IDAHO FALLS POWER

2020 Annual Report

FEATURING...

The Power Team!

IDAHO FALLS POWER

City Council

NAME	POSITION	CURRENT TERM *EXPIRES (JAN.)*
Rebecca L. Noah Casper	Mayor	2022
Michelle Ziel-Dingman	Council President	2024
Shelly Smede	Council Member	2022
James Francis	Council Member	2022
John Radford	Council Member	2024
James Freeman	Council Member	2022
Thomas Hally	Council Member	2024

Manager's Message

Challenges and Opportunities Define 2020

Looking back at the past year, everyone can likely agree 2020 was one of the most challenging years in recent history for most industries. Idaho Falls Power was no exception. The term essential worker was common place in daily conversations. While the vast majority of this was focused on those individuals providing of health care, some was on delivery of food and other necessary services, which makes sense because people need food, shelter and medical care. Industries or services deemed "non-essential" were required to stay home to protect people from virus exposure. The uncertainty surrounding the situation in late March was definitely unnerving.

When most things shut down, the dedicated team at Idaho Falls Power knew this was not an option for our essential service. Hospitals don't run without electricity, food quickly rots in warming refrigerators, and our homes go dark; being transformed from safe havens to unlivable. We start to quickly realize how safe and reliable delivery of electricity is taken for granted and exists mostly behind the scenes in our typical daily lives. Reliable service is accomplished by a team of dedicated and generally silent heroes. These are dedicated men and women who risk their lives, day and night, out in the worst weather conditions ensuring that our community has this most fundamental essential service in our modern society—electricity.

Our dedicated team came to work when most were staying within the safety of their homes. It is fitting to have a superhero theme for this year's report to highlight our frontline essential workers. There was not a person in this superhero staff that backed away from the challenges and unknown risks they were about to face. The utility shifted operational protocols almost daily as new information and requirements came at us. It was never "why we can't do our job" but always "how can we adapt operations" to continue delivering essential service our community depends upon.

However, most of society staying home did highlight opportunities for Idaho Fall Power and Idaho Falls Fiber, with a clear understanding of the important role adequate access to broadband has become. When most industries were in a pause and maintain mode, Idaho Falls Fiber was challenged to excel at our fiber-to-the-home network expansion. Our community not only required electricity, but now also broadband connectivity to work and educate our kids from our homes. Pause was not an option with the team being challenged to grow and build additional essential infrastructure to serve Idaho Falls.

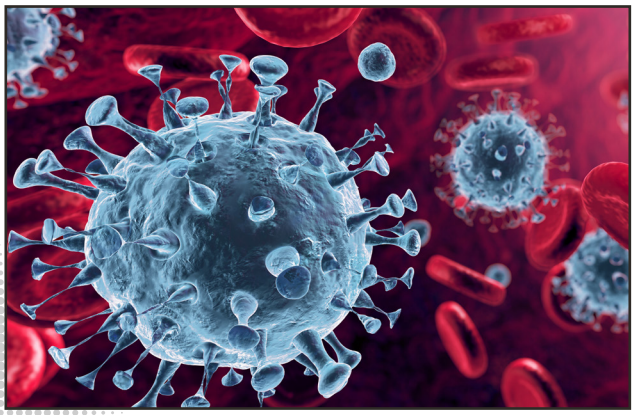
This superhero lineup rose to the challenges and seized the opportunities. What makes Idaho Falls Power and Fiber a best of class utility, as recognized in 2020 with the highest rating a public power utility can achieve for service and reliability, are these men and women with the feats they accomplish every day. Most often this superhero service is behind the scenes and secondary to most people's busy daily lives. Our customers and our community can take comfort knowing they are out there; ***DAY OR NIGHT, THROUGH WIND, SNOW, SLEET OR RAIN!***

Bear Prairie

Bear Prairie
General Manager

MEET: THE IDAHO FALLS POWER/IDAHO FALLS FIBER TEAM

An exceptional team of talented, skilled, and reliable utility workers—comprised of linemen, mechanics, engineers, communications technicians and even a do-it-all front-line team—dedicated to keeping Idaho Falls safe and powered up!



MEET: COVID-19

A villainous virus wreaking havoc upon the world, causing worldwide shutdowns, economic downturns and in some instances, putting the world at a complete standstill.

2020 - THE IFP/IFF TEAM VS. COVID-19

Back in March 2020, much to the world's dismay, COVID-19 became a household name as it arrived in our communities and drastically changed our way of life. Gone were parties and other large social gatherings. Moments of jubilation were reduced to mere passing acknowledgements. Weekly dining out quickly became curbside pickup. More people began to work from home. Schools shut down as students moved to online learning. Routine grocery shopping felt like trips into a war zone as people feared catching COVID-19.

Even Idaho Falls Power (IFP) and Idaho Falls Fiber (IFF) felt the effects of COVID-19. Work crews were reduced in size. People were isolated to designated work areas. Equipment and product delays slowed progress. Despite its presence and efforts to distract from their mission, COVID-19 was no match for the strength and resilience of the powerful and unified Idaho Falls Power and Idaho Falls Fiber team!

Just like any superhero, our team fought back as they mastered social-distancing, donned more personal protective equipment (a.k.a. the mask) and adjusted to new protocols and procedures to keep employees and the community safe. Utility operations certainly were no longer business as usual. Despite the challenges, it was a productive year for the utility with a multitude of accomplishments as a number of large projects and initiatives were completed.

One may say, despite it all, they got the job—actually a lot of jobs—done!

DISTRIBUTION & TRANSMISSION TEAM

Our distribution and transmission team worked liked gangbusters in 2020 to complete numerous electrical and fiber upgrades to enhance and improve the City's critical infrastructure. The utility has a long history of providing reliable power to customers. IFP continually invests in system improvements to ensure that reliability.

The biggest undertaking in 2020 was an electrical and fiber optic upgrade project on the west side of Idaho Falls. This project included the installation of 70,000 feet of new electrical conduit and 12,000 feet of primary conductor installation to replace aging electrical cable, improving reliability and sustainability of our electric system. The added benefit of this project also included the installation of 70,000 feet of fiber optic conduit and 115,000 feet of fiber optic cable to enable residents to connect to the world's fastest internet.

Hundreds of hours were spent by design techs, field crews and contractors from conception to completion of the project.

IFP and IFF also completed the electrical and fiber upgrades to replace aging infrastructure for neighborhoods on Skyline Drive and Hoopes Avenue. This project included the installation of 12,000 feet of electric conduit, 6,000 feet of electric conductor and 12,000 feet of fiber conduit.

Aside from these two major electric and fiber upgrade projects, there were many other projects completed in 2020. Here's a list of some of the highlights.

