

## February 1, 2023

The Idaho Falls Power Board of the City of Idaho Falls met Wednesday, February 1, 2023, at the Idaho Falls Power Boardroom, 140 S. Capital, Idaho Falls, Idaho at 8:00 a.m.

### Call to Order, Roll Call, and Announcements:

There were present:

Mayor Rebecca L Noah Casper  
Board Member Michelle Ziel-Dingman  
Board Member Tom Hally  
Board Member Jim Francis  
Board Member Jim Freeman  
Board Member John Radford  
Board Member Lisa Burtenshaw (via Zoom)

Also present:

Bear Prairie, Idaho Falls Power (IFP) General Manager (via Zoom)  
Stephen Boorman, IFP Assistant General Manager  
Robert Coward, MPR Associates, Inc. Principal Officer  
John Kotek, Nuclear Energy Institute (NEI) Senior VP for Policy Development and Public Affairs  
Linda Lundquist, IFP Board Secretary

Mayor Casper called the meeting to order at 8:00 a.m.

### Calendar, Announcements, Events and Updates

Mayor Casper reminded the Board of an upcoming Council work session and stated that the goal of today's meeting is to obtain as much information as possible from the invited guests to make an informed decision in the small amount of time before the offramp deadline set by the project of Feb. 17, 2023. She added that if the Board is not ready to adopt a new resolution by the Feb. 9 City Council meeting that additional meetings may be scheduled.

### Carbon Free Power Project (CFPP) Discussion

General Manager (GM) Prairie reviewed the participant offramp options and compared the city's financial obligations with no-reimbursement triggered by the project management committee (PMC) if the city leaves the project now or stays in the project for another year to what the city's obligation would be if the PMC decides to terminate the entire project under a reimbursement scenario and no-reimbursement scenario, per the terms of Development cost and Reimbursement Agreement (DCRA). He reminded the Board the figures are based on the status quo of the subscription and other participants. He reviewed the economics of the Department of Energy (DOE) appropriation, NuScale reimbursable costs triggered by the PMC under eligible terms of the DCRA, the Utah Associated Municipal Power Systems (UAMPS) non-reimbursable costs, Idaho Falls Power's current portion, amount paid to date, and net still owed. GM Prairie explained that he set up a liability fund to pay as we go after the last offramp period, for the current phase 1A that IFP is in. Mayor Casper mentioned there was a new all-time high peak load set earlier in the week. Mr. Kotek of the Nuclear Energy Institute (NEI) explained that the city would be obligated to \$5.4 million dollars to stay in the project. He said that having met with then Energy Secretary Moniz nearing the end of the Obama administration, that it was clear the world had committed to decarbonization and that nuclear could work and would be a good path forward and should be accomplished in ways that the grid stays strong and reliable. Mr. Coward of MPR explained his role in working with the DOE and Idaho National Laboratory (INL) and the need for value-based load generation to go along with intermittent wind and solar, especially in regions that will be retiring coal. He said these regions are going to need something that is firm, clean generation like nuclear and added that over the long-term, makes good economic sense. He explained that Idaho Falls Power already has 85% clean generation in hydropower, which is a good selling point to attract

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new business. He said that hosting a nuclear project is ideal and will add jobs for decades to the region and pointed out that adding 5 megawatts (MW) of firm generation, while at a higher price is worth it in the long-term.

Mayor Casper reviewed the order of conduct and invited the Board Members to begin asking their questions. Board Member Francis said the technology isn't concerning him like the financial risk is and acknowledged that while the levelized cost of energy (LCOE) has increased from \$58 to \$89 in 2022 dollars, he asked why the cost per megawatt hasn't doubled like the cost of acquisition has. Mr. Kotek pointed out that \$58 represents 2020 dollars while \$89 represents 2022 dollars, and said that the LCOE capital costs where the mortgage is paid over the full length of the plant also includes operation costs, which has barely increased at all. Board Member Francis stated that he is not aware that the DOE has doubled their support. Mr. Kotek offered a point of clarity in that the \$89 covered in the DCRA provides risk mitigation and pointed out that if the LCOE is above \$89 then UAMPS gets reimbursed. He explained that the project understands and knows there are two numbers that must be achieved by December 2023 to continue; an **\$89** LCOE in 2022 dollars and that the project has to be subscribed **80%**. He added that currently the LCOE is above the \$89 and the goal this year is to reduce the number to \$89 or below. Mr. Kotek stated that the project has a working assumption that if the project doesn't meet \$89 LCOE and 80% subscription by December 2023 that he would expect the PMC to withdraw. Board Member Francis reiterated his fear that the costs will continue to rise and Mr. Coward said that reducing the cost is the nuclear guy's problem (NuScale needs to bring down their costs to under \$89) and added that he can't promise the budget won't increase but the LCOE has to come down below \$89 by December and added that there is a rigorous risk management plan in place. Board Member Francis asked if new participants are allowed to join the project at better terms than when IFP joined in 2018 and Mr. Kotek said the project is working on bringing in subscription in 2023 at terms that aren't as good as the first subscribers and are trying to work out a disincentive for those waiting to get onboard. Mr. Coward pointed out that when the project first began there weren't the strict energy policies in place yet in Oregon, Washington and California, which in his estimation now creates more demand for firm, clean generation. Mr. Kotek explained how the project is working on their subscription by adding new personnel, revisiting organizations and added that he feels there is building interest in the "watchers". Mr. Coward added that California's Governor Newsome is now a proponent to save the nuclear plants, but will be at the cost of the rate payers. Assistant General Manager (AGM) Boorman asked what the current subscription rates is and Mr. Coward said 20%.

