

February 8, 2023

The Idaho Falls Power Board of the City of Idaho Falls met Wednesday, February 8, 2023, at the Idaho Falls Power Boardroom, 140 S. Capital, Idaho Falls, Idaho at 7:45 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 Lisa Burtenshaw

Board Member John Radford

Also present:

Bear Prairie, Idaho Falls Power (IFP) General Manager

Stephen Boorman, IFP Assistant General Manager

Will Hart, Idaho Consumer-Owned Utilities Association (ICUA) Executive Director

Randy Fife, City of Idaho Falls Attorney

Linda Lundquist, IFP Board Secretary

Mayor Casper called the meeting to order at 7:48 a.m.

Calendar, Announcements, Events and Updates

Mayor Casper announced that the city recently applied for a community development grant.

Board Member Radford said most of the focus in the recent American Public Power Association (APPA) Policy Maker's Council (PMC) meeting was on talking points for the upcoming meetings in Washington, D.C. He added that not much has happened over the last month, but that there have been committee assignments and leadership changes. Board Member Freeman commented on recent substation attacks throughout the county and Board Member Radford asked if it would lead to reinforced building structures or different designs. General Manager (GM) Prairie reminded the Board of IFP's Strategic Plan includes hardening utility infrastructure and said that APPA is focused on addressing supply chain issues and building a sufficient stock of transformers; especially for emergencies. Board Member Radford gave updates on the status of local and national bills under consideration and mentioned that the United States (U.S.) House is considering a fossil fuel production bill.

GM Prairie reported on upcoming utility retirements and succession planning. He announced his recent board chair election to the Public Power Council (PPC), an organization which represents 75 members in the Northwest region, whose main focus currently is on helping members retain their preference rights in the Bonneville Power Association (BPA) contract negotiations. GM Prairie explained that the Mountain American Center (MAC) has a need for an additional Zamboni to clear the ice quicker and serve as a backup. He is proposing to purchase an all-electric Zamboni to wrap in Idaho Falls Fiber (IFF) advertising and noted that once it's reached its useful life for the arena, will be donated to the city's ice arena for use. Board Member Hally stated that it is good for IFF to participate in activities that broaden fiber exposure in the city. Board Member Francis asked who will handle the maintenance and GM Prairie said MAC will take care of the maintenance and insurance and that the purchase would come out of the energy efficiency budget. He explained that he plans to double that budget and increase clean energy initiatives over the next year. No one voiced concerns and supported moving forward with the Zamboni and marketing relationship. GM Prairie explained that the bucket truck purchase request from the December 2022 City Council meeting wasn't a process breakdown on the side of the city, but a misunderstanding of the city's process on the part

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of the vendor who instead of working through the purchasing office, delivered a demo truck (from a verbal price request to see if IFP would purchase it) before the purchase was approved and a purchase order was issued. Board Member Francis said the explanation would have been appreciated in the December Council meeting and Board Member Ziel-Dingman said she thought someone could have been hiding something.

Board Policy No. 2 – City Council Acting as IFP Board Review

Board Member Radford asked what role the Board serves from a legal standpoint and Mr. Fife explained that the Board is also the City Council and pointed out that they govern the utility and it's up to the Board/Council to determine oversight. Board Member Radford then asked the role of the Public Utilities Commission (PUC) and Mr. Fife said the PUC is not the regulator of Idaho Falls Power and pointed out that the regulatory oversight we are subject to outside of Council is by the Federal Energy Regulatory Commission (FERC) and North American Electric Reliability Corporation (NERC). Board Member Francis said it would be good to know what each agencies' requirements are and maybe list them out in the Board book. There was a compliance discussion and GM Prairie said he would initiate a timely process of providing/sharing compliance documents with the Board. Board Member Francis said he is wanting to clarify the language in the policy with regard to APPA training and agenda development. Mayor Casper suggested having this topic in a Council work session opposed to now, where all city boards would be present. Mr. Fife explained that the Idaho State Code states that the city mayor shall be the chief official of the city and preside over meetings and determine the agenda. He stated that if the Board wants more control over the agenda and meetings, then the city ordinance would need to be changed. There was a short discussion on how official meetings are expected to function in Idaho. Board Member Francis said that he is not suggesting that the Board take a role in setting agendas, as he thinks the way it's currently being done is good, but that he was only looking for clarity on the process. GM Prairie asked the Board to provide him edits to the policy and then he would work with the Mayor to redline the language and bring back to a future meeting.

Review of 2022 Board Self-Evaluation Results

Board Member Radford reviewed and discussed the survey slides where Board members weren't in 100 percent alignment. Board Member Francis commented that he prefers things in writing to pass to the next generation. GM Prairie said things shouldn't get rubber stamped and that the Board is encouraged to question and ask for clarity. He added that mutual respect is appreciated as the Board and City Council serve the community.

State Legislative Update

Mr. Hart stated that about 40% of the Idaho Legislature is turning over this year, which has created more opportunities for him to share with the legislature what public utilities are currently and mostly focused on. He gave an update on the status of current bills in the house and senate and commented that there has been active lobbying on the part of the Association of Idaho Cities (AIC) and referenced a bill that if passed, could help put more youths into utility jobs. There was a discussion about retention times for electronic records; specific to video recording which is being led by AIC. Mr. Hart listed the top issues this session, that in his opinion will likely move forward because they've already helped many Idahoans with issues like: education, lunch program vouchers, property tax relief and Medicaid expansion. He explained how he's been working hard behind the scenes on getting funding for fiber, not only for Idaho Falls, but for all of Idaho. GM Prairie gave an update on the \$35 million in grants being administered by the Idaho Broadband Committee and pointed out that Representative Ehardt who is on the broadband advisory board, also has been working to keep the Idaho Falls Fiber project on their agenda and hopes that GM Prairie might be able to attend in person soon. GM Prairie reminded the Board that fiber is in the last phase of expansion this year and would greatly benefit by receiving a grant and that the State of Idaho would get recognition for supporting fiber in Idaho Falls.

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Carbon Free Power Project (CFPP) Resolution Review

GM Prairie reviewed Utah Associated Municipal Power Systems' (UAMPS) timeline and noted that November 2023 is their target to move to a Class 2 project cost estimate (PCE) with new pricing, which would trigger another offramp. Board Member Ziel-Dingman asked if an 80% subscription rate was in their contract and GM Prairie said it was and offered that it was his opinion that NuScale has a product that it is struggling to find buyers for and that NuScale wants UAMPS to sell the product/project with the latest increased development/price cost increases. He reviewed the costs of the class 3 PCE and noted that most of the increases over the past two years were due to inflationary pressures on supply chain like steel, concrete, rebar, labor and honestly about everything, that have not been seen in this magnitude for more than 40 years. GM Prairie said that it was his duty to disclose the project risks and known costs and restated his concerns with developing first-of-kind nuclear technology and its unforeseen and uncapped cost escalation risks. However, he said he welcomes the opportunity for UAMPS to bring back a better deal that makes economic sense and arrives at an acceptable cost/risk factor for Idaho Falls. He reminded the Board that he views his role as doing analysis and bringing professional industry expertise and he is not the decision maker on this, and that decision is theirs alone to make. GM Prairie reviewed the costs of exiting the project now versus staying in until the next offramp period. He reminded the Board that he set aside a liability fund to pay as we go. He explained that IFP's additional costs to stay in until January are just over \$2.5 million – which assumes that 80% subscription was achieved and the levelized cost of energy (LCOE) for the class 2 PCE comes in under \$89 megawatt hour (MWh) (2022 dollars) – all based on a \$5.1 billion project with the support of the Department of Energy (DOE) and tax credits from the Inflation Reduction Act (IRA). GM Prairie said that currently, NuScale has the project at around *\$105 LCOE* and pointed out that the project needs to be cut roughly by \$700 million to get to \$89 LCOE. GM Prairie reviewed the construction phases and noted some of the benefits of the CFPP to be: carbon free baseload power, major economic development and opportunity for Idaho Falls and Eastern Idaho, local generation/regional generation = reliability improvements for the overall grid, advances nuclear for Idaho National Laboratory (INL), DOE, electric utility industry, USA, etc. GM Prairie talked about the possible paths forward and staying in one more cycle to help the project stand on its own. Mayor Casper said she thinks the project won't move forward unless the deal is more attractive and that we need to consider other projects with INL and recognize there is a \$2 million difference to remain in and noted that everyone else is going to be hitting the same issues at some point and acknowledged there are a lot of unknowns right now.

There was a discussion on power supply costs and filling the peak energy need with more expensive energy purchases and GM Prairie said that the CFPP would need to come down by 55% to be competitive with the market. He said there is not a utility or market expectation that there will be coal plants running a decade from now and Board Member Burtenshaw said she thought many utilities are bridging with gas plants and GM Prairie said they are and explained that utilities need to find ways to bridge so that manufacturing doesn't shut down while they're waiting for lower energy costs like is already happening in some areas of the country. Board Member Francis asked GM Prairie to demonstrate what a \$89 LCOE looks like in 2031 dollars and GM Prairie broke out two cost scenarios based on modest inflation assumptions to be \$107.31 MWh and a higher inflation assumption to be \$120.45 MWh project and compared them to the 2031 projected market prices for Palo Verde at \$64.37 and Mid-C is at \$77.81 and pointed out that the market is predicting lower prices than the CFPP. He said there needs to be low inflation from 2023-2028 and after 2028 inflation well above 2% to push CFPP into the money relative to current market price projections. This is because also CFPP has a 2% annual increase in its price per MWh in the current power sales agreement. He reviewed the UAMPS' commodities slides and cautioned the Board that the CFPP is not inflation protected because cost increases above projections are borne by the developer which is UAMPS and its members in the project. Board Member Radford expressed his concerns that if this project doesn't move forward, what that could mean for small modular reactor (SMR) production in general and said he's worried that regulation may prevent nuclear production at all. GM Prairie gave several examples of other countries bringing in plants on budget, on time *and* at affordable pricing, mostly located in China.

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GM Prairie commented that he has been to many meetings recently, including CFPP sales meetings and notices that utilities are still not subscribing, but instead wishing the project well. He said it was his opinion that even if the project gets to \$89 LCOE and 80% subscribed by November, that it still is not an attractive deal for Idaho Falls due to the combination of price and development risk for first of kind. Board Member Burtenshaw said she agrees with the GM and has a hard time evaluating the true risk with the project feeling so desperate. Mayor Casper said it is less about the money and more about the symbolism of the host city and said she appreciates that the Board is getting the benefit of GM Prairie's sophisticated analysis, which is likely not the case with most other boards in the project. GM Prairie commented that this Board knows more than a number of the PMC members and pointed out that *all* the big utilities have left the project but the smaller utilities stay in because they are trusting UAMPS. Board Member Ziel-Dingman commented that it's wonderful to be an informed board, but that you have to question why the large utilities are dropping out of the project. Board Member Hally commented that he thinks people are waiting for the Board's decision whether to move forward or not and stated that taking risks is good and thinks we need to just be bold and keep going. Mayor Casper said there could be international orders coming in for more modules and GM Prairie said according to Bob Coward that the \$89 LCOE is based on 40-50 modules being sold. Mayor Casper said she is comforted by the UAMPS' resolution that the PMC passed earlier today and thinks that Idaho Falls should remain in the project until the numbers come in under or the PMC terminates the project because it failed to hit the numbers. Board Member Burtenshaw asked for more clarity on exiting the project and details contained in the UAMPS resolution. GM Prairie said the UAMPS' resolution states that the project has to come in/or under \$89 LCOE and be subscribed at least by 80% and if UAMPS fails to do that, then just one member of the PMC can vote to terminate the project. He continued to explain that if they do meet the numbers, then Idaho Falls will have an option to stay in or exit the project but that the cost to IFP would be \$3.7 million. Board Member Freeman said he is in support of the project because it is in our own backyard and of what the success of the project could mean for the community. Board Member Francis expressed his concerns of not having enough control over the project, where the additional \$2.5 million will come from (and what it pays for), and said the most important thing to him is his responsibility to IFP. GM Prairie clarified that the additional \$2.5 million risk gets us another nine months of information that was requested by UAMPS and their consultants. He suggested looking at it from the standpoint of not spending the extra \$2.5 million *but instead* saving over \$1 million if the PMC terminates the project. He then pointed out that if UAMPS gets to their numbers then that means they've de-risked the project and it will work better for Idaho Falls. Board Member Ziel-Dingman said her thoughts tend to align with the Mayor's to stay in the project in support of decarbonization. GM Prairie said he doesn't know what UAMPS is looking to do and said that maybe they'll lean on the DOE to backstop the project, in which case they'll rerun the numbers and off we go. He said he thinks the current offramp decision has a lower risk with better economics than the last decision and said that he will add all the edits to the resolutions that were sent to him and asked the Board to get additional edits to him by 3 p.m. today so the draft could be edited up to and possibly at the City Council meeting the next evening. Mr. Fife added that a motion can be made if the resolution is still being worked on during the meeting.

Energy Research Park & Peaking Plant Update

GM Prairie said that INL approached IFP about supporting them in their building a hydrogen electrolyzer demonstration in the desert. INL has been working with General Electric (GE) on a turbine to burn the hydrogen created on the desert site for the IFP Clean Energy (CE) site (Energy Research Park) and was hopeful that GE would then sell the test turbine to IFP at a *steep* discount after INL testing is complete. Meanwhile for the testing, hydrogen will be trucked between the desert and the CE site. GM Prairie explained that while the focus will be on hydrogen production, the desire is to help buildout the research park. He said the turbine can produce 22 megawatts (MW) and to meet peak energy demands and added that INL will be forwarding a site plan soon. He cautioned that the lead time on a transformer post COVID is about 2.5 years, and that the plan is to utilize IFP's mobile sub until the transformer arrives. Board

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Member Francis asked if the peak load could be converted to baseload if needed and GM Prairie said there are likely more economic ways to meet baseload, which would have to be explored within the IFP portfolio.

Utility Updates

Safety – GM Prairie said the utility continues to have a clean bill of health.

Board Training – GM Prairie advised the Board to let staff know if there is training that is desired.

Downed Powerline – GM Prairie said that there was a new, unenergized powerline that went down in a field on the east side of town, likely due to the continued cold temperatures coupled with engineering or design problems. He explained that a deenergized line wouldn't be warm and could have been part of the sag issue. He said that it was later learned that IFP engineers designed the tension from IFP's standard sag chart, but that the contracted engineers who built the line, strung it to their own tension charts. GM Prairie said it shouldn't have happened and takes full responsibility for the engineering failure and will get the lines restrung to proper tensions.

There being no further business, the meeting adjourned at 12:01 p.m.

s/ Linda Lundquist _____

Linda Lundquist, BOARD SECRETARY

s/ Rebecca L. Noah Casper _____

Rebecca L. Noah Casper, MAYOR