- Increased electric meter count from 28,668 to 29,038
- Installed backbone service to over 350 residential lots and 25 new commercial services
- Completed underground electrical work for the future Idaho Falls Event Center in Snake River Landing. Installed 7,500 feet of 1100 tri-plex electric conductor, 7 concrete vaults with three pad mount switch gears and two risers with switches. Undergrounded approximately 2,000 feet of overhead line.
- Coordinated with the Idaho Department of Transportation and the Idaho State Police on the North Holmes Overhead extension over U.S. Highway 20.
- SCADA Upgrade & Substation Communication Commissioning
- Installation of new reclosers— for distribution automation.
- Completed the westside airport expansion and reconductor. Was an underground and metering nightmare, now it's beautiful!

FIBER & OPERATION TECHNOLOGIES

Idaho Falls Fiber celebrated the 1,000th residential customer connection just before the end of 2020, marking a major milestone for the citywide residential fiber rollout.

Idaho Falls Residents Gina and Todd Stevenson joined members of the Idaho Falls Fiber team at the fiber hut located at Idaho Falls Power's Harrison Substation, to connect their home to the utility's fiber network.

During the first official year of the residential fiber rollout, IFF has installed 12 new fiber huts and generators and approximately 90 miles of fiber infrastructure to, or "passed by," more than 7,000 homes in Idaho Falls. This has set the city on a positive trajectory to enable every single resident access to connect to the network by end of 2024.

GENERATION

Idaho Falls Power operates four dams, with five power houses and six generators, which are essential in meeting the electric demands of customers. One-third of power consumed by Idaho Falls is generated at our own community hydro plants.

To keep our hydro plants operational and running efficiently, our mechanics kept a busy schedule with daily maintenance operations and equipment checks, along with annual projects to keep the hydropower plants running smoothly.

GEM STATE: Crews completed the rehabilitation on two radial gates—which control the water flow through the spillway—at the dam. This project included a thorough check, cleaning and filling of corroded spots on the gate, along with a recoating of the metal surface to finish the work. They cleaned, installed new seals and recoated the intake stop logs. The plant elevator was also replaced.

LOWER PLANT: The plant's remote terminal unit switchboard and monitoring system received a software and equipment upgrade for better system control and operational communication.

Mechanics also repaired and realigned the log boom at the plant, to keep large debris, (such as driftwood) from clogging the plant intake and causing damage. We also repaired the plant's governor, which is essential to the control of the plant.

CITY PLANT: In a rare occurrence, the falls stopped flowing for an afternoon to safely remove large pieces of driftwood off the Weir. The driftwood removed from the hydro plants would cover one football field (100 yards), to a depth of 10 feet. That's a lot of driftwood!

UPPER PLANT: Shored up the embankment by installing 190 cubic yards of rip rap at dam No. 1 and 356 cubic yards at dam No. 2. Repairs were made on the hydraulic system, which enables the lowering and raising of the dam gates.

CUSTOMER SERVICES & METERING

Customer Services experienced staffing changes and added responsibilities in 2020, particularly with the addition of expanded residential fiber service.

Day-to-day operations now incorporated the handling of fiber customer inquiries, processing contracts and the scheduling of service installation for new customers. Fiber inquiries soon accounted for more than half of the operations of Customer Services.

The team also assisted in the marketing and promotion of Idaho Falls Fiber to help in the overall success of residential fiber service.

Meter technicians upgraded and replaced over 6,500 electric meters throughout the city. This upgrade and replacement project played an integral part in increasing the capability of the utility's outage management system. These new meters have a better capacity to report outages to enable more efficient response to restore services.

SUBSTATIONS

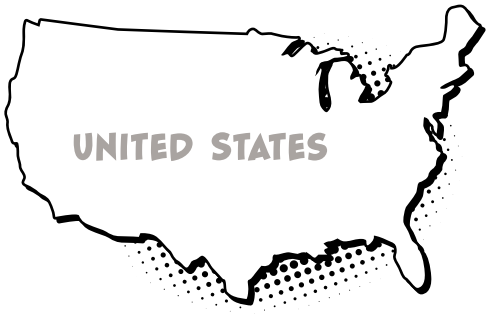
Idaho Falls Power maintains and operates 11 electric substations throughout the city. On a daily basis substation technicians and electricians rotate through each of the substations to ensure they are operating at their best. Technicians not only maintain the substations, but they ensure necessary upgrades are completed to keep the electrical system reliable and robust.

In 2020, crews completed a number of different upgrades, including:

- Sugarmill getaway replacement serving two feeders. This upgrade included the installation of 2,020 feet of 1100 tri-plex electric conductor, one concrete vault and two risers with 1200-amp switches.
- An irrigation system was installed at the future Sandy Downs Substation.
- Installed current potential transformer structure at Harrison Substation for new metering.

Annual Report Stats

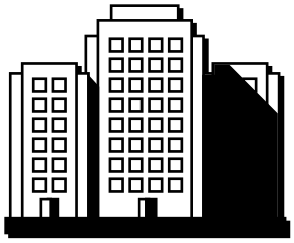
Residential & Commercial Electric Rates



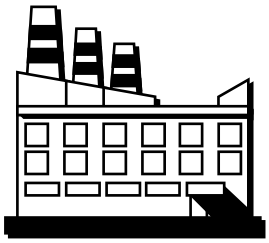
Residential	6.05 cents	7.96 cents	10.54 cents
Commercial	3.7 cents	7.76 cents	10.68 cents

Customer Count

Residential
24,883



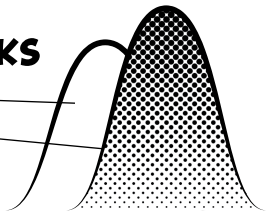
Commercial
4,287

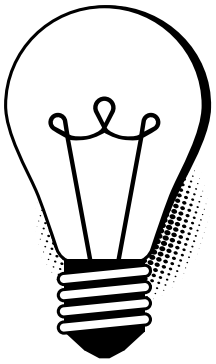


Industrial
4

2020 MW Peaks

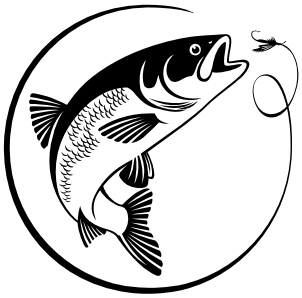
Summer Peak: 116.6
Winter Peak: 140.2





LED Upgrades:

