

June 25, 2020

The Idaho Falls Power Board of the City of Idaho Falls met Thursday, June 25, 2020, at the Idaho Falls Power Energy Center, 140 S. Capital, Idaho Falls, Idaho at 7:00 a.m.

Call to Order, Roll Call, and Announcements

There were present:

Mayor Rebecca L. Noah Casper

Board Member Thomas Hally

Board Member Jim Francis

Board Member Shelly Smede

Board Member Jim Freeman

Board Member John Radford (by telephone)

Board Member Michelle Ziel-Dingman (by telephone)

Also present:

Bear Prairie, Idaho Falls Power (IFP) General Manager

Stephen Boorman, IFP Assistant General Manager

Randy Fife, City Attorney

Linda Lundquist, IFP Executive Assistant

Mayor Casper called the meeting to order at 7:02 a.m. She briefly described a Celebration of Life in honor of Bobbi Wilhelm held earlier in the week in Pocatello. GM Prairie added that employees on their own behalf and IFP will be donating to a memorial bench and bike rack, as well as honoring her service by creating an annual memorial scholarship to returning youth directors to the annual Idaho Consumer-Owned Utilities Association (ICUA) Youth Rally.

Board Member Radford gave a Policy Maker's Council update that included encouraging American Public Power Association (APPA) members to contact their congress delegation about the Coronavirus Aid, Relief, and Economic Security (CARES) Act. He said that public utilities have suffered up to five-billion dollars in losses due to the COVID-19 pandemic. Board Member Radford continued to say that there are various grants available to public power utilities for things like the deployment of electric vehicles, rebates for electric vehicles and grid improvements.

Power Supply/Resource Planning

GM Prairie began the resource planning discussion by stating that IFP is net-long 85 percent (85%) of the year and offered that IFP has different issues than other utilities and/or states that are retiring coal. He compared what other regional utilities are doing in their resource planning and explained that renewable options like wind and solar backed by simple-cycle natural gas plants are becoming a cost effective way to reduce carbon emission. Board Member Freeman asked if natural gas prices are lower and GM Prairie explained that while oil prices went negative for a while, they were running out of places to store oil, which caused natural gas prices to rise about 20 percent (20%). Now that oil prices have stabilized, gas has come back down along with a slowing economy, energy markets are saying there will be less demand and growth then predicted a year ago, so prices are still low for gas going out 15+ years. GM Prairie reviewed Lazard's Levelized Cost of Energy (LCOE) Analysis and discussed the key findings. He pointed out that the solar price curve continues to drop as efficiency continues to increase with new solar technology. Mayor Casper said that it is important to note that there are no Small Modular Reactor (SMR) profiles factored into the study. GM Prairie stated that if SMRs were factored in, that they come in a little less than the traditional nuclear in the study. He continued to say that according to Doug Hunter with Utah Associated Municipal Power Systems (UAMPS) and based upon the Carbon Free Power Project (CFPP), they are not substantially

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lower and that it is really yet to be determined as first of kind technology. He added that the Plant Vogtle in Georgia started as a 12 billion project and ended up costing 30 billion roughly and was years behind schedule. It was a large capital project that had many delays and cost overruns and in hindsight may not have been built if the plant owners had known it would be this final cost/timeline to build. Board Member Hally commented that higher home appraisals resulting from rooftop solar panels could lead to higher taxes. GM Prairie stated that economically, community solar is a better cost outlay and return than rooftop solar. He explained that community solar is where a utility builds out the infrastructure and the community purchases shares. Board Member Francis asked if this was a viable project and GM Prairie said the economics at this time are not great due to our currently low power rates and surplus resource stack. Board Member Hally noted concerns with the strength and reliability of Bonneville Power (BPA). GM Prairie stated that BPA made a commitment to flatten the cost curve and has so far executed on this as demonstrated in the last rate case with a rate increase around 3 percent (3%), and noted that the possible risks are, if the lower snake dams are removed. He continued to say that even if the dams were removed, they are about 1/7th of the BPA resource portfolio. There was a discussion on the lower dams and costs pertaining to operating, licensing, conservation and removal. GM Prairie pointed out that our BPA contract is around \$35 per MWh and that also allows shaping for load, while CFPP is targeted for \$55 per MWh in 2018 dollars, so BPA is a great value currently compared to CFPP as an alternative.

