

2015 **ANNUAL REPORT**



MAYOR
Rebecca Casper

COUNCIL PRESIDENT
Mike Lehto
(Idaho Falls Power Department Liaison)

COUNCIL MEMBERS
Barbara Dee Ehardt
(Idaho Falls Power Department Liaison)

Thomas Hally

Ed Marohn

Sharon D. Parry

Dee Whittier *(January-March 2015)/*
David M. Smith

MANAGEMENT STATEMENT

As we reflect on the City's 150th anniversary and the strong heritage that makes Idaho Falls unique, our electric utility is truly one of our crown jewels. Public power systems in Idaho provide service to roughly 130,000 customers, accounting for 16% of Idaho's electric consumption. Idaho Falls Power is the largest municipally owned and operated public power system in Idaho. It also happens to be among the oldest public power utilities in the northwest.

Public power systems like that in Idaho Falls provide reliable, not-for-profit power to its customers. Its governing body, Mayor and City Council, is close to the people and directly accountable to the voters. This ensures that our policies and services are aligned with the priorities of our customers.

The City's sesquicentennial year proved to be a milestone year for our electric utility. In 2015, the debt on the hydropower facilities was retired, securing the low cost of our locally owned resources. And with a rate decrease following the debt retirement, our customers are now reaping the benefits of those investments in our locally owned and operated generating capacity. Electric rates in Idaho Falls are the envy of many in our state and our nation.

Our City has benefited greatly from the leadership of previous Mayors, City Councilors, and utility managers who pursued development of these resources. These leaders overcame obstacles in development, licensing, and construction of these facilities as well as navigated the limitations communities face in incurring debt to build infrastructure. Tapping into tax exempt financing not only provided an affordable source of funds to build the plants but it also allowed facility costs to be spread over the life of the power plants.

Community support for development of our hydropower facilities was very strong 30-plus years ago when the first bond question was posed to our voters. Voters approved significant investment in their electric future. Retirement of the debt and thorough fiscal policies have led to the utility being in a very strong fiscal position. And, today, community support and satisfaction with our locally owned and operated utility continues to be very strong.

The fact that our power portfolio is 95% emission free is icing on the cake of regulatory constraints in today's world. Given the regulatory challenges many utilities and communities face in the changing energy landscape, our community is fortunate to have taken action all those decades ago. We will certainly continue to benefit from these resources well into the future.



Rebecca L. Noah Casper
Mayor



Jackie Flowers
General Manager



2015

YEAR IN REVIEW

2015 was a momentous year for Idaho Falls Power in that the utility retired the debt service on its four hydropower facilities. The move allowed IFP to lower rates for the first time in nearly a decade, and to secure a legacy that began with the utility's inception more than a century ago.

The City's first mayor, Joseph A. Clark, campaigned on a pledge to bring electric power to the community, launching a quest to own and operate hydropower assets that's woven throughout the city's history and continues to this day. Here's a look back at that history.



1900

Clark fulfilled his campaign pledge in 1900, when the city began generating hydropower on an irrigation canal at 10th and South Boulevard, making Idaho Falls one of the first public power communities in the region and the first city in Idaho to own and operate a municipal electric utility.

1910s

A decade later, Clark's successor, Mayor E. P. Coltman, fought for a \$95,000 bond issue to build the City Plant just south of Broadway Bridge.

1920s

Mayor W. A. Bradbury spearheaded an effort to boost generation by purchasing state-of-the-art generators and raising the level of the dam at the City Plant.

By 1928, Mayor Barzilla A. Clark laid the groundwork for an additional hydro facility, the Upper Plant, persuading voters to support a \$100,000 bond for its construction.

1930s

Barzilla Clark's successor and brother, Chase A. Clark, led the effort to purchase the Lower Plant.

1950s

Two new diesel generators were added to the generation portfolio thanks in part to the efforts of Mayor E.W. Fanning.

1970s

Two decades later, Mayors S. Eddie Pedersen and Thomas Campbell laid the groundwork for the existing plants.

There were chances throughout the city's history for the municipal utility to dissolve, with the biggest crossroads coming during Pederson's tenure in 1976, when the hydro plants were badly damaged in the Teton Dam flood.

Instead, the city's residents overwhelmingly approved the bonds to continue hydro generation on the Snake River. More than 90 percent of the ballots cast in 1978 were in support of the \$48 million bond used to build the three bulb turbine plants. Six years later, nearly 80 percent supported another \$46 million bond used to build a fourth facility, Gem State.

Now that those bonds are retired, Idaho Falls Power is well-positioned to carry on the legacy of hydro generation, continuing its mission of providing reliable, low-cost power to its residents for generations.