357 LED Streetlights replaced/installed



RECREATION

305 acre Gem Lake

13,000 pounds of trout stocked

5 acre children's fishing pond

5 boat ramps on Snake River

ENERGY SAVINGS

Residential kWh Savings: $109,305

Commercial kWh Savings: $2,451,318

Industrial kWh Savings: $108,957

PURCHASE POWER

BPA purchases: 621,513 MWh

UAMPS: 39,812 MWh

DISTRIBUTION & TRANSMISSION LINES

11 substations

446.7 miles of distribution &
37.2 miles of transmission lines

FIBER OPTIC INFRASTRUCTURE

13 fiber huts

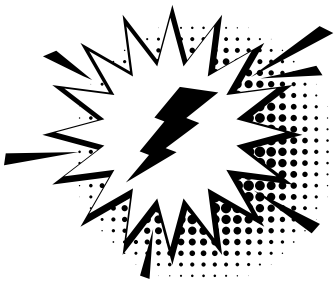
Backbone: 145,484 feet/28 miles

Distribution: 986,860 feet/187 miles

Traffic 80,823 feet/15 miles

Fiber to the Home: 656,624 feet/124 miles

GENERATION



UPPER PLANT: 52,268 MWh

CITY PLANT: 50,262 MWh

LOWER PLANT: 42,161 MWh

OLD LOWER PLANT: 9,711 MWh

GEM STATE: 131,017 MWh

HORSE BUTTE WIND FARM: 8,197 MWh

ROOFTOP SOLAR: 49.97 MWh

FINANCIALS

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

As of September 30	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$2,505,140	$6,348,289
Investments	53,164,787	45,671,115
Accounts receivable, net	3,646,245	3,929,524
Power contracts receivable	422,732	129,075
Interest receivable	163,557	372,438
Materials and supplies	4,856,077	4,274,687
Total current assets	64,758,538	60,725,128
UTILITY PLANT		
Plant in service	252,471,806	246,906,447
Accumulated depreciation	(156,113,955)	(149,623,386)
Construction work-in-progress	16,298,284	6,538,657
Net utility plant	112,656,135	103,821,718
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows – pension	1,219,690	607,970
Total deferred outflows of resources	1,219,690	607,970
Total assets and deferred outflows of resources	$178,634,363	$165,154,816

Footnotes to financial statements are available upon request. 2019 figures as restated.

FINANCIALS

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

As of September 30	2020	2019
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$2,908,594	$2,375,334
Compensated absences	585,499	751,051
Purchased power payable	1,454,962	2,188,752
Total current liabilities	4,949,055	5,315,137
LONG-TERM LIABILITIES		
Compensated absences	520,818	507,590
Net pension liability	4,735,599	2,286,159
Total long-term liabilities	5,256,417	2,793,749
Total liabilities	10,205,472	8,108,886
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows – pension	262,002	1,092,109
Total deferred inflows of resources	262,002	1,092,109
NET POSITION		
Net investment in capital assets	112,656,135	103,821,718
Unrestricted	55,510,754	52,132,103
Total net position	168,166,889	155,953,821
Total liabilities, deferred inflows of resources, and net position	$178,634,363	$165,154,816

Footnotes to financial statements are available upon request. 2019 figures as restated.

FINANCIALS

COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

As of September 30	2020	2019
OPERATING REVENUES		
Retail	$50,011,134	$48,456,308
Wholesale	5,070,460	6,482,740
Other	3,526,420	1,740,944
Total operating revenues	58,608,014	56,679,992
OPERATING EXPENSES		
Purchased power	26,393,011	27,352,735
Power generation	2,884,440	2,665,827
Transmission and distribution	4,574,969	1,937,228
Fiber operations and maintenance	478,775	797,339
Customer accounting and collection	3,797,756	4,642,748
General and administrative	1,907,852	4,833,037
Depreciation	6,766,066	6,873,947
Total operating expenses	46,802,869	49,102,861
OPERATING INCOME	11,805,145	7,577,131
OTHER REVENUE (EXPENSE)		
Investment earnings	1,096,914	1,562,269
Transfer out – payments in lieu of taxes	(3,840,568)	(3,686,943)
Other	-	937,414
Total other expense	(2,743,654)	(1,187,260)
CAPITAL CONTRIBUTIONS	3,151,577	1,659,433
CHANGE IN NET POSITION	12,213,068	8,049,304
NET POSITION, beginning of year	155,953,821	147,904,517
NET POSITION, end of year	$168,166,889	$155,953,821

Footnotes to financial statements are available upon request. 2019 figures as restated.

FINANCIALS

COMBINED STATEMENTS OF CASH FLOWS

As of September 30	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 56,206,008	$ 55,453,938
Receipts from City	2,391,628	2,070,051
Payments to suppliers	(28,818,540)	(28,883,396)
Payments to employees	(10,026,334)	(8,652,454)
Payments to City for services used	(2,511,650)	(3,149,189)
Net cash flows from operating activities	17,241,112	16,838,950
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer out – payments in lieu of taxes	(3,840,568)	(3,686,943)
Change in due from other City funds	-	1,923,916
Other, net	-	937,414
Net cash flows from noncapital financing activities	(3,840,568)	(825,613)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Plant expenditures and construction of capital assets	(13,627,791)	(10,547,460)
Capital contributions received	2,571,975	-
Net cash flows from capital and related financing activities	(11,055,816)	(10,547,460)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(51,788,192)	(25,493,170)
Proceeds from sale and maturity of investments	44,294,520	17,558,412
Interest on investments	1,305,795	1,209,663
Net cash flows from investing activities	(6,187,877)	(6,725,095)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,843,149)	(1,259,218)
CASH AND CASH EQUIVALENTS, beginning of year	6,348,289	7,607,507
CASH AND CASH EQUIVALENTS, end of year	$2,505,140	$6,348,289

Footnotes to financial statements are available upon request. 2019 figures as restated.

FINANCIALS

COMBINED STATEMENTS OF CASH FLOWS

As of September 30	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 11,805,145	$ 7,577,131
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	6,766,066	6,873,947
Change in pension accounts	1,007,613	27,895
Changes in operating assets and liabilities		
Accounts receivable	(10,378)	843,997
Materials and supplies	(581,390)	(917,172)
Accounts payable	(1,737,259)	2,194,052
Accrued liabilities	(8,685)	239,100
Net cash flows from operating activities	$17,241,112	$16,838,950
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Contributed utility plant by governmental authorities	$578,391	$516,997

Footnotes to financial statements are available upon request. 2019 figures as restated.

Appendix A

THE CITY OF IDAHO FALLS AND IDAHO FALLS POWER

THE CITY OF IDAHO FALLS

GENERAL

The City of Idaho Falls, Idaho (the "*City*") is a municipal corporation operating and existing under and pursuant to the provisions of the constitution and laws of the State of Idaho (the "*State*"). Incorporated in 1889, the City is located in southeastern Idaho on the upper Snake River. Originally the territory of the Shoshone-Bannock and Northern Paiute Indians, the City began as the Eagle Rock settlement at Taylor's Ferry (1863), later Taylor's Bridge. The town was renamed "Idaho Falls" in 1891 for the low but wide (1,500 feet) cataract in the river (now a source of hydropower), and it developed first as a railroad division point and later as a center of irrigated farming.