GM Prairie reviewed the costs of the Joint Use Module Plant (JUMP) prospective agreement that was planned for and what moving forward without the Department of Energy's (DOE) participation in JUMP would look like. He noted that DOE is no longer interested in doing the JUMP program. He outlined the CFPP Executive Summary and pointed out that UAMPS is currently pursuing constructing the 720 MW (684 MW net) small modular nuclear reactor facility known as CFPP. The CFPP will include twelve 60 MW SMRs, utilizing technology developed by NuScale Power, LLC (NuScale). UAMPS is evaluating the CFPP as a long-term source of reliable, carbon-free electricity to replace carbon based resources that are approaching the end of their useful lives. As GM Prairie previously stated, IFP is unique from other UAMPS members in that they are not needing to replace carbon based resources as IFP is 85 percent (85%) long and currently carbon free in their portfolio. Other UAMPS members have numerous coal resources that are at risk of retirement and carbon legislation risks. GM Prairie emphasized the utility's need for peak energy, which it currently goes to the market to purchase as needed. He continued to explain how we need to make sure any resource decisions meet the utility's specific resource needs. Different resources have different attributes. The capacity factor (CF) for CFPP in the UAMPS cost per MWh model is 92 percent (92%). Per the contract, \$55 per MWh is at a 92% CF and is not lower with projected renewable integration needs. He continued to explain that as you decrease the plant generation to integrate renewables or lower cost market purchases, the capacity factor drops to a lower percentage. As the percentage drops you are spreading the high fixed cost among less MWh of generation, so your price per MWh goes up correspondingly. He used the example that if you integrate a lot of low priced renewables with the CFPP plant, you could be 50 percent (50%) capacity which would put the price per MWh at \$110 projected. GM Prairie continued to say that in August 2019, UAMPS entered into CFPP Power Sales contracts with 35 municipal cooperative utilities located in various western states. To date, the project participants have subscribed for 153 MW of the 720 MW total capacity. He stated that UAMPS has continued pursuing additional subscriptions to meet the capacity of 720 MW and noted that there has not been much other interest in the project over the past year as demonstrated by the subscription not growing. He stated that the project must have subscription growth because it would be too risky and costly to build the plant without it being fully subscribed. UAMPS has adopted a Budget and Plan of Finance (BPF) for the CFPP and is required to update the BPF prior to the beginning of each development phase. The CFPP Power Sales Contracts provide the project participants the right to increase, decrease or withdraw from the CFPP with any amendment of the BPF as well as at each development phase. GM Prairie continued to say that to date, IFP has incurred a little over \$194,000

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to be paid under the cost-sharing arrangements made with DOE and NuScale. However, IFP has not been billed by UAMPS during this development phase. The BPF for the current development phase of the CFPP authorized development costs of \$9 million. The next development phase is expected to begin in September 2020 and will extend for approximately 36 months and will cover all development work to the submission for the construction and operating license application (COLA) for the CFPP to the Nuclear Regulatory Commission (NRC). He said that UAMPS and DOE are working on putting in place a new multi-year cost sharing award in support of the CFPP that will replace the JUMP Program that was originally posed to provide de-risking benefits associated with the CFPP being the first deployment of the NuScale technology and more specifically de-risking benefits to the CFPP as additional nuclear power modules (modules 2-12) would be procured, fabricated and commissioned at the CFPP. UAMPS believes this reallocation best serves the overall success for developing the CFPP in the most prudent fashion; specifically, NuScale's development of the SMR has progressed to a state that has significantly reduced the first of kind risk that JUMP was initially meant to cover and UAMPS will be able to target the funding of certain de-risking efforts in the near term that pose the greatest risk to the project, namely achieving \$55/MWh. GM Prairie continued to say that the total amount of the proposed DOE support is \$1.4 billion over roughly a nine-year period, at a cost share greater than 80 percent (80%) in the near term, which would have this award supporting the project through COLA work. It is anticipated that this new multi-year cost sharing arrangement will be awarded in early September 2020 from what UAMPS has stated. He said that this award will be subject to annual appropriations of funds by the U.S. Congress, which does come at a risk of not being granted.

GM Prairie said that according to the summary, UAMPS and NuScale are on a schedule to enter into a Development Cost Reimbursement Agreement (DCRA) in August 2020. In this agreement, the parties will agree to running an Economic Competitiveness Test (ECT) that incorporates the latest CFPP construction cost estimate from Fluor as well as additional inputs related to lifecycle costs for the project. He said that the ECT will be run at various points in time during the development phase of the CFPP to the point in time when UAMPS would issue the final notice to proceed to construction (FNTP) to Fluor under the Engineering Procurement and Construction Development (EPC) Agreement. The ECT evaluates the cost to finance, construct, operate and decommission the CFPP utilizing a LCOE model. The ECT requires the CFPP to achieve a LCOE price target of \$55/MWh. If the price target is exceeded during any run of the ECT, UAMPS will have the option to terminate its development of the CFPP and seek reimbursement from NuScale based on a decreasing reimbursement scale as de-risking milestones occur. The BPF for the CFPP was last updated in November 2019 as part of approving the current budgetary period for the CFPP. GM Prairie said that the summary says that in order for continued CFPP development to continue, the BPF will need to be amended and the contemplated scope of this amendment to the BPF will be to cover the entirety of the development to produce the COLA to be submitted to the NRC. The Project Management Committee possesses the responsibility to monitor the CFPP development progress which will include the development of the COLA as well as Project Cost Estimate revisions produced by Fluor to ensure the CFPP can be deployed at \$55/MWh. Board Member Freeman asked if there will be natural gas production in the foreseeable future and GM Prairie stated that gas prices are lower now than they were 20 years ago and available for purchase 20 years into the future. He continued to point out that Warren Buffet, the owner of PacifiCorp is not investing in first of kind SMRs but instead re-investing in transmission lines coupled with wind and solar resources. Board Member Radford made the distinction of nonprofit versus for-profit investment motives. Mayor Casper mentioned that there is recent information available by the Nuclear Energy Institute that points out the importance of SMRs in achieving our nation's energy goals.

GM Prairie stated that there has only been a third scale mockup of the SMR, so this would be a first of kind investment and noted that the NRC evaluates the safety aspects of projects, which is not all the first of kind

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balance of plant items. Mayor Casper asked for a review of the timeline and steps. GM Prairie shared that the CFPP finance meeting will be held tomorrow and the Interim CFPP Board meeting will follow next week where the budget will be reviewed and could be amended, which would trigger an off-ramp to change IFP's share of the project. He stated his preference for NuScale and Fluor to sell their project directly to other utilities in the region in order to grow the interest in the plant above what UAMPS members can utilize, and this would reduce the financial risk to UAMPS' project participants. He stated that the UAMPS project funding has spent a lot of effort working around the region to grow interest in CFPP, and sell the rest of the plant output. GM Prairie stated that he felt that it might benefit UAMPS' CFPP members if NuScale took the lead on marketing the project to get full subscription. Board Member Francis stated his concerns with the language in the summary and perceives it as warning signs and noted the timeline is not acceptable and feels there is not enough information to inform the Board to make decisions to move forward. Board Member Radford stated how IFP's involvement in the project could mean billions of economic stimuli for the community. Mayor Casper suggested to consider that the market is ever changing and is not the same now as it was in 2012, whereby renewables backed by natural gas is an example of the trending market. There was a discussion on upcoming CFPP meetings and GM Prairie mentioned that if the budget was amended, there would be some decisions coming to the Board.

Cost of Service/Rates/Budget

GM Prairie gave a broad overview of what the Cost of Service (COSA) process is and that it is a five year outlook at rates and utility finances. He pointed out that the numbers are reflective of upcoming large capital projects like the Rocky Mountain Power (RMP) Buyout, the Sugarmill to Paine line extension, potential Westside substation purchase, underground boring and electric's participation in upgrading failing underground electric. GM Prairie noted that fiber is not in the capital requirement because this model is for electric rates and not fiber, which is a separate enterprise fund. AGM Boorman itemized purchase items that would appear before Council that evening and mentioned that this is the beginning of purchase memos for large capital projects. GM Prairie stated that the rates are lining up good this year and there won't be very many changes from last year. He said the power supply costs were decoupled from the base rate, which better reflects what happens over the year. GM Prairie announced that this will be the third year with no proposed rate increase, but he will propose a fee resolution to simplify security lights by using a flat rate of \$20 along with other minor tweaks and updates to practices.

Utility Reports

Fiber – GM Prairie gave a fiber update and attributed the June social media advertising to increased signups. He stated the marketing campaign will continue to educate and create awareness and that the utility will also be adding the ambulance as a marketing tool. He briefly reviewed the updated Fiber Product Catalog and rack card for utility bill stuffers. He requested the support of the board on charging multi-dwelling units a \$12.50 per month connection fee instead of the full \$25 for regular residential. There was agreement by the Board to do that. GM Prairie reviewed the State of Idaho Broadband Grant Application that has been made available through the CARES Act funding and noted the conflicts of interest for nonprofits, but stated that regardless of the obvious prejudice, the utility will proceed with the application. There was a discussion on the rules and grant process.

Transmission and Distribution - AGM Boorman announced that there was a pre-qualification bid held in preparation to the Sugarmill to Paine line competitive bid process in the fall. GM Prairie demonstrated what fuse cutouts look like as the utility continues to replace these failing cutouts around the city. He stated that these cause a lot of outages and pole fires like IFP recently had, but there are thousands of them in the system from years of using this design, so this will be a multi-year project to complete.

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General Administration - GM Prairie mentioned that he is working on a power sales agreement for a bitcoin company that will come before Council in a couple of months. He shared the IFP culture sticker and work he is doing within the utility on leadership, culture and teamwork.

Organizational Membership Reports

Utah Associated Municipal Power Systems (UAMPS) – GM Prairie announced that the UAMPS annual summer meeting will be offered as a hybrid, where attendance can be either in person or virtually. He mentioned that by August, 65 percent (65%) of the members will likely not have travel restrictions and noted that 92 percent (92%) of the Board said they would attend a virtual meeting. He added that there will be limited activities if held in person.

Idaho Consumer-Owned Utilities Association (ICUA) – GM Prairie announced that the ICUA annual meeting will be held in person in Boise, Idaho for ICUA Board members only in order to comply with state mandated social distancing guidelines. He added that there will be an opportunity for the Power Board to participate virtually on July 23 from 1:00 – 4:00 p.m.

There being no further business, the meeting adjourned at 11:03 a.m.

s/ Linda Lundquist _____

s/ Rebecca L. Noah Casper _____

Linda Lundquist, EXECUTIVE ASSISTANT

Rebecca L. Noah Casper, MAYOR