Board Member Freeman asked if there were any ripples in the project when IFP reduced subscription from 10 MW to 5 MW and added that it's easy to say we're all in and said, "I *am* all in like Board Member Francis is." He added that it's important that it's in our own backyard, but expressed his concern with how the project might impact the rate payers. He asked if there is any value in forcing the DOE's hand and Mr. Coward said the DOE is already footing the bill at 80% of the development phase costs, which in his opinion is a lot of support. He said he attributes some of the renewed interest in the project to the Inflation Reduction Act (IRA) that recently passed legislation, which offers a 30-50% tax credit. He said they will continue to work with the DOE and INL partners and explained that some of the complication is that Idaho Power is onsite at the lab and not Idaho Falls Power and that the public utility commission (PUC) is also involved. Mr. Coward noted that the lab has a policy to go carbon free and AGM Boorman pointed out that INL is IFP's biggest customer. Mr. Coward said that he will continue exerting powers of persuasion on them and Board Member Freeman added that he thought if the project were not to move forward, that INL least of all would want to save a first-of-kind, first-in-line project. Mr. Coward agreed that more can be done, but said he questions the appropriators and potential changes in the cost share award and noted that the project is beyond what they are allowed to allocate for themselves and said they would have to ask for it and even then, would the DOE step in to save the project? He said that is more for the appropriators to decide than the DOE.

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Mr. Kotek said it was his opinion that IFP's subscription reduction move from 10 MW to 5 MW wasn't really noticed and added that when the Joint Use Module Plant (JUMP) module went away that many subscribers reduced subscription, contrary to now where people are paying attention inside and outside of the project and added that word is out that IFP is waffling. Mayor Casper asked what the implications are if IFP were to pull out. Mr. Kotek said that the Oakridge Tennessee Valley Authority is moving forward with their \$200 million plan and Board Member Francis again reiterated his concern with the unknown total cost to the rate payers. Mr. Kotek explained that he hears from Georgia Power that they deliver power at promised costs with their built-in risk management, which insulates rate payers from the cost increases that IFP is currently seeing. Mr. Coward said he realizes the decision is making the Board anxious. He gave a historical perspective by explaining that the original cost came in at \$55 LCOE, which was a top-down, class 5 estimate developed by NuScale based on a 12-module plant at 60 MW. He said that when the project moved to a 6-pack of 77 MW, it was at a class 4 estimate and explained that once it became a class 3, it was considered a bottom-up estimate, which includes conceptual designs for everything in the plant. Mr. Coward continued to explain that the class 2 (he expects will be delivered Fall 2023) will be a refinement of the class 3, with real cost estimates from over 100 vendors. He added that if the class 2 is not in line with what is expected, then that's a pause for all to think and pointed out that it would also trigger another offramp. He said the strategy is to create a situation to address costs and bring back an updated vision of the plan based on refinement and further engineering. Mr. Coward recommended that the Board wait until the class 2 estimate comes in to make a decision. He pointed out that when the DCRA was signed December 2020, no one knew that construction costs would increase by 40% and that interest rates would double. He said that the market and inflation has substantially changed in the last two years. He said he believes IFP needs a portfolio of options that are advancing at different paces and at different rates and added that the cost to stay in the project over the next year is small. Board Member Radford asked if the potential additional financial risk would trigger an offramp in the fall. Mr. Coward gave three options: 1) If the project doesn't come in at \$89 LCOE and 80% subscribed, then everyone is most likely out (PMC will discontinue the project), 2) If the project beats \$89 LCOE and comes in the mid-\$80's subscribed, then everyone stays in (if they so choose) and the project can continue, 3) The project could fall somewhere in between options 1 and 2 and he noted that the answer will be obvious in the fall. Board Member Burtenshaw said that assuming the project gets 80% subscribed, is there a path to construction with small municipalities using their bond ratings? She is also concerned that the project keeps advancing at higher and higher costs but with no path to construction. Additionally, Board Member Burtenshaw is concerned about construction cost overruns and IFP's financial responsibility for those. Mr. Coward stated that Bank of America hold the current line of credit and said he believes if the project beats the \$89 LCOE that the project can bond out. He explained there are three tranches of bonding during construction and said that the owners (participants) are on the hook to pay as the project is getting built and once built that UAMPS notifies the DOE and they wire \$3.5 billion dollars under the terms of the IRA tax incentives to the bank (pending qualifications). Board Member Burtenshaw asked whose security is the bonding based on and GM Prairie clarified that UAMPS carries no credit rating and pointed out that the credit rating is based on participants and their individual projects and subscription levels. Board Member Burtenshaw reiterated her concerns that money is continually being spent with no outcome or bridge to construction and that the project is selling subscription to small municipalities and wants to know why big power companies aren't subscribing. Mr. Coward said his experience with the public has been positive and believes the finance people can get it built.

