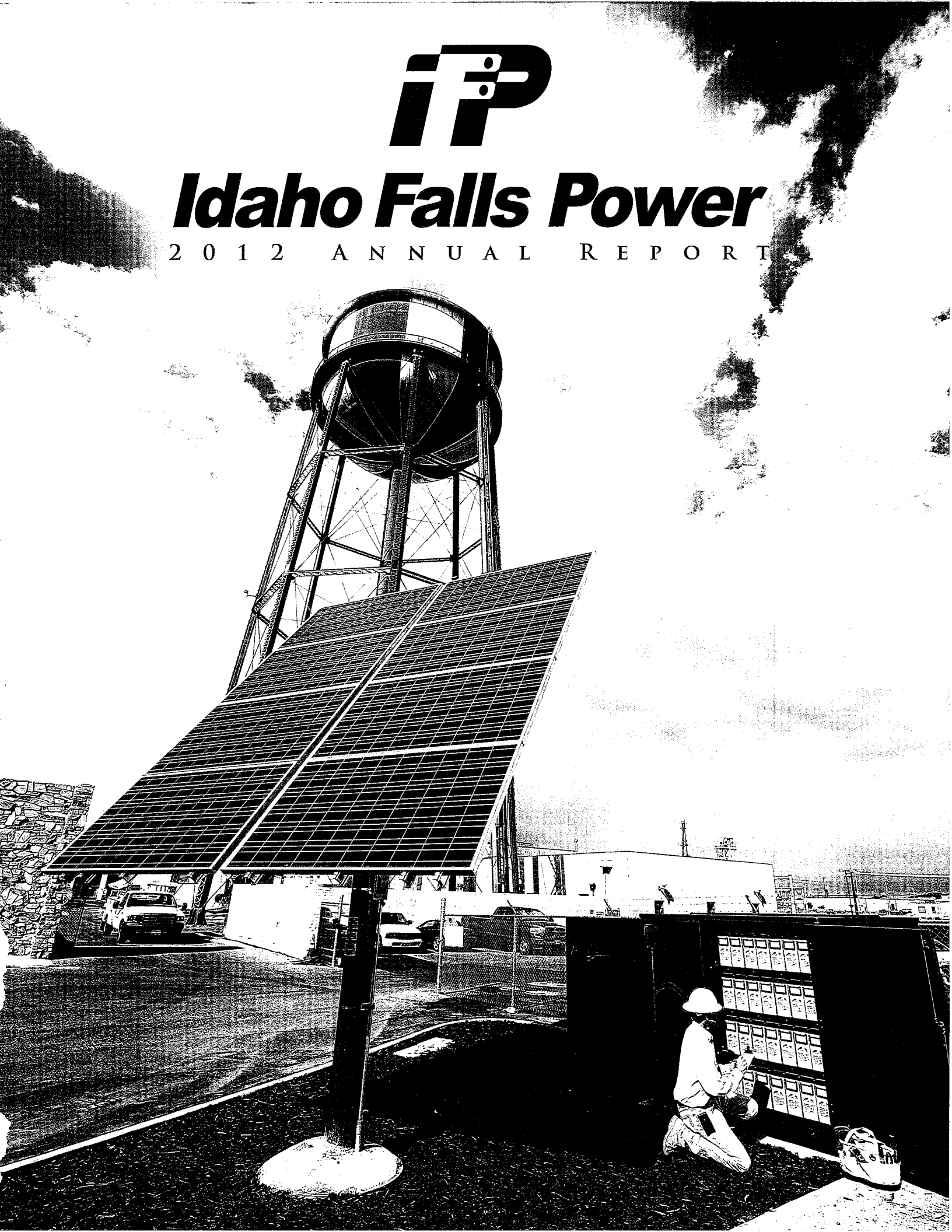
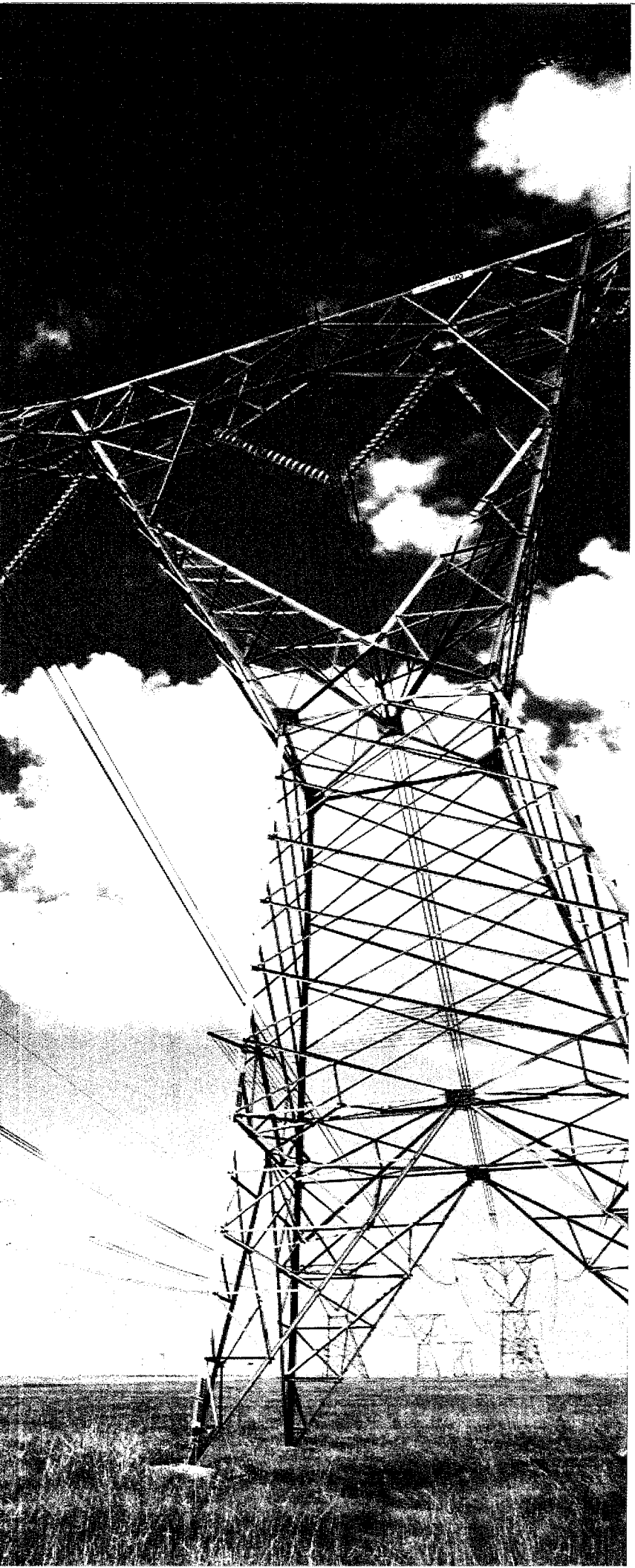
Idaho Falls Power

