	7,452	S/L	8	0
296	NETWORK SERVER	6/1/2005		11,957	11,957	S/L	3	0
297	3 LAPTOP COMPUTERS	12/29/2005		6,538	6,538	S/L	3	0
298	COPIER FROM IKON OFFICE	2/9/2005		2,200	2,200	S/L	3	0
341	DELL COMPUTER	1/19/2006		2,179	2,179	S/L	3	0
342	DELL COMPUTER	7/7/2006		1,640	1,640	S/L	3	0
343	DELL COMPUTER	8/25/2006		1,640	1,640	S/L	3	0
344	COMPUTER	10/24/2006		2,484	2,484	S/L	3	0
345	DELL COMPUTER	10/24/2006		2,225	2,225	S/L	3	0
346	NETWORK SOFTWARE	12/31/2006		6,786	6,786	S/L	3	0
347	DELL COMPUTER	12/31/2006		1,304	1,304	S/L	3	0
348	Various Software	12/31/2007		33,452	33,452	S/L	3	0
349	CASELLE SOFTWARE	3/1/2007		5,875	5,875	S/L	3	0
350	DELL COMPUTERS	12/31/2007		27,398	27,398	S/L	3	0
351	OFFICE EQUIPMENT	12/31/2007		5,575	4,182	S/L	8	697
352	Misc	12/31/2007		11,809	9,119	S/L	8	1,476
353	CASELLE SOFTWARE	2/6/2008		8,125	8,125	S/L	3	0
354	Fiber Installation	3/25/2008		26,804	13,400	S/L	10	2,680
355	PC's / Software	5/29/2008		69,445	69,445	S/L	3	0
356	Sensus Hardware and Software	6/10/2008		207,500	69,165	S/L	15	13,833
357	DLT Solutions	4/11/2008		15,667	15,667	S/L	3	0
358	Portable AC Units	8/29/2008		851	851	S/L	5	0
359	Origo	9/3/2008		10,295	10,295	S/L	3	0
360	Security Software	10/14/2008		798	798	S/L	3	0
361	Computers	12/31/2009		13,936	13,936	S/L	3	0
362	Software	12/31/2009		38,462	38,462	S/L	3	0
363	Photocopier	9/25/2009		4,509	1,804	S/L	10	451
364	Computers/Software	12/31/2010		59,506	59,505	S/L	3	0
365	Computers/Software	12/31/2011		48,929	32,620	S/L	3	16,310
366	Photocopier / Radios	12/31/2011		36,531	7,306	S/L	10	3,653
367	Sensus Hardware and Software	12/31/2011		143,111	19,082	S/L	15	9,541
368	Computers/Software	12/31/2012		88,353	29,451	S/L	3	29,451
369	Misc Office Equipment	12/31/2012		15,261	5,087	S/L	3	5,087
370	Security Cameras	12/31/2012		20,969	2,097	S/L	10	2,097
371	PHONE SYSTEM	12/31/2012		36,068	3,607	S/L	10	3,607
372	Vehicle Radios	12/31/2012		4,145	415	S/L	10	415
373	OFFICE FURNITURE	9/30/2013		7,153	-	S/L	7	1,022
374	Computer/Software	9/30/2013		15,987	-	S/L	3	5,329
375	2014 Misc Additions	Various		315	-	S/L	Various	-
	TOTAL OFFICE EQUIPMENT - 155000			**1,125,887**	**649,643**			**95,676**
			PY	1,102,433				
	Office Building							
	Account 158000							
54	OFFICE	1/1/1978		111,666	77,046	S/L	50	2,233
55	FENCE	1/1/1978		4,845	4,845	S/L	20	0
56	ELECTRICAL EQUIPMENT	1/1/1978		2,589	2,589	S/L	20	0
57	BACKUP	1/1/1979		9,742	9,742	S/L	8	0
58	AIR CONDITIONER	7/1/1985		4,674	4,674	S/L	5	0
59	ASPHALT	6/30/1990		8,005	8,005	S/L	15	0
60	OFFICE EQUIPMENT	1/1/1998		533	533	S/L	5	0
109	OFFICE BLDG REMODEL	8/31/2003		46,174	28,729	S/L	15	3,078
110	SECURITY SYSTEMS	11/14/2003		599	367	S/L	15	40
119	ADA RAMP	7/30/2004		4,524	759	S/L	50	90
299	PROPANE TANK	8/10/2005		553	553	S/L	5	0
300	NEW APPLIANCES FOR BASEMENT	11/4/2005		964	689	S/L	10	96
312	OFFICE WINDOWS	9/12/2006		4,593	969	S/L	30	153
349	BUILDING IMPROVEMENTS	12/31/2006		8,584	1,289	S/L	40	215
350	AC Unit	9/3/2008		7,110	2,370	S/L	15	474
351	Building Improvements	12/31/2009		5,858	1,564	S/L	15	391
352	AC Unit	6/2/2009		5,171	1,036	S/L	20	259
353	Building Improvements	12/31/2010		8,349	1,671	S/L	15	557
354	BUILDING IMPROVEMENTS	12/31/2011		5,300	706	S/L	15	353
355	Dispatch Remodel	12/31/2012		22,915	573	S/L	40	573
356	Office Building Remodel	9/30/2013		83,866	0	S/L	40	2,097
	TOTAL FURNITURE AND FIXTURE -158000			**346,614**	**148,709**			**10,609**
			PY	262,748				
	MACHINERY AND EQUIPMENT							
	Account 152000							
313	DIAPHRAM PUMP	2/17/2006		908	622	S/L	10	91
314	BREAKERS	3/16/2006		1,200	810	S/L	10	120
315	NOTEBOOKS FOR LINE TRUCKS	3/16/2006		7,124	7,124	S/L	5	0
316	WIRE REEL	5/19/2006		2,840	1,870	S/L	10	284
317	STEEL DRILL	6/13/2006		655	433	S/L	10	66
318	WIRE REEL FOR TRUCK	5/31/2006		11,216	7,385	S/L	10	1,122
319	SCADA UPGRADE	6/25/2006		8,764	5,695	S/L	10	876
320	LAWN MOWER	10/4/2006		3,899	2,437	S/L	10	390

2014 DEPRECIATION SCHEDULE
HEBER LIGHT AND POWER COMPANY

NO	DESCRIPTION	DATE ACQUIRED	DATE SOLD	COST/ BASIS	PRIOR 179/ SDA/ DEPR	METHOD	LIFE	12/31/2013 DEPR
321	Misc Tools	12/31/2007		43,889	26,334	S/L	10	4,389
322	Misc Tools	12/31/2008		62,583	31,290	S/L	10	6,258
323	Misc Tools	12/31/2008		5,631	2,815	S/L	10	563
324	Misc Tools	12/31/2009		10,908	4,364	S/L	10	1,091
325	Misc Tools	12/31/2010		12,748	3,825	S/L	10	1,275
326	Misc Tools	12/31/2011		194,416	38,884	S/L	10	19,442
327	Misc Tools	12/31/2012		8,761	876	S/L	10	876
328	Misc Tools	9/30/2013		22,294	0	S/L	10	2,229
329	2014 Misc Tools (see schedule)	Various		14,461	0	S/L	Various	-
	TOTAL MACHINERY AND EQUIPMENT - 152000			**2,239,886**	**1,908,476**			**182,762**
			PY	2,203,131				
	BUILDINGS							
	Account 151000							
6	SC WATERWELL & GENERATOR	1/1/1942		38,580	38,580	S/L	50	0
7	WATERLINES	1/1/1942		73,795	73,795	S/L	50	0
8	TRANSMISSION LINES	1/1/1942		23,943	23,943	S/L	30	0
9	RIGHT OF WAY	1/1/1942		835	835	S/L	5	0
10	LAND RIGHTS	1/1/1942		3,480	3,480	S/L	40	0
11	ROOF ON SNAKE CREEK PLANT	7/1/1985		2,116	2,116	S/L	15	0
12	BUILDING	1/1/1943		12,000	12,000	S/L	50	0
13	STORAGE SHED & EQUIPMENT	1/1/1971		3,482	3,482	S/L	50	0
14	SUBSTATION & WAREHOUSE	1/1/1961		4,537	4,537	S/L	50	0
16	WELL	1/1/1972		2,721	2,721	S/L	10	0
17	SIDING	2/28/1983		920	920	S/L	20	0
18	CEMENT SLAB	4/30/1983		909	909	S/L	20	0
19	SNAKE CREEK HOUSE	7/1/1983		51,911	51,911	S/L	25	0
20	CABINETS	1/1/1984		836	836	S/L	10	0
21	SNAKE CREEK HOUSE ADDITION	7/1/1984		3,102	3,102	S/L	25	0
22	GARAGE	1/1/1988		15,170	15,170	S/L	25	0
23	CABINETS	5/3/1996		2,778	2,778	S/L	10	0
24	CABINETS	1/31/1997		4,845	4,845	S/L	10	0
25	SHOP LOCKERS	1/31/1997		1,434	1,434	S/L	10	0
26	MAINTENANCE BUILDING	1/1/1979		60,649	60,649	S/L	20	0
27	MIDWAY SUB-SIDING	1/1/1979		762	762	S/L	20	0
28	ELECT MAINT BUILDING	1/1/1979		1,162	1,162	S/L	20	0
29	PLUMB, ECT	1/1/1980		2,975	2,975	S/L	20	0
30	GARGAGE	10/1/1983		25,546	25,546	S/L	25	0
31	GARAGE ADDITIONS	7/1/1984		11,400	11,400	S/L	25	0
32	STORAGE BULDING	9/1/1989		30,480	18,288	S/L	40	762
33	BLDG GAS GENERATION PLANT	1/1/1988		86,603	86,603	S/L	25	0
34	FENCE-GAS GENERATION PLANT	1/1/1988		13,473	13,473	S/L	20	0
35	BUILDING - DELCO	4/1/1983		198,606	156,895	S/L	25	7,944
36	FENCE	6/7/1996		1,663	1,377	S/L	20	83
71	MIDWAY SUB & RACK FENCING	1/7/1999		4,269	2,983	S/L	20	213
73	FENCING JAILHOUSE	7/7/2000		5,741	4,786	S/L	15	383
74	FURNITURE MAPING OFFICE	7/11/2000		2,400	2,400	S/L	5	0
75	FURNACE	7/11/2000		2,093	1,749	S/L	15	140
93	SHOP REMODEL	4/2/2003		53,256	17,306	S/L	30	1,775
94	WAREHOUSE REMODEL	9/29/2003		14,993	4,625	S/L	30	500
95	DISPATCH CENTER REMODEL	11/26/2003		49,290	14,924	S/L	30	1,643
113	DÉCOR	2/26/2004		2,598	2,598	S/L	8	52
114	BUILDING IMPROVEMENTS	8/23/2004		15,915	13,266	S/L	10	1,592
115	WATER HEATER	12/1/2004		871	703	S/L	10	87
116	GAS PLANT	12/8/2004		203,609	32,915	S/L	50	4,072
117	25 HP AIR COMPRESSOR	12/8/2004		5,800	5,800	S/L	5	0
118	FLOORING	1/13/2004		1,332	1,332	S/L	5	0
290	SECURITY LOCKS FOR BLDGS	4/1/2005		4,963	3,845	S/L	10	496
291	RAIN GUTTERS ON BLDGS	3/1/2005		1,140	893	S/L	10	114
310	GM OFFICE REMODEL	5/4/2006		2,278	380	S/L	40	57
311	ROOF LAKE CREEK PLANT	12/12/2006		6,576	999	S/L	40	164
312	PAUL SIMS	2/5/2007		3,000	3,000	S/L	5	0
313	HVAC	3/7/2007		3,785	3,785	S/L	5	0
314	DISPATCH MISC BUILDING IMPROVEMENTS	12/31/2008		36,055	6,010	S/L	30	1,202
315	DISPATCH FENCING	12/31/2008		17,815	5,940	S/L	15	1,188
316	Building flooring	1/6/2009		6,961	1,856	S/L	15	464
317	Entrance Control System	6/9/2009		5,072	1,352	S/L	15	338
318	Roofing Plant	9/29/2009		23,790	2,380	S/L	40	595
319	Plant 2 remodel/upgrade	11/28/2011		51,579	2,578	S/L	40	1,289
320	Shop/Office Building	12/31/2012		257,413	6,435	S/L	40	6,435
321	Shop/Office Building	9/30/2013		268,619	0	S/L	40	6,715
	TOTAL BUILDINGS - 151000			**1,731,926**	**771,364**			**38,304**
			PY	1,463,307				
	Witt Power Plant							
	Account 159000							
61	LAKE CREEK POWER PLANT	1/1/1981		2,644,514	2,093,576	S/L	40	66,113
62	ADDITION	1/1/1982		55,242	42,122	S/L	40	1,381
65	LAKE CREEK PIPELINE	7/1/1985		47,948	47,948	S/L	20	0
66	FENCE	5/1/1989		4,625	4,625	S/L	10	0
68	HILTON VALVD INGV 6754	3/31/1997		20,520	20,520	S/L	10	0
92	IMPROVEMENTS	3/31/2001		3,132	3,132	S/L	10	0
93	IMPROVEMENTS	12/31/2010		938	282	S/L	10	94
	TOTAL IMPROVEMENTS - 159000		PY	**2,776,919**	**2,212,205**			**67,588**
	LAND							
	Account 150000							
1	LAND - MISCELLANEOUS	1/1/1990		41,333				0
2	LAND - WITT POWER PLANT	7/1/1983		102,711				0
3	LAND - KOHLER	7/1/1986		6,000				0
4	LAND - DELCO BLDG	4/1/1993		53,000				0
	TOTAL LAND - 150000		PY	**203,044**				

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NO	DESCRIPTION	DATE ACQUIRED	DATE SOLD	COST/ BASIS	PRIOR 179/ SDA/ DEPR	METHOD	LIFE	12/31/2013 DEPR
	Christensen Reservoir							
	Account 161000							
69	CHRISTENSEN RESERVOIR	1/1/1988		42,484	36,508	S/L	30	1,416
	TOTAL MISCELLANEOUS - 161000		PY	**42,484**	**36,508**			**1,416**
	AUTO/TRANSPORT EQUIPMENT							
	Account 156000							
136	5TH WHEEL	7/1/1986		3,700	3,700	S/L	5	0
138	TOP FOR TRUCK	6/30/1990		1,841	1,841	S/L	5	0
139	FORD F800 & AERIAL LIFT	12/31/1990		68,300	68,300	S/L	5	0
140	92 FORD F350 WHITE DIESEL	8/17/1992		18,435	18,435	S/L	5	0
141	ADDITIONS FOR TRUCK BOOM	8/17/1992		18,155	18,155	S/L	5	0
142	SNOW PLOW-BOSS ADJUSTABLE	11/30/1994		4,244	4,244	S/L	10	0
143	FORD TRACTOR	2/28/1994		18,648	18,648	S/L	8	0
145	96 S10 PICKUP	3/20/1996		17,994	17,994	S/L	5	0
146	97 GMC DIG/DEP TRUCK	1/31/1997		111,628	111,628	S/L	10	0
152	2002 DODGE 2500 REG CAB	1/22/2001	05/04/12	0	0	S/L	5	0
153	2002 DURANGO	1/22/2001		23,767	23,767	S/L	5	0
154	UTILITY TRAILER	3/13/2002		4,692	4,692	S/L	5	0
155	UTILITY TRAILER (2)	4/9/2002		8,677	8,677	S/L	5	0
156	TRUCK BED	7/10/2002		7,867	7,867	S/L	5	0
157	TRUCK BODY REEL CARRIER	12/2/2002		8,310	8,310	S/L	5	0
160	ARIEL LINE TRUCK	12/31/2002		102,100	102,100	S/L	5	0
161	DIGGER DERRICK TRUCK	12/31/2002	04/01/13	104,830	104,830	S/L	5	0
162	2003 FORD F250 XL	1/9/2003		20,900	20,900	S/L	5	0
163	TRUCK RADIOS	6/1/2003		9,041	9,041	S/L	5	0
164	AUTO TOOL BOX	5/5/2006		1,344	1,344	S/L	5	0
330	2006 CHV SUBSTATION TRUCK	5/8/2006	04/01/13	25,259	25,259	S/L	5	0
331	2006 CHV DUMP TRUCK	5/24/2006		39,943	39,943	S/L	5	0
333	2006 FORD TRUCK	6/29/2006		15,964	15,964	S/L	5	0
334	2006 FORD TRUCK	6/29/2006		15,964	15,964	S/L	5	0
335	AG TRUCK BODY	10/30/2006		10,230	10,230	S/L	5	0
336	SOIL SPREADER	11/22/2006		2,800	2,800	S/L	5	0
337	FLAT BED TRAILER	12/27/2006		4,631	4,631	S/L	5	0
338	FLAT BED TRAILER	12/27/2006		4,631	4,631	S/L	5	0
340	2007 Ford Ranger	4/23/2007	03/09/12	0	0	S/L	5	0
341	2007 Ford Ranger	4/23/2007		15,514	15,514	S/L	5	0
342	TRUCK BODY	5/1/2007		11,607	11,607	S/L	5	0
343	Line Truck	10/16/2007		115,000	115,000	S/L	5	0
344	Winch Line Truck	2/20/2008		5,398	5,398	S/L	5	0
345	Snow Plow	4/11/2008		5,784	5,784	S/L	5	0
346	Line Truck	6/10/2008		95,000	47,500	S/L	10	9,500
347	Service Truck	9/26/2008		56,128	56,128	S/L	5	0
348	Service Truck	11/19/2008		57,255	57,255	S/L	5	0
349	Line Truck	11/26/2008		131,400	65,700	S/L	10	13,140
350	2010 Ford F550 Service Bucket	2/26/2010		82,495	24,747	S/L	10	8,249
351	2010 Dodge Dakota Meter Reading	10/12/2010		20,288	12,174	S/L	5	4,058
352	Toyota Forklift	8/4/2011		16,900	3,380	S/L	10	1,690
353	All Terrain Vehicle	8/31/2011		19,862	3,972	S/L	10	1,986
354	Utility Trailer	10/18/2011		1,931	386	S/L	10	193
355	2012 Ford F-250 Regular Cab	5/4/2012		21,333	4,267	S/L	5	4,267
356	2012 ford F-250 Super Cab	5/3/2012		23,186	4,637	S/L	5	4,637
357	2012 Chevrolet Colorado	3/9/2012		20,104	4,021	S/L	5	4,021
358	Utility Trailer/ATV	1/27/2012		854	171	S/L	5	171
359	Utility Trailer	1/11/2013		1,759	0	S/L	5	352
360	2013 Ford Truck	2/26/2013		27,858	0	S/L	5	5,572
361	Valley Truck Bed	4/16/2013		29,757	0	S/L	5	5,951
362	Altec Line Truck	7/11/2013		68,816	0	S/L	10	6,882
	TOTAL AUTO/TRANSPORT EQUIP - 156000			**1,502,124**	**1,111,536**			**70,668**
	Generator Lease							
	Account 162020							
125	GENERATOR PLANT 2-6	10/31/2001		434,378	161,682	S/L	30	14,479
126	GENERATOR HOSES	2/26/2013		940	0	S/L	10	94
	Total Generator Lease - 162020			**435,318**	**161,682**			**14,573**
			PY	434,378				
	GAS GENERATION PLANT							
	Account 160000							
165	1 GAS FIRED GENERATOR	3/31/1988		183,233	183,233	S/L	10	0
166	SCADA SYSTEM	1/1/1989		2,587	2,587	S/L	8	0
173	GENERATOR B2-7	2/8/2002		43,463	43,463	S/L	10	0
174	GENERATOR B2-8	8/30/2002		31,600	31,600	S/L	10	0
175	GENERATOR B1-4	12/5/2002		39,500	39,500	S/L	10	0
176	ENGINEERING	12/23/2002		3,292	3,292	S/L	10	0
178	ADDITIONS	12/31/2007		25,698	12,849	S/L	10	2,570
179	NEW DUCTING	6/9/2009		10,492	2,100	S/L	20	525
180	GENERATOR PURCHASE	12/31/2011		153,342	10,222	S/L	30	5,111
181	PLANT 2 REMODEL	12/31/2011		111,361	5,568	S/L	40	2,784
182	ADDITIONS	9/30/2013		71,640	0	S/L	10	7,164
183	2014 Additions	Various		71,394	0	S/L	Various	0
	TOTAL BUILDING - 160000			**676,209**	**334,414**			**18,154**
			PY	604,569				
	CAPITOL IMPROVEMENTS							
	Account 162000							
126	GAS GENERATION PLANT	9/30/1990		945,964	945,964	S/L	20	0
127	COOLERS-BURKE ENGINEERING	9/24/1992		11,558	11,558	S/L	20	0
128	GAS GENERATOR #2 ADDITION	6/30/1992		4,212	4,212	S/L	20	0
129	AIR COMPRESSOR	4/8/1996		1,350	1,350	S/L	5	0
130	OPERATING CENTER	6/3/2003		10,500	3,354	S/L	30	350
131	YARD SURFACING	9/30/2003		97,850	60,339	S/L	15	6,523
132	FENCING	11/4/2003		16,669	10,185	S/L	15	1,111
133	SEWER UPGRADE	7/3/2003		29,674	18,792	S/L	15	1,978
289	METER TESTING SOFTWARE	6/23/2004		10,837	10,837	S/L	5	0

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NO	DESCRIPTION	DATE ACQUIRED	DATE SOLD	COST/ BASIS	PRIOR 179/ SDA/ DEPR	METHOD	LIFE	12/31/2013 DEPR
348	FENCING	9/25/2006		11,878	3,712	S/L	20	594
349	Addition	4/6/2010		14,260	2,139	S/L	20	713
350	PLANT 2 UPGRADES	12/31/2011		8,034	536	S/L	30	268
351	TIMBERLAKES AMI RADIO SYSTEM	12/31/2011		3,096	412	S/L	15	206
352	Lower Snake Creek Plant Repair	12/31/2012		46,069	1,536	S/L	30	1,536
353	Plant 2 Units 7&8 Radiators	12/31/2012		7,000	233	S/L	30	233
354	Addition	9/30/2013		746,740	0	S/L	20	37,337
355	2014 Additions	Various		15,942	0	S/L	Various	0
	TOTAL IMPROVEMENTS - 162000			**1,981,632**	**1,075,159**			**50,850**
			PY	1,218,950				
	Generating Plant Capitol Lease							
	Account 162010							
124	GENERATOR UNIT 5	10/1/1995		550,434	474,752	S/L	20	27,522
125	EXHAUST WRAP PLANT 2	12/31/2011		13,448	896	S/L	30	448
	TOTAL GENERATING PLANT - 162010		PY	**563,882**	**475,648**			**27,970**
	MACHINERY AND EQUIPMENT							
	Account 153000							
177	JORDANELLE ENGINEERING	12/16/1982		48,557	26,101	S/L	20	2,428
178	JORDANELLE ENGINEERING	8/16/2004		110,500	56,631	S/L	20	5,525
179	JORDANELLE ENGINEERING	9/23/2004		1,767	895	S/L	20	88
180	MAPPING SOFTWARE	7/16/2008		3,620	3,620	S/L	3	0
181	SWITCHGEAR WITH G3516C	2/2/2004		39,546	31,310	S/L	10	3,955
193	44 KV LINE	1/1/1973		14,916	14,916	S/L	20	0
194	44 KV LINE	1/1/1974		28,919	28,919	S/L	20	0
195	TRANSFORMER JR HIGH	1/1/1975		8,464	8,464	S/L	20	0
196	SUBSTATION	1/1/1975		95,190	95,190	S/L	18	0
197	44 KV LINE	1/1/1975		48,391	48,391	S/L	20	0
198	METER TESTING STATION	1/1/1975		1,161	1,161	S/L	18	0
199	MIDWAY SWITCHING STATION	1/1/1975		9,055	9,055	S/L	20	0
212	44 KV LINE	1/1/1980		104,846	104,846	S/L	20	0
238	DISTRIBUTION LINE	6/30/1990		27,146	20,437	S/L	30	905
239	DISTRIBUTION LINE	6/30/1991		27,877	20,053	S/L	30	929
240	HARDWARE & SYSTEMS DISBRIB	8/18/1992		32,596	22,189	S/L	30	1,087
241	TRANSFORMER SYSTEM ADDITION	6/30/1992		49,993	34,296	S/L	30	1,666
242	DISTRIBUTION SYSTEM	4/1/1993		21,628	21,353	S/L	20	1,081
243	TRANSFORMERS	4/1/1993		11,672	7,683	S/L	30	389
244	DISTRIBUTION LINES	7/1/1994		175,110	107,984	S/L	30	5,837
245	DISTRIBUTION LINES	6/1/1995		375,079	219,842	S/L	30	12,503
246	DISTRIBUTION LINES	7/1/1996		295,995	162,803	S/L	30	9,867
247	DISTRIBUTION LINES	7/1/1996		81,618	44,895	S/L	30	2,721
248	CONTRIBUTED ITEM 1997	7/1/1994		187,446	96,844	S/L	30	6,248
249	CONTRIBUTED ITEM 1997	1/1/1998		44,714	22,351	S/L	30	1,490
250	CONTRIBUTED ITEM 1998	7/1/1998		306,630	148,205	S/L	30	10,221
251	CONTRIBUTED ITEM 1999	7/1/1999		74,393	33,480	S/L	30	2,480
252	CONTRIBUTED ITEM 1999	7/31/1999		325,970	145,784	S/L	30	10,866
253	SYSTEM CAPACITORS	2/10/2000		29,500	25,406	S/L	15	1,967
254	MIDWAY SUBDIVISION	12/31/2000		58,100	23,243	S/L	30	1,937
255	MIDWAY SUBDIVISION	8/10/2000		3,893	2,420	S/L	20	195
256	MIDWAY SUBDIVISION	10/8/2000		334	207	S/L	20	17
257	MIDWAY SUBDIVISION	10/8/2000		3,765	2,304	S/L	20	188
258	MIDWAY SUBDIVISION	10/8/2000		17,400	10,658	S/L	20	870
259	CONTRIBUTED ITEM 2000	7/31/2000		898,438	371,854	S/L	30	29,948
260	CONTRIBUTED ITEM 2000	7/31/2000		256,000	105,953	S/L	30	8,533
261	CONTRIBUTED ITEM 2000	7/31/2000		15,667	6,482	S/L	30	522
262	CONTRIBUTED ITEM 1999	7/31/2000		89,480	37,038	S/L	30	2,983
263	CONTRIBUTED ITEM 2001	7/31/2001		735,917	279,913	S/L	30	24,531
264	CONTRIBUTED ITEM 2001	7/31/2001		42,552	16,190	S/L	30	1,418
265	CONTRIBUTED CAPITAL 2002	6/30/2002		383,631	134,273	S/L	30	12,788
266	MAPPING SOFTWARE	12/31/2002		41,780	41,780	S/L	3	0
267	FENCE	6/21/2002		36,400	36,400	S/L	10	0
268	STRUCTURAL ADDITIONS	6/30/2002		960,246	336,084	S/L	30	32,008
269	JAILHOUSE SUB	1/15/2003		38,749	19,371	S/L	20	1,937
270	46 UTILITY POLES	4/21/2003		39,744	12,808	S/L	30	1,325
271	AUTO MAPPING SYSTEM	4/18/2003		157,120	157,120	S/L	3	0
272	138 KV LINE	4/30/2003		207,402	66,827	S/L	30	6,913
273	FENCING	6/2/2003		1,040	662	S/L	15	69
274	UTILITY POLES	8/21/2003		18,572	5,777	S/L	30	619
275	138 KV LINE	8/31/2003		11,401	3,547	S/L	30	380
276	SYSTEM IMPROVEMENTS	6/1/2003		162,838	52,018	S/L	30	5,428
277	LAKE CREEK	9/25/2003		9,900	3,053	S/L	30	330
278	MAPPING SOFTWARE	11/30/2003		7,402	7,402	S/L	3	0
279	SUBSTATION RECLOSURE	9/25/2003		1,571	482	S/L	30	52
280	SCADA	2/12/2003		8,134	8,134	S/L	5	0
281	POLE TAG DESIGN	2/22/2003		5,079	3,050	S/L	15	339
282	DISTRIBUTION ADDITION	2/25/2003		187,497	61,458	S/L	30	6,250
283	CONTRIBUTED CAPITAL 2003	6/30/2003		488,503	154,690	S/L	30	16,283
284	ADD DISTRIBUTION SYS	6/30/2003		524,171	165,985	S/L	30	17,472
285	SNAKE CREEK RADIO EQUIPMENT	2/4/2004		1,285	1,285	S/L	8	0
286	DISTRIBUTION SYSTEM	6/30/2004		294,855	83,545	S/L	30	9,829
287	COMPUTER SOFTWARE UPGRADE	8/11/2004		4,197	4,197	S/L	3	0
288	CONTRIBUTED CAPITAL 2004	12/31/2004		298,464	79,592	S/L	30	9,949
293	UTILITY POLES	11/1/2005		17,260	4,122	S/L	30	575
294	DISTRIBUTION SYSTEM	6/30/2005		1,058,085	264,524	S/L	30	35,270
295	CONTRIBUTED CAPITAL	12/31/2004		733,913	195,712	S/L	30	24,464
321	TRANSFORMER	1/12/2006		25,000	5,832	S/L	30	833
322	BREAKERS	9/1/2006		1,555	329	S/L	30	52
323	RELAY SWITCHING	9/25/2006		49,332	10,276	S/L	30	1,644
324	BREAKER CONTROL CABINET	12/21/2006		4,203	840	S/L	30	140
325	UVSC SUB FENCING	12/21/2006		11,843	1,975	S/L	30	395
326	UVSC LINE EXTENSION	12/31/2006		21,807	3,635	S/L	30	727
327	CONTRIBUTED CAPITAL DVLP	7/1/2006		1,389,661	301,093	S/L	30	46,322
328	NEW LINES 2006	7/1/2006		376,262	81,523	S/L	30	12,542

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NO	DESCRIPTION	DATE ACQUIRED	DATE SOLD	COST/ BASIS	PRIOR 179/ SDA/ DEPR	METHOD	LIFE	12/31/2013 DEPR
329	JORDANELLE HYDRO PROJECT	9/28/2006		248,905	43,559	S/L	30	8,297
330	Contributed Capital	12/31/2007		1,396,298	275,610	S/L	30	46,543
331	UVSC & Heber Subs & Jordanelle Line	12/31/2007		3,425,198	570,865	S/L	30	114,173
332	SCADA Upgrade	5/10/2007		40,789	40,789	S/L	5	0
333	SCADA Software	10/16/2007		6,244	6,244	S/L	3	0
334	Plant Additions	12/31/2007		700,215	143,694	S/L	30	23,341
335	CONTRIBUTED CAPITAL	12/31/2008		2,576,282	429,380	S/L	30	85,876
336	Plant Additions	12/31/2008		313,134	52,190	S/L	30	10,438
337	AMI Meters	12/31/2008		65,660	21,885	S/L	15	4,377
338	Wasatch Electric	12/31/2008		1,057,407	176,235	S/L	30	35,247
339	SCADA	12/31/2008		21,144	21,144	S/L	3	0
340	General Plant Purchases	12/31/2008		676,285	112,715	S/L	30	22,543
341	AMI Meters	12/31/2009		87,044	23,212	S/L	15	5,803
342	Snake Creek	12/31/2009		175,535	23,404	S/L	30	5,851
343	Wasatch Electric	12/31/2009		37,558	5,008	S/L	30	1,252
344	General Plant Purchases	12/31/2009		271,724	36,228	S/L	30	9,057
345	Contributed Capital	12/31/2009		1,391,481	185,532	S/L	30	46,383
346	AMI Meters	12/31/2010		104,598	20,919	S/L	15	6,973
347	General Plant Purchases	12/31/2010		241,802	24,180	S/L	30	8,060
348	Contributed Capital	12/31/2010		551,253	55,125	S/L	30	18,375
349	UTILITY POLES	12/31/2011		42,236	3,378	S/L	25	1,689
350	MIDWAY SUB TRANSFORMER	12/31/2011		292,700	19,514	S/L	30	9,757
351	AMI Meters	12/31/2011		129,164	17,222	S/L	15	8,611
352	SOFTWARE	12/31/2011		39,799	26,532	S/L	3	13,266
353	SNAKE CREEK POWER PLANT	12/31/2011		1,221,032	61,052	S/L	40	30,526
354	Capital Additions	12/31/2011		59,388	3,960	S/L	30	1,980
355	Capital Additions (Contributed Capital)	12/31/2011		673,474	44,898	S/L	30	22,449
356	Meter Installation Labor	12/31/2011		128,239	17,098	S/L	15	8,549
357	Settlement Infrastructure	12/31/2011		707,247	47,150	S/L	30	23,575
358	Settlement Labor and Consulting	12/31/2011		139,800	9,320	S/L	30	4,660
359	Service Territory Addition	12/31/2011		1,284,000	1,284,000		-	0
360	Equipment	12/31/2012		135,823	9,055	S/L	15	9,055
361	AMI Meters	12/31/2012		345,986	23,066	S/L	15	23,066
362	UTILITY POLES	12/31/2012		27,679	1,107	S/L	25	1,107
363	Misc Infrastructure	12/31/2012		142,487	4,750	S/L	30	4,750
364	Buildings/Plant	12/31/2012		107,778	2,694	S/L	40	2,694
365	Capital Additions	12/31/2012		843,623	28,121	S/L	30	28,121
366	Capital Additions	9/30/2013		583,270	0	S/L	30	19,442
301	CAT GEN G3516C - #EC2266	1/1/2005		685,710	548,568	S/L	10	68,571
302	CAT GEN G3516C - #EC2267	1/1/2005		685,710	548,568	S/L	10	68,571
303	SWITCHGEAR - #AC1389	1/1/2005		407,849	407,848	S/L	8	50,981
304	OXIDATION CTLYST - AC1401	1/1/2005		23,500	23,500	S/L	8	2,935
305	OXIDATION CTLYST - AC1405	1/1/2005		23,500	23,500	S/L	8	2,935
306	OXIDATION CTLYST - AC1406	1/1/2005		23,500	23,500	S/L	8	2,935
307	OXIDATION CTLYST - AC1407	1/1/2005		23,500	23,500	S/L	8	2,935
308	OXIDATION CTLYST - AC1408	1/1/2005		23,500	23,500	S/L	8	2,935
309	CAT GEN G3520C - EC1973	1/1/2005		718,445	574,759	S/L	10	71,845
310	Labor Costs for Capital Jobs	7/1/2013		447,360	0	S/L	30	0
311	Labor Costs for AMI Meters	9/30/2013		124,000	0	S/L	15	0
	2014 Distribution Assets (see schedule)	Various		170,754	0	S/L	Various	0
	TOTAL MACHINERY & EQUIPMENT - 153000			**35,761,602**	**10,796,845**			**1,338,858**
			PY	34,606,971				
	CAPITAL LEASE ASSET							
	Account 156100							
311	Altec Digger Derrick	5/1/2013		262,275	**0**	S/L	5	39,341
	2014 International 4400 Altec TA 60	3/1/2014		226,596	**0**	S/L	5	0
	TOTAL CAPITAL LEASE ASSET - 156100			**262,275**	**0**			**39,341**

ATTACHMENT H

Summary
of
Impact Fee Study Report
by R.E. Pender, Inc.

A. Purpose of Impact Fees

Impact fees are used to fund capital-related costs (e.g., new buildings) incurred in providing governmental service to "new" development. The basic philosophy behind impact fees is that "new" development should bear the additional or "incremental" capital cost incurred and necessary to provide service to the "new" development. This establishes a cost causation or "nexus" requirement between the cost incurred in providing the service and those who benefit from the service. To be clear however, impact fees are not intended to recover annual operating expenses (e.g., utility costs) or to pay for capital expenditures related to the correction of an existing deficiency in the service provided.

The Company currently imposes an impact fee on a request for a new connection or additional service. This impact fee helps the pay a portion of the costs for the new system improvements required to serve the new development. The Company has retained R.E. Pender, Inc. to assist in developing an impact fee based on current conditions.

B. Method of Calculating Impact Fees

The Pender Report determines the allowable impact fee based on: (1) the projected additional demand for electricity from the future growth and (2) the Company's cost of constructing system improvements required to deliver this electricity to customers.

The additional demand for electricity is based on the Company's projection of future growth in electricity sales caused by new customers added to the system. This projection is consistent with the growth projections of Pacificorp. The Pender Report uses the Company's growth projections to determine the total, maximum annual demand for electricity from all classes of customers and to determine that projected increase in demand for electricity was 5,235.4 kW for the period 2012 through 2017.

The cost of system improvements required to serve this additional demand was provided by the Company's Impact Fee Facilities Plan. The Pender Report divides these projected costs by the projected increase in demand to determine the cost/kW of these system improvements. This amount was adjusted by a utilization factor to reflect that typical customers typically use less electric power than the size of a typical connection.

C. Range of Impact Fees

The Pender Report recognizes that the Company's Board may not wish to impose the fully allowable impact fee. It thus calculates three different impact fees based on the extent to which the impact fees recover the cost of new system improvements. Thus, if the Board wishes the impact fee to recover all of the costs, then the recovery level is higher and the impact fee is higher as shown below:

Recovery Level	Impact Fee
100% of projected cost	\$101.48/kW of new demand
75% of projected cost	\$ 76.11/kW of new demand
50% of projected cost	\$ 50.75/kW of new demand

HEBER LIGHT & POWER

IMPACT FEE STUDY REPORT

BY:

R. E. Pender, Inc.

SEPTEMBER 13, 2013

1.1 INTRODUCTION

Heber Light & Power ("HLP" or the "Client") engaged the firm of R. E. Pender, Inc. ("Consultant") to conduct certain studies and analyses related to the development of Electric Power Impact Fees ("Impact Fees") that will be considered for implementation by HLP in the near future. The current HLP Impact Fees were implemented in 2005 following an impact fee study conducted by Electric Power Engineering Associates. The work for the immediate Impact Fee Study was conducted in accordance with a Consulting Agreement, dated July 9, 2012 , between HLP and the Consultant ; and Utah Statute U.C.A. 1953 § 11-36a-102.

In conducting the subject study, we relied on certain publicly available information, data supplied by HLP and electronic spreadsheets developed specifically for this engagement. In reaching the conclusions and recommendations discussed herein we made certain assumptions and considerations regarding future events and circumstances that may affect the ultimate outcome of our findings. We make no assurances or guarantees as to the actual outcome of any assumption or consideration made in the development of our studies. However, we believe that all assumptions and considerations made herein are appropriate and reasonable for purposes of the Impact Fee Study. In addition, certain information was obtained by the firm and/or provided to the firm by other sources, all of which are believed to be reliable and reasonable for the purpose of this undertaking.

1.2 IMPACT FEES - GENERAL

Generally speaking, impact fees are used by government agencies (e.g., city and county governments) to fund certain capital-related costs (e.g., new buildings) incurred in providing governmental services to "new" development as mandated by law or ordinance. The basic philosophy behind the implementation of impact fees is that "new" development should bear the additional or "incremental" capital cost incurred in order to provide services to the "new" development. This establishes a cost causation or "nexus" requirement between the cost incurred in providing the service and those who benefit from the service. To be clear however, impact fees are not intended to recover annual operating expenses (e.g., utility costs) or to pay for capital expenditures related to the correction of an existing deficiency in the service provided.

There are two generally recognized methods for calculating impact fees: the *inductive* method and the *deductive* method.

Under the *inductive* method, the cost and capacity of a particular facility is identified and used as the generic model for all future facilities. Take for example the cost of a new police station having a construction cost of $1,000,000 and sized to serve approximately 5,000 residential dwelling units and 1,000,000 of commercial square feet. In this very simple example, assuming the capital cost is recovered 50/50 from residential and commercial, the impact fee would be determined as follows:

Residential	=	$1,000,000 x .50 / 5,000 = $100 per dwelling unit
Commercial	=	$1,000,000 x .50 / 1,000,000 = $0.50 per sq. foot.

An advantage to this method is that it is fairly straightforward and easy to implement. It also is not affected by changes to capital improvement plans or population estimates. The monies needed for the future capital requirement (like the police station in the above example) will be available as soon as actual growth reaches the design levels, which may be any number of years down the road. A disadvantage of the inductive method is that the impact fee calculation is based on a generic model approach and, therefore, may not address the special needs of the community. It also may fail to capture all of the capital requirements associated with the project, including, for example the additional facilities that will be needed to support the primary project (e.g., required increases to the capacity of administrative support offices).

The *deductive* approach involves calculating the impact fee based on the anticipated additional demand (e.g., number of new residential dwelling units) on a facility or infrastructure used in providing services. Normally, the entity implementing the impact fee usually will have an established level of service ("LOS") standard for the particular service (e.g., 1 community park per 5,000 population) or alternatively, the current LOS (1 community park serving an existing population of 4,000) is used as the basis to determine the capital requirements underlying the impact fee calculation. In either case, once the LOS standard is known, it is a matter of applying that standard to future growth projections in population and/or commercial space as reflected in a master plan and/or capital improvement plan to determine the new capital requirements.

An advantage of using the deductive method is that it will address the specific needs of the community when determining the future capital requirements. The downside is that this method requires much more detailed information to perform the calculations and must be updated periodically as changes in population projections, master plans, etc. occur.

The inductive and deductive methods are both valid and the use of one or the other will depend largely upon the information available and the specific circumstances of the community. In calculating the subject impact fees for HLP we have employed only the deductive approach.

1.3 IMPACT FEES - UTAH

Almost all states have some form of impact fees and 26 of those states have statutes authorizing the use of impact fees. In Utah, impact fees are governed by state statute, specifically U.C.A. 1953 § 11-36a-102 (the "Statute"). A copy of the Statute is attached hereto as Appendix A.

Very generally, the Statute requires that each political subdivision imposing an impact fee shall, with some exceptions, (1) prepare an Impact Fee Facilities Plan (§ 11-36a-301), (2) perform an Impact Fee Analysis (§ 11-36a-303), (3) calculate the Impact Fee(s) (§ 11-36a-305) and (4) certify the Impact Fee Facilities Plan (§ 11-36a-306).

According to the Statute, the "Impact Fee Facilities Plan ("IFFP") shall identify (a) demands placed upon existing public facilities by new development activity; and (b) the proposed means by which the political subdivision will meet those demands." The IFFP shall also generally consider all revenue sources, including impact fees, used to finance impacts on system improvements.

The Impact Fee Analysis ("IFA") portion of the Statute states that (1) "each local political subdivision or private entity intending to impose an impact fee shall prepare a written analysis of each impact fee:" and (2) "shall also prepare a summary of the impact fee analysis designed to be understood by a lay person." The requirements of the IFA include identifying the estimated impacts on existing capacity and system improvements caused by the anticipated development activity. The political subdivision must also estimate the proportionate share of (i) the costs of existing capacity that will be recouped and (ii) the costs of the impacts on system improvements that are reasonably related to the new development activity.

The calculation of the Impact Fee may include the following:

(a) The construction contract price;

(b) The cost of acquiring land, improvements, materials, and fixtures;

(c) The cost for planning, surveying, and engineering fees for services provided for and directly related to the construction of the system improvements; and

(d) For a political subdivision, debt service charges, if the political subdivision might use impact fees as a revenue stream to pay the principal and interest on bonds, notes or other obligations issued to finance the costs of the system improvements.

Also, the Calculation of the Impact Fee must be based on realistic estimates and the assumptions underlying such estimates must be disclosed in the IFA.

Finally, a written certification shall be included in the IFFP and the IFA by the person or entity that prepared those requirements.

1.4 HEBER LIGHT & POWER

Headquartered in Heber City, Utah, HLP is a municipal-owned electric utility that serves about 10,400[1] customers in Wasatch County. The entire service area covers about 120 square miles in what is referred to as the Heber Valley. The utility's service area spans east to the Uinta National Forest, west to the entrance of Snake Creek Canyon in Midway City, south to the National Forest boundary and north to Coyote Lane on Highway 40. Along with its electric distribution system, HLP owns and operates three hydroelectric generators and three gas/diesel generating plants with an overall generating capacity of some 17 megawatts. Prior to the current economic slowdown, annual customer growth averaged a robust 15-25% per year; however, recently, the growth has been a very modest 2-3% per year. The customer base includes approximately 9,050 residential, 1,250 commercial and 100 street light customers or accounts.

1.5 WASATCH COUNTY

Wasatch County is situated in north-central Utah about 40 miles to the east and south of Salt Lake City. Heber City, the county seat, is the largest city in the county. Wasatch County is part of the Heber Micropolitan Statistical Area as well as the Salt Lake City-Ogden-Clearfield Combined Statistical Area.

[1] As of year-end 2012.

The total land and water area of the county is 1,209 square miles. As of the 2010 Census, the county had a total population of 23,530 people and 4,743 households. The population density in the county was 20 inhabitants per square mile. Geographically speaking, the county lines between the Great Basin and the Unitah Basin. Elevations range from a low point of 5,220 where the Provo River crosses the Utah County line to a high point of nearly 10,800 feet near Murdock Mountain. Except for the Heber, Strawberry and Round valleys, the county is mostly mountainous. Most county residents are within a 30 to 60 minute commute to a wide range of employment opportunities. According to the Census, prior to 1970, only about 4 percent of the work force commuted out of the county for employment. Thanks to improved roadways to Park City, Salt Lake City and Utah County that number has increased to some 50 percent today. The increase in number of commuters is partly due to people moving into the county for lifestyle reasons while keeping their jobs along the Wasatch Front.[2]

1.6 R. E. PENDER, INC.

Located in the Orlando, Florida area, R. E. Pender, Inc. is solely-owned by Robert E. Pender, ASA. The firm was founded in 2005 for the purpose of providing consulting services in the areas of appraisals and valuations; wholesale and retail utility rate studies; impact fee studies economic feasibility studies; contract compliance reviews; and litigation support. Mr. Pender began his consulting career with R. W. Beck, Inc., where he advanced to the position of Principal and Senior Director. He has been recognized and qualified as an expert before the courts and regulatory commissions in the areas of utility appraisals and utility rates and regulation. He has testified before circuit courts, Federal District Court, the Federal Energy Regulatory Commission, arbitration panels and utility regulatory commissions in the District of Columbia, New York, Ohio, New Mexico, Pennsylvania and Kansas. Mr. Pender received his B.S. degree in Accounting and Business Administration from Indiana State University in 1977. He has completed several valuation courses through the American Society of Appraisers and is certified by that organization as an Accredited Senior Appraiser – Public Utilities. Affiliations include the American Society of Appraisers, the International Association of Assessing Officers, the American Water Works Association and Government Finance Officers Association.

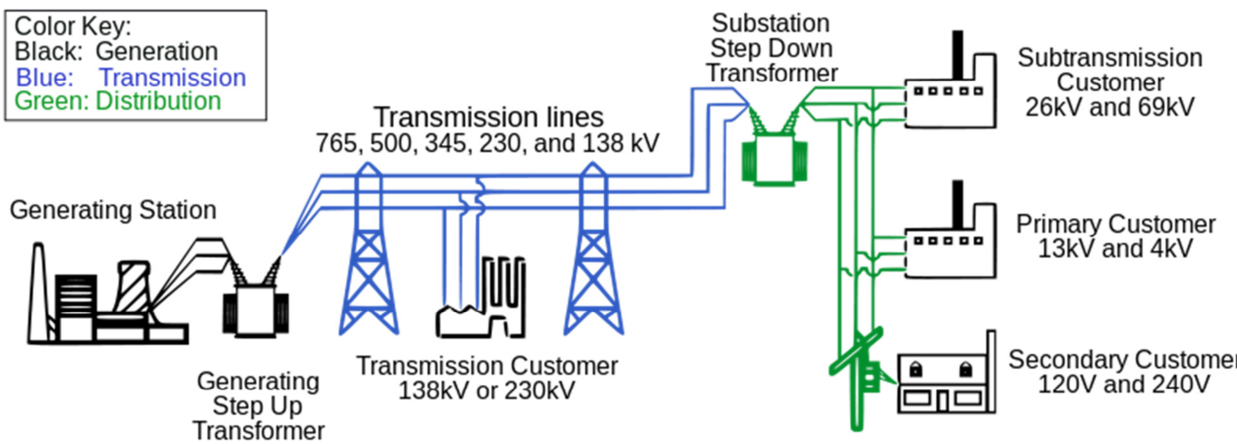
[2] Sources: Wasatch County General Plan and en.wikipedia.org.

1.7 ELECTRICITY SUPPLY AND DEMAND

1.7.1 GENERAL

As illustrated in Figure 1-1 below, an electrical power delivery system is made up of three basic components or functions: electric generators that produce the power; a transmission system to deliver the power to the distribution system; and the distribution system which delivers the power to the end-user.

Figure 1-1
Illustration of a Typical Power Delivery System

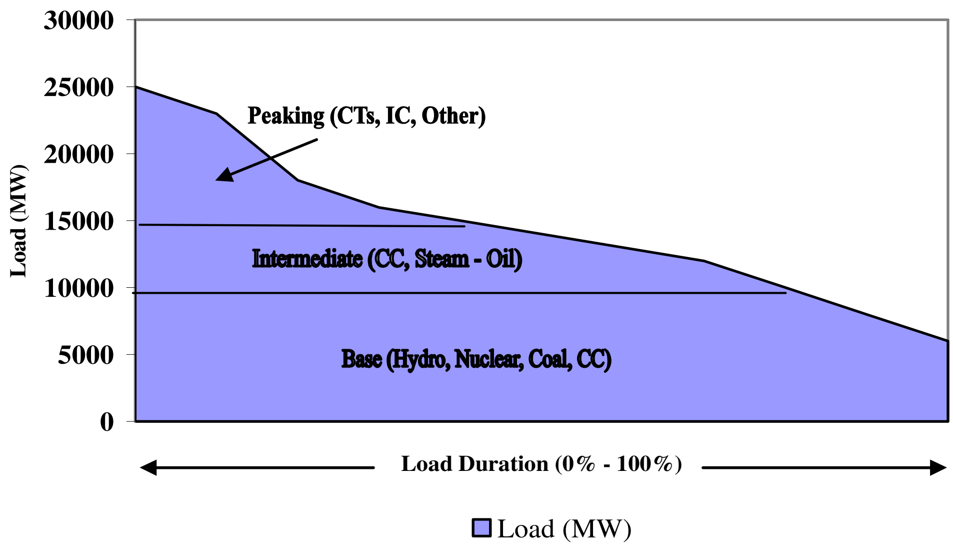


Source: en.Wikepedia.org

1.7.2 ELECTRICITY SUPPLY

In any electrical system, electricity (measured in kilowatt-hours) is produced by a number of generation technologies, powered by a diversity of fuel resources. These generators may include steam (nuclear, coal and oil); hydroelectric (run-of-river and pumped storage); combined-cycle (natural gas and fuel oil); simple-cycle (natural gas and fuel oil) and internal combustion (diesel). The utility may also utilize generation supplied by others in the form of purchased power agreements, which can include firm power (long-term, interim and short-term); unit power (a purchase out of a specific generating unit) and non-firm (usually short-term). The type and amount of each generating resource that is utilized by the utility in meeting its hourly demand (measured in megawatts) for electricity at any point in time will depend primarily on the amount and duration of the demand, the availability of the generating units and the variable operating cost of the generating unit(s). Very simply, in meeting the daily demand for electricity, each available generating resource is stacked according to its operating cost (lowest to highest) and subsequently dispatched to meet the demand for electricity in each hour of the day. This so-called "merit" stacking/dispatch procedure can be illustrated as follows:

Figure 1-2
Illustration of a Load Duration Curve with Unit Stacking



The utility's peak demand is the highest demand for electricity (measured in megawatts) recorded in any one hour (based on a 15, 30 or 60 minute interval) and occurring within a specified time period (day, week, month, year or seasonal (summer, winter). It is during these peak periods that a utility will utilize its entire portfolio of generating resources including its peaking generating resources such as combustion turbines. However, because of their relatively high operating costs, combustion turbines are usually called upon for only a very short period of time – when the utility's peak demands are at the highest levels.

1.7.3 TRANSMISSION OF ELECTRICITY

Immediately after leaving the generator, electricity is transformed (i.e., stepped up to a higher voltage) for delivery to the utility's high-voltage ("H-V") transmission system. Generally, the H-V transmission system consists of the towers, conductor, substations and other equipment necessary to deliver power from the various generating stations to the utility's distribution system or to other utilities interconnected with the H-V transmission system. H-V transmission system voltages typically range from 115 kilovolts to 500 kilovolts. A power transmission system is sometimes referred to colloquially as a "grid." Redundant paths and lines are provided so that power can be routed from any power plant to any load center, through a variety of routes, based on the economics and physical characteristics of the transmission path and the cost of power. Much analysis is done by transmission system owners to determine the maximum reliable capacity of each line, which, due to system stability considerations, may be less than the physical or thermal limit of the line. The H-V transmission system is continually monitored for potential "over-loading" conditions and utilities will sometimes be called upon to reduce/increase output at certain generating plants in order to relieve the condition. The location of generating plants in relation to the electricity load on the H-V transmission system is a very important consideration in utility planning. Needless-to-say, because of aesthetic, environmental, political, regulatory and other factors, generating plants and the transmission lines making up the "grid" can rarely be placed in the optimum location allowing for the for most efficient utilization of electric system. Transmission bottlenecks or "constraints" as they are typically referred to are sometimes created because the transmission grid is not configured or sized correctly to allow for the uninterrupted flow of power from the generating plant to the load centers experiencing the highest demand. Moreover, the level and duration of the constraint can vary depending on amount of load on the system, unit outages, and events affecting the flow of power.

1.7.4 Distribution of Electricity

Electricity distribution is the final stage in the delivery of electricity to end-users. A distribution system's network carries electricity from the transmission system and delivers it to consumers. Generally, a typical electric distribution system would include medium-voltage (e.g., 12.46 kV - 46 kV) power lines, substations, switches, poles, transformers, service drops and metering. The distribution system begins as the voltage is stepped down (e.g., 69 kV / 12.47 kV), via the substation transformer(s) and ends as the secondary service enters the customer's meter socket. Distribution circuits begin at the low-voltage side of the transformer located in the substation.

Conductors for the distribution delivery system are either located overhead on utility poles, or buried underground in the case of urban, downtown areas or new developments. Urban and suburban distribution is normally three-phase in order to serve all types of customers; residential, commercial, and industrial.

Most electric customers are connected to a transformer (pole mounted or ground level protective enclosure), which reduces the distribution voltage to the relatively low voltage used by lighting and interior wiring systems. Each customer has an "electrical service" or "service drop" connection and a meter for billing.

2.1 GENERAL

As discussed above, the Impact Fee Facilities Plan ("IFFP") shall, in accordance with the Statute, identify (a) demands placed on existing public utilities by new development activity; and (b) the proposed means by which the local subdivision will meet those demands. In addition, each local political subdivision shall generally consider the revenue sources that will be used to finance the impacts on system improvements.

The IFFP, as discussed herein, is a summary presentation of the "Impact Fee Facilities Plan," dated September 13, 2013, prepared internally by the HLP staff. That report is attached hereto as Appendix B and is incorporated herein by reference.

2.2 LEVEL OF SERVICE STANDARDS

As is the case with most any electric utility system, HLP plans, designs and operates its system based on certain standards and criteria outlined in industry treatises such as the American National Standards Institute ("ANSI") and the Institute of Electrical and Electronics Engineers ("IEEE") Standards Association. These standards, which may be supplemented at the local level based on the specific needs of the utility, typically address such things as:

- Transformer ratings under varying load levels and loading conditions;
- First contingency emergency situations;
- Distribution circuit loading criteria;
- Primary circuit voltage drop; and
- Distribution circuit reinforcement.

Using the above criteria, the utility will determine its future facility needs based on the amount of load (i.e., demand) placed on the existing system over a pre-determined planning horizon (e.g., five years).

2.3 DEMANDS PLACED ON EXISTING FACILITIES

The demand placed on an electric system is typically measured in kilowatts (kW) or kilovolt-amperes (kVa) and stated as either coincident-peak ("CP") demand or non-coincident peak ("NCP") demand. The system CP demand is typically the maximum hourly demand for the entire system measured over some time period (e.g., week, month, year); i.e., the point in time where the sum of all demands placed on the system are the highest. The NCP demand represents the sum of the maximum demands of individual customers or customer classes (e.g., residential, commercial, industrial) measured or estimated for time period (e.g. week, month, year) and the demand(s) may or may not occur the time of the system peak demand. For purposes of calculating Impact Fees, we believe that NCP represents the proper measure of demands placed on existing facilities, primarily because the NCP demand is normally the demand that utility plans for when sizing facilities that will be used to meet future growth on the system.

The analysis of HLP demands for 2012, and projected for the period 2013 through 2017, is shown in Exhibit 1 attached hereto and summarized hereunder in Table 2-1.

Table 2-1
Summary of CP and NCP Demands
For the Period 2012 through 2017

Description	2012	2013	2014	2015	2016	2017
Total System CP Demands (kW)	30,276.5	30,870.2	32,057.5	32,698.8	33,352.6	34,019.7
Total System NCP Demands (kW)	48,647.4	49,612.3	50,573.2	51,605.2	52,708.4	53,882.8

The System CP Demands for the forecast period, shown on line 1 of Exhibit 1, were developed internally by HLP staff and reviewed by the Consultant. The Estimated NCP Demands (measured at the meter) shown on lines 17-20 were computed based on the Projected Energy Sales (shown on lines 4-7) and the following assumptions and considerations:

- Customer growth (lines 26-28) reflects the approximate growth rate shown in PacifiCorp's 2011 Integrated Resource Plan filed with the Utah Public Service Commission for the PacifiCorp Eastern Area (Rocky Mountain Power).
- Growth in Average Annual Usage per Customer (lines 13-15) for all customer classes was assumed to be nil due to increases in appliance efficiencies and demand side management programs.
- Estimated NCP Load Factors (lines 32-34) were assumed to be: Residential – 30%; Commercial – 42% and Street Lights – 100.0%.
- The System Load Factor (line 3) was assumed to average approximately 58% over the forecast period.

As discussed later in Section 3, it is the estimated change (i.e., increase) in the Total System NCP Demand from 2012 to 2017 that is used as the basis for calculation of the Impact Fees. That increase amounts to 5,235.4 kW.

As noted in the Impact Fee Facilities Plan (Appendix B), given the current demand level and existing capacity of the system, HLP cannot serve the expected increase demand over the next five years without increasing the capacity of the system. As discussed below, the increase in capacity will be accomplished through a number of capital improvement projects undertaken over the five-year planning horizon.

2.4 CAPITAL PROJECTS AND COSTS

The Capital Projects that are needed to meet the increase in demand caused by new development activity were determined from an internal analysis conducted by the HLP staff. HLP staff identified a total of thirteen (13) projects that are all or partially related to new development activity. The types of projects and related costs are summarized in the following Table 2-2.