The City ranks fourth among Idaho cities with an estimated population of 62,888 and is the largest Idaho city outside of the Boise metropolitan area. The City is the county seat of Bonneville County (the "*County*") and occupies a land area of approximately 26 square miles. The City serves as the commercial, cultural, and healthcare hub for eastern Idaho, as well as parts of western Wyoming and southern Montana. It is home to the College of Eastern Idaho, the Museum of Idaho, and the Idaho Falls Chukars minor league baseball team. See also "Economic and Demographic Information" below. The City features an extensive river walk trail featuring running and biking trails, art installations, and points of interest along several miles of the Snake River.

The Idaho Falls Regional Airport serves the City and the southeast Idaho region and is serviced by five airlines—Alaska Airlines, American Airlines, Delta Airlines, United Airlines and Allegiant Air—that provide year-round nonstop service to 12 destinations, including Dallas-Fort Worth, Denver, Las Vegas, Minneapolis-St. Paul, Phoenix-Mesa, Portland, Salt Lake City and Seattle, as well as seasonal service to other destinations. The airport also serves as the largest general aviation airport in the region with over 100 based aircraft serving corporate aviation, police, fire, life flight/air ambulance services. The airport also has FedEx, UPS and other cargo operations totaling 4 million pounds of cargo a year. The Idaho Falls Regional Airport provides an economic impact of over $145,000,000 annually to the region.

Two school districts serve the City—Idaho Falls School District #91 and Bonneville Joint School District #93. District #91 covers the majority of urban Idaho Falls and a small portion of the County west of the City. District #93 covers minimal parts of eastern Idaho Falls, and the remainder of the County with the exception of some remote areas that have independent elementary districts. All middle and high school students are transported into District #93 secondary schools. The City is home to eight public high schools, four public middle schools, and 26 public elementary schools. It is also served by four public charter schools and three private schools.

The City provides the following services: general administrative services, planning and building, public safety (police, fire, ambulance and animal control), parks and recreation, streets, library, public works, regional airport and water, sanitation, electric, broadband internet and wastewater utilities.

MAYOR AND COUNCIL

The City operates under the Mayor-Council form of government. Policy-making and legislative authority are vested in the City Council consisting of the Mayor and six other members, all elected on a non-partisan basis. The City Council is responsible, among other things, for passing ordinances, adopting the budget, setting fees for services, confirming committee members and working with various department heads as assigned by the Mayor. The Mayor is responsible for carrying out the policies and ordinances of the Council, overseeing the day-to-day operations of the City, and appointing the heads of the various departments. Department Directors are professional positions appointed by the Mayor and confirmed the Council with no term limits on service. Removal of a Director requires either the Mayor and a majority of the Council vote or a unanimous vote of the Council.

The Mayor and City Council members are elected at large for four-year terms, with three of the City Council members standing for election every two years. The City Council holds regular meetings twice a month and special meetings as needed. All meetings are open to the public as provided by law and agenda items are posted in advance. A list of current City Council members, their occupations and their terms of office follows.

NAME	POSITION	OCCUPATION	CURRENT TERM *EXPIRES (JAN.)*
Rebecca L. Noah Casper	Mayor	Political Consulting/ Adjunct Professor	2022
Michelle Ziel-Dingman	Council President	Marketing Executive	2024
Lisa Burtenshaw	Council Member	Former School Board Trustee	2022
James Francis	Council Member	Retired Educator/ Administrator	2022
John Radford	Council Member	Store Manager, Barnes & Noble	2024
James Freeman	Council Member	Retired, Firefighter/ Paramedic	2022
Thomas Hally	Council Member	Retired Entrepreneur	2024

EMPLOYEES

As of April 30, 2021, the City had 675 full-time employees and 946 temporary employees.

ECONOMIC AND DEMOGRAPHIC INFORMATION

The City and the County are part of the Idaho Falls Metropolitan Statistical Area ("MSA"). The Idaho Falls MSA has an estimated population of 151,530, and the combined statistical area, which includes Blackfoot and Rexburg, has an estimated population of 251,347. A portion of the demographic information given below is gathered on the MSA as a whole rather than on a specific area within the MSA.

General. The City serves as regional center for retail, wholesale, medical, educational and governmental services. Underlying the City economy is a very strong base of agriculture production and processing in barley, potatoes, wheat and cattle. Coupled with the agriculture base is the scientific and hi-tech research and supporting businesses for the Idaho National Laboratory. See "Idaho National Laboratory" below. This scientific sector provides a highly educated work force and high incomes in the local economy. This

diversified and regional market economy provides economic stability in jobs, incomes and tax base. The regional market area extends from the City of Blackfoot to the south of the City, into Montana and Wyoming on the north and east, and on into central Idaho. The regional medical center, including hospitals, medical specialties and services, is concentrated in the City.

The City is the regional market center on the western side of Yellowstone Park and Jackson Hole. To the west of the City is a National Monument—The Craters of the Moon. The outdoor activities of fly-fishing, hunting, skiing, snowmobiling, hiking and sightseeing support many businesses and manufacturers. The tourism and entertainment industry within the City is growing and supporting more jobs and businesses. In addition, the State's largest museum is in Idaho Falls, which anchors a growing cultural tourism sector.

The State and federal offices in the City also serve all of eastern Idaho. The three state universities—Boise State University, University of Idaho and Idaho State University—have a large classroom and research presence in the City and are associated with the Idaho National Laboratory. The City is also home to a community college—the College of Eastern Idaho—which serves the area. There are two school districts and several private school systems.

The City boasts three hospitals, two emergency rooms and provides the region's only trauma facility and burn center. The City has a vibrant arts and culture sector, including a full and active symphony, an opera company, and an active arts council which includes multiple youth arts organizations and opportunities.

Because of its location in a region with a varied economic base, unemployment in the City has been relatively stable. Currently the City is experiencing increasing economic growth that has continued to increase during the COVID-19 pandemic, as well as continuing population growth consistent with overall growth in the Idaho. The economy is expected to continue to diversify and grow in the manufacturing and technology industries. See "*Employment*" and "*Major Employers*" below.

Idaho National Laboratory. Idaho National Laboratory (INL) consists of an 890-square-mile area in southeastern Idaho typically referred to as the "INL Site," as well as laboratories and administrative buildings located at the INL Campus approximately 35 miles to the east of the INL Site in the City. Day-to-day operations are conducted at three primary facility areas—each hosting the complementary resources necessary to support national priority research. One area focuses on nuclear materials and processing, another on reactor technologies and the third on science, technology and education integration. INL is part of the United States Department of Energy's ("*DOE*") complex of national laboratories. INL performs work in each of the strategic goal areas of DOE: energy, national security, science and environment and is the nation's lead laboratory for nuclear energy research, development, demonstration and deployment. INL is managed by Battelle Energy Alliance, LLC for the DOE's Office of Nuclear Energy.