ENERGY EFFICIENCY

Idaho Falls Power has offered energy efficiency programs for more than three decades. Free energy audits, loans on energy efficient appliances and rebates on weatherization measures are among the options available to help customers save money and better manage their energy use. Here's a look at how those programs came about.

1960s

The Golden Years

The arrival of the National Reactor Testing Station a decade earlier sparked significant growth in the city's population and made IFP one of the fastest growing electric utilities in the nation.

That growth was not accompanied by a search for additional generating capacity, however, since the utility benefitted from its three hydropower plants (which handled about half the city's energy requirements) as well as its contract with the Bonneville Power Administration, which oversees the region's federally owned hydropower facilities.

1970s

Trouble on the Horizon

In 1971, BPA informed IFP that there would soon be limits on the amount of electricity available for sale.

In 1974, BPA announced a 25 percent increase in the cost of wholesale power.

Shortly thereafter, BPA warned that it did not expect to have enough power available to meet the demand within a few years.

1980s

Rate Increases and Calls for Conservation

As the demand for power continued to climb, BPA officials determined that additional generation was in order.

Rate increases were needed to absorb those costs, and IFP raised rates in 1980, 1981, 1982, 1983 and 1987.

BPA also issued a call to utilities to launch conservation programs in order to check the demand for electricity. In response, in 1982, IFP began operating its energy efficiency programs for all customer classes.

CUMULATIVELY, OUR ENERGY EFFICIENCY PROGRAMS HAVE HELPED CUSTOMERS SAVE MORE THAN

40 kWh
MILLION

OR

\$2.14
MILLION
AT IFP'S RESIDENTIAL RATE

ENOUGH TO POWER
3100
HOMES
FOR A YEAR

1
MILLION
KWH/YEAR
INITIAL SAVINGS
TARGET

5
MILLION
KWH/YEAR
2008 REVISED
TARGET

That goal was exceeded in 2015, thanks in large part to the efforts of a handful of IFP's larger customers:

Busch Agricultural Resources LLC
InteGrow Malt LLC | IF School District 91
Eastern Idaho Regional Medical Center

469

CUSTOMERS PARTICIPATED
in IFP's energy efficiency programs in 2015

5.2
MILLION
kWh WERE SAVED IN 2015
as a result of the programs

IN 2015



104

HOME ENERGY
AUDITS
CONDUCTED



109

ZERO INTEREST LOANS
AWARDED TO CUSTOMERS
FOR PURCHASE OF ENERGY
EFFICIENT APPLIANCES



76

COMMERCIAL
LIGHTING PROJECTS
COMPLETED

RATE DECREASE

IFP lowered rates for all customer classes in 2015, thanks to the retirement of the bond debt and savings derived from the new metering system. The residential rate dropped from 6.25 cents per kilowatt-hour to 5.35 cents/KWh. Part of the decrease—.43 cents/KWh for residential customers—is attributable to a Power Cost Adjustment that will be adjusted annually to reflect fluctuations in market price.

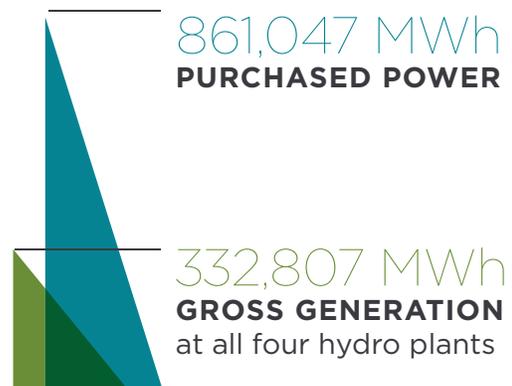
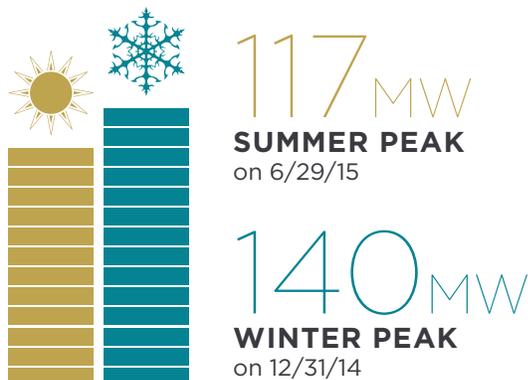


METER DEPLOYMENT AND NEW OMS

IFP completed an upgrade to its metering system that began in 2012 and included a new outage management system (OMS) that automatically notifies personnel to outages, voltage issues and tampering. Statistics are not yet available, but the new system is expected to lead to shorter outages and to significantly improve customer service

through the automatic notification of problems and the ability to provide consumption information throughout the billing cycle via a web portal. The new system also provides IFP with more information about the transmission and distribution system, leading to more efficient maintenance and operation.