2012 ANNUAL REPORT





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Management Statement

2012
Idaho Falls Power

Fiscal Year 2012 was unlike any other in Idaho Falls Power's 110-plus years as we embarked in earnest on the Pacific Northwest Smart Grid Demonstration Project and all of the planning, training and installation work it entailed.

The Smart Grid project is a $178-million effort to improve the nation's electric grid, which is woefully out of date and over capacity. The goal of the project – which, with 11 public and private participants, is the largest of 16 Smart Grid-related projects taking place nationwide – is to move the nation closer to an efficient and effective electricity infrastructure that helps to contain costs, boost reliability, incorporate more renewable energy and provide more information and options to consumers.

To date we have worked to install the infrastructure and integrate systems. A lot of work has gone into the deployment process, but the experience will give Idaho Falls Power and its customers a say in the development of the nation's electric grid -- a chance to test and improve the technologies, develop new processes, and educate consumers. As we move into testing the technology, we look forward to the results that we believe will help us adhere to our mission of providing low-cost, reliable electricity to Idaho Falls residents - while improving customer service and making us a more efficient public power provider.

The Smart Grid project also allows us to collaborate with a number of public and private entities, and that teamwork is already paying dividends.

We've worked with our cyber security consultant and the Idaho National Laboratory to develop a sophisticated and secure wireless network to accommodate the equipment used in the Smart Grid project. We've teamed extensively with U.S. Department of Energy researchers and cybersecurity experts to design and test our network, and will continue to do so throughout the five year project.

We're working closely with the meter manufacturer and software developer to build and refine our network, and we enlisted the help of several local companies to install the in-home equipment and communications gear.