Table 2-2
General Description and Cost of Projects
Fully or Partially Related to New Development

Description	Total Cost	Percent Related to New Develop.	Cost Assigned to New Develop.
Partially-related Projects			
Distribution Feeder and Tie Circuit	$ 933,000	35%	$326,550
Fully-related Projects			
Additional Breakers	140,000	100%	140,000
New Circuits and Feeder Upgrades	970,000	100%	970,000
Additional Transformers & Transrupters	1,220,000	100%	1,220,000
Reconductor of Existing Circuits	885,000	100%	885.000
Totals	***$4,148,000***		***$3,541,550***

All of the above projects are expected to be completed by Year 2016, with expenditures being made during the period 2012 through 2016, as depicted in the following Table 2-3.

Table 2-3
Schedule of Expenditures
For Projects Related to New Development

Year	Annual Expenditures	Percent of Total	Cumulative Expenditures	Percent of Total
2012	$ 165,050	4.7%	$ 165,050	4.7%
2013	1,296,500	36.6%	1,461,550	41.3%
2014	550,000	15.5%	2,011,500	56.8%
2015	1,080,000	30.5%	3,091,550	87.3%
2016	450,000	12.7%	$3,541,550	100.0%
Total	***$3,541,550***	***100.0%***		

All of the above-described projects that are fully (100%) related to New Development activity are expected to be funded fully or partially from the proposed Impact Fees (discussed below).

2.5 CERTIFICATION OF THE IFFP

I certify that the attached Impact Fee Facilities Plan:

1. includes only the costs of public facilities that are:
   a. allowed under the Impact Fees Act; and
   b. actually incurred; or
   c. projected to be incurred or encumbered within six years after the day on which each impact fee is paid;
2. does not include:
   a. costs of operation and maintenance of public facilities;
   b. costs for qualifying public facilities that will raise the level of service for facilities, through impact fees, above the level of service that is supported by existing residents;
   c. an expense for overhead, unless the expense is calculated pursuant to a methodology that is consistent with generally accepted cost accounting practices and the methodological standards set forth by the federal Office of Management and Budget for federal grant reimbursement; and
3. complies in each and every relevant respect with the Impact Fees Act.

CERTIFIED BY:

Signature: John Blaine Stewart

Name: John Blaine Stewart

Title: General Manager

Date: September 13, 2013

3.1 GENERAL

As discussed in Section 1, the IFA portion of the Statue requires that each local political subdivision or private entity intending to impose an impact fee prepare a written analysis of each impact fee. It also requires that IFA include a summary designed to be understood by a lay person. Additional requirements include identifying the estimated impacts on existing capacity and system improvements caused by the anticipated development activity. The political subdivision must also estimate the proportionate share of (i) the costs of existing capacity that will be recouped and (ii) the costs of the impacts on system improvements that are reasonably related to the new development activity.

3.2 IMPACT FEE ANALYSIS

The Analysis of the Impact Fee is shown in the attached Exhibit 2. As shown therein, the analysis was prepared assuming a 5-year recovery period and three (3) distinct recovery levels (100%, 75% and 50%). The various recovery levels are designed to allow the HLP Board to consider the appropriate Impact Fee it wishes to implement. As discussed above in Section 2, the Total Cost of New Development-related Projects is estimated to be $3,541,550 (see line 1 of Exhibit 2). Once the total cost under the assumed Impact Fee Recovery Levels was determined (line 2-4), the three recovery amounts were then divided by the total Increase in Non-Coincident Peak Demand (line 7) to determine the Base Impact Fee at the Various Recover Levels (lines 8-10). These amounts were multiplied times an average customer electric panel utilization factor of 15 percent, which produced the following Impact Fees at the various recovery levels:

Recovery Level	**Impact Fee**
100%	**$101.48**
75%	**76.11**
50%	**50.74**

The 15% panel utilization factor was provided by HLP staff and is consistent with the like factor used in the 2005 Impact Fee Study prepared for HLP. We believe that this factor is reasonable and appropriate for the development of the subject Impact Fees.

We should note that all of costs to be recovered through the proposed Impact Fees are directly related to new development activity; that is, none of the costs of existing facilities are proposed to be recovered through the new Impact Fees. Those costs will be borne by current and future ratepayers.

In addition, the HLP Board will ultimately decide which Impact Fee it wishes to implement. In contemplation of their decision, we believe the Board will take into consideration the proportionate sharing of costs between new development and utility ratepayers, as well as the overall effect on the economic base of the area HLP serves.

3.3 IMPACT FEE CHARGES – PRESENT AND PROPOSED

A summary of Impact Fee charges for the Residential and Commercial customer classes is provided in the attached Exhibit 3. The estimated charges, shown by the selected electric panel size, have been calculated under each of the proposed Impact Fees as compared to the current Impact Fee. The calculation of the Impact Fee charge, as set forth in Heber Power & Light Electric Service Rule No. 16, is based on the following formula:

Main Panel Size (Amps)	
X	line to line voltage (kVa)
X	1 (1.732 for 3 phase service)
X	Applied Impact Fee
=	Impact Fee Payable

Charges under the currently effective Impact Fee, shown under column (a) of Exhibit 3, are calculated using a base fee of $41.40. The worksheet that HLP uses to determine impact fees for new connections is attached as Appendix C. Charges under each proposed impact fee is shown in columns (b) through (d) of Exhibit 3. For example, based on an Impact Fee of $50.74 (a 50% recovery level), a new residential connection having panel rating of 200 amps would incur the following Impact Fee charge:

200 x 240 / 1000 x $50.74 = $2,435.39

Similarly, a 3-phase commercial customer with a 2000 amp panel rating would incur the following charge when a proposed Impact Fee of $50.74 is used:

2,000 x 208 / 1000 x $50.74 = $36,555.28

While we are of the opinion that the proposed Impact Fees at the 100 percent recovery level are just and reasonable based on the analyses undertaken, the HLP Board must ultimately decide what level of recovery is appropriate given proportionate sharing considerations, current socioeconomic conditions and circumstances of the HLP service area.

3.4 CERTIFICATION OF THE IFA

I certify that the attached Impact Fee Analysis:

1. includes only the costs of public facilities that are:
    a. allowed under the Impact Fees Act; and
    b. actually incurred; or
    c. projected to be incurred or encumbered within six years after the day on which each impact fee is paid;
2. does not include:
    a. costs of operation and maintenance of public facilities;
    b. costs for qualifying public facilities that will raise the level of service for facilities, through impact fees, above the level of service that is supported by existing residents;
    c. an expense for overhead, unless the expense is calculated pursuant to a methodology that is consistent with generally accepted cost accounting practices and the methodological standards set forth by the federal Office of Management and Budget for federal grant reimbursement; and
3. offsets costs with grants or other alternate sources of payment; and
4. complies in each and every relevant respect with the Impact Fees Act.

CERTIFIED BY:

Signature Robert E. Pender

Name: Robert E. Pender, ASA

Title: President

Company: R. E. Pender, Inc.

Date: September 13, 2013

At the request of HLP, the Consultant has completed an Impact Fee Facilities Plan and Impact Fee Analysis; both prepared in accordance with applicable Utah Statutes and collectively referred to as the Impact Fee Study. In preparing the subject studies and analyses the Consultant has reached the following findings and conclusions.

4.1 SUMMARY OF FINDINGS

Impact Fee Facilities Plan

- On a non-coincident peak basis, the demand placed on existing facilities is projected to be 53,882.8 kW in Year 2017 (see Exhibit 1). This represents an increase of 5,235.3 kW over the like demand in Year 2012 (48,647.4 kW). The increase in demand is entirely due to new development that HLP will be required to serve.
- In order to meet the increase in demand from new development occurring over the 5-year period 2013 through 2017, the Consultant, in collaboration with the HLP staff, has identified thirteen (13) projects that will need to be completed by year 2016. The total construction cost of these projects, to be funded fully or partially through Impact Fee charges, amounts to $3,541,550.

Impact Fee Analysis

- The analysis of the proposed Impact Fees is summarized in Exhibit 2. Proposed Impact Fees were designed at three (3) distinct recovery levels (100%, 75% and 50%) which will allow the HLP Board to consider the appropriate revenue contribution levels from new development activity, electric rates and other potential funding sources.
- The proposed base Impact Fees were calculated using (i) the total construction cost that will be incurred for new development ($3,541,550), (ii) the total increase in demand due to new development (5.235.3 kW) and (iii) an assumed average electric panel utilization of 15 percent. The proposed Impact Fees so calculated are:

Recovery Level	Impact Fee
100%	**$101.48**
75%	**76.11**
50%	**50.74**

4.2 OBSERVATIONS AND RECOMMENDATIONS

In consideration of the above findings and conclusions with respect to the IFFP and IFA, Consultant makes the following observations and recommendations.

1. In light of the fact that current ratepayers may receive some benefit (e.g., improved reliability) from the proposed construction projects outlined in the IFFP , we believe it would be appropriate for the HLP Board to consider setting the Impact Fee at a level that reflects something less than 100 percent recovery from new development. That is, there should be some level of sharing between current electric customers and new development customers that will be added to the system over the next five years.
2. When setting the base Impact Fee, the HLP Board should also consider the economic development goals of Heber City and Wasatch County in general. That is, the charges produced by the Impact Fee should not hinder the broadening of the economic base in the Heber Valley area.
3. HLP's current base Impact Fee of $41.40 produces charges that are comparable to several other municipal electric utilities in Utah and if left unchanged, would recover slightly less than 50 percent of the cost of new development projects outlined in the IFFP.
4. In consideration of the foregoing, Consultant recommends that HLP Board either (i) maintain the current base Impact Fee of $41.40 or (ii) adopt a new Impact Fee of $50.74 which, based on the findings of the Impact Fee Study, will recover approximately 50 percent of the costs of new development projects.

Respectfully Submitted:
R.E. PENDER, INC.

Robert E. Pender, President

APPENDICES

APPENDIX A
UTAH STATUTE U.C.A. 1953 § 11-36A-102

West's Utah Code Annotated Currentness
Title 11. Cities, Counties, and Local Taxing Units
Chapter 36A. Impact Fees Act
Part 1. General Provisions
§ 11-36a-102. Definitions

As used in this chapter:

(1)(a) “Affected entity” means each county, municipality, local district under Title 17B, Limited Purpose Local Government Entities--Local Districts, special service district under Title 17D, Chapter 1, Special Service District Act, school district, interlocal cooperation entity established under Chapter 13, Interlocal Cooperation Act, and specified public utility:

(i) whose services or facilities are likely to require expansion or significant modification because of the facilities proposed in the proposed impact fee facilities plan; or

(ii) that has filed with the local political subdivision or private entity a copy of the general or long-range plan of the county, municipality, local district, special service district, school district, interlocal cooperation entity, or specified public utility.

(b) “Affected entity” does not include the local political subdivision or private entity that is required under Section 11-36a-501 to provide notice.

(2) “Charter school” includes:

(a) an operating charter school;

(b) an applicant for a charter school whose application has been approved by a chartering entity as provided in Title 53A, Chapter 1a, Part 5, The Utah Charter Schools Act; and

(c) an entity that is working on behalf of a charter school or approved charter applicant to develop or construct a charter school building.

(3) “Development activity” means any construction or expansion of a building, structure, or use, any change in use of a building or structure, or any changes in the use of land that creates additional demand and need for pub-

lic facilities.

(4) “Development approval” means:

(a) except as provided in Subsection (4)(b), any written authorization from a local political subdivision that authorizes the commencement of development activity;

(b) development activity, for a public entity that may develop without written authorization from a local political subdivision;

(c) a written authorization from a public water supplier, as defined in Section 73-1-4, or a private water company:

(i) to reserve or provide:

(A) a water right;

(B) a system capacity; or

(C) a distribution facility; or

(ii) to deliver for a development activity:

(A) culinary water; or

(B) irrigation water; or

(d) a written authorization from a sanitary sewer authority, as defined in Section 10-9a-103:

(i) to reserve or provide:

(A) sewer collection capacity; or

(B) treatment capacity; or

(ii) to provide sewer service for a development activity.

(5) “Enactment” means:

(a) a municipal ordinance, for a municipality;

(b) a county ordinance, for a county; and

(c) a governing board resolution, for a local district, special service district, or private entity.

(6) “Encumber” means:

(a) a pledge to retire a debt; or

(b) an allocation to a current purchase order or contract.

(7) “Hookup fee” means a fee for the installation and inspection of any pipe, line, meter, or appurtenance to connect to a gas, water, sewer, storm water, power, or other utility system of a municipality, county, local district, special service district, or private entity.

(8)(a) “Impact fee” means a payment of money imposed upon new development activity as a condition of development approval to mitigate the impact of the new development on public infrastructure.

(b) “Impact fee” does not mean a tax, a special assessment, a building permit fee, a hookup fee, a fee for project improvements, or other reasonable permit or application fee.

(9) “Impact fee analysis” means the written analysis of each impact fee required by Section 11-36a-303.

(10) “Impact fee facilities plan” means the plan required by Section 11-36a-301.

(11)(a) “Local political subdivision” means a county, a municipality, a local district under Title 17B, Limited Purpose Local Government Entities--Local Districts, or a special service district under Title 17D, Chapter 1, Special Service District Act.

(b) “Local political subdivision” does not mean a school district, whose impact fee activity is governed by Section 53A-20-100. 5.

(12) “Private entity” means an entity with private ownership that provides culinary water that is required to be used as a condition of development.

(13)(a) “Project improvements” means site improvements and facilities that are:

(i) planned and designed to provide service for development resulting from a development activity;

(ii) necessary for the use and convenience of the occupants or users of development resulting from a development activity; and

(iii) not identified or reimbursed as a system improvement.

(b) “Project improvements” does not mean system improvements.

(14) “Proportionate share” means the cost of public facility improvements that are roughly proportionate and reasonably related to the service demands and needs of any development activity.

(15) “Public facilities” means only the following impact fee facilities that have a life expectancy of 10 or more years and are owned or operated by or on behalf of a local political subdivision or private entity:

(a) water rights and water supply, treatment, and distribution facilities;

(b) wastewater collection and treatment facilities;

(c) storm water, drainage, and flood control facilities;

(d) municipal power facilities;

(e) roadway facilities;

(f) parks, recreation facilities, open space, and trails;

(g) public safety facilities; or

(h) environmental mitigation as provided in Section 11-36a-205.

(16)(a) “Public safety facility” means:

(i) a building constructed or leased to house police, fire, or other public safety entities; or

(ii) a fire suppression vehicle costing in excess of $500,000.

(b) “Public safety facility” does not mean a jail, prison, or other place of involuntary incarceration.

(17)(a) “Roadway facilities” means a street or road that has been designated on an officially adopted subdivision plat, roadway plan, or general plan of a political subdivision, together with all necessary appurtenances.

(b) “Roadway facilities” includes associated improvements to a federal or state roadway only when the associated improvements:

(i) are necessitated by the new development; and

(ii) are not funded by the state or federal government.

(c) “Roadway facilities” does not mean federal or state roadways.

(18)(a) “Service area” means a geographic area designated by a local political subdivision on the basis of sound planning or engineering principles in which a defined set of public facilities provides service within the area.

(b) “Service area” may include the entire local political subdivision.

(19) “Specified public agency” means:

(a) the state;

(b) a school district; or

(c) a charter school.

(20)(a) “System improvements” means:

(i) existing public facilities that are:

(A) identified in the impact fee analysis under Section 11-36a-304; and

(B) designed to provide services to service areas within the community at large; and

(ii) future public facilities identified in the impact fee analysis under Section 11-36a-304 that are intended to provide services to service areas within the community at large.

(b) “System improvements” does not mean project improvements.

CREDIT(S)

U.C.A. 1953 § 11-36a-102, UT ST § 11-36a-102

Current through 2011 Third Special Session.

END OF DOCUMENT

West's Utah Code Annotated Currentness
Title 11. Cities, Counties, and Local Taxing Units
Chapter 36A. Impact Fees Act
Part 3. Establishing an Impact Fee
§ 11-36a-301. Impact fee facilities plan

(1) Before imposing an impact fee, each local political subdivision or private entity shall, except as provided in Subsection (3), prepare an impact fee facilities plan to determine the public facilities required to serve development resulting from new development activity.

(2) A municipality or county need not prepare a separate impact fee facilities plan if the general plan required by Section 10-9a-401 or 17-27a-401, respectively, contains the elements required by Section 11-36a-302.

(3)(a) A local political subdivision with a population, or serving a population, of less than 5,000 as of the last federal census need not comply with the impact fee facilities plan requirements of this part, but shall ensure that:

(i) the impact fees that the local political subdivision imposes are based upon a reasonable plan; and

(ii) each applicable notice required by this chapter is given.

(b) Subsection (3)(a) does not apply to a private entity.

CREDIT(S)

U.C.A. 1953 § 11-36a-301, UT ST § 11-36a-301

Current through 2011 Third Special Session.

END OF DOCUMENT

West's Utah Code Annotated Currentness
Title 11. Cities, Counties, and Local Taxing Units
Chapter 36A. Impact Fees Act
Part 3. Establishing an Impact Fee

§ 11-36a-302. Impact fee facilities plan requirements--Limitations--School district or charter school

(1) An impact fee facilities plan shall identify:

(a) demands placed upon existing public facilities by new development activity; and

(b) the proposed means by which the local political subdivision will meet those demands.

(2) In preparing an impact fee facilities plan, each local political subdivision shall generally consider all revenue sources, including impact fees and anticipated dedication of system improvements, to finance the impacts on system improvements.

(3) A local political subdivision or private entity may only impose impact fees on development activities when the local political subdivision's or private entity's plan for financing system improvements establishes that impact fees are necessary to achieve an equitable allocation to the costs borne in the past and to be borne in the future, in comparison to the benefits already received and yet to be received.

(4)(a) Subject to Subsection (4)(c), the impact fee facilities plan shall include a public facility for which an impact fee may be charged or required for a school district or charter school if the local political subdivision is aware of the planned location of the school district facility or charter school:

(i) through the planning process; or

(ii) after receiving a written request from a school district or charter school that the public facility be included in the impact fee facilities plan.

(b) If necessary, a local political subdivision or private entity shall amend the impact fee facilities plan to reflect a public facility described in Subsection (4)(a).

(c)(i) In accordance with Subsections 10-9a-305(4) and 17-27a-305(4), a local political subdivision may not require a school district or charter school to participate in the cost of any roadway or sidewalk.

(ii) Notwithstanding Subsection (4)(c)(i), if a school district or charter school agrees to build a roadway or sidewalk, the roadway or sidewalk shall be included in the impact fee facilities plan if the local jurisdiction has an impact fee facilities plan for roads and sidewalks.

CREDIT(S)

U.C.A. 1953 § 11-36a-302, UT ST § 11-36a-302

Current through 2011 Third Special Session.

END OF DOCUMENT

West's Utah Code Annotated Currentness
Title 11. Cities, Counties, and Local Taxing Units
Chapter 36A. Impact Fees Act
Part 3. Establishing an Impact Fee
§ 11-36a-303. Impact fee analysis

(1) Subject to the notice requirements of Section 11-36a-504, each local political subdivision or private entity intending to impose an impact fee shall prepare a written analysis of each impact fee.

(2) Each local political subdivision or private entity that prepares an impact fee analysis under Subsection (1) shall also prepare a summary of the impact fee analysis designed to be understood by a lay person.

CREDIT(S)

U.C.A. 1953 § 11-36a-303, UT ST § 11-36a-303

Current through 2011 Third Special Session.

END OF DOCUMENT

West's Utah Code Annotated Currentness
Title 11. Cities, Counties, and Local Taxing Units
Chapter 36A. Impact Fees Act
Part 3. Establishing an Impact Fee

§ 11-36a-304. Impact fee analysis requirements

(1) An impact fee analysis shall:

(a) identify the anticipated impact on or consumption of any existing capacity of a public facility by the anticipated development activity;

(b) identify the anticipated impact on system improvements required by the anticipated development activity to maintain the established level of service for each public facility;

(c) subject to Subsection (2), demonstrate how the anticipated impacts described in Subsections (1)(a) and (b) are reasonably related to the anticipated development activity;

(d) estimate the proportionate share of:

(i) the costs for existing capacity that will be recouped; and

(ii) the costs of impacts on system improvements that are reasonably related to the new development activity; and

(e) based on the requirements of this chapter, identify how the impact fee was calculated.

(2) In analyzing whether or not the proportionate share of the costs of public facilities are reasonably related to the new development activity, the local political subdivision or private entity, as the case may be, shall identify, if applicable:

(a) the cost of each existing public facility that has excess capacity to serve the anticipated development resulting from the new development activity;

(b) the cost of system improvements for each public facility;

(c) other than impact fees, the manner of financing for each public facility, such as user charges, special assessments, bonded indebtedness, general taxes, or federal grants;

(d) the relative extent to which development activity will contribute to financing the excess capacity of and system improvements for each existing public facility, by such means as user charges, special assessments, or payment from the proceeds of general taxes;

(e) the relative extent to which development activity will contribute to the cost of existing public facilities and system improvements in the future;

(f) the extent to which the development activity is entitled to a credit against impact fees because the development activity will dedicate system improvements or public facilities that will offset the demand for system improvements, inside or outside the proposed development;

(g) extraordinary costs, if any, in servicing the newly developed properties; and

(h) the time-price differential inherent in fair comparisons of amounts paid at different times.

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U.C.A. 1953 § 11-36a-304, UT ST § 11-36a-304

Current through 2011 Third Special Session.

END OF DOCUMENT

West's Utah Code Annotated Currentness
Title 11. Cities, Counties, and Local Taxing Units
Chapter 36A. Impact Fees Act
Part 3. Establishing an Impact Fee

§ 11-36a-305. Calculating impact fees

(1) In calculating an impact fee, a local political subdivision or private entity may include:

(a) the construction contract price;

(b) the cost of acquiring land, improvements, materials, and fixtures;

(c) the cost for planning, surveying, and engineering fees for services provided for and directly related to the construction of the system improvements; and

(d) for a political subdivision, debt service charges, if the political subdivision might use impact fees as a revenue stream to pay the principal and interest on bonds, notes, or other obligations issued to finance the costs of the system improvements.

(2) In calculating an impact fee, each local political subdivision or private entity shall base amounts calculated under Subsection (1) on realistic estimates, and the assumptions underlying those estimates shall be disclosed in the impact fee analysis.

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U.C.A. 1953 § 11-36a-305, UT ST § 11-36a-305

Current through 2011 Third Special Session.

END OF DOCUMENT

West's Utah Code Annotated Currentness
Title 11. Cities, Counties, and Local Taxing Units
Chapter 36A. Impact Fees Act
Part 3. Establishing an Impact Fee
§ 11-36a-306. Certification of impact fee analysis

(1) An impact fee facilities plan shall include a written certification from the person or entity that prepares the impact fee facilities plan that states the following:

"I certify that the attached impact fee facilities plan:

1. includes only the costs of public facilities that are:

a. allowed under the Impact Fees Act; and

b. actually incurred; or

c. projected to be incurred or encumbered within six years after the day on which each impact fee is paid;

2. does not include:

a. costs of operation and maintenance of public facilities;

b. costs for qualifying public facilities that will raise the level of service for the facilities, through impact fees, above the level of service that is supported by existing residents;

c. an expense for overhead, unless the expense is calculated pursuant to a methodology that is consistent with generally accepted cost accounting practices and the methodological standards set forth by the federal Office of Management and Budget for federal grant reimbursement; and

3. complies in each and every relevant respect with the Impact Fees Act."

(2) An impact fee analysis shall include a written certification from the person or entity that prepares the impact fee analysis which states as follows:

"I certify that the attached impact fee analysis:

1. includes only the costs of public facilities that are:

   a. allowed under the Impact Fees Act; and

   b. actually incurred; or

   c. projected to be incurred or encumbered within six years after the day on which each impact fee is paid;

2. does not include:

   a. costs of operation and maintenance of public facilities;

   b. costs for qualifying public facilities that will raise the level of service for the facilities, through impact fees, above the level of service that is supported by existing residents;

   c. an expense for overhead, unless the expense is calculated pursuant to a methodology that is consistent with generally accepted cost accounting practices and the methodological standards set forth by the federal Office of Management and Budget for federal grant reimbursement;

3. offsets costs with grants or other alternate sources of payment; and

4. complies in each and every relevant respect with the Impact Fees Act."

CREDIT(S)

U.C.A. 1953 § 11-36a-306, UT ST § 11-36a-306

Current through 2011 Third Special Session.

END OF DOCUMENT

APPENDIX B
IMPACT FEE FACILITIES PLAN

Heber Light & Power Company

Impact Fee Facilities Plan

This Impact Fee Facilities Plan is intended to supplement and provide additional support for the information found Section 2 of the Impact Fee Study Report by R.E. Pender, Inc. dated September 2013 ("Pender Report").

A. Background

Heber Light & Power Company is a Utah energy services interlocal entity created by Heber City, Charleston, and Midway City. The Company provides service to more than 10,400 customers in a service area covering 120 square miles including most of the Heber Valley. The Company owns and operates three hydroelectric generators and thermal generating plants with an overall generating capacity of 16.5 megawatts. Prior to the current economic slowdown, annual customer growth averaged a robust 15-25% per year; however, recently, the growth has been a 2-3% per year.

B. Need for System Improvements to Serve Demand From New Development

As part of its strategic planning process, the Company annually assesses historic growth in energy sales and projects future anticipated increase in sales. The Section 2 of the Pender Report contains the Company's projections and the assumptions on which the Company based its projections.

In assessing what System Improvement are necessary to serve the demand from New Development, it is important to recognize that HLP operates a single-integrated system which must be viewed as a whole. It is not appropriate to view any component of the system in isolation, for assessing the impact of new development on the system's capacity. Rather, the issue is whether the system, as a whole, has the capacity to serve the new development at HLP's existing level of service, not whether any isolated circuit within the system has the capacity to serve the new development

HLP's analysis of the system's current load and existing capacity shows that HLP cannot serve projected load growth without increasing the capacity of the system. Stated in other words, the projected load growth exceeds the capacity of the facilities required to serve the load and thus would compromise the Company's current level of service. Therefore the system does not have excess capacity to serve projected new load growth.

This conclusion is in part based upon the Electrical System Model Update and Analysis date October 2011 by Intermountain Consumer Professional Engineers, Inc. ("System

Analysis"), attached hereto as Exhibit A and by the load growth projections on which the System Analysis is based. It is worth noting that, in 2012-13, actual load growth exceeded these projections. The System Analysis shows the additional facility capacity required to serve new development at the Company's current level of service.

The System Analysis identifies System Improvements required to increase the system's capacity to serve the load from projected new growth. These system improvements include: (1) increasing capacity by installing additional distribution feeders and tie circuits, (2) installing, upgrading, or reconductoring existing circuits and feeders (3) installing additional substation breakers, and (4) installing new or upgraded substation transformers and protective equipment. Examples of these types of System Improvements and the cost of these System Improvements are summarized in Exhibit B. The Company's cost estimates are based on the Company's standard method of estimating material and labor costs for its projects. The Company intends to use impact fees to fund a portion of the cost of these types of System Improvements; however the specific projects may vary depending on (1) the needs of the system at the time that the funds are available or (2) the portions of the system most impacted by new development.

C. Revenue Sources to Fund New System Improvements for Load Growth

HLP funds system improvements through (1) electric power revenues, (2) bonds, and (3) impact fees. Electric power revenues, in part, cover debt service and system improvements. Impact fees are used strictly to pay for system improvements for new load growth. Developers ordinarily pay the costs of project specific improvements and do not pay for or provide system-wide improvements. HLP has received small grants for street light refitting and emergency planning but grants do not play a role in HLP's capital plan. HLP does not receive interfund transfers or loans from its members.

D. New Customers Future Contributions to System Improvements Through Rates

The Company has no existing excess capacity to serve new customers and therefore the revenue from the proposed Impact Fee does not fund excess capacity through existing System Improvements. As to existing System Improvements funded through debt, new and existing customers share equally this debt burden through future rates. These System Improvements benefit all customers because the Company's system is an integrated system. In addition, the Company only recovers a portion of the cost of the System Improvements for projected future

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growth. Thus, existing customers as well as new customers pay for a portion of these improvements through electric rates.

I certify that the attached impact fee facilities plan:

1. includes only the costs of public facilities that are:

    a. allowed under the Impact Fees Act; and

    b. actually incurred; or

    c. projected to be incurred or encumbered within six years after the day on which each impact fee is paid;

2. does not include:

    a. costs of operation and maintenance of public facilities;

    b. costs for qualifying public facilities that will raise the level of service for the facilities, through impact fees, above the level of service that is supported by existing residents;

    c. an expense for overhead, unless the expense is calculated pursuant to a methodology that is consistent with generally accepted cost accounting practices and the methodological standards set forth by the federal Office of Management and Budget for federal grant reimbursement; and

3. complies in each and every relevant respect with the Impact Fees Act.

Dated this 13 day of September, 2013

John Blaine Stewart

John Blaine Stewart
General Manager
Heber Light & Power Company

EXHIBIT A

Study Summary

Heber Light & Power
Electrical System Model Update and Analysis

October 2011

Intermountain Consumer
Professional Engineers, Inc.
1145 East South Union Avenue
Midvale, Utah 84047
(801) 255-1111

TABLE OF CONTENTS

INTRODUCTION

The main objective for this study was to update the existing computer model to reflect recent acquisitions and expansions to the Heber City electrical system and evaluate the performance in order to identify potential problems. This document includes a summary of results for the electrical system model. Resultant data includes fault currents and load flow approximations for the HL&P system circuits.

Model Construction

The City model upgrades are based upon the information provided by Heber Light & Power. Modifications made to the existing system model are the following:

1. Load was added to Heber 302 circuit – RMP/HL&P ownership changed at Coyote Lane.
2. Circuit expansion was made between the Provo River 201 circuit and the express feeder down Homestead Drive. This connection included the addition of Snake Creek Hydro Plant, Swiss Mtn. Estates, and Oak Haven accordingly.
3. Load was added to the Heber 303 circuit to reflect the addition of Wal-Mart.
4. Midway Substation transformer capacity was increased to 10 MVA. Impedance was set to be 8% .
5. Daniels area conductor size was changed to 477 ACSR on the Jail House 504 circuit.
6. Circuit loads were adjusted to match the 2011 peak loading meter data provided by HL&P.
7. The system open points were updated according to the AutoCAD system map provided by HL&P.

Assumptions

Several assumptions had to be made in order to model the system. Calculated and/or generalized estimates were used where data was not precise or otherwise incomplete. Model assumptions and estimates were used for items in the following categories:

- Line/Cable Impedances
- Transformer Impedances
- Generator Impedances
- Transformer Sizes
- Cable Lengths
- Balanced 3 Phase Loads

The generated model(s) assumes a balanced system and conservative estimates were used for the respective connected load summations.

Study Methods

Two major studies were performed: short circuit analysis and load flow. The short circuit study was calculated and simulated using the classical method while providing output for ½ cycle symmetrical 3- Phase fault values at all major busses throughout the transmission system. Short circuit source impedance values were generated by simulating a fault on the RMP 46 kV system at the point delivery. Short circuit analysis was primarily run to determine the impact of the Snake Creek Hydro Generator addition and increased transformer capacity.

Power Flow calculations are based on the "Fast Decoupled" method. System load flow analysis was run to determine the impact of the new circuit modifications described above. Additional load flow studies were ran to determine the future impact for the next 4 years based off of projected peak loading. This projected peak load data was provided by HL&P. Additional meter data was utilized in order to estimate the present peak demand. The load tabulations for the newly acquired areas are based on balanced 3 phase conservative values and should be considered approximations only.

RESULTS SUMMARY

Short Circuit Study

Table 1 below provides fault current values generated by the EDSA model at specific points of interest. The corresponding one-line labeled Short Circuit Study is found in the attachments section where these fault currents are printed at each bus accordingly.

2011 1/2 Cycle 3-Phase Symmetrical Fault Current Data				
Model Bus Tag	Bus Description	Fault Current (Amps)	Imped. Z + (PU)	Imped. Z 0 (PU)
101023	46 kV Midway Substation	8188	0.1535	0.1143
101029	12.47 kV Midway Substation	4858	0.9531	0.8000
101065	46 kV Provo River Substation	6922	0.1813	0.4158
101066	12.47 kV Provo River Substation	3412	1.3568	1.2791
101131	46 kV Heber Substation	6553	0.1915	0.4893
10138	12.47 kV Heber Substation	8182	0.5659	0.4995
101177	46 kV Cloyes Substation	6616	0.1897	0.4510
101184	12.47 kV Cloyes Substation	3898	1.1878	0.9989
101198	46 kV Jail House Substation	5377	0.2334	0.6276
101199	12.47 kV Jail House Substation	5731	0.8079	0.5703
101242	46 kV College Substation	4422	0.2839	1.0728
101262	12.47 kV College Substation	11019	0.4202	0.2501

Table 1

Load Flow Study

Table 2 below provides "worst-case" voltage drop percentage based on the respective load flow studies generated by the EDSA model. The model single-line displaying the flow values for each circuit are available upon request. The circuits that present significant concern are found in the attachments section; refer to the attachments section for these cases.

Load Flow Parameters for Projected Peak Loads										
Year	2011		2012		2013		2014		2015	
Circuit No.	Peak Load (kW)	Voltage Drop (%)	Peak Load (kW)	Voltage Drop (%)	Peak Load (kW)	Voltage Drop (%)	Peak Load (kW)	Voltage Drop (%)	Peak Load (kW)	Voltage Drop (%)
CL401	1985	0.2	2065	0.2	2176	0.2	2324	0.2	2513	0.3
CL402	1538	0.1	1599	0.1	1686	0.1	1800	0.1	1947	0.2
HB302	3260	2.2	3391	2.2	3576	2.4	3821	2.5	4135	2.7
HB303	1130	0.1	1178	0.1	1241	0.1	1326	0.1	1433	0.2
HB304	2910	1.2	3027	1.3	3191	1.3	3409	1.4	3687	1.6
HB305	1564	0.2	1627	0.2	1715	0.2	1832	0.2	1980	0.3
JH501	2711	1.5	2820	1.5	2974	1.6	3178	1.7	3439	1.9
JH502	3966	9.7	4134	10.1	4371	10.8	4689	11.6	5099	12.7
JH503	634	0.1	659	0.1	695	0.1	742	0.1	803	0.1
JH504	2354	2.7	2450	2.9	2584	3.2	2763	3.6	2992	4.1
MW101	2858	3.2	2974	3.3	3137	3.5	3354	3.8	3631	4.1
MW104	1106	0.4	1151	0.4	1213	0.4	1296	0.4	1401	0.5
PR201	3688	7.7	3846	8	4068	8.5	4365	9.1	4749	9.9
PR202	484	0	504	0	532	0	567	0	614	0

Notes:

1 Voltage drop percentage shown is the worst case value usually along the furthest point in the given circuit. It is not intended to represent an average or general value.

Table 2

Observations

Several observations were made during the various studies performed. These key items are summarized in Table 3 seen below. Please note that these observations are based upon factors and circumstances that may need verification before issues and solutions are valid.

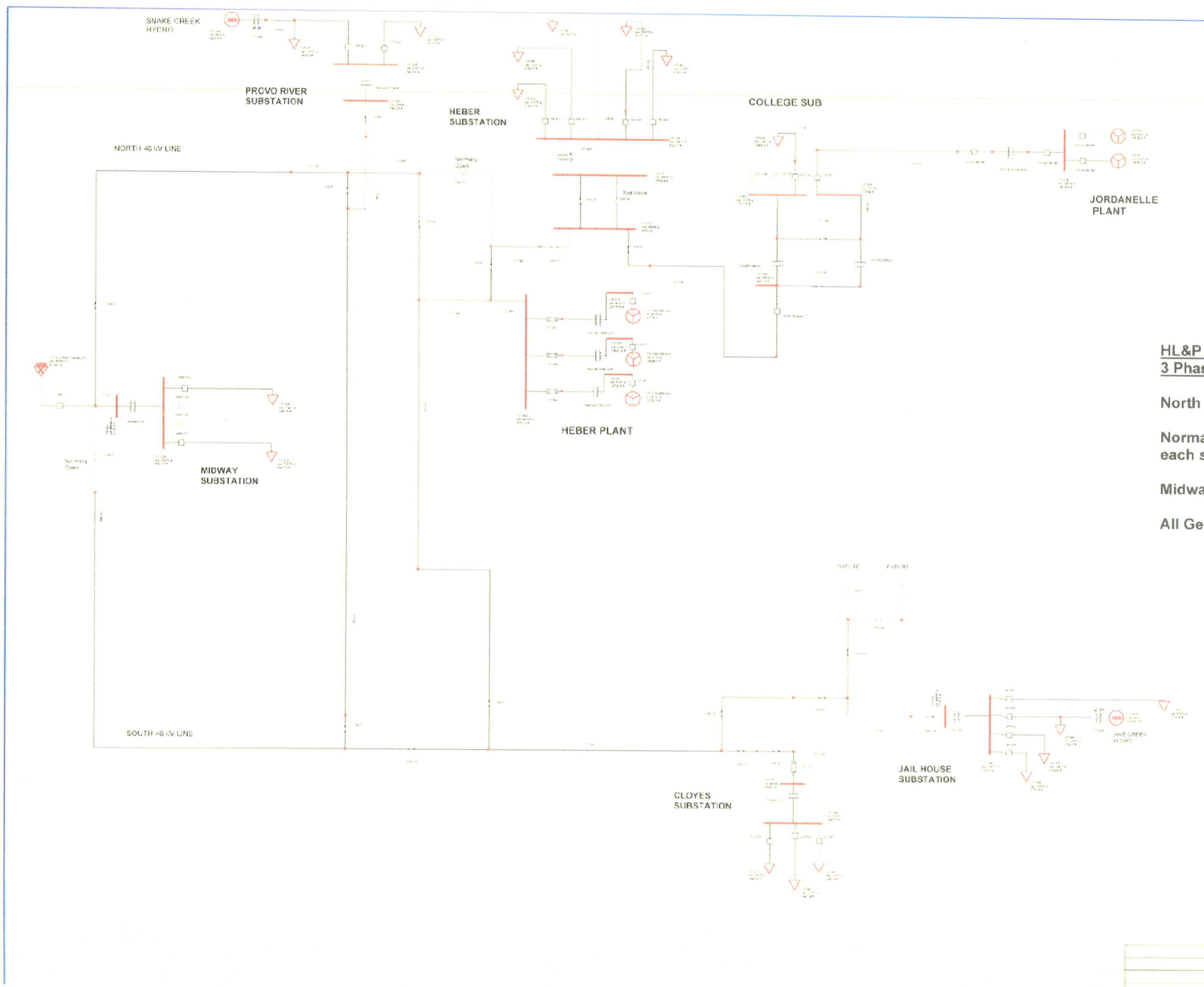
Key Observations		
Item/Circuit No.	**Issue**	**Proposed Solution**
Provo River Sub XF	Power flow is close to exceeding the transformer 7 MVA rating	Upsize the transformer capacity
Jail House Sub XF	Power flow is close to exceeding the transformer 12.5 rating	Upsize the transformer capacity
South Line Feed	Current rating exceeds the #4/0 ACSR cable for the projected loads	Upgrade feeder size from #4/0 ACSR to #795 ACSR minimum
JH502	Current rating exceeded for the #2 ACSR cable from regulator towards Timber Lakes	Upgrade feeder from #2 ACSR to #2/0 ACSR minimum, and/or revise circuits to shed part of the newly acquired load
JH502	Voltage drop is significant at the Timber Lakes area	Revise circuits to shed some of the newly acquired load and/or step up the Voltage for that area
JH504	Voltage drop could be significant near the Bingelli plant area	Revise circuits to shed some of the acquired load and/or step up the Voltage for that area (via regulator)
PR201	Current rating will be exceeded for the #1/0 ACSR cable along Main St. ,400 East/River Rd., and Burgi Lane (based off of projected future peak loading)	Upgrade feeder from #1/0 to a #4/0 minimum (#477 ACSR should provide adequate ampacity for future growth along these routes), and/or revise circuits to shed part of the newly acquired load
PR201	Voltage drop is significant at the Oak Haven, Swiss Mtn. Estates, and the lines toward the Hydro Plant	Revise circuits to shed part of the newly acquired load and/or step up the Voltage for these areas (via regulator)

Table 3

ATTACHMENTS

List of Attached EDSA Study Single-Line Circuits

1. Short Circuit Study Single Line – Transmission System
2. Load Flow Study Single Line – Transmission System North Line Feed
3. Load Flow Study Single Line – Transmission System South Line Feed
4. Jail House 502 circuit Load Flow
5. Jail House 504 circuit Load Flow
6. Provo River 201 circuit Load Flow



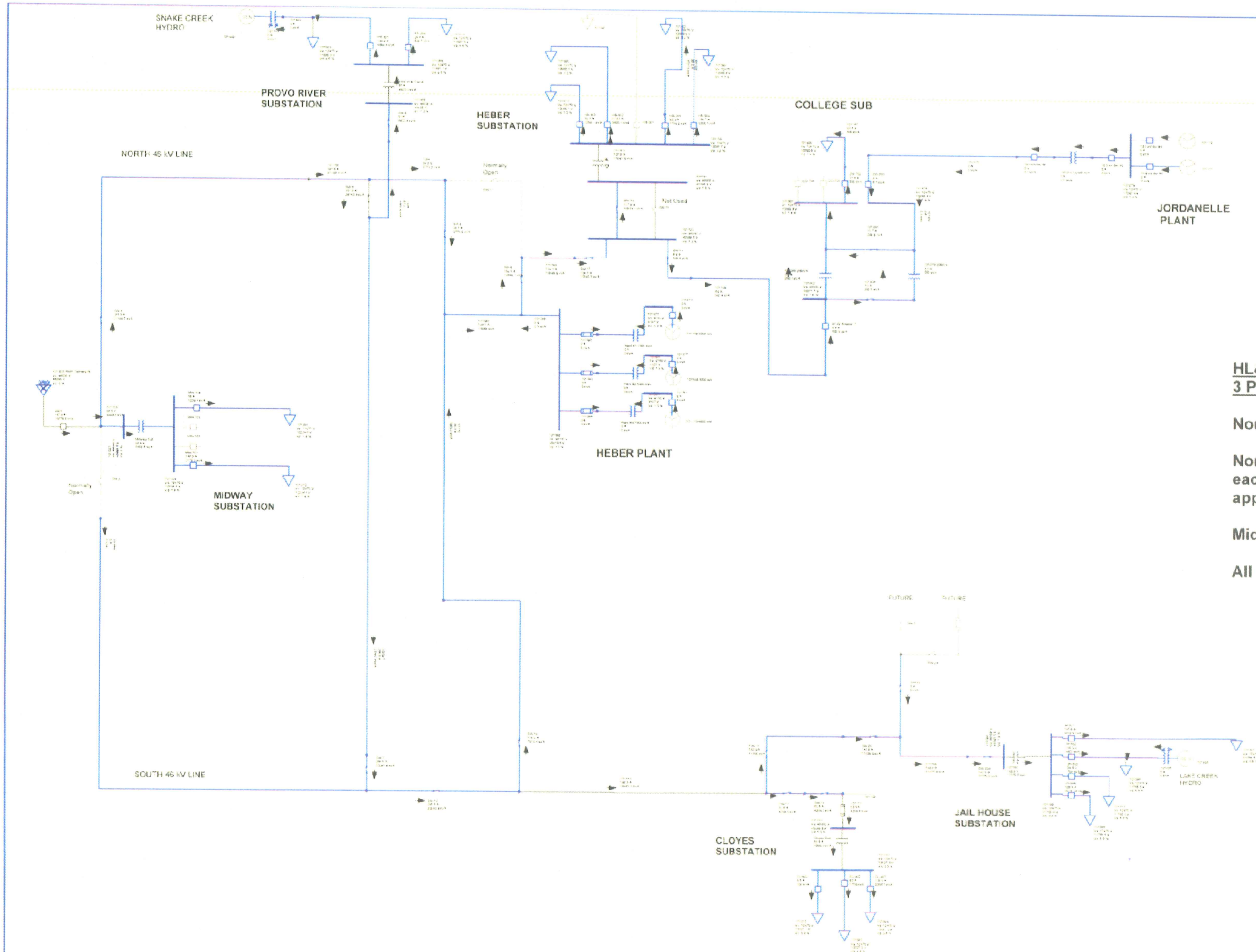
<u>HL&P Transmission System</u>
<u>3 Phase Fault Study Model.</u>

North Line Feeding the System.

Normal configuration with 2011 peak loads at each substation

Midway Sub XF updated to 10 MVA at Z=8%.

All Generation is "on-line".



<u>HL&P Transmission System</u>
<u>3 Phase Load Flow Study Model.</u>

North Line Feeding the System.

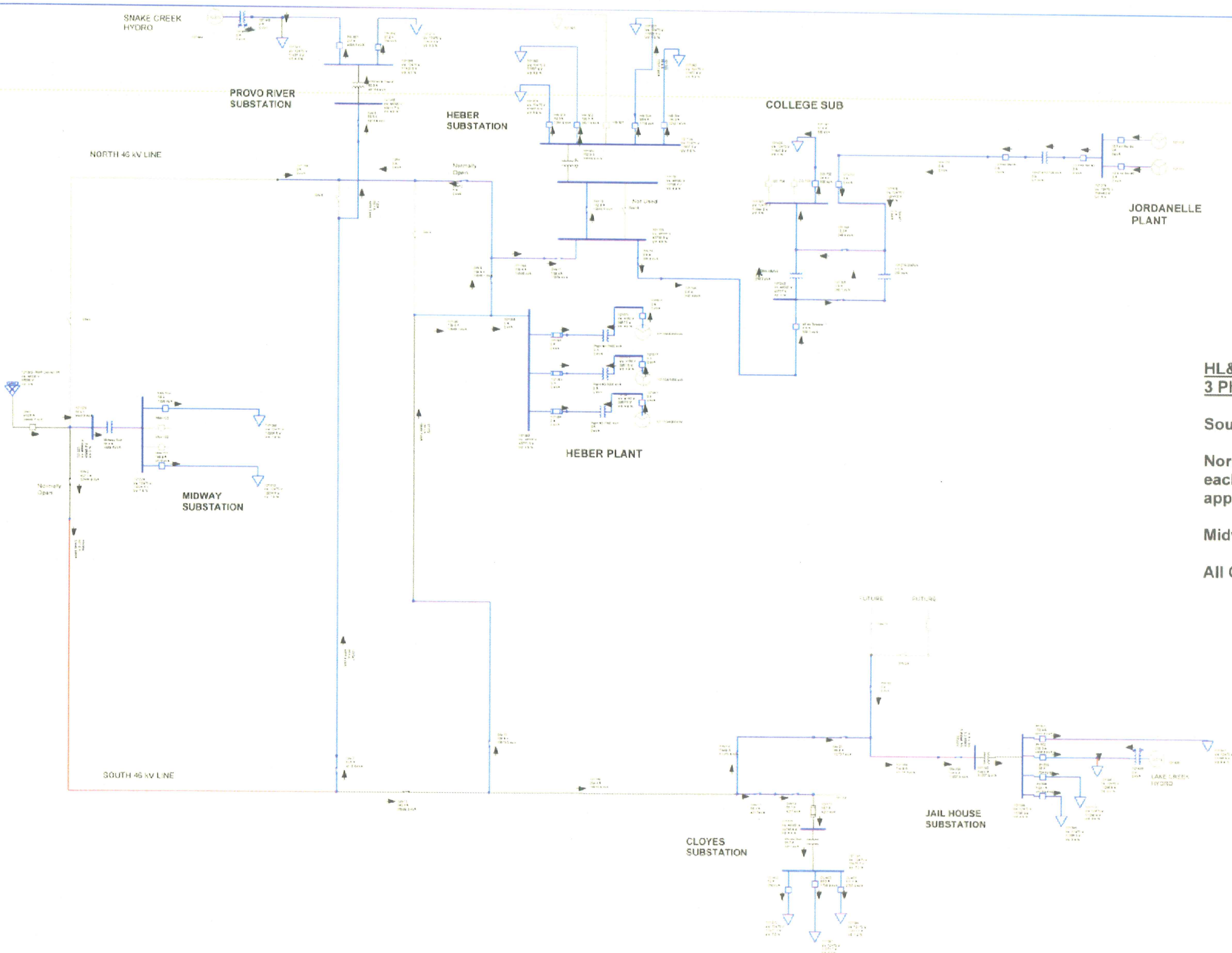
Normal configuration with 2011 peak loads at each substation: Total System Load set @ approximately 30,000 kW.

Midway Sub XF updated to 10 MVA at Z=8%.

All Generation is "off-line".

EDSA

Electrical One-Line Diagram



<u>HL&P Transmission System</u>
<u>3 Phase Load Flow Study Model.</u>

South Line Feeding the System.

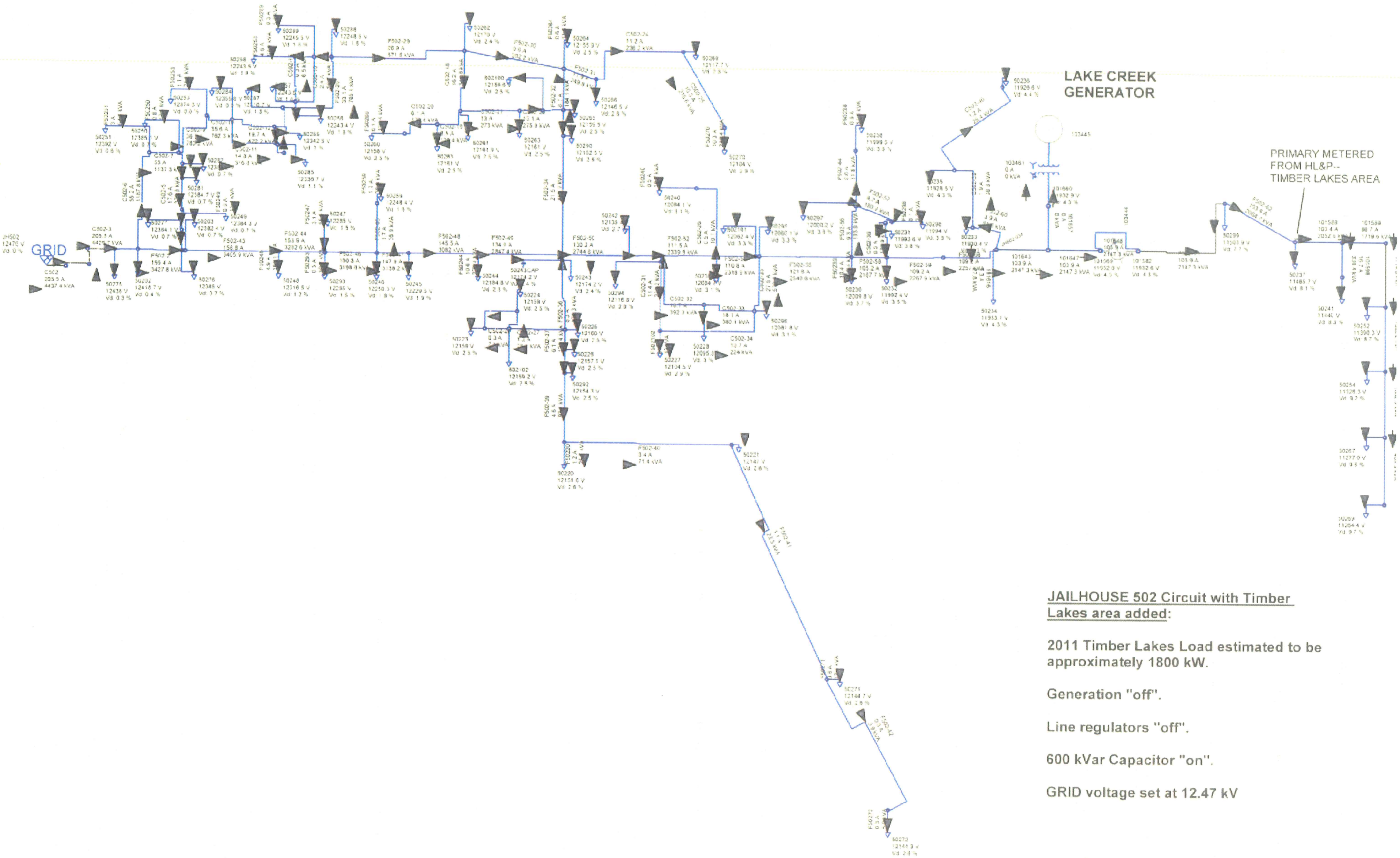
Normal configuration with 2011 peak loads at each substation: Total System Load set @ approximately 30,000 kW.

Midway Sub XF updated to 10 MVA at Z=8%.

All Generation is "off-line".

EDSA

Electrical One-Line Diagram



JAILHOUSE 502 Circuit with Timber Lakes area added:

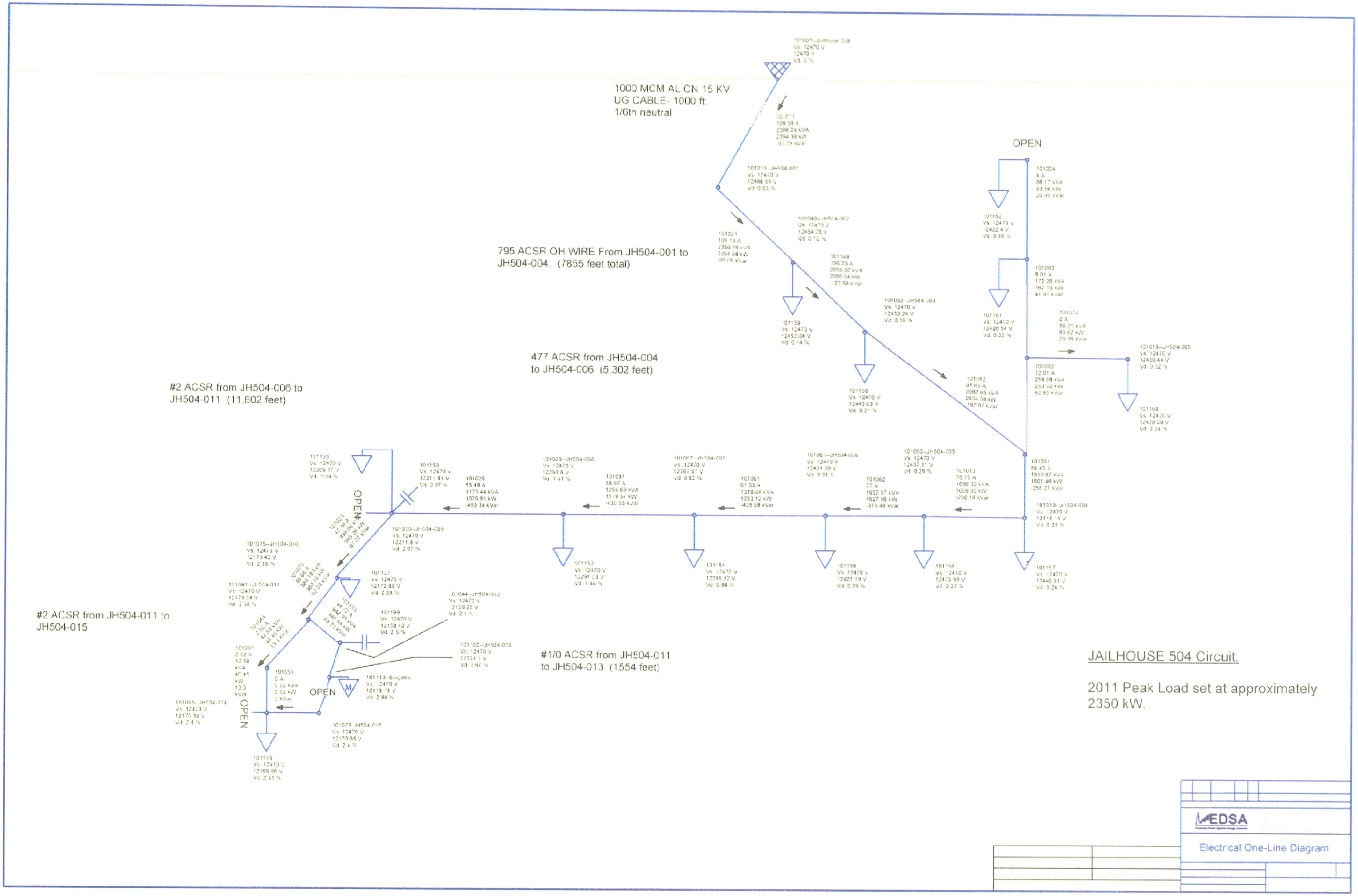
2011 Timber Lakes Load estimated to be approximately 1800 kW.

Generation "off".

Line regulators "off".

600 kVar Capacitor "on".