Board Member Hally gave some examples of large projects that were built despite high inflation and cost overruns with railroads, the Hoover and Grand Coulee dams and feels the Board should consider its long-term responsibility and take the risks because they pay off in the end. He said that he is in favor of the CFPP project and added that risks are taken for good reasons and you tend to minimize the consequences for where you're heading. He supports taking risks and thinks it's a good project. Board Member Radford said this could be a legacy defining decision and noted that electric rates tend to be 70% lower in Idaho Falls than the east coast, and said that firm, clean generation leads to long-term, well-paying jobs. Mr. Coward

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said the CFPP has been doing a good job mitigating risk and thought that even if the budget is missed by 25%, that the project is still affordable and reiterated his recommendation to review the refreshed numbers in the fall. Board Member Radford said that no one has fought harder than he for the project, but worries about taking such a huge risk for only 5 MW of generation and Mr. Coward acknowledged that it's unfortunate that there is a political and financial risk for Idaho Falls. Board Member Ziel-Dingman commented that the Clean Energy Survey was targeted to community members interested in clean energy and that there are more serious issues at play that are leading people into financial crisis like housing access and affordability. Mr. Coward said it is generally understood that decarbonized energy comes at a higher cost and the challenge is speculating on the answers to the two questions that everyone is trying to, but that no one can answer with confidence: how much more and who will pay? He said these are questions that many are trying to solve and pointed out that unfortunately this group is under a deadline to decide. Mr. Coward continued to explain that the region needs to add firm generation and the preference would be to build something in Idaho instead of exporting jobs to Wyoming or Oregon. Mayor Casper asked if cost estimates are based on a 40-year lifespan and Mr. Coward said when the figures are refreshed in the fall, they should reflect a 60-year lifespan. Mayor Casper pointed out the risks she sees as, congress and its' appropriations, the question of is value engineering getting done, the risk of the PMC's ability to make wise decisions and the vision in the U.S. Congress over the next two years. She asked if the class 2 estimate will lead to a better decision. Mr. Coward said he thought the PMC is putting a lot of emphasis on the DCRA and that many other participants take comfort in the DCRA to keep trying. He said they made it very clear to the DOE about the appropriators and sent letters to the U.S. House and Senate Committees that if they mess with the funding that the project will be over and he worries that if the project terminates what it will mean for small modular reactor (SMR) projects in general. Board Member Radford reiterated that he's fought really hard for this project and noted that things feel like they are moving forward now that the National Regulatory Commission (NRC) has approved NuScale's design certification for a 50 MW power module. Mr. Coward said he recognizes that the project needs to look more attractive and reiterated that the PMC knows it's their job to beat the \$89 LCOE and get to an 80% subscription by December or the project will terminate. Mr. Kotek assured the Board that Representative Simpson has been supportive of the project for many years and that we may have some sway with Representative Fleischmann who is the Chairman of the U.S. House of Appropriations Committee to hold up their end of the deal.

Mayor Casper asked for a wrap-up and for any direction to staff. Board Member Freeman said by what he'd heard today that IFP's risk is \$2.6 million to stay in another year and said he thinks that is affordable and Mr. Coward cautioned that the number is not a real number because it's based on no further subscriptions and reiterated that the project will be over if no one else joins. Board Member Francis asked why there hasn't been a full-scale model done and Mr. Coward said that everyone in the country is in the same situation as IFP and a first-of-kind build. Board Member Radford said he is not worried about the technology but the costs of first-of-kind construction and risk to build. Board Members Radford and Ziel-Dingman would like to hear from more GM Prairie. Board Member Burtenshaw says she disagrees with the cost of staying in as there is no clear road to construction in her mind. Board Members Freeman and Hally said they would like to stay in and see how the numbers look in the fall. Board Member Francis would like everyone to put together recitals for staying and exiting the project and get them to GM Prairie. GM Prairie said he thought that would be a good exercise for everyone. Mayor Casper suggested running a Council memo with the two resolutions and if it wasn't ready for a vote Feb. 9, then the item could be pulled and additional CFPP meetings would be scheduled. GM Prairie said he'd build and share financial models for the Board to play with. Mr. Fife gave direction to list the topic with an action item on the City Council agenda, and noted that a specific resolution was not necessary. AGM Boorman cautioned the Board to be thoughtful as this is a big decision.

There being no further business, the meeting adjourned at 10:05 a.m.

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s/ Linda Lundquist

Linda Lundquist, BOARD SECRETARY

s/ Rebecca L. Noah Casper

Rebecca L. Noah Casper, MAYOR