The Smart Grid project isn't the only way in which we've collaborated with other public and private entities to explore ways of providing our customers with the most affordable and reliable electricity in the country, however.

We've also teamed with INL researchers studying advanced vehicle fuel technologies. We're providing data from our fleet of Chevrolet Volts to INL's Advanced Vehicle Testing Activity, allowing the scientists to gage the impact of charging times on battery chemistry and the impact of cold weather conditions on battery life and charging needs.

That's just a glimpse at the ways in which we're working with others to meet the challenges facing the energy industry.

As you can see, it was a busy year - one full of challenges. We're excited about applying the lessons learned, and gaining more insight as we test new technologies, all while working to enhance service to our customers and prepare for the future of Idaho Falls.

Jared Fuhriman
Mayor

Jackie Flowers
General Manager

Financial Statements

Balance Sheets

Assets

	September 30, 2012	September 30, 2011
CURRENT ASSETS		
Cash and cash equivalents	$ 9,824,621	$ 4,320,605
Investments	20,370,858	21,199,739
Accounts receivable, net	4,080,612	3,870,900
Power contracts receivable	1,732,405	1,273,003
Interest receivable	107,730	139,887
Materials and supplies	3,114,688	3,212,873
Due from other City funds	320,423	281,302
Total current assets	39,551,337	34,298,309
RESTRICTED ASSETS		
Cash and cash equivalents	5,925,419	5,935,494
LONG-TERM INVESTMENTS	9,535,482	11,410,563
UTILITY PLANT		
Plant in service	192,151,620	188,934,177
Accumulated depreciation	(109,628,242)	(104,166,485)
Construction work-in-progress	7,225,266	4,062,453
Net utility plant	89,748,644	88,830,145
DEFERRED CHARGES	194,995	261,774
Total assets	$ 144,955,877	$ 140,736,285

Liabilities and Net Assets

	September 30, 2012	September 30, 2011
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,610,966	$ 1,621,609
Purchased power payable	2,038,565	922,271
Due to other City funds	975	710
Total current liabilities	3,650,506	2,544,590
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current portion of interest payable	5,956,285	5,849,149
Current portion of bonds payable	1,693,715	1,820,851
Total liabilities payable from restricted assets	7,650,000	7,670,000
LONG-TERM LIABILITIES, net of current portion		
Bonds payable	1,514,518	3,208,233
Interest payable	4,833,309	9,583,590
Post-employment benefit obligation	9,352	4,115
Total long-term liabilities, net of current portion	6,357,179	12,795,938
Total liabilities	17,657,685	23,010,528
NET ASSETS		
Invested in capital assets, net of related debt	86,735,406	84,062,835
Restricted	-	86,345
Unrestricted	40,562,786	33,576,577
Total net assets	127,298,192	117,725,757
Total liabilities and net assets	$ 144,955,877	$ 140,736,285

Statement of Revenues, Expenses and Changes in Net Assets

	Years Ended September 30, 2012	2011
OPERATING REVENUES		
Retail	$ 43,290,148	$ 42,300,779
Wholesale	11,695,961	11,692,559
Other	939,825	1,387,792
Total operating revenues	55,925,934	55,381,130
OPERATING EXPENSES		
Purchased power	26,699,414	28,758,457
Power generation	2,938,474	2,655,992
Transmission and distribution	2,649,568	2,577,728
Customer accounting and collection	1,768,740	1,745,840
General and administrative	5,120,945	4,473,136
Depreciation	5,716,301	5,641,072
Total operating expenses	44,893,442	45,852,225
OPERATING INCOME	11,032,492	9,528,905
OTHER REVENUE (EXPENSE)		
Investment earnings	312,798	303,993
Interest expense	(1,272,782)	(1,708,738)
Transfers for payments in lieu of taxes	(3,363,970)	(3,337,832)
Other, net	2,769,346	1,897,280
Total other expense	(1,554,608)	(2,845,297)
CAPITAL CONTRIBUTIONS	94,551	280,926
CHANGE IN NET ASSETS	9,572,435	6,964,534
NET ASSETS, beginning of year	117,725,757	110,761,223
NET ASSETS, end of year	$ 127,298,192	$ 117,725,757