BY THE NUMBERS





OUR FIBER NETWORK

13 YEARS
IN OPERATION

25 PAIRS
OF FIBER BEING LEASED
from 379 total service
drop locations

SERVICE PROVIDED TO
324 BUSINESSES
FROM SEVEN INTERNET PROVIDERS

SERVICE PROVIDED TO
67 LOCATIONS
VIA 11 PRIVATE BUSINESSES

GENERATION FACILITIES



4

RUN OF RIVER DAMS



2

SOLAR ARRAYS



A PORTION OF THE
OUTPUT OF THE
32-TURBINE HORSE
BUTTE WIND PROJECT

\$216,698,420
PLANT INVESTMENT

51.3 MW
GENERATION CAPACITY

VOLTAGE in kV

TRANSMISSION

44

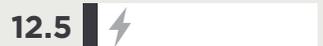


161



DISTRIBUTION

12.5



STATEMENT OF NET POSITION

Assets

As of September 30	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,664,052	\$ 8,553,504
Investments	19,758,525	13,563,364
Accounts receivable, net	4,026,782	3,947,969
Power contracts receivable	1,638,351	2,657,550
Interest receivable	186,216	228,514
Materials and supplies	3,117,241	3,667,814
Due from other City funds	285,383	294,746
Total current assets	39,676,550	32,913,461
RESTRICTED ASSETS		
Cash and cash equivalents	- 0	3,992,651
LONG-TERM INVESTMENTS	19,323,009	24,088,591
UTILITY PLANT		
Plant in service	209,027,946	204,136,263
Accumulated depreciation	(124,827,030)	(119,650,036)
Construction work-in-progress	7,670,474	5,658,424
Net utility plant	91,871,390	90,144,651
DEFERRED OUTFLOWS OF RESOURCES		
Plant in service	1,176,415	255,629
Total deferred outflows of resources	1,176,415	255,629
Total assets and deferred outflows of resources	\$ 152,047,364	\$ 151,394,983

STATEMENT OF NET POSITION

Liabilities and Net Position

As of September 30	2015	2014
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,670,362	\$ 2,302,021
Purchased power payable	2,632,143	2,644,144
Due to other City funds	<u>514</u>	<u>532</u>
Total current liabilities	<u>4,303,019</u>	<u>4,946,697</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current portion of interest payable	- 0	2,930,365
Current portion of bonds payable	<u>- 0</u>	<u>728,860</u>
Total liabilities payable from restricted assets	<u>- 0</u>	<u>3,659,225</u>
LONG-TERM LIABILITIES		
Net pension liability	2,552,241	1,439,001
Post-employment benefit obligation	<u>12,376</u>	<u>10,399</u>
Total long-term liabilities, net of current portion	<u>2,564,617</u>	<u>1,449,400</u>
Total Liabilities	<u>6,867,636</u>	<u>10,055,322</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows—pension	<u>1,670,972</u>	<u>1,980,955</u>
Total deferred inflows of resources	<u>1,670,972</u>	<u>1,980,955</u>
NET POSITION		
Net investment in capital assets	91,871,390	89,415,791
Restricted	- 0	1,062,286
Unrestricted	<u>51,637,366</u>	<u>48,880,629</u>
Total Net Position	<u>143,508,756</u>	<u>139,358,706</u>
Total liabilities, deferred inflows and net position	<u>\$ 152,047,364</u>	<u>\$ 151,394,983</u>

Statement of Revenues, Expenses and Changes in Net Position

As of September 30	2015	2014
OPERATING REVENUES		
Retail	\$ 43,269,605	\$ 44,858,242
Wholesale	12,260,188	13,477,912
Other	<u>199,858</u>	<u>1,059,480</u>
Total operating revenues	<u>55,729,651</u>	<u>59,395,634</u>
OPERATING EXPENSES		
Purchased power	30,513,562	30,744,823
Power generation	2,954,876	2,782,669
Transmission and distribution	2,938,439	2,553,629
Customer accounting and collection	1,551,715	1,571,302
General and administrative	5,600,202	6,872,296
Depreciation	<u>6,087,036</u>	<u>6,076,149</u>
Total operating expenses	<u>49,645,830</u>	<u>50,600,868</u>
OPERATING INCOME	<u>6,083,821</u>	<u>8,794,766</u>
OTHER REVENUE (EXPENSE)		
Investment earnings	277,370	281,604
Interest expense	(125,775)	(504,991)
Transfers for payments in lieu of taxes	(3,291,975)	(3,392,022)
Other	<u>860,210</u>	<u>1,046,842</u>
Total other expense	<u>(2,280,170)</u>	<u>(2,568,567)</u>
CAPITAL CONTRIBUTIONS	<u>346,399</u>	<u>692,174</u>
CHANGE IN NET POSITION	<u>4,150,050</u>	<u>6,918,373</u>
NET POSITION, <i>beginning of year</i>	<u>139,358,706</u>	<u>135,444,592</u>
Cumulative effect of restatement	- 0	(3,004,259)
NET POSITION, <i>end of year</i>	<u>\$ 143,508,756</u>	<u>\$ 139,358,706</u>