In 2020, INL was the seventh largest private employer in the State of Idaho and the tenth largest overall employer in Idaho with over 5,000 employees. The average base salary of an INL employee was $104,157 in 2020, with a total economic impact from INL on the region of over $339 million. Battelle Energy Alliance also subcontracted nearly $229 million to Idaho contractors in 2020.

Population. The following table provides historical population information for the City.

	CITY OF IDAHO FALLS	CHANGE OVER PRIOR PERIOD
2019 Estimate	62,888	10.69%
2010 Census	56,813	11.99%
2000 Census	50,730	15.48%
1990 Census	43,929	10.54%
1980 Census	39,739	11.08%
1970 Census	35,776	7.89%

Source: U.S. Department of Commerce, Bureau of the Census.

Employment. Historical employment within the County and the Idaho Falls MSA is described in the following tables.

BONNEVILLE COUNTY
ANNUAL AVERAGE LABOR FORCE DATA

BONNEVILLE COUNTY	ANNUAL AVERAGE					
	2020*	2019	2018	2017	2016	2015
Civilian Labor Force	59,208	57,042	55,200	53,538	52,476	51,022
Unemployed	2,464	1,364	1,358	1,449	1,668	1,741
Percent of Labor Force Unemployed	4.2%	2.4%	2.5%	2.7%	3.2%	3.4%
Total Employment	56,743	55,678	53,842	52,089	50,808	49,281

BY PLACE OF WORK	ANNUAL AVERAGE					
	2020**	2019	2018	2017	2016	2015
Total Covered Employment	53,468	53,598	51,867	50,093	48,953	47,562
Agriculture, Forestry, Fishing & Hunting	584	649	650	706	761	731
Construction	3,156	3,383	3,144	2,892	2,703	2,565
Manufacturing	3,361	3,373	3,228	2,913	2,818	3,092
Trade, Utilities & Transportation	12,306	12,431	12,551	12,347	12,316	12,747
Information	534	760	793	828	832	843
Financial Activities	2,122	2,102	1,974	1,882	1,817	1,748
Professionals & Business Services	6,134	6,140	5,848	5,880	5,788	4,714
Education & Health Services	10,926	10,251	9,564	9,143	8,706	8,348
Leisure & Hospitality	6,182	6,354	6,145	5,793	5,608	5,326
Other Services	1,306	1,352	1,334	1,270	1,309	1,245
Government	6,848	6,782	6,618	6,421	6,280	6,185

Source: Idaho Department of Labor, Communications & Research Division

** Average from Jan-Jul 2020*

*** Based on 1st Quarter 2020*

Major Employers. Major employers in the Idaho Falls MSA include the following:

IDAHO FALLS MSA - MAJOR EMPLOYERS

RANK	EMPLOYER	INDUSTRY	RANGE OF EMPLOYEES	% OF TOTAL MSA EMPLOYMENT
1	Battelle Energy Alliance	Prof. Services (INL)	4,700-4,799	6.94%
2	Bonneville Joint SD No. 93	Public Education	1,700-1,799	2.56
3	Idaho Falls SD No. 91	Public Education	1,500-1,599	2.17
4	Melaleuca Inc.	Wellness	1,300-1,399	2.01
5	Eastern Idaho Health Services	Healthcare	1,300-1,399	1.98
6	Wal-Mart	Retail Grocery	1,000-1,099	1.52
7	City of Idaho Falls	Government	850-899	1.23
8	Jefferson County SD No. 251	Public Education	800-849	1.19
9	Idahoan Foods	Food Production	600-649	0.93
10	Bonneville County	Government	550-599	0.85

Source: Idaho Department of Labor information as of 1Q 2020.

Note: Only employers that have given the Department permission to release employment range data are listed.

Income. Historic per capita income, personal income, and median income for the County and the State are shown below:

BONNEVILLE COUNTY AND STATE OF IDAHO
PER CAPITA, TOTAL PERSONAL INCOME AND MEDIAN INCOME

	2018	2017	2016	2015	2014
PER CAPITA INCOME[1]					
Bonneville County	$48,287	$46,236	$44,272	$42,384	$38,914
% change from prior year	4.4%	4.4%	4.5%	8.9%	3.7%
State of Idaho	$43,901	$42,094	$40,670	$39,857	$37,896
% change from prior year	4.3%	3.5%	2.0%	5.2%	4.7%
TOTAL PERSONAL INCOME[1]					
Bonneville County ($000)	$5,642,538	$5,302,884	$4,969,529	$4,659,057	$4,213,030
% change from prior year	6.4%	6.7%	6.7%	10.6%	4.6%
State of Idaho ($000)	$77,012,304	$72,355,149	$68,444,540	$65,825,237	$61,827,050
% change from prior year	6.4%	5.7%	4.0%	6.5%	6.0%
MEDIAN INCOME[2]					
Bonneville County	$60,444	$55,744	$59,293	$54,008	$51,440
% change from prior year	8.4%	-6.0%	9.8%	5.0%	1.7%
State of Idaho	$55,524	$52,280	$51,647	$48,311	$47,572
% change from prior year	6.2%	1.2%	6.9%	1.6%	2.0%

(1) Source: Bureau of Economic Analysis, U.S. Department of Commerce.

(2) Source: U.S. Census Bureau.

IDAHO FALLS POWER

GENERAL

The City of Idaho Falls has operated a municipal electric generation system since 1900, when a small generator was installed in an irrigation canal to create electricity for street lights. Formerly known as the "Electric Light Division," the City's municipal electric utility is now known as "Idaho Falls Power." Idaho Falls Power (sometimes referred to below as "*IFP*") operates an integrated generation, power supply, transmission and distribution system (the "*System*") that serves over 29,000 residential, commercial, industrial and high density customers. IFP also operates a broadband utility that provides fiber optic service to the community and is known as "Idaho Falls Fiber" ("*IFF*"). IFF was established in 1998 with leasing of dark fiber and has grown into one the largest fiber to the home open access networks in the US.

Idaho Falls Power has received a Diamond Level Reliable Public Power Provider (RP3) designation from the American Public Power Association ("*APPA*"). This valued designation is given to only those public power utilities that demonstrate a high level of proficiency in reliability, safety, workforce development, and continued system improvement every three years. The Diamond Level is the highest tier utilities can achieve. Only 275 utilities nationwide out of over 2,000 public power utilities hold the RP3 designation, with only 127 achieving the Diamond Level certification held by Idaho Falls Power.