GRID voltage set at 12.47 kV


1000 MCM AL CN 15 KV
UG CABLE- 1000 ft.
1/6th neutral
795 ACSR OH WIRE From JH504-001 to
JH504-004. (7855 feet total)
477 ACSR from JH504-004
to JH504-006 (5,302 feet)
#2 ACSR from JH504-006 to
JH504-011 (11,602 feet)
#2 ACSR from JH504-011 to
JH504-015
#1/0 ACSR from JH504-011
to JH504-013 (1554 feet)
OPEN
OPEN
OPEN
OPEN
JAILHOUSE 504 Circuit:
2011 Peak Load set at approximately
2350 kW.
EDSA
Electrical One-Line Diagram

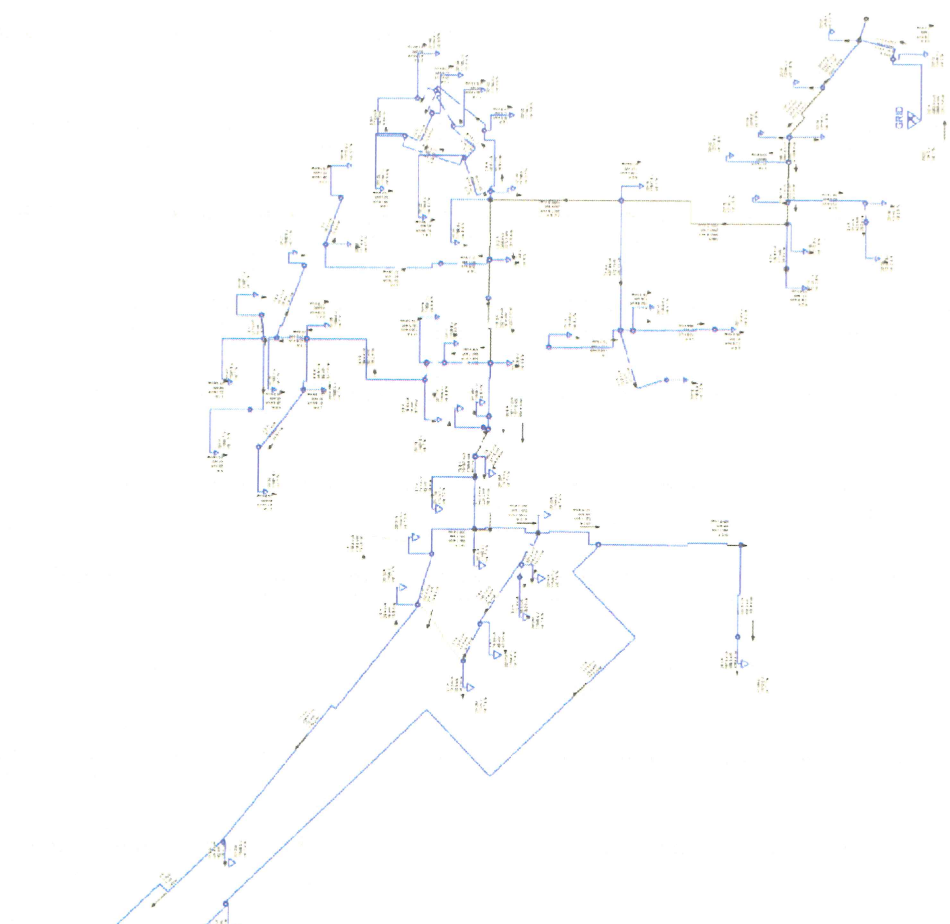


EXHIBIT B

Appendix A

Project Description	Impact Fee Related	Date Start	Date Finish	Projected Cost ($1,000) Total	Impact Fee Related
Midway Distribution Feeder	35%	2012	2012	$ 243	$ 85
College Substation Heber Tie Circuit	35%	2013	2013	$ 690	$ 242
HB 302-304 UG Tie Circuit	0%	2012	2012	$ 78	$ -
Midway 46kV Breakers South and North Lines	100%	2012	2013	$ 140	$ 140
Timberlakes Dist. System Improvements	0%	2012	2014	$ 240	$ -
Lower Snake Creek Plant Upgrade	0%	2012	2012	$ 250	$ -
College Substation Heber Tie Circuit	100%	2012	2013	$ 10	$ 10
Jailhouse Substation Bay-2 Transformer Addition (12MVA)	100%	2012	2013	$ 550	$ 550
AMI Implementation	0%	2012	2013	$ 393	$ -
Heber to Midway distribution recondutor	100%	2013	2014	$ 285	$ 285
Operation Shop/Garage Project	0%	2012	2012	$ 400	$ -
Lower Snake Creek Plant Upgrade	0%	2013	2015	$ 400	$ -
46kV South Line Repair	0%	2013	2015	$ 300	$ -
CL 401(Charleston) reconductor to Midway Sub	100%	2013	2016	$ 600	$ 600
Business Office addition/remodel/new build	0%	2013	2014	$ 750	$ -
Two additional Circuits out of Jailhouse going east	100%	2014	2015	$ 560	$ 560
Midway 46kV Transrupter	100%	2014	2014	$ 70	$ 70
12.5kV Distribution Feeder Upgrade to Charleston	100%	2014	2016	$ 100	$ 100
Jailhouse Bk-1 46kV Transrupter	100%	2015	2015	$ 100	$ 100
Heber Substation 2nd transformer	100%	2015	2015	$ 500	$ 500
2 Additional Circuit Heber Sub (West & South)	100%			$ 300	$ 300
Project Totals				$ 6,959	$ 3,542

APPENDIX C
2006 IMPACT FEE CALCULATION WORKSHEET

HEBER LIGHT & POWER
2006 IMPACT FEE CALCULATION WORKSHEET
May 2006

An Electrical Service Impact Fee is required for all new and expanded electrical services

The impact fee for all new or expanded electrical services shall be in accordance with the following worksheet. New services are based on panel breaker size and voltage rating; expanded services are based on the differential current (new minus the existing main breaker size and the voltage rating. The intent is to use the resultant kVA capacity increase as a measure of system impact.

Calculate or enter service size: [ ] = input data

Amperage:	100.00	Main breaker size or differential current for upgrades
Voltage (in volts):	240	[Differential current = New breaker size - Old breaker size]
Single (1) or three (3) phase:	1.00	
New kVA/KW Service:	24.00	

Calculate Impact Fee:

Estimated Non-diversified Demand With Utilization:	3.60
Impact Fee (Est Demand x Diversified Base Fee):	$993.60

Impact Fee Base =	$425.00	Per kVA of system capacity
Diversity Factor =	65%	Non-coincidental Peak vs. System Peak Demand
Diversified Base Fee =	$276.00	Per kVA of Estimated Diversified Capacity (Rounded from $276.25)
Utilization Factor =	15%	Actual Demand vs. Installed Service Capacity (Multiplier applied to requested service size.)
Applied Fee =	$41.40	Per kVA of customer requested service increase. Single phase KVA is based on main breaker ampere size x normal line-to-line voltage; ie 100a x 240v = 24kVA; Three phase KVA requires a multiplier of 1.732

Impact Fee Table:

REQUESTED SERVICE SIZE [AMPERAGE LESS THAN OR EQUAL TO]	VOLTAGE 120/240 1 PHASE	120/208 3 PHASE	277/480 3 PHASE
10	$99	$149	$344
20	$199	$298	$688
30	$298	$447	$1,033
40	$397	$597	$1,377
50	$497	$746	$1,721
60	$596	$895	$2,065
70	$696	$1,044	$2,409
80	$795	$1,193	$2,754
90	$894	$1,342	$3,098
100	$994	$1,492	$3,442
125	$1,242	$1,864	$4,302
150	$1,490	$2,237	$5,163
175	$1,739	$2,610	$6,023
200	$1,987	$2,983	$6,884
300	$2,981	$4,475	$10,326
400	$3,974	$5,966	$13,768
500	$4,968	$7,458	$17,210
600	$5,962	$8,949	$20,652
700	$6,955	$10,441	$24,094
800	$7,949	$11,932	$27,535
900	$8,942	$13,424	$30,977
1000	$9,936	$14,915	$34,419
1100		$16,407	$37,861
1200		$17,898	$41,303
1300		$19,390	$44,745
1400		$20,881	$48,187
1500		$22,373	$51,629
1600		$23,864	$55,071
1700		$25,356	$58,513
1800		$26,847	$61,955
1900		$28,339	$65,397
2000		$29,830	$68,839
2500		$37,288	$86,048
3000		$44,745	$103,258

EXHIBITS

EXHIBIT 1
ANALYSIS OF FORECASTED CUSTOMER & LOAD DATA

Heber Light & Power
Impact Fee Study for Years 2013 - 2017

Analysis of Forecasted Customer & Load Data

Line No.	Description		Actual 2011	Actual 2012	Forecast Period 1 2013	2 2014	3 2015	4 2016	5 2017	Growth Rate
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	System Coincident Peak Demand [1]	kW	28,930.0	30,276.5	30,870.2	32,057.5	32,698.6	33,352.6	34,019.7	2.36%
2	Total System Load (Input to Distribution System) [1	MWh	150,425.3	156,466.5	159,653.6	162,846.6	166,103.6	169,425.6	172,814.1	2.01%
3	System Load Factor	%	59.4%	59.0%	59.0%	58.0%	58.0%	58.0%	58.0%	
	Energy Sales at Meter [2]									
4	Residential	MWh	77,350.8	82,332.0	83,486.6	84,715.2	86,034.7	87,445.3	88,946.8	1.56%
5	Commercial	MWh	62,383.1	63,501	65,434.8	67,250.0	69,199.7	71,283.8	73,502.4	2.97%
6	Street Lights	MWh	518.2	518.2	518.2	518.2	518.2	518.2	518.2	0.00%
7	Total	MWh	140,252.1	146,351.4	149,439.6	152,483.3	155,752.5	159,247.2	162,967.4	2.17%
8	System Energy Loss Factor	%	6.76%	6.46%	6.40%	6.36%	6.23%	6.01%	5.70%	
	Estimated Average No. of Customers [3]									
9	Residential	#	8,498	9,049	9,174	9,309	9,454	9,609	9,774	1.55%
10	Commercial	#	1,220	1,252	1,285	1,320	1,359	1,400	1,443	2.89%
11	Street Lights	#	99	99	99	99	99	99	99	0.00%
12	Total	#	9,817	10,400	10,558	10,728	10,912	11,108	11,316	1.70%
	Average Annual Usage Per Customer									
13	Residential	kWh/Cust	9,102.2	9,098.5	9,100.3	9,100.3	9,100.3	9,100.3	9,100.3	0.00%
14	Commercial	kWh/Cust	51,133.7	50,729.8	50,931.7	50,931.7	50,931.7	50,931.7	50,931.7	0.08%
15	Street Lights	kWh/Cust	5,233.9	5,233.9	5,233.9	5,233.9	5,233.9	5,233.9	5,233.9	0.00%
16	Total	kWh/Cust	14,286.7	14,072.6	14,154.5	14,213.1	14,273.9	14,336.8	14,401.3	0.46%
	Estimated NCP Demand at Meter									
17	Residential	kW	29,433.3	31,328.8	31,768.1	32,235.6	32,737.7	33,274.5	33,845.8	1.56%
18	Commercial	kW	16,955.6	17,259.5	17,785.1	18,278.4	18,808.3	19,374.8	19,977.8	2.97%
19	Street Lights	kW	59.2	59.2	59.2	59.2	59.2	59.2	59.2	0.00%
20	Total	kW	46,448.1	48,647.4	49,612.3	50,573.2	51,605.2	52,708.4	53,882.8	2.07%
21	System Coincidence Factor	%	58.1%	58.2%	58.2%	59.4%	59.4%	59.5%	59.5%	
	Average NCP Per Customer [4]									
22	Residential	kW/Cust.	3.5	3.5	3.5	3.5	3.5	3.5	3.5	
23	Commercial	kW/Cust.	13.9	13.8	13.8	13.8	13.8	13.8	13.8	
24	Street Lights	kW/Cust.	0.6	0.6	0.6	0.6	0.6	0.6	0.6	
25	Total	kW/Cust.	4.7	4.7	4.7	4.7	4.7	4.7	4.8	
	Projected Avg. Number of Customers Added Per Year									
26	Residential [5]			551	125	135	145	155	165	
27	Commercial			32	33	36	38	41	44	
28	Street Lights			-	-	-	-	-	-	
	Estimated Increase in Average Usage Per Customer									
29	Residential		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
30	Commercial		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
31	Street Lights		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
	Estimated NCP Load Factor									
32	Residential		30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	
33	Commercial		42.00%	42.00%	42.00%	42.00%	42.00%	42.00%	42.00%	
34	Street Lights		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

[1] 2012 - 2017 based on forecast provided by HLP. 2018 - 2022 modeled based on growth rate for years 2012 - 2017.
[2] Based on average number of customers and usage per customer.
[3] Based on assumed annual customer additions (lines 26 - 28).
[4] Annual NCP Demand based on kWh sales at meter, assumed NCP load factor and indicated loss factor.
[5] Customer growth assumed to reflect approximate growth shown in PacifiCorp 2011 Integrated Resource Plan.

EXHIBIT 2
IMPACT FEE COST ANALYSIS SUMMARY

Heber Light & Power
Impact Fee Study for Years 2013 - 2017

Impact Fee Cost Analysis - Summary

Line No.	Description		5-year Recovery Period 2013-2017
			(a)
1	Total Cost of New Development-related Projects [1]	$	3,541,550
	Assumed Impact Fee Recovery Levels		
2	100%	$	3,541,550
3	75%	$	2,656,163
4	50%	$	1,770,775
	Increase in Non-Coincident Peak Demand [2]		
5	Residential	kW	2,517.1
6	Commecial	kW	2,718.3
7	Total	kW	5,235.4
	Base Impact Fee at Various Recovery Levels		
8	100%	$/kW	676.47
9	75%	$/kW	507.35
10	50%	$/kW	338.23
	Impact Fee at 15% Panel Utilization [3]		
11	100%	$/kVA	101.47
12	75%	$/kVA	76.10
13	50%	$/kVA	50.74

[1] Based on HLP's Five-Year Major Project Forecast for System Improvements.
[2] See Exhibit 1, Analysis of Forecasted Load and Customer Data.
[3] Utilization factor based on 2005 Impact Fee Study and an assumed power factor of 100%.

EXHIBIT 3
SUMMARY OF CHARGES
CURRENT AND PROPOSED IMPACT FEES

Heber Light & Power
Impact Fee Study for Years 2013 - 2017

Summary of Charges For Residential & Commercial Customers
Current and Proposed Impact Fee Levels

Line No.	Description / Panel Rating	Current Impact Fee	Proposed Impact Fee: 100% Recovery	Proposed Impact Fee: 75% Recovery	Proposed Impact Fee: 50% Recovery
		(a)	(b)	(c)	(d)
1	**Impact Fees ($ per kVa)**	*$ 41.40*	*$ 101.47*	*$ 76.10*	*$ 50.74*
	Impact Fee Charge for Applicable Panel Size				
	Residential (120/240, 1 phase)				
2	100 Amp	994	2,435	1,826	1,218
3	200 Amp	1,987	4,871	3,653	2,435
4	400 Amp	3,974	9,741	7,306	4,871
	Commercial (120/208, 3 phase)				
5	100 Amp	1,492	3,656	2,742	1,828
6	200 Amp	2,983	7,311	5,483	3,656
7	400 Amp	5,966	14,622	10,967	7,311
	Commercial (120/208, 3 phase)				
8	2000 Amp	29,830	73,113	54,835	36,556
9	3000 Amp	44,745	109,669	82,252	54,835
	Commercial (277/480, 3 phase)				
10	1000 Amp	34,419	84,358	63,269	42,179
11	2000 Amp	68,839	168,717	126,538	84,358
12	3000 Amp	103,258	253,075	189,806	126,538

ATTACHMENT I

480

Vendor:	**480**	**HEBER CITY CORPORATION**
		75 N MAIN
		HEBER CITY, UT 84032
Phone:		
Contact:		
Activation Date:		
Termination Date:		
Terms Code:		Open Terms
Default Description:		
Standard GL Accou		
Vendor Type:		Normal
Rating:		
1099 ID Number:		
Balance:		.00

Totals Category	Report Dates	Year 2014	Year 2013
1099 Amount	.00	.00	.00
Purchases	815,095.45	272,398.37	542,697.08
Adjustments	.00	.00	.00
Payments	894,045.41	328,769.70	565,275.71
Discounts	.00	.00	.00
Discounts Lost	.00	.00	.00

	Date	Number	Amount
Last PO:	01/01/0001		.00
Last Invoice:	07/31/2014	07/14C	28,019.60
Last Check:	08/15/2014	51352	28,868.00

Invoice Detail

Inv Date	Invoice No	Seq	GL Per	Type	Input Date	Description	Amount	Pmt Due	Discount	PO No	Seq	Check No	GL Acct No	1099 Type
01/31/2013	01/13	1	01/13	Invoice	01/31/2013	BOARD STIPEND JAN 13	950.64	01/31/2013	-			48830	601000	None
01/31/2013	01/13A	1	01/13	Invoice	02/11/2013	WATER SEWER	115.92	02/11/2013	-			48873	505000	None
01/31/2013	01/13B	1	01/13	Invoice	02/21/2013	DEC 12 ENERGY TAX	23,599.06	02/21/2013	-			48966	216000	None
02/13/2013	02/13	1	02/13	Invoice	02/13/2013	BOARD STIPEND FEB	950.64	02/13/2013	-			48938	601000	None
02/28/2013	02/13A	1	02/13	Invoice	03/05/2013	JAN ENERGY TAX REIMB	25,963.00	03/05/2013	-			49021	216000	None
02/28/2013	02/13B	1	02/13	Invoice	03/05/2013	WATER SEWER	115.92	03/05/2013	-			49021	505000	None
03/13/2013	03/13	1	03/13	Invoice	03/11/2013	BOARD STIPEND MAR	950.64	03/13/2013	-			49058	601000	None
03/31/2013	03/13A	1	03/13	Invoice	04/01/2013	WATER SEWER	117.19	04/01/2013	-			49137	505000	None
03/31/2013	03/13B	1	03/13	Invoice	04/02/2013	FEB ENERGY TAX REIMB	26,687.23	04/02/2013	-			49151	216000	None
03/31/2013	03/13C	1	03/13	Invoice	04/02/2013	1ST QUARTER DIVIDEND	56,250.00	04/02/2013	-			49151	301000	None
03/31/2013	04/13B	1	04/13	Invoice	04/26/2013	MARCH ENERGY TAX REIMB	27,177.59	04/26/2013	-			49212	216000	None
04/01/2013	04/13	1	04/13	Invoice	04/01/2013	BOARD STIPEND APR 13 EXTRA	950.64	04/01/2013	-			49137	601000	None
04/25/2013	04/13A	1	04/13	Invoice	04/24/2013	BOARD STIPEND APR 13	950.64	04/25/2013	-			49212	601000	None
04/30/2013	04/13C	1	04/13	Invoice	05/01/2013	WATER SEWER	118.52	05/01/2013	-			49266	505000	None
05/13/2013	05/13C	1	05/13	Invoice	06/05/2013	WATER SEWER	122.60	06/05/2013	-			49407	505000	None
05/22/2013	05/13	1	05/13	Invoice	05/21/2013	MAY BOARD STIPEND	950.64	05/22/2013	-			49351	601000	None
05/28/2013	05/13B	1	05/13	Invoice	05/28/2013	UAMPS CONTRIBUTION TO HC CONCERTS IN THE PARK	500.00	05/28/2013	-			49373	607000	None
05/30/2013	05/13A	1	05/13	Invoice	06/05/2013	APRIL ENERGY TAX REIMB	23,161.47	06/05/2013	-			49407	216000	None
05/30/2013	06/13C	1	06/13	Invoice	07/02/2013	ENERGY TAX REIMB MAY	22,807.54	07/02/2013	-			49605	216000	None
06/26/2013	06/13	1	06/13	Invoice	06/26/2013	BOARD STIPEND	950.64	06/26/2013	-			49562	601000	None

Inv Date	Invoice No	Seq	GL Per	Type	Input Date	Description	Amount	Pmt Due	Discount	PO No	Seq	Check No	GL Acct No	1099 Type
06/30/2013	06/13A	1	06/13	Invoice	07/02/2013	10246201,9277401,10246301,10246251 ,10239701 WATER SEWER	143.80	07/02/2013	-			49605	505000	None
06/30/2013	07/13	1	07/13	Invoice	07/17/2013	2ND QUARTER DIVIDENCE	56,250.00	07/17/2013	-			49646	301000	None
07/16/2013	07/13A	1	07/13	Invoice	07/17/2013	JULY BOARD STIPEND	950.64	07/17/2013	-			49646	601000	None
07/31/2013	07/13B	1	07/13	Invoice	08/08/2013	JUNE ENERGY TAX REIMB	21,764.04	08/08/2013	-			49710	216000	None
07/31/2013	07/13C	1	07/13	Invoice	08/08/2013	WATER SEWER	171.03	08/08/2013	-			49710	505000	None
07/31/2013	07/13D	1	07/13	Invoice	08/08/2013	BOARD STIPEND JULY & EXTRA MEETING	1,901.28	08/08/2013	-			49710	601000	None
08/23/2013	08/13	1	08/13	Invoice	08/23/2013	BOARD STIPEND AUG 13	950.64	08/23/2013	-			49785	601000	None
08/31/2013	08/13A	1	08/13	Invoice	09/07/2013	WATER SEWER	246.41	09/07/2013	-			49840	505000	None
08/31/2013	08/13B	1	08/13	Invoice	09/11/2013	JULY ENERGY TAX REIMB	25,857.62	09/07/2013	-			49840	216000	None
09/26/2013	09/13	1	09/13	Invoice	09/26/2013	AUG ENERGY TAX REIMB	28,890.90	10/01/2013	-			49918	216000	None
09/26/2013	09/13A	1	09/13	Invoice	09/26/2013	BOARD STIPEND SEPT 13	950.64	09/26/2013	-			49918	601000	None
09/26/2013	09/13B	1	09/13	Invoice	09/26/2013	3RD QUARTER DIVIDEND	56,250.00	09/26/2013	-			49918	305000	None
09/30/2013	09/13C	1	09/13	Invoice	10/07/2013	WATER SEWER	158.47	10/07/2013	-			49981	505000	None
10/20/2013	10/13	1	10/13	Invoice	10/29/2013	9.22740.1 WATER SEWER OFFICE	35.14	10/31/2013	-			50065	505600	None
10/31/2013	10/13A	1	10/13	Invoice	10/31/2013	BOARD STIPEND OCT 13	950.64	10/31/2013	-			50065	601000	None
10/31/2013	10/13B	1	10/13	Invoice	10/31/2013	SEPT ENERGY TAX REIMB	26,888.97	10/31/2013	-			50065	216000	None
10/31/2013	10/13C	1	10/13	Invoice	11/12/2013	WATER SEWER	139.97	11/12/2013	-			50121	505600	None
11/20/2013	11/13	1	11/13	Invoice	11/20/2013	BOARD STIPEND NOV 13	950.64	11/20/2013	-			50179	601000	None
11/30/2013	11/13A	1	11/13	Invoice	12/06/2013	WATER SEWER	121.14	12/09/2013	-			50279	505600	None
11/30/2013	11/13B	1	12/13	Invoice	12/06/2013	OCTOBER ENERGY TAX	24,293.89	12/09/2013	-			50279	216000	None
12/17/2013	12/13A	1	12/13	Invoice	12/17/2013	NOV ENERGY TAX REIMB	25,069.37	12/17/2013	-			50344	216000	None
12/31/2013	12/13	1	12/13	Invoice	01/02/2014	WATER SEWER	121.33	01/03/2014	-			50397	505600	None
12/31/2013	12/13B	1	12/13	Invoice	01/02/2014	4TH QUARTER DIVIDEND 2013	56,250.00	01/02/2014	-			50397	301000	None
01/31/2014	01/14	1	01/14	Invoice	02/03/2014	WATER SEWER	150.86	02/03/2014	-			50502	505600	None
01/31/2014	01/14A	1	01/14	Invoice	02/05/2014	DECEMBER ENERGY TAX REIMB	32,057.62	02/05/2014	-			50502	216000	None
02/11/2014	02/14	1	02/14	Invoice	02/11/2014	JAN ENERGY TAX REIMB	32,511.22	02/11/2014	-			50574	216000	None
02/26/2014	02/14A	1	02/14	Invoice	02/26/2014	BOARD STIPEND FEB 14	950.64	02/26/2014	-			50676	601000	None
02/28/2014	02/14B	1	02/14	Invoice	03/06/2014	WATER SEWER	137.15	03/06/2014	-			50676	505600	None
02/28/2014	03/14A	1	03/14	Invoice	03/28/2014	FEB ENERGY TAX REIMB	33,472.35	03/28/2014	-			50753	216000	None
03/26/2014	03/14	1	03/14	Invoice	03/26/2014	BOARD STIPEND MAR 13	950.64	03/26/2014	-			50753	601000	None
03/31/2014	03/14B	1	03/14	Invoice	04/03/2014	WATER SEWER	124.25	04/03/2014	-			50796	505600	None
03/31/2014	03/14C	1	03/14	Invoice	04/03/2014	1ST QUARTER DIVIDEND 2014	56,250.00	04/03/2014	-			50796	301000	None
04/23/2014	04/14	1	04/14	Invoice	04/23/2014	BOARD STIPEND APR 14	950.64	04/23/2014	-			50879	601000	None
04/30/2014	04/14A	1	04/14	Invoice	05/09/2014	WATER SEWER	125.21	05/09/2014	-			50944	505600	None
04/30/2014	04/14B	1	04/14	Invoice	05/09/2014	APRIL ENERGY TAX REIMB	29,593.02	05/12/2014	-			50944	216000	None
04/30/2014	05/14B	1	05/14	Invoice	06/05/2014	APRIL ENERGY TAX REIMB	28,325.88	06/05/2014	-			51043	216000	None
05/28/2014	05/14	1	05/14	Invoice	05/27/2014	BOARD STIPEND MAY 14	950.64	05/28/2014	-			51043	601000	None
05/31/2014	05/14A	1	05/14	Invoice	06/02/2014	WATER SEWER	125.22	06/02/2014	-			51043	505600	None
05/31/2014	06/14B	1	06/14	Invoice	07/10/2014	MAY ENERGY TAX REIMB	25,730.55	07/10/2014	-			51203	216000	None
06/25/2014	06/14	1	06/14	Invoice	06/20/2014	BOARD STIPEND JUNE 14	950.64	06/25/2014	-			51203	601000	None

Inv Date	Invoice No	Seq	GL Per	Type	Input Date	Description	Amount	Pmt Due	Discount	PO No	Seq	Check No	GL Acct No	1099 Type
06/30/2014	06/14A	1	06/14	Invoice	07/02/2014	WATER SEWER	173.84	07/03/2014	-			51203	505600	None
07/30/2014	07/14	1	07/14	Invoice	08/07/2014	BOARD STIPEND JULY 14	950.64	08/07/2014	-			51352	601000	None
07/30/2014	07/14A	1	07/14	Invoice	08/07/2014	FRANCO REIMB CONF CANCELLATION	315.00-	08/07/2014	-			51352	606000	None
07/31/2014	07/14B	1	07/14	Invoice	08/07/2014	WATER SEWER	212.76	08/07/2014	-			51352	505600	None
07/31/2014	07/14C	1	08/14	Invoice	08/07/2014	JUNE ENERGY TAX REIMB	28,019.60	08/07/2014	-			51352	216000	None

Check Detail

Chk Date	Check No	Seq	GL Per	Type	Input Date	Amount	Disc Take	Disc Lost	Invoice No	Seq	Description	Bank	GL Acct No	1099
01/03/2013	48694	1	12/12	Calculated	01/03/2013	115.92	.00	.00	12/12A	1	WATER SEWER	1	505000	None
01/04/2013	48747	1	12/12	Calculated	01/04/2013	932.00	.00	.00	12/12B	1	BOARD STIPEND DEC	1	601000	None
01/04/2013	48747	2	12/12	Calculated	01/04/2013	56,250.00	.00	.00	12/12C	1	4TH QUARTER DIVIDEND	1	301000	None
01/04/2013	48747	3	12/12	Calculated	01/04/2013	21,652.04	.00	.00	12/12E	1	NOV ENERGY TAX	1	216000	None
01/31/2013	48830	1	01/13	Calculated	01/31/2013	950.64	.00	.00	01/13	1	BOARD STIPEND JAN 13	1	601000	None
02/12/2013	48873	1	01/13	Calculated	02/12/2013	115.92	.00	.00	01/13A	1	WATER SEWER	1	505000	None
02/13/2013	48938	1	02/13	Calculated	02/13/2013	950.64	.00	.00	02/13	1	BOARD STIPEND FEB	1	601000	None
02/21/2013	48966	1	01/13	Calculated	02/21/2013	23,599.06	.00	.00	01/13B	1	DEC 12 ENERGY TAX	1	216000	None
03/08/2013	49021	1	02/13	Calculated	03/08/2013	25,963.00	.00	.00	02/13A	1	JAN ENERGY TAX REIMB	1	216000	None
03/08/2013	49021	2	02/13	Calculated	03/08/2013	115.92	.00	.00	02/13B	1	WATER SEWER	1	505000	None
03/11/2013	49058	1	03/13	Calculated	03/11/2013	950.64	.00	.00	03/13	1	BOARD STIPEND MAR	1	601000	None
04/01/2013	49137	1	03/13	Calculated	04/01/2013	117.19	.00	.00	03/13A	1	WATER SEWER	1	505000	None
04/01/2013	49137	2	04/13	Calculated	04/01/2013	950.64	.00	.00	04/13	1	BOARD STIPEND APR 13 EXTRA	1	601000	None
04/02/2013	49151	1	03/13	Calculated	04/02/2013	26,687.23	.00	.00	03/13B	1	FEB ENERGY TAX REIMB	1	216000	None
04/02/2013	49151	2	03/13	Calculated	04/02/2013	56,250.00	.00	.00	03/13C	1	1ST QUARTER DIVIDEND	1	301000	None
04/29/2013	49212	1	04/13	Calculated	04/29/2013	950.64	.00	.00	04/13A	1	BOARD STIPEND APR 13	1	601000	None
04/29/2013	49212	2	04/13	Calculated	04/29/2013	27,177.59	.00	.00	04/13B	1	MARCH ENERGY TAX REIMB	1	216000	None
05/01/2013	49266	1	04/13	Calculated	05/01/2013	118.52	.00	.00	04/13C	1	WATER SEWER	1	505000	None
05/22/2013	49351	1	05/13	Calculated	05/22/2013	950.64	.00	.00	05/13	1	MAY BOARD STIPEND	1	601000	None
05/28/2013	49373	1	05/13	Calculated	05/28/2013	500.00	.00	.00	05/13B	1	UAMPS CONTRIBUTION TO HC CONCERTS IN THE PARK	1	607000	None
06/12/2013	49407	1	05/13	Calculated	06/12/2013	23,161.47	.00	.00	05/13A	1	APRIL ENERGY TAX REIMB	1	216000	None
06/12/2013	49407	2	05/13	Calculated	06/12/2013	122.60	.00	.00	05/13C	1	WATER SEWER	1	505000	None
07/03/2013	49562	1	06/13	Calculated	07/03/2013	950.64	.00	.00	06/13	1	BOARD STIPEND	1	601000	None
07/11/2013	49605	1	06/13	Calculated	07/11/2013	143.80	.00	.00	06/13A	1	10246201,9277401,10246301,10246251 ,10239701 WATER SEWER	1	505000	None
07/11/2013	49605	2	06/13	Calculated	07/11/2013	22,807.54	.00	.00	06/13C	1	ENERGY TAX REIMB MAY	1	216000	None
07/19/2013	49646	1	07/13	Calculated	07/19/2013	56,250.00	.00	.00	07/13	1	2ND QUARTER DIVIDENCE	1	301000	None
07/19/2013	49646	2	07/13	Calculated	07/19/2013	950.64	.00	.00	07/13A	1	JULY BOARD STIPEND	1	601000	None
08/13/2013	49710	1	07/13	Calculated	08/13/2013	21,764.04	.00	.00	07/13B	1	JUNE ENERGY TAX REIMB	1	216000	None
08/13/2013	49710	2	07/13	Calculated	08/13/2013	171.03	.00	.00	07/13C	1	WATER SEWER	1	505000	None

Chk Date	Check No	Seq	GL Per	Type	Input Date	Amount	Disc Take	Disc Lost	Invoice No	Seq	Description	Bank	GL Acct No	1099
08/13/2013	49710	3	07/13	Calculated	08/13/2013	1,901.28	.00	.00	07/13D	1	BOARD STIPEND JULY & EXTRA MEETING	1	601000	None
09/06/2013	49785	1	08/13	Calculated	09/06/2013	950.64	.00	.00	08/13	1	BOARD STIPEND AUG 13	1	601000	None
09/17/2013	49840	1	08/13	Calculated	09/17/2013	246.41	.00	.00	08/13A	1	WATER SEWER	1	505000	None
09/17/2013	49840	2	08/13	Calculated	09/17/2013	25,857.62	.00	.00	08/13B	1	JULY ENERGY TAX REIMB	1	216000	None
10/03/2013	49918	1	09/13	Calculated	10/03/2013	28,890.90	.00	.00	09/13	1	AUG ENERGY TAX REIMB	1	216000	None
10/03/2013	49918	2	09/13	Calculated	10/03/2013	950.64	.00	.00	09/13A	1	BOARD STIPEND SEPT 13	1	601000	None
10/03/2013	49918	3	09/13	Calculated	10/03/2013	56,250.00	.00	.00	09/13B	1	3RD QUARTER DIVIDEND	1	305000	None
10/16/2013	49981	1	09/13	Calculated	10/16/2013	158.47	.00	.00	09/13C	1	WATER SEWER	1	505000	None
11/07/2013	50065	1	10/13	Calculated	11/07/2013	35.14	.00	.00	10/13	1	9.22740.1 WATER SEWER OFFICE	1	505600	None
11/07/2013	50065	2	10/13	Calculated	11/07/2013	950.64	.00	.00	10/13A	1	BOARD STIPEND OCT 13	1	601000	None
11/07/2013	50065	3	10/13	Calculated	11/07/2013	26,888.97	.00	.00	10/13B	1	SEPT ENERGY TAX REIMB	1	216000	None
11/15/2013	50121	1	10/13	Calculated	11/15/2013	139.97	.00	.00	10/13C	1	WATER SEWER	1	505600	None
12/02/2013	50179	1	11/13	Calculated	12/02/2013	950.64	.00	.00	11/13	1	BOARD STIPEND NOV 13	1	601000	None
12/12/2013	50279	1	11/13	Calculated	12/12/2013	121.14	.00	.00	11/13A	1	WATER SEWER	1	505600	None
12/12/2013	50279	2	12/13	Calculated	12/12/2013	24,293.89	.00	.00	11/13B	1	OCTOBER ENERGY TAX	1	216000	None
12/31/2013	50344	1	12/13	Calculated	12/31/2013	25,069.37	.00	.00	12/13A	1	NOV ENERGY TAX REIMB	1	216000	None
01/09/2014	50397	1	12/13	Calculated	01/09/2014	121.33	.00	.00	12/13	1	WATER SEWER	1	505600	None
01/09/2014	50397	2	12/13	Calculated	01/09/2014	56,250.00	.00	.00	12/13B	1	4TH QUARTER DIVIDEND 2013	1	301000	None
02/18/2014	50502	1	01/14	Calculated	02/18/2014	150.86	.00	.00	01/14	1	WATER SEWER	1	505600	None
02/18/2014	50502	2	01/14	Calculated	02/18/2014	32,057.62	.00	.00	01/14A	1	DECEMBER ENERGY TAX REIMB	1	216000	None
02/21/2014	50574	1	02/14	Calculated	02/21/2014	32,511.22	.00	.00	02/14	1	JAN ENERGY TAX REIMB	1	216000	None
03/18/2014	50676	1	02/14	Calculated	03/18/2014	950.64	.00	.00	02/14A	1	BOARD STIPEND FEB 14	1	601000	None
03/18/2014	50676	2	02/14	Calculated	03/18/2014	137.15	.00	.00	02/14B	1	WATER SEWER	1	505600	None
03/31/2014	50753	1	03/14	Calculated	03/31/2014	950.64	.00	.00	03/14	1	BOARD STIPEND MAR 13	1	601000	None
03/31/2014	50753	2	03/14	Calculated	03/31/2014	33,472.35	.00	.00	03/14A	1	FEB ENERGY TAX REIMB	1	216000	None
04/08/2014	50796	1	03/14	Calculated	04/08/2014	124.25	.00	.00	03/14B	1	WATER SEWER	1	505600	None
04/08/2014	50796	2	03/14	Calculated	04/08/2014	56,250.00	.00	.00	03/14C	1	1ST QUARTER DIVIDEND 2014	1	301000	None
04/28/2014	50879	1	04/14	Calculated	04/28/2014	950.64	.00	.00	04/14	1	BOARD STIPEND APR 14	1	601000	None
05/20/2014	50944	1	04/14	Calculated	05/20/2014	125.21	.00	.00	04/14A	1	WATER SEWER	1	505600	None
05/20/2014	50944	2	04/14	Calculated	05/20/2014	29,593.02	.00	.00	04/14B	1	APRIL ENERGY TAX REIMB	1	216000	None
06/12/2014	51043	1	05/14	Calculated	06/12/2014	950.64	.00	.00	05/14	1	BOARD STIPEND MAY 14	1	601000	None
06/12/2014	51043	2	05/14	Calculated	06/12/2014	125.22	.00	.00	05/14A	1	WATER SEWER	1	505600	None
06/12/2014	51043	3	05/14	Calculated	06/12/2014	28,325.88	.00	.00	05/14B	1	APRIL ENERGY TAX REIMB	1	216000	None
07/18/2014	51203	1	06/14	Calculated	07/17/2014	950.64	.00	.00	06/14	1	BOARD STIPEND JUNE 14	1	601000	None
07/18/2014	51203	2	06/14	Calculated	07/17/2014	173.84	.00	.00	06/14A	1	WATER SEWER	1	505600	None
07/18/2014	51203	3	06/14	Calculated	07/17/2014	25,730.55	.00	.00	06/14B	1	MAY ENERGY TAX REIMB	1	216000	None
08/15/2014	51352	1	07/14	Calculated	08/15/2014	950.64	.00	.00	07/14	1	BOARD STIPEND JULY 14	1	601000	None
08/15/2014	51352	2	07/14	Calculated	08/15/2014	315.00-	.00	.00	07/14A	1	FRANCO REIMB CONF CANCELLATION	1	606000	None
08/15/2014	51352	3	07/14	Calculated	08/15/2014	212.76	.00	.00	07/14B	1	WATER SEWER	1	505600	None
08/15/2014	51352	4	08/14	Calculated	08/15/2014	28,019.60	.00	.00	07/14C	1	JUNE ENERGY TAX REIMB	1	216000	None

PO Detail

Report Criteria:

Vendor.Name = "HEBER CITY CORPORATION"

Report Criteria:
Account: 609000 INSURANCE
Periods: 01/13 to 12/14
Amount type: Actual
Display: Reference detail
Order by: Date/Journal/Reference number

Date	Journ	Reference	Description	Debit Amount	Credit Amount	Balance
			01/01/2013 (00/13) Balance	.00	.00	.00
12/28/2012	AP	32.0001	AFLAC	671.04	.00	671.04
01/01/2013	AP	107.0001	PRUDENTIAL INS CO OF AM	1,172.87	.00	1,843.91
01/10/2013	AP	34.0001	AFLAC	767.88	.00	2,611.79
01/11/2013	PC	20.0001	PAYROLL TRANS FOR 1/11/2013 PAY PERIOD	15,232.70	.00	17,844.49
01/11/2013	PC	21.0001	PAYROLL TRANS FOR 1/11/2013 PAY PERIOD	.00	(1,668.09)	16,176.40
01/18/2013	AP	12.0001	UNUM	210.00	.00	16,386.40
01/25/2013	PC	2.0001	PAYROLL TRANS FOR 1/25/2013 PAY PERIOD	15,232.70	.00	31,619.10
01/25/2013	PC	3.0001	PAYROLL TRANS FOR 1/25/2013 PAY PERIOD	.00	(1,668.09)	29,951.01
01/31/2013	AP	92.0001	NATIONAL BENEFIT SERVICES INC	50.00	.00	30,001.01
01/31/2013	AP	109.0001	PUBLIC EMPLOYEES HEALTH PROG	28,948.69	.00	58,949.70
02/07/2013	AP	33.0001	AFLAC	767.88	.00	59,717.58
			01/31/2013 (01/13) Period Totals ***	63,053.76	(3,336.18)	59,717.58
02/08/2013	PC	2.0001	PAYROLL TRANS FOR 2/8/2013 PAY PERIOD	15,232.70	.00	74,950.28
02/08/2013	PC	3.0001	PAYROLL TRANS FOR 2/8/2013 PAY PERIOD	.00	(1,668.09)	73,282.19
02/18/2013	AP	144.0001	UNUM	210.00	.00	73,492.19
02/22/2013	AP	170.0001	WORKERS COMPENSATION FUND	4,499.28	.00	77,991.47
02/22/2013	PC	17.0001	PAYROLL TRANS FOR 2/22/2013 PAY PERIOD	16,047.83	.00	94,039.30
02/22/2013	PC	18.0001	PAYROLL TRANS FOR 2/22/2013 PAY PERIOD	.00	(1,668.09)	92,371.21
02/25/2013	AP	115.0001	PRUDENTIAL INS CO OF AM	1,882.63	.00	94,253.84
02/28/2013	AP	102.0001	NATIONAL BENEFIT SERVICES INC	116.27	.00	94,370.11
02/28/2013	AP	103.0001	NATIONAL BENEFIT SERVICES INC	50.00	.00	94,420.11
02/28/2013	AP	116.0001	PUBLIC EMPLOYEES HEALTH PROG	28,948.69	.00	123,368.80
			02/28/2013 (02/13) Period Totals ***	66,987.40	(3,336.18)	123,368.80
01/31/2013	AP	163.0001	NATIONAL BENEFIT SERVICES INC	108.00	.00	123,476.80
03/07/2013	AP	3.0001	AFLAC	767.88	.00	124,244.68
03/08/2013	PC	20.0001	PAYROLL TRANS FOR 3/8/2013 PAY PERIOD	16,047.83	.00	140,292.51
03/08/2013	PC	21.0001	PAYROLL TRANS FOR 3/8/2013 PAY PERIOD	.00	(1,668.09)	138,624.42
03/18/2013	AP	205.0001	UNUM	210.00	.00	138,834.42
03/22/2013	PC	2.0001	PAYROLL TRANS FOR 3/22/2013 PAY PERIOD	16,047.83	.00	154,882.25
03/22/2013	PC	3.0001	PAYROLL TRANS FOR 3/22/2013 PAY PERIOD	.00	(1,668.09)	153,214.16
03/26/2013	AP	173.0001	PRUDENTIAL INS CO OF AM	1,882.63	.00	155,096.79
03/27/2013	AP	164.0001	NATIONAL BENEFIT SERVICES INC	50.00	.00	155,146.79
03/31/2013	AP	174.0001	PUBLIC EMPLOYEES HEALTH PROG	28,948.69	.00	184,095.48
			03/31/2013 (03/13) Period Totals ***	64,062.86	(3,336.18)	184,095.48
04/01/2013	AP	150.0001	NATIONAL BENEFIT SERVICES INC	10,000.00	.00	194,095.48
04/04/2013	AP	6.0001	AFLAC	767.88	.00	194,863.36
04/05/2013	PC	4.0001	PAYROLL TRANS FOR 4/5/2013 PAY PERIOD	16,047.83	.00	210,911.19
04/05/2013	PC	5.0001	PAYROLL TRANS FOR 4/5/2013 PAY PERIOD	.00	(1,668.09)	209,243.10
04/09/2013	AP	224.0001	WORKERS COMPENSATION FUND	1,500.96	.00	210,744.06
04/18/2013	AP	198.0001	UNUM	210.00	.00	210,954.06
04/19/2013	PC	18.0001	PAYROLL TRANS FOR 4/19/2013 PAY PERIOD	16,047.83	.00	227,001.89
04/19/2013	PC	19.0001	PAYROLL TRANS FOR 4/19/2013 PAY PERIOD	.00	(1,668.09)	225,333.80
04/25/2013	AP	158.0001	OLYMPUS INSURANCE AGENCY	151,169.00	.00	376,502.80
04/25/2013	AP	159.0001	OLYMPUS INSURANCE AGENCY	3,051.00	.00	379,553.80
04/25/2013	AP	163.0001	PRUDENTIAL INS CO OF AM	1,882.63	.00	381,436.43
04/30/2013	AP	164.0001	PUBLIC EMPLOYEES HEALTH PROG	28,948.69	.00	410,385.12
			04/30/2013 (04/13) Period Totals ***	229,625.82	(3,336.18)	410,385.12

Date	Journ	Reference	Description	Debit Amount		Credit Amount	Balance
04/30/2013	AP	187.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	410,435.12
05/02/2013	AP	4.0001	AFLAC	767.88		.00	411,203.00
05/03/2013	PC	2.0001	PAYROLL TRANS FOR 5/3/2013 PAY PERIOD	16,047.83		.00	427,250.83
05/03/2013	PC	3.0001	PAYROLL TRANS FOR 5/3/2013 PAY PERIOD	.00	(	1,668.09)	425,582.74
05/13/2013	AP	247.0001	WORKERS COMPENSATION FUND	1,500.96		.00	427,083.70
05/17/2013	AP	248.0001	WORKERS COMPENSATION FUND	8,068.25		.00	435,151.95
05/17/2013	PC	20.0001	PAYROLL TRANS FOR 5/17/2013 PAY PERIOD	16,047.83		.00	451,199.78
05/17/2013	PC	21.0001	PAYROLL TRANS FOR 5/17/2013 PAY PERIOD	.00	(	1,668.09)	449,531.69
05/20/2013	AP	224.0001	UNUM	210.00		.00	449,741.69
05/21/2013	CR	3678320.0001	INSURANCE REIMBURSEMENT - WCF DIVIDEND	.00	(	983.31)	448,758.38
05/30/2013	AP	199.0001	PRUDENTIAL INS CO OF AM	1,907.93		.00	450,666.31
05/31/2013	AP	3.0001	AFLAC	767.88		.00	451,434.19
05/31/2013	AP	188.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	451,484.19
05/31/2013	AP	202.0001	PUBLIC EMPLOYEES HEALTH PROG	30,693.40		.00	482,177.59
05/31/2013	PC	35.0001	PAYROLL TRANS FOR 5/31/2013 PAY PERIOD	16,047.83		.00	498,225.42
05/31/2013	PC	36.0001	PAYROLL TRANS FOR 5/31/2013 PAY PERIOD	.00	(	1,679.76)	496,545.66
			05/31/2013 (05/13) Period Totals ***	92,159.79	(	5,999.25)	496,545.66
06/10/2013	AP	243.0001	WORKERS COMPENSATION FUND	2,559.57		.00	499,105.23
06/14/2013	PC	2.0001	PAYROLL TRANS FOR 6/14/2013 PAY PERIOD	15,232.70		.00	514,337.93
06/14/2013	PC	3.0001	PAYROLL TRANS FOR 6/14/2013 PAY PERIOD	.00	(	1,679.76)	512,658.17
06/19/2013	AP	216.0001	UNUM	210.00		.00	512,868.17
06/26/2013	AP	189.0001	PRUDENTIAL INS CO OF AM	1,977.73		.00	514,845.90
06/28/2013	AP	185.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	514,895.90
06/28/2013	PC	18.0001	PAYROLL TRANS FOR 6/28/2013 PAY PERIOD	15,232.70		.00	530,128.60
06/28/2013	PC	19.0001	PAYROLL TRANS FOR 6/28/2013 PAY PERIOD	.00	(	1,679.85)	528,448.75
06/30/2013	AP	184.0001	NATIONAL BENEFIT SERVICES INC	1,000.00		.00	529,448.75
06/30/2013	AP	190.0001	PUBLIC EMPLOYEES HEALTH PROG	20,096.74		.00	549,545.49
			06/30/2013 (06/13) Period Totals ***	56,359.44	(	3,359.61)	549,545.49
06/28/2013	AP	6.0001	AFLAC	767.88		.00	550,313.37
07/11/2013	AP	222.0001	WORKERS COMPENSATION FUND	2,559.57		.00	552,872.94
07/12/2013	PC	21.0001	PAYROLL TRANS FOR 7/12/2013 PAY PERIOD	15,232.70		.00	568,105.64
07/12/2013	PC	22.0001	PAYROLL TRANS FOR 7/12/2013 PAY PERIOD	.00	(	1,573.10)	566,532.54
07/23/2013	AP	151.0001	OLYMPUS INSURANCE AGENCY	230.00		.00	566,762.54
07/25/2013	AP	7.0001	AFLAC	767.88		.00	567,530.42
07/26/2013	PC	2.0001	PAYROLL TRANS FOR 7/26/2013 PAY PERIOD	15,232.70		.00	582,763.12
07/26/2013	PC	3.0001	PAYROLL TRANS FOR 7/26/2013 PAY PERIOD	.00	(	1,573.10)	581,190.02
07/31/2013	AP	138.0001	NATIONAL BENEFIT SERVICES INC	2,000.00		.00	583,190.02
07/31/2013	AP	139.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	583,240.02
07/31/2013	AP	158.0001	PUBLIC EMPLOYEES HEALTH PROG	27,161.18		.00	610,401.20
07/31/2013	AP	185.0001	UNUM	210.00		.00	610,611.20
08/01/2013	AP	155.0001	PRUDENTIAL INS CO OF AM	1,784.69		.00	612,395.89
			07/31/2013 (07/13) Period Totals ***	65,996.60	(	3,146.20)	612,395.89
08/09/2013	PC	4.0001	PAYROLL TRANS FOR 8/9/2013 PAY PERIOD	15,232.70		.00	627,628.59
08/09/2013	PC	5.0001	PAYROLL TRANS FOR 8/9/2013 PAY PERIOD	.00	(	1,590.18)	626,038.41
08/12/2013	AP	94.0001	WORKERS COMPENSATION FUND	2,559.57		.00	628,597.98
08/19/2013	AP	78.0001	UNUM	183.27		.00	628,781.25
08/23/2013	AP	2.0001	AFLAC	767.88		.00	629,549.13
08/23/2013	PC	19.0001	PAYROLL TRANS FOR 8/23/2013 PAY PERIOD	15,232.70		.00	644,781.83
08/23/2013	PC	20.0001	PAYROLL TRANS FOR 8/23/2013 PAY PERIOD	.00	(	1,590.18)	643,191.65
08/27/2013	AP	50.0001	PUBLIC EMPLOYEES HEALTH PROG	25,395.07		.00	668,586.72
08/28/2013	CR	3683002.0001	INSURANCE REIMBURSEMENT - PHILLIPS INSU	.00	(	10,000.00)	658,586.72
08/29/2013	CR	3683038.0001	INSURANCE REIMBURSEMENT - TATTON INSU	.00	(	9,984.08)	648,602.64
08/31/2013	AP	41.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	648,652.64
09/01/2013	AP	49.0001	PRUDENTIAL INS CO OF AM	1,864.81		.00	650,517.45

Date	Journ	Reference	Description	Debit Amount		Credit Amount	Balance
			08/31/2013 (08/13) Period Totals ***	61,286.00	(	23,164.44)	650,517.45
09/06/2013	CR	3683331.0001	INSURANCE REIMBURSEMENT - PHILLIPS IN LI	.00	(	1,763.38)	648,754.07
09/06/2013	PC	2.0001	PAYROLL TRANS FOR 9/6/2013 PAY PERIOD	17,678.09		.00	666,432.16
09/06/2013	PC	3.0001	PAYROLL TRANS FOR 9/6/2013 PAY PERIOD	.00	(	1,590.18)	664,841.98
09/10/2013	AP	190.0001	WORKERS COMPENSATION FUND	2,559.57		.00	667,401.55
09/18/2013	AP	165.0001	UNUM	135.26		.00	667,536.81
09/19/2013	AP	8.0001	AFLAC	767.88		.00	668,304.69
09/20/2013	PC	18.0001	PAYROLL TRANS FOR 9/20/2013 PAY PERIOD	16,047.83		.00	684,352.52
09/20/2013	PC	19.0001	PAYROLL TRANS FOR 9/20/2013 PAY PERIOD	.00	(	1,590.18)	682,762.34
09/26/2013	AP	134.0001	PRUDENTIAL INS CO OF AM	1,864.81		.00	684,627.15
09/27/2013	AP	135.0001	PUBLIC EMPLOYEES HEALTH PROG	25,395.07		.00	710,022.22
09/30/2013	AP	123.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	710,072.22
10/31/2013	AP	226.0001	PRUDENTIAL INS CO OF AM	1,800.72		.00	711,872.94
			09/30/2013 (09/13) Period Totals ***	66,299.23	(	4,943.74)	711,872.94
10/04/2013	PC	2.0001	PAYROLL TRANS FOR 10/4/2013 PAY PERIOD	16,047.83		.00	727,920.77
10/04/2013	PC	3.0001	PAYROLL TRANS FOR 10/4/2013 PAY PERIOD	.00	(	1,590.18)	726,330.59
10/11/2013	AP	174.0001	WORKERS COMPENSATION FUND	2,559.57		.00	728,890.16
10/17/2013	AP	6.0001	AFLAC	767.88		.00	729,658.04
10/18/2013	AP	143.0001	UNUM	195.30		.00	729,853.34
10/18/2013	PC	17.0001	PAYROLL TRANS FOR 10/18/2013 PAY PERIOD	16,047.83		.00	745,901.17
10/18/2013	PC	18.0001	PAYROLL TRANS FOR 10/18/2013 PAY PERIOD	.00	(	1,590.18)	744,310.99
10/28/2013	AP	112.0001	PUBLIC EMPLOYEES HEALTH PROG	25,827.57		.00	770,138.56
10/31/2013	AP	101.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	770,188.56
			10/31/2013 (10/13) Period Totals ***	61,495.98	(	3,180.36)	770,188.56
11/01/2013	PC	2.0001	PAYROLL TRANS FOR 11/1/2013 PAY PERIOD	15,282.16		.00	785,470.72
11/01/2013	PC	3.0001	PAYROLL TRANS FOR 11/1/2013 PAY PERIOD	.00	(	1,563.55)	783,907.17
11/11/2013	AP	259.0001	WORKERS COMPENSATION FUND	2,559.57		.00	786,466.74
11/14/2013	AP	4.0001	AFLAC	767.88		.00	787,234.62
11/15/2013	PC	20.0001	PAYROLL TRANS FOR 11/15/2013 PAY PERIOD	15,282.16		.00	802,516.78
11/15/2013	PC	21.0001	PAYROLL TRANS FOR 11/15/2013 PAY PERIOD	.00	(	1,563.55)	800,953.23
11/18/2013	AP	237.0001	UNUM	380.68		.00	801,333.91
11/18/2013	CR	3686385.0001	INSURANCE REIMBURSEMENT - BOARD INSUR	.00	(	905.73)	800,428.18
11/18/2013	CR	3686483.0001	Voids receipt - 3.686385 - BOARD INSUR C	905.73		.00	801,333.91
11/18/2013	CR	3686484.0001	INSURANCE REIMBURSEMENT - BOARD INSUR	.00	(	905.73)	800,428.18
11/26/2013	AP	201.0001	PUBLIC EMPLOYEES HEALTH PROG	26,312.90		.00	826,741.08
11/29/2013	PC	34.0001	PAYROLL TRANS FOR 11/29/2013 PAY PERIOD	15,282.16		.00	842,023.24
11/29/2013	PC	35.0001	PAYROLL TRANS FOR 11/29/2013 PAY PERIOD	.00	(	1,563.55)	840,459.69
11/30/2013	AP	184.0001	NATIONAL BENEFIT SERVICES INC	1,900.00		.00	842,359.69
11/30/2013	AP	185.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	842,409.69
12/01/2013	AP	198.0001	PRUDENTIAL INS CO OF AM	1,846.36		.00	844,256.05
			11/30/2013 (11/13) Period Totals ***	80,569.60	(	6,502.11)	844,256.05
12/11/2013	AP	284.0001	WORKERS COMPENSATION FUND	2,559.57		.00	846,815.62
12/12/2013	AP	5.0001	AFLAC	767.88		.00	847,583.50
12/13/2013	PC	16.0001	PAYROLL TRANS FOR 12/13/2013 PAY PERIOD	15,823.83		.00	863,407.33
12/13/2013	PC	17.0001	PAYROLL TRANS FOR 12/13/2013 PAY PERIOD	.00	(	1,563.55)	861,843.78
12/18/2013	AP	258.0001	UNUM	1.95		.00	861,845.73
12/27/2013	PC	5.0001	PAYROLL TRANS FOR 12/27/2013 PAY PERIOD	15,823.83		.00	877,669.56
12/27/2013	PC	6.0001	PAYROLL TRANS FOR 12/27/2013 PAY PERIOD	.00	(	1,563.55)	876,106.01
12/31/2013	AP	196.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	876,156.01
12/31/2013	AP	217.0001	PRUDENTIAL INS CO OF AM	1,887.98		.00	878,043.99
12/31/2013	AP	218.0001	PUBLIC EMPLOYEES HEALTH PROG	28,079.01		.00	906,123.00
			12/31/2013 (12/13) Period Totals ***	64,994.05	(	3,127.10)	906,123.00
12/31/2013	JE	157.0001	RECLASSIFY LIABILITY INSURANCE	.00	(	154,450.00)	751,673.00

Date	Journ	Reference	Description	Debit Amount		Credit Amount	Balance
			12/31/2013 (13/13) Period Totals ***	.00	(	154,450.00)	751,673.00
			12/31/2013 (14/13) Period Totals ***	.00		.00	751,673.00
			01/01/2014 (00/14) Period Totals ***	.00		.00	.00
01/10/2014	PC	3.0001	PAYROLL TRANS FOR 1/10/2014 PAY PERIOD	14,833.89		.00	14,833.89
01/10/2014	PC	4.0001	PAYROLL TRANS FOR 1/10/2014 PAY PERIOD	.00	(	2,359.05)	12,474.84
01/15/2014	AP	226.0001	HEALTH EQUITY	5,000.00		.00	17,474.84
01/20/2014	AP	171.0001	UNUM	194.40		.00	17,669.24
01/21/2014	AP	144.0001	PUBLIC EMPLOYEES HEALTH PROG	24,436.82		.00	42,106.06
01/24/2014	PC	17.0001	PAYROLL TRANS FOR 1/24/2014 PAY PERIOD	14,833.89		.00	56,939.95
01/24/2014	PC	18.0001	PAYROLL TRANS FOR 1/24/2014 PAY PERIOD	.00	(	1,563.55)	55,376.40
01/25/2014	AP	11.0001	AFLAC	1,144.92		.00	56,521.32
01/31/2014	AP	125.0001	NATIONAL BENEFIT SERVICES INC	84.00		.00	56,605.32
01/31/2014	AP	126.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	56,655.32
01/31/2014	AP	142.0001	PUBLIC EMPLOYEES HEALTH PROG	24,436.82		.00	81,092.14
01/31/2014	AP	225.0001	CHASE PROCESSING CENTER	2,500.00		.00	83,592.14
02/01/2014	AP	140.0001	PRUDENTIAL INS CO OF AM	1,914.08		.00	85,506.22
02/03/2014	AP	124.0001	NATIONAL BENEFIT SERVICES INC	3,000.00		.00	88,506.22
			01/31/2014 (01/14) Period Totals ***	92,428.82	(	3,922.60)	88,506.22
02/07/2014	AP	6.0001	AFLAC	1,144.92		.00	89,651.14
02/07/2014	PC	5.0001	PAYROLL TRANS FOR 2/7/2014 PAY PERIOD	13,768.78		.00	103,419.92
02/07/2014	PC	6.0001	PAYROLL TRANS FOR 2/7/2014 PAY PERIOD	.00	(	1,644.92)	101,775.00
02/10/2014	AP	294.0001	HEALTH EQUITY	408.85		.00	102,183.85
02/11/2014	AP	261.0001	WORKERS COMPENSATION FUND	6,543.66		.00	108,727.51
02/19/2014	AP	227.0001	UNUM	388.80		.00	109,116.31
02/19/2014	AP	295.0001	HEALTH EQUITY	8.85		.00	109,125.16
02/21/2014	AP	296.0001	HEALTH EQUITY	200.00		.00	109,325.16
02/21/2014	PC	17.0001	PAYROLL TRANS FOR 2/21/2014 PAY PERIOD	13,484.18		.00	122,809.34
02/21/2014	PC	18.0001	PAYROLL TRANS FOR 2/21/2014 PAY PERIOD	.00	(	1,644.92)	121,164.42
02/28/2014	AP	183.0001	NATIONAL BENEFIT SERVICES INC	2,000.00		.00	123,164.42
02/28/2014	AP	184.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	123,214.42
02/28/2014	AP	193.0001	PRUDENTIAL INS CO OF AM	1,943.64		.00	125,158.06
02/28/2014	CR	3691294.0001	INSURANCE REIMBURSEMENT - ROBT PATTER	.00	(	940.26)	124,217.80
			02/28/2014 (02/14) Period Totals ***	39,941.68	(	4,230.10)	124,217.80
03/07/2014	AP	4.0001	AFLAC	1,144.92		.00	125,362.72
03/07/2014	PC	4.0001	PAYROLL TRANS FOR 3/7/2014 PAY PERIOD	13,484.18		.00	138,846.90
03/07/2014	PC	5.0001	PAYROLL TRANS FOR 3/7/2014 PAY PERIOD	.00	(	1,659.37)	137,187.53
03/10/2014	AP	245.0001	HEALTH EQUITY	2,503.47		.00	139,691.00
03/19/2014	AP	194.0001	UNUM	3.75		.00	139,694.75
03/20/2014	AP	161.0001	PUBLIC EMPLOYEES HEALTH PROG	25,721.12		.00	165,415.87
03/21/2014	AP	246.0001	HEALTH EQUITY	200.00		.00	165,615.87
03/21/2014	PC	17.0001	PAYROLL TRANS FOR 3/21/2014 PAY PERIOD	13,484.18		.00	179,100.05
03/21/2014	PC	18.0001	PAYROLL TRANS FOR 3/21/2014 PAY PERIOD	.00	(	1,620.83)	177,479.22
03/28/2014	CR	3692980.0001	INSURANCE REIMBURSEMENT - PATTERSON I	.00	(	140.00)	177,339.22
03/31/2014	AP	148.0001	NATIONAL BENEFIT SERVICES INC	50.00		.00	177,389.22
03/31/2014	JE	34.0001	RECLASSIFY EMPLOYEE HSA DEFFERRAL PAY	.00	(	1,000.00)	176,389.22
			03/31/2014 (03/14) Period Totals ***	56,591.62	(	4,420.20)	176,389.22
03/31/2014	AP	186.0001	PRUDENTIAL INS CO OF AM	2,091.49		.00	178,480.71
04/01/2014	AP	187.0001	PRUDENTIAL INS CO OF AM	2,021.54		.00	180,502.25
04/04/2014	AP	7.0001	AFLAC	1,144.92		.00	181,647.17
04/04/2014	AP	277.0001	HEALTH EQUITY	200.00		.00	181,847.17
04/04/2014	AP	278.0001	HEALTH EQUITY	11.80		.00	181,858.97
04/04/2014	PC	2.0001	PAYROLL TRANS FOR 4/4/2014 PAY PERIOD	13,484.18		.00	195,343.15