Statements of Cash Flows

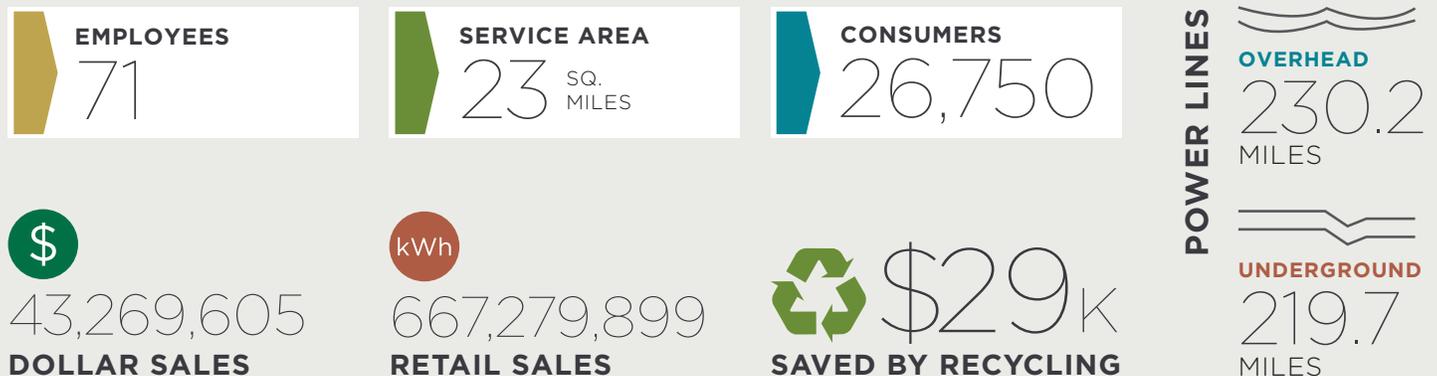
As of September 30	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 53,705,400	\$ 55,859,744
Receipts from City	2,974,000	3,118,655
Payments to suppliers	(35,538,680)	(35,206,607)
Payments to employees	(6,048,023)	(5,711,215)
Payments to City for services used	<u>(2,731,321)</u>	<u>(3,129,528)</u>
Net cash flows from operating activities	<u>12,361,376</u>	<u>14,931,049</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers for payments in lieu of taxes	(3,291,975)	(3,392,022)
Other, net	<u>860,210</u>	<u>1,046,842</u>
Net cash flows from noncapital financing activities	<u>(2,431,765)</u>	<u>(2,345,180)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Plant expenditures and construction of capital assets	(7,467,376)	(6,288,917)
Change in materials and supplies	550,573	(110,306)
Principal payments on bonds	(728,860)	(785,658)
Interest payments on bonds	<u>(3,056,140)</u>	<u>(3,019,342)</u>
Net cash flows from capital and related financing activities	<u>(10,701,803)</u>	<u>(10,204,223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(89,079,103)	(70,800,112)
Proceeds from sale and maturity of investments	87,649,524	70,050,904
Interest on investments	<u>319,668</u>	<u>222,758</u>
Net cash flows from investing activities	<u>(1,109,911)</u>	<u>(526,450)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,882,103)	1,855,196
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>12,546,155</u>	<u>10,690,959</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u><u>\$ 10,664,052</u></u>	<u><u>\$ 12,546,155</u></u>

Statements of Cash Flows

As of September 30	2015	2014
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 6,083,821	\$ 8,794,766
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	6,087,036	6,076,149
Pension expense (credit)	(117,529)	160,068
Changes in operating assets and liabilities		
Accounts receivable	(78,813)	527,357
Power contracts receivable	1,019,199	(961,063)
Due from/to other City funds	9,345	16,720
Accounts payable and accrued liabilities	(631,659)	51,286
Purchased power payable	(12,001)	268,079
Post-employment benefit obligation	1,977	(2,313)
Net cash flows from operating activities	<u>\$ 12,361,376</u>	<u>\$ 14,931,049</u>
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Contributed utility plant by governmental authorities	<u>\$ 156,277</u>	<u>\$ 65,764</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, current	\$ 10,664,052	\$ 8,553,504
Cash and cash equivalents, restricted	<u>- 0</u>	<u>3,992,651</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 10,664,052</u>	<u>\$ 12,546,155</u>

Footnotes to financial statements are available upon request. 2014 figures as restated.

BY THE NUMBERS





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