COVID-19. Idaho Falls Power reports that the COVID-19 pandemic and associated public health orders did not have a material adverse effect on its operations or finances. The State of Idaho did not institute any mandated utility disconnect moratoriums but IFP maintained a voluntary moratorium until September 2020. This did not have an adverse effect on bad debt or delinquent accounts, in fact both of these metrics are at the lowest levels in five years. Both customer counts and load growth increased at higher rates in 2020 during the pandemic compared to previous years and continue to show acceleration in 2021.

GOVERNANCE

The City's Mayor and Council (described above) also serve as the Power Board, which meets monthly and provides direct governance of Idaho Falls Power. These monthly meetings are used to (a) provide IFP staff the opportunity to provide briefings related industry issues that may affect Idaho Falls Power, (b) set and review strategic areas of focus of IFP, (c) monitor action plan progress with respect to strategic direction, (d) monitor the financial condition of IFP, (e) review power supply risks and strategies to manage risk, and (f) provide policy level direction to the General Manager for implementation. The monthly Power Board meetings are not typically used for City Council action unless it is approval of an internal policy that directs management of the utility. Formal actions such as ordinance changes, rate/fee changes, contract approval, bid awards, ratification of power supply, power sales contracts, etc. are scheduled for action at regularly-scheduled City Council meetings.

MISSION STATEMENT AND STRATEGIC PLAN

In March 1997, the Mayor and Council adopted a Mission Statement for Idaho Falls Power. The Mission Statement was most recently amended in 2017 with the strategic plan. The updated Mission Statement was simplified to encompass the diverse range of products and services IFP provides to the community. The updated mission is for Idaho Falls Power to be "a customer-owned utility dedicated to providing value driven, safe, reliable and high-quality services."

Idaho Falls Power in coordination with the Power Board updates and reviews its strategic plan through in-depth planning sessions on a two year cycle. This cycle ensures that new Power Board members understand and have input into the alignment of the mission and vision for IFP. This process helps IFP and

the Power Board gauge how successfully it is executing its mission and strategic direction. It also enables longer term planning and thinking by the governing body. This process includes an in-depth strengths, weaknesses, opportunities and threats (SWOT) analysis that focuses on key areas of operational performance including: customer, financial, workforce, reliability and utility growth. Within this there are developed areas of strategic focus established with metrics of achievement.

GOVERNING POLICIES

In furtherance of IFP's Mission Statement, the Mayor and Council have adopted various policies that govern the operations of Idaho Falls Power. These policies are summarized below.

Financial Stability and Creditworthiness Policy. The Financial Stability and Creditworthiness Policy establishes policies and principles for maintaining and enhancing IFP's financial stability and creditworthiness to best position it to (i) meet the creditworthiness requirements under its power purchase agreement with Bonneville (described below) and under wholesale power purchase agreements with other market participants, (ii) participate in future generation and transmission projects, (iii) fund and maintain sufficient reserves for working capital, capital projects and rate stabilization purposes, and (iv) have access to credit markets and favorable financing terms as and when necessary. The policy is intended to promote the continued ability of IFP to provide reliable, low-cost power supply service to its customers, and the prudent operation and management of the System.

Various components of the policy reflect the rating criteria for public power utilities utilized by major credit rating agencies, and the policy includes provisions with respect to governance and management of IFP, asset and operations management, rate setting and rate review, integrated resource planning, insurance and catastrophic risk assessment, physical and cyber security, financial planning and other matters. The policy establishes various financial targets, including maintaining (a) at least 250 days' cash on hand (combined balance of the Electric Fund and the Rate Stabilization Fund, (b) 200% coverage for debt service and other fixed obligations, and (c) target balances of $10 million in the Electric Fund, $17 million in the Capital Improvement Fund and $20 million in the Rate Stabilization Fund. The policy also includes considerations for debt issuances and other matters.

Risk Management Policy. The Risk Management Policy (i) establishes policies and principles for wholesale power transactions entered into by IFP, (ii) authorizes management of IFP to enter into certain wholesale power transactions from time to time to meet and manage seasonal shortfalls and surpluses in its power supplies, (iii) requires that certain wholesale power transactions be entered into only upon specific authorization by the Mayor and City Council, (iv) establishes procedures for the periodic review of wholesale power transactions that are entered into by IFP and (v) expressly prohibits certain activities. The policy provides that IFP will enter into only those wholesale power transactions that are consistent with the prudent and businesslike operation of the System and its power supply requirements and resources. Only existing and reasonably forecasted power supply requirements and resources will be the basis for any wholesale power transaction. The policy directs management to reduce or mitigate price, reliability and counterparty risks in all wholesale power transactions, and includes an absolute prohibition on speculative transactions, a matching of power supply resources and requirements, an examination of alternatives and strict counterparty creditworthiness standards.

General Fund Transfers Policy. The General Fund Transfer Policy establishes principles and procedures for the transfer of amounts from the Electric Fund to the City's General Fund. The amount of the General Fund Transfer in any year is determined as a part of IFP's annual budgetary process and is benchmarked for best practices against APPA's biennial report titled, "Payments and Contributions by Public Power

Utilities to State and Local Governments." The General Fund transfer in any year is equal to 6.5% of IFP's average operating revenues over the three preceding fiscal years. The General Fund transfer is then reduced by the Electric Fund's annual transfer to the City's Traffic Light Capital Improvement Fund. The policy expressly prohibits other in-kind transfers to other City departments that are outside the scope of providing utility services. In addition, Idaho law prevents the transfer of utility funds to defer or lower the explicit obligations of general city government.

MANAGEMENT AND EMPLOYEES

Management. Idaho Falls Power is managed by its General Manager with the assistance of its Assistant General Manager.

Travis "Bear" Prairie, General Manager. Bear Prairie is the General Manager of Idaho Falls Power and Idaho Falls Fiber. Prior to assuming this role in 2018 he was the Assistant General Manager for eight years. Bear has over 20 years of experience in the energy industry, with experience in utility executive management, commodity trading and asset development. He began his career at Idaho Power Company, holding numerous roles in commodity trading and power supply management, and later developed and staffed a west coast based electric and natural gas trading business for Integrys Energy. As General Manager, he has primary responsibility for all operations of IFP and IFF, including long-range power supply planning, power operations, broadband service deployment, resource development and utility risk management. Bear serves on numerous boards including the Public Power Council (PPC), Utah Associated Municipal Power Systems, the Idaho Strategic Energy Alliance, the Idaho Consumer Owned Utilities Association (ICUA), the Idaho Energy Resources Authority and the Pacific Northwest Utilities Conference Committee. He holds an MBA degree from Northwest Nazarene University and a bachelor's degree in Business Administration from The College of Idaho.