Statement of Revenues, Expenses and Changes in Net Assets

	Years Ended September 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 52,344,813	$ 52,908,647
Receipts from City	2,872,886	2,891,420
Payments to suppliers	(30,180,965)	(32,980,031)
Payments to employees	(4,997,114)	(5,194,164)
Payments to City for services used	(2,887,909)	(2,820,905)
Net cash flows from operating activities	17,151,711	14,804,967
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers for payments in lieu of taxes	(3,363,970)	(3,337,832)
Other, net	2,769,346	1,897,280
Net cash flows from noncapital financing activities	(594,624)	(1,440,552)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Plant expenditures and construction of capital assets	(6,540,248)	(4,494,831)
Change in materials and supplies	98,185	188,695
Principal payments on bonds	(1,820,851)	(1,954,972)
Interest payments on bonds	(5,849,149)	(5,725,028)
Net cash flows from capital and related financing activities	(14,112,063)	(11,986,136)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(68,793,766)	(79,721,887)
Proceeds from sale and maturity of investments	71,497,728	71,349,048
Interest on investments	344,955	354,619
Net cash flows from investing activities	3,048,917	(8,018,220)
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,493,941	(6,639,941)
CASH AND CASH EQUIVALENTS, beginning of year	10,256,099	16,896,040
CASH AND CASH EQUIVALENTS, end of year	$ 15,750,040	$ 10,256,099

Statement of Cash Flow

	Years Ended September 30, 2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 11,032,492	$ 9,528,905
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	5,716,301	5,641,072
Changes in operating assets and liabilities		
Accounts receivable	(209,712)	(73,323)
Power contracts receivable	(459,402)	490,925
Due from/to other City funds	(38,856)	1,328
Accounts payable and accrued liabilities	(10,643)	(780,631)
Purchased power payable	1,116,294	(6,433)
Post-employment benefit obligation	5,237	3,124
Net cash flows from operating activities	$ 17,151,711	$ 14,804,967
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Amortization of debt related deferred charges included in interest expense	$ 66,779	$ 66,779
Contributed utility plant by governmental authorities	$ 37,542	$ 196,553
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, current	$ 9,824,621	$ 4,320,605
Cash and cash equivalents, restricted	5,925,419	5,935,494
Cash and cash equivalents, end of year	$ 15,750,040	$ 10,256,099

*Footnotes to financial statements are available upon request.

Idaho Falls Power Generation Mix 2012

BPA Energy Mix

	Avg MW.	%
Wind	61	0.7833%
Hydro	6,942	89.1371%
Nuke	785	10.0796%
Total	7,788	100.0000%

UAMPS Generation Energy Mix

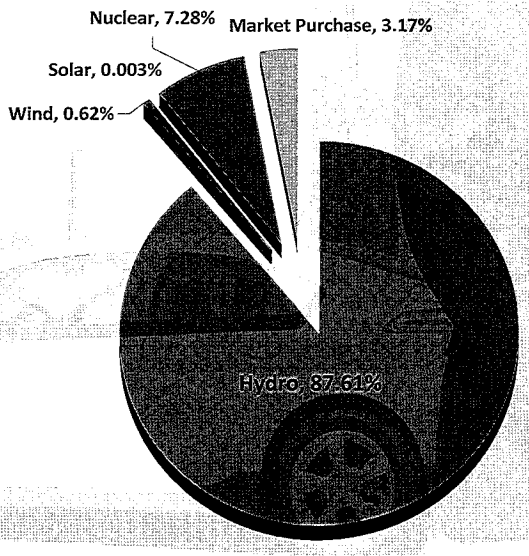
	MW	%
Coal		72.8000%
Gas		27.2000%
Total		100.0000%

Total WECC Generation Mix

	%
Hydro	31.4000%
Nuclear	4.6000%
Coal	16.0000%
Gas	41.0000%
Wind/Renewables	7.0000%
Total	100.0000%

Idaho Falls Power for 2011-2012

IFP Hydro (Bulbs & Gem Total)	270,768	
Roof Solar	33.68	
Tracking Solar	3.34	
Horse Butte	611	
BPA Energy	795,633	
UAMPS Energy	18,221	
Market Purchases	16,703	
Total Purchases	**1,101,973**	
Break Downs		
Hydro	88.93%	979,972.65
Wind	0.62%	6,842.85
Solar	0.00%	37.02
Nuclear	7.28%	80,196.70
Market Purchase	3.17%	34,924
Total	100.00%	**1,101,973.22**



RP3 Reliable Public Power Provider

DEPARTMENT REPORTS

Customer Service

The focus for IFP's customer service team throughout the year was implementation of the Pacific Northwest Smart Grid Demonstration Project. A significant amount of time was devoted to training personnel on the software and devices associated with the project, and even more attention was given to distributing and installing the equipment – in-home displays, programmable thermostats and load control switches for water heaters – in the homes of hundreds of volunteers.