Date	Journ	Reference	Description	Debit Amount	Credit Amount	Balance
04/04/2014	PC	3.0001	PAYROLL TRANS FOR 4/4/2014 PAY PERIOD	.00	(1,668.32)	193,674.83
04/10/2014	AP	244.0001	WORKERS COMPENSATION FUND	2,349.57	.00	196,024.40
04/18/2014	AP	219.0001	UNUM	198.15	.00	196,222.55
04/18/2014	PC	17.0001	PAYROLL TRANS FOR 4/18/2014 PAY PERIOD	13,499.31	.00	209,721.86
04/18/2014	PC	18.0001	PAYROLL TRANS FOR 4/18/2014 PAY PERIOD	.00	(1,639.48)	208,082.38
04/20/2014	AP	188.0001	PUBLIC EMPLOYEES HEALTH PROG	25,721.12	.00	233,803.50
04/24/2014	AP	183.0001	OLYMPUS INSURANCE AGENCY	170,497.00	.00	404,300.50
04/24/2014	AP	245.0001	WORKERS COMPENSATION FUND	775.41	.00	405,075.91
04/30/2014	AP	177.0001	NATIONAL BENEFIT SERVICES INC	3,000.00	.00	408,075.91
04/30/2014	AP	178.0001	NATIONAL BENEFIT SERVICES INC	50.00	.00	408,125.91
04/30/2014	JE	31.0001	2014-2015 LIAB INS PREM REN ACCT CORR	.00	(170,497.00)	237,628.91
05/01/2014	AP	8.0001	AFLAC	1,144.92	.00	238,773.83
			04/30/2014 (04/14) Period Totals ***	236,189.41	(173,804.80)	238,773.83
05/01/2014	AP	255.0001	HEALTH EQUITY	14.75	.00	238,788.58
05/02/2014	AP	254.0001	HEALTH EQUITY	1,666.67	.00	240,455.25
05/02/2014	PC	2.0001	PAYROLL TRANS FOR 5/2/2014 PAY PERIOD	13,015.02	.00	253,470.27
05/02/2014	PC	3.0001	PAYROLL TRANS FOR 5/2/2014 PAY PERIOD	.00	(1,649.58)	251,820.69
05/08/2014	CR	3695226.0001	INSURANCE REIMBURSEMENT - PATTERSON I	.00	(660.26)	251,160.43
05/12/2014	AP	224.0001	WORKERS COMPENSATION FUND	2,349.57	.00	253,510.00
05/16/2014	PC	17.0001	PAYROLL TRANS FOR 5/16/2014 PAY PERIOD	13,015.02	.00	266,525.02
05/16/2014	PC	18.0001	PAYROLL TRANS FOR 5/16/2014 PAY PERIOD	.00	(1,658.82)	264,866.20
05/19/2014	AP	199.0001	UNUM	198.15	.00	265,064.35
05/20/2014	AP	159.0001	PUBLIC EMPLOYEES HEALTH PROG	27,005.42	.00	292,069.77
05/28/2014	CR	3696235.0001	INSURANCE REIMBURSEMENT - WCF DIVIDEND	.00	(1,275.41)	290,794.36
05/30/2014	PC	33.0001	PAYROLL TRANS FOR 5/30/2014 PAY PERIOD	13,015.02	.00	303,809.38
05/30/2014	PC	34.0001	PAYROLL TRANS FOR 5/30/2014 PAY PERIOD	.00	(1,658.82)	302,150.56
05/31/2014	JE	30.0001	MAY 2014 LIAB INSUR EXP	14,208.09	.00	316,358.65
06/01/2014	AP	158.0001	PRUDENTIAL INS CO OF AM	3,687.45	.00	320,046.10
06/05/2014	AP	257.0001	HEALTH EQUITY	14.75	.00	320,060.85
			05/31/2014 (05/14) Period Totals ***	88,189.91	(6,902.89)	320,060.85
05/29/2014	AP	2.0001	AFLAC	1,004.28	.00	321,065.13
06/01/2014	AP	37.0001	PUBLIC EMPLOYEES HEALTH PROG	27,005.42	.00	348,070.55
06/10/2014	AP	65.0001	WORKERS COMPENSATION FUND	2,349.57	.00	350,420.12
06/11/2014	CR	3697104.0001	INSURANCE REIMBURSEMENT - PATTERSON I	.00	(330.13)	350,089.99
06/13/2014	PC	2.0001	PAYROLL TRANS FOR 6/13/2014 PAY PERIOD	12,708.80	.00	362,798.79
06/13/2014	PC	3.0001	PAYROLL TRANS FOR 6/13/2014 PAY PERIOD	.00	(1,489.08)	361,309.71
06/16/2014	AP	34.0001	OLYMPUS INSURANCE AGENCY	203.00	.00	361,512.71
06/19/2014	AP	55.0001	UNUM	190.53	.00	361,703.24
06/26/2014	AP	95.0001	AFLAC	1,004.28	.00	362,707.52
06/27/2014	PC	20.0001	PAYROLL TRANS FOR 6/27/2014 PAY PERIOD	12,287.30	.00	374,994.82
06/27/2014	PC	21.0001	PAYROLL TRANS FOR 6/27/2014 PAY PERIOD	.00	(1,488.26)	373,506.56
06/30/2014	AP	230.0001	NATIONAL BENEFIT SERVICES INC	3,000.00	.00	376,506.56
06/30/2014	AP	231.0001	NATIONAL BENEFIT SERVICES INC	50.00	.00	376,556.56
07/01/2014	AP	238.0001	PRUDENTIAL INS CO OF AM	2,307.98	.00	378,864.54
07/09/2014	AP	269.0001	HEALTH EQUITY	14.75	.00	378,879.29
			06/30/2014 (06/14) Period Totals ***	62,125.91	(3,307.47)	378,879.29
07/11/2014	CR	3698768.0001	INSURANCE REIMBURSEMENT - PATTERSON I	.00	(330.13)	378,549.16
07/11/2014	PC	2.0001	PAYROLL TRANS FOR 7/11/2014 PAY PERIOD	12,287.30	.00	390,836.46
07/11/2014	PC	3.0001	PAYROLL TRANS FOR 7/11/2014 PAY PERIOD	.00	(1,488.26)	389,348.20
07/25/2014	PC	24.0001	PAYROLL TRANS FOR 7/25/2014 PAY PERIOD	12,287.30	.00	401,635.50
07/25/2014	PC	25.0001	PAYROLL TRANS FOR 7/25/2014 PAY PERIOD	.00	(1,488.26)	400,147.24
			07/31/2014 (07/14) Period Totals ***	24,574.60	(3,306.65)	400,147.24
			08/31/2014 (08/14) Period Totals ***	.00	.00	400,147.24

Date	Journ	Reference	Description	Debit Amount	Credit Amount	Balance
			09/30/2014 (09/14) Period Totals ***	.00	.00	400,147.24
			10/31/2014 (10/14) Period Totals ***	.00	.00	400,147.24
			11/30/2014 (11/14) Period Totals ***	.00	.00	400,147.24
			12/31/2014 (12/14) Period Totals ***	.00	.00	400,147.24

Report Criteria:
- Account: 609000 INSURANCE
- Periods: 01/13 to 12/14
- Amount type: Actual
- Display: Reference detail
- Order by: Date/Journal/Reference number

ATTACHMENT J

Personnel Systems & Services

1325 West Bluemont Dr.
Salt Lake City, UT 84123

Phone # 801/269-8977 personnelsystems@comcast.net
Fax # 801/269-8980

Invoice

Bill To
Heber Light & Power Karley Schindler HR Officer 31 South 100 West Heber City, UT 84032

Date	Invoice #
12/11/2013	1067

P.O. No.	Terms	Project

Quantity	Description	Rate	Amount
	Consulting Fee: Pay Range Determination & Recommendation For New Financial Manager Position	150.00	150.00
		Total	$150.00

Payment Approved by:

Heber Light & Power

Stokes Strategies
PO Box 750
Salt Lake City UT 84110

PAID

Heber Light and Power
Joe Dunbeck
31 South 100 West
Heber City UT 84032

Invoice #	0000081
Invoice Date	December 14, 2013
Amount Due	**$0.00 USD**

Item	Description	Unit Cost	Quantity	Line Total
Monthly Retainer	Government Relations	1.00	1670	1,670.00

Total	**1,670.00**
Amount Paid	-1,670.00
Amount Due	**$0.00 USD**

Terms
Thank You for you Business!

Owen Communications, LLC
dav.owen@comcast.net

1338 So. Foothill Drive #147
Salt Lake City, UT 84108

INVOICE FOR SERVICES

DATE: November 15, 2013
CLIENT: Heber Light & Power
ATTN: Blaine Stewart

PROJECT: Public Affairs
INVOICE # HLP1113

Local Public Affairs account services For November 2013 – retainer	$ 2,000.00

TOTAL AMOUNT DUE THIS INVOICE.................................... $ 2,000.00

IMPORTANT NOTE: Please make check payable to Owen Communications, LLC. Thank you.

Please
Pay Joseph [illegible]

2013-12-19

Owen Communications, LLC
dav.owen@comcast.net

1338 So. Foothill Drive #147
Salt Lake City, UT 84108

INVOICE FOR SERVICES

DATE: October 15, 2013
CLIENT: Heber Light & Power
ATTN: Blaine Stewart

PROJECT: Public Affairs
INVOICE # HLP1013

Local Public Affairs account services For October 2013 – retainer	$ 2,000.00

TOTAL AMOUNT DUE THIS INVOICE.................................... $ 2,000.00

IMPORTANT NOTE: Please make check payable to Owen Communications, LLC. Thank you.

Please pay

2013-12-19

Owen Communications, LLC 1338 So. Foothill Drive #147
dav.owen@comcast.net Salt Lake City, UT 84108

INVOICE FOR SERVICES

DATE: July 1, 2013
CLIENT: Heber Light & Power
ATTN: Blaine Stewart

PROJECT: Public Affairs
INVOICE # HLP0713

Local Public Affairs account services For JULY 2013 – retainer	$ 2,000.00

TOTAL AMOUNT DUE THIS INVOICE.................................... $ 2,000.00

IMPORTANT NOTE: Please make check payable to Owen Communications, LLC. Thank you.

Please pay
[illegible signature]
2013-12-19

ATTACHMENT K

Heber Light & Power

Board of Directors Meeting
February 27, 2013

31 South 100 West
Heber City, Utah 84032

Those present include:

Mayor Dave Phillips
Mayor Connie Tatton
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeffery Bradshaw
County Council Chairman Jay Price
General Manager Blaine Stewart
Chief Financial Officer Tony Furness
Generation Manager Jason Norlen
Distribution Operations Manager Harold Wilson
General Counsel Joe Dunbeck
Technical Services Manager Jacob Parcell

Members of the Public:

Bob Kowallis

Excused:

Note: No requests were made from the general public regarding special needs for disabilities.

The Chair called the meeting to order at 4:15pm.

General Manager's Remarks

Blaine stated that Heber Light & Power has achieved first place in Group D of the American Public Power Association's (APPA) 2012 Safety Awards of Excellence and that a formal presentation will take place at the April APPA Engineering & Operations meeting.

Blaine distributed a schedule of capital projects for 2013. Discussion ensued.

Regular Approval Items

December 17, 2012 and December 19, 2012 Board Meeting Minutes

Jeff Bradshaw moved to approve the December 17th and 19th, 2012 Board Meeting Minutes. Motion seconded by Robert Patterson. Motion passed all in favor.

December 2012 / January 2013 Financial Statements

John Whiting moved to approve the December 2012 and January 2013 Financial Statements. Motion seconded by Connie Tatton. Motion passed all in favor.

December 2012 / January 2013 Warrants

Connie Tatton moved to approve the December 2012 and January 2013 Warrants. Motion seconded by Jeff Bradshaw. Motion passed all in favor.

2012 Related Party Transactions Resolution 2013-01

BE IT RESOLVED: That the Board of Directors of Heber Light and Power hereby approves the write-off of the total receivable in the amount of $65,268.36 for street lighting energy for all 2012 related parties' transactions.

Connie Tatton moved to approve the Related Parties resolution. Motion seconded by Jeff Bradshaw. Motion passed all in favor.

Substations and Technology

Jake reported on the Midway project and the Jailhouse LTC issue. The Jailhouse problem occurred during a period of cold weather and as a result of the extra effort of staff, customers were not affected.

Generation

Jason thanked all of the Board members who attended the IPP tour. He also provided an update on the new Operations building.

He reported on the UAMPS budgeting process, highlighting various areas of interest to Heber Light & Power.

Distribution

Harold updated the Board on the insulator cleaning along Highway 40. The cleaning was required to address salt spray contamination. Staff is reviewing options in order to limit this problem in the future. He also reported on the Midway 101 project and the associated system advantages.

Legal

Joe provided an update on the current legislative session along with areas of proposed legislation that could affect Heber Light & Power. He also provided an update on the Emergency Successors requirement and will circulate information outlining this requirement.

Joe presented a Lease between the Heber Light & Power and Wasatch County for the property west of the Plant 1 Generation building. The lease formalizes the use of the property by Wasatch County as part of the operations of the Wasatch County Events Center.

Connie Tatton moved to approve the lease agreement between Heber Light & Power and Wasatch County. Motion was seconded by John Whiting. Motion passed all in favor.

Administration

Tony provided an update on the 2012 Accounts Receivable and Net Metering results.

Executive Session

Connie Tatton moved to enter into Executive Session for matters relating to potential litigation. Motion was seconded by Robert Patterson. Motion passed all in favor.

Dave Phillips moved to exit from Executive Session. Motion seconded by Robert Patterson. Motion passed all in favor.

Resource Presentation

Jason and Joe provided an update on the Company's current and future resource requirements along with the details of the proposed refueling project at the Intermountain Power Project (IPP).

Jay Price moved to adjourn the meeting. Motion seconded by Jeff Bradshaw.

Meeting adjourned at 7:16 pm.

Heber Light & Power

Board of Directors Meeting
March 27, 2013

31 South 100 West
Heber City, Utah 84032

Those present include:

Mayor Dave Phillips
Mayor Connie Tatton
Mayor John Whiting
Councilman Jeffery Bradshaw
County Council Chairman Jay Price
General Manager Blaine Stewart
Chief Financial Officer Tony Furness
Generation Manager Jason Norlen
Distribution Operations Manager Harold Wilson
General Counsel Joe Dunbeck
Technical Services Manager Jacob Parcell

Members of the Public:

Bob Kowallis

Guests

Greg Ogden, CPA
Robert Pender, R. E. Pender Inc.

Excused:

Councilman Robert Patterson

Note: No requests were made from the general public regarding special needs for disabilities.

The Chair called the meeting to order at 4:15pm.

General Manager's Remarks

Blaine stated that UAMPS is provding a tour of the Horse Butte Wind Generating Project on May 13th and 14th. All Board members are invited to attend.

Blaine also advised that staff have had recently returned from receiving the APPA Safety Award which was presented at the APPA Engineering & Operations meetings.

Blaine reported on the status of the transmission upgrade planned for facilities located along Highway 40. Discussion ensued.

2012 Audited Financial Statements

Mr. Greg Ogden presented the 2012 Audited Financial Statements stating there were no findings as the result of his audit and he had issued a "clean opinion" of the operations of Heber Light and Power. He also noted there was no Management Letter.

Jeff Bradshaw moved to approve the 2012 Audited Financial Statements. Motion seconded by Connie Tatton. Motion passed all in favor.

Mr. Ogden exited the meeting.

Regular Approval Items

February Board Meeting Minutes

Jeff Bradshaw moved to approve the February Board Meeting Minutes. Motion seconded by Connie Tatton. Motion passed all in favor.

February Financial Statements

Connie Tatton moved to approve the February Financial Statements. Motion seconded by Jeff Bradshaw. Motion passed all in favor.

February Warrants

John Whiting moved to approve the February Warrants. Motion seconded by Dave Phillips. Motion passed all in favor.

Impact Fee Presentation

Tony introduced Bob Pender of R. E. Pender Inc. Bob presented his findings on various Impact Fee values considering the Company's updated capital facilities plan. The presentation will be followed up by a Public Hearing to determine the future of the Impact Fee program.

Administration

Tony presented year end 2012 operational statistics along with sales analysis for Heber Light & Power along with a comparison to other Public Power utilities.

Capital Reserve - Resolution 2013-02

BE IT RESOLVED: That the Board of Directors of Heber Light & Power has reviewed the 2012 Financial Statements and hereby approves the transfer of $200,000.00 from the General Fund to the Capital Reserve Fund to assist with the purchase of capital assets and / or the replacement existing assets.

John Whiting moved to approve the transfer of $200,000.00 to the Capital Reserve Fund. Motion seconded by Jeff Bradshaw. Motion passed all in favor.

Distribution

Harold reported to the Board on the Midway Lane project which will begin in the next few weeks. He also advised staff would update the current pole attachment agreement and the associated fee structure in the coming months.

Generation

Jason reported on the recent IPA committee and Board meeting and the frustrations IPA has to find common ground for all of the participants in the IPP renewal project. Staff will continue to attend the meetings to ensure the Company's interests are known.

Legal

Joe provided information on the process relating to Impact Fees and any changes being considered. He also provided an update on the recent session of the Utah Legislature.

Substations and Technology

Jake reported on the Midway Breaker project. He also reported that the Lower Snake Creek “water wheel” project which has been completed.

Executive Session

Connie Tatton moved to enter into Executive Session for matters relating to potential litigation, equipment bids and real estate transactions. Motion was seconded by John Whiting. Motion passed all in favor.

Connie Tatton moved to exit from Executive Session. Motion seconded by Dave Phillips. Motion passed all in favor.

Connie Tatton moved to adjourn the meeting. Motion seconded by Jeff Bradshaw.

Meeting adjourned at 6:47 pm.

Heber Light & Power

Board of Directors Meeting
April 2, 2013

31 South 100 West
Heber City, Utah 84032

Those present include:

Mayor Dave Phillips
Mayor Connie Tatton
Mayor John Whiting
Councilman Jeffery Bradshaw
County Council Chairman Jay Price
General Manager Blaine Stewart
Chief Financial Officer Tony Furness
Generation Manager Jason Norlen
Distribution Operations Manager Harold Wilson
General Counsel Joe Dunbeck
Technical Services Manager Jacob Parcell
Resource Analyst Emily Brandt
Generation Mechanic Rob Tuft

Members of the Public:

Excused:

Councilman Robert Patterson

Note: No requests were made from the general public regarding special needs for disabilities.

The Chair called the meeting to order at 4:08pm.

Resources

Jason presented a detailed review of current power resources and the current state of generation in the western United States. He also provided strategies for the Board's consideration on future resource options for Heber Light & Power.

John Whiting moved to approve that staff engage a consultant(s) to perform detailed studies on the resource options presented. Motion seconded by Connie Tatton. Motion passed all in favor.

Executive Session

Dave Phillips moved to enter into Executive Session for matters relating to potential litigation. Motion was seconded by Connie Tatton. Motion passed all in favor.

Connie Tatton moved to exit from Executive Session. Motion seconded by John Whiting. Motion passed all in favor.

Jay Price moved to adjourn the meeting. Motion seconded by John Whiting.

Meeting adjourned at 6:31 pm.

Heber Light & Power

Board of Directors Meeting
April 24, 2013

31 South 100 West
Heber City, Utah 84032

Those present include:

Mayor Dave Phillips
Mayor Connie Tatton
Councilman Jeffery Bradshaw
County Council Chairman Jay Price
General Manager Blaine Stewart
Chief Financial Officer Tony Furness
Generation Manager Jason Norlen
General Counsel Joe Dunbeck
Technical Services Manager Jacob Parcell

Members of the Public:

Bob Kowallis

Excused:

Mayor John Whiting
Councilman Robert Patterson
Distribution Operations Manager Harold Wilson

Note: No requests were made from the general public regarding special needs for disabilities.

The Chair called the meeting to order at 4:15pm.

General Manager's Remarks

Blaine reminded the Board that UAMPS is providing a tour of the Horse Butte Wind Generating Project on May 13th and 14th. All Board members are invited to attend.

Blaine updated the Board on the company's participation in the "Unplugged Program" which is being conducted in the Heber Valley this summer.

Blaine also updated the Board on the Highway 40 project and a recent meeting with the Wasatch County Planning Commission.

Regular Approval Items

March Board Meeting Minutes

Jeff Bradshaw moved to approve the March Board Meeting Minutes. Motion seconded by Connie Tatton. Motion passed all in favor.

April Special Board Meeting Minutes

Dave Phillips moved to approve the April Special Board Meeting Minutes. Motion seconded by Jeff Bradshaw. Motion passed all in favor.

March Financial Statements

Connie Tatton moved to approve the March Financial Statements. Motion seconded by Jay Price. Motion passed all in favor.

March Warrants

Connie Tatton moved to approve the March Warrants. Motion seconded by Jeff Bradshaw. Motion passed all in favor.

Administration

Tony presented the renewal information relating to the 2013/14 General Liability Insurance policy along with comparative data for the previous 6 years. He explained that a market survey had been conducted and 35 firms had been asked to quote on Heber Light & Power's insurance.

Connie Tatton moved to approve the 2013/14 renewal as prepared by Olympus Insurance, the company's insurance broker. Motion seconded by Jeff Bradshaw. Motion passed all in favor.

Impact Fees

Staff updated the Board on timing of the Impact Fee Public Hearing and related public notification. Discussion ensued.

Substations and Technology

Jake reported on the Midway Substation project and related scheduling with Rocky Mountain Power to facilitate the required work.

He also updated the Board on the Company's "cyber" security initiatives.

Generation

Jason reported on recent IPA committee meetings along with the scheduling of upcoming meetings. Discussion ensued surrounding the status of the proposed renewal contracts and participant positions.

He also updated the Board on the CAT Plant operations and the Company's environmental initiatives related to Reciprocating Internal Combustion Engine (RICE) rule compliance.

Jason reported on the status of the new Operations building and expected completion during June.

In addition, he provided an update on the resource project and expected completion date of preliminary studies outlining operational aspects related to the project.

Legal

Joe provided an update on the water issues related to the Upper Snake Creek generating plant. Staff is preparing a plan to provide alternatives to the current water supply situation as it relates to area residents.

Connie Tatton moved to adjourn the meeting. Motion seconded by Dave Phillips.

Meeting adjourned at 6:25 pm.

Heber Light & Power

Board of Directors Meeting
May 22, 2013

31 South 100 West
Heber City, Utah 84032

Those present include:

Mayor Dave Phillips
Mayor Connie Tatton
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeffery Bradshaw
County Council Chairman Jay Price
General Manager Blaine Stewart
Generation Manager Jason Norlen
Distribution Operations Manager Harold Wilson
General Counsel Joe Dunbeck

Members of the Public:

Bob Kowallis

Excused:

Jacob Parcell, Technical Services Manager
Tony Furness, CFO

Note: No requests were made from the general public regarding special needs for disabilities.

The Chair called the meeting to order at 4:15 p.m.

Executive Session

Dave Phillips moved to enter into Executive Session for matters relating to personnel. Motion was seconded. Motion passed, all in favor.

Robert Patterson moved to exit from Executive Session. Motion seconded by Jeff Bradshaw. Motion passed, all in favor.

The Board moved out of Executive Session.

Regular Approval Items

April Board Meeting Minutes

The April Board Minutes were not included with the Board materials. Dave Phillips deferred on approving the minutes until next month.

April 2013 Financial Statements

Robert Patterson moved to approve the April 2013 Financial Statements. Motion seconded by Jeff Bradshaw. Motion passed, all in favor.

April 2013 Warrants

Jeff Bradshaw moved to approve the April 2013 Warrants. Motion seconded by Robert Patterson. Motion passed, all in favor.

General Manager's Remarks

Blaine presented the Cyber Security Planning Outline which is a project that Jake will direct and initiate this year. The document outlines steps to identify the Company's cyber assets and where the Company is and where the Company needs to be in order to protect its assets from cyber incidents. It provides a roadmap to guide the Company through the process of creating a strategic plan to protect the Company's IT systems. Jake is putting together a task force to work on the project.

Distribution

Harold reported on the project at the Midway substation at the point of connect with RMP. HLP is installing 46 kv circuit breakers to better protect the system. This has required a lot of communication with RMP. The project involved retrofitting new equipment into a switch rack that was built in the 1970s. Harold reported that the employees should be complimented for the work they have done on the project. They were able to retrofit and design a lot of the project on their own and have saved the Company thousands of dollars in equipment and man-hours.

The next project is the Heber to Midway rebuild on Midway Lane from 600 West in Heber to the Provo River. The project will continue throughout the summer. The crews will install new poles and wire. The poles are about 40 years old and Harold suspects that the poles have a lot of rot. The old wire will be recycled.

The tree trimming crew will be back around the first week of June. Harold requested that the cities inform him if they see any issues that the tree crew needs to look at.

The project on the line north of town is waiting on an MOU with Rocky Mountain Power.

Legal

Joe thanked the Board for their support of the trip to the Horse Butte Wind Farm and also their support on the IPA contracts.

Joe provided an update of the IPA board meeting and coordinating meeting of the California purchasers who run the IPP plant that he attended. He stated that they provided a good presentation on the environmental issues that play an important role in whether to do the gas repowering, and was encouraged that the EPA issues seemed manageable.

Joe also reported on the meeting with RMP regarding the work in Midway and the line down Highway 40. He stated that the meeting went well, but that RMP is moving slowly on drafting the MOU.

To follow up, Blaine explained that some years ago RMP sponsored study task force to review long-term power situation in Summit County. He stated that RMP is now looking at establishing a similar task force sometime next year for the Wasatch County area which should include community and Company representatives. The study should address a long-term strategic plan for power resources to supply the valley.

Jay Price offered any help that the County could provide to assist the Company on the line north of town. Joe said not at this point, but they would let the County know if help is needed in the future. Dave Phillips thanked the County for their support.

Generation

Jason reported that two units are running at the power plant. The EPA degradation test on the control unit that is currently being tested should be completed at the end of the month. Jason reported that another unit has been shipped and that they will restart degradation testing in mid-June. The gas unit continues to run and should be running through September.

Jason stated that the power markets have been stronger. Power and gas have been on a steady climb. Jason has locked in some of the gas needed for the unit in the R&D facility for third quarter. Jason is aggressively watching the market and may put a couple more hedges in place as he watches what direction the market is heading.

Jason reported that we are short on power for 2014 and need to get a power purchase done and lock in some prices for the first and second quarters of 2014. St. George has some available for first half of 2014 and he is also talking with our marketer. Jason stated that this should be taken care of in the next 30-40 days.

Jason gave an update on new building/shop/office at operations. It is should be completed around June 1. There are still a few things that need to be completed, but everything has gone well.

Jason also reported that the engineering study on the proposed, new generator is nearly completed. He should be able to report next month on whether or not to move forward with the RFP. The Board resource committee may need to meet when the engineering study is completed to discuss it further.

Jason added to Joe's report of the IPA/IPP meeting stating that a lot of the environmental concerns have been resolved. We are just waiting for the lawyers to draft new language. Jason stated that he felt good about the direction the project is heading and that if the new documents reflect what was discussed, then they can move forward with getting them signed, and we can start studying the options and how much energy we want post 2027.

Impact Fee Update

Blaine reported that the update in the Impact Fees will be deferred until the next meeting.

Jeff Bradshaw moved to adjourn the meeting. Motion was seconded by John Whiting. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting
June 26, 2013

31 South 100 West
Heber City, Utah 84032

<u>Those present include</u>:

Mayor Dave Phillips
Mayor Connie Tatton
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeffery Bradshaw
County Council Chairman Jay Price
General Manager Blaine Stewart
Generation Manager Jason Norlen
Distribution Operations Manager Harold Wilson
General Counsel Joe Dunbeck
Substation Technical Services Manager Jacob Parcell

<u>Members of the Public</u>:

Bob Kowallis
Merry Duggin
Tracy Taylor

<u>Excused</u>:

None.

Note: No requests were made from the general public regarding special needs for disabilities.

The Chair called the meeting to order at 4:15 p.m.

<u>Regular Approval Items</u>:

<u>April and May 2013 Board Meeting Minutes</u>: Jeff Bradshaw moved to approve the April 2013 and May 2013 Board Meeting Minutes. Motion seconded by Connie Tatton. Motion passed, all in favor.

April 2013 Financial Statements: Robert Patterson moved to approve the April 2013 Financial Statements. Motion seconded by Jeff Bradshaw. Motion passed, all in favor.

April 2013 Warrants: Jeff Bradshaw moved to approve the April 2013 Warrants. Motion seconded by Robert Patterson. Motion passed, all in favor.

General Manager's Remarks:

Blaine Stewart reported that the Company is sponsoring an employee team for the Relay for Life event on Friday, July 12. The employee summer picnic will be held in conjunction with the Relay for Life event at 7:00 p.m. at Southfield Park. The Board members are invited to attend.

The UAMPS Annual Conference is on August 18. Further information will be emailed to the Board Members.

An update on the Impact Fee Study will likely be presented at the July Board Meeting.

Blaine presented the Whistleblower Policy as an addition to the Employee Handbook. The policy protects employees from retaliation if they report conduct that is in violation of the law or Company policy. John Whiting moved to approve the policy as an addition to the Employee Handbook. Motion seconded by Jeff Bradshaw. Motion passed, all in favor.

Blaine proposed that Jason Norlen be appointed as the interim Board Secretary. Dave Phillips moved to appoint Jason as interim Board Secretary. Motion seconded by Robert Patterson. Motion passed, all in favor.

Generation:

Jason Norlen updated the Board on the resources needed for 2014. He reported that he has secured the resources needed through the market, the Jordanelle Project, and IPP to supply the resources needed through the winter and into 2014. He also reported that since the forecast through the summer is extremely warm and dry, he has put gas hedges in place to run the peaking plant through September as needed.

Jason also reported that he was informed by UAMPS that unforeseen pressures on transmission pricing due to higher billings from RMP may affect our current resource budget. UAMPS will provide Jason a full report next month.

* * *

Blaine reminded the Board that because of the holiday on July 24, the regular Board meeting has been moved to July 17. At the July meeting the Company will provide mid-year reports on the major capital projects and the Company's goal attainment to date. Jason will also present more information on the Company's resource portfolio and future needs.

Jay Price mentioned that he had a conflict with the meeting on July 17 because of the scheduled County Council meeting. After some discussion, the Board agreed to move the regular Board meeting to Tuesday, July 16, 2013, at the regular time of 4:15 p.m.

Blaine then excused the remainder of the staff reports in order for the Board to have time to meet in Executive Session to discuss matters of pending litigation. The staff reports for June will be presented at the July meeting.

Executive Session:

Robert Patterson moved to enter into Executive Session for matters related to pending litigation. Motion was seconded by Jeff Bradshaw. Motion passed, all in favor.

Connie Tatton moved to exit from Executive Session. Motion seconded. Motion passed, all in favor.

The Board moved out of Executive Session.

* * *

Jeff Bradshaw moved to adjourn the meeting. Motion was seconded by Dave Phillips. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting
July 16, 2013

31 South 100 West
Heber City, Utah 84032

<u>Those present include</u>:

Mayor Connie Tatton
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeffery Bradshaw
General Manager Blaine Stewart
Generation Manager Jason Norlen
Distribution Operations Manager Harold Wilson
Substation Technical Services Manager Jacob Parcell
General Counsel Joe Dunbeck

<u>Members of the Public</u>:

Bob Kowallis

<u>Excused</u>:

Mayor Dave Phillips
County Council Chairman Jay Price

Note: No requests were made from the general public regarding special needs for disabilities.

The meeting was called to order at 4:15 p.m.

<u>Regular Approval Items</u>:

<u>June 26, 2013 Board Meeting Minutes</u>: John Whiting moved to approve the June 26, 2013 Board Meeting Minutes. Motion seconded by Jeff Bradshaw. Motion passed, all in favor.

<u>June 2013 Financial Statements</u>: Blaine Stewart noted that since this board meeting is a week earlier than normal, the financial statements do not contain the second billing cycle in

June. Jeff Bradshaw moved to approve the June 2013 Financial Statements. Motion seconded by Robert Patterson. Motion passed, all in favor.

June 2013 Warrants: Jeff Bradshaw moved to approve the June 2013 Warrants. Motion seconded by Robert Patterson. Motion passed, all in favor.

General Manager's Remarks:

Blaine Stewart stated that Jason Norlen has been appointed as the interim department manager to oversee the business office and staff functions. The Company is interviewing accounting firms to provide interim accounting support. Jason Norlen stated that our software company, Caselle, offers accounting services and can provide support until an accounting firm is selected.

Blaine reported that the Company summer picnic in conjunction with the Relay for Life was a success and thanked the employees that participated.

Blaine reminded the Board that the UAMPS annual membership conference in Squaw Valley is August 18-21, 2013, and that if they are interested in attending they should let him know.

Blaine reported that the response to the community's Unplugged Campaign has been very good, and was pleased with the Company's participation in the program.

The Company will hold a public hearing on impact fees at the September 25, 2013 Power Board meeting. Bob Pender, the Company's independent consultant, will come to the public hearing to give a summary presentation of the impact fee analysis and answer questions. The Company will present an impact fee structure to the Board , based on the consultant's impact fee study and recommendation.

Since the AMI roll-out is nearing completion, the Company is creating a meter department to manage the metering responsibilities. Travis Broadhead's functions will be expanded to include the duties of meter foreman. He will report to Jake Parcell in the Technical Services Department. Brian Stanley will continue training as a meter technician and be transitioned into the Meter Department. The Meter Department will conduct testing on all meters before they are installed and will periodically test all meters currently in service. This change will allow the Company to utilize its manpower efficiently after completion of the AMI roll-out. The transition will allow Brian to spend more time doing metering work and Phil Congino to transition from meter reading to the office to take over some of Brian's duties.

The Dell computer purchase program has been suspended pending a review by the Human Resource Benefits Committee along with a review of all employee benefits. Employees that are in progress of paying off computer purchases will be grandfathered in, and no new purchases will be made pending review by the Benefits Committee.

Blaine presented the mid-year goals report. The mid-year goals are reviewed monthly at staff meetings and presented to the Board mid-year and end of year. The Company is doing well on its goals and many of the items are ongoing. Robert Patterson asked about the new building. The new building is operational, and Blaine suggested that the August Board meeting could be held there to allow the Board members to see it.

The major budget projects were reviewed. The College Substation feeder is tentatively on hold and may become part of the Highway 40 rebuild. The first section of the Midway distribution feeder is progressing. When the first section is complete, Harold's crews will move onto the second section. Another project for this fall is to create some loop feeds on some radial feed subdivision areas in Timberlakes so that the subdivision can be fed from another source when repairs are needed. The South 46kv line upgrade has been put on hold pending a determination of Rocky Mountain Power's involvement on a possible 138kv line through the valley. The Center Street underground ties are expected to be completed soon. A new transformer has been ordered for the Jailhouse substation to relieve the pending overload on the existing transformer. Projects at the Midway substation and lower Snake Creek plant are nearing completion. As reported earlier, the AMI meter project is nearing completion. The residential component of that project should be completed by year-end.

Blaine presented and explained the Use of Personal Vehicle Travel Policy. Jeff Bradshaw made a motion to approve the Use of Personal Vehicle Travel Policy. Motion seconded by Robert Patterson. Motion passed, all in favor.

<u>Distribution</u>:

Harold Wilson reported that his crews are approaching half-way completion of the Midway Lane project and are assisting with the work on the breakers at the Midway Substation. Harold also reported that the tree trimming crews have been working to clear the lines in and around some of the cabin developments.

<u>Generation</u>:

Jason reported that the Company experienced record high system peaks on five consecutive days in June, which essentially moved the projected data analysis forward about four years. Jason attributed this to the record heat and also to the continued growth of the Company in terms of new meters added. The Company is continuing to explore its resource options to meet its energy needs and is considering issuing an RFP for a 4MW turnkey natural gas plant. Also to support the Company's energy needs, Jason may add to the hedge he made earlier this year with Morgan Stanley.

UAMPS continues to work to keep the coal units running and has joined with Rocky Mountain Power and the State of Utah to oppose the EPA's regional haze ruling and its rejection of their best available control technology plan as it relates to the Hunter Plant.

The Company continues to work with IPP on the contracts for the repowering of IPP to natural gas. Substantial changes have been made to the language in the Second Amendatory

Power Sales Contract and the Excess Power Sales Agreement, both of which are key for the Company's continued relationship with IPP.

Jason reported that the financial statements show the new building as exceeding the budget; however those numbers include additional costs for required site improvements to the above-ground storage tanks. The costs for those site improvements will be separated from the actual building costs and adjusted to reflect them as operation and maintenance expense.

As UAMPS ends its budget cycles on the different projects, it will true-up the projects, and the Company may see a rebate on the UAMPS projects that did well or may owe UAMPS for any projects that were over budget.

With a few exceptions on units 1 and 4, the power plants have been running very well. The field-follow unit in plant 3 has been running almost continuously for the past two months without any problems.

Jason also reported that with the recent personnel change, the business office staff has done a great job filling in where needed.

Legal:

Joe Dunbeck reported that the Company will work with RMP on an MOU for the 138kv line north of town. He also emphasized the importance of the IPP contracts discussed earlier by Jason given the current demands on the Company's resources. Other projects coming up include the impact fees and a few housecleaning issues with respect to the Company's service area on the north side of town.

Substation Technical Services:

Jake Parcell reported that the Metering Department has purchased meter testing equipment and is implementing a meter testing program. The plan is to sample test 10% of the single phase meters each year so that all meters are tested at least once over a ten-year period. The Metering Department is continuing to work on AMI meter change-outs and is on schedule to have the single phase meters finished by the end of the year.

Jake also reported that the hydro plants have been running well this year, and that they have a few maintenance projects scheduled for when water season is out.

With the system high peaks that Jason discussed earlier, the substation transformers and circuits were at maximum. On the hot days the transformers were checked every day to make sure the fans were operating so that the transformers didn't overheat. One of projects this year at the Jailhouse substation is a new transformer to relieve the load on the existing transformer.

The Midway project on the 46 breakers is moving forward. The goal is to have the breakers in service by the end of August.

Substation maintenance oil testing is scheduled for the next couple of months as well as infrared thermal imaging, which is done annually. Steve Henning is being trained as a level one thermographer and will do the thermal imaging readings.

Executive Session:

John Whiting moved to enter into Executive Session for matters related to personnel and pending litigation. Motion was seconded by Jeff Bradshaw. Motion passed, all in favor.

Connie Tatton moved to exit from Executive Session and to adjourn the meeting. Motion passed by acclamation.

Meeting adjourned.

Heber Light & Power

Board of Directors Special Meeting
July 31, 2013

Operations Center
735 West 300 South
Heber City, Utah 84032

Those present include:

Mayor Dave Phillips
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeff Bradshaw
Councilman Jay Price
General Manager Blaine Stewart
Generation Manager Jason Norlen
General Counsel Joe Dunbeck
David Owen, Owen Communications

Members of the Public:

None

Excused:

Mayor Connie Tatton

Note: No requests were made from the general public regarding special needs for disabilities.

The Chair called the meeting to order at 4:15 p.m.

Executive Session:

Robert Patterson moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion was seconded by Jeff Bradshaw. Motion passed, all in favor.

John Whiting moved to exit from Executive Session. Motion was seconded by Robert Patterson. Motion passed, all in favor.

Attorney General Opinion

Robert Patterson made a motion to allow legal counsel to send a letter to the Civil Review Committee in response to the recent Attorney General opinion on Board compensation. Motion was seconded by John Whiting. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Special Meeting
August 21, 2013

31 South 100 West
Heber City, Utah 84032

<u>Those present include</u>:

Mayor Dave Phillips
Mayor John Whiting
Mayor Connie Tatton (by teleconference)
Councilman Jeff Bradshaw
Councilman Jay Price
General Manager Blaine Stewart
Generation Manager Jason Norlen (by teleconference)
General Counsel Joe Dunbeck (by teleconference)
Karly Schindler, Legal Assistant

<u>Members of the Public</u>:

None

<u>Excused</u>:

Councilman Robert Patterson

Note: No requests were made from the general public regarding special needs for disabilities.

The Chair called the meeting to order at 8:00 a.m.

<u>Executive Session</u>:

John Whiting moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion was seconded by Jay Price. Motion passed, all in favor.

Jeff Bradshaw moved to exit from Executive Session. Motion was seconded by John Whiting. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting
August 28, 2013

Operations Center
735 West 300 South
Heber City, Utah 84032

Those present include:

Mayor Dave Phillips
Mayor Connie Tatton (by teleconference)
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeffery Bradshaw
County Council Chairman Jay Price
Blaine Stewart, General Manager
Joe Dunbeck, General Counsel
Jason Norlen, Generation Manager
Harold Wilson, Distribution Operations Manager

Members of the Public:

Bob Kowallis
Tracy Taylor
Members of the public not identified (2)

Excused:

Jacob Parcell, Substation Technical Services Manager

Note: No requests were made from the general public regarding special needs for disabilities.

The Chair called the meeting to order at 4:20 p.m.

Regular Approval Items:

July 16, 2013 Board Meeting Minutes: John Whiting moved to approve the July 16, 2013 Special Board Meeting Minutes. Motion seconded by Robert Patterson. Jay Price abstained. Motion passed, all in favor.

July 31, 2013 Special Board Meeting Minutes: Jeff Bradshaw moved to approve the July 31, 2013 Board Meeting Minutes. Motion seconded by Jay Price. Motion passed, all in favor.

August 21, 2013 Special Board Meeting Minutes: John Whiting moved to approve the August 21, 2013 Special Board Meeting Minutes. Motion seconded by Jeff Bradshaw. Robert Patterson abstained. Motion passed, all in favor.

July 2013 Financial Statements: Jeff Bradshaw moved to approve the July 2013 Financial Statements. Motion seconded by Robert Patterson. Motion passed, all in favor.

July 2013 Warrants: Jay Price moved to approve the July 2013 Warrants. Motion seconded by Dave Phillips. Motion passed, all in favor.

General Manager's Remarks:

Blaine Stewart reported that the public hearing on the impact fee study and analysis will be held September 25. The regular monthly Board meeting will follow at the conclusion of the public hearing. Bob Pender will be at the hearing to give an overview of the impact fee study and to answer questions. It was discussed that the hearing be held at the Heber City Council Chambers to accommodate the public. Mayor Phillips will check on its availability.

Blaine presented, for the Board's information, a draft of the Company's business office procedures. This is a project that the Company has been working on in connection with a succession planning initiative to document business activity as it relates to processing accounts receivable, paying bills, etc. The procedures identify the steps and the responsible persons for the different activities in the business office. The benefit of having the written procedures is that it creates a guidebook for business functions in the event of an employee's absence for a period of time. Blaine explained that the procedures support the policies of the Board, and that the procedures may change from time to time as technology and staffing levels change. Jeff Bradshaw cautioned in areas of handling money that at least two people should be involved in the process as a safeguard. Jay Price voiced security concerns in having procedures that provided too much detail. Blaine stated that the procedures are a work-in-progress and that these concerns and any others that the Board may have are appreciated and will be taken into consideration as the Company continues to review and draft the procedures.

Distribution:

Harold Wilson reported that his department has completed the installation of conduit in Timberlakes. This will increase the reliability in Timberlakes and provide better service to the customers in that area. Harold also reported that the Midway Lane project is progressing, and depending on conditions; the expected completion should be within 4 to 6 weeks.

Harold is also working on an RFP to go out to bid for the line north of town. The project will be to replace the existing 46kv line with better insulators, bigger wire, and bring a distribution circuit back in to the College substation. This is an essential project that will be of great value to community and provide added reliability to the Company's service territory.

Harold noted that impact fees are up due to continued residential growth and due to several 3-phase commercial projects, including Zion's Bank, Mrs. Call's Candy, and America First Credit Union.

Substation Technical Services:

Blaine Stewart reported on behalf of Jake Parcell, who was out of town.

Blaine gave an update on the Midway breaker upgrades. The control wiring is nearing completion and the commissioning of the breakers should begin towards the end of September. This will require coordinating with Rocky Mountain Power to be able to test-trip the breakers without tripping the whole system.

At the Jailhouse substation, construction on a circuit switcher should begin in about two weeks. The circuit switcher will provide protection for the new transformer which will be delivered around the end of September. Installation of the new transformer should be finished by mid-December.

Infrared scans of equipment are being done to detect loose connections or failing equipment that might lead to over-heating. A loose connection at Jailhouse substation was recently detected, and the crews were able correct the issue before it caused an outage. The infrared scans will continue on all substation equipment, key distribution components, and eventually the generation plants.

The AMI meter project is still moving forward. Since mid-July, approximately 1600 meters have been changed out, and the continued plan is to have all of the residential meters and about 98% of the commercial meters changed out by the end of the year.

The IT department is exploring the possibility of a Sensus upgrade. The upgrade provides some significant advantages to the current software and would provide a portal to allow customers access to their account and usage data for a virtual home monitoring system. The Company is still evaluating the software to determine whether or not it would provide sufficient advantages to offset the cost.

Legal:

Joe Dunbeck reported that he is continuing to work on the following projects: impact fees, the IPA contract, the Highway 40 contract with Rocky Mountain Power, personnel issues, and Board issues.

Generation:

Jason reported on the generation plants. Unit 4 had some maintenance issues, but other than that, the other units have only had minor issues and not too many unscheduled trips. In Plant 3, the 3516 diesel unit is back online, and testing of the continuous emission monitoring unit will run through October. A lot of data is tracked for that machine in connection with CAT's tier four emissions package. CAT is also continuing to run the 3516 natural gas unit through the end of this month and possibly into the next month. CAT will be testing a new gas unit that will be installed by the first part of November, so two gas units will be operating in the test facility.

Jason noted that the numbers on the financial statement for natural gas fuel were a pass-through pursuant to the arrangement that the Company has with CAT under the master agreement. Jason explained that the Company passes on the cost of natural gas to CAT, and CAT in turn bills the Company for the kilowatt hours produced by the generator.

Jason reported that he met with Rob Campbell, the Caterpillar dealer's owner. They try to meet at least once a year to review service issues. Caterpillar is a good partner and is very supportive of the Company.

Jason also reported that the ten-year master agreement between the Company, CAT and Wheeler will end soon. The parties are close to entering into a new ten-year master agreement. Jason commented that since the power from the CAT facilities is some of our cheapest power, it is a good move for the Company to renew the contract for another ten years.

Jason's staff is currently working on next year's budget and making adjustments to the five-year strategic plan. Jason is also working on the RFP for a turnkey 4MW high-load hour resource which is still in draft form, but should be ready to go out to bid around the first part of September.

Jason presented the wholesale Quarter 1 and Quarter 2 summaries. The summaries compare the forecasted kilowatt hours with the actual kilowatt hours and help to identify whether or not adjustments need to be made. The summaries show that there was a substantial increase in load but that the costs stayed close to the forecast. Jason also presented a graph that showed loads increasing an average of 7% over last year.

Executive Session:

Robert Patterson moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion was seconded by John Whiting. Motion passed, all in favor.

Robert Patterson moved to exit from Executive Session. Motion was seconded by Jeff Bradshaw. Motion passed, all in favor.

The Board moved out of Executive Session. Jay Price moved to adjourn the meeting. Motion was seconded by Dave Phillips. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Special Meeting
September 18, 2013

Operations Center
735 West 300 South
Heber City, Utah 84032

Members present:

Mayor Dave Phillips
Mayor John Whiting
Mayor Connie Tatton
Councilman Jeff Bradshaw
Council Robert Patterson

Staff present:

Blaine Stewart, General Manager
Jason Norlen, Generation Manager
Harold Wilson, Distribution Operations Manager
Jake Parcell, Substation Technical Services Manager
Joe Dunbeck, General Counsel
Karly Schindler, Legal Assistant

Others Present:

Midway Mayor Pro Tempore Colleen Bonner
Heber City Councilman Erik Rowland
Heber City Councilman Alan McDonald
Heber City Councilman Benny Mergist
Mark Anderson, Heber City General Manager

Excused:

Wasatch County Councilman Jay Price

Note: No requests were made from the general public regarding special needs for disabilities.

The Chair called the meeting to order at 6:00 p.m.

Executive Session:

John Whiting moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion was seconded by Connie Tatton. Motion passed, all in favor.

Connie Tatton moved to exit from Executive Session. Motion was seconded by Robert Patterson. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting and Impact Fee Public Hearing
September 25, 2013

31 South 100 West
Heber City, Utah 84032

Members and Staff Present:

Mayor Dave Phillips
Mayor Connie Tatton
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeffery Bradshaw
County Council Chairman Jay Price
Blaine Stewart, General Manager
Joe Dunbeck, General Counsel
Harold Wilson, Distribution Operations Manager
Jason Norlen, Generation Manager
Karly Schindler, Legal Assistant

Guests:

Robert E. Pender, Consultant

Members of the Public:

Bob Kowallis

Excused:

Jacob Parcell, Substation Technical Services Manager

The Chair called the meeting to order at 4:30 p.m.

General Managers Remarks:

Blaine Stewart updated the Board on the cause of the system-wide power outage on September 17, 2013. The Company's power source from Rocky Mountain Power was interrupted due to a storm that hit Rocky Mountain Power's equipment in Midway. During the outage, the Company communicated with the police agencies, emergency responders, and others to keep them informed of the status. Dave Phillips said that the communication with these agencies during the outage was appreciated. The employees responded very well during the outage ensuring that the fiber optics center and Company servers were operating to keep communications open and coordinating with Rocky Mountain Power to reenergize the system.

Regular Approval Items:

August 28, 2013 Board Meeting Minutes and September 18, 2013 Special Board Meeting Minutes: Connie Tatton moved to approve the August 28, 2013 Board Minutes and the September 18, 2013 Special Board Meeting Minutes. Motion seconded by John Whiting. Motion passed, all in favor.

August 2013 Financial Statements: Jeff Bradshaw moved to approve the August 2013 Financial Statements. Motion seconded by Robert Patterson. Motion passed, all in favor.

August 2013 Warrants: John Whiting moved to approve the August 2013 Warrants. Motion seconded by Dave Phillips. Motion passed, all in favor.

Impact Fee Discussion:

Joe Dunbeck reviewed the proposed impact fee enactment with the Board and explained the various provisions. If the Board adopts the enactment they would be approving and adopting the Impact Fee Study Report and the Impact Fee Facilities Plan and accepting the Company's recommendation to keep the current impact fee rate.

Robert E. Pender of R.E. Pender, Inc. responded to various questions from the Board regarding the Impact Fee Study Report. Mr. Pender explained that the term average system load factor was a formula used to indicate the usage of the system. He also explained that the report identified the rates the Company could charge depending on whether they chose to recover 50%, 75% or 100% of the costs to serve projected load growth from new development. The current impact fee is based on a 50% recovery of the costs identified in the impact fee study done in 2005.

The Board and staff members discussed the effect that impact fees would have on attracting businesses to the community. Bringing in new commercial customers helps the Company's load factor, but businesses may be hesitant to build or expand if the impact fees are too high. Adding new customers generates more revenue that helps pay for past debt for infrastructure and brings a return on investment that provides a fund for future improvements that will benefit all customers, which argues in favor of not increasing the impact fees.

Executive Session:

John Whiting moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion was seconded by Connie Tatton. Motion passed, all in favor.

Robert Patterson moved to exit from Executive Session. Motion was seconded by Dave Phillips. Motion passed, all in favor.

The Board came out of Executive Session. Dave Phillips moved to recess the meeting and reconvene at the Heber City Council chambers for the public hearing on impact fees. Motion was seconded by Connie Tatton. Motion passed, all in favor.

Meeting recessed at 5:45 p.m.

IMPACT FEE PUBLIC HEARING

All Board Members, staff, guests, and members of the public attending the regular meeting reconvened at the Heber City Council Chambers, 25 North Main Street, Heber City, Utah for the public hearing on impact fees. No additional persons joined the public hearing.

The Chair called the public hearing to order at 6:00 p.m.

Joe Dunbeck, General Counsel for Heber Light & Power, addressed the Board and suggested that since Bob Kowallis was the only member of the public at the public hearing and since he was also at the regular Board meeting and heard the impact fee discussion with Mr. Pender, that the Board dispense with Mr. Pender's presentation.

The Chair opened the matter for public comment.

Public Comments:

Bob Kowallis of Charleston addressed the Board. Mr. Kowallis asked about the timing of the impact fee process and if it was required by statute to be done this year. Joe Dunbeck explained that a new facilities plan and study were needed based upon the current economic conditions.

Mr. Kowallis stated that the facilities plan provided a good outline of the projects recoverable through impact fees. Mr. Kowallis asked Blaine Stewart if his understanding was correct that the Company is recommending keeping the current impact fee and whether the current impact fee under the new study equates to a 41% recovery. Mr. Stewart responded that if the Company continues collecting the current impact fee of $41.40/kVa it would represent 41% of the total allowable under the new impact fee analysis. If impact fees were recovered at 50% under the new analysis, then rates would increase.

Mr. Kowallis referred to Mr. Pender's report regarding the Board's responsibility to decide the appropriate level of recovery. He stated that encouraging economic growth is important; however he doesn't feel that charging a higher impact fee would deter people from coming to the valley because they come here for a purpose. He also stated that deciding on the appropriate impact fee is a balancing act, and he suggested that the impact fee be set at a 50% or more recovery. Mr. Kowallis didn't feel that a higher impact fee would hurt revenues or affect the influx of businesses or residential growth. He acknowledged that it may be a heavy burden up front, but over the long-term it would be worth the initial efforts.

Since there were no further requests to address the Board, the Chair closed the public comment period of the hearing.

The Board had a discussion on management's recommendations and whether or not to raise the level of impact fees, the effect that impact fees have on the economic growth of the community, and the burden that it may create for families who may build homes in the valley. Concern was also expressed that if impact fees are not increased, it might be more of a burden on rate-payers.

Jay Price made a motion to accept management's recommendation and approve and adopt the impact fee enactment as presented. Motion seconded by Dave Phillips. Motion carried with the following vote:

Aye: Dave Phillips
Aye: Jeff Bradshaw
Aye: Robert Patterson
Aye: Jay Price
Aye: Connie Tatton
Nay: John Whiting

John Whiting moved to adjourn the meeting. Motion seconded by Robert Patterson. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Special Meeting
September 30, 2013

31 South 100 West
Heber City, Utah 84032

Members and Staff Present:

Mayor Dave Phillips
Mayor John Whiting
Mayor Connie Tatton
Councilman Jeff Bradshaw
Council Robert Patterson
Wasatch County Councilman Jay Price
Blaine Stewart, General Manager
Joe Dunbeck, General Counsel
Karly Schindler, Legal Assistant

Guests:

Derk Rasmussen, Sage Forensic Accounting

The Chair called the meeting to order at 4:30 p.m.

Executive Session:

Connie Tatton moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion was seconded by Jeff Bradshaw. Motion passed, all in favor.

John Whiting moved to exit from Executive Session. Motion was seconded by Dave Phillips. Motion passed, all in favor.

Open Meeting:

The Board discussed the following in open meeting:

Connie Tatton asked for an update on the Company's review of benefits. Blaine stated that the target was to have an initial report from the Benefits Review Committee for the October Board meeting.

Blaine Stewart reported that the Company received the final drafts of the IPP contracts. Blaine suggested that the Company could provide the Board with an executive summary of the contracts for the October Board meeting.

Connie Tatton suggested that the Company consider asking the court for a declaratory judgment defining which statutes govern the Company. Joe Dunbeck suggested that the Company look at the issue and discuss it at the October Board meeting.

Dave Phillips moved to adjourn the meeting. Motion was seconded by Robert Patterson. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting
October 23, 2013

31 South 100 West
Heber City, Utah 84032

Members and Staff Present:

Mayor Dave Phillips
Mayor Connie Tatton
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeffery Bradshaw
County Council Chairman Jay Price
Blaine Stewart, General Manager
Joe Dunbeck, General Counsel
Jason Norlen, Generation Manager
Harold Wilson, Distribution Operations Manager
Jake Parcell, Substation/Technology Services Manager
Karly Schindler, Legal Assistant

Guests:

Kammy Mclachlan, NOW CFO

Members of the Public:

Bob Kowallis

The Chair called the meeting to order at 4:15 p.m.

Regular Approval Items:

September 25, 2013 and September 30, 2013 Board Meeting Minutes: Connie Tatton moved to approve the September 25, 2013 Board Meeting Minutes and the September 30, 2013 Special Board Meeting Minutes. Motion seconded by Robert Patterson. Motion passed, all in favor.

September 2013 Financial Statements: Connie Tatton moved to approve the September 2013 Financial Statements. Motion seconded by John Whiting. Motion passed, all in favor.

September 2013 Warrants: John Whiting moved to approve the September 2013 Warrants. Motion seconded by Jeff Bradshaw. Motion passed, all in favor.

General Manager's Remarks:

Blaine Stewart gave an update on the smart meter deployment. He stated that the Company has received requests from about ten customers who wish to opt out of having a smart meter installed. The Company has tried to communicate with these customers to alleviate their concerns about the safety of smart meters. The Company will calculate the costs of installing and reading manual meters and include a fee as part of an opt-out policy for customers who do not want a smart meter.

Blaine informed the Board that the Company is inclined to participate again in the 2014 community Unplugged Campaign. This past year's campaign received greater participation in the community than anticipated, and the Company received positive feedback.

Benefits Review Committee Update:

Karly Schindler provided the Board with a summary of the recommendations of the Benefits Review Committee. Among the recommendations were: amending the retiree health insurance benefit for exempt managers; providing an in-lieu payment of 25% of the medical coverage premium for employees hired after January 1, 2014, who do not take the insurance offered by the Company; offering employees the option of a high-deductible medical plan paired with a Health Savings Account; surveying employees for their interest in an annual wellness initiative; and terminating the Employee Computer Purchase Program. The Company will review the recommendations of the Committee. The Employee Handbook will be amended as necessary to reflect the changes, and the changes will be presented to the Board for review and discussion.

NOW CFO Update:

Kammy Mclachlan of NOW CFO, the company retained to provide accounting services, reported on her findings after reviewing the general ledger and certain expense reports. Kammy's conclusion, to date, is that some expenses have not been recorded in the correct periods. Her recommendation is to make adjustments in 2013 for those expenses that were not recorded in the correct periods. Kammy stated she is also working with the Company on an RFP for a new auditor. Jason Norlen stated that the RFP should be ready to go out by November 1.

IPP Contract Renewals:

Joe Dunbeck presented a summary of the IPP contract renewals. IPP has been a good project for the Company and has provided a good role as a resource for back-up power; however, current regulatory pressures on all coal facilities necessitate gas repowering. There are some risks associated with construction of a new power plant, but the Company will benefit since the project provides a back-up resource and a resource for future load growth. The Excess Power Sales Contract permits the Company to lay off power if it is not needed or if it is too expensive. The proposal for the new plant is to have two combined-cycle natural gas generators. The size of the plant is projected to be 1200 MW and the Company's proportion would be 7.5 MW, subject to change based upon the subscribers.

The current contract with IPA is to purchase power from now until June 2027. After 2027 the market and the environmental issues related to coal make it infeasible for that coal plant to continue. The gas repowering contracts include an Amendment to the IPA Organization Agreement to allow for natural gas instead of coal, and an amendment to the existing Power Sales contract primarily to allow for the construction of a natural gas plant. The contracts post-2027 include a Renewal Power Sales Contract and a new Renewal Excess Power Sales contract. The contracts do not become effective unless all of the purchasers under the current power sales contract approve it. It is anticipated that in 2014 the contracts will be adopted.

Some of the benefits of the project are that it provides the Company a needed resource where there are few available alternatives, the Excess Power Sales contract provides protections that no other project provides, there is a history of operating under these procedures and it is an established technology, it reduces existing and future environmental issues, it allows for the utilization of existing IPA facilities, and there is a potential for increase in the Company's ownership in the IPA facilities. There are, however, also some risks which include regulatory changes, technological changes, market changes, and the financial condition of partners.

Management's recommendation to the Board on the IPP Renewal contracts is as follows:

1. Approve Fourth Amendment to Intermountain Power Agency Organization Agreement and authorize the Chair to sign on behalf of HLP and the General Manager to deliver to IPA when he deems it appropriate.
2. Approve Second Amendatory Power Sales Contract between IPA and HLP and authorize the Chair to sign on behalf of HLP and the General Manager to deliver to IPA when he deems it appropriate.
3. Approve Renewal Power Sales Contract between IPA and HLP and authorize:
   a. the Chair to sign on behalf of HLP with a Generation Entitlement Share equal to HLP's Generation Entitlement Share under the Existing Power Sales Contract and the General Manager to deliver to IPA when he deems it appropriate
   b. the Generation Manager to increase HLP's Generation Entitlement Share as provided in Section 26 of the Renewal Power Sales Contract
4. Approve the Agreement for Renewal of Excess Power and authorize the Chair to sign on behalf of HLP and the General Manager to deliver to IPA when he deems it appropriate.

<u>Motion to approve IPA Renewal Contracts</u>: Connie Tatton made a motion to approve management's recommendations as presented. John Whiting seconded the motion. Motion passed, all in favor.

Strategic Plan Update:

Blaine Stewart presented the Strategic Plan for 2014-2018. Blaine pointed out that the last page contains the projected financials and provides for contemplated rate increases each year beginning in 2014 and continuing through 2017. The rate increases are necessary to build up a project fund to pay for some major expenditures in the future that are required to maintain the system and to maintain the service levels for the customers. Those major projects include a second point of delivery for the Company from the capacity of RMP's transmission system, substation additions, and some transmission line enhancements and improvements. Connie Tatton suggested that the strategic plan include an addendum identifying the planned projects since they are the justification for the rate increases. Blaine also explained that smaller incremental increases annually would reduce the impact on the customers rather than a larger rate increase a few years down the road. These rate increases would allow the Company to accumulate some funds to offset the costs of the major projects and reduce the amount of financing required. The basis for the increase is not only the major projects needed but the Company's assumptions of the load growth in its service area and the resource requirements that the Company needs to supply power to the customers.

Motion to approve 2014-2018 Strategic Plan: Robert Patterson made a motion to approve the 2014-2018 Strategic Plan with the addition of an addendum identifying the capital improvement projects. Jeff Bradshaw seconded the motion. Motion passed, all in favor.

Distribution:

Harold Wilson reported that he is continuing to work with RMP on the joint transmission line and also has had discussions with Midway City and Heber City and Wasatch County staff about the project. Harold informed the Board that Jim Madsen, a journeyman lineman, has left the Company to pursue other employment. Subsequently, Harold has been interviewing applicants for that position.

Generation:

Jason Norlen updated the Board on the status of the RFQ for the proposed new generator and facility and stated that he has granted a two week extension to the bidders. A 20-cylinder natural gas unit has been delivered and in being installed in the CAT facility. CAT will be holding their dealer training in the Company's new building at the first of the month. Jason reported that he went with UAMPS to visit NuScale, a company that builds modular nuclear reactors, and that UAMPS is pursuing that company aggressively. Jason also reported on a proposal received from a company that processes sugar beets that is looking for partners for a cogeneration facility.

Substation Technical Services:

Jake Parcell reported on the Midway Substation project. The system is currently being fed off of one of the new breakers. It is a complex process to get the new breakers on without tripping the system and to ensure that all of the functions are working properly. The line crews and the dispatchers will be educated on the new system. A new transformer was delivered at the Jailhouse substation and the crews will work to get it installed before the end of the year. The output on the hydro plants is low since the water season is over, which will give the crews a chance to do some needed maintenance this winter. On the meter change out, there are about 800 meters left to change. Jake also mentioned that he will be going to the Sensus Users Conference with Travis Broadhead and Pat Sullivan to learn more about the new system and some new software.

Executive Session:

John Whiting moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion was seconded by Robert Patterson. Motion passed, all in favor.

John Whiting moved to exit from Executive Session. Motion was seconded by Robert Patterson. Motion passed, all in favor.

Other Business:

The Chair suggested that the Executive Committee meet next week with management prior to the next Board meeting to discuss and review the proposed changes to Employee Handbook in order to be prepared to present a redlined version of the changes to the full Board at the next meeting.

Robert Patterson moved to adjourn the meeting. Motion seconded by Jeff Bradshaw. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting
November 12, 2013

31 South 100 West
Heber City, Utah 84032

Members and Staff Present:

Mayor Dave Phillips
Mayor Connie Tatton
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeffery Bradshaw (joined the meeting in progress)
Blaine Stewart, General Manager
Joe Dunbeck, General Counsel
Jason Norlen, Generation Manager
Harold Wilson, Distribution Operations Manager
Jake Parcell, Substation/Technology Services Manager
Karly Schindler, Legal Assistant

Guests:

Midway Mayor-elect Colleen Bonner
Charleston Mayor-elect Bob Kowallis

Excused:

County Council Chairman Jay Price

The Chair called the meeting to order at 4:15 p.m.

The Chair welcomed Charleston Mayor-elect Bob Kowallis and Midway Mayor-elect Colleen Bonner, both of who will be joining the Board in January.

General Manager's Remarks:

Blaine Stewart stated that this Board meeting is being held to address a number of policies and revisions to the Employee Handbook. The Executive Committee has reviewed the proposed changes to the Employee Handbook and the policies and procedures presented today.

Employee Handbook Amendments:

Karly Schindler provided a summary of the major changes to the Employee Handbook which included:

- the addition of the previously approved Whistleblower Policy;
- the reduction of the on-call hours worked as part of the on-call fee before receiving overtime pay for additional hours. This adjustment was made because, with the increase in wages over the years, some employees were actually being underpaid when working the on-call duties.
- the reduction of the in-lieu benefit to 50% of the medical premium for employees hired after January 1, 2014, and not enrolling in the Company's medical insurance;
- the termination of retirement medical benefits for retirees eligible for benefits through a subsequent employer;
- an increase in the number of employee sick leave days from eight to twelve. The reason for this change was to return four days of sick leave to the employees that they had given up five or six years ago in order to help the Company off-set a dramatic increase in health insurance costs. With the Company's current decrease in health insurance rates, the Executive Committee felt that four days of sick leave should be returned to the employees.
- the addition of an employee annual/sick leave donation policy;
- the addition of the previously approved Use of Personal Vehicle Travel Policy;
- adjustments to the Grievance Procedures and the selection of Appeal Board members;
- clarification of the policy on the use of Company vehicles emphasizing that personal use of Company vehicles is not permitted;
- the inclusion of the Exempt Manager Handbook into the general Employee Handbook;
- changes to various policies that apply only to exempt managers including a cap on sick leave earned, amendments to the retiree health insurance benefits for future exempt managers, and the addition of a severance policy.

Connie suggested that the vote to approve the Handbook be held until Councilman Bradshaw joined the meeting in order to further discuss the exempt manager severance policy.

Smart Meter Installation Refusal Policy:

Blaine Stewart presented the smart meter opt-out policy. This policy addresses the concerns of a few customers regarding radio frequencies emitted by the automated meters. Even though there is no industry substantiation of any health issues related to smart meters, the Company felt that it should offer customers the option to use a non-standard meter that would be manually read. The Non-Standard Metering Accommodation policy provides for an installation fee of $70.00 and a monthly manual meter reading fee of $20.00. A change in the policy from what was included with the Board materials was the addition of a statement that the Company reserves the right to discontinue the policy at any time.

Motion to Approve Non-Standard Metering Accommodation: John Whiting made a motion to approve the Non-Standard Metering Accommodation with the modifications presented. Robert Patterson seconded the motion. Motion passed, all in favor.

*Note: Councilman Jeff Bradshaw joined the meeting.

Company Issued Credit Card Policy:

The Board was presented with the Company Issued Credit Card Policy & Procedure. This policy addresses the concerns identified in the report prepared by Sage Forensic Accounting. The policy prohibits the use of Company credit cards for personal expenses and establishes the procedure for documenting Company expenses and reporting lost receipts. This policy falls under the umbrella of the Company's general purchasing policy which governs Company purchases.

Motion to Approve Credit Card Policy & Procedure: Connie Tatton made a motion to approve the Company Issued Credit Card Policy & Procedure. Robert Patterson seconded the motion. Motion passed, all in favor.

Expense Reimbursement Procedure:

The Expense Reimbursement Procedure also falls under the umbrella of the Company's purchasing policy and identifies how an employee can be reimbursed for out-of-pocket expenses incurred in the course of doing Company business. It also addresses the documentation of lost receipts and establishes the authorization and control for approval of the expenses. A change to the policy from what was included with the Board materials was the additional requirement that expenses are to be turned in for reimbursement within sixty days.

Motion to Approve Expense Reimbursement Procedure: Connie Tatton made a motion to approve the Expense Reimbursement Procedure with the modifications presented. Jeff Bradshaw seconded the motion. Motion passed, all in favor.

Cost of Service Sole Source Resolution:

Blaine Stewart presented the Board with the Company's recommendation to single source the Cost of Service Study to Bob Pender. This study would evaluate the residential and commercial rate classes and allocate the costs within each of the rate classes in connection with the planned rate increase next year. Since Mr. Pender prepared the initial Cost of Service Study, he can provide an update to the study which would save the Company money over having to send the study out to bid.

Motion to COS Sole Source Resolution: John Whiting made a motion to approve the Cost of Service Sole Source Resolution. Robert Patterson seconded the motion. Motion passed, all in favor.

Severance Policy Discussion/Employee Handbook Approval:

The Board discussed the severance policy for termination of exempt managers without cause which was included in the Employee Handbook at the recommendation of the Executive Committee. One reason for the inclusion of a severance policy was that exempt managers were excluded from the Company's grievance/appeal policy. The Board decided to amend the time frame in the severance policy to state that severance for termination of an exempt manager without cause would include a severance package for a minimum of three months but not exceed six months and would be at the discretion of the Board. The Board also suggested that in the future, language could be added to the Employee Handbook to address how a reduction in force would be handled with respect to non-exempt employees.

Motion to Approve Employee Handbook Amendments: Connie Tatton made a motion to approve the Employee Handbook with the suggested amendments to the severance policy. Dave Phillips seconded the motion. Motion passed, all in favor.

Executive Session:

Robert Patterson moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion was seconded by Jeff Bradshaw. Motion passed, all in favor.

Robert Patterson moved to exit from Executive Session. Motion was seconded by John Whiting. Motion passed, all in favor.

General Manager Succession Plan and Consulting Agreement:

The Board reviewed the draft General Manager Succession Plan and Consulting Agreement. The Chair emphasized that even though there is no current plan for the General Manager to retire, there is a benefit in having an agreement in place to assist with the transition to a new general manager when the time comes. The agreement provides for interim consultation assistance on an as needed basis to consult with the interim general manager, the new general manager, and employees concerning the operation of Company business and to assist in the reasonable transition of responsibilities to the new general manager. The Board discussed options for the duration of the contract and the structure of the consulting fee. Suggested changes to the agreement will be made and brought back to the Board.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting
November 20, 2013

31 South 100 West
Heber City, Utah 84032

Members and Staff Present:

Mayor Connie Tatton
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeffery Bradshaw
Blaine Stewart, General Manager
Joe Dunbeck, General Counsel
Jason Norlen, Generation Manager
Harold Wilson, Distribution Operations Manager
Jake Parcell, Substation/Technology Services Manager
Karly Schindler, Legal Assistant

Guests:

Adrian Reeder, NOW CFO
Charleston Mayor-elect Bob Kowallis

Excused:

Mayor Dave Phillips
County Council Chairman Jay Price

Mayor Connie Tatton called the meeting to order at 4:15 p.m.

Regular Approval Items:

October 23, 2013 and November 12, 2013 Board Meeting Minutes: Jeff Bradshaw moved to approve the October 23, 2013 Regular Board Meeting Minutes and the November 12, 2013 Special Board Meeting Minutes. Motion seconded by Robert Patterson. Motion passed, all in favor.

October 2013 Financial Statements: Jeff Bradshaw moved to approve the October 2013 Financial Statements. Motion seconded by Robert Patterson. Motion passed, all in favor.

October 2013 Warrants: Robert Patterson moved to approve the October 2013 Warrants. Motion seconded by Jeff Bradshaw. Motion passed, all in favor.

General Manager's Remarks:

Blaine Stewart introduced Adrian Reeder of NowCFO who is assisting temporarily with accounting functions. Blaine invited the Board members to the UAMPS annual meetings on December 17-18, and also announced that the Company's employee Christmas Party will be held on December 16 at the bowling alley.

Blaine presented a report from APPA that analyzed the revenue per kilowatt hour for investor-owned and public utilities for 2012. The report listed Heber Light & Power as having the lowest cost for residential service on average price per kilowatt hour for its size and type of utility within the state. The report does not compare rates, but shows that the Company's rate structure returns on average less than other utilities in its class. It is a testament to the Company's initiatives and efforts on its resource portfolio and the initiatives to save costs and to serve the communities the best it can.

Last month, the Board approved the Non-Standard Metering Accommodation policy for customers who do not want to have the standard AMI meter installed. The Company has now created a form to go along with the policy so customers can request the non-standard meter accommodation and also acknowledge that they agree to the terms and the associated fees.

2014 Capital and Operating Budget:

Jason Norlen presented and reviewed a draft of the Company's 2014 Capital and Operating Budget. Electricity sales have been conservatively projected with a 2% growth in kilowatt hours and an anticipated 4.5% rate increase. The budget does not include contributed capital and impact fees. Power purchases include high load hour power purchases and a 3% growth on kilowatt hours purchased. Jason reviewed the budgeted expenses that totaled 13.6 million and also reviewed the capital budget which includes the following projects: College substation feeder project, Charleston feeder upgrade, tie from Circuit North (702) to Heber (304), equipment for the Jailhouse substation, a second power transformer for the Heber substation, modernization of the Lower Snake Creek hydro plant, AMI hardware/software, computer upgrades, SCADA upgrades, replacement of tools and machinery, and asphalt/fencing around the new operations building.

Motion to Accept Draft Capital and Operating Budgets for 2014: Jeff Bradshaw made a motion to accept the draft Capital and Operating Budgets for 2014. Robert Patterson seconded the motion. Motion passed, all in favor.

2014 Operating Policies:

Blaine Stewart presented the draft operating policies for next year. The operating policies provide the framework for the ongoing operation of the Company. Revenues are projected using load and customer growth estimates. The Company is again proposing that in 2014 it does not bill the municipalities and county for street light service; however, the cities and county will still pay for maintenance of the street light fixtures. The cost to serve include the fixed costs of fuels, replacements, direct operating and maintenance expense, purchase capacity, reserves, and administrative and general expenses. Cost to serve also include debt service costs including principal and interest, variable energy costs related to cost of electricity purchased, and scheduling charges and general costs associated with metering, collections, and billing. Blaine also reviewed the cost to serve categories and the specific policies for setting aside funds for the acquisition of new resources, wages and benefits, Board compensation, computer equipment, vehicles and equipment, training, and travel. Blaine explained that the contingency and capital reserve funds address certain large capital purchases and reserve requirements associated with internal generation.

Motion to Approve 2014 Fiscal Year Operating Policies: Robert Patterson made a motion to approve the 2014 Fiscal Year Operating Policies. John Whiting seconded the motion. Motion passed, all in favor.

General Manager Consulting Agreement:

Joe Dunbeck outlined the changes proposed on the consulting agreement based on the discussions at the last board meeting. In addition to minor wording changes, the changes include changes to the term of the consultation period and a provision that states that the consultant is not required to consult with staff with respect to the applicants, since some of the applicants may be staff members. Joe explained that the contract was to create obligations of the consultant to the Company, but does not create the procedures for actually hiring a new person. It was suggested that language be added that the consultant services are as directed or requested by the Board. Joe will include that language in the contract.

Motion to Approve General Manager Consulting Services Agreement: John Whiting made a motion to approve the General Manager Consulting Services Agreement. Robert Patterson seconded the motion. Motion passed, all in favor.

Generation/Administration:

Jason Norlen reported that the 20-cylinder natural gas unit in the CAT plant went on line. It is hoped that it will do about 2.1 MW. Jason also reported that the dealer training that CAT held in the new building was very successful with roughly 30 people attending.

Jason reported UAMPS is still seeing a lot of pressure on transmission costs and will probably be coming to the members for help. The pressure on transmission costs is due to several factors such as the TSOA, high summer loads, and an imbalance in the market.

Jason gave an update on the status of the IPA contracts. He reported that it looks like the majority of the Utah entities are going forward with at least the concept of refueling by signing the second amendatory.

An RFP is out for a new year-end auditor. Three or four responses have been received to date. In preparation for the audit, NowCFO has been reviewing the current books.

Substation Technical Services:

Jake Parcell reported that with the completion of the Midway project, the next major project is the transformer at the Jailhouse substation. The transformer will help relieve the strain on that substation and provide more reliability.

Jake also reported on the AMI conference he attended a few weeks ago. There are a lot of possibilities with the AMI technology that would be very beneficial for the Company. Jake talked about the need for an upgrade for the servers which are about at end of life. The options are to buy new servers and software or do what is called software as a service (SaaS). SaaS is a hosted solution. The Company would contract with a provider and pay them a fee to host the service. The service provider would own the equipment and the Company's information would be sent over a secure network.

Jake also reported on the completion of the single-phase meter change out and that they are working with a few customers that wanted to opt out of having the standard AMI meter installed. The change-out on the three-phase meters should be finished by spring or summer. Jake stated that there are some maintenance projects that his crew will be working on this winter at the Lake Creek hydro plant.

Distribution:

Harold Wilson distributed handouts showing the proposed routes for the transmission line with RMP. Harold reported on the meeting with RMP and officials from Heber City, Midway, Charleston and Wasatch County. The meeting went very well and, for the most part, everyone seemed to understand the need for the project and seemed to be on board with it. The next steps are to solidify the route and then start approaching city and county councils and planning departments to obtain permits. Harold would be happy meet with anyone and answer any questions. He stated that this is going to be a great project and a huge commitment both politically and financially, but it is a must not only for our utility but for the whole region.

Harold also reported that the new employee that started last week has been doing well so far. Because of his experience he has been able to step right in and go to work, and seems to be a good fit for the Company.

Legal:

Joe Dunbeck reported on the water issue at the Mill Flat subdivision. The Company had a meeting with a representative of the property owner, and the Company is encouraged that the issues are being addressed and that they will be able to come up with a solution. Joe also reported on proposed legislation concerning what laws apply to the Company. The recent version indicates that interlocals that have multiple entities would have to follow the rules of the member entity that are the most restrictive, which may prove confusing. The Company's lobbyist will hopefully be able to speak with the sponsor to clarify some issues and will continue to monitor the legislation.

Joe reported that he has been working on redoing the CAT contract. The substance of the contract has not changed much, but it has been cleaned up to make it more consistent with the way the parties have operated. Joe also stated that staff has started to plan for orientation for the new Board and anticipates on having a more involved orientation because of the high turnover of Board members.

Executive Session:

John Whiting moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion was seconded by Robert Patterson. Motion passed, all in favor.

Connie Tatton moved to exit from Executive Session. Motion was seconded by Robert Patterson. Motion passed, all in favor.

Other Business:

Jason mentioned that IPA's annual meeting will be held on December 3, and if anyone is interested in attending, they should contact him.

Meeting adjourned.

Heber Light & Power

Board of Directors Special Meeting
December 10, 2013

31 South 100 West
Heber City, Utah 84032

Members and Staff Present:

Mayor Dave Phillips
Mayor Connie Tatton
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeffery Bradshaw
Blaine Stewart, General Manager
Joe Dunbeck, General Counsel
Jason Norlen, Generation Manager
Harold Wilson, Distribution Operations Manager
Jake Parcell, Substation/Technology Services Manager
Karly Schindler, Legal Assistant

Guests:

Charleston Mayor-elect Bob Kowallis

Excused:

County Council Chairman Jay Price

The Chair called the meeting to order at 5:30 p.m.

RFP for Annual Auditing Services:

Jason Norlen presented the proposals that the Company received to the RFP for annual audit services. The Company received proposals from six accounting firms. The Company selected Wiggins & Co. and Eide Bailly to interview further. Both are at the mid-range cost level, have utility and government experience, and have met all of the requirements of the RFP. Wiggins has an extensive history with the Company. Wiggins & Co. was interviewed today and Eide Bailly will come for an interview on Thursday. The Company would like to move forward quickly in selecting an auditor to begin preparing for year-end. Management is requesting that the Board allow staff to pick from Wiggins & Co. and Eide Bailly to perform the audits for 2013, 2014 and 2015.

Motion to Allow Management to Select Auditor: Connie Tatton made a motion to allow management to select between Wiggins & Co. and Eide Bailly to provide annual audit services for the next three years. John Whiting seconded the motion. Motion passed, all in favor.

CAT Contract:

Jason presented and explained the new CAT Contract. Some of the things that have changed over the last ten years have been cleaned up, but the essence of the contract is the same. More weight is put on each field following agreement, and there is flexibility to share equipment with each unit that comes in. Other changes include adding definitions and a provision for firm/non-firm energy which was previously in an addendum. The contract now reflects how the parties have been operating with respect to the diesel fuel subsidy, which is that CAT buys the diesel fuel and the Company purchases the electricity. The escrow account to provide funds for building maintenance is a new addition to the contract. The first right of refusal is the same as in the old contract. Attached to the contract is a form of field follow agreement that is drafted for each unit that comes into the building.

Motion to Approve CAT Contract: John Whiting made a motion approve the CAT contract. Connie Tatton seconded the motion. Motion passed, all in favor.

Executive Session:

Jeff Bradshaw moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion was seconded by Robert Patterson. Motion passed, all in favor.

Robert Patterson moved to exit from Executive Session. Motion was seconded by Jeff Bradshaw. Motion passed, all in favor.

Connie Tatton moved to adjourn the meeting. Motion was seconded by Dave Phillips. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting and Public Hearing on 2014 Capital and Operating Budgets
December 18, 2013

31 South 100 West
Heber City, Utah 84032

Members and Staff Present:

Mayor Dave Phillips
Mayor Connie Tatton
Mayor John Whiting
Councilman Robert Patterson
Councilman Jeffery Bradshaw
Blaine Stewart, General Manager
Joe Dunbeck, General Counsel
Harold Wilson, Distribution Operations Manager
Jason Norlen, Generation Manager
Jacob Parcell, Substation Technical Services Manager
Karly Schindler, Legal Assistant

Guests:

Cliff Blonquist, Ombudsman
Bob Kowallis, Charleston Mayor-Elect

Excused:

County Council Chairman Jay Price

PUBLIC HEARING ON 2014 CAPITAL AND OPERATING BUDGETS

The Chair called the public hearing on the 2014 Proposed Capital and Operating Budgets to order at 4:15 p.m. and opened the hearing for public comment. As no members of the public who were present desired to comment, the Chair closed the public comment portion of the hearing.

Motion to Approve 2014 Capital and Operating Budgets: John Whiting made a motion to approve the 2014 Capital and Operating Budgets. Motion seconded by Robert Patterson. Motion passed, all in favor.

The Chair closed the public hearing and called the Regular Board Meeting to order.

REGULAR BOARD MEETING

Ombudsman Report:

Cliff Blonquist, who serves as the Ombudsman, provided his annual report. Cliff reported that there were no complaints that reached the ombudsman level. He complimented the Company for the good communication between staff and the customers and for being able to handle customer concerns internally. (Following his report, Cliff then left the meeting.)

Regular Approval Items:

November 20, 2013 Board Meeting Minutes and December 10, 2013 Special Board Meeting Minutes: Connie Tatton moved to approve the November 20, 2013 Board Meeting Minutes and the December 10, 2013 Special Board Meeting Minutes. Motion seconded by Jeff Bradshaw. Motion passed, all in favor.

November 2013 Financial Statements: Connie Tatton moved to approve the November 2013 Financial Statements. Motion seconded by John Whiting. Motion passed, all in favor.

November 2013 Warrants: Connie Tatton moved to approve the November 2013 Warrants. Motion seconded by Dave Phillips. Motion passed, all in favor.

General Managers Remarks:

Blaine Stewart gave an update on the smart meter policy. To date, six customers have opted out of having a smart meter installed and will be charged a $20.00 monthly manual meter reading/administration fee. The grace period for waiver of the $70.00 installation fee is over and any other customers choosing to opt-out will now be charged the $70.00 installation fee.

Blaine informed the Board that URS has sent the Company notice of a periodic compliance review for the period from January 1, 2012 through November 29, 2013. URS provided the Company with a list of information that they would like the Company to provide as part of the compliance review.

Blaine reported on the 2013 Company goals. The Company completed 97% of the goals. Blaine commented that the departure the CFO had an impact on the Company's ability to achieve 100% completion of the goals.

Motion to Accept 2013 Year-End Goal Report. John Whiting made a motion to accept the 2013 Year-End Goal Report. Motion seconded by Robert Patterson. Motion passed, all in favor.

Blaine presented the 2014 Company Goals and highlighted some of the more important goals from the following areas.

Safety. Renew the safety incentive task force for review of the current safety incentive program and to promote an accident-free and incident-free workplace.

Distribution/Operations. Complete the program of work for upcoming project year.

Customer Service. Promote customer service in every aspect of our work.

Resources. Develop or find resources that will fill the high-load hour energy needs.

Substation. Upgrade and implement up-to-date maintenance and testing programs for the substation and hydro facilities.

Administration. Develop commercial rate strategies and incorporate demand charges or other structures for the commercial rate classes.

Financial. Improve monthly reporting to the Board on aging accounts, cash flow, account balances, and other reports respective to the business of the Company.

Legal. Review policies to ensure that they stay current with state law and federal requirements.

Motion to Approve 2014 Company Goals. Connie Tatton made a motion to approve the 2014 Company Goals as presented. Motion seconded by Robert Patterson. Motion passed, all in favor.

Distribution:

Harold Wilson reported that the Midway Lane project is finished and that they will be starting a small project at the gun club for the Division of Wildlife. As the first of the year comes in, they will begin work on some of the projects planned in their program of work. Looking forward, he expects it to be a very busy year with the growth and new developments coming to the area.

Generation/Administration:

Jason Norlen reported that the CAT contract has been finalized and signed. He also gave a report on UAMPS's ongoing litigation. UAMPS has joined with the EPA in defense of the EPA's SO_2 trading policy. In a separate case, UAMPS has joined with the Division of Air Quality and RMP against the EPA regarding EPA's ruling on the Division's acceptance of Hunter and Huntington's best available technology plan. Jason will keep and eye on both cases, since either of them could affect Hunter negatively.

Jason also discussed the costs coming out of UAMPS related to transmission pressures. The UAMPS board approved a budget amendment that raised the transmission rate from $3.92 to $4.74 per megawatt hour. This increase is retroactive to November and will continue through the end of their fiscal year in June.

Jason reported that the Safety Committee had their final meeting. The Committee reviewed the incidents that have been taking place and came up with a good plan to mitigate those incidents.

Jason stated that the markets have been up because of the cold, and Questar's system has been very stretched. We have experienced one interruption and have been on very tight restrictions the past two days for gas to fuel our internal thermal generation.

Jason also reported on the Administration Department and gave a brief summary of the disconnect notices, service orders, meter counts, and cash in the various accounts and funds for the prior month. Jason also reported that, as authorized by the Board in the December meeting, Eide Bailly has been selected to perform the annual audit.

Substation:

Jake Parcell reported that they are waiting on some equipment for the transformer at the Jailhouse substation and that the transformer should be energized and in service by the end of January. They are also installing a back-up generator for the office building and the garage. This generator will replace an old propane generator that was too small for the load at the office. In the event of a power outage, the new generator will start up automatically.

Jake also reported on an issue at the Midway substation with the main breaker that interconnects with RMP. There was a small arc on one of the 46kV switches that had started to disintegrate the switch. They were able to fix the issue temporarily by bypassing the breaker with a jumper.

In the metering department, they are in the process of testing all meters before they are put out in the field. Also, now that the residential meters have been changed out, they are in the process of putting together a plan for completing the 3-phase meter change out.

Jake reported that everything is running well with the Heber hydros and that the output is about 750kw with all three of them running. Lake Creek will be shut down in a month or so for maintenance.

Legal:

Joe Dunbeck reported on the settlement of the civil lawsuits related to the CFO. The settlement agreement has been signed, and the judgment has been submitted to the Court for signature. Joe is also in the process of responding to requests for information from the State Auditor and from the Attorney General and is working with the State Auditor on proposed legislation with respect to the governance of interlocals.

Executive Session:

Robert Patterson moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion seconded by Connie Tatton. Motion passed, all in favor.

Connie Tatton moved to exit from Executive Session. Motion seconded by Robert Patterson. Motion passed, all in favor.

Robert Patterson moved to adjourn the meeting. Motion seconded by Jeff Bradshaw. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting
January 29, 2014

31 South 100 West
Heber City, Utah 84032

Board Members and Staff Present:

Mayor Alan McDonald
Mayor Colleen Bonner
Mayor Bob Kowallis
County Council Chairman Jay Price
Blaine Stewart, General Manager
Joe Dunbeck, General Counsel
Harold Wilson, Distribution Operations Manager
Jason Norlen, Generation Manager
Jacob Parcell, Substation Technical Services Manager
Karly Schindler, Legal Assistant

Guests:

Robert E. Pender, Consultant

Members of the Public:

Laurie Wynn, Wasatch Wave
Jeff Bradshaw, Heber City Council
Heidi Franco, Heber City Council
Kelleen Potter, Heber City Council
Merry Duggin, Town of Daniel

The Chair called the meeting to order at 4:17 pm.

Introduction of 2014 Board of Directors:

Mayor Alan McDonald introduced and welcomed the new members of the Board—Colleen Bonner, Mayor of Midway, and Bob Kowallis, Mayor of Charleston. Mayor McDonald will serve as Chair. Jay Price will continue serving on the Board representing Wasatch County. Members of staff and the public were introduced as listed above.

General Managers Remarks:

Blaine Stewart welcomed Bob Pender of R.E. Pender Associates. The Company has retained Mr. Pender to do a cost of service study update for the contemplated rate increase this year. Mr. Pender provided the Board with a brief overview of his background.

Blaine called the Board's attention to the invitation included with the Board materials to a UAMPS legislative dinner on February 18. The Company will provide transportation for any Board members interested in attending.

Regular Approval Items:

December 18, 2013 Board Meeting Minutes:

Discussion: Bob Kowallis asked for an update on the URS compliance audit reported on in December. Blaine Stewart reported that the Company received the final report from URS and that there were no findings of deficiencies.

Motion to Approve December 18, 2013 Board Minutes. Bob Kowallis moved to approve the December 18, 2013 Board Meeting Minutes. Motion seconded by Colleen Bonner. Motion passed, all in favor.

December 2013 Financial Statements:

Discussion: Blaine Stewart pointed out that the revenue for December was very good, and even though power purchases where higher, they were still within budget. He also noted on the year-end report that the total operating expenses were below budget and that total revenue was above budget.

Motion to Approve December 2013 Financial Statements. Jay Price moved to approve the December 2013 Financial Statements. Motion seconded by Bob Kowallis. Motion passed, all in favor.

December 2013 Warrants:

Discussion: Bob Kowallis questioned several entries under Distribution and Maintenance that appeared to be the same purchase with the same codes and same figures. Blaine Stewart explained that the items were reported separately for inventory control. Bob also asked about the payment to Webster Ventures. Blaine explained that that is the contract rate that Rob Webster has had with the Company since 2007. Blaine also reported that now that Emily Brandt has assumed the role of resource analyst, the Company has the capability of providing those services in-house and will be terminating the contract with Webster Ventures in January 2014.

Motion to Approve December 2013 Warrants: Colleen Bonner moved to approve the December 2013 Warrants. Motion seconded by Bob Kowallis. Motion passed, all in favor.

Public Comment:

Alan McDonald invited any members of the public to address the Board if they wished. No members of the public responded.

Board and Employee Compensation:

The Board discussed the 2014 Operating Policies pertaining to Board compensation. Bob Kowallis stated that the Executive Committee felt that the cost-of–living adjustment and the Christmas bonus should not apply to the Board. The Executive Committee also felt that the monthly stipend was adequate and that they did not need to be paid additional amounts for special Board meetings. Blaine Stewart stated the Operating Policies would be amended to reflect the changes discussed and presented at the next board meeting.

Committee Formation:

Executive Committee. Alan McDonald stated that the Bylaws provided that the directors from Heber City, Midway City and Charleston automatically form the Executive Committee.

Motion to Form Executive Committee: Alan McDonald called for a motion to accept the Executive Committee consisting of Midway Mayor Colleen Bonner, Charleston Mayor Bob Kowallis, and Heber City Mayor Alan McDonald. Colleen Bonner so moved. Motion seconded by Bob Kowallis. Motion passed, all in favor.

Audit Committee. Alan stated that the Bylaws also provided that the directors from Midway City, Heber City, and Charleston automatically form the audit committee. A draft resolution was presented outlining the members, duties and responsibilities of the audit committee.

Motion to Form Audit Committee: Alan McDonald called for a motion to form the Audit Committee consisting of Midway City Mayor Colleen Bonner, Charleston Mayor Bob Kowallis, and Heber City Mayor Alan McDonald. Jay Price opposed the motion.

Discussion. Jay felt that the County Chair had a responsibility to give input on the audit committee on behalf of the County and objected to the audit committee as constituted. Alan McDonald stated that he has no objection to including the Wasatch County Chair on the audit committee and that the draft resolution presented could be changed to include the Wasatch County Chair as a member of the audit committee. Blaine Stewart pointed out that if there are four Board members on any committee, a quorum is constituted and each meeting of the committee would be a public meeting and would be subject to the requirements of the open meetings act. The Board took note and felt that this would not be a problem. Alan McDonald suggested that the proposed resolution be amended to add language to include the Wasatch County Chair as a member of the audit committee.

Motion to Adopt Resolution. Alan McDonald called for a motion to adopt the audit committee resolution as amended, with the Wasatch County Chair added as a member of the committee. Colleen Bonner so moved. Motion was seconded by Jay Price. Motion passed, all in favor.

Motion to Form Audit Committee. Jay Price made a motion to accept the audit committee as presented in the resolution as amended. Motion was seconded by Bob Kowallis. Motion passed, all in favor.

Facilities and Human Resource Committees. Alan McDonald requested that the formation of the Facilities Committee and Human Resource Committee be put on hold until the two directors from the Heber City Council are selected. Blaine commented that there was a need for some decisions to be made regarding an RFQ for resources and suggested that in the interim the Executive Committee provide the role of the Facilities and the Human Resource Committees to assist the Company in making those decisions.

Motion to Form Facilities and Human Resource Committees. Jay Price moved that on an interim basis the Executive Committee assume the responsibilities of the Facilities Committee and Human Resource Committee. Colleen Bonner seconded the motion. Motion passed, all in favor.

Power Board Meeting Schedule:

Blaine Stewart called the Board's attention to the meeting schedule that was approved by the previous Board and noted that it could be amended to fit the scheduling requirements of the current Board. The Board noted that the December meeting may conflict with the County's schedule, but decided to address it later in the year. The Board agreed to keep the schedule as presented.

2013 Power Board Orientation:

Blaine Stewart requested that the Board orientation meeting be scheduled prior to the February Board meeting. Wednesday, February 19, was set tentatively set pending notification of the Heber City Council appointments to the Board.

Appointment of Board Secretary:

Blaine Stewart recommended that the Board appoint Karly Schindler as the Board Secretary. A summary of the duties and responsibilities of the Board Secretary as contained in the Bylaws was presented to the Board.

Motion to Appoint Board Secretary. Jay Price moved to appoint Karly Schindler as Secretary of the Power Board. Motion seconded by Colleen Bonner. Motion passed, all in favor.

Blaine also suggested that when changes to the Bylaws are addressed, that the Board Secretary should be designated as the person authorized to receive notices of claim against the Company instead of the CFO as currently designated in the Bylaws.

Board Member Emergency Successor Designations:

Alan McDonald stated that the Bylaws provided that at the first Board meeting of each calendar year, each director provide the Board Secretary with their designation for interim emergency successor. The designations were reported as follows: Wasatch County, Greg McPhie; Heber City, Jeff Bradshaw; and Charleston, Wayne Winterton. Colleen Bonner will provide the designation for Midway City.

Operations/Resource Report:

Blaine Stewart presented the Board with the December operations report. The report summarized the activity for December including impact fees collected, meter counts, service connects, power to panels, service orders, disconnect notices, and billings. Blaine noted that the December billings were the largest single month's billings in the Company's history.

Blaine also informed the Board of the Company's practice of installing locking meter rings on the meters of the employees and Board members to protect them from any suspicion of energy diversion. He asked the Board to consider whether or not they wanted to continue that practice.

Jason Norlen presented several slides that provided the Board with an overview of the Company's performance and resource portfolio. The information presented included the fourth quarter year-end wholesale power review, budgeted versus actual wholesale power cost, and 6% growth on average throughout 2013. The information also showed that the cost per megawatt hour for energy came in under budget for the year. Jason reported that the five-year load projections indicated that growth is a challenge going forward. The trend from 1997 to 2013 showed a 6.8% growth rate. With this growth, the summer peaks have more than tripled and the winter peaks have doubled. This growth in seasonal peaking makes it very difficult to find a resource portfolio to fit this type of load factor. Blaine Stewart stated that the Company is currently in the market for additional resources to meet the load requirements of the customers. Jason commented that energy efficiency is important in helping with the load factor. One way to do this is through tiered rates that will incent customers to be more energy efficient. The Company has the capacity to serve at this time, but needs to plan now for the challenges that it will face in the future. Communication to the public of these challenges is essential.

Blaine also presented the monthly dispatch log report which showed the activity in the dispatch center as it related to customer service. The items reported included outages, power to panels, trench inspections, and low voltage complaints.

2013 Safety Committee Report:

Blaine Stewart presented the 2013 Safety Committee Report. The safety program provides for awards based on individual and team performance for safety. If there is a lost time accident, the program terminates and starts again from the last time there was a lost time accident. The employee safety committee reviewed the safety program and recommended changing the criteria for the individual awards to require that all occupants of a vehicle involved in a safety incident receive a deduction instead of just the individual driving the vehicle. This should incent employees to work together to promote safety.

Staff Reports:

Generation/Administration. Jason Norlen reported that one of the CAT research and development units has been running 16 hours a day, 7 days a week. Other units are down for maintenance. Maintenance work is ongoing so that the units will be ready for the next peak season.

Distribution. Harold Wilson updated the Board on the transmission line project in partnership with Rocky Mountain Power that will run from the base of Jordanelle to Midway. Harold reported that they are moving forward with the first section that runs from the college access road to Coyote Lane. This section is out to bid and should be completed by the end of summer. Harold emphasized the need for Board and City Council support in promoting the project to the public and stated that this project will not only strengthen our system, but will also bring stability to the region. Harold also reported that his crews are working on a reconductor job on 500 East in Heber as well as on several small subdivisions.

Substation. Jake Parcell reported that in connection with the RMP transmission line project there is need for a substation and second point of interconnect. The plan is to build a substation on the Cowboy Village property across from the operations center. Because of the lead time on materials and the significant cost of the substation it is important to start planning for it now.

Jake stated that they are continuing to work on the transformer at the Jailhouse substation. They had initially hoped to have it on line at the end of January but were delayed by other projects. They now hope to have it online by the end of February.

Jake also reported that they have around 200 three-phase meters to change out to AMI meters. They are also starting the single-phase meter testing program and will test all meters on a ten-year rotation schedule.

Legal. Joe Dunbeck reported on proposed legislation concerning the governance of Interlocals. Since the original draft of the statute was not very clear, he is working with the sponsor of the bill, the state auditor and local citizens to fix some of the language.

Joe also reported on the situation at the Mill Flat subdivision in which the culinary water for that subdivision is being provided out of a tap from the upper Snake Creek hydro plant. Because of the concern for potential liability, the Company in the process of negotiating a resolution with the property representatives.

Joe also discussed the proposed exchange of the County's Cowboy Village property and the Company's property adjacent to the Event Center. The Company would use the Cowboy village property to construct a second point of interconnection and a substation. As part of the arrangement, the Company would lease the property back to Wasatch County until the Company needed to use it in the spring of 2016. The contracts have been prepared and will be circulated to the Board soon. Jay Price stated that Wasatch County is fine with the agreement as drafted; however, both parties are concerned that they be able to maintain the same land usage as the parcels have now.

Executive Session:

Jay Price moved to enter into Executive Session to discuss matters related to personnel and pending litigation. Motion seconded by Colleen Bonner. Motion passed, all in favor.

Colleen Bonner moved to exit from Executive Session. Motion seconded by Jay Price. Motion passed, all in favor.

The Board moved out of Executive Session and discussed the following in open meeting:

Colleen Bonner asked about a couple of invoices she received from the Company on a chiller and transformer upgrade at the Midway ice rink. Jason Norlen stated that he would take a look at the charges and check to see if there were any rebates available for the chiller. Jason explained that the Company participates in the smart energy rebate program that is administered through UAMPS, but that the program does not cover commercial rebates. The Company handles commercial rebates on a case-by-case basis and basically follows the rebate guidelines provided by RMP.

Alan McDonald asked if the audit committee had any interest in meeting with the auditors for an update. Blaine Stewart stated that the auditors should have the preliminary report to the audit committee by the first of March and hoped to be able to present the final audit report at the March Board meeting.

Bob Kowallis asked for an update on the hiring of the accounting manager. Blaine Stewart mentioned that management had received over fifty resumes and had narrowed it down to four candidates. Blaine stated that the interview process should be finished by the end of the week and a selection made and presented to the Executive Committee the following week.

Colleen Bonner moved to adjourn the meeting. Motion seconded by Bob Kowallis. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting
February 26, 2014

31 South 100 West
Heber City, Utah 84032

Board Members and Staff Present:

Mayor Alan McDonald
Mayor Colleen Bonner
Mayor Bob Kowallis
County Council Chairman Jay Price
Heber City Council Member Heidi Franco
Heber City Council Member Kelleen Potter
Blaine Stewart, General Manager
Harold Wilson, Distribution Operations Manager
Jason Norlen, Generation Manager
Jacob Parcell, Substation Technical Services Manager
Bart Stanley Miller, Accounting/Financial Manager
Karly Schindler, HR Specialist/Legal Assistant

Excused:

Joe Dunbeck, General Counsel

The Chair called the meeting to order at 4:18 pm.

Regular Approval Items:

January 29, 2014 Board Meeting Minutes:

Alan McDonald called for discussion on the January Board meeting minutes. No comments were made.

Motion to Approve January 29, 2014 Board Minutes. Jay Price moved to approve the January 29, 2014 Board meeting minutes. Motion seconded by Heidi Franco. Motion passed, all in favor.

January 2014 Financial Statements:

Alan McDonald called for discussion on the January financial statements. No comments were made.

Motion to Approve January 2014 Financial Statements. Colleen Bonner moved to approve the January 2014 financial statements. Motion seconded by Bob Kowallis. Motion passed, all in favor.

January 2014 Warrants:

Alan McDonald called for discussion on the January warrants. No comments were made.

Motion to Approve January 2014 Warrants. Bob Kowallis moved to approve the January 2014 warrants. Motion seconded by Heidi Franco. Motion passed, all in favor.

General Managers Remarks:

Blaine Stewart asked the Board if they would like to continue the practice of having their pictures taken and displayed in the Board Room. Colleen Bonner suggested, and the Board agreed, that instead of individual pictures, that they have their pictures taken as a group.

[Kelleen Potter joined the meeting at 4:24 p.m.]

Staff Reports:

Administration.

Bart Stanley Miller reviewed the financial statements noting that January was a good month. Bart stated that the power purchases were a little high as a result of the timing of the payments for the prior month. Bart also pointed out that there was not an entry for depreciation for the month, but that he was waiting for the recommendations of the auditors regarding the treatment of depreciation.

Bart presented the operations report which summarized the activity for January including impact fees collected, meter counts, service connects, power to panels, service orders, disconnect notices, and billings.

Distribution.

Harold Wilson reported that he attended the Midway City and Heber City council meetings to explain the joint transmission line project with RMP and that it seemed to be well received. Harold stated that the contract for the project was awarded to Probst Electric. He also reported that he met with Probst Electric to discuss preparation of the contract documents.

Harold reported that he has one crew working on the reconductor job on 500 East. That project will tie the Heber substation to the Jailhouse substation and provide redundancy on the east side of the valley. When that project is finished, they will begin another reconductor job on Daniel Road to tie a couple of feeders together to provide more system redundancy. Another crew has been working at the McDonalds demolition site. That section of the main line in front of that property will go underground.

Harold stated that with the construction season beginning, he expects that the number of temporaries and power to panels may double or triple over the next three to four months. Harold also reported that he is preparing an RFP for tree trimming services. In the past, the Company has used Seven Trees out of Spanish Fork. The RFP will be published in the paper and sent to local companies.

Generation.

Jason Norlen reported on the generation units. Unit 4 had some problems, but should be back in service by the end of the week. Units 5 and 6 need catalysts in order to comply with new EPA regulations. Jason also reported on UAMPS. UAMPS approved their fiscal year budget. Several costs through UAMPS are increasing including scheduling fees, reserve fees and the Hunter project. Jason will analyze these costs to determine whether or not the Company's budget needs amending.

Jason presented a high level overview of the decision to issue the RFQ last year. The major reason was based on the system load forecast. Jason also reviewed the resource outlook including the loss of coal plants and the length of time for permitting and construction of nuclear projects. Jason showed a slide of the Company's resource mix and discussed the market risks and strategies. Purchasing a 3-5 MW gas unit for internal generation would help with high-load hour power needs. Jason stated that the benefits of adding additional internal generation include hedging benefits, emergency options, load following, and better long-term cost projections. Jason showed a conceptual site plan for a building for the proposed generator. Jason stated that each of the three bidders have been invited to give a presentation of their bid to the Board members during the third week of March.

Substation.

Jake Parcell reported on the status of the work at the Jailhouse substation. The new SCADA system has been commissioned, but they are still waiting for bids on the commission of the relay.

Jake also reported that they are doing maintenance on the Lake Creek hydro and have rebuilt some of the hydraulic components that failed last fall. In March, they will begin routine inspections on all of the units in order the make it through the season without having to shut down.

Jake stated that the metering department is increasing meter inventory levels to meet the expected increase in the number of new connections. The department is also preparing for the upgrade of the new AMI software.

Amendments to Organization Agreement, Bylaws and Sub-Committee Appointments:

Alan McDonald stated that since Joe Dunbeck was not able to attend the meeting, that they will not address the agenda items for Amendments to the Organization Agreement, Amendments to the Bylaws, and Appointments to Sub-Committees.

2014 Power Board Meeting Schedule:

The Board discussed changing the time of the regular monthly meetings to accommodate Board member schedules.

Motion to Amend Board Meeting Schedule. Colleen Bonner moved to change the starting time of the Board meetings from 4:15 p.m. to 3:30 p.m. on the fourth Wednesdays. Motion seconded by Jay Price. Motion passed, all in favor.

Amendments to 2014 Fiscal Year Operating Policies:

Alan McDonald reviewed the amendments to the 2014 Fiscal Year Operating Polices that were discussed at the last meeting. The COLA and the Christmas bonus for Board members were removed. Discussion was had on the payment of extra Board stipends. The Board had previously discussed eliminating the language pertaining to extra Board stipends; however, additional Board meetings may pose a burden on some Board members who would have to take time off of their regular employment to attend. It was suggested that the current wording be modified so that extra Board stipends require approval of the Executive Committee.

Bob Kowallis questioned the section of the Operating Policies pertaining to street lighting. Harold Wilson explained that developers pay for the installation of the street lights and then deed the street lights to the cities or the county. It was also explained that the cities and counties are not billed for the energy for the street lights, but a proxy bill is still created in order to track the energy that is written off.

Heidi Franco requested a copy of the benchmark salary survey that was the basis for the wage and benefit adjustments referred to in the Operating Policies. Blaine Stewart explained the salary tenure program implemented in 2013. He also stated that when the Board implements the 2015 Operating Policies at the end of the year, that they would need to decide whether or not to fund the remaining 50% of the program, depending on the financial position of the Company.

Motion to Amend 2014 Operating Policies. Alan McDonald called for a motion to approve the amendments to the 2014 Operating Policies removing the 1.5% COLA and the 10% Christmas Bonus for Board members, and requiring that extra board stipends be approved by the Executive Committee. Colleen Bonner so moved. Jay Price seconded the motion. Motion passed, all in favor.

Other Business:

Jay Price asked for an update on the status of the rebate for the Midway ice rink chiller that was discussed last month. Jason Norlen stated that the engineering firm was still working on analyzing the efficiency of the new chiller compared to the old chiller in order to determine the rebate. Once the rebate is determined it will be deducted from the invoice. Since the Company doesn't have an official commercial rebate program, the Board will need to approve commercial rebates on a case-by-case basis.

Heidi Franco requested that in addition to receiving a copy of the salary benchmark survey, she would also like information indicating each employee's salary position within their range. Blaine Stewart stated that he could provide the percentage of range for each position.

Resolution Approving Capital Lease:

The Board was presented with a copy of a capital lease and a resolution approving the lease. It was explained that the capital lease was for an aerial bucket truck that was ordered and purchased in 2013 but not delivered until 2014. The truck is in the budget for 2014. The resolution is a standard resolution required by the leasing entity leasing entity as part of a municipal lease.

Motion to Adopt Resolution Approving Capital Lease. Jay Price moved to approve the Resolution 2014-02 approving the capital lease. Motion seconded by Colleen Bonner. Motion passed, all in favor.

Bob Kowallis moved to adjourn the meeting. Motion seconded by Heidi Franco. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Special Meeting
March 14, 2014

31 South 100 West
Heber City, Utah 84032

Board Members and Staff Present:

Mayor Alan McDonald
Mayor Colleen Bonner
Mayor Bob Kowallis
County Council Chairman Jay Price
Heber City Council Representative Heidi Franco
Heber City Council Representative Kelleen Potter
Blaine Stewart, General Manager
Joe Dunbeck, General Counsel
Jason Norlen, Generation Manager
Bart Stanley Miller, Accounting/Financial Manager

The Chair called the meeting to order at 4:05 pm.

[Colleen Bonner and Kelleen Potter joined the meeting at 4:15 pm.]

Press Release Discussion:

Alan McDonald stated that the purpose of the meeting was to discuss the draft press release to be issued concerning the arrest of the Company's former employee, Mr. Furness.

Joe Dunbeck stated that the circumstances for moving forward quickly with the press release were that a TV news station had contacted the Company for information.

Several versions of the statement had been circulated prior to the Board meeting. The Board and Staff discussed several wording changes to the current version presented by the Board. Discussion was had over the use and placement of the terms "board," "management," and "company." The majority of the Board members felt strongly that the Board instead of management should take the lead on issuing the statement to show the public that the Board is engaged and proactively leading the Company. The Board and Staff agreed that it was important to show that the Board and management are working together.

Alan McDonald called for the final statement to be read and asked for discussion on the final document. Jay Price expressed his position that the Company, not the Board, should issue the press release.

Alan McDonald called for a vote on the final version of the statement. The vote was as follows: AYE: Alan McDonald, Bob Kowallis, Colleen Bonner, Heidi Franco, Kelleen Potter. NAY: Jay Price.

Heidi Franco was designated to send the statement to the Wave and to the radio station.

Alan McDonald moved to adjourn the meeting. Motion seconded by Jay Price. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting
March 26, 2014

31 South 100 West
Heber City, Utah 84032

Board Members and Staff Present:

Mayor Alan McDonald
Mayor Colleen Bonner
Mayor Bob Kowallis
County Council Chairman Jay Price
Heber City Council Member Heidi Franco
Heber City Council Member Kelleen Potter
Blaine Stewart, General Manager
Harold Wilson, Distribution Operations Manager
Jason Norlen, Generation Manager
Jacob Parcell, Substation Technical Services Manager
Bart Stanley Miller, Accounting/Financial Manager
Karly Schindler, HR Specialist/Legal Assistant
Joe Dunbeck, General Counsel, via teleconference

Guests:

Jackie Coombs, UAMPS

The Chair called the meeting to order at 3:30 pm.

Regular Approval Items:

February 26, 2014 and March 14, 2014 Board Meeting Minutes:

Alan McDonald called for discussion on the February 26 and March 14 Board meeting minutes. No comments were made.

Motion to Approve February 26, 2014 and March 14, 2014 Board Minutes. Colleen Bonner moved to approve the February 26, 2014 Regular Board meeting minutes and the March 14, 2014 Special Board meeting minutes. Motion seconded by Heidi Franco. Motion passed, all in favor.

February 2014 Financial Statements:

Alan McDonald called for questions or comments on the February financial statements.

Heidi Franco asked Bart Miller to explain how the warrants tie to the financial statements. Bart explained that by nature of the two documents, they are not meant to tie together. The warrant list identifies the invoices that were paid during the month, but because of the timing of the payments they may not be included in that month's financial statement. Bart also explained that there might be other direct expenses that are not part of accounts payable that are included on the financial statement. Bart stated that he could provide a detailed ledger showing the breakdown of the financial statement.

Motion to Approve February 2014 Financial Statements. Jay Price moved to approve the February 2014 financial statements. Motion seconded by Colleen Bonner. Motion passed, all in favor.

February 2014 Warrants:

Alan McDonald called for discussion on the February warrants.

Kelleen Potter asked about the services provided by Stokes Strategies. Blaine Stewart explained that Spencer Stokes is a lobbyist on retainer with the Company who works closely with Joe Dunbeck in following legislation that may have an impact on the Company. The Board and Staff briefly discussed other items on the warrant list including the payments for the rate study, employee expenses, legal research expenses, professional services, and equipment expenses.

Motion to Approve February 2014 Warrants. Bob Kowallis moved to approve the February 2014 warrants. Motion seconded by Colleen Bonner. Motion passed, all in favor.

UAMPS Overview

Jackie Coombs, manager of customer and member relations for UAMPS, presented a brief overview of UAMPS's organization and its partnership with the Company. UAMPS organizes, develops, and finances generation and transmission projects for its members. The services provided by UAMPS provide economies of scale and member autonomy by allowing its members to select the projects that best fit their community needs. The Company currently participates with UAMPS in eight projects: Hunter Project, IPP, Horse Butte Wind Project, Pool Project, Craig-Mona Project, Member Services Project, Resource Project, and Government and Public Affairs Project. Jackie also provided the Board with an overview of the Company's resource portfolio and a snapshot of next year's forecast. The presentation included slides showing peak load growth, resource mix, resource breakdown, and average yearly energy costs billed through UAMPS.

General Managers Remarks:

Blaine Stewart informed the Board of the APPA National Conference in Denver, June 13-18. The conference includes breakout sessions related to governing bodies and municipal utility policies and procedures. The Company will sponsor the Board members that would like to attend. Blaine also provided the Board with information on the annual State Auditor training for municipal governing boards scheduled in May.

Blaine informed the Board that the Company has agreed on the draft contract with Probst Electric for construction of the first section of the 138kv line along Highway 40. The contract and related documents will be finalized for execution as soon as possible. The Company has the funds to pay for the project and will present the Board with a summary showing how the payments will be structured from the various funds.

Blaine announced that the Company received the APPA Safety Award for Excellence, which will be presented at APPA's annual meeting in April. The Company also received the IPSA safety award for five years without a lost-time accident. Blaine proposed that as a reward and in recognition of the employees' safe work practices that the Company purchase hats and shirts with the safety emblems printed on them for each employee. The cost would be approximately $4,000 and would include FR rated shirts for the field employees. Colleen Bonner mentioned that it would be a good idea to publish an article in the Wave announcing the awards.

Blaine stated that Audit Committee had discussed meeting with Eide Bailly for a pre-audit presentation prior to the April Board meeting. That meeting has been tentatively scheduled for April 17 at 4:00 p.m. The Board discussed conflicts with that date and proposed changing the meeting to April 15 at 3:00 p.m.

Committee Resolutions:

Executive Committee:

Alan McDonald reviewed the proposed changes to the Executive Committee resolution and called for discussion. No comments were made.

Motion to Adopt Executive Committee Resolution. Colleen Bonner moved to adopt Resolution 2014-04 creating the Executive Committee. Jay Price seconded the motion. Motion passed, all in favor.

