

October 22, 2020

The Idaho Falls Power Board of the City of Idaho Falls met Thursday, October 22, 2020, at the Idaho Falls Power Conference Room, 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

Board Member Thomas Hally

Board Member Jim Francis

Board Member Jim Freeman (via Zoom)

Board Member John Radford (via Zoom)

Board Member Shelly Smede (via Zoom, arrived at 7:06 a.m., left at 9:30 a.m.)

Also present:

Bear Prairie, Idaho Falls Power (IFP) General Manager

Stephen Boorman, IFP Assistant General Manager (via Zoom)

Randy Fife, City Attorney

Linda Lundquist, IFP Executive Assistant

Mayor Casper called the meeting to order at 7:00 a.m. and made some brief announcements about the Eastern Idaho Public Health meeting that is to occur this morning and the Hero's Trick or Trunk event due to take place on Saturday. She mentioned an International Energy Association article that had been released in April and acknowledged that nuclear power is not only a local issue, but a state, national and international issue.

Board Member Updates and Announcements

Board Member Radford said that the Policy Maker's Council (PMC) conversations have been about election polling and understanding the outcomes of the elections. He said that between what he is hearing from the PMC and the Department of Energy (DOE), the election isn't a concern with regard to nuclear energy. Mayor Casper agreed that the bipartisan support is common sense.

Board Member Hally reminded the Board of tonight's debate and emphasized the importance of the final analysis.

Carbon Free Power Project

General Manager (GM) Prairie announced that the Project Management Committee (PMC) for the Carbon Free Power Project (CFPP) has approved many actions including the creation of a CFPP LLC (LLC), which will allow Utah Associated Municipal Power Systems (UAMPS) through the LLC, to enter into separate power sales contracts with entities that aren't UAMPS' members, but they will still retain ownership in the project. Board Member Francis asked how the LLC will affect the PMC and GM Prairie answered that it doesn't change anything unless a participant comes in with a larger share than UAMPS, because that could shift the priority decision making of the project from UAMPS' members. He stated that there are other good reasons for the LLC like administering the DOE award as a flow-through to UAMPS once it's awarded. He added, if the project moves forward, that Doug Hunter, CEO of UAMPS will become the president of the LLC and will hire an accountant to oversee the finances and a project manager with a history of building nuclear projects. Board Member Ziel-Dingman asked if Mr. Hunter were to retire from UAMPS, would he remain the president of the LLC? GM Prairie stated that since the LLC is still controlled by the PMC, at this point it should have the say in who is the President of the LLC from his understanding. Attorney Fife

October 22, 2020

agreed that this is something to watch for and will be important relative to UAMPS' control of the project and that it should be clarified at some point. He added that there are some limits on the liability and questions whether the LLC can declare bankruptcy. He noted that he had spoken to UAMPS' attorney Mason Baker about the legalities of the LLC. Mr. Fife stated that there have been mixed answers in court cases, but emphasized that the sales contracts are still held by UAMPS with a flow-through to the LLC. GM Prairie displayed the LLC's organizational chart and reviewed each area's responsibilities and reiterated that the off-ramp deadline is still Oct. 31, 2020. He added that many CFPP participants are holding their council meetings over the next two weeks and that the next CFPP meeting will be on Nov. 9, 2020, where phase costs are expected to be locked in by the PMC. GM Prairie explained how the DOE award will pay twenty three percent (23%) of the cost and the award is on a scale. There was a discussion on the LLC and PMC voting. He said that the Development Cost and Reimbursement Agreement (DCRA) between UAMPS and NuScale was approved by the PMC and the UAMPS Board, which outlines the modules and development items that NuScale must deliver. GM Prairie explained that this agreement dovetails into the Engineering Procurement and Construction Development Agreement (EPCDA) with Fluor, which outlines credit support requirements and task order processes and payments. Board Member Francis asked who would run the Economic Competitive Test (ECT)? GM Prairie said that UAMPS hired a third party validation to have outside expertise on NuScale and Fluor's inputs into the ECT model runs and assumptions. There was a discussion on how IFP arrived at the current subscription amount. GM Prairie gave a historical summary of energy usage and stated that the modeling shows that IFP needs a low-cost, peak solution that doesn't overwhelm the portfolio, not necessarily baseload energy like zero margin cost nuclear is. He reminded the Board of past presentations on how IFP is net-long energy eighty-five percent 85% of the time and still has additional BPA energy that it is eligible to take. There was further discussion on energy needs in the region and in the Southwest. GM Prairie mentioned that some of the nuclear plants that are closing are in the \$35-45MWh range and when surveyed, ratepayers want affordable carbon free options. Mayor Casper reminded everyone that price shouldn't be the only deciding factor on this project. Board Member Radford agreed that public power can take these risks and should take these risks that for profit utilities are not incentivized to do. There was a general discussion on cost effectiveness of \$70 (2029 dollars) of the SMR with Board members voicing varying views of what is the right megawatt (MW) level related to the actual electricity needs of the utility.

The CFPP Resolution was reviewed and discussed. Board Member Hally stated that moving from 10MWh to 5MWh seemed steep and that 7MWh seemed more appropriate and added that he feels there will be a heavy tax hit on natural gas. GM Prairie reminded the Board of the current natural gas price curves that were presented in previous CFPP discussions and the current forward market price curve shows abundant low gas prices for the next 15+ years. GM Prairie acknowledged that legislation changes and sudden regulatory changes can/would drastically impact the price of natural gas. Board Member Ziel-Dingman said that IFP has reached a good compromise with 5MWh and added that IFP is giving 1/13th support in the project even though they are not 1/13th of this project and do not have the energy needs like other utilities in the project. GM Prairie stated that the reality of spending \$900,000 will be funding 50MWh, and only receiving 5MWh and he reiterated that IFP should be pursuing an affordable peak energy source based upon his analysis of the IFP portfolio and energy markets experience. He added that a 5MWh commitment clearly signals IFP's need, but pointed out the investment is at a much higher level. Board Member Francis said he was comfortable spending \$700,000 for 5MWh as had been discussed the last two months along with voicing risk concerns for this project and how it seems to always be changing, which are red flags in his mind. Board Member Smede agreed with Board Member Francis that IFP should not subscribe above their energy need. Board Member Freeman offered that he trusts GM Prairie's judgement that 5MWh is where IFP needs to be. GM Prairie explained that the project subscriptions are down to 108MWh and added that more participants could drop from the CFPP, which is a real concern for the future of the project. Board

October 22, 2020

Member Radford is concerned how the public will perceive moving from 10MWh to 5MWH and agreed to go with the \$700,000 if there is a chance to save \$200,000 and Board Member Freeman agreed. GM Prairie recommended committing to the extra \$250,000 in case it would be needed to move the project forward to the next phase. GM Prairie agreed he would do everything he could to limit IFP's cost exposures and risks within the Board guidance, but stated that if the project comes down to needing the extra support of \$250,000 from IFP, and that support determines if the project lives on or ceases, that the Board would support the additional financial support from IFP due to the potential positive impact this can have on the city. Board Members gave the nod to move forward with the recommended spending and subscription as outlined in the proposed resolution. GM Prairie advised the Board that the Resolution will be on the regular City Council meeting's agenda for tonight's further discussion and approval.

Board Policy Number Three

GM Prairie reviewed the policy and advised the Board to let him know if there were any changes or additions needed.

BPA Contracts and Statutes

GM Prairie announced that Elliot Mainzer announced his departure from the Bonneville Power Administration (BPA) and that his replacement will be a DOE appointment. He reviewed funding statues of the Bonneville Project Act (ACT) and explained how the ACT was good for IFP as it reaffirmed preference sale, granted administrator authority to acquire resources and created a mechanism and authority for it. He said that the regional dialog contracts will expire in September 2028 and signing new contracts will likely begin before that in 2025, with preliminary discussion already starting. GM Prairie explained that IFP has to pay the amount they commit and currently, IFP pays about \$2 million per month for BPA power which works out to around \$35 per MWh. He added that IFP is part of the Slice/Block program that works well, but could be simplified with some potential flexibility added. He said that BPA is forecasting that they will absorb inflation costs and is projecting no power rate increase for the next rate period in 2022-24. GM Prairie mentioned a litigated provision in the ACT that calls for benefits in the low-cost hydro system to be shared with everyone in the region and not just public power entities. As part of the Residential Exchange Program, he offered that the economic impact for people living outside of the city, see a line item for Federal Energy Impact or a preference credit on their monthly power bills from their investor owned utility provider and this funding is paid for by preference customers like IFP under the Residential Exchange requirement and settlement.

GM Prairie reviewed IFP agenda items that will go before City Council that evening and mentioned that there will likely be a contract renewal for B. Jackson for \$1 million coming in November 2020.

Standing Reports

Transmission and Distribution – GM Prairie mentioned the upcoming purchase near the Harrison substation. Mr. Fife noted that since the purchase is already in the budget and approved, there is no need for a meeting and mentioned to GM Prairie to schedule a closing and that IFP can purchase the property without further action. GM Prairie stated that the goal of purchasing the property is to ensure semitruck access to the substation and that the intention is to hold the deed until there is a buyer, at which time an easement will be integrated.

Fiber – GM Prairie gave a general fiber installation/customer update. He mentioned the positive feedback that has been received through Red Inc. Communication's marketing efforts. He previewed the instructional fiber animation video that will be uploaded on the new fiber website. Mayor Casper questioned why Red Inc. is doing this work for IFP and not another company in town? GM Prairie reminded her of a Board

October 22, 2020

presentation about a year ago where he showed the process of the request for qualifications (RFQ) for working with IF Power and Fiber. In that RFQ process, Red Inc. was the only firm that offered in-house animation, which was a requirement along with competitive pricing for general graphic design. He stated the committee that performed the RFQ felt that Red Inc. offered the most skills and value, compared with other local companies that were interviewed. GM Prairie acknowledged that since each company had their strengths and weaknesses, it was crucial to hold a formal RFQ to help award the contract.

Announcements

Mayor Casper explained that because the prior year's broadband legislation failed and caused such issues, a group called Imagine Idaho was created to grow awareness and potential legislation around broadband.

GM Prairie announced that a La Niña (a weather pattern that occurs in the Pacific Ocean) is in the forecast and if that holds, to expect a wetter and colder than normal winter with above normal snowpack.

There being no further business, the meeting adjourned at 11:04 a.m.

s/ Linda Lundquist

Linda Lundquist, EXECUTIVE ASSISTANT

s/ Rebecca L. Noah Casper

Rebecca L. Noah Casper, MAYOR