Stephen Boorman, P.E., Assistant General Manager. Stephen Boorman, has served as the Assistant General Manager for Idaho Falls Power since September 2018. Stephen has been in engineering and management for over 30 years, with 25 of those years working for electric utilities. His previous positions have included Light Department Director for the City of Cheney, Washington, City Administrator for the City of Bonners Ferry, Idaho, and Engineer for Missoula Electric Cooperative. In his role as Assistant General Manager, he focuses on engineering with utility planning and operations and supports internal staff needs across various Idaho Falls Power and Fiber Divisions, working both internally and externally to support collaborations with other City departments and with customers. Stephen has served on a number of industry trade groups including PPC, ICUA, and Northwest Requirements Utilities (NRU). He holds a bachelor of science degree in electrical and electronic engineering from Montana State University, and is a licensed professional engineer in the State of Idaho.

Employees. Idaho Falls Power is staffed by 80 employees, 48 of whom are represented by the International Brotherhood of Electrical Workers (IBEW). The City's current collective bargaining agreement with the IBEW expires on May 10, 2022. IFP reports that the relationship between management and IFP's employees has been and continues to be aligned with the expectations of utility management and represented employees. Labor relations are positive, with a partnership focus on worker safety and industry professionalism.

SERVICE AREA

Idaho Falls Power provides electric utility service to a 26.3 square mile service area, almost all of which is located within the City. See "THE CITY OF IDAHO FALLS" ABOVE for information regarding the service areas, its population and economy.

Electric Supplier Stabilization Act. In 2001, the Idaho Legislature enacted the Electric Supplier Stabilization Act (the "*Stabilization Act*") which was designed to promote harmony among and between investor-owned, municipal and cooperative utilities in Idaho (referred to in the Stabilization Act as "*electric suppliers*"), prohibit the "pirating" of consumers of another electric supplier, discourage duplication of electric facilities, actively supervise certain conduct of electric suppliers under the Stabilization Act, and stabilize the territories and consumers served with electricity by such electric suppliers.

In general, the Stabilization Act (a) prohibits an electric supplier from serving any customer that is or had been lawfully served by another electric supplier, (b) provides that a new customer will be served by the electric supplier with the nearest existing service line, unless there is no service line within one-quarter mile, in which case the customer may choose its electric supplier, (c) authorizes electric suppliers to enter into agreements with one another for the purpose of allocating territories, consumers, and future consumers between them and designating which territories and consumers are to be served by which contracting electric supplier, and (d) authorizes and directs the Idaho Public Utilities Commission to actively supervise and enforce the provisions of the Stabilization Act.

Pursuant to the Stabilization Act, Idaho Falls Power entered into a Service Allocation Agreement with Rocky Mountain Power in 2017. This agreement delineates the respective boundaries of the service territories of IFP and Rocky Mountain Power, and gives IFP the right to purchase Rocky Mountain Power facilities that serve customers that are located within the corporate boundaries of the City, including customers that are in areas that are annexed into the City. Asset buyouts are made under fixed price terms established in the Service Allocation Agreement. The Stabilization Act and the Service Allocation Agreement have the effect of precluding Rocky Mountain Power from serving customers located within IFP's established service area.

Idaho Falls Power is currently engaged in a large buyout of Rocky Mountain Power customers that are currently located within the municipal boundaries of the City. This multi-year engagement between the utilities will effectively clean up service boundaries and bring over 800 new customers onto the Idaho Falls Power system. This buyout is unusually large in scale and reflects larger City efforts to normalize City boundaries. Typical customer buyout costs range annually for Idaho Falls Power between $30,000 - $100,000 dollars.

TRANSMISSION AND DISTRIBUTION SYSTEM

The System includes approximately 38 miles of high voltage (161 and 44 kV) transmission facilities and over 400 miles of distribution facilities that operate at voltages ranging from 2.4 kV to 12.5 kV. The System receives purchased power at two transmission substations that interconnect with the transmission systems of PacifiCorp (Rocky Mountain Power), one of which is the Westside Substation. The Westside Substation houses certain 161 kV equipment that is owned by the Bonneville Power Administration ("*Bonneville*" or "*BPA*"). This equipment will be acquired as a part of the Project with the costs of the acquisition and additional upgrades to the Substation totaling approximately $3 million and being funded with a portion of the proceeds of the Bonds. The System currently includes 11 substations, with a twelfth substation, the Paine Substation, currently under construction.

The 161 kV Sugarmill-Paine Transmission Project (being funding with bond proceeds) will add another point where the System is interconnected to PacifiCorp. Interconnection points like this, though not another official delivery point as defined by their transmission service contracts, does provide additional bulk power delivery reliability improvements for the larger power system. The Paine Substation will provide much needed bulk power delivery into the currently growing northern part of the service area where customer demand continues to grow at a robust rate from both commercial and residential customers. The completion of the 161 kV Sugarmill-Paine Transmission Project will complete the 161 kV system of which the southern portion was built in the late 1980's. Other System facilities include a fiber optic connectivity and SCADA network for the operation and control.

Management of Idaho Falls Power reports that the transmission and distribution facilities of the System are in good operating condition and are being maintained in accordance with good utility practice. IFP has aggressive vegetation management practices in place, and doubled its vegetation removal practices in 2018 to transition to a four-year cycle of tree trimming and vegetation management to limit outage risks from vegetation interactions. There are also active raptor protection programs in place including pole retrofits.

Roughly half of Idaho Falls Power's distribution system is overhead lines and half is underground. Of the half that is underground, half of that was older direct-bury conductors that were not installed in conduits. There has been an extensive capital improvement project underway since 2019 to install conduits and replace electrical conductors in any areas where cable failures are starting to happen. This extensive project is on target to be completed by close of fiscal year 2024, and is being funded with existing System revenue and current capital system improvement funds.

ELECTRIC GENERATING FACILITIES

The System's electric generating facilities consist of two run-of-the-river hydroelectric projects on the Snake River – the Bulb Turbine Project (five generating units, including the "Old" Lower Plant) and the Gem State Project (one generating unit).

Bulb Turbine Project. The Bulb Turbine project replaced or augmented three hydroelectric generating plants that were constructed along the Snake River between 1912 and 1940, known as the Upper, City and Lower Plants. The plants at the original Upper and City sites were destroyed by the floodwaters that resulted from the collapse of the U.S. Bureau of Reclamation's Teton Dam in 1976. The original Lower Plant did not sustain as much damage from the Teton Dam flood and was retained, with the addition of a "bulb turbine" facility that was constructed adjacent to it at the time of the replacement of the Upper and City Plants.

