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# A Performance Audit of the Intermountain Power Agency

Revenue and Taxation Interim Committee

October 11, 2023



## Intermountain Power Project (IPP)

*The generating station in Millard County, supporting facilities, and transmission lines*

### Intermountain Power Agency (IPA)

*A Utah interlocal entity, made up of 23 Utah municipalities, that owns IPP*

### Governing Bodies

#### IPA Board of Directors



*Seven-member board made up of the project's owners*

#### Coordinating Committee



*Twelve-member board made up of IPP power purchasers. California has 79% of the vote and Utah has 21%.*

### Los Angeles Department of Water and Power (LADWP)

*The project manager and operating agent for IPP oversees the day-to-day operations and management of the plant*



### Intermountain Power Service Corporation

*IPSC staff operates the plant*



## Chapter 1

# The Legislature has Policy Questions to Consider Given the Original Vision of IPP has Shifted



# IPA was Created as a Utah Interlocal to Benefit the Participants, State, and Local Communities

**The Utah Interlocal Act (*Utah Code 11-13*) allows the creation of an interlocal for**



The Needs and  
Development of Local  
Communities

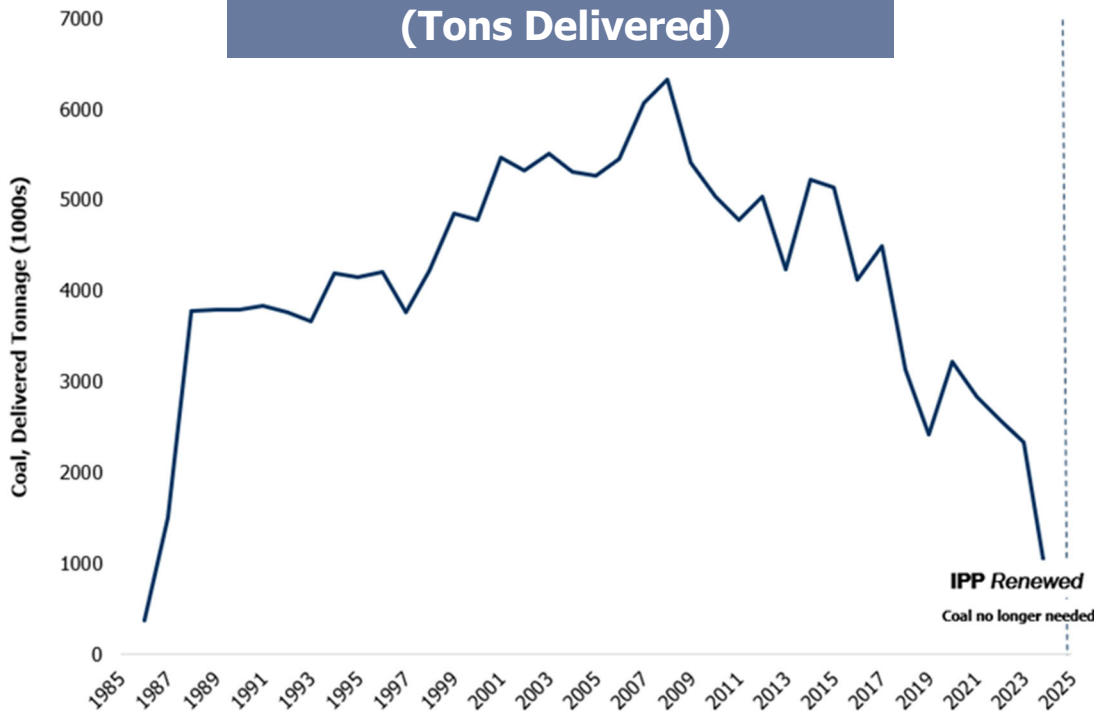
The Overall Promotion of  
the General Welfare of  
the State



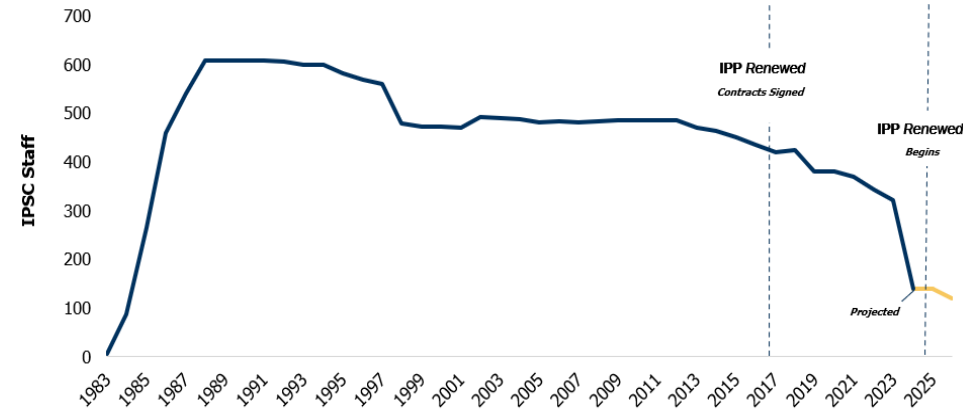


# IPP's Original Value to the State and Local Communities Has Diminished, Raising Policy and Governance Questions

### IPP Use of Utah Coal (Tons Delivered)

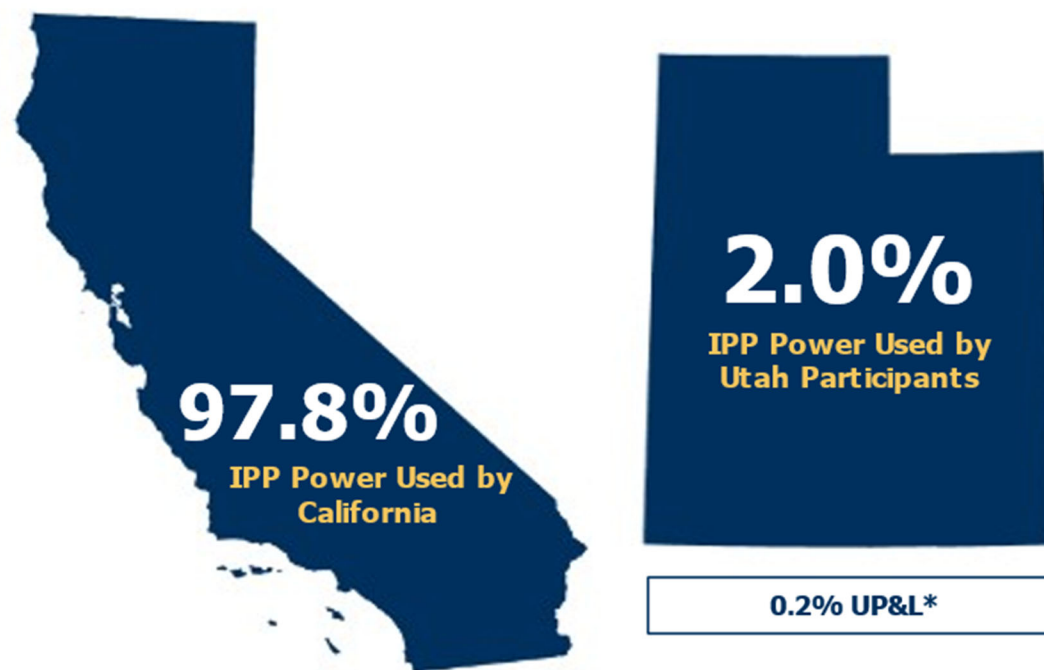


### IPP Staffing





# Utah Participants Have Used a Minimal Amount of IPP Power





## Chapter 2

# The Legislature Should Consider Ways to Strengthen IPA Governance and The IPA Board Should Do More to Provide Direction Amid Outside Influence



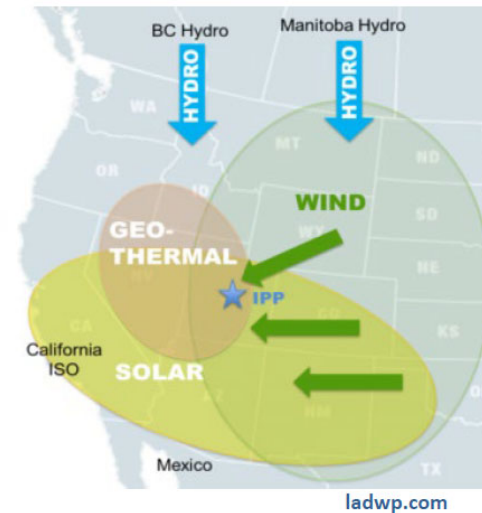
# California Purchasers Have Greatly Influenced the Project's Direction

## 3 Examples

- **California requested reductions in both staff and use of Utah coal**
- California participants would not allow 3<sup>rd</sup> IPP Unit for Utah
- California legislation forced the project to be carbon-free or potentially terminate

### Utah's Renewable Hub

- IPP sits in a confluence of renewable resources
- Currently interconnected to 370 MW of wind generation
- Secondary Path for existing Geothermal Projects and potential for additional geothermal in the area
- 2,300 MW of current solar interconnection requests in queue
- 1500 MW of Wyoming wind interconnects currently being discussed



Source: Los Angeles Board of Water and Power Commissioner's Meeting, Dec. 2019





# The IPA Board Can Improve Its Governance and Better Account for Outside Pressures

## Five Areas Where IPA Can Be Influenced:

<b>1) A Lack of strong planning, goals, targets, and measures</b>	
<b>2) Unclear which body makes which project decisions</b>	
<b>3) Most IPA responsibilities have been delegated</b>	
<b>4) Without stated priorities, the IPA Board is responsive to project participants on the Coordinating Committee</b>	
<b>5) IPA's mission differs from the mission of IPP Renewed</b>	





# The Legislature Can Consider Providing Stronger State-Level Governance of IPP

## Change IPA's Governance Requirements In Existing Statute

**Potential Legislative Action-** Add new reporting or transparency requirements, restrictions on future operations, or legislative appointees to the IPA Board.

## Create a New Entity to Provide Legislative Oversight Over IPA

**Potential Legislative Action-** Create a new government entity, with outlined requirements, to oversee or manage IPA operations.

## Require the Privatization of IPA's Operations

**Potential Legislative Action-** Change IPA's status to require operation as a private entity.





## Chapter 3

# Intermountain Power Agency Has Historically Benefitted as a Government Entity with Limited Statutory Governance



# IPA Has Benefited as a Governmental Entity

## **Municipal Tax-Exempt Bonding**

IPA has issued billions in municipal bonds between its first and subsequent rounds of financing. In 2022, 93 percent of all IPA's financing came from tax-exempt bonds that were only allowed because of its political subdivision status.

## **Unique Tax Structure**

IPA pays a fee in lieu of ad valorem tax instead of property tax. IPA receives a municipal exemption to account for the portion of power used by the Utah municipal power systems owned by IPA members.\*

## **Governmental Immunity**

IPA, as an interlocal entity, is statutorily protected under the Governmental Immunity Act of Utah. IPA's governmental immunity is referenced in its service contracts with vendors.

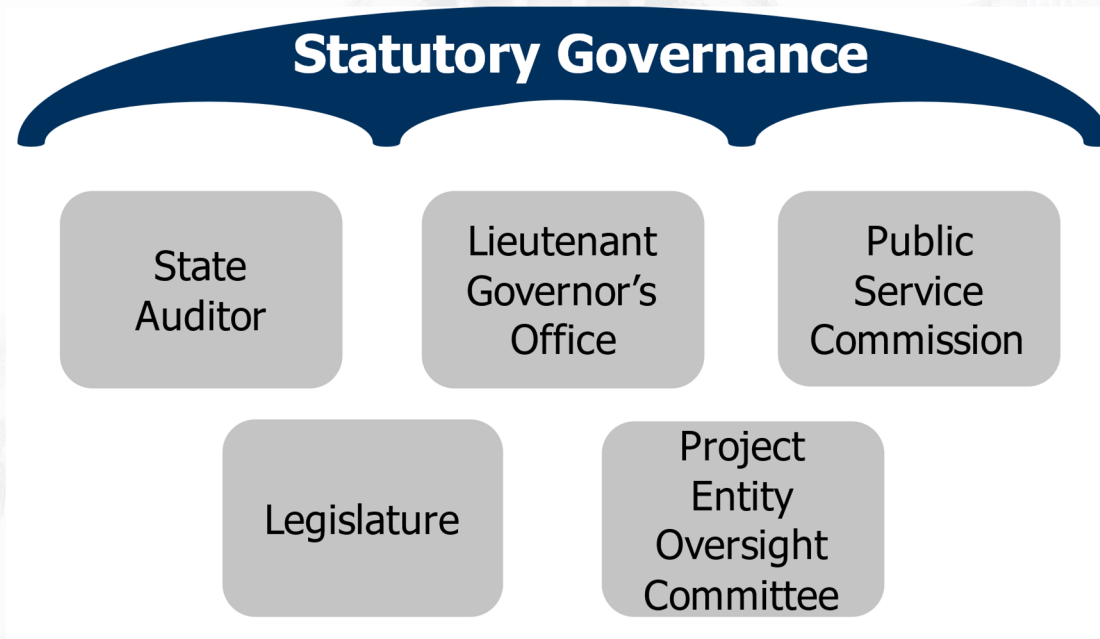
## **Public Employees Health Plan**

IPA uses Utah government employee health benefits through the Public Employees Health Program (PEHP).

*\*There was some uncertainty on the use of this exemption, many of the benefits were provided to the California purchasers. The Utah Legislature amended the statute in 2022 to ensure no more exemption benefits went to California.*



# IPA's Statutory Governance Structure Has Unique Exemptions That the Legislature Could Consider Reviewing



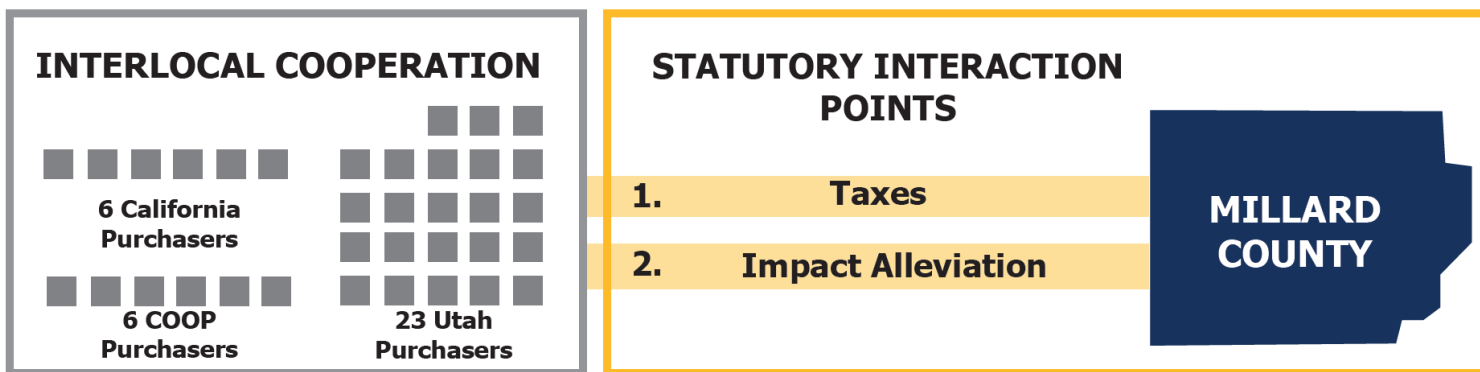


## Chapter 4

# The Legislature Should Review Whether Some Statutory Provisions That Appear to Negatively Impact Millard County Are Still Desirable



# The Legislature Should Determine If Utah Code Properly Balances Relations between a Project Entity and a Host County



# IPA and Millard County Tax Negotiations and Litigations Impact Millard County's Budget and Taxpayers

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IPA and Millard County signed settlement agreements **11 of 20** years.

IPA appealed its tax assessment **26 of 38** years.







Any decrease in IPA taxes over time or through appeals or exemptions reduces the nonresident's tax burden while increasing the burden on other Millard County taxpayers to make up the difference.

### Decrease of IPA Taxes Means

Increased Burden for Millard County Citizens



Truth in Taxation requires **Millard County Citizens** to fulfill what IPA does not pay in taxes

Increased Benefit for IPA Purchaser

California has Purchased **98%** of the plants power over its lifetime





# Impact Alleviation Payments May Not Support Millard County as Envisioned

IPA Paid **\$21 Million**  
in Impact Alleviation  
Payments to Millard  
County

IPA Received  
**\$17 Million** in Impact  
Alleviation Credit on  
Taxes to Millard County



# Questions



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