Facilities & Human Resource Committees:

The Board discussed the formation of the Facilities Committee. Alan McDonald proposed that instead of appointing the three mayors to the committee, the committee could be structured to only require one director from the ownership of the Company to allow for the other directors or their appointees to sit on the committee. Jason Norlen explained that the committee is a recommending body that would meet on an as needed basis to give guidance and direction to the full Board regarding facilities plans. A member of management will participate on the committee depending on the type of project. The Board also discussed the possibility of having members of the community participate on the committee. Kelleen Potter pointed out that the current bylaws only allow for the committees to be composed of the three mayors. Bob Kowallis mentioned that the contemplated revisions to the bylaws would allow for an alternate structure, but acknowledged that the revised bylaws have not been adopted yet.

Motion to Postpone Formation of Facilities and Human Resource Committees: Colleen Bonner moved to postpone forming the Facilities and Human Resource Committees until the resolution amending the bylaws has been adopted. Bob Kowallis seconded the motion.

Discussion: Heidi Franco stated that having members of the community on the facilities committee would be way to promote the Company. Bob and Colleen mentioned that revising the bylaws would accomplish that option.

Alan McDonald called for a vote on the motion. Motion passed, all in favor.

Staff Reports:

Legal. Joe Dunbeck reported that after the Probst contract is finalized, he will begin working on the contract for the next phase of that project. He is also working on a legislation report for the Board.

Distribution. Harold Wilson reported that the reconductor job on 500 East is complete and the next project will be in Daniel. His crew is also working on resolving some longstanding street light issues. Harold stated that temporary power installations and blue stake requests have increased dramatically. On April 10 he will meet with the Wasatch County Planning Commission for a conditional use permit for the continuation of the 138kv line from Coyote Lane to the Heber City Limits.

The Board briefly discussed the issue of impact fees and the process involved in setting new impact fees in light of the current growth in the community. Blaine Stewart stated that the best place to start would be for the Board to review the impact fee study that was done last year. Blaine also mentioned the issue of the renewal of the liability insurance and the possibility of having a special board meeting prior to the next regular board meeting to discuss impact fees as well as the liability insurance proposal.

Substation. Jake Parcell reported that the new transformer at the Jailhouse substation is energized and online. The next portion of the project is installing some protective devices and additional equipment to help with capacity and paralleling. Jake also reported that they are doing inspection and maintenance on the upper and lower Snake Creek plants to make sure that the plants are ready for the water season. The metering department is gearing up for the AMI software and system conversion. The conversion will begin the first of April and is expected to take about five months. They are also in the process of changing out three-phase meters. Jake also stated that his crew will be aiding in the construction of the 138kv line by working on a Jordanelle tie.

Jake finally reported that the open position of Substation apprentice was ultimately filled in-house. Chase Brereton was selected to fill that position. Chase will enter the electrician apprentice program and then move through the substation apprentice program.

Administration. Bart Stanley Miller did not have anything to report beyond the warrants and financials discussed earlier.

Generation. Jason Norlen reported that Unit 4 is back online and Units 5 and 6 are down for installation of oxidation catalysts as required by a new EPA regulation. Jason mentioned that he is working on securing an extension of a power purchase for 2017-2022. Jason stated that if the Board had any questions about Jackie Coombs' presentation on UAMPS, he could provide them with additional information. Jason also reported that he is analyzing the presentations from the RFQ and will bring a recommendation to the Board in the near future.

Heidi Franco asked if the report on the RFQ would be next month or in May. Jason stated that since the agenda for April is quite full, that it could wait until May. The Board discussed the need for a special Board meeting in April to address impact fees and the insurance proposal.

Additional Business:

Alan McDonald asked if there were any other items of discussion.

The Board briefly discussed possible names of community members for the Facilities Committee. Alan stated that once the bylaws are revised, he would open it up to the directors to decide which committee they would like to be on and then propose other members for the committees.

Heidi Franco moved to adjourn the meeting. Motion seconded by Bob Kowallis. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting
April 23, 2014

31 South 100 West
Heber City, Utah 84032

Board Members and Staff Present:

Mayor Alan McDonald
Mayor Colleen Bonner
Mayor Bob Kowallis
County Council Chairman Jay Price
Heber City Council Member Heidi Franco
Blaine Stewart, General Manager
Harold Wilson, Distribution Operations Manager
Jason Norlen, Generation Manager
Jacob Parcell, Substation Technical Services Manager
Bart Stanley Miller, Accounting/Financial Manager
Joe Dunbeck, General Counsel
Karly Schindler, HR Specialist/Legal Assistant

Excused:

Heber City Council Member Kelleen Potter

Guests:

Darrell Child, Olympus Insurance
Robert E. Pender, Consultant
Paul Skeen, Eide Bailly

Members of the Public:

Tracy Taylor

The Chair called the meeting to order at 3:30 pm.

Regular Approval Items:

March 26, 2014 Board Meeting Minutes:

Alan McDonald called for discussion on the March 26, 2014 Board meeting minutes. Jay Price noted a spelling correction on page 3.

Motion to Approve March 26, 2014 Board Minutes. Jay Price moved to approve the March 26, 2014 Board meeting minutes as corrected. Motion seconded by Colleen Bonner. Motion passed, all in favor.

March 2014 Financial Statements:

Alan McDonald called for questions or comments on the February financial statements.

Bart Stanley Miller explained that the power purchases for March appear high because of the timing of the payment and because power purchases were not being accrued month to month. Overall, however, the year-to-date numbers are still in line with the budget. Bart noted that the updated financial sheet reflects adjustments made to the January numbers based on the recommendations of the auditors.

Motion to Approve March 2014 Financial Statements. Colleen Bonner moved to approve the March 2014 financial statements. Motion seconded by Bob Kowallis. Motion passed, all in favor.

March 2014 Warrants:

Alan McDonald called for discussion on the March warrants.

Heidi Franco stated that she would like to see copies of the monthly bank statements. Bart Stanley Miller stated that he would provide copies of the bank statements or reconciliation reports. The Board and staff discussed the level of financial detail that should be provided to the Board each month. Bob Kowallis suggested that Heidi could track the financial information and report back to the Board.

Motion to Approve March 2014 Warrants. Bob Kowallis moved to approve the March 2014 warrants. Motion seconded by Colleen Bonner. Motion passed, all in favor.

State Auditor Training:

The Board and staff briefly discussed arrangements for attending the annual training provided by the State Auditor on April 29 in either Salt Lake or Orem.

Insurance Renewal Proposal:

Darrell Child of Olympus Insurance reviewed the insurance renewal proposal. Darrell outlined the process of analyzing the operations of the Company in order to identify the essential elements that needed to be addressed through the various types of insurance. Darrell stated that there are a number of areas of risk that are very progressive and that over the years, the Company has improved its limits in those areas. One focus for this year was to make sure that the Company had adequate replacement value on all of its capital assets. Darrell also stated that a number of new coverage elements were introduced, one of which was data breach liability. Overall, the Company is currently on par with other municipal power organizations.

The Board and staff discussed the liability limits of the insurance proposal. Darrell stated that the initial proposal included the option to raise the limits to $20 million and that most power utilities purchase limits within a range of $10-25 million. Staff had previously reviewed the option to raise the limits to $20 million, but the recommendation at this time is to keep the liability limits at $16 million as outlined in the proposal.

The Board and staff also discussed the public official's liability coverage and crime insurance. Darrell explained that the public official's coverage is designed to cover any allegations of wrongful acts on the part of the Board or the staff, including issues related to employment, hiring, firing, and discrimination. The crime insurance is designed to reimburse the Company when there has been a theft either by staff or by outsiders as defined in the policy. The Board questioned whether or not the Company could pursue a claim for the situation last year with the Company's former CFO. Staff explained that the previous Board discussed the issue at length and determined that settlement was in the best interest of the Company and that it no longer has the ability to pursue and insurance claim. Joe Dunbeck stated that he could explain the decision to settle when there was more time.

<u>Motion to Approve Insurance Renewal Proposal</u>. Jay Price moved to accept the insurance renewal proposal of Olympus insurance. Colleen Bonner seconded the motion. Motion passed, all in favor.

<u>Audit Review</u>:

Paul Skeen of Eide Bailly gave a brief introduction of his firm and explained that the audit performed was to express an opinion on the financial statements as a whole and not to identify fraud. He stated that it was a tough situation to audit an entity with a CFO that had been dismissed, but praised the staff and their efforts in responding to the audit team's questions and requests for information. Paul stated that the draft audit report is in near final form but still needs to go through a final quality check by a regional expert. He also stated, however, that they do not anticipate any major adjustments.

Paul reported that a major portion of the audit was clean-up work that had to be done for things that had not been accounted for in several years. The adjustments made, however, do not change the financial position of the Company and are not related to cash flow but just how things are recognized in the timing of accounting.

Paul reviewed each of the findings listed on the Schedule of Findings in the audit report and discussed with the Board and management the cause of the finding and management's response to the finding, including issues of internal controls and segregation of duties. Paul noted that the Company has already taken steps to improve these areas.

Heidi Franco asked about the unfunded post-employment benefits costs. Paul explained that the funding of OPEB is a management decision and that it is outside of his role as an auditor to make a recommendation. He stated, however, that in his experience, very few governments are funding their obligation even if they have the resources available.

Alan McDonald asked Paul for his recommendations on the level of involvement the Board should take in financial matters. Paul suggested that the Board should at least be looking at the warrants, bank balances and reconciliations, and journal entries.

The Board discussed a special Board meeting on April 30 to address the audit report further when the final report is available. Bob Kowallis suggested that the Board move forward and approve the draft audit report as presented since the final report will be essentially the same as the draft.

Motion to Approve Draft Audit Report: Bob Kowallis moved to approve the draft audit report. Colleen Bonner seconded the motion. The vote was as follows: AYE: Alan McDonald, Bob Kowallis, Colleen Bonner, Jay Price. NAY: Heidi Franco. Motion carried.

Cost of Service Study:

Blaine Stewart introduced the rate study and explained how the Company's strategic plan, facilities plan, and future revenue requirements form the basis for Mr. Pender to create the cost of service study.

Robert E. Pender of R.E. Pender, Inc. addressed the Board and reviewed the basics of the rate-making process and the purpose and concepts involved in performing a cost of service study. Mr. Pender then presented the proposed rate design and rate increase as outlined in the documents provided in the Board materials.

Mr. Pender and the Board discussed the impact of dividing the commercial customers into two classes and the introduction of the service charge for the small commercial customers in order to recover some of the fixed costs of service. Mr. Pender provided a comparison of the average monthly charges under the current rates and the proposed rates for both residential and commercial to show the average increase for each class of customer.

Mr. Pender reviewed his recommendations and observations as outlined in the materials and emphasized that the Board is the regulatory body for the Company and as such is not only responsible for setting rates but also for rate implementation.

The Board discussed the importance of having a public relations plan to present this information to the ratepayers as well as a plan for educating the large commercial customers on how to reduce their energy charges and lessen the impact on the system.

Blaine Stewart stated that management is recommending that the Board approve the cost of service study and move forward with the public hearing on the proposed rate design and a 4.5% rate increase with implementation of the changes on the first billing cycle after July 1 for residential and small commercial customers and implementation for large commercial customers on the first billing cycle after January 1, 2015, to allow time to educate large commercial customers. The earliest date that the public hearing could be held is May 28. The Board discussed holding the hearing on May 29 to avoid conflicts with high school graduation. The Board also discussed moving the regular Board meeting to May 29 prior to the public hearing.

Motion to Set Public Hearing on Rate Structure/Increase: Colleen Bonner moved to set the public hearing on the proposed new rate design and rate increase on Thursday, May 29, 2014 at 6:00 p.m. in the Heber City Council Chambers and to hold the regular monthly Board meeting on Thursday, May 29, 2014 at 3:30 p.m. prior to the public hearing. Bob

Kowallis seconded the motion. The vote was as follows: AYE: Alan McDonald, Bob Kowallis, Colleen Bonner, Jay Price. NAY: Heidi Franco. Motion carried.

Proposal to Review Impact Fees:

The Board and management briefly discussed the Board's interest in reviewing the impact fees and the process and requirements for changing impact fees. The Board concluded to revisit the issue in September.

Amendments to Organization Agreement and Bylaws:

Alan McDonald proposed that in the absence of Kelleen Potter that the approval of the amendments to the Organization Agreement and the Bylaws be discussed at the next regular Board meeting.

Resolution to Write-off 2013 Street Light Expense:

Alan McDonald called for approval of the resolution to write-off the 2013 street light energy charges in the amount of $66,963.

Motion to Approve Resolution to Write of 2013 Street Light Expense. Jay Price moved to approve the Resolution for Write-off of Street Light Charges. Heidi Franco seconded the motion. Motion passed, all favor.

Resolution Providing for Distributions to Members:

Alan McDonald called for approval of the resolution providing distribution of members' income for the first quarter of 2014.

Motion to Approve Resolution of Distributions to Members. Colleen moved to approve Resolution 2014-06 Providing for Distribution to Members From Distributable Income. Bob Kowallis seconded the motion. Motion passed, all in favor.

General Managers Remarks:

Blaine Stewart provided the Board with a copy of the major capital project schedule showing the progress of the major capital projects scheduled for 2014. The project schedule will be reviewed at the next regular Board meeting in connection with financial planning.

Blaine announced that each year UAMPS sponsors a community event for one of the Company's owners by donating $500.00. The only requirement is to display the UAMPS banner at the event. The Board discussed several options and decided to donate the money to the Wounded Warrior fund in Midway.

Blaine explained to the Board the circumstances of the transmission event the caused outages on Rocky Mountain Power's system. RMP had to implement a rolling blackout in their service territory. To assist RMP and reduce our flow out of Midway, Jason Norlen put all of our generators on line. Blaine stated that it was fortunate that this event was in a low load period, and it emphasizes the need for a second transmission line and substation.

Staff Reports:

Administration.

Bart Stanley Miller presented the operations report showing shut-off notices sent, impact fees collected, billings for the month of March, and disconnects. Bart stated that most of the customers disconnected for nonpayment quickly made payment arrangements and had their power back on the same day. He also stated that our policy is not to shut off customers until they are delinquent two months and the third bill has gone out. Bart also pointed out that the billings dropped for March simply because the kilowatt hours also dropped.

Substation.

Jake Parcell stated that his department is assisting on the 138kv line project by swapping out the Jordanelle generation to the distribution system so that Harold's crews can proceed with building the line. He is also working on an RFP for the second point of interconnect substation.

Jake reported that they installed a backup server on the SCADA system so that if one machine fails, the other will automatically take over to prevent down time on the system.

Jake also reported that a spike in the voltage caused some generation trips. They also had a breaker failure not related to the spike that had to be replaced early in the morning.

Distribution.

Harold Wilson stated that his crews worked until about midnight last night restoring power and repairing damaged poles. Harold reported that this past week they assisted the County with an osprey issue at Southfield Park by setting a pole for the birds to build a nest on. Harold also reported that they will be ready to pull wire on the reconductor project on Daniels Road by the end of the week.

Regarding the Highway 40 line, they have reached the 60% engineering point and are reviewing the engineering with RMP. Last week, Harold was able to obtain a conditional use permit from Wasatch County from Coyote Lane to the Heber City limits, and he has been working with land owners in that section to mitigate the effect of the line on their property.

Harold also reported that he received two bids on the tree trimming RFP that closed last Friday.

Generation.

Jason Norlen reported that he completed a power purchase for 3MW of highload hour energy and 3MW of flat energy for 2017 through 2022. The highload hour energy is for 16 hours a day, six days a week excluding major holidays, and the flat energy is 24 hours a day, seven days a week.

Jason also reported that he spoke with UAMPS regarding the second point of interconnect. Since UAMPS is our transmission service provider, we will work through UAMPS with RMP to get the second point of interconnect to the transmission grid.

Jason reported that the Utah Division of Air Quality performed a table-top audit last week, but he has not yet been provided with the results.

Jason stated that he hired Travis Jepperson to fill the position of Energy System Operator Apprentice that opened with the internal hire in the Substation department.

Lastly, Jason reported that his team will be meeting again with the bidders on the generation RFQ regarding technical issues and will hopefully be able to bring an analysis of the bids to the Board in June.

In reference to UAMPS, Blaine Stewart pointed out that the Board members each have an invitation to the annual UAMPS members conference in Logan on August 18-20, and that if any of them are interested in attending, to please let him know.

Legal.

Joe Dunbeck reported that he will be working on the contract for the next section of the 138 kV line, and that he is trying to set up meetings with the County and the City on the Cowboy Village land swap.

Colleen Bonner moved to adjourn the meeting. Motion seconded by Bob Kowallis. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

Board of Directors Meeting
May 16, 2014

31 South 100 West
Heber City, Utah 84032

<u>Board Members and Staff Present</u>:

Mayor Alan McDonald
Mayor Colleen Bonner
Mayor Bob Kowallis
County Council Chairman Jay Price
Heber City Council Member Heidi Franco
Heber City Council Member Kelleen Potter
Blaine Stewart, General Manager
Harold Wilson, Distribution Operations Manager
Jason Norlen, Generation Manager
Bart Stanley Miller, Accounting/Financial Manager
Joe Dunbeck, General Counsel
Karly Schindler, HR Specialist/Legal Assistant

<u>Excused</u>:

Jacob Parcell, Substation Technical Services Manager

<u>Guests</u>:

Ryan Tesch, Eide Bailly

<u>Members of the Public</u>:

Tracy Taylor
Anissa Wardell

The Chair called the meeting to order at 3:00 pm.

<u>Audit Report – Eide Bailly</u>:

Ryan Tesch of Eide Bailly presented the final audit report. Ryan pointed out the three main reports that auditors are required to issue as part of an audit report: (1) Independent Auditor's Report, (2) Government Auditing Standards, and (3) State Legal Compliance Report. Ryan also pointed out that it is management's responsibility and to have internal controls in place and to accumulate and present the data. The independent auditor's responsibility is to express an opinion on financial statements based on their audit. Ryan reported that the Company received a “clean” audit and that as stated in the report, the financial statements fairly represent the financial position of the Company as of December 31, 2013.

Ryan reviewed with the Board the four issues that were reported in the Statement of Findings. Ryan suggested, however, that many of these issues were a result of not having a CFO in place for part of last year and that with a new CFO in place and with the steps that are being taken, these issues would likely be resolved in next year’s audit. Ryan continued to discuss with the Board and management the material adjustments, internal controls, journal entries, OPEB costs, and specific items on the Statement of Revenues and Expenses such as salaries, wages and benefits, and depreciation.

Motion to Approve the 2013 Audit Report. Bob Kowallis moved to approve the annual audit report for 2013. Colleen Bonner seconded the motion. Motion passed, all in favor.

Bylaws:

The Board and staff discussed changes to the Bylaws. Paragraph 5.c of Article VI should be changed to state that the Heber Mayor or one of the Heber directors may participate in the audit committee. Outside advisors to the committees may be appointed but must be full-time residents living within the Company’s service territory. Joe Dunbeck made note of the provision dealing with closed meetings as it relates to the Government Records Act. The Board decided that the language in the Bylaws for closed meetings should reflect Utah Code Section 52-4-205 and the references to the Government Records Act should be eliminated. The Board also agreed that Article X, Ethical Duties of Directors and Management, should include the term “senior staff.”

Motion to Approve Bylaws. Colleen Bonner moved to approve the Bylaws with the changes discussed and ask staff to insert those in the new version of the Bylaws. Motion seconded by Heidi Franco. Motion passed, all in favor.

Organization Agreement:

The Board and staff discussed changes to the Organization Agreement. Alan McDonald stated that there were minor changes to the definitions of “third-party” and “designee.” The Board also reviewed the process for approval of amendments by the member cities. Paragraph S should be changed so that the Organization Agreement takes effect upon approval of all of the governing bodies, instead of two of the parties as is currently written. Paragraph P.1. should be eliminated, since the law no longer limits the duration of Interlocals to fifty years.

Motion to Accept Organization Agreement: Bob Kowallis moved for a party only vote to accept the Organization Agreement with the changes discussed. Heidi Franco seconded the motion. Jay Price abstained on the party only vote. Motion passed, all in favor.

Other Business:

Blaine Stewart briefly noted that the Board materials also contained a copy of management's representation letter to the auditor and an updated communications plan in connection with the proposed rate increase. Blaine also informed the Board that one of the Company's apprentice lineman submitted his resignation and that the Company will move forward in hiring a replacement.

Executive Session:

Bob Kowallis moved to enter into Executive Session for purposes of discussing personnel issues. Motion seconded by Colleen Bonner. Motion passed, all in favor.

Bob Kowallis moved to exit from Executive Session. Motion seconded by Colleen Bonner. Motion passed, all in favor.

Jay Price moved to adjourn the meeting. Motion seconded by Heidi Franco. Motion passed, all in favor.

Meeting adjourned.

Heber Light & Power

31 South 100 West
Heber City, Utah 84032
June 25, 2014

Board of Directors Meeting
3:30 p.m.

The Board of Directors of Heber Light & Power met on June 25, 2014, in the Heber Light & Power Business Office at 31 South 100 West, Heber City, Utah.

Present:	Mayor	Alan W. McDonald, Chair
	Mayor	Colleen Bonner
	Mayor	Bob Kowallis
	County Council Chairman	Jay Price
	Heber City Council Member	Heidi Franco
	Heber City Council Member	Kelleen Potter
Also Present:	General Manager	Blaine Stewart
	Operations Manager	Harold Wilson
	Generation Manager	Jason Norlen
	Substation Tech. Services Manager	Jacob Parcell
	Accounting/Financial Manager	Bart Stanley Miller
	HR Specialist/Legal Assistant	Karly Schindler
	General Counsel	Joe Dunbeck
	Resource Analyst	Emily Brandt
	Generation Mechanic	Rob Tuft
	Warehouse Manager/Lead Operator	Andrew Dedrickson
	Board Secretary	Amanda Anderson
Others Present:	Members of the public and invited guests as identified on the official roll.	

The Chair called the meeting to order at 3:30 p.m. and welcomed those in attendance.

May Financial Statement: Alan McDonald asked for any discussion with regard to the May Financial statement, when no comments were made he asked for a motion to approve.

Bob Kowallis moved to accept the May Financial Statement as recorded. Colleen Bonner made the second.

Voting Aye: Alan W. McDonald, Colleen Bonner, Bob Kowallis, Jay Price, Heidi Franco and Kelleen Potter. Voting Nay: None.

<u>May Warrants:</u> Heidi Franco had questions with regard to the tuition reimbursements and General Manager, Blaine Stewart, answered the trainings were work-related, but there would be no automatic promotions upon completion of the training programs. Kowallis asked about the repairs on the line truck and it was stated bad diesel injectors on that vehicle had required significant repair. The Wasatch County Parks & Recreation platinum sponsorship was questioned by Kowallis and Stewart answered this was a sponsorship they participated in yearly for the Wasatch County Fair. Heidi Franco asked about the unemployment insurance payments being made to Furness and Stewart stated the unemployment insurance payments were nearing their end. Kowallis stated the litigation would have cost Heber Light & Power (HL&P) more than the unemployment payments. After questions, answers and discussion McDonald asked for a motion on the May warrants.

Colleen Bonner made a motion to approve the May warrants. Bob Kowallis seconded the motion.

Voting Aye: Alan W. McDonald, Colleen Bonner, Bob Kowallis, Jay Price, and Kelleen Potter. Voting Nay: Heidi Franco.

Heidi Franco stated she had requested financial reports at the last board meeting and questioned whether those reports were prepared yet. Joe Dunbeck stated there was a question of what public information was and what confidential information was. Discussion between Franco, Stewart and Miller ensued. Alan McDonald stated there would be a meeting and he would inform the board of when that would be held. Alan McDonald reminded the board that staff was working on the requested items, but it was time consuming and their daily duties also needed to be performed at the same time.

<u>Appeal & Consideration of Commercial Energy Efficiency Rebate – Chateau Recovery Center:</u> Jason Norlen explained that this was set up as a commercial account and brought to the board last month for a rebate. Since that time it had been shown that they are a residential property and will be paid under the residential rebate program. Owner/operator of the Chateau Recover Center, Danny Walker, stated that commercial guidelines had to be followed with regard to the kitchen and the remaining guidelines for the facility were met under the residential requirements as there were less than16 people in the home living as a group of disabled people, and were considered a family. Jay Price questioned the residential status as he felt they were acting to gain profit, and felt it should be considered a commercial property. Danny Walker stated that he operated his homes under the Utah State laws. Price asked for the opinion of Joe Dunbeck, attorney, and Dunbeck stated the language was something he would need to research further. Alan McDonald asked staff to look into this item further. Jason Norlen stated Walker's business license placed them into a residential account, but would research further and follow up with the board. Jason's recommendation at that time was to move ahead with the rebate.

Kelleen Potter asked the board if they could rearrange the agenda to make it more convenient for the public in attendance and Alan McDonald stated they would discuss Bonds 101 and then move to the Rate Modification/Increase.

Bonds 101 – Review/Discussion Bond Concepts w/GKB (George K. Baum): Executive Vice President of George K. Baum (GKB), John Crandall introduced himself to those in attendance and gave a brief background of himself and the company. Specializing in municipal finance and a 20-year relationship with HL&P, the company had prepared a Bonds 101 presentation for the board and a more specific report with regard to past practice, etc. Heidi Franco asked why the bond payments were nearly doubling over future years and Crandall provided a hard copy of materials to the board members and audience that explained the bond payments as follows. Crandall discussed the outstanding debts, explained the benefits and reasoning behind each of the bonds 2010A, 2010B and 2012. Heidi Franco asked various clarifying questions with regard to commission amounts, deferred payout term, etc. Crandall answered these questions and after discussion Crandall continued with his explanation of the outstanding debt. He discussed the bonds, CAT lease debt amounts, debt prior to 2010 refunding and stated the logic behind the refunding on the CAT lease. After the aforementioned changes the debt service curve had stabilized and there were no significant increases on the current payment or doubling and there was a step down in 2026. Franco asked Stewart if the CAT lease would be renewed upon the expiration of the lease and he answered that he could not answer that as it was dependent upon usage, wear, etc. Franco questioned the reasoning behind the deferred payments on the principal until 2020 and GKB staff answered they had created a repayment schedule to keep the payments close to $700,000 and in doing so would defer some payments, but in the end HL&P would be debt free as of 2035. Colleen Bonner stated that in taking a longer repayment term, it helped to spread the debt into the future and avoided placing all of the debt on the company at one time. There was discussion with regard to transfers, service and upgrades to facilities. Alan McDonald asked for an explanation with regard to the HL&P bond rating. Crandall explained the ratings, the process, and the differences between the rating companies and explained the logic behind the surveillance of the companies, the letter ratings, sales tax bonds, school bonds, and so forth. These independent ratings were important for the marketplace and told the public that things were stable with the various companies. Kelleen Potter asked if the rating decrease would cost the company with regard to future bonds and Crandall answered that yes it would affect the company in a negative way. Colleen Bonner asked Crandall to state the reasons for the downgrade in rating. Crandall replied the reasons for downgrade were listed as: Small/but growing utility; capital debt concerns, governance concerns, fraudulent activities, board process and action to increase their own pay. As some of these had occurred since the last review Potter asked why HL&P was being penalized now and it was stated that upon the next review date HL&P would be able to show they had resolved some of these issues. Colleen Bonner asked if HL&P could request another review and Crandall stated the company could do so, but his recommendation was to wait as there were no bonds being financed in the near future and this downgrade wouldn't affect that at this time. Crandall listed the positives aspects of the report as: Diverse generations, strong coverage level and a small but growing agency.

Rate Modification/Increase – Consideration of approval for proposal: Accounting/Financial Manager, Bart Stanley Miller, explained the 2014 budget, the forecast without the rate increase and with the rate increase. Miller stated there were some line items that could be controlled and others that could not, i.e. cost of fuel, etc. Heidi Franco and Kelleen Potter asked questions with regard to if the amounts were current, future travel and training uses, office and systems increase. Miller stated that some of the budget amounts were originally configured without the cost of the utility and maintenance to the buildings. A citizen asked about the amount budgeted for postage and suggested paperless billing as had the potential to save a significant amount of money. Another citizen questioned the professional services line item amount and Miller answered that the auditor they were currently using was much more expensive than the previous auditor; lobbyists were included in that line item and that tree trimming services, etc. were also listed under the professional services line item. Another citizen stated that wages were 42% of the budget and she felt it was an extreme amount. Miller answered that the amount in the expenses was a year-to-date amount and that the percentage was actually lower than 42%. Stewart answered questions from the audience regarding employee bonuses, merit adjustments and so forth. Colleen Bonner explained that this fall a budget would be compiled and changes could be made. Stewart explained the cost of living raises, merit raises and so forth. Miller continued his presentation and closed with profit measures discussion explaining revenue, operating expenses, gross profit/loss, depreciation and net profit/loss. Tracy Taylor made comments with regard to the handling of past funds and Colleen Bonner answered that there was nothing the current board could do to remedy the past and their goal was to make good choices from this point forward. She stressed that it would take time and without an incoming budget there was not much that could be done. She asked for a quick explanation with regard to the rate increase and Miller stated the majority of the rate increase would go towards equipment. Alan McDonald stated that the board had decided to wait to vote on the budget in order to allow the public and board members to have the chance to meet with HL&P staff and four weeks had passed. He explained that HL&P was the only energy provider in the area and that rates needed to be in place to cover expenses. Heidi Franco stated her concern was the rate payers and research had shown that there were past expenses that could have been handled differently. Kelleen Potter stated that after giving due diligence to this item, she could not support a rate increase without looking at the current costs and reworking the budget. Jay Price stated the rate increase was needed and changes could be made in the future. Bob Kowallis agreed that changes could and should be made to bridge the deficiencies in the budget without a rate increase as the first option.

Alan McDonald called for a vote on the Rate Modification/Increase – Consideration of Approval for Proposal.

Voting Aye: Alan W. McDonald, Colleen Bonner, Jay Price. Voting Nay: Bob Kowallis, Heidi Franco and Kelleen Potter.

Alan McDonald stated there was an opportunity here to continue to cut costs and be conservative, but there was a deficit that had to be filled. Bob Kowallis asked for a motion to set a date to review the budget in an attempt to remedy the deficits and moved to set a budget review of the 2014 Fiscal Budget. Heidi Franco made the second. Kelleen Potter suggested inviting HL&P employees to attend in order to gather their input; Bob Kowallis was in agreement with that. Jay Price suggested placing this item on a future agenda.

Voting Aye: Alan W. McDonald, Colleen Bonner, Bob Kowallis, County Jay Price, Heidi Franco and Kelleen Potter. Voting Nay: None.

Consideration for Approval of Proposed Internal Controls: Miller displayed a power point presentation with regard to the above agenda item. He explained there were policies and procedures that were followed by companies, typical accounting and management policies and procedures, board governance, administrative procedures, ethics, code of business conduct, conflict of interest, whistleblower & protected disclosures, business & strategic planning and accounting policies. He discussed each of the items in detail. There was discussion between Franco and Miller with regard to the procedures that were currently in place and future adjustments that would be made. Inventory and General Ledger/Financial reporting were areas Miller was attempting to rework in order to better the procedures. Heidi Franco questioned how the embezzlement had occurred and Stewart answered that a prior audit had missed the lack of segregation.

Power Resources – Generation RFQ Evaluation – Consideration for Approval of Options: Jason Norlen displayed a power point which explained wholesale power purchases, 2013 wholesale and the 2019 forecasted power purchases, historical resource requirements, future resource requirements and HL&P risk management policies were explained. Norlen listed future resource options as UAMPS, increased Heber power plant capacity, purchase of field follow units, Intermountain Power Plant (IPP) and/or market purchases. He explained the various options, proposals and bids. In closing, he summarized the three proposed units, the project costs, not including maintenance costs. He stated that HL&P had first right of refusal on the units that come into the CAT facility and there were two units available currently in the field follow units. Norlen asked for a board decision on Okland or the CAT and felt both were good options. Stewart stated his recommendation was to purchase the CAT field follow units with funds, or financing if possible and would like to consider financing to purchase another large machine as well. He asked for permission from the board to move forward and bring financing options back to the board. Representatives for both Okland and CAT were in attendance and answered questions for the board. Bob Kowallis felt CAT was the correct choice, due to the length of time HL&P had worked with them. Jay Price agreed and felt that an added attraction was that local contractors would be used. Heidi Franco felt rushed into making a decision. Kelleen Potter stated she had missed one of the presentations that was given previously, but had looked over the provided materials, but was hesitant to make a decision. Alan McDonald stated he would like to continue HL&P's relationship with CAT Wheeler.

Bob Kowallis made a motion to move forward with CAT Wheeler in order to pursue financing options, etc. to be brought back to the board at a later date. Jay Price seconded the motion.

Voting Aye: Alan W. McDonald, Colleen Bonner, Bob Kowallis, Jay Price, and Kelleen Potter.
Voting Nay: Heidi Franco.

Bob Kowallis made a motion to engage in the purchase of the field follow units as they exist at the given price and to move forward on that before the option was lost. Second from Jay Price.

Bob Kowallis stated that while the financing was being pursued for the CAT Wheeler machine, getting financing options for the field follow units at the same time was a logical thing to do.

Voting Aye: Alan McDonald, Colleen Bonner, Bob Kowallis, Jay Price, Heidi Franco and Kelleen Potter. Voting Nay: None.

HB-17 Update and Discussion: There was a continuation of this item, as Joe Dunbeck had to excuse himself from the meeting early.

General Manager's Remarks: Blaine Stewart stated that the summer heat would create the need to maximize all of the HL&P resources. He stated their load estimates were very conservative, and there would be future resource needs.

WORK SESSION/DEPARTMENT REPORTS

Administration – General Business: Miller updated the Board on the College Substation, Heber Substation distribution tie circuit and the Hwy 40 138 kv section 1 double circuit financial plan was discussed and explained. Miller also stated that HL&P was receiving impact fees and working with shut-offs and disconnected customers. He complimented the HL&P customer service staff and felt they handled the public very well. Miller also pointed out that by not approving the rate increase, major cuts would have to be made to the company's planned program of work.

Distribution – General Business: Harold Wilson explained to the board that new construction was moving at a rapid pace and he felt this would not slow down. He stated there was a new hire, Colton Bangerter, as an apprentice lineman. Wilson gave an update of the crew work locations throughout the valley. He stated that the highway 40 line engineering was complete, poles were ordered and construction would commence in the fall. They were also working closely with Heber City and the Karl Malone auto dealership expansion. Construction at the site of the old Wasatch High School was moving along well and lots had already been sold and planned out.

Generation – General Business: Norlen stated that UAMPS had imposed a seven (7) cent increase on transmission rates moving that to $4.91 per MWH. APPA national convention was focused on getting rate structure correct for future net metering technology.

Substation/Technology – General Business: Jake Parcell stated there was a transformer failure and staff was working on bids for the insurance company and would have insurance information by the end of the week. As the transformer was older than 25, the insurance company would not give full value and would cover at a cost of a similar item in the market today. They were currently renting a transformer to replace the one that failed. Jailhouse substation upgrades were being worked on and they were waiting for engineering to complete final designs. Lastly, additional AMI meters were being ordered and AMI software was being upgraded.

<u>Legal – General Business:</u> Joe Dunbeck had been excused from the meeting earlier and this item was not discussed.

With no further business, Bob Kowallis moved to adjourn the meeting. Alan McDonald made the second. Voting Aye: Alan W. McDonald, Colleen Bonner, Bob Kowallis, Jay Price, Heidi Franco and Kelleen Potter. Voting Nay: None.

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Board Secretary
Amanda Anderson

ATTACHMENT L

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
FINANCIAL REPORT
DECEMBER 31, 2010

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
FINANCIAL REPORT
DECEMBER 31, 2010

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GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801) 489-8408

INDEPENDENT AUDITOR'S REPORT

February 18, 2011

Board of Directors
Heber Light & Power Company
Heber City, Utah

Board Members:

I have audited the accompanying financial statements of the business-type activities of Heber Light & Power Company (Company) as of and for the year ended December 31, 2010, which comprise the Company's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Company as of December 31, 2010 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated February 14, 2010, on my consideration of the Company's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

Management Discussion and Analysis

This section of Heber Light & Power's annual financial report presents our discussion and analysis of Heber Light & Power's financial performance during the fiscal year ended December 31, 2010. Presented in the following pages are the December 31, 2010 Financial Statements of Heber Light & Power which include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows along with related notes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Heber Light & Power's basic financial statements which are comprised of two areas:

1. Company-wide Financial Statements
2. Notes to the Financial Statements

The financial statements also include notes that explain some of the information contained within and provide more detailed data.

Financial Highlights

Revenues from the sale of electricity were $11,869,324, an increase of $649,052 or 5.78% over 2009. In addition, power purchases expense increased by 14.2% to $5,982,935 and gas generation expense decreased by $14,727 or 2.9% to $490,661.

During 2010, Heber Light & Power collected impact fees from all customers who added new or additional electrical load to the utility's distribution system. This charge is in response to the rapid growth that has been experienced in the Heber Valley and provides the utility with the necessary funds to add new distribution system plant which is required to serve these customers. The funds collected as a result of the impact fees are restricted in that they can only be used for new or upgraded plant and not applied against operational expense. The Impact Fee revenue in 2010 was $236,114.

Operational Highlights

Heber Light & Power continues to modernize its distribution system and add automation to ensure quality service. In 2010, Heber Light & Power continued the installation of Automated Metering Infrastructure or AMI technology. This substantial investment will enable Heber Light and Power to remotely read the meters at each of its customers' locations as well as receive usage data to better plan for distribution system investment, supply requirements and data for future rate designs.

In addition Heber Light & Power issued Revenue Bonds in the amount of $6.525 million to address major distribution, generation and customer service projects.

Financial Analysis

Heber Light & Power's Net Assets

	2010	2009
Current and other Assets	$9,271,858	$5,220,246
Capital and Non-current Assets	24,667,883	25,352,878
Total Assets	33,939,741	30,573,124
Current Liabilities	2,619,238	2,528,094
Long Term Liabilities	10,344,913	5,803,765
Total Liabilities	12,964,151	8,331,859
Total Net Assets	$20,975,590	$22,241,265

Heber Light & Power's total assets net of accumulated depreciation were $33,939,741. Total Net Assets for 2010 was $20,975,590, a decrease over 2009 of $1,265,675 or 5.7%. The majority of this decrease is related to an increase in Long Term Debt.

General Fund Budgetary Highlights

In 2010 operating expenses were below budget. The most significant positive variances resulted from lower than budgeted expenses in power purchased and generation.

Economic Factors and Next Year's Budget and Rates

The 2011 Budgeted Revenues were increased by a modest 2% over 2010 Projected Revenues. This is a reasonable estimate considering the effects of the current economy on new customer growth in Heber Light and Power's service territory.

Heber Light and Power continues to review its rates to ensure appropriate expense recovery and funding of capital purchases. Any rate adjustments considered will preserve existing revenues to ensure appropriate funding. The goal of the utility is to fund its capital requirements without incurring additional debt.

Contacting Heber Light & Power's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Heber Light & Power's finances and to demonstrate the utility's accountability for the money it receives. If you have questions about this report or need additional financial information please contact our office at (435) 654-1581.

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

ASSETS		
Current Assets		
Cash and cash equivalents		$ 2,414,551
Restricted cash and cash equivalents		4,763,126
Trade accounts receivable	1,389,327	
Unbilled accounts receivable	250,962	
Less allowance for doubtful accounts	(258,948)	
Net accounts receivable		1,381,341
Other receivables		85,265
Inventory at cost (first-in, first-out)		627,575
Total Current Assets		9,271,858
Non-current Assets		
Land	203,045	
Other capital assets, net of depreciation	24,464,838	
Total capital assets		24,667,883
TOTAL ASSETS		33,939,741
LIABILITIES		
Current Liabilities		
Trade accounts payable		1,133,050
Other accrued payables		102,498
Accrued related party payable		53,690
Deferred revenue		900,000
Long-term debt - current		430,000
Total Current Liabilities		2,619,238
Non-current Liabilities		
Long-term debt		10,344,913
TOTAL LIABILITIES		12,964,151
NET ASSETS		
Invested in capital assets net of related debt		13,892,970
Restricted for construction		4,142,030
Restricted for debt service		621,096
Unrestricted		2,319,494
TOTAL NET ASSETS		$ 20,975,590

The accompanying notes are an integral part of these financial statements.

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

OPERATING REVENUES	
Electricity sales pledged as security for revenue bonds	$ 11,869,324
Connection fees	27,945
Other income	166,083
TOTAL OPERATING REVENUES	12,063,352
COST OF SALES	
Power purchases	5,982,935
Energy rebates	13,459
Gas generation fuel	490,661
Wages	521,425
TOTAL COST OF SALES	7,008,480
GROSS PROFIT	5,054,872
OPERATING EXPENSES	
Salaries, wages and benefits	1,897,810
Depreciation	1,749,703
Insurance	795,419
Professional services	605,546
Maintenance and training	188,033
Materials	196,992
Office expense and postage	143,821
Truck expense	112,475
Bad debt expense	20,352
Credit card fees	38,482
Travel	26,204
Miscellaneous	64,698
TOTAL OPERATING EXPENSES	5,839,535
INCOME (LOSS) FROM OPERATIONS	(784,663)
NON-OPERATING REVENUES (EXPENSES)	
Interest	15,449
Interest and bond issuance costs expense	(455,324)
Impact fees	236,114
TOTAL NON-OPERATING REVENUES (EXPENSES)	(203,761)

The accompanying notes are an integral part of these financial statements.

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

Statement of Revenues, Expenses and Changes in Net Assets (continued)

INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(988,424)
Capital contributed	21,812
CHANGE IN NET ASSETS	(966,612)
TOTAL NET ASSETS AT BEGINNING OF YEAR	22,540,470
Distributions to owners	(299,063)
Prior period adjustment	(299,205)
TOTAL NET ASSETS AT END OF YEAR	$ 20,975,590

The accompanying notes are an integral part of these financial statements.

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 12,287,990
Payments to suppliers	(8,497,102)
Payments to employees	(2,419,235)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,371,653
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	15,449
NET CASH FLOWS FROM INVESTING ACTIVITIES	15,449
CASH FLOWS CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of bonds	6,525,000
Impact fees	236,114
Capital contributions	21,812
Purchase/disposal of capital assets	(1,064,708)
Principal paid on long-term debt	(2,049,072)
Interest paid on long-term debt	(455,324)
Distributions to owners	(299,063)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	2,914,759
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,301,861
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,875,816
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,177,677
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Income (loss) from operations	$ (784,663)
Adjustments to reconcile operating income to net cash	
Depreciation	1,749,703
Prior period adjustment to accounts receivable	(299,205)
Changes in assets and liabilities	
Accounts receivable, net of allowance	197,996
Other receivables	325,847
Inventory	25,611
Accounts payable	195,494
Accrued liabilities	(39,130)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 1,371,653

The accompanying notes are an integral part of these financial statements.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Heber Light & Power Company is an interlocal energy service utility serving customers within the Heber Valley. Heber Light & Power provides electricity to the owner municipalities of Heber City, Midway and Charleston as well as the towns of Daniel and Independence along with unincorporated areas of Wasatch County, within its service territory. Heber Light & Power Company is not considered a component unit of Heber City, Midway, Charleston or Daniel. Heber Light & Power does not have any component units. These financial statements include only items relating to the business of the utility. The Company's financial statements are reported as an enterprise fund.

The financial statements of the Company are prepared in accordance with generally accepted accounting principles (GAAP). The Company applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Company does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The financial statements are accounted for using economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled electric utility service receivables are recorded at year end.

Operating revenue reported in the Statement of Revenues, Expenses, and Changes in Net Assets includes revenues and expenses related to the primary, continuing operations of the Company. Principal operating revenues are charges to the customers for sales or services. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating.

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. Depreciation of all exhaustible fixed assets used by the Company is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Fixed Assets are depreciated over their estimated useful lives and calculated using the straight line method.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated unpaid vacation and other employee benefit amounts are accrued when incurred using the accrual basis.

The Company is not subject to federal or state income taxes since it is a political subdivision of the state of Utah owned by three municipalities.

The Company considers cash in bank and funds invested with the Public Treasurer's Investment Fund as cash and cash equivalents.

For purposes of the Statement of Cash Flows, the Company considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventory is valued at average cost and consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capitalized as inventory items are consumed or put in service.

The Company uses the following procedures in establishing the budget that is submitted to the State Auditor.

1. Management submits a proposed budget to the Board of Directors in November.
2. The Board of Directors approves a proposed budget.
3. In December the proposed budget is adopted in a public hearing.
4. The budget is reviewed in the following December and amended (if necessary) in a public hearing.

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first where permissible, and then unrestricted resources as they are needed.

NOTE 2. CASH AND INVESTMENTS

Deposits and investments for the Company are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Act Council. Deposits are not collateralized nor are they required to be by State statute.

NOTE 2. CASH AND INVESTMENTS (Continued)

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the Company and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the United States government, agencies of the United States government, any state within the territorial United States of America; or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements; or certain other investments.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Company's deposits may not be recovered. The Company's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Company to be in a *qualified depository*, defined 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.

Credit Risk. Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Company's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The Company is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment Company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

NOTE 2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Company manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less.

Concentration of Credit Risk. The Company places no limit on the amount that the Company may invest in any one issuer. The Company has no concentration of credit risk.

The Company's investment policy only allows for investments in the Utah Public Treasurer's Investment Fund (UPTIF).

Cash and Cash Equivalents

Unrestricted Cash	$369,074
Cash invested in PTIF	2,045,477
Bond Construction Fund invested in PTIF	4,142,030
Restricted invested in PTIF	621,096
Total cash and cash equivalents	$7,177,677

At December 31, 2010, the Company's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Utah Public Treasurer's Investment Fund	$6,845,674	N/A	Unrated

Restricted Cash and Cash Equivalents

The restricted cash and investments of $621,096 are shown as restricted assets to be used only for purposes designated by contract or under legal provisions for debt servicing. The Bond Construction amount of $4,142,030 is the remaining proceeds of the Series 2010 Bonds and is restricted for the purchase and construction of capital assets.

NOTE 3. ACCOUNTS RECEIVABLE

Trade accounts receivable include amounts due from customers for billed electricity sales. All receivables are current and therefore due within one year. Unbilled revenues are recorded at year end. The trade receivables and unbilled revenues are reported net of an allowance for uncollectible accounts. This allowance is management's estimate based on past collection history and known circumstances regarding current customers.

The Other Receivable results from construction work performed for various customers.

Trade Accounts Receivable	$1,389,327
Unbilled Accounts Receivable	250,962
Less Allowance for Doubtful Accounts	(258,948)
Net Trade Accounts Receivable	1,381,341
Other Receivables	85,265
Total Net Accounts Receivable	$1,466,606

NOTE 4. FIXED ASSETS/DEPRECIATION

The Company's policy is to capitalize assets which exceed $1,000 and have an estimated useful life of more than one year. All capital assets of the Company are depreciable, with the exception of land and construction projects not completed.

Depreciation of fixed assets has been computed using the straight-line method. Useful lives and depreciation amounts for the year are as follows:

	Useful Life Years	Amount
Buildings	20-50	$37,179
Hydro electric plant	10-40	73,519
Machinery, equipment and tools	5-12	178,150
Distribution system	5-30	854,159
Transportation equipment	3-5	115,540
Technology/Office equipment	5-10	101,417
Generating plant	8-20	388,322
Hyrum Christensen Reservoir	10	1,416
Total		$1,749,703

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4. FIXED ASSETS/DEPRECIATION (continued)

Changes in capital assets are as follows:

	Balance 12/31/2009	Additions	Deletions or Reclassifications	Balance 12/31/2010
Capital Assets not being depreciated				
Land	$ 203,045	$ -	$ -	$ 203,045
Construction in Progress	-	-	-	-
Total Capital Assets not being depreciated	203,045	-	-	203,045
Capital Assets being depreciated				
Buildings	1,380,501	8,349	-	1,388,850
Hydro-Electric plant	2,951,517	938	-	2,952,455
Machinery, Equipment and Tools	1,987,205	12,748	-	1,999,953
Distribution System	24,636,590	911,913	-	25,548,504
Trucks	1,357,490	102,783	(154,362)	1,305,911
Office Equipment	649,554	59,506	-	709,060
Generating Plant	5,080,384	-	-	5,080,384
Hyrum Christensen Reservoir	167,484	-	-	167,484
	38,210,725	1,096,236	(154,362)	39,152,600
Less Accumulated Depreciation	(13,060,892)	(1,749,703)	122,833	(14,687,762)
Total Capital Assets being depreciated	25,149,833	(653,467)	(31,529)	24,464,838
Total Capital Assets, net	25,352,878	(653,467)	(31,529)	24,667,883

NOTE 5. RELATED PARTY TRANSACTIONS

The Company's policy is to bill the member entities for their respective power usage on the same basis and costs as with regular customers. During the year ended December 31, 2010, the amounts billed to the related entities totaled $72,491. The Board of Directors approved the write off of the receivables from these related entities.

NOTE 6. DEFINED BENEFIT PENSION PLAN

Local Government – Cost Sharing

Plan Description. Heber Light & Power Company contributes to the Local Governmental Noncontributory Retirement System (Systems), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems. Utah Retirement Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. Plan Members participating in the Local Governmental Noncontributory Retirement System are required to make contributions to the plan based on their annual covered salary. The contribution rates are actuarially determined and for the year 2010, the contribution rates were 11.66% from January to June and 13.37% from July to December. The contribution requirements of the systems are authorized by statute and specified by the Board.

The salaries and wages paid by Heber Light & Power Company are covered by the Local Governmental Noncontributory Retirement System. The salaries and wages paid for the years ending December 31, 2010, 2009, and 2008 were $2,054,001, $2,085,245, and $1,912,291, respectively.

NOTE 6. DEFINED BENEFIT PENSION PLAN (Continued)

The Heber Light & Power Company contributions to the Local Governmental Noncontributory Retirement System for December 31, 2010, 2009, and 2008 were $268,263, $242,745, and $222,208, respectively. The contributions were equal to the required contributions for each year.

Internal Revenue Code Section 401(k) Plan

The Company sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 401(k). The plan is available to permanent full-time employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the Company or its general creditors. The Company's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended December 31, 2010, 2009 and 2008 contributions totaling $75,110, $65,470, and $68,710, respectively, were made to the plan by employees and $27,819, $27,195, and $25,567, respectively, by the Company.

Internal Revenue Code Section 457 Plan

The Company sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 457. The plan is available to permanent full-time employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the Company or its general creditors. The contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended December 31, 2010, 2009 and 2008 contributions totaling, $12,585, $14,745, and, $30,645 respectively, were made to the plan by employees.

NOTE 7. LONG-TERM DEBT

2002 Series Bonds Payable

During 2002, the Company issued Series 2002 Bonds to provide for improvements and additions to the electric generation, transmission and distribution facilities of its system.

On October 15, 2002, the Company issued $4,995,000 Electric Revenue Bonds Series 2002 with coupon interest rates ranging from 3.25 percent to 5.00 percent. Interest payments are due semi-annually beginning June 15, 2003, with the last interest payment scheduled on December 15, 2025. Principal payments are due annually beginning December 15, 2003, with the last payment scheduled December 15, 2025.

The Series 2002 Bonds are special obligations of the Company payable solely from and secured solely by (a) the proceeds of the sale of Bonds, (b) the Revenues, and (c) all Funds established by the Indenture including the investments thereof. The pledge of the Revenues is subject to (1) the prior payment from Revenues of the Operation and Maintenance Costs of the System, (2) any required rebate of investment earnings to the United States of America, and (3) the application of the Revenues and Funds for the purposes permitted by, and on the terms and conditions set forth in, the Indenture.

The Indenture provides that the Debt Service Reserve Account will be funded in an amount equal to the Debt Service Reserve Requirement for Series 2003 Bonds. The Debt Service Reserve Requirement is an amount equal to the least of (i) the sum of ten percent of the original principal amount of the Bonds outstanding, (ii) the Maximum Annual Debt Service on the Bonds and (iii) 125% of the Average Annual Debt Service on the Bonds. The Debt Service Reserve Requirement was $369,250, at December 31, 2010.

Debt service requirements of the 2002 Series revenue bonds are as follows:

	Principal		Interest		Total	
2011	$	180,000	$	177,205	$	357,205
2012		190,000		170,005		360,005
2013		200,000		162,595		362,595
2014		200,000		154,395		354,395
2015		215,000		145,995		360,995
2016-2020		1,230,000		577,350		1,807,350
2020-2024		1,225,000		227,750		1,452,750
2025-2025		350,000		17,500		367,500
	$	3,790,000	$	1,632,795	$	5,422,795

2010 Series Bonds Payable

During 2010, the Company issued Series 2010 Bonds to pay off the remaining balance of the Caterpillar Capital Lease and to provide for improvements and additions to the electric generation, transmission and distribution facilities of its system.

On November 23, 2010, Heber Light & Power issued $6,525,000 Electric Revenue Bond Series 2010 with coupon interest rates ranging from 3.00 percent to 7.00 percent. $1,675,000 of the proceeds was used to advance refund the Caterpillar Capital Lease.

Interest payments are due semi-annually beginning June 15, 2011, with the last interest payment scheduled on December 15, 2035. Principal payments are due annually beginning December 15, 2011, with the last payment scheduled December 15, 2035.

The Series 2010 Bonds are special obligations of the Company payable solely from and secured solely by (a) the proceeds of the sale of Bonds, (b) the Revenues, and (c) all Funds established by the Indenture including the investments thereof. The pledge of the Revenues is subject to (1) the prior payment from Revenues of the Operation and Maintenance Costs of the System, (2) any required rebate of investment earnings to the United States of America, and (3) the application of the Revenues and Funds for the purposes permitted by, and on the terms and conditions set forth in, the Indenture.

The Indenture provides that a Reserve Fund Surety Bond be purchased to eliminate the need for a fully funded Debt Reserve Fund. The premium for the Surety Bond was paid from the original disbursements of the Bond proceeds.

Debt service requirements of the 2010 Series revenue bonds are as follows:

	Principal	Interest	Total
2011	$ 250,000	$ 308,492	$ 558,492
2012	65,000	283,225	348,225
2013	65,000	281,275	346,275
2014	75,000	279,325	354,325
2015	70,000	277,075	347,075
2016-2020	390,000	1,341,375	1,731,375
2021-2025	760,000	1,246,875	2,006,875
2026-2030	2,160,000	915,233	3,075,233
2031-2035	2,690,000	378,333	3,068,333
	$ 6,525,000	$ 5,311,207	$ 11,836,207

Included in the 2010 interest amounts are reductions associated with Build America Bonds subsidies.

The Company pledges income derived from the sale of electricity to repay the series 2002 and 2010 bonds. The bonds are payable solely from electric customer net revenues and are payable through 2025 and 2035, respectively. Annual principal and interest payments are expected to require less than ten percent of the total annual electricity sales.

The following is a summary of changes in long-term debt for the year ended December 31, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds					
Series 2002	$ 3,965,000	$ -	$ (175,000)	$ 3,790,000	$ 180,000
Series 2010	-	6,525,000	-	6,525,000	250,000
Caterpillar Lease	1,832,550	-	(1,832,550)	-	-
Compensated Absences	104,385	139,798	(116,209)	127,974	90,131
Termination Benefits	273,594	64,890	(30,148)	308,336	-
Other Post Employment Benefits	188,828	111,841	(24,269)	276,400	-
Uamortized Bond Issue Costs	(65,374)	(191,510)	4,086	(252,798)	-
	$ 6,298,983	$ 6,650,019	$ (2,174,090)	$ 10,774,912	$ 520,131

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Company has implemented the provisions of Governmental Accounting Standards Board Statement 45 (GASB Statement 45).

Plan Description

The Company participates in the Public Employees Health Program (PEHP) and offers medical insurance coverage to those employees who retire with over 25 years of service. The Company will pay the costs of the employee's medical insurance for 5 years from the employee's retirement date, or until the employee reaches age 65, whichever comes first. If the employee retires with 30 or more years of service, the Company will pay the employee's medical insurance until the employee reaches age 65.

Funding Policy

The Company meets the standard as set forth in GASB Statement 45 by providing an estimate of the future costs associated with the medical insurance premiums and discounting the cost of the projected premiums to present value. To calculate this estimate, the Company uses the Alternative Measurement Method instead of obtaining actuarial valuations. The Alternative Measurement Method is an acceptable method of calculation for companies with fewer than 100 plan members. The Company has not funded the cost of these benefits but, rather pays the premiums from current revenues.

Annual OPEB Cost and Net OPEB Obligation

The Company's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Company's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Company's net OPEB obligation:

Annual Required Contribution	$ 117,993
Interest on Net OPEB Obligation	6,151
Annual OPEB Cost	111,841
Contributions made	24,269
Increase in Net OPEB Obligation	87,572
Net OPEB Obligation at beginning of year	188,828
Net OPEB Obligation at end of year	$ 276,400

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (continued)

The Company's annual OPEB cost, the percentage of annual OPEB cost contributed towards the Unfunded Actuarial Accrued Liability (UAAL) of the plan and the Net OPEB Obligation are provided in the table below:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB of UAAL	Net OPEB Obligation
12/31/2006			
12/31/2007			
12/31/2008	$ 117,171	11%	$ 117,171
12/31/2009	71,657	7%	188,828
12/31/2010	87,572	8%	276,400

<u>Funded Status and Funding Progress</u>

As of December 31, 2010, the actuarial accrued liability (AAL) for benefits was $1,050,372, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

<u>Methods and Assumptions</u>

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Retirement age for active employees—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Mortality—Life expectancies were based on mortality tables from the National Center for Health Statistics.

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (continued)

Turnover—Non-group specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate—The expected rate of increase in the healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5.6 percent was used for all years.

Health insurance premiums—2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Value of plan assets—The Company does not accumulate assets in a dedicated trust, or equivalent arrangement, for purposes of funding its retiree healthcare obligation. Therefore, the value of plan assets is zero.

Annual required contributions of the employer—The unfunded accrued liability is amortized over the average remaining life expectancy of all participants or thirty years, whichever is shorter.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES

Membership in Utah Associated Municipal Power System (UAMPS)

The Company is a member of the Utah Associated Municipal Power Systems (UAMPS). UAMPS is a joint action agency and political subdivision of the State of Utah formed under an Organization Agreement dated November 6, 1980, pursuant to the provisions of the Utah Inter-local Cooperation Act. UAMPS' membership consists of 38 municipalities, one joint action agency, one electric service district, one public utility district, two water conservancy districts, and one non-profit corporation.

UAMPS is a legally separate entity, which possesses the ability to establish its own budget, incur debt, sue and be sued, and own and lease property. No other governmental units in Utah exercise significant control over UAMPS. As such, UAMPS is not a component unit as defined by the Governmental Accounting Standards Board in their Statement No. 14, "The Financial Reporting Entity".

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

UAMPS' purposes include planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining of projects, or ownership interests or capacity rights therein, for the generation, transmission and distribution of electric energy for the benefit of its members.

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows:

The Company participated in various individual projects by entering into power sales and/or transmission service contracts. Under various power sales contracts, UAMPS' members are required to pay their proportionate share of all operation and maintenance expenses and debt service on the revenue bonds issued by UAMPS, and any other energy-related costs, as defined in the contract and in some instances regardless of whether any power is supplied to the Company ("Take or Pay Agreements"). The Company may be required to make additional equity investments in UAMPS or in any specified projects of UAMPS. Under the organization agreement, the four members with the greatest financial obligations to UAMPS are each entitled to designate one of UAMPS' directors. All other directors are selected from the representatives of the remaining UAMPS members.

Separate financial statements for UAMPS may be obtained from the Manager of Finance at 2825 East Cottonwood Parkway, Suite 200, Salt Lake City, Utah 84121.

(a)Hunter II Generation Project (Hunter II)

Hunter II, part of the Hunter Station in Emery County, Utah, is a coal fired, steam-electric generating unit with a net capacity of 430 megawatts. Hunter has commercially operated since June 1980 and is jointly owned by PacifiCorp, Deseret Generation & Transmission Co-operative and UAMPS. UAMPS owns an undivided 14.582% interest in Hunter II, representing approximately 63 megawatts of capacity and energy. The Company's current output entitlement in the Hunter II generating project is 5.82% of UAMPS ownership.

(b) Craig Mona Transmission Project (Craig Mona)

The Craig Mona project involves the transmission capability of two interconnected 345 KV Transmission lines. UAMPS and its members own a 15% interest in the first segment, running west from Craig, Colorado, to the Bonanza Power Plant in northeast Utah. In 2010, Heber Light & Power will be able to share, sell or use as conditions warrant. UAMPS holds an entitlement to 54 megawatts capacity in the second segment from Bonanza to an interconnection at Mona, Utah.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows: (continued)

The Company acquired 4.58% of UAMPS transfer rights in the Craig Mona transmission project.

(c) The Colorado River Storage Project (CRSP)

CRSP is federally owned and operated by the United States Bureau of Reclamation. One purpose of CRSP is the production of hydroelectric capacity and energy. Heber Light & Power acts as its own purchasing agent for its allocation of CRSP energy. The contract in the CRSP project ran through 2004, and has been renewed annually. The Company has an entitlement of 1/5 of the energy produced up to 3 MW.

(d) Pool Project

The Pool Project brings the UAMPS members together in a resource clearinghouse for mutual advantages. The pool matches the member with surplus resources to those members who have a deficit of resources on an hourly basis.

The Company participates in the UAMPS pool for planned and unplanned transactions. The agreement requires participants to pay the costs of the pool based on (a) direct costs of planned transactions, (b) the hourly costs of energy and associated transmission supplied on unplanned transactions and (c) the administrative costs of the pool.

Termination of the pooling agreement requires a five-year notification.

(e) Government & Public Affairs Project

Lobbying and the political considerations of UAMPS members who elect to participate in these actions are under the Government and Public Affairs Project. Nationally and locally, UAMPS represents a strong political stance on issues related to electric utilities and the public power movement. Under this project's umbrella comes UAMPS' affiliation with APPA and CREDA.

Other Contractual Obligations

(a) Intermountain Power Agency (IPA) Contract

The Company through UAMPS is a member of the Intermountain Power Agency (IPA), a separate legal entity established under the guidelines of the Utah Inter-local Co-operation Act.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The IPA operates a power production plant near Delta, Utah for the benefit of its members. IPA has approximately $5.1 billion of revenue bonds that are paid from the revenues received from participant charges. Under the terms of its original contract with IPA, the Company is entitled and obligated to purchase 0.627% of the plant's power output. However, under a subsequent excess power sales agreement, the Company has a bilateral agreement with certain California purchasers for the duration of the project unless the Company recalls any or all of the entitlement. In recent years, the Company has reclaimed some of its entitlement from California purchasers. The Company is liable for operating expenses and repayment of the outstanding bonds only in the event of a prolonged power outage (in excess of 24 months) and/or failure to perform under the agreement on the part of each of the California purchasers.

(b) Jordanelle Generation Plant and Power Purchase Agreement

During 2005, Heber Light and Power began construction of substation and distribution facilities to receive all of the energy from the Jordanelle Generating Station. Work was completed in 2008 and commercial output began in July.

NOTE 10. TERMINATION BENEFITS

The Company will compensate an employee with 5 years of Company service at his/her most recent base salary rate for seventy-five percent of unused sick leave. At December 31, 2010, the present value of future payments reported as a liability in the statement of net assets was $308,336. The calculation to accrue this liability is based on the assumption that employees with 15 years of service will continue service to the Company until they are eligible to retire. For employees with 5 to 15 years of service, the benefit is calculated as a percentage of the number of years of service over 5 years divided by 10 years. No accrual is made for employees with less than 5 years of service as management considers the likelihood of retirement to be low. The employee's hourly rate in effect and the estimated hours, based on the above assumptions is then used to determine an estimate of the benefit.

The Company funds the program on a pay-as-you-go basis. During the year ended December 31, 2010, 31 employees were included in the program.

All Company employees who have completed 25 years of service and are eligible for Utah State Retirement benefits are eligible for participation with the Company in purchasing up to 5 years of retirement credit. Under this benefit, the Company may provide up to 95% of the actuarially determined rate for the credits. The estimated cost of projected credit purchases cannot be reasonably estimated because information necessary to determine the amount is unable to be

NOTE 10. TERMINATION BENEFITS (Continued)

determined. The Company funds the program on a pay-as-you-go basis. During the year ended December 31, 2010, no employees exercised this benefit.

NOTE 11. PRIOR PERIOD ADJUSTMENT

During 2009, amounts were included in Electricity Sales for a test meter installed to conduct demand studies for a specific service area. As this was a test meter, revenues were not to be included in Electricity Sales. An adjustment has been made to 2009 figures in the amount of $299,205 to correct this error.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

February 18, 2011

Board of Directors
Heber Light & Power Company
Heber City, Utah

I have audited the accompanying financial statements of the business-type activities of Heber Light & Power Company (Company) as of and for the year ended December 31, 2010, which comprise the Company's basic financial statements and have issued my report thereon dated February 18, 2011. I conducted my audit 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Company's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Heber Light & Power Company, others within the organization, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

February 18, 2011

Board of Directors
Heber Light & Power Company
Heber City, Utah

I have audited the accompanying financial statements of the business-type activities of Heber Light & Power Company (Company) as of and for the year ended December 31, 2010, which comprise the basic financial statements and have issued my report thereon dated February 18, 2011.

My audit included test work on the Company's compliance with the following general compliance requirements identified in the State of Utah compliance Audit Guide:

Public Debt	Special Districts
Cash Management	Other General Compliance Issues
Purchasing Requirements	Impact Fees
Budgetary Compliance	Utah Retirement System Compliance
Fund Balance	

The Company did not receive any major or non-major State grants during the year ended December 31, 2010.

The management of the Company is responsible for the Company's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

My audit does not provide a legal determination on the Company's compliance with these requirements.

The results of my audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In my opinion, the Heber Light & Power Company, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2010.

The report is intended solely for the information and use of management of the Company and its Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

HEBER LIGHT & POWER
MANAGEMENT LETTER
DECEMBER 31, 2010

GREG OGDEN, CPA
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(801) 489-8408

February 18, 2011

Board of Directors
Heber Light & Power Company
Heber City, Utah

Board Members:

While planning and performing my audit of the basic financial statements of Heber Light & Power Company (Company) for the year ended December 31, 2010, I noted one matter regarding the Company's internal controls which needs to be addressed by the Company's management.

This report is intended solely for the use of the management of Heber Light & Power Company. However, this report is a matter of public record and its distribution is not limited.

By its nature, this report focuses on exceptions, weaknesses and problems. This focus should not be understood to mean that there are not also various strengths and accomplishments. I appreciate the courtesy and assistance extended to me by the personnel of the Company during the course of my audit, and I look forward to a continuing professional relationship. I would be pleased to discuss this matter with you at your convenience.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

INTERNAL CONTROL DEFICIENCY

1. **FINDING – PRIOR PERIOD ADJUSTMENT**

During 2009, amounts were included in electricity sales for a test meter installed to conduct demand studies for a specific service area. As this was a test meter, revenues were not intended to be included in electricity sales. They were mistakenly included and a prior period adjustment was posted to correct the error of $299,205.

RECOMMENDATION

Care should be taken when installing test meters to ensure that these do not result in billings. The accounts receivable aging report and electricity sales should also be analyzed closely to ensure that only actual billings are included.

RESPONSE – HEBER LIGHT & POWER

Management has analyzed and discussed this issue and its cause with the appropriate staff to ensure that monthly Accounts Receivable Aging Reports and Billing Summaries are carefully reviewed to identify any anomalies regarding these types of accounts. Test meters are not typical within Heber Light & Power's regular business activities and any addition or modification of such accounts in the future will be carefully managed so as not to result in billings but, only record the kilowatt hours and kilowatts, the intended purpose.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
FINANCIAL REPORT
DECEMBER 31, 2011

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

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GREG OGDEN, CPA
1761 EAST 850 SOUTH
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INDEPENDENT AUDITOR'S REPORT

February 28, 2012

Board of Directors
Heber Light & Power Company
Heber City, Utah

Board Members:

I have audited the accompanying financial statements of the business-type activities of Heber Light & Power Company (Company) as of and for the year ended December 31, 2011, which comprise the Company's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Company as of December 31, 2011 and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated February 28, 2012, on my consideration of the Company's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis

This section of Heber Light & Power's annual financial report presents our discussion and analysis of Heber Light & Power's financial performance during the fiscal year ended December 31, 2011. Presented in the following pages are the December 31, 2011 Financial Statements of Heber Light & Power which include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows along with related notes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Heber Light & Power's basic financial statements which are comprised of two areas:

1. Company-wide Financial Statements
2. Notes to the Financial Statements

The financial statements also include notes that explain some of the information contained within and provide more detailed data.

Financial Highlights

Revenues from the sale of electricity were $12,359,002, an increase of $489,678 or 4.13% over 2010. In addition, power purchases expense decreased by 2.8% to $5,815,483 and gas generation expense decreased by $250,706 or 51.1% to $239,955.

During 2011, Heber Light & Power collected impact fees from all customers who added new or additional electrical load to the utility's distribution system. This charge is in response to the rapid growth that has been experienced in the Heber Valley and provides the utility with the necessary funds to add new distribution system plant which is required to serve these customers. The funds collected as a result of the impact fees are restricted in that they can only be used for new or upgraded plant and not applied against operational expense. The Impact Fee revenue in 2011 was $411,279.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operational Highlights

As a result of Service Territory agreement reached with Rocky Mountain Power, Heber Light & Power expanded its service territory in 2011 to include Timber Lakes, Swiss Mountain Estates and Oak Haven subdivisions. The terms of the agreement also required Heber Light & Power to transfer to Rocky Mountain Power its customers in Snake Creek Canyon and along Highway 40, north of Coyote Lane. The net growth in customers to Heber Light & Power is eight hundred and fifty four (854).

Heber Light & Power also purchased Rocky Mountain Power's Snake Creek hydro generating plant at Snake Creek Canyon. The plant provides an additional 1.2 megawatts of generation to the utility's portfolio.

Financial Analysis

Heber Light & Power's Net Assets

	2011	2010
Current and other Assets	$7,598,381	$9,271,858
Capital and Non-current Assets	27,091,183	24,667,883
Total Assets	34,689,564	33,939,741
Current Liabilities	2,694,998	2,619,238
Long Term Liabilities	10,173,262	10,344,913
Total Liabilities	12,868,260	12,964,151
Total Net Assets	$21,821,304	$20,975,590

Heber Light & Power's total assets net of accumulated depreciation were $34,689,564. Total Net Assets for 2011 was $21,821,304, an increase over 2010 of $845,714 or 4%. The majority of this increase is related to the purchase of the Snake Creek Hydro Plant and other service territory agreement expenditures.

General Fund Budgetary Highlights

In 2011 operating expenses were below budget. The most significant positive variances resulted from lower than budgeted expenses in power purchased and generation.

Economic Factors and Next Year's Budget and Rates

The 2012 Budgeted Revenues were increased by a modest 2% over 2011 Projected Revenues. This is a reasonable estimate considering the effects of the current economy on new customer growth in Heber Light and Power's service territory.

Heber Light and Power continues to review its rates to ensure appropriate expense recovery and funding of capital purchases. Any rate adjustments considered will preserve existing revenues to ensure appropriate funding. The goal of the utility is to fund its capital requirements without incurring additional debt.

Contacting Heber Light & Power's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Heber Light & Power's finances and to demonstrate the utility's accountability for the money it receives. If you have questions about this report or need additional financial information please contact our office at (435) 654-1581.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

ASSETS		
Current Assets		
Cash and cash equivalents		$ 5,148,495
Restricted cash and cash equivalents		404,930
Trade accounts receivable	1,365,051	
Unbilled accounts receivable	253,361	
Less allowance for doubtful accounts	(280,069)	
Net accounts receivable		1,338,343
Other receivables		117,131
Inventory at cost (first-in, first-out)		589,482
Total Current Assets		7,598,381
Non-current Assets		
Land	203,045	
Other capital assets, net of depreciation	26,888,138	
Total capital assets		27,091,183
TOTAL ASSETS		34,689,564
LIABILITIES		
Current Liabilities		
Trade accounts payable		1,357,244
Other accrued payables		91,883
Accrued related party payable		55,856
Deferred revenue		935,015
Long-term debt - current		255,000
Total Current Liabilities		2,694,998
Non-current Liabilities		
Long-term debt		10,173,262
TOTAL LIABILITIES		12,868,260
NET ASSETS		
Invested in capital assets net of related debt		16,662,921
Restricted for debt service		404,930
Unrestricted		4,753,453
TOTAL NET ASSETS		$ 21,821,304

The accompanying notes are an integral part of these financial statements.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING REVENUES		
Electricity sales pledged as security for revenue bonds	$	12,359,002
Connection fees		26,595
Other income		175,561
TOTAL OPERATING REVENUES		12,561,158
COST OF SALES		
Power purchases		5,815,483
Energy rebates		3,327
Gas generation fuel		239,955
Wages		518,779
TOTAL COST OF SALES		6,577,544
GROSS PROFIT		5,983,614
OPERATING EXPENSES		
Salaries, wages and benefits		1,723,886
Depreciation		1,817,617
Insurance		871,391
Professional services		177,892
Maintenance and training		211,885
Materials		34,539
Building Expenses		130,666
Office expense and postage		142,029
Truck expense		182,239
Bad debt expense		21,122
Credit card fees		40,689
Travel		45,829
Miscellaneous		62,119
TOTAL OPERATING EXPENSES		5,461,903
INCOME (LOSS) FROM OPERATIONS		521,711
NON-OPERATING REVENUES (EXPENSES)		
Interest		34,804
Interest and bond issuance costs expense		(509,619)
TOTAL NON-OPERATING REVENUES (EXPENSES)		(474,815)
INCOME BEFORE CONTRIBUTIONS		46,896

The accompanying notes are an integral part of these financial statements.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011

Statement of Revenues, Expenses and Changes in Net Assets (continued)

CONTRIBUTIONS	
Impact Fees	411,279
Capital contributed	593,812
TOTAL CONTRIBUTIONS	1,005,091
CHANGE IN NET ASSETS	1,051,987
TOTAL NET ASSETS AT BEGINNING OF YEAR	20,975,590
Distributions to owners	(206,273)
TOTAL NET ASSETS AT END OF YEAR	$ 21,821,304

The accompanying notes are an integral part of these financial statements.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	12,572,290
Payments to suppliers		(7,690,312)
Payments to employees		(2,242,665)
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,639,313
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income		34,804
NET CASH FLOWS FROM INVESTING ACTIVITIES		34,804
CASH FLOWS CAPITAL AND RELATED FINANCING ACTIVITIES		
Impact fees		411,279
Capital contributions		593,812
Purchase/disposal of capital assets		(4,240,917)
Principal paid on long-term debt		(346,651)
Interest paid on long-term debt		(509,619)
Distributions to owners		(206,273)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		(4,298,369)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,624,252)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,177,677
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	5,553,425
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) from operations	$	521,711
Adjustments to reconcile operating income to net cash		
Depreciation		1,817,617
Changes in assets and liabilities		
Accounts receivable, net of allowance		42,998
Other receivables		(31,866)
Inventory		38,093
Accounts payable		213,579
Accrued liabilities		2,166
Deferred Revenue		35,015
NET CASH FLOWS FROM OPERATING ACTIVITIES	$	2,639,313

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Heber Light & Power Company is an interlocal energy service utility serving customers within the Heber Valley. Heber Light & Power provides electricity to the owner municipalities of Heber City, Midway and Charleston as well as the towns of Daniel and Independence along with unincorporated areas of Wasatch County within its service territory. Heber Light & Power Company is not considered a component unit of Heber City, Midway, Charleston or Daniel. Heber Light & Power does not have any component units. These financial statements include only items relating to the business of the utility. The Company's financial statements are reported as an enterprise fund.

The financial statements of the Company are prepared in accordance with generally accepted accounting principles (GAAP). The Company applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Company does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The financial statements are accounted for using economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled electric utility service receivables are recorded at year end.

Operating revenue reported in the Statement of Revenues, Expenses, and Changes in Net Assets includes revenues and expenses related to the primary, continuing operations of the Company. Principal operating revenues are charges to the customers for sales or services. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating.

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. Depreciation of all exhaustible fixed assets used by the Company is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Fixed Assets are depreciated over their estimated useful lives and calculated using the straight line method.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated unpaid vacation and other employee benefit amounts are accrued when incurred using the accrual basis.

The Company is not subject to federal or state income taxes since it is a political subdivision of the state of Utah owned by three municipalities.

The Company considers cash in bank and funds invested with the Public Treasurer's Investment Fund as cash and cash equivalents.

For purposes of the Statement of Cash Flows, the Company considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventory is valued at average cost and consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capitalized as inventory items are consumed or put in service.

The Company uses the following procedures in establishing the budget that is submitted to the State Auditor.

1. Management submits a proposed budget to the Board of Directors in November.
2. The Board of Directors approves a proposed budget.
3. In December the proposed budget is adopted in a public hearing.
4. The budget is reviewed in the following December and amended (if necessary) in a public hearing.

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first where permissible, and then unrestricted resources as they are needed.

NOTE 2. CASH AND INVESTMENTS

Deposits and investments for the Company are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Act Council. Deposits are not collateralized nor are they required to be by State statute.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the Company and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the United States government, agencies of the United States government, any state within the territorial United States of America; or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements; or certain other investments.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Company's deposits may not be recovered. The Company's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Company to be in a *qualified depository*, defined 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.

Credit Risk. Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Company's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate

NOTE 2. CASH AND INVESTMENTS (Continued)

obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The Company is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment Company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Company manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less.

Concentration of Credit Risk. The Company places no limit on the amount that the Company may invest in any one issuer. The Company has no concentration of credit risk.

The Company's investment policy only allows for investments in the Utah Public Treasurer's Investment Fund (UPTIF).

Cash and Cash Equivalents

Unrestricted Cash	$1,423,433
Cash invested in PTIF	3,725,062
Restricted invested in PTIF	404,930
Total cash and cash equivalents	$5,553,425

NOTE 2. CASH AND INVESTMENTS (Continued)

At December 31, 2011, the Company's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Utah Public Treasurer's Investment Fund	$4,148,095	N/A	Unrated

Restricted Cash and Cash Equivalents

The restricted cash and investments of $404,930 are shown as restricted assets to be used only for purposes designated by contract or under legal provisions for debt servicing.

NOTE 3. ACCOUNTS RECEIVABLE

Trade accounts receivable include amounts due from customers for billed electricity sales. All receivables are current and therefore due within one year. Unbilled revenues are recorded at year end. The trade receivables and unbilled revenues are reported net of an allowance for uncollectible accounts. This allowance is management's estimate based on past collection history and known circumstances regarding current customers.

The Other Receivable results from construction work performed for various customers.

Trade Accounts Receivable	$1,365,051
Unbilled Accounts Receivable	253,361
Less Allowance for Doubtful Accounts	(280,069)
Net Trade Accounts Receivable	1,338,343
Other Receivables	117,131
Total Net Accounts Receivable	$1,455,474

NOTE 4. FIXED ASSETS/DEPRECIATION

The Company's policy is to capitalize assets which exceed $1,000 and have an estimated useful life of more than one year. All capital assets of the Company are depreciable, with the exception of land and construction projects not completed.

Depreciation of fixed assets has been computed using the straight-line method. Useful lives and depreciation amounts for the year are as follows:

	Useful Life Years	Amount
Buildings	20-50	$ 38,884
Hydro electric plant	10-40	73,439
Machinery, equipment and tools	5-12	197,721
Distribution system	5-30	938,670
Transportation equipment	3-5	107,619
Technology/Office equipment	5-10	87,072
Generating plant	8-20	383,946
Hyrum Christensen Reservoir	10	1,416
		$ 1,828,767
Service Territory Settlement		1,284,000
Total		$ 3,112,767

The Service Territory Settlement amount depicted in the table above represents the amount determined to be the value of the distribution assets exchanged to transfer customers between Rocky Mountain Power and Heber Light & Power. Since the transfer of customers did not result in any monetary exchange between the utilities, the assets were added at a zero net book value.

NOTE 4. FIXED ASSETS/DEPRECIATION (continued)

Changes in capital assets are as follows:

	Balance 12/31/2010	Additions	Deletions or Reclassifications	Balance 12/31/2011
Capital Assets not being depreciated				
Land	$ 203,045	$ -	$ -	$ 203,045
Construction in Progress	-	-	-	-
Total Capital Assets not being depreciated	203,045	-	-	203,045
Capital Assets being depreciated				
Buildings	1,388,850	56,879	-	1,445,729
Hydro-Electric plant	2,952,455	1,221,032	-	4,173,487
Machinery, Equipment and Tools	1,999,953	197,512	-	2,197,465
Distribution System	25,548,504	3,496,047	-	29,044,550
Trucks	1,305,911	38,693	-	1,344,601
Office Equipment	709,060	228,571	-	937,631
Generating Plant	5,080,384	286,185	-	5,366,569
Hyrum Christensen Reservoir	167,484	-	-	167,484
	39,152,600	5,524,918	-	44,677,517
Less Accumulated Depreciation	(14,687,762)	(3,112,767)	11,150	(17,789,379)
Total Capital Assets being depreciated	24,464,838	2,412,151	11,150	26,888,138
Total Capital Assets, net	24,667,883	2,412,151	11,150	27,091,183

NOTE 5. RELATED PARTY TRANSACTIONS

The Company's policy is to bill the member entities for their respective power usage on the same basis and costs as with regular customers. During the year ended December 31, 2011, the amounts billed to the related entities totaled $72,923. The Board of Directors approved the write off of the receivables from these related entities.

NOTE 6. DEFINED BENEFIT PENSION PLAN

Local Government – Cost Sharing

Plan Description. Heber Light & Power Company contributes to the Local Governmental Noncontributory Retirement System (Systems), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems. Utah Retirement Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. Plan Members participating in the Local Governmental Noncontributory Retirement System are required to make contributions to the plan based on their annual covered salary. The contribution rates are actuarially determined and for the year 2011, the contribution rates were 13.37% from January to June and 13.77% from July to December. The contribution requirements of the systems are authorized by statute and specified by the Board.

The salaries and wages paid by Heber Light & Power Company are covered by the Local Governmental Noncontributory Retirement System. The salaries and wages paid for the years ending December 31, 2011, 2010, and 2009 were $2,331,627, $2,054,001, and $2,085,245, respectively.

NOTE 6. DEFINED BENEFIT PENSION PLAN (Continued)

The Heber Light & Power Company contributions to the Local Governmental Noncontributory Retirement System for December 31, 2011, 2010, and 2009 were $316,960, $268,664, and $242,745, respectively. The contributions were equal to the required contributions for each year.

Internal Revenue Code Section 401(k) Plan

The Company sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 401(k). The plan is available to permanent full-time employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the Company or its general creditors. The Company's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended December 31, 2011, 2010 and 2009 contributions totaling $74,785, $75,110, and $65,470, respectively, were made to the plan by employees and $40,769 $27,819, and $27,195, respectively, by the Company.

Internal Revenue Code Section 457 Plan

The Company sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 457. The plan is available to permanent full-time employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the Company or its general creditors. The contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended December 31, 2011, 2010 and 2009 contributions totaling, $15,860, $12,585, and $14,745, respectively, were made to the plan by employees.

NOTE 7. LONG-TERM DEBT

2002 Series Bonds Payable

During 2002, the Company issued Series 2002 Bonds to provide for improvements and additions to the electric generation, transmission and distribution facilities of its system.

On October 15, 2002, the Company issued $4,995,000 Electric Revenue Bonds Series 2002 with coupon interest rates ranging from 3.25 percent to 5.00 percent. Interest payments are due semi-annually beginning June 15, 2003, with the last interest payment scheduled on December 15, 2025. Principal payments are due annually beginning December 15, 2003, with the last payment scheduled December 15, 2025.

The Series 2002 Bonds are special obligations of the Company payable solely from and secured solely by (a) the proceeds of the sale of Bonds, (b) the Revenues, and (c) all Funds established by the Indenture including the investments thereof. The pledge of the Revenues is subject to (1) the prior payment from Revenues of the Operation and Maintenance Costs of the System, (2) any required rebate of investment earnings to the United States of America, and (3) the application of the Revenues and Funds for the purposes permitted by, and on the terms and conditions set forth in, the Indenture.

The Indenture provides that the Debt Service Reserve Account will be funded in an amount equal to the Debt Service Reserve Requirement for Series 2003 Bonds. The Debt Service Reserve Requirement is an amount equal to the least of (i) the sum of ten percent of the original principal amount of the Bonds outstanding, (ii) the Maximum Annual Debt Service on the Bonds and (iii) 125% of the Average Annual Debt Service on the Bonds. The Debt Service Reserve Requirement was $369,250, at December 31, 2011.

NOTE 7. LONG-TERM DEBT (continued)

Debt service requirements of the 2002 Series revenue bonds are as follows:

Series 2002

	Principal	Interest	Total
2012	$ 190,000	$ 170,005	$ 360,005
2013	200,000	162,595	362,595
2014	200,000	154,395	354,395
2015	215,000	145,995	360,995
2016	225,000	136,750	361,750
2017-2021	1,285,000	519,350	1,804,350
2022-2025	1,295,000	166,500	1,461,500
	$ 3,610,000	$ 1,455,590	$ 5,065,590

2010 Series Bonds Payable

During 2010, the Company issued Series 2010 Bonds to pay off the remaining balance of the Caterpillar Capital Lease and to provide for improvements and additions to the electric generation, transmission and distribution facilities of its system.

On November 23, 2010, Heber Light & Power issued $6,525,000 Electric Revenue Bond Series 2010 with coupon interest rates ranging from 3.00 percent to 7.00 percent. $1,675,000 were used to advance refund the Caterpillar Capital Lease.

Interest payments are due semi-annually beginning June 15, 2011, with the last interest payment scheduled on December 15, 2035. Principal payments are due annually beginning December 15, 2011, with the last payment scheduled December 15, 2035.

The Series 2010 Bonds are special obligations of the Company payable solely from and secured solely by (a) the proceeds of the sale of Bonds, (b) the Revenues, and (c) all Funds established by the Indenture including the investments thereof. The pledge of the Revenues is subject to (1) the prior payment from Revenues of the Operation and Maintenance Costs of the System, (2) any

NOTE 7. LONG-TERM DEBT (continued)

required rebate of investment earnings to the United States of America, and (3) the application of the Revenues and Funds for the purposes permitted by, and on the terms and conditions set forth in the Indenture.

The Indenture provides that a Reserve Fund Surety Bond be purchased to eliminate the need for a fully funded Debt Reserve Fund. The premium for the Surety Bond was paid from the original disbursements of the Bond proceeds.

Debt service requirements of the 2010 Series revenue bonds are as follows:

Series 2010

	Principal	Interest	Total
2012	65,000	283,225	348,225
2013	65,000	281,275	346,275
2014	75,000	279,325	354,325
2015	70,000	277,075	347,075
2016	70,000	274,275	344,275
2017-2021	410,000	1,325,775	1,735,775
2022-2026	1,065,000	1,208,875	2,273,875
2027-2031	2,255,000	816,952	3,071,952
2032-2035	2,200,000	255,938	2,455,938
	$ 6,275,000	$ 5,002,715	$ 11,277,715

Included in the interest amounts are reductions associated with Build America Bonds subsidies.

The Company pledges income derived from the sale of electricity to repay the series 2002 and 2010 bonds. The bonds are payable solely from electric customer net revenues and are payable through 2025 and 2035, respectively. Annual principal and interest payments are expected to require less than ten percent of the total annual electricity sales.

NOTE 7. LONG-TERM DEBT (continued)

The following is a summary of changes in long-term debt for the year ended December 31, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds					
Series 2002	$ 3,790,000	$ -	$ (180,000)	$ 3,610,000	$ 190,000
Series 2010	6,525,000	-	(250,000)	6,275,000	65,000
Compensated Absences	127,974	150,525	(154,608)	123,891	34,474
Termination Benefits	308,336	67,018	(45,150)	330,204	-
Other Post Employment Benefits	276,400	78,450	(24,633)	330,218	-
Unamortized Bond Issue Costs	(252,798)	-	11,746	(241,051)	-
	$ 10,774,912	$ 295,992	$ (642,644)	$ 10,428,260	$ 289,474

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Company has implemented the provisions of Governmental Accounting Standards Board Statement 45 (GASB Statement 45).

Plan Description

The Company participates in the Public Employees Health Program (PEHP) and offers medical insurance coverage to those employees who retire with over 25 years of service. The Company will pay the costs of the employee's medical insurance for 5 years from the employee's retirement date, or until the employee reaches age 65, whichever comes first. If the employee retires with 30 or more years of service, the Company will pay the employee's medical insurance until the employee reaches age 65.

Funding Policy

The Company meets the standard as set forth in GASB Statement 45 by providing an estimate of the future costs associated with the medical insurance premiums and discounting the cost of the projected premiums to present value. To calculate this estimate, the Company uses the Alternative Measurement Method instead of obtaining actuarial valuations. The Alternative Measurement Method is an acceptable method of calculation for companies with fewer than 100 plan members. The Company has not funded the cost of these benefits but, rather pays the premiums from current revenues.

Annual OPEB Cost and Net OPEB Obligation

The Company's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Company's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Company's net OPEB obligation:

Annual Required Contribution	$ 82,765
Interest on Net OPEB Obligation	4,315
Annual OPEB Cost	78,450
Contributions made	24,633
Increase in Net OPEB Obligation	53,818
Net OPEB Obligation at beginning of year	276,400
Net OPEB Obligation at end of year	$ 330,218

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (continued)

The Company's annual OPEB cost, the percentage of annual OPEB cost contributed towards the Unfunded Actuarial Accrued Liability (UAAL) of the plan and the Net OPEB Obligation are provided in the table below:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB of UAAL	Net OPEB Obligation
12/31/2006			
12/31/2007			
12/31/2008	$ 117,171	12%	$ 117,171
12/31/2009	71,657	7%	188,828
12/31/2010	87,572	9%	276,400
12/31/2011	53,818	6%	330,218

Funded Status and Funding Progress

As of December 31, 2011, the actuarial accrued liability (AAL) for benefits was $977,814, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Retirement age for active employees—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (continued)

Mortality—Life expectancies were based on mortality tables from the National Center for Health Statistics.

Turnover—Non-group specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate—The expected rate of increase in the healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5.6 percent was used for all years.

Health insurance premiums—2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Value of plan assets—The Company does not accumulate assets in a dedicated trust, or equivalent arrangement, for purposes of funding its retiree healthcare obligation. Therefore, the value of plan assets is zero.

Annual required contributions of the employer—The unfunded accrued liability is amortized over the average remaining life expectancy of all participants or thirty years, whichever is shorter.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES

Membership in Utah Associated Municipal Power System (UAMPS)

The Company is a member of the Utah Associated Municipal Power Systems (UAMPS). UAMPS is a joint action agency and political subdivision of the State of Utah formed under an Organization Agreement dated November 6, 1980, pursuant to the provisions of the Utah Interlocal Cooperation Act. UAMPS' membership consists of 38 municipalities, one joint action agency, one electric service district, one public utility district, two water conservancy districts, and one non-profit corporation.

UAMPS is a legally separate entity, which possesses the ability to establish its own budget, incur debt, sue and be sued, and own and lease property. No other governmental units in Utah exercise

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

significant control over UAMPS. As such, UAMPS is not a component unit as defined by the Governmental Accounting Standards Board in their Statement No. 14, "The Financial Reporting Entity".

UAMPS' purposes include planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining of projects, or ownership interests or capacity rights therein, for the generation, transmission and distribution of electric energy for the benefit of its members.

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows:

The Company participated in various individual projects by entering into power sales and/or transmission service contracts. Under various power sales contracts, UAMPS' members are required to pay their proportionate share of all operation and maintenance expenses and debt service on the revenue bonds issued by UAMPS, and any other energy-related costs, as defined in the contract and in some instances regardless of whether any power is supplied to the Company ("Take or Pay Agreements"). The Company may be required to make additional equity investments in UAMPS or in any specified projects of UAMPS. Under the organization agreement, the four members with the greatest financial obligations to UAMPS are each entitled to designate one of UAMPS' directors. All other directors are selected from the representatives of the remaining UAMPS members.

Separate financial statements for UAMPS may be obtained from the Manager of Finance at 155 North 400 West, Suite 480, Salt Lake City, Utah 84103.

(a)Hunter II Generation Project (Hunter II)

Hunter II, part of the Hunter Station in Emery County, Utah, is a coal fired, steam-electric generating unit with a net capacity of 430 megawatts. Hunter has commercially operated since June 1980 and is jointly owned by PacifiCorp, Deseret Generation & Transmission Co-operative and UAMPS. UAMPS owns an undivided 14.582% interest in Hunter II, representing approximately 63 megawatts of capacity and energy. The Company's current output entitlement in the Hunter II generating project is 5.82% of UAMPS ownership.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Craig Mona Transmission Project (Craig Mona)

The Craig Mona project involves the transmission capability of two interconnected 345 KV Transmission lines. UAMPS and its members own a 15% interest in the first segment, running west from Craig, Colorado, to the Bonanza Power Plant in northeast Utah. In 2010, Heber Light & Power will be able to share, sell or use as conditions warrant. UAMPS holds an entitlement to 54 megawatts capacity in the second segment from Bonanza to an interconnection at Mona, Utah.

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows: (continued)

The Company acquired 4.58% of UAMPS transfer rights in the Craig Mona transmission project.

(c) The Colorado River Storage Project (CRSP)

CRSP is federally owned and operated by the United States Bureau of Reclamation. One purpose of CRSP is the production of hydroelectric capacity and energy. Heber Light & Power acts as its own purchasing agent for its allocation of CRSP energy. The contract in the CRSP project ran through 2004, and has been renewed annually. The Company has an entitlement of 1/5 of the energy produced up to 3 MW.

(d) Pool Project

The Pool Project brings the UAMPS members together in a resource clearinghouse for mutual advantages. The pool matches the member with surplus resources to those members who have a deficit of resources on an hourly basis.

The Company participates in the UAMPS pool for planned and unplanned transactions. The agreement requires participants to pay the costs of the pool based on (a) direct costs of planned transactions, (b) the hourly costs of energy and associated transmission supplied on unplanned transactions and (c) the administrative costs of the pool.

Termination of the pooling agreement requires a five-year notification.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(e) Government & Public Affairs Project

Lobbying and the political considerations of UAMPS members who elect to participate in these actions are under the Government and Public Affairs Project. Nationally and locally, UAMPS represents a strong political stance on issues related to electric utilities and the public power movement. Under this project's umbrella comes UAMPS' affiliation with APPA and CREDA.

Other Contractual Obligations

(a) Intermountain Power Agency (IPA) Contract

The Company is a member of the Intermountain Power Agency (IPA), a separate legal entity established under the guidelines of the Utah Inter-local Co-operation Act.

The IPA provides financing for the Intermountain Power Project (IPP) located near Delta, Utah for the benefit of its members. IPA has approximately $5.1 billion of revenue bonds that are paid from the revenues received from participant charges. Under the terms of its original contract with IPA, the Company is entitled and obligated to purchase 0.627% of the plant's power output. However, under a subsequent excess power sales agreement, the Company has a bilateral agreement with certain California purchasers for the duration of the project unless the Company recalls any or all of the entitlement. In recent years, the Company has reclaimed some of its entitlement from California purchasers. The Company is liable for operating expenses and repayment of the outstanding bonds only in the event of a prolonged power outage (in excess of 24 months) and/or failure to perform under the agreement on the part of each of the California purchasers. Utah Association of Municipal Power Systems (UAMPS) serves as the agent for these agreements.

(b) Jordanelle Generation Plant and Power Purchase Agreement

During 2005, Heber Light and Power began construction of substation and distribution facilities to receive all of the energy from the Jordanelle Generating Station. Work was completed in 2008 and commercial output began in July of that year.

NOTE 10. TERMINATION BENEFITS

The Company will compensate an employee with 5 years of Company service at his/her most recent base salary rate for seventy-five percent of unused sick leave. At December 31, 2011, the present value of future payments reported as a liability in the statement of net assets was $330,204. The calculation to accrue this liability is based on the assumption that employees with 15 years of service will continue service to the Company until they are eligible to retire. For employees with 5 to 15 years of service, the benefit is calculated as a percentage of the number of years of service over 5 years divided by 10 years. No accrual is made for employees with less than 5 years of service as management considers the likelihood of retirement to be low. The employee's hourly rate in effect and the estimated hours, based on the above assumptions is then used to determine an estimate of the benefit.

The Company funds the program on a pay-as-you-go basis. During the year ended December 31, 2011, 32 employees were included in the program.

All Company employees who have completed 25 years of service and are eligible for Utah State Retirement benefits are eligible for participation with the Company in purchasing up to 5 years of retirement credit. Under this benefit, the Company may provide up to 95% of the actuarially determined rate for the credits. The estimated cost of projected credit purchases cannot be reasonably estimated because information necessary to determine the amount is unable to be determined. The Company funds the program on a pay-as-you-go basis. During the year ended December 31, 2011, no employees exercised this benefit.

GREG OGDEN, CPA
1761 EAST 850 SOUTH
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(801) 489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

February 28, 2012

Board of Directors
Heber Light & Power Company
Heber City, Utah

I have audited the financial statements of the business-type activities of Heber Light & Power Company (Company) as of and for the year ended December 31, 2011, which comprise the Company's basic financial statements and have issued my report thereon dated February 28, 2012. I conducted my audit 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Company's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Heber Light & Power Company, others within the organization, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

February 28, 2012

Board of Directors
Heber Light & Power Company
Heber City, Utah

I have audited Heber Light & Power Company's (Company) compliance with general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2011. The general compliance requirements applicable to the District are identified as follows:

Public Debt	Special Districts
Cash Management	Other General Compliance Issues
Purchasing Requirements	Impact Fees
Budgetary Compliance	Utah Retirement System Compliance
Fund Balance	

The Company did not receive any major or non-major State grants during the year ended December 31, 2011.

Compliance with the requirements referred to above is the responsibility of the Company's management. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred could have a material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Company's compliance with those requirements.

In my opinion, the Heber Light & Power Company, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2011.

This report is intended solely for the information and use of management of the Company, its Board of Directors, and the Office of the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
FINANCIAL REPORT
DECEMBER 31, 2012

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2012

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HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2012

INDEPENDENT AUDITOR'S REPORT

February 28, 2013

Board of Directors
Heber Light & Power Company
Heber City, Utah

Board Members:

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Heber Light & Power Company (Company) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Company as of December 31, 2012, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, I have also issued a report dated February 28, 2013, on my consideration of the Company's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-8 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, I have also issued a report dated February 28, 2013, on my consideration of the Company's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements and other matters. The purpose of that report is to describe the scope of my 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 report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Greg Ogden,
Certified Public Accountant

Management Discussion and Analysis

This section of Heber Light & Power's annual financial report presents our discussion and analysis of Heber Light & Power's financial performance during the fiscal year ended December 31, 2012. Presented in the following pages are the December 31, 2012 Financial Statements of Heber Light & Power which include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows along with related notes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Heber Light & Power's basic financial statements which are comprised of two areas:

1. Company-wide Financial Statements
2. Notes to the Financial Statements

The financial statements also include notes that explain some of the information contained within and provide more detailed data.

Financial Highlights

Revenues from the sale of electricity were $12,952,069, an increase of $593,067 or 4.8% over 2011. In addition, power purchases expense decreased by 13% to $5,063,234 and gas generation expense increased by $87,364 or 36% to $327,319.

During 2012, Heber Light & Power collected impact fees from all customers who added new or additional electrical load to the utility's distribution system. This charge is in response to the rapid growth that has been experienced in the Heber Valley and provides the utility with the necessary funds to add new distribution system plant which is required to serve these customers. The funds collected as a result of the impact fees are restricted in that they can only be used for new or upgraded plant and not applied against operational expense. The Impact Fee revenue in 2012 was $427,921.

Heber Light & Power collects fees from developers and customers in aid of utility construction in order to provide electrical service. These fees, hereafter referred to as Contributed Capital, represent the recovery of costs associated with onsite electrical upgrades or infrastructure additions, and distribution system upgrades required as a result of the customer's connection. In 2012, the revenue from Contributed Capital was $534,007.

Operational Highlights

In 2012, Heber Light & Power's customer base continued to grow with the addition of several apartment units along with new commercial customers. Total customers increased to 11,000, an increase of 10% over 2011.

Financial Analysis

Heber Light & Power's Net Position

	2012	**2011**
Current and other Assets	$8,165,659	$7,598,381
Capital and Non-current Assets	27,433,423	27,091,183
Total Assets	35,599,082	34,689,564
Current Liabilities	2,551,185	2,694,998
Long Term Liabilities	10,304,557	10,173,262
Total Liabilities	12,855,742	12,868,260
Total Net Position	$22,743,340	$21,821,304

Heber Light & Power's total assets net of accumulated depreciation were $35,599,082. Net Position for 2012 was $22,743,340, an increase over 2011 of $922,036 or 4%. The majority of this increase is related to additions to the Distribution System, the continuation of the Advanced Metering Infrastructure (AMI) Project and the addition of a new Operations Building.

General Fund Budgetary Highlights

In 2012 operating expenses were below budget. The most significant positive variances resulted from lower than budgeted expenses in power purchases.

Economic Factors and Next Year's Budget and Rates

The 2013 Budgeted Revenues were increased by a modest 2% over 2012 Projected Revenues. This is a reasonable estimate considering the effects of the current economy on new customer growth in Heber Light and Power's service territory.

Heber Light and Power continues to review its rates to ensure appropriate expense recovery and funding of capital purchases. Any rate adjustments considered will preserve existing revenues to ensure appropriate funding. The goal of the utility is to fund its capital requirements without incurring additional debt.

Contacting Heber Light & Power's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Heber Light & Power's finances and to demonstrate the utility's accountability for the money it receives. If you have questions about this report or need additional financial information please contact our office at (435) 654-1581.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
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HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS		
Current Assets		
Cash and cash equivalents		$ 4,169,553
Restricted cash and cash equivalents		1,390,776
Trade accounts receivable	1,373,218	
Unbilled accounts receivable	246,855	
Less allowance for doubtful accounts	(294,222)	
Net accounts receivable		1,325,851
Accrued interest receivable		57,959
Other receivables		231,916
Inventory at cost (first-in, first-out)		989,604
Total Current Assets		8,165,659
Non-current Assets		
Land	203,045	
Other capital assets, net of depreciation	27,230,378	
Total capital assets		27,433,423
TOTAL ASSETS		35,599,082
LIABILITIES		
Current Liabilities		
Trade accounts payable		1,188,245
Other accrued payables		81,256
Accrued related party payable		56,684
Deferred revenue		900,000
Long-term debt - current		325,000
Total Current Liabilities		2,551,185
Non-current Liabilities		
Long-term debt		10,304,557
TOTAL LIABILITIES		12,855,742
NET POSITION		
Invested in capital assets net of related debt		16,803,866
Restricted for capital projects		1,390,776
Unrestricted		4,548,698
TOTAL NET POSITION		$ 22,743,340

The accompanying notes are an integral part of these financial statements.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
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HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

OPERATING REVENUES		
Electricity sales pledged as security for revenue bonds	$	12,952,069
Connection fees		29,859
Other income		154,615
TOTAL OPERATING REVENUES		13,136,543
COST OF SALES		
Power purchases		5,063,234
Energy rebates		2,728
Gas generation fuel		327,319
Wages		609,595
TOTAL COST OF SALES		6,002,876
GROSS PROFIT		7,133,667
OPERATING EXPENSES		
Salaries, wages and benefits		2,412,973
Depreciation		1,833,564
Insurance		674,032
Professional services		171,261
Maintenance and training		307,778
Materials		319,328
Building expenses		125,779
Office expense and postage		165,041
Truck expense		152,765
Bad debt expense		14,153
Credit card fees		53,753
Travel		31,245
Miscellaneous		76,782
TOTAL OPERATING EXPENSES		6,338,454
INCOME (LOSS) FROM OPERATIONS		795,213
NON-OPERATING REVENUES (EXPENSES)		
Interest		40,093
Interest and bond issuance costs expense		(575,198)
TOTAL NON-OPERATING REVENUES (EXPENSES)		(535,105)
INCOME BEFORE CONTRIBUTIONS		260,108

The accompanying notes are an integral part of these financial statements.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2012

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

Statement of Revenues, Expenses and Changes in Net Assets (continued)

CONTRIBUTIONS	
Impact Fees	427,921
Capital contributed	534,007
TOTAL CONTRIBUTIONS	961,928
CHANGE IN NET POSITION	1,222,036
TOTAL NET POSITION AT BEGINNING OF YEAR	21,821,304
Distributions to owners	(300,000)
TOTAL NET POSITION AT END OF YEAR	$ 22,743,340

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2012

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	12,976,291
Payments to suppliers		(8,099,133)
Payments to employees		(3,022,568)
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,854,590
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income		40,093
NET CASH FLOWS FROM INVESTING ACTIVITIES		40,093
CASH FLOWS CAPITAL AND RELATED FINANCING ACTIVITIES		
Impact fees		427,921
Capital contributions		534,007
Proceeds from Bond Issuance		3,735,000
Purchase/disposal of capital assets		(2,175,804)
Principal paid or refunded on long-term debt		(3,533,705)
Interest paid on long-term debt		(575,198)
Distributions to owners		(300,000)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		(1,887,779)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		6,904
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,553,425
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	5,560,329
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) from operations	$	795,213
Adjustments to reconcile operating income to net cash		
Depreciation		1,833,564
Changes in assets and liabilities		
Accounts receivable, net of allowance		12,492
Accrued interest receivable		(57,959)
Other receivables		(114,785)
Inventory		(400,122)
Accounts payable		(179,626)
Accrued liabilities		828
Deferred Revenue		(35,015)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$	1,854,590

The accompanying notes are an integral part of these financial statements.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Heber Light & Power Company is an energy service Interlocal entity serving customers within the Heber Valley. Heber Light & Power provides electricity to the owner municipalities of Heber City, Midway and Charleston as well as the towns of Daniel and Independence along with unincorporated areas of Wasatch County within its service territory. Heber Light & Power Company is not considered a component unit of Heber City, Midway, Charleston or Daniel. Heber Light & Power does not have any component units. These financial statements include only items relating to the business of the utility. The Company's financial statements are reported as an enterprise fund.

The financial statements of the Company are prepared in accordance with generally accepted accounting principles (GAAP). The Company applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The financial statements are accounted for using economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled electric utility service receivables are recorded at year end.

Operating revenue reported in the Statement of Revenues, Expenses, and Changes in Net Position includes revenues and expenses related to the primary, continuing operations of the Company. Principal operating revenues are charges to the customers for sales or services. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating.

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. Depreciation of all exhaustible fixed assets used by the Company is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Fixed Assets are depreciated over their estimated useful lives and calculated using the straight line method.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated unpaid vacation and other employee benefit amounts are accrued when incurred using the accrual basis.

The Company is not subject to federal or state income taxes since it is a political subdivision of the State of Utah owned by three municipalities.

The Company considers cash in bank and funds invested with the Public Treasurer's Investment Fund (PTIF) as cash and cash equivalents. The funds invested in the PTIF represent amounts held in reserve for capital additions to the system along with rate stabilization contingencies.

For purposes of the Statement of Cash Flows, the Company considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventory is valued at average cost and consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capitalized as inventory items are consumed or put in service.

The Company uses the following procedures in establishing the budget that is submitted to the State Auditor.

1. Management submits a proposed budget to the Board of Directors in November.
2. The Board of Directors approves a proposed budget.
3. In December the proposed budget is adopted in a public hearing.
4. The budget is reviewed in the following December and amended (if necessary) in a public hearing.

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first where permissible, and then unrestricted resources as they are needed.

NOTE 2. CASH AND INVESTMENTS

Deposits and investments for the Company are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Act Council. Deposits are not collateralized nor are they required to be by State statute.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the Company and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the United States government, agencies of the United States government, any state within the territorial United States of America; or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements; or certain other investments.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Company's deposits may not be recovered. The Company's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Company to be in a *qualified depository*, defined 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.

Credit Risk. Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Company's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate

NOTE 2. CASH AND INVESTMENTS (Continued)

obligations and variable rate securities rated “A” or higher by two nationally recognized statistical rating organizations as defined in the Act.

The Company is authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment Company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants’ average daily balances.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Company manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less.

Concentration of Credit Risk. The Company places no limit on the amount that the Company may invest in any one issuer. The Company has no concentration of credit risk.

The Company’s investment policy only allows for investments in the Utah Public Treasurer’s Investment Fund (UPTIF).

Cash and Cash Equivalents

Unrestricted Cash	$1,673,012
Cash invested in PTIF	2,496,541
Restricted invested in PTIF	1,390,776
Total cash and cash equivalents	$5,560,329

NOTE 2. CASH AND INVESTMENTS (Continued)

At December 31, 2012, the Company's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Utah Public Treasurer's Investment Fund	$3,907,987	N/A	Unrated

NOTE 3. ACCOUNTS RECEIVABLE

Trade accounts receivable include amounts due from customers for billed electricity sales. All receivables are current and therefore due within one year. Unbilled revenues are recorded at year end. The trade receivables and unbilled revenues are reported net of an allowance for uncollectible accounts. This allowance is management's estimate based on past collection history and known circumstances regarding current customers.

The Other Receivable results from construction work performed for various customers.

Trade Accounts Receivable	$1,373,218
Unbilled Accounts Receivable	246,855
Less Allowance for Doubtful Accounts	(294,222)
Net Trade Accounts Receivable	1,325,851
Other Receivables	231,916
Total Net Accounts Receivable	$1,557,767

NOTE 4. FIXED ASSETS/DEPRECIATION

The Company's policy is to capitalize assets which exceed $1,000 and have an estimated useful life of more than one year. All capital assets of the Company are depreciable, with the exception of land and construction projects not completed.

Depreciation of fixed assets has been computed using the straight-line method. Useful lives and depreciation amounts for the year are as follows:

	Useful Life Years	Amount
Buildings	20-50	$ 44,660
Hydro-Electric plant	10-40	67,588
Machinery, Equipment and Tools	5-12	180,622
Distribution System	5-30	984,913
Trucks	3-5	96,395
Office Equipment	5-10	109,485
Generating Plant	8-20	348,487
Hyrum Christensen Reservoir	10	1,416
		$ 1,833,565

NOTE 4. FIXED ASSETS/DEPRECIATION (continued)

Changes in capital assets are as follows:

	Balance 12/31/2011	Additions	Deletions or Reclassifications	Balance 12/31/2012
Capital Assets not being depreciated				
Land	$ 203,045	$ -	$ -	$ 203,045
Construction in Progress	-	-	-	-
Total Capital Assets not being depreciated	203,045	-	-	203,045
Capital Assets being depreciated				
Buildings	1,445,729	280,328	-	1,726,058
Hydro-Electric plant	4,173,487	46,069	-	4,219,556
Machinery, Equipment and Tools	2,197,465	8,761	-	2,206,226
Distribution System	29,044,550	1,603,376	-	30,647,926
Trucks	1,344,601	65,477	(36,148)	1,373,928
Office Equipment	937,631	164,796	-	1,102,427
Generating Plant	5,366,569	7,000	-	5,373,569
Hyrum Christensen Reservoir	167,484	-	-	167,484
	44,677,516	2,175,807	(36,148)	46,817,174
Less Accumulated Depreciation	(17,789,379)	(1,833,565)	36,148	(19,586,796)
Total Capital Assets being depreciated	26,888,137	342,242	-	27,230,378
Total Capital Assets, net	27,091,182	342,242	-	27,433,423

NOTE 5. RELATED PARTY TRANSACTIONS

The Company's policy is to bill the member entities for their respective power usage on the same basis and costs as with regular customers. During the year ended December 31, 2012, the Company billed the related entities $65,268 for street lighting electricity. The Board of Directors approved the write off of the receivable amounts from these related entities for street lighting electricity.

NOTE 6. DEFINED BENEFIT PENSION PLAN

Local Government – Cost Sharing

Plan Description. Heber Light & Power Company contributes to the Local Governmental Noncontributory Retirement Tier I System and the Local Government Contributory Retirement Tier II System, which are a cost-sharing multiple-employer defined benefit pension plans administered by Utah Retirement Systems. Utah Retirement Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. The salaries and wages paid by Heber Light & Power Company are covered by the Local Governmental Noncontributory Retirement Tier I System. In 2012, Heber Light & Power hired employees that were required to participate in the Local Government Tier II Contributory System and as a result amounts following depict employer contributions and associated salary.

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the Local Governmental Contributory Retirement System to which they belong; 11.92% from January to June, 2012 and 12.74% from July to December 2012. Heber Light & Power is required to contribute a percent of covered salary with respect to the Local

Governmental Noncontributory Retirement System; 13.77% from January to June, 2012 and 16.04% from July to December, 2012. The contribution rates are actuarially determined rates.

NOTE 6. DEFINED BENEFIT PENSION PLAN (Continued)

The contribution requirements of the systems are authorized by statute and specified by the Board.

Heber Light & Power's contributions for the various systems for the years ending December 31, 2012, 2011 and 2010 respectively were, for the Noncontributory System, $389,210, $316,960 and $268,664. Employer contributions for the Contributory System ending December 31, 2012, were $2,768.

The contributions were equal to the required contributions for each year.

Internal Revenue Code Section 401(k) Plan

The Company sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 401(k). The plan is available to permanent full-time employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the Company or its general creditors. The Company's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended December 31, 2012, 2011 and 2010 contributions totaling $88,331, $74,785, and $75,110, respectively, were made to the plan by employees and $56,756 $40,769 and $27,819, respectively, by the Company.

Internal Revenue Code Section 457 Plan

The Company sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 457. The plan is available to permanent full-time employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the Company or its general creditors. The contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended December 31, 2012, 2011 and 2010 contributions totaling, $28,511, $15,860, and $12,585, respectively, were made to the plan by employees.

NOTE 7. LONG-TERM DEBT

2012 (2002) Series Bonds Payable

During 2002, the Company issued Series 2002 Bonds to provide for improvements and additions to the electric generation, transmission and distribution facilities of its system.

On June 5, 2012, Heber Light & Power refunded and defeased in substance its outstanding 2002 Series Electric Revenue Bonds of $3,610,000, carrying interest rates of 3.9 percent to 5.0 percent, with new 2012 Series Electric Revenue refunding bonds of $3,735,000, issued at interest rates of 2.0 percent to 4.0 percent. Both series require annual debt service payments with final payment due on June 15, 2025 for the 2002 bonds and due on December 15, 2025 for the 2012 bonds.

All issuance costs of the transaction ($111,880) were paid from bond proceeds. The bonds were issued at a premium of $225,070. Heber Light & Power also contributed $555,824 from debt service reserve funds together with the net proceeds of the new bonds to deposit with an escrow agent to provide for debt service on the 2002 bonds to the call date of June 15, 2025. Unamortized 2002 bond issuance costs were $57,202 at the date of refunding. The bond issuance costs and the premium will be amortized over the life of the refunding bonds.

The refunding bonds were issued to advance refund bonds issued in 2002. Heber Light & Power pledges income, net of operating expenses, derived from electric sales to repay the refunding bonds. The bonds are payable solely from electric sales customer net revenues and are payable through 2025. Annual principal and interest payments are expected to require less than ten percent of the total electric sales

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (continued)

Debt service requirements of the 2012 Series revenue bonds are as follows:

Series 2012

	Principal	Interest	Total
2013	260,000	100,000	360,000
2014	255,000	94,800	349,800
2015	270,000	89,700	359,700
2016	275,000	84,300	359,300
2017	275,000	78,800	353,800
2018-2022	1,500,000	290,050	1,790,050
2023-2025	780,000	53,200	833,200
	$ 3,615,000	$ 790,850	$ 4,405,850

<u>2010 Series Bonds Payable</u>

During 2010, the Company issued Series 2010 Bonds to pay off the remaining balance of the Caterpillar Capital Lease and to provide for improvements and additions to the electric generation, transmission and distribution facilities of its system.

On November 23, 2010, Heber Light & Power issued $6,525,000 Electric Revenue Bond Series 2010 with coupon interest rates ranging from 3.00 percent to 7.00 percent. $1,675,000 were used to advance refund the Caterpillar Capital Lease.

Interest payments are due semi-annually beginning June 15, 2012, with the last interest payment scheduled on December 15, 2035. Principal payments are due annually beginning December 15, 2012, with the last payment scheduled December 15, 2035.

The Series 2010 Bonds are special obligations of the Company payable solely from and secured solely by (a) the proceeds of the sale of Bonds, (b) the Revenues, and (c) all Funds established by

NOTE 7. LONG-TERM DEBT (continued)

the Indenture including the investments thereof. The pledge of the Revenues is subject to (1) the prior payment from Revenues of the Operation and Maintenance Costs of the System, (2) any required rebate of investment earnings to the United States of America, and (3) the application of the Revenues and Funds for the purposes permitted by, and on the terms and conditions set forth in the Indenture.

The Indenture provides that a Reserve Fund Surety Bond be purchased to eliminate the need for a fully funded Debt Reserve Fund. The premium for the Surety Bond was paid from the original disbursements of the Bond proceeds.

Debt service requirements of the 2010 Series revenue bonds are as follows:

Series 2010

	Principal	Interest	Total
2013	65,000	281,275	346,275
2014	75,000	279,325	354,325
2015	70,000	277,075	347,075
2016	70,000	274,275	344,275
2017	80,000	271,475	351,475
2018-2022	425,000	1,308,475	1,733,475
2023-2027	1,385,000	1,157,403	2,542,403
2028-2032	2,355,000	714,350	3,069,350
2033-2035	1,685,000	155,838	1,840,838
	$ 6,210,000	$ 4,719,490	$ 10,929,490

Included in the interest amounts are reductions associated with Build America Bonds subsidies.

The Company pledges income derived from the sale of electricity to repay the series 2012 and 2010 bonds. The bonds are payable solely from electric customer net revenues and are payable through 2025 and 2035, respectively. Annual principal and interest payments are expected to require less than ten percent of the total annual electricity sales.

NOTE 7. LONG-TERM DEBT (continued)

The following is a summary of changes in long-term debt for the year ended December 31, 2012:

Long Term Debt Summary

	Beginning Balance	Additions	Reductions	Balance	Due Within One Year
2002 Revenue Bonds	$ 3,610,000	$ -	$ (3,610,000)	$ -	$ -
2012 Revenue Bonds	-	3,735,000	(120,000)	$ 3,615,000	260,000
2010 Revenue Bonds	6,275,000	-	(65,000)	$ 6,210,000	65,000
Compensated Absences	123,891	164,722	(140,916)	$ 147,698	39,512
Termination Benefits	330,204	82,396	(79,078)	$ 333,522	
Other Post Employment Benefits	330,218	87,942	(26,794)	$ 391,366	
Unamortized Bond Issue Costs	(241,051)	(111,888)	69,218	$ (283,721)	
Unamortized Bond Premium	-	225,070	(9,378)	$ 215,692	
Total Principal	$ 10,428,262	$ 4,183,242	$ (3,981,948)	$ 10,629,556	$ 364,512

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Company has implemented the provisions of Governmental Accounting Standards Board Statement 45 (GASB Statement 45).

Plan Description

The Company participates in the Public Employees Health Program (PEHP) and offers medical insurance coverage to those employees who retire with over 25 years of service. For employees hired before July 1, 2011, the Company will pay the costs of the employee's medical insurance for 5 years from the employee's retirement date, or until the employee reaches age 65, whichever comes first. If the employee who began employment before July 1, 2011 and retires with 30 or more years of service, the Company will pay the employee's medical insurance until the employee reaches age 65.

For employees hired on July 1, 2011 or later, the Company will, upon the employee's retirement with 25 years or more service to the company, provide the employee with medical insurance coverage. The Company will pay the costs of the employee's retirement medical insurance for a period of five years from date of their retirement or the employee's sixty-fifth birthday, whichever occurs first.

Funding Policy

The Company meets the standard as set forth in GASB Statement 45 by providing an estimate of the future costs associated with the medical insurance premiums and discounting the cost of the projected premiums to present value. To calculate this estimate, the Company uses the Alternative Measurement Method instead of obtaining actuarial valuations. The Alternative Measurement Method is an acceptable method of calculation for companies with fewer than 100 plan members. The Company has not funded the cost of these benefits but, rather pays the premiums from current revenues.

Annual OPEB Cost and Net OPEB Obligation

The Company's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Company's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Company's net OPEB obligation:

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (continued)

Annual Required Contribution	$ 92,779
Interest on Net OPEB Obligation	4,837
Annual OPEB Cost	87,942
Contributions made	26,794
Increase in Net OPEB Obligation	61,148
Net OPEB Obligation at begininng of year	330,218
Net OPEB Obligation at end of year	$ 391,366

The Company's annual OPEB cost, the percentage of annual OPEB cost contributed towards the Unfunded Actuarial Accrued Liability (UAAL) of the plan and the Net OPEB Obligation are provided in the table below:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB of UAAL	Net OPEB Obligation
12/31/2006			
12/31/2007			
12/31/2008	$ 117,171	13%	$ 117,171
12/31/2009	71,657	8%	188,828
12/31/2010	87,572	9%	276,400
12/31/2011	53,818	6%	330,218
12/31/2012	61,148	7%	391,366

Funded Status and Funding Progress

As of December 31, 2012, the actuarial accrued liability (AAL) for benefits was $935,010, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (continued)

Methods and Assumptions

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Retirement age for active employees—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Mortality—Life expectancies were based on mortality tables from the National Center for Health Statistics.

Turnover—Non-group specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate—The expected rate of increase in the healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5.6 percent was used for all years.

Health insurance premiums—2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Value of plan assets—The Company does not accumulate assets in a dedicated trust, or equivalent arrangement, for purposes of funding its retiree healthcare obligation. Therefore, the value of plan assets is zero.

Annual required contributions of the employer—The unfunded accrued liability is amortized over the average remaining life expectancy of all participants or thirty years, whichever is shorter.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES

Membership in Utah Associated Municipal Power System (UAMPS)

The Company is a member of the Utah Associated Municipal Power Systems (UAMPS). UAMPS is a joint action agency and political subdivision of the State of Utah formed under an Organization Agreement dated November 6, 1980, pursuant to the provisions of the Utah Inter-local Cooperation Act. UAMPS' membership consists of 38 municipalities, one joint action agency, one electric service district, one public utility district, two water conservancy districts, and one non-profit corporation.

UAMPS is a legally separate entity, which possesses the ability to establish its own budget, incur debt, sue and be sued, and own and lease property. No other governmental units in Utah exercise significant control over UAMPS. As such, UAMPS is not a component unit as defined by the Governmental Accounting Standards Board in their Statement No. 14, "The Financial Reporting Entity".

UAMPS' purposes include planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining of projects, or ownership interests or capacity rights therein, for the generation, transmission and distribution of electric energy for the benefit of its members.

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows:

The Company participated in various individual projects by entering into power sales and/or transmission service contracts. Under various power sales contracts, UAMPS' members are required to pay their proportionate share of all operation and maintenance expenses and debt service on the revenue bonds issued by UAMPS, and any other energy-related costs, as defined in the contract and in some instances regardless of whether any power is supplied to the Company ("Take or Pay Agreements"). The Company may be required to make additional equity investments in UAMPS or in any specified projects of UAMPS. Under the organization agreement, the four members with the greatest financial obligations to UAMPS are each entitled to designate one of UAMPS' directors. All other directors are selected from the representatives of the remaining UAMPS members.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Separate financial statements for UAMPS may be obtained from the Manager of Finance at 155 North 400 West, Suite 480, Salt Lake City, Utah 84103.

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows: (continued)

(a)Hunter II Generation Project (Hunter II)

Hunter II, part of the Hunter Station in Emery County, Utah, is a coal fired, steam-electric generating unit with a net capacity of 430 megawatts. Hunter has commercially operated since June 1980 and is jointly owned by PacifiCorp, Deseret Generation & Transmission Co-operative and UAMPS. UAMPS owns an undivided 14.582% interest in Hunter II, representing approximately 63 megawatts of capacity and energy. The Company's current output entitlement in the Hunter II generating project is 5.82% of UAMPS ownership.

(b) Craig Mona Transmission Project (Craig Mona)

The Craig Mona project involves the transmission capability of two interconnected 345 KV Transmission lines. UAMPS and its members own a 15% interest in the first segment, running west from Craig, Colorado, to the Bonanza Power Plant in northeast Utah. In 2010, Heber Light & Power will be able to share, sell or use as conditions warrant. UAMPS holds an entitlement to 54 megawatts capacity in the second segment from Bonanza to an interconnection at Mona, Utah.

The Company acquired 4.58% of UAMPS transfer rights in the Craig Mona transmission project.

(c) The Colorado River Storage Project (CRSP)

CRSP is federally owned and operated by the United States Bureau of Reclamation. One purpose of CRSP is the production of hydroelectric capacity and energy. Heber Light & Power acts as its own purchasing agent for its allocation of CRSP energy. The contract in the CRSP project ran through 2004, and has been renewed annually. The Company has an entitlement of 1/5 of the energy produced up to 3 MW.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows: (continued)

(d) Pool Project

The Pool Project brings the UAMPS members together in a resource clearinghouse for mutual advantages. The pool matches the member with surplus resources to those members who have a deficit of resources on an hourly basis.

The Company participates in the UAMPS pool for planned and unplanned transactions. The agreement requires participants to pay the costs of the pool based on (a) direct costs of planned transactions, (b) the hourly costs of energy and associated transmission supplied on unplanned transactions and (c) the administrative costs of the pool.

Termination of the pooling agreement requires a five-year notification.

(e) Government & Public Affairs Project

Lobbying and the political considerations of UAMPS members who elect to participate in these actions are under the Government and Public Affairs Project. Nationally and locally, UAMPS represents a strong political stance on issues related to electric utilities and the public power movement. Under this project's umbrella comes UAMPS' affiliation with APPA and CREDA.

Other Contractual Obligations

(a) Intermountain Power Agency (IPA) Contract

The Company is a member of the Intermountain Power Agency (IPA), a separate legal entity established under the guidelines of the Utah Inter-local Co-operation Act.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The IPA provides financing for the Intermountain Power Project (IPP) located near Delta, Utah for the benefit of its members. IPA has approximately $5.1 billion of revenue bonds that are paid from the revenues received from participant charges. Under the terms of its original contract with IPA, the Company is entitled and obligated to purchase 0.627% of the plant's power output. However, under a subsequent excess power sales agreement, the Company has a bilateral agreement with certain California purchasers for the duration of the project unless the Company recalls any or all of the entitlement. In recent years, the Company has reclaimed some of its entitlement from California purchasers. The Company is liable for operating expenses and repayment of the outstanding bonds only in the event of a prolonged power outage (in excess of 24 months) and/or failure to perform under the agreement on the part of each of the California purchasers. Utah Association of Municipal Power Systems (UAMPS) serves as the agent for these agreements.

<u>(b) Jordanelle Generation Plant and Power Purchase Agreement</u>

During 2005, Heber Light and Power began construction of substation and distribution facilities to receive all of the energy from the Jordanelle Generating Station. Work was completed in 2008 and commercial output began in July of that year.

NOTE 10. TERMINATION BENEFITS

The Company will compensate an employee with 5 years of Company service at his/her most recent base salary rate for unused sick leave. At December 31, 2012, the present value of future payments reported as a liability in the Statement of Net Position was $33,522. The calculation to accrue this liability is based on the assumption that employees with 15 years of service will continue service to the Company until they are eligible to retire. For employees with 5 to 15 years of service, the benefit is calculated as a percentage of the number of years of service over 5 years divided by 10 years. No accrual is made for employees with less than 5 years of service as management considers the likelihood of retirement to be low. The employee's hourly rate in effect and the estimated hours, based on the above assumptions is then used to determine an estimate of the benefit.

The Company funds the program on a pay-as-you-go basis. During the year ended December 31, 2012, 34 employees were included in the program.

All Company employees who have completed 25 years of service and are eligible for Utah State Retirement benefits are eligible for participation with the Company in purchasing up to 5 years of retirement credit. Under this benefit, the Company may provide up to 95% of the actuarially determined rate for the credits. The estimated cost of projected credit purchases cannot be reasonably estimated because information necessary to determine the amount is unable to be determined. The Company funds the program on a pay-as-you-go basis. During the year ended December 31, 2012, no employees exercised this benefit.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, Heber Light & Power has evaluated events and transactions for potential recognition or disclosure through February 28, 2013, the date the financial statements were available to be issued.

NOTE 12 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

Heber Light & Power implemented GASB Statement No. 63 during the 2012 fiscal year. GASB No. 63 changes the name of the first schedule from Statement of Net Assets to Statement of Net Position. It also changes the designation of equity from Net Assets to Net Position.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2012

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

February 28, 2013

Board of Directors
Heber Light & Power Company
Heber City, Utah

I have audited, in accordance with the 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, the financial statements of the business-type activities of Heber Light & Power Company (Company), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued my report thereon dated February 28, 2013.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greg Ogden,
Certified Public Accountant

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE IN ACCORDANCE WITH THE *STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE*

February 28, 2013

Board of Directors
Heber Light & Power Company
Heber City, Utah

I have audited Heber Light & Power Company's (Company) compliance with general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2012. The general compliance requirements applicable to the Company are identified as follows:

Public Debt	Special Districts
Cash Management	Other General Compliance Issues
Purchasing Requirements	Impact Fees
Budgetary Compliance	Utah Retirement System Compliance
Fund Balance	

The Company did not receive any major or nonmajor State grants during the year ended December 31, 2012.

Compliance with the requirements referred to above is the responsibility of the Company's management. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred could have a material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Company's compliance with those requirements.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2012

In my opinion, the Heber Light & Power Company, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2012.

This report is intended solely for the information and use of management of the Company, its Board of Directors, and the Office of the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Greg Ogden,
Certified Public Accountant

Heber Light & Power

May 15, 2014

Eide Bailly LLP
5 Triad Center, Suite 750
Salt Lake City, Utah 84108

This representation letter is provided in connection with your audit of the financial statements of Heber Light & Power Company, which comprise the respective financial position of the business-type activities as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of May 15, 2014, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 7, 2014, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.

2) We acknowledge our responsibility for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4) Significant assumptions we used in making accounting estimates are reasonable.

5) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

7) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

Information Provided

8) We have provided you with:

   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters (and all audit or relevant monitoring reports, if any, received from funding sources).

   b) Additional information that you have requested from us for the purpose of the audit.

   c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d. Access to minutes of the meetings of the board of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

9. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

10. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

11. We have no knowledge of any fraud or suspected fraud besides that relating to Tony Burness that affects the entity and involves:

a. Management,

b. Employees who have significant roles in internal control, or

c. Others where the fraud could have a material effect on the financial statements.

12. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others, besides that relating to the Tony Burness fraud.

13. We have provided you with access to all Company records or information related to the fraud perpetrated by Tony Burness.

14. We have no knowledge of instances, during the audit period, of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

15. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

16. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

17. We have made available to you all financial records and related data.

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse that the Company has discovered or you have reported to us.

20. We have a process to track the status of audit findings and recommendations.

21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

23. The entity has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

25. We have no knowledge of any violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

26. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes

27. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except for revenue bonds and capital leases.

28. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

29. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

30. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

31. Provisions for uncollectible receivables have been properly identified and recorded.

32. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

33. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

34. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

5/15/2014

Blaine Stewart, General Manager — Date

5-15-2014

Jason Norlen, Generation & Logistics — Date

5/15/2014

Bart Miller, Accounting/Finance Manager — Date

Financial Statements
December 31, 2013

Heber Light & Power Company

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors of
Heber Light & Power Company
Heber City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Heber Light & Power (the Company) which comprise the statement of net position as of December 31, 2013, and the related statement of revenues, expenses and changes in net position, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the applicable to financial audits contained in the *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 the Company as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

5 Triad Center, Ste. 750 Salt Lake City, UT 84180-1128 T 801.532.2200 801.532.7[illegible]44

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company has changed its accounting policy for debt issuance costs to adopt the provisions of Governmental Accounting Standards Board Standard Number 65, *Items Previously Reported as Assets and Liabilities*. As discussed in Note 2 to the financial statements, the Company has retroactively restated the previously reported net position to account for bond issuance costs in accordance with this Statement. Our opinion is not modified with respect to this matter.

Adjustments to Prior Period Financial Statements

The financial statements of Heber Light & Power Company as of December 31, 2012, were audited by other auditors whose report dated February 28, 2013, expressed an unmodified opinion on those statements. As discussed in Note 2, the Company has restated its 2012 financial statements during the current year to correct certain errors in accordance with accounting principles generally accepted in the United States of America. As part of the 2013 financial statements, we also audited adjustments described in Note 2 that were applied to restate the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2012 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole. Our opinion is 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 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, 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 financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated May 15, 2014 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Eide Bailly LLP

Salt Lake City, Utah
May 15, 2014

Management Discussion and Analysis

This section of Heber Light & Power's annual financial report presents our discussion and analysis of Heber Light & Power's financial performance during the fiscal year ended December 31, 2013. Presented in the following pages are the December 31, 2013 Financial Statements of Heber Light & Power which include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows along with related notes.

In May, 2013, the Company discovered potential irregularities in the use of a company credit card and the reporting of business expenses by its former Chief Financial Officer. The Company immediately investigated this matter, using internal resources as well as independent accountants. This investigation determined that funds had been inappropriately taken from the company and actions were immediately taken to remove the employee from the company. The amount taken has been determined to be immaterial to the Company's financial statements. As a result of this investigation, the Company reviewed its internal financial controls and has taken appropriate steps, where necessary, to strengthen those controls. It has also referred the matter to law enforcement. The Board and Management remain committed to the review and enforcement of Company internal controls.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Heber Light & Power's basic financial statements which are comprised of two areas:

1. Year End Financial Statements
2. Notes to the Financial Statements

The financial statements also include notes that explain some of the information contained within and provide more detailed data.

Financial Highlights

Revenues from the sale of electricity were $13,513,792, an increase of $561,723 or 5% over 2012. This increased revenue has come at a time when we recognized an increase in our cost to serve our customers as power purchases expense increased by 10% to $5,566,440 and gas generation expense increased by $314,472 or 96% to $641,791, over the same period.

During 2013, Heber Light & Power collected impact fees from all customers who added new or additional electrical load to the utility's distribution system. This charge is in response to the rapid growth that has been experienced in the Heber Valley and provides the utility with the necessary funds to add new distribution system plant which is required to serve these customers. The funds collected as a result of the impact fees are restricted in that they can only be used for new or upgraded plant to serve new load and cannot be applied to operational expense. The Impact Fee revenue in 2013 was $636,023.

Heber Light & Power collects fees from developers and customers in aid of utility construction in order to provide electrical service. These fees, hereafter referred to as Contributed Capital, represent the recovery of costs associated with onsite electrical upgrades or infrastructure additions, and distribution system upgrades required as a result of the customer's connection. In 2013, the revenue from Contributed Capital was $339,856.

Operational Highlights

In 2013, Heber Light & Power's customer base continued to grow with the addition of several apartment units along with new commercial customers. Total customers increased to 11,530, an increase of 5% over 2012.

Financial Analysis

	2013	2012
Net Position		
Current and other Assets	$ 7,673,141	$ 8,039,932
Capital and Non-current Assets	28,288,594	27,125,720
Total Assets	35,961,735	35,165,652
Current Liabilities	2,058,416	1,415,025
Long Term Liabilities	11,512,589	11,724,973
Total Liabilities	13,571,005	13,139,998
Total Net Position	$ 22,390,730	$ 22,025,654

Heber Light & Power's total assets net of accumulated depreciation were $35,961,735. As identified in the preceding table, Total Net Position for 2013 increased by $365,076 or 1.6% in 2013. The majority of this increase is related to additions to the Distribution System, the continuation of the Advanced Metering Infrastructure (AMI) Project and the addition of a new Operations Building.

General Fund Budgetary Highlights

In 2013 operating expenses were below budget. The most significant positive variances resulted from favorable power purchases. In addition revenues exceeded budget as a result of favorable electricity sales.

Long - term Debt

In the current year, the Company did not finance any construction within its capital improvements through the use of any new bonds. The Company did acquire capital assets with a value of $222,934 through entering into capital lease agreements. Furthermore, no new debt was secured during 2013, for any other purposes.

Capital Assets

Capital asset additions for 2013 were related to additional infrastructure completed by the Company for potential electrical connections. Additional expenditures were made to build a new operations shop and office space therein. Furthermore, Heber Light & Power completed the implementation of the Automated Metering System for the majority of residential customers. Expenditures were also made to generating facilities to increase the useful lives of certain Company generating assets. Finally a new large line truck was placed into service during the year under a capital lease scenario. Each of these added assets have begun their depreciation cycles on a straight line basis in relation to the individual estimated useful lives.

Economic Factors and Next Year's Budget and Rates

The 2014 Budgeted Revenues are forecasted to be slightly lower than 2013 actuals but higher than budget. This is a reasonable estimate considering the effects of the current economy on new customer growth in Heber Light and Power's service territory.

Heber Light & Power continues to review its rates to ensure appropriate expense recovery and funding of capital purchases. Any rate adjustments considered will preserve existing revenues to ensure appropriate funding. Where possible, the goal of the utility is to fund its capital requirements without incurring additional debt.

Contacting Heber Light & Power's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, members and creditors with a general overview of Heber Light & Power's finances and to demonstrate the utility's accountability for the money it receives. If you have questions about this report or need additional financial information please contact our office at (435) 654-1581.

Heber Light & Power Company
Statement of Net Position
As of December 31, 2013

Assets	
Current Assets	
Cash and cash equivalents	$ 4,506,980
Restricted cash and cash equivalents	692,274
Trade accounts receivable	1,277,502
Unbilled accounts receivable	505,919
Less allowance for doubtful accounts	(309,129)
Net accounts receivable	1,474,292
Accrued interest receivable	1,175
Other receivables	50,000
Inventory at cost (first-in, first-out)	948,420
Total Current Assets	7,673,141
Non-current Assets	
Land and non depreciable assets	366,520
Other capital assets, net of depreciation	27,922,074
Total capital assets	28,288,594
Total Assets	$ 35,961,735
Liabilities	
Current Liabilities	
Trade accounts payable	$ 1,604,098
Other accrued payables	78,217
Accrued related party payable	46,101
Long-term debt - current	330,000
Total Current Liabilities	2,058,416
Non-current Liabilities	
Long-term debt	10,728,316
Deferred revenues	784,273
Total Non-Current Liabilities	11,512,589
Total Liabilities	13,571,005
Net Position	
Net investment in capital assets	18,426,019
Restricted for capital projects	1,011,334
Unrestricted	2,953,377
Total Net Position	$ 22,390,730

Operating Revenues	
Electricity sales pledged as security for revenue bonds	$ 13,513,792
Connection fees	29,039
Other income	143,512
Total Operating Revenues	13,686,343
Cost of Sales	
Power purchases	5,560,021
Energy rebates	6,420
Gas generation fuel	641,791
Wages	758,434
Total Cost of Sales	6,966,666
Gross Profit	6,719,677
Operating Expenses	
Salaries, wages and benefits	2,583,560
Depreciation	1,811,772
Insurance	906,123
Professional services	180,984
Maintenance and training	296,873
Materials	381,942
Building expenses	17,176
Office expense and postage	164,287
Truck expense	183,605
Bad debt expense	22,212
Credit card fees	70,376
Travel	47,716
Miscellaneous	37,637
Total Operating Expenses	6,704,263
Income from Operations	15,414
Non-Operating Revenues (Expenses)	
Interest income	41,540
Interest and bond issuance costs expense	(385,577)
Loss on sale of assets	17,820
Total Non-Operating Revenues (Expenses)	(326,217)
Loss Before Contributions	$ (310,803)

Contributions	
Impact fees	$ 636,023
Capital contributed	339,856
Total Contributions	975,879
Change in Net Position	665,076
Total Net Position at Beginning of Year (as Reported)	22,743,340
Prior period adjustment (see Note 2)	(717,686)
Total Net Position at Beginning of Year (as Restated)	22,025,654
Distributions to owners	(300,000)
Total Net Position at End of Year	$ 22,390,730

Operating Activities	
Receipts from customers	$ 13,470,134
Payments to suppliers	(7,984,081)
Payments to employees	(3,027,707)
Net Cash from Operating Activities	2,458,346
Investing Activities	
Interest income	41,540
Net Cash from Investing Activities	41,540
Financing Activities	
Proceeds from Bond Issuance	(16,592)
Purchase/disposal of capital assets	(2,469,815)
Principal paid or refunded on long-term debt	(325,000)
Interest paid on long-term debt	(385,577)
Proceeds from impact fees	636,023
Distributions to owners	(300,000)
Net Cash Flows used for Financing Activities	(2,860,961)
Net Change in Cash and Cash Equivalents	(361,075)
Cash and Cash Equivalents, Beginning of Year	5,560,329
Cash and Cash Equivalents, End of Year	$ 5,199,254
Reconciliation of Operating Income to Net Cash from Operating Activities	
Income from operations	$ 15,414
Adjustments to reconcile operating income to net cash	
Depreciation	1,811,772
Changes in assets and liabilities	
Accounts receivable, net of allowance	(216,209)
Accrued interest receivable	56,784
Other receivables	181,916
Inventory	41,184
Trade accounts payable	203,913
Accrued liabilities	306,734
Revenues collected in advance	56,838
Net Cash from Operating Activities	$ 2,458,346
Supplemental Disclosure of Cash Flow Information	
Capital assets acquired through capital leases	$ 222,934
Capital asset contributions-in-aid of construction	$ 339,856

Note 1 - Significant Accounting Policies

The accounting policies of Heber Light & Power Company (the Company) 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

Heber Light & Power is an interlocal entity serving customers within the Heber Valley. Heber Light & Power provides electricity to the owner municipalities of Heber City, Midway and Charleston as well as the towns of Daniel and Independence along with unincorporated areas of Wasatch County within its service territory, ("Members").

The Company is a separate legal entity. No other governmental units exercise significant control over the Company. The Company does not meet the requirements of a component unit as defined by the Governmental Accounting Standards Board (GASB) in its Section 2100, *Defining the Financial Reporting Entity*.

The purpose of the Company is to plan, finance, develop, construct, improve, operate, and maintaining projects for the generation, transmission, and distribution of power for the benefits of its customers.

Basis of Accounting

The financial statements of the Company have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, the Company has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which supersedes Statement No. *20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.*

The financial statements are accounted for using economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled electric utility service receivables are recorded at year end.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue and Expenses

Operating revenue reported in the Statement of Revenues, Expenses, and Changes in Net Position includes revenues and expenses related to the primary, continuing operations of the Company. Principal operating revenues are charges to the customers for sales or services. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating.

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. Depreciation of all exhaustible fixed assets used by the Company is charged as an expense against operations. Accumulated depreciation is reported on the statement of net position. Fixed Assets are depreciated over their estimated useful lives and calculated using the straight line method.

Rates

Utah State law provides that the Company's Board of Directors (Board) has sole authority to establish power supply rates to its customers. The 2013 approved rates were effective for all billings beginning June 15, 2011.

Unpaid Employee Benefits

Accumulated unpaid vacation and other employee benefit amounts are accrued when incurred using the accrual basis.

Income Taxes

The Company is not subject to federal or state income taxes since it is a political subdivision of the State of Utah owned by three municipalities.

Investments

All investments are recorded at fair value. The Company considers cash in the bank and funds invested with the Public Treasurer's Investment Fund (PTIF) as cash and cash equivalents. The funds invested in the PTIF represent amounts held in reserve for capital additions to the system along with rate stabilization contingencies.

Inventory

Inventory is valued at average cost and consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capitalized as inventory items are consumed or put in service.

Capital Assets

Capital assets include generation assets, transmission assets, furniture, utility vehicles, and other equipment with initial costs of more than $1,000. Capital assets are stated as cost, less accumulated depreciation. All expenditures that increase the useful lives of a capitalized asset are included in the costs of that asset and depreciated over the useful life of that asset. Routine maintenance and repairs are expensed in the period incurred and not capitalized. Deprecation is calculated using the straight-line method over the useful life of the asset.

Accounts Receivable

Trade accounts receivable include amounts due from customers for billed electricity sales. All receivables are current and therefore due within one year. Unbilled revenues are recorded at year end. The trade receivables and unbilled revenues are reported net of an allowance for uncollectible accounts. This allowance is management's estimate based on past collection history and known circumstances regarding current customers.

Net Position

Net position is categorized into the following three classes:

- Net investment in capital assets: This section of net position includes the value of capital assets net of accumulated depreciation and the unpaid balances of any debt used in the purchase of those capital assets.

- Restricted: This section of net position includes all external constraints on cash imposed by creditors, contributors, and laws or regulations the company must adhere to.

- Unrestricted: This section of net position includes all amounts that do not meet the definition of the above other two sections of net position.

Budgeting

The Company uses the following procedures in establishing the budget that is submitted to the State Auditor.

1. Management submits a proposed budget to the Board of Directors in November.
2. The Board of Directors approves a proposed budget.
3. In December the proposed budget is adopted in a public hearing.
4. The budget is reviewed in the following December and amended (if necessary) in a public hearing.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first where permissible, and then unrestricted resources as they are needed.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of New Accounting Principles

GASB Statement No. 65

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65: *Items Previously Reported as Assets and Liabilities*. This standard establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was effective for the Heber Light & Power Company during the year ended December 31, 2013 and was applied retroactively by restating financial statements for all periods presented.

The provisions of GASB 65 require that debt issuance costs (deferred financing costs) be recognized as an expense in the period incurred. The implementation resulted in the removal of previously recognized deferred financing costs totaling $283,722 and reduction in net position of $283,722 as of December 31, 2012.

Note 2 - Restatement of Prior Year Financial Statements

During the audit of the financial statements it was discovered that several accounting errors occurred in prior periods and the beginning balances for the fiscal year 2013 needed to be adjusted to correct the prior year errors. The following table reconciles as previously reported to as restated results:

	December 31, 2012			
	As Previously Reported	Restatement		As Restated
Statement of Net Position:				
Trade Accounts Receivable	$ 1,325,851	$ (67,768)	b	$ 1,258,083
Other capital assets, net of depreciation	27,433,423	(365,662)	e	27,067,761
Trade Accounts Payable	1,188,245	88,840	a, g	1,277,085
Deferred Revenue	900,000	(58,889)	d	841,111
Long-Term Debt	10,629,557	254,305	f,c	10,883,862
Invested in Capital assets not of related debt	16,803,866	(254,305)	c	16,549,561
Total Net Position	$ 22,743,340	$ (717,686)	a,b,d,e,f,g	$ 22,025,654

The following is an explanation of the corrected prior period error corrections:

a. Liability recorded in error: During prior periods a liability was recorded that was never reduced after payment was made in the accounting records.
b. Improper recording of a receivable: In prior years a receivable was recorded and was never reduced after payment was received.
c. Bond Interest and Principal: During the prior year bond interest and principal was recorded in the incorrect period.
d. Recognition of deferred revenue: the deferred revenue account was not reduced each year for the amount of the revenue that was recognized each year. An adjustment was made to update the balance of the deferred revenue.
e. Miscalculation of depreciation expense: depreciation expense was recalculated this year and adjusted to correct the accumulated depreciation balance that should exist in the statement of net postion.
f. GASB 65 adjustment: Due to the adoption of GASB 65 (note 1) an adjustment was made to expense the bond issuance costs.
g. Duplicate transaction: During the prior year a transaction was recorded twice, an adjustment was booked to reverse the duplicate transaction.

Note 3 - Cash and Investments

Deposits and investments for the Company are governed by the Utah Money Management Act of the Utah Code Annotated, Title 51, Chapter 7 (The Act) and by rules of the Utah Money Management Act Council. Deposits are not collateralized nor are they required to be by State statute.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the Company and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the United States government, agencies of the United States government, any state within the territorial United States of America; or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements; or certain other investments.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Company's deposits may not be recovered. The Company's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Company to be in a *qualified depository*, defined 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.

Credit Risk. Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Company's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The Company is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment Company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Company manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less.

Concentration of Credit Risk. The Company places no limit on the amount that the Company may invest in any one issuer. The Company has no concentration of credit risk.

The Company's investment policy only allows for investments in the Utah Public Treasurer's Investment Fund (PTIF).

Cash and Cash Equivalents

Cash and Cash Equivalents	
Unrestricted Cash	$ 1,984,182
Cash invested in PTIF	2,522,798
Restricted cash for bond resolutions	692,274
Total cash and cash equivalents	$ 5,199,254

At December 31, 2013, the Company's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Utah Public Treasurer's Investment Fund	$ 2,522,798	N/A	Unrated

Note 4 - Capital Assets/Depreciation

The Company's policy is to capitalize assets which exceed $1,000 and have an estimated useful life of more than one year. All capital assets of the Company are depreciable, with the exception of land and construction projects not completed.

Depreciation of capital assets has been computed using the straight-line method. Useful lives and depreciation amounts for the year are as follows:

Capital Assets	Useful Life Years
Buildings	20-50
Hydro-Electric plant	10-40
Machinery, Equipment and Tools	5-12
Distribution System	5-30
Trucks	3-5
Office Equipment	5-10
Generating Plant	8-20
Hyrum Christensen Reservoir	10

Changes in capital assets are as follows:

	Balance 12/31/2012 (As restated)	Additions	Deletions or Reclassifications	Balance 12/31/2013
Capital Assets not being depreciated				
Land	$ 203,045	$ -	$ -	$ 203,045
Water Rights	163,475			163,475
Total Capital Assets not being depreciated	366,520	-	-	366,520
Capital Assets being depreciated				
Buildings	1,726,053	352,487		2,078,540
Hydro-Electric plant	2,776,920	-		2,776,920
Machinery, Equipment and Tools	2,203,131	22,294		2,225,425
Distribution System	34,336,704	1,424,898		35,761,602
Trucks	1,373,932	390,465	(130,089)	1,634,308
Office Equipment	1,102,427	23,140		1,125,567
Capital Improvements	1,218,950	746,740		1,965,690
Generating Plant	1,602,829	72,581		1,675,410
Hyrum Christensen Reservoir Dam and Pipe	42,484	-		42,484
	46,383,430	3,032,605	(130,089)	49,285,946
Accumulated Depreciation	(19,682,189)	(1,811,772)	130,089	(21,363,872)
Total Capital Assets being depreciated	26,701,241	1,220,833	-	27,922,074
Total Capital Assets, net	$ 27,067,761	$ 1,220,833	$ -	$ 28,288,594

Note 5 - Related Party Transactions

The Company's policy is to bill the member entities for their respective power usage on the same basis and costs as with regular customers. During the year ended December 31, 2013, the Company billed the related entities $66,963 for street lighting electricity. The Board of Directors approved the write off of the receivable amounts from these related entities for street lighting electricity.

Note 6 - Defined Benefit Pension Plan

Local Government – Cost Sharing

Plan Description. Heber Light & Power Company contributes to the Local Governmental Noncontributory Retirement Tier I System and the Local Government Contributory Retirement Tier II System, which are a cost-sharing multiple-employer defined benefit pension plans administered by Utah Retirement Systems. Utah Retirement Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. The salaries and wages paid by Heber Light & Power Company are covered by the Local Governmental Noncontributory Retirement Tier I System. In 2013, Heber Light & Power hired employees that were required to participate in the Local Government Tier II Contributory System and as a result amounts following depict employer contributions and associated salary.

Heber Light & Power is required to contribute a percent of covered salary with respect to the Local Governmental Contributory Retirement System; 14.05% from January to June 2013, and 13.99% from July to December 2013. Heber Light & Power is also required to contribute a percent of covered salary with respect to the Local Governmental Noncontributory Retirement System; 16.04% from January to June, 2013 and 17.29% from July to December, 2013. The contribution rates are actuarially determined rates.

The contribution requirements of the systems are authorized by statute and specified by the Board.

Heber Light & Power's contributions for the various systems for the years ending December 31, 2013, 2012 and 2011 respectively were, for the Noncontributory System, $438,229, $389,210 and $316,960. Employer contributions for the Contributory System ending December 31, 2013, were $10,105.

The contributions were equal to the required contributions for each year.

Internal Revenue Code Section 401(k) Plan

The Company sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 401(k). The plan is available to permanent full-time employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the Company or its general creditors. The Company's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended December 31, 2013, 2012 and 2011 contributions totaling $75,948, $88,331, and $74,785, respectively, were made to the plan by employees and $71,144, $56,756 and $40,769, respectively, by the Company.

Internal Revenue Code Section 457 Plan

The Company sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 457. The plan is available to permanent full-time employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the Company or its general creditors. The contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended December 31, 2013, 2012 and 2011 contributions totaling, $39,523, $28,511, and $15,860, respectively, were made to the plan by employees.

Note 7 - Long-Term Debt

2012 (2002) Series Bonds Payable

During 2002, the Company issued Series 2002 Bonds to provide for improvements and additions to the electric generation, transmission and distribution facilities of its system.

On June 5, 2012, Heber Light & Power refunded and defeased in substance its outstanding 2002 Series Electric Revenue Bonds of $3,610,000, carrying interest rates of 3.9 percent to 5.0 percent, with new 2012 Series Electric Revenue refunding bonds of $3,735,000, issued at interest rates of 2.0 percent to 4.0 percent. Both series require annual debt service payments with final payment due on June 15, 2025 for the 2002 bonds and due on December 15, 2025 for the 2012 bonds.

All issuance costs of the transaction ($111,880) were paid from bond proceeds. The bonds were issued at a premium of $225,070. Heber Light & Power also contributed $555,824 from debt service reserve funds together with the net proceeds of the new bonds to deposit with an escrow agent to provide for debt service on the 2002 bonds to the call date of June 15, 2025. Unamortized 2002 bond issuance costs were $57,202 at the date of refunding. Due to the change implemented in GASB No. 65 all bond issuance costs were removed as a reduction to net assets as of December 31, 2013. The refunding bonds were issued to advance refund bonds issued in 2002. Heber Light & Power pledged income, net of operating expenses, derived from electric sales to repay the refunding bonds. The bonds are payable solely from electric sales customer net revenues and are payable through 2025. Annual principal and interest payments are expected to require less than ten percent of the total electric sales.

Debt service requirements of the 2012 Series revenue bonds are as follows:

	Principal	Interest	Total
2014	$ 255,000	$ 94,800	$ 349,800
2015	270,000	89,700	359,700
2016	275,000	84,300	359,300
2017	275,000	78,800	353,800
2018	290,000	73,300	363,300
2019-2023	1,540,000	247,950	1,787,950
2024-2025	450,000	22,000	472,000
	$ 3,355,000	$ 690,850	$ 4,045,850

2010 Series Bonds Payable

During 2010, the Company issued Series 2010 Bonds to pay off the remaining balance of the Caterpillar Capital Lease and to provide for improvements and additions to the electric generation, transmission and distribution facilities of its system.

On November 23, 2010, Heber Light & Power issued $6,525,000 Electric Revenue Bond Series 2010 with coupon interest rates ranging from 3.00 percent to 7.00 percent. $1,675,000 were used to advance refund the Caterpillar Capital Lease.

Interest payments are due semi-annually beginning June 15, 2012, with the last interest payment scheduled on December 15, 2035. Principal payments are due annually beginning December 15, 2012, with the last payment scheduled December 15, 2035.

The Series 2010 Bonds are special obligations of the Company payable solely from and secured solely by (a) the proceeds of the sale of Bonds, (b) the Revenues, and (c) all Funds established by the Indenture including the investments thereof. The pledge of the Revenues is subject to (1) the prior payment from Revenues of the Operation and Maintenance Costs of the System, (2) any required rebate of investment earnings to the United States of America, and (3) the application of the Revenues and Funds for the purposes permitted by, and on the terms and conditions set forth in the Indenture.

The Indenture provides that a Reserve Fund Surety Bond be purchased to eliminate the need for a fully funded Debt Reserve Fund. The premium for the Surety Bond was paid from the original disbursements of the Bond proceeds.

Debt service requirements of the 2010 Series revenue bonds are as follows:

	Principal	Interest	Total
2014	$ 75,000	$ 279,325	$ 354,325
2015	70,000	277,075	347,075
2016	70,000	274,275	344,275
2017	80,000	271,475	351,475
2018	75,000	268,275	343,275
2019-2023	445,000	1,289,625	1,734,625
2024-2028	1,720,000	1,091,798	2,811,798
2029-2033	2,460,000	607,197	3,067,197
2034-2035	1,150,000	79,170	1,229,170
	$ 6,145,000	$ 4,438,215	$ 10,583,215

Included in the interest amounts are reductions associated with Build America Bonds subsidies.

The Company pledges income derived from the sale of electricity to repay the series 2012 and 2010 bonds. The bonds are payable solely from electric customer net revenues and are payable through 2025 and 2035, respectively. Annual principal and interest payments are expected to require less than ten percent of the total annual electricity sales.

The following is a summary of changes in long-term debt for the year ended December 31, 2013:

Long Term Debt Summary	Beginning Balance (As Restated)	Additions	Reductions	Balance	Due Within One Year
2012 Revenue Bonds	$ 3,615,000	$ -	$ (260,000)	$ 3,355,000	$ 255,000
2010 Revenue Bonds	6,210,000	-	(65,000)	6,145,000	75,000
Compensated Absences	142,281	161,120	(148,916)	154,485	-
Termination Benefits	309,522	264,065	(50,328)	523,259	-
Other Post Employment Benefits	391,366	109,251	(42,079)	458,538	-
Unamortized Bond Premium	215,692	-	(16,592)	199,100	-
Capital Lease Payable	-	222,934	-	222,934	-
Total Principal	$ 10,883,861	$ 757,370	$ (582,915)	$ 11,058,316	$ 330,000

Capital Lease Payable

The Company is the lessee of an Altec Digger Derrick Truck under a capital lease expiring in 2018. The asset and liability under the capital lease are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The asset is depreciated over the lower of the related lease term of five years or the estimated productive life of the asset. Depreciation of the asset under the capital lease is included in depreciation expense for 2013.

Minimum future lease payments under capital leases as of December 31, 2013 for each of the next five years and in aggregate are:

Year Ending December 31,	
2014	$ 52,455
2015	52,455
2016	52,455
2017	52,455
2018	17,485
Total Minimum Lease Payments	$ 227,305

The interest rate on the capitalized lease is 4.00% based on the lower of the company's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

Termination Benefits

The Company will compensate an employee with 5 years of Company service at his/her most recent base salary rate for unused sick leave up to a maximum of 190 days. At December 31, 2013, future payments reported as a liability in the Statement of Net Position was $523,259. The calculation to accrue this liability is based on the assumption that nonexempt employees hired before July 1, 2011 with 5 years of service are paid for 75% of unused sick leave, exempt managers are paid 100% of unused sick leave, and nonexempt employees hired after July 1, 2011 are paid 0% for less than 5 years of service, 25% for 5 to 10 years of service, 50% for 11 to 24 years of service, and 75% for service of 25 years or more. The employee's hourly rate in effect and the estimated hours, based on the above assumptions is then used to determine an estimate of the benefit.

The Company funds the program on a pay-as-you-go basis. During the year ended December 31, 2013, 35 employees were included in the program.

All Company employees who have completed 25 years of service and are eligible for Utah State Retirement benefits are eligible for participation with the Company in purchasing up to 5 years of retirement credit. Under this benefit, the Company may provide up to 95% of the actuarially determined rate for the credits. The estimated cost of projected credit purchases cannot be reasonably estimated because information necessary to determine the amount is unable to be determined. The Company funds the program on a pay-as-you-go basis. During the year ended December 31, 2013, no employees exercised this benefit.

Note 8 - Other Post-Employment Benefits (OPEB)

The Company has implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.*

Plan Description

The Company participates in the Public Employees Health Program (PEHP) and offers medical insurance coverage to those employees who retire with over 25 years of service. For employees hired before July 1, 2011, the Company will pay the costs of the employee's medical insurance for 5 years from the employee's retirement date, or until the employee reaches age 65, whichever comes first. If the employee who began employment before July 1, 2011 and retires with 30 or more years of service, the Company will pay the employee's medical insurance until the employee reaches age 65.

For employees hired on July 1, 2011 or later, the Company will, upon the employee's retirement with 25 years or more service to the company, provide the employee with medical insurance coverage. The Company will pay the costs of the employee's retirement medical insurance for a period of five years from date of their retirement or the employee's sixty-fifth birthday, whichever occurs first. The plan does not issue a publicly available financial report.

Funding Policy

The company pays the full cost of retiree health benefits. For the fiscal year 2013, Heber Light & Power contributed $42,079 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Company's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Company's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Company's net OPEB obligation:

Annual Required Contribution	$ 109,603
ARC Adjustment	(14,050)
Interest on Net OPEB Obligation	13,698
Annual OPEB Cost	109,251
Contributions made	42,079
Increase in Net OPEB Obligation	67,172
Net OPEB Obligation at beginning of year	391,366
Net OPEB Obligation at end of year	$ 458,538

The Company's annual OPEB cost, the percentage of annual OPEB cost contributed towards the plan, and the Net OPEB Obligation are provided in the table below:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	15,607	26.6%	22,859
December 31, 2012	87,942	30.5%	391,366
December 31, 2013	$ 109,251	38.5%	$ 458,538

Funded Status and Funding Progress

As of December 31, 2013, the actuarial accrued liability (AAL) for benefits was $1,271,546, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $2,720,391, and the ratio of the unfunded AAL to the covered payroll was 46.7%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.
The schedule of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accured Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
1/1/2011	$ -	$ 935,010	$ 935,010	0%		
1/1/2013	$ -	$ 1,271,546	$ 1,271,546	0%	$ 2,720,391	46.7%

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.
The following simplifying assumptions were made:

<u>Retirement age for active employees</u>—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

<u>Marital status</u> – Current marital status is assumed to continue throughout retirement.
<u>Mortality</u> – Life expectancies were based on the RP-2000 Combined Healthy Mortality Table.

<u>Turnover</u>—Non-group specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

<u>Healthcare cost trend rate</u>—The expected rate of increase in the healthcare insurance premiums was based on the Society of Actuaries' Getzen Model. A rate of 7.50% initially, reduced to an ultimate rate of 4.24% after 71 years, was used.

<u>Health insurance premiums</u>—Health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long term inflation assumption of 2.8% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in the 2012 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for intermediate growth.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the Company's short-term investment portfolio, a discount rate of 3.50% was used. In addition, a simplified version of the Unit Credit actuarial cost method was used. The unfunded actuarial liability is being amortized on a level percent of pay, open basis over 30 years.

Note 9 - Commitments and Contingent Liabilities

Membership in Utah Associated Municipal Power System (UAMPS)

The Company is a member of the Utah Associated Municipal Power Systems (UAMPS). UAMPS is a joint action agency and political subdivision of the State of Utah formed under an Organization Agreement dated November 6, 1980, pursuant to the provisions of the Utah Inter-local Cooperation Act. UAMPS' membership consists of 38 municipalities, one joint action agency, one electric service district, one public utility district, two water conservancy districts, and one non-profit corporation.

UAMPS is a legally separate entity, which possesses the ability to establish its own budget, incur debt, sue and be sued, and own and lease property. No other governmental units in Utah exercise significant control over UAMPS. As such, UAMPS is not a component unit as defined by the Governmental Accounting Standards Board in their Statement No. 14, "The Financial Reporting Entity".

UAMPS' purposes include planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining of projects, or ownership interests or capacity rights therein, for the generation, transmission and distribution of electric energy for the benefit of its members.

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows:

The Company participated in various individual projects by entering into power sales and/or transmission service contracts. Under various power sales contracts, UAMPS' members are required to pay their proportionate share of all operation and maintenance expenses and debt service on the revenue bonds issued by UAMPS, and any other energy-related costs, as defined in the contract and in some instances regardless of whether any power is supplied to the Company ("Take or Pay Agreements"). The Company may be required to make additional equity investments in UAMPS or in any specified projects of UAMPS. Under the organization agreement, the four members with the greatest financial obligations to UAMPS are each entitled to designate one of UAMPS' directors. All other directors are selected from the representatives of the remaining UAMPS members.

Separate financial statements for UAMPS may be obtained from the Manager of Finance at 155 North 400 West, Suite 480, Salt Lake City, Utah 84103.

a) Hunter II Generation Project (Hunter II)

Hunter II, part of the Hunter Station in Emery County, Utah, is a coal fired, steam-electric generating unit with a net capacity of 430 megawatts. Hunter has commercially operated since June 1980 and is jointly owned by PacifiCorp, Deseret Generation & Transmission Co-operative and UAMPS. UAMPS owns an undivided 14.582% interest in Hunter II, representing approximately 63 megawatts of capacity and energy. The Company's current output entitlement in the Hunter II generating project is 5.82% of UAMPS ownership.

b) Craig Mona Transmission Project (Craig Mona)

The Craig Mona project involves the transmission capability of two interconnected 345 KV Transmission lines. UAMPS and its members own a 15% interest in the first segment, running west from Craig, Colorado, to the Bonanza Power Plant in northeast Utah. In 2010, Heber Light & Power is able to share, sell or use as conditions warrant. UAMPS holds an entitlement to 54 megawatts capacity in the second segment from Bonanza to an interconnection at Mona, Utah.

The Company acquired 4.58% of UAMPS transfer rights in the Craig Mona transmission project.

c) The Colorado River Storage Project (CRSP)

CRSP is federally owned and operated by the United States Bureau of Reclamation. One purpose of CRSP is the production of hydroelectric capacity and energy. Heber Light & Power acts as its own purchasing agent for its allocation of CRSP energy. The contract in the CRSP project ran through 2004, and has been renewed annually. The Company has an entitlement of 3 MW.

d) Pool Project

The Pool Project brings the UAMPS members together in a resource clearinghouse for mutual advantages. The pool matches the member with surplus resources to those members who have a deficit of resources on an hourly basis.

The Company participates in the UAMPS pool for planned and unplanned transactions. The agreement requires participants to pay the costs of the pool based on (a) direct costs of planned transactions, (b) the hourly costs of energy and associated transmission supplied on unplanned transactions and (c) the administrative costs of the pool.

Termination of the pooling agreement requires a five-year notification.

a) Government & Public Affairs Project

Lobbying and the political considerations of UAMPS members who elect to participate in these actions are under the Government and Public Affairs Project. Nationally and locally, UAMPS represents a strong political stance on issues related to electric utilities and the public power movement. Under this project's umbrella comes UAMPS' affiliation with APPA and CREDA.

Other Contractual Obligations

a) Intermountain Power Agency (IPA) Contract

The Company is a member of the Intermountain Power Agency (IPA), a separate legal entity established under the guidelines of the Utah Inter-local Co-operation Act.

The IPA provides financing for the Intermountain Power Project (IPP) located near Delta, Utah for the benefit of its members. IPA has approximately $5.1 billion of revenue bonds that are paid from the revenues received from participant charges. Under the terms of its original contract with IPA, the Company is entitled and obligated to purchase 0.627% of the plant's power output. However, under a subsequent excess power sales agreement, the Company has a bilateral agreement with certain California purchasers for the duration of the project unless the Company recalls any or all of the entitlement. In recent years, the Company has reclaimed some of its entitlement from California purchasers. The Company is liable for operating expenses and repayment of the outstanding bonds only in the event of a prolonged power outage (in excess of 24 months) and/or failure to perform under the agreement on the part of each of the California purchasers. Utah Association of Municipal Power Systems (UAMPS) serves as the agent for these agreements.

b) Jordanelle Generation Plant and Power Purchase Agreement

During 2005, Heber Light and Power began construction of substation and distribution facilities to receive all of the energy from the Jordanelle Generating Station. Work was completed in 2008 and commercial output began in July of that year. The agreement contains provisions for the division of net income after the payment of expenses including bond and reserve payments. When these provisions apply, the net income is divided two-thirds to Jordanelle and one-third to the Company ("Company Share").. After the agreement was executed, the parties determined that the Company's Facilities would cost an additional $900,000, bring the total to $2.1 million for the Company's Facilities. The Jordanelle thus issued bonds in the amount of $26,500,000 which included the $2.1 million that was used to pay for the Company's Facilities. Due to the increased cost of the Company's Facilities, the parties amended the agreement to provide that the Company Share would not be paid to the Company until the $900,000 plus the pro rata share of the bond closing cost and interest at the District's bond rate are paid to the District. This amount is shown on the Statement of Net Position as a deferred gain in the amount of $784,273 as of December 31, 2013. The Company Share for the year ended December 31, 2013 in the amount of $56,838 is shown on the Statements of Revenues, Expenses and Changes in Net Position in Other income.

Termination Benefits

The Company will compensate an employee with 5 years of Company service at his/her most recent base salary rate for unused sick leave up to 190 days. At December 31, 2013, future payments reported as a liability in the Statement of Net Position was $523,259. The calculation to accrue this liability is based on the assumption that nonexempt employees hired before July 1, 2011 with 5 years of service are paid for 75% of unused sick leave, exempt managers are paid 100% of unused sick leave, and nonexempt employees hired after July 1, 2011 are paid 0% for less than 5 years of service, 25% for 5 to 10 years of service, 50% for 11 to 24 years of service, and 75% for service of 25 years or more. The employee's hourly rate in effect and the estimated hours, based on the above assumptions is then used to determine an estimate of the benefit.

The Company funds the program on a pay-as-you-go basis. During the year ended December 31, 2013, 35 employees were included in the program.

All Company employees who have completed 25 years of service and are eligible for Utah State Retirement benefits are eligible for participation with the Company in purchasing up to 5 years of retirement credit. Under this benefit, the Company may provide up to 95% of the actuarially determined rate for the credits. The estimated cost of projected credit purchases cannot be reasonably estimated because information necessary to determine the amount is unable to be determined. The Company funds the program on a pay-as-you-go basis. During the year ended December 31, 2013, no employees exercised this benefit.

Note 10 - Subsequent Events

In preparing these financial statements, Heber Light & Power has evaluated events and transactions for potential recognition or disclosure through May 15, 2014, the date the financial statements were available to be issued.

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Chairman of the Board of Directors of
Heber Light & Power
Heber City, Utah

We have audited, in accordance with the 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, the financial statements of the business-type activities of Heber Light & Power(the Company), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated May 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2013-A through 2013-C in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item 2013-D as described in the accompanying schedule of findings to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Managements Response to Findings

The Company's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Company's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Eide Bailly LLP

Salt Lake City, Utah
May 15, 2014

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Independent Auditors' Report on Compliance and on Internal Controls over Compliance in Accordance with the *State of Utah Legal Compliance Audit Guide*

To the Chairman of the Board of Directors of
Heber Light & Power
Heber City, Utah

Report on Compliance

We have audited Heber Light & Power's compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2013.

The general compliance requirements applicable to the entity are identified as follows:

- Cash Management
- Budgetary Compliance
- Special Districts
- Other General Compliance Issues
- Impact Fees
- Utah Retirement Systems
- Fund Balance

Heber Light & Power did not receive any major assistance programs from the State of Utah during the year ended December 31, 2013.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of Heber Light & Power's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Heber Light & Power's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Company and its major programs occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Heber Light & Power's compliance with those requirements.

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Opinion
In our opinion, *Heber Light & Power*, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 2013-1.

Report on Internal Control over Compliance

Management of Heber Light & Power is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Company's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Managements Response to Findings

Heber Light & Power's response to the findings identified in our audit are described in the accompanying Schedule of Findings. The Company's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Salt Lake City, Utah
May 15, 2014

2013-A Material Adjustments
Material Weakness

Criteria: Generally accepted accounting principles require management of Heber Light & Power to have proper internal controls in place that will ensure the completeness of the financial statements.

Condition: As part of our audit procedures, we proposed material audit adjustments to the Company's recorded account balances in the areas of cash, receivables, inventory, capital assets, debt, accrued liabilities, revenues, and expenses, which if not recorded, would have resulted in a material misstatements of the Company's financial statements.

Cause: During our audit procedures we indicated that the proper controls were not in place to ensure the correct recording of transactions during the year.

Effect: The effect of this control deficiency could materially impact the financial statements, and the board of directors may not have enough detailed information to discover the error.

Management Response: Management has become aware of these material adjustments as part of the audit and has readily approved said adjustments upon review. Efforts are currently underway within the organization to ensure that proper controls are established and that a reporting mechanism is established so as to ensure proper oversight. In addition, regular interim statements will be prepared internally, reviewed by management, and presented to the Board of Directors to ensure appropriate account balances and transactions therein. Furthermore, Eide Bailly, LLP, has been retained to provide quarterly reviews over the course of this coming year to monitor the development of accounting processes/systems so as to eliminate this and other audit findings.

2013-B Journal Entries
Material Weakness

Criteria: Generally accepted accounting principles require management of Heber Light & Power to have proper internal controls in place.

Condition: As part of our audit procedures, we reviewed internal controls over Journal Entries, and determined that no formal review or authorization of journal entries is being performed. The mitigating control for journal entries is that the board of directors reviews the monthly accounting records and the financial statements on a monthly basis.

Cause: During our journal entry testing when verifying authorization over each tested item we discovered that no authorization is given when making journal entries.

Effect: The effect of this control deficiency could materially impact the financial statements, and the board of directors may not have enough detailed information to discover the error.

Management Response: Prior to his removal from office, the Company CFO was responsible for the review and authorization of journal entries as part of his administrative responsibilities. Management had relied on the Company CFO and the predecessor auditor to ensure that these entries were appropriately administered. Management recognizes that this review and approval process did not take place during the period under audit. However, current internal practice is operating in such a fashion so as to eliminate this material weakness. Journal entries are now prepared by a member of staff with appropriate supporting documentation. A standard entry format has been adopted and is presented to the Accounting/Finance Manager for approval prior to posting. Upon posting of the entry, the entry cover sheet is then marked to signify posting has occurred and then this journal voucher is saved for future reference and review. The mitigating control is also currently still in effect as each month the Company financial statements as well as warrants are provided for review at the monthly board meeting.

2013-C **Segregation of Duties and Controls**
Material Weakness

Criteria: Generally accepted accounting principles require management of Heber Light & Power to have proper internal controls in place. An effective system of internal control depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an entity's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

Condition: As part of our audit procedures, we reviewed internal controls that apply to segregation of duties, and determined that the same accounting personnel that have responsibilities over cash receipts also have responsibilities over cash disbursements. Also that same accounting employee reconciles bank statements and generally has overall accounting responsibilities. There were also issues indicated a lack of controls over reconciling inventory, capital assets, and impact fee revenue and expenses.

Cause: During our walkthroughs of internal controls we indicated which employees are responsible for which accounting functions that indicated a lack of segregation of duties on internal controls. During our audit procedures we also noted that there were no controls in place to make sure that inventory, capital assets, and impact fee revenue and expenses were being tracked and recorded properly.

Effect: The limited number of employees at the Company prevents a proper segregation of accounting functions necessary to ensure effective internal control, such as one employee entering all payables and receivables. This lack of segregation of duties and internal controls in place increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both.

Management Response: Management recognizes that this material weakness was in existence during the period under audit. Due to the size of the company and the need for all employees to take on multiple roles, segregation of duties provides a challenge. However, an opportunity exists for the Company to adequately plan and apply duties in 2014 to eliminate this material weakness. Efforts are currently underway to minimize this risk where proper segregation of duties cannot be implemented at the present time. For those areas of key concern, additional review and monitoring is happening so as to ensure appropriate accounting until proper segregation can be applied.

2013-D Preparation of Financial Statements
Significant Deficiency

Criteria: Management of the Company and those charged with governance are 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.

Condition: The Company does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause: Due to cost and other considerations, the Company has requested we draft the financial statements and related footnotes.

Effect: Although this circumstance is not unusual for an organization of this size, the absence of controls over the preparation of financial statements increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, by the company's internal control. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the condition because of cost or other considerations.

Management Response: Circumstances in regards to the timing of the replacement of the CFO precluded Heber Light & Power's ability to draft the 2013 Financial Statements and associated Notes. Therefore the scope of the Auditor's engagement for 2013 included the duties associated with drafting the Financial Statements and associated Notes. The company intends on preparing these statements on a go forward basis. In addition, the Company is taking steps to ensure that any existing internal control issues are identified and corrected so as to provide future auditor reliance upon internal controls and prepared financial statements.

2013-1 State Compliance

Criteria: For all entities, Utah state law (*Utah Code, Section 63G-2-108)* requires the GRAMA records officer to complete the annual online training course provided by State Archives on the requirements of GRAMA.

Condition: As a result of our audit procedures, we noted that the records officer had not completed the required GRAMA training, nor had anyone else in the Company.

Cause: Heber Light & Power now is aware of the compliance requirement, but did not know that this training is required on an annual basis.

Effect: The records officer has not had the required training.

Management Response: Management recognizes that this training has not been taken by anybody currently on staff. The Accounting/Finance Manager has been selected and at the present time has registered with the State’s Archive Office as the Records Officer. Certification efforts have been be completed prior to the issuance of this Audit Report. The annual re-certification will take place as required.