A key aspect of the Smart Grid project is to test and quantify the savings that can be achieved through use of these devices, as well as customer acceptance. Installation of the advanced meters began in May, and deployment of the in-home equipment kicked off two months later. That deployment continued through the end of the fiscal year.

A Smart Grid display was added to the Energy Center at IFP headquarters to help explain the project to customers. Personnel hosted tutorials for project volunteers and held a series of public meetings intended to educate IFP customers on various issues of concern related to the Smart Grid.

Customer Service, by the numbers

1,200: Approximate number of advanced meters installed at the homes of volunteers throughout Idaho Falls.
1,000: Approximate number of people who toured our facilities throughout the fiscal year.
40: Approximate number of tours hosted.
1,300: Approximate number of people who attended our annual Public Power Open House

Energy Efficiency

Our Energy Efficiency programs continue to attract customers looking to conserve energy and save money. More than 400 people took advantage of the programs, which include discounts on light bulbs at local retail outlets, lighting retrofits, zero-interest loans for select Energy Star appliances and free home and business energy audits.

Energy Efficiency, by the numbers

$280,000: Amount saved by IFP customers who took part in IFP's Energy Efficiency loan programs.
4,500,000: Number of kilowatt hours saved.
330: Number of homes that can be powered, for a year, by 4.5 million kilowatt hours.
142: Number of free home energy audits conducted.
$10,000: The estimated annual savings realized as a result of lighting retrofit projects at several city offices --Water Department, Street Department, City Council Chambers, Maintenance Department and the Wastewater Treatment Plant.

Operations

IFP strengthened security at its headquarters, substations and hydropower plants with the installation of automatic door locks and security cameras. IFP also took steps to ensure the safety of residents downstream of the Gem State Project, the largest of the utility's four hydropower plants.

In August, IFP conducted a test of the Emergency Action Plan as required every five years by the Federal Energy Regulatory Commission. The exercise tests the utility's plan to ensure appropriate responders and resources are activated and that Idahoans who live downstream from the plant would be properly notified and evacuated in a timely manner in the unlikely event of a catastrophe. The test included a "real-life" dam failure scenario in which local emergency responders participated and provided feedback intended to improve the plan. The results of the test were deemed a success by FERC and emergency response personnel.

Operations, by the numbers

$35,000: Increase in annual revenue linked to improvements in IFP's salvage process
$230,000: Increase in annual revenue linked to new practices in the warehouse.

Transmission and Distribution

The bulk of the projects tackled by line crews were aimed at maintaining the electrical infrastructure throughout the city - most of which was built in the 1940s and 50s - including the Esquire Acres, Bellaire, Rose Park, Highland Park, Eastview, and Alice Dickson subdivisions. Work was also completed at the Three Fountains condominium complex and on Tiffany Drive. About 90 percent of the work was to replace electric wire on the primary and secondary lines.

T&D, by the numbers

181: Number of power poles replaced in Fiscal Year 2012.
40: Number of street light poles replaced.
340: Length, in feet, of steel used as conduit.
106,000: Length of electrical conductor replaced.
13,605: Length of PVC pipe used as conduit in those projects.

Power Supply

Idaho Falls Power continues to receive the majority of its power supply from the Bonneville Power Administration through a 17 year power supply contract. This past year marked the second year of the contract along with full implementation of the SLICE product from BPA. Idaho Falls receives a percentage of the output from the federal Columbia River system through this product.

In order to manage the complexity required to dispatch this resource, IFP pursued optimization software that would allow us to create more megawatts in the periods when we have the highest need. IFP partnered with The Energy Authority (TEA) in the development of this software tool. UAMPS, with the assistance of our own Generation Dispatchers, continues to perform our day ahead and real-time power scheduling/balancing along with managing the SLICE contract. Idaho Falls Power began receiving energy from the Horse Butte Wind Project, a wind generation facility east of the City that began producing power in August. The project will allow the utility to continue to diversify its generation resources.

IFP continues to have a great deal of variability in our annual generation due to snow pack and runoff conditions in the respective basins. Close to home, we enjoyed better than average stream flow conditions on the Upper Snake River where our hydro projects are located, allowing for additional generation for the benefit of our customers.

2012 also brought record levels of snow runoff in the Columbia River basin, creating a surplus of generation that was sold into the wholesale market; thus bringing in additional revenue to help offset our fixed power supply costs.

Horse Butte Wind Project, at a glance:

Idaho Falls Power is one of 24 utilities participating in the 32-turbine project. Our share is for 3 megawatts of capacity or approximately 1 megawatt of average generation – enough to power about 500 homes for a year.

The project is a partnership between IFP and other members of the Utah Associated Municipal Power Systems (UAMPS). It has a total generating capacity of 57.6 megawatts. The project got rolling several years ago, when owners of the land on which the turbines were erected approached IFP about the potential for a wind farm. The scope of the project the owners envisioned was beyond the scale of IFP's immediate need, however, so the utility collaborated with UAMPS and its larger membership base.

Traffic

IFP's traffic team worked to improve traffic flow throughout the city. IFP upgraded traffic signal equipment and enhanced the security of the "priority control" system for emergency vehicles at traffic signals city-wide.

In addition, crews rebuilt the corners of several intersections to make them compliant with the federal Americans with Disabilities Act, installed new flashing lights for the school zone on Skyline and Pancheri Avenues, and added new flashing beacons for a pedestrian crossing at Eastern Idaho Regional Medical Center.

Generation

The Generation team focused on taking care of our biggest assets: the four hydropower plants. Crews rebuilt and replaced outdated equipment for which replacements are no longer available, upgraded controls, embarked on a vigorous weed control program and installed an irrigation system for an area at the Gem State Project.

To accommodate the technology associated with the Smart Grid project, personnel installed additional security measures on existing computer networks, and added four new networks and seven servers. We also used the wireless network established for the Smart Grid project to extend our SCADA system (Supervisory Control and Data Acquisition, which monitors IFP's operating systems) to control four electric switches in the field. Until now, IFP only had SCADA control to devices at substations.

North Loop Update

Preparations for the proposed North 161 kV Transmission Project continued throughout the year. The project, originally planned in the 1970s, calls for the construction of a transmission line on the north side of the city that will link IFP's two main substations and complete the backbone transmission infrastructure.

The project has been met with resistance from a group of landowners along the western alignment who challenged, in court, the City's ability to condemn property outside city limits. The matter continues to work its way through the courts. However, negotiations for easement purchases continue to make progress with other landowners.

The North Loop project is key to IFP's ability to reliably deliver power to new and existing customers as the city continues to grow. In addition to reducing the impact of outages and providing the utility with resources to restore power more quickly when outages occur, the project will also add capacity to the sub-transmission system in the central business district.

Fiber

IFP's city-wide fiber optic network (Circa) continued to grow as crews linked it to 35 locations across the City. Crews also upgraded all network equipment at IFP's substations and power plants.

A significant amount of the department's time was spent in preparation of the Smart Grid project. Crews installed 78 wireless access points city-wide while building a wireless network to accommodate the advanced meters introduced in May through the Smart Grid project.

GIS/OMS

Staff upgraded IFP's Geographic Information System, allowing us to eliminate all paper maps and significantly reduce the amount of time and paper required to produce maps for crews to use in the field.

We also continued to maintain and improve the Outage Management System to help track power outages and their origin.

Safety and Security

A number of significant steps were taken to ensure the security and safety of our customers and personnel. We worked extensively with cyber security experts at Idaho National Laboratory to develop and test the computer networks established for the Smart Grid project. Crews also enhanced the security and upgraded the technology used at all four hydropower plants and other off-site facilities.

To promote safe work conditions, IFP adopted an industry standard safety manual to govern all work completed by IFP personnel.

Testing Technology of the Future

Most of IFP's 65 employees were involved with the utility's launch of its participation in the Pacific Northwest Smart Grid Demonstration Project-- the largest of 16 regional Smart Gridrelated projects taking place across the country.

IFP's Energy Services personnel and Information Technology staff helped assemble literature for brochures and pages on the IFP website to inform customers about the project and the ways in which they could participate. Our meter staff installed approximately 1,200 advanced meters city-wide and tested those that were installed, and removed, to ensure accuracy. Other employees were tasked with establishing the wireless network that allows the meters to relay information to the utility; some assisted with the set-up of equipment in the homes of volunteers; and others led tutorials on the new equipment or were involved in a series of public meetings intended to educate the public about the new technology. We also invested hours in training on the software associated with the new metering equipment.

IFP is one of 11 utilities taking part in the five-year project, the goal of which is to test ideas and technology that could one day modernize the nation's electric grid. IFP is working with a number of other utilities and public and private entities on the project, particularly in the analysis of the data accumulated during the project to determine whether the Smart Grid-related steps taken in Idaho Falls could help make the nation's electric grid more cost-effective, reliable and efficient.

Idaho Falls City Council Members

Jared D. Fuhriman, Mayor

Ida Hardcastle, City Council President

Thomas Hally, Council Member, and Idaho Falls Power Division Liaison

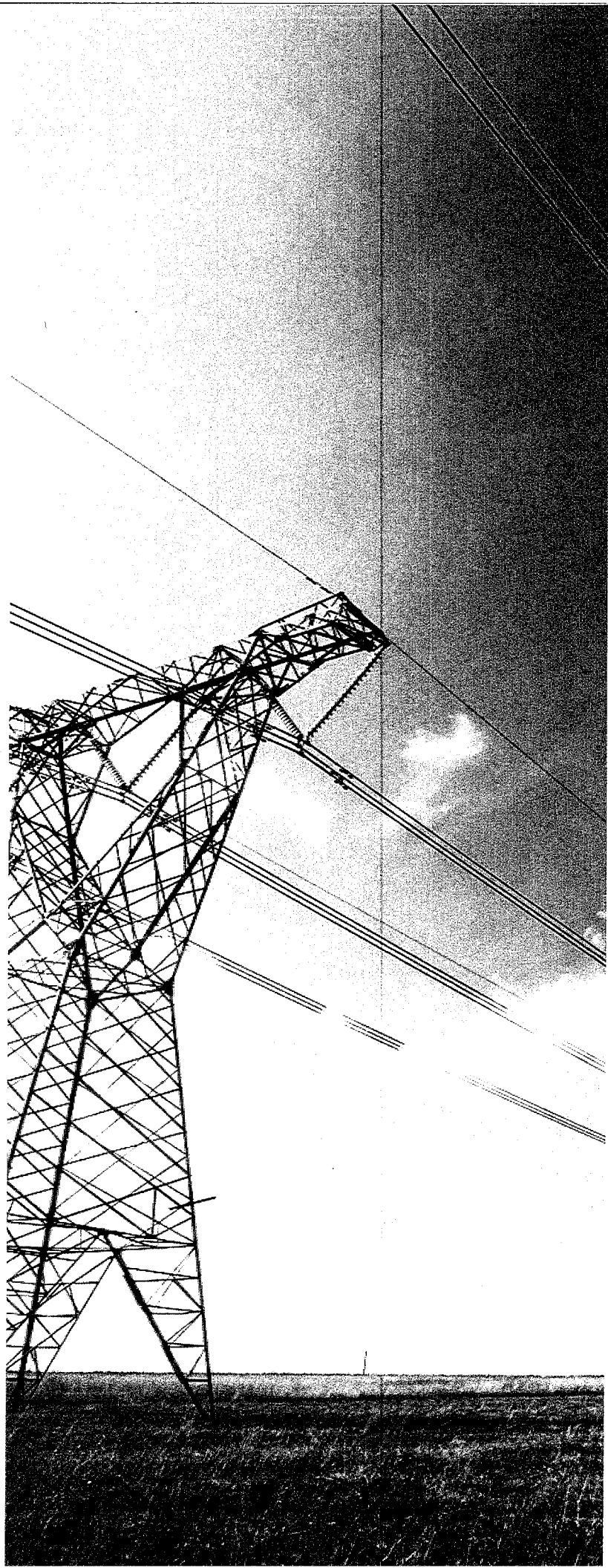
Michael Lehto, Council Member and Idaho Falls Power Division Liaison

Karen Cornwell, Council Member

Sharon Parry, Council Member

Kenneth Taylor, Council Member

Idaho Falls Power



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