

August 13, 2020

The Idaho Falls Power Board of the City of Idaho Falls met Thursday, August 13, 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 Michelle Ziel-Dingman (by Zoom)

Board Member Jim Francis

Board Member Thomas Hally (arrived at 7:18 a.m.)

Board Member Shelly Smede (by Zoom, left at 8:00 a.m.)

Board Member Jim Freeman (by Zoom)

Board Member John Radford (by Zoom)

Also present:

Bear Prairie, Idaho Falls Power (IFP) General Manager

Randy Fife, City Attorney

Doug Hunter, Utah Associated Municipal Power Systems (UAMPS) General Manager (by Zoom)

Linda Lundquist, IFP Executive Assistant

Mayor Casper called the meeting to order at 7:02 a.m. and made some general announcements about upcoming council meeting hearings and national conferences.

Carbon Free Power Project (CFPP)

General Manager (GM) Prairie presented a historical timeline of the CFPP economics and plan. He reviewed the project cost history from 2017 to 2020 and noted that the cost of the project had increased by \$1.89 billion and said that the Project Management Committee (PMC) passed a new budget in July 2020, which triggered an offramp for project participants to either reaffirm their commitment, increase or decrease their commitment, or exit the project. There was a discussion on possible reasons why the project costs had increased. GM Prairie explained that despite the lack of support for Joint Use Module Plant (JUMP) concept, the Department of Energy's (DOE) has proposed in alternate plan to just award the project \$1.4 billion, which still needs to pass through the congressional process and DOE process for such funding awards. GM Prairie stated that despite the increased project costs, this award by the DOE will help to keep the project to under \$55MWh, which is the breakpoint according to the Levelized Cost of Energy (LCOE) model. Mayor Casper asked which phase we are in and GM Prairie stated that the project is currently in the Licensing Period Phase 1 Max.

GM Prairie presented a cost model (converted to 2018 dollars for the sake of comparison) of Palo Verde trading hub prices from 2001 to 2019. He mentioned some factors that have changed over time like the 2008/09 Recession, low natural gas prices, the 2012/13 advent of gas and oil fracking, increased solar and wind production, which all resulted in lower wholesale electricity prices. He mentioned in southwestern states like Arizona and California, that supply is higher than demand in the middle of the day and as states continue to figure out how to store all of the low-cost wind and solar energy, the industry is seeing more and more battery technology investments. Board Member Francis asked if natural gas can be purchased in advance and GM Prairie stated that yes, that you can place hedges and buy natural gas futures fairly easily 10 to up to 15 years out and if you purchase more than is needed, it can be sold back to the market. Board Member Hally asked if renewables are putting pressure on gas production and GM Prairie answered that renewables are growing and wholesale electricity prices are getting lower from a lot of hourly oversupply of renewables. Natural gas usage for electricity production has gone up some this year due to more coal

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retirements and natural gas is replacing a lot of that. He reviewed the off-ramp phase, current subscription and options and reminded the Board that they have to decide by the Sept. 14 deadline.

Mayor Casper summarized the project risks and reiterated the Board's responsibility to the community. She welcomed representatives from Utah Associated Municipal Power System's (UAMPS) Doug Hunter, Mason Baker and Mark Gendron to the meeting (Virtually/Zoom) to answer questions on CFPP and the off-ramp decision. Board Member Francis asked Doug Hunter, General Manager of UAMPS to address outstanding items like the DOE commitment, the Nuclear Regulatory Commission (NRC) standard design, water rights, results of test wells, security and other participant's commitments; items that may be unknowns by Sept. 14. GM Hunter replied that UAMPS is focusing on the development cost with NuScale and the DOE cost award and agreements with Fluor. He stated that the design by NuScale is in its final phase with the NRC and noted that known issues have been resolved and will be released to the public. He said that CFPP is anticipating going to dry cooling because only two acres of space are required, and he added that the rights have not been secured but that they have identified potential sellers. GM Hunter continued to say that security will fall under the Combined Operational Licensing Agreement (COLA) and that he didn't have the exact number, but would likely be 20-30 employees for security. Board Member Francis mentioned his concern about participant levels dropping or withdrawing. GM Hunter stated that the budget and plan of finance was recently adopted on the condition of the DOE cost share agreement being in place (which he added is on track and the DOE has completed their analysis and is anticipating making an announcement soon) with the executed NuScale development cost agreement and an executed Fluor agreement. He noted that Sept. 14 is a UAMPS' internal date and could possibly be extended by two weeks.

Board Member Hally asked what the long and short-term concerns are. There was a discussion about the financial implications for Idaho Falls if there were a unilateral withdrawal or if the PMC decides to pull out of the project. GM Hunter mentioned that contingencies will likely be added to charge damages to whomever causes construction delays in the project.

Board Member Radford stated that Idaho Falls has an important leadership role in nuclear energy in Idaho Falls and GM Hunter said that he respects the board looking out for their community and also participant's reasons for withdrawal. Mayor Casper expressed her concerns with steeply rising project costs, which according to reporting have increased from \$3.6 billion in 2017 to \$6.1 billion in 2020. She asked why more of the financial burden seems to be falling on the shoulders of the participants and the DOE and less on corporate entities like NuScale and Fluor. GM Hunter stated that there was a reporting error, where the initial \$3 billion should have been closer to \$5.1 billion. He talked about capitalized interest and mentioned how UAMPS is now working with a third party on the financials. He continued to say that the reliance on the DOE has a big risk allocation, but that the DOE thinks that the project is important in nuclear energy and that they are stepping up to an overall 25 percent (25%) cost award. He said the DOE would be willing to take more risk if the project moved to a \$65MWh model, but stated that the CFPP doesn't want that. GM Hunter continued to say that NuScale would incur costs upward of \$500 million and Fluor will stand behind an 80 percent (80%) reimbursement. Board Member Hally asked if there were a higher contingency, would it be at a lower interest? GM Hunter replied that there is an A rating in the financial model plus 100 basis points and they've asked to raise that another 50 points for an A+ rating. Board Member Francis asked if the financial backing for reimbursement would be coming from Fluor and GM Hunter said that NuScale is a startup, so the parental guarantee will come from Fluor.

A discussion followed on the participant options and the possibility of having an interim meeting prior to making a subscription decision. GM Prairie stated that rightsizing allows the City of Idaho Falls to have

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more irons in the fire for a diversified portfolio. Mayor Casper said she would send a meeting notification out after the annual UAMPS meetings next week.

There being no further business, the meeting adjourned at 10:30 a.m.

s/ Linda Lundquist

Linda Lundquist, EXECUTIVE ASSISTANT

s/ Rebecca L. Noah Casper

Rebecca L. Noah Casper, MAYOR