Construction of the Upper and City Plants and the addition of the new Lower Plant began in 1978 and was completed in 1982. Known as the "Bulb Turbine Project," this was one of the first in the United States to use the European technology of placing the turbine-generator entirely within a horizontal water passage. The generator is enclosed in a water-tight seal or "bulb" and connected to a downstream runner by a horizontal shaft. The advantage of using this technology over the more common vertical-shaft turbines, is that it better utilizes the relatively low water height (known as the "*head*") in the stretch of the river around Idaho Falls.

The available head at each of the three sites is approximately 19 feet, which is low compared to most utility-scale hydroelectric projects. Each of the three plants channels up to 6,000 cubic feet per second of water through the turbines and has a nameplate generating capacity 8 MW (the "Old" Lower Plant

provides an additional 3 MW of generating capacity). The total production from the three plants sites averages approximately 145 million kilowatt-hours ("*kWh*") of electricity annually.

After its completion, the output of the Bulb Turbine was sold to Bonneville under a long-term net billing arrangement. In 2015, the net billing arrangement expired and the output of the Bulb Turbine Project was brought back to serve IFP customer loads. This dedication of Bulb Turbine Project output to System loads reduced IFP's dependence on purchased power from BPA, resulting in a decrease in its rate period net requirements. As a result, IFP has 16.16 MW of headroom in its Tier 1 rate purchase ability under its Block and Slice Agreement with Bonneville (described below). Future load growth during the current term of the Block and Slice Agreement will be placed on BPA for energy supply at Tier 1 rates, per the mechanisms outlined in the BPA Regional Dialogue contract with Idaho Falls Power.

Gem State Project. The generating capacity of the Gem State Project is nearly as large as the combined capacity of Bulb Turbine Project. It was constructed at an abandoned hydroelectric site about five miles south of the City. Construction began in 1985 and was completed in 1988. The powerhouse contains one vertical Kaplan turbine-generator with an installed capacity of 22.6 MW operating under a 43 foot head. Its 40 foot high, 3,600 foot long earth-fill dam impounds a reservoir of 5,000 acre-feet with a surface area of 305 acres. Gem Lake, as it's known, has become a popular area for fishing and boating for area residents. The plant produces an average of approximately 130 million kWh of electricity annually.

The City sells 39% of the output of the Gem State Project to PacifiCorp (successor to Utah Power & Light Company) under a cost-based power sales contract that was entered into in 1985. Under this power sales contract, PacifiCorp is entitled to take its annual share of the output of the Gem State Project in the months of May through August, and the City typically receives output from the Gem State Project from September through April. The power sales contract is subject to termination by IFP beginning in 2023.

BONNEVILLE POWER ADMINISTRATION; BLOCK AND SLICE AGREEMENT

Bonneville. The Bonneville Power Administration was established by the Bonneville Project Act of 1937, and is a federal power agency within the U.S. Department of Energy. Under the Pacific Northwest Electric Power Planning and Conservation Act (the "*Northwest Power Act*"), Bonneville is:

- required to offer to sell power to municipal, public or cooperative utilities located in the Pacific Northwest ("*Preference Customers*") to meet the utility's firm power load in excess of the utility's own firm resources;
- required to offer to exchange power with Pacific Northwest investor-owned utilities for residential and farming uses, to establish rates for such power that are the same as the rates paid by Preference Customers, and require such utilities to pass the cost-benefits through to these customers (the "*Residential Exchange Program*"); and
- directed to meet its obligations to provide electric power through conservation to the extent that conservation is cost effective and, to the extent that conservation measures are insufficient to meet such obligations, to acquire cost effective electric power from renewable and other resources.

Bonneville is required by law to meet certain energy requirements in the region and is authorized to acquire power resources and to take other actions to enable it to carry out these purposes. This includes the requirement for Bonneville to provide power to Preference Customers, such as Idaho Falls Power, so the utility can meet its total customer load and load growth, less its owned or purchased resources from non-federal generators. In doing so, Bonneville must give preference and priority to public body

and cooperative utilities before offering to serve non-preference entities. In acquiring additional power supplies, Bonneville is precluded from owning or constructing any electric generating facilities.

Bonneville is headquartered in Portland, Oregon and is one of four regional power marketing agencies within the U.S. Department of Energy. For its fiscal year ended September 30, 2020, Bonneville had total power sales operating revenues of $3.58 billion and total power sales operating expenses of $3.01 billion.

The Federal System. Bonneville markets power from 31 federal hydroelectric projects, one non-federally owned nuclear plant, and several small power plants in the Pacific Northwest, and from various contractual rights (the "*Federal System*"), with an expected aggregate output in its operating year 2022 (August 1, 2021 through July 31, 2022) of approximately 9,973 annual average MegaWatts under median water conditions and approximately 7,656 annual average MWs under low water conditions. Annual average MWs (or "*aMW*") are the number of MWhs of electric energy generated, transmitted or used over the course of a 365-day year, and one aMW is equal to 8,760 MWh.

These hydroelectric projects, built and operated by the United States Bureau of Reclamation and the United States Army Corps of Engineers, are located in the Columbia River basin. The region's sole nuclear facility is owned and operated by Energy Northwest, a joint operating agency organized under the laws of the State of Washington. The Federal System currently produces more than one-third of the region's electric energy supply. Bonneville's transmission system includes over 15,000 circuit miles of transmission lines, provides approximately three-fourths of the Pacific Northwest's high-voltage bulk transmission capacity, and serves as the main power grid for the Pacific Northwest. Bonneville sells electric power at wholesale rates to more than 125 utility, industrial and governmental customers in the Pacific Northwest. Its service area covers over 300,000 square miles and has a population of about 14 million.

Residential Exchange Program. The Northwest Power Act provides that a municipal or investor-owned utility may offer power to Bonneville, and Bonneville must purchase such power from the utility, at the utility's average system cost. In exchange, Bonneville sells an equivalent amount of power to the utility for purchase by its residential and small farm customers at Bonneville's established Priority Firm ("*PF*") Exchange Rate. This is referred to as the "Residential Exchange Program." The PF Exchange Rate is established periodically by Bonneville as part of its rate case and is the lower rate Bonneville is required to provide to its municipal and electric cooperative utility customers. Benefits are settled financially with no energy exchanged.

Over the years there have been numerous legal challenges with respect to the treatment of Residential Exchange Program costs in Bonneville's power rates. In 2011, the parties reached a settlement agreement, which provides an agreed basis and certainty for how the Residential Exchange Program is treated in Bonneville's power rates through 2028.

Tier 1 Rates. On October 1, 2011, Bonneville's customers began purchasing power from the agency under new 17-year power contracts with a tiered rate construct. Under this rate construct, a utility is eligible to purchase energy from Bonneville at a "Tier 1 Rate," up to a pre-defined amount (known as the "*High Water Mark*"). The Tier 1 Rate is cost-based and reflects the investment and operating costs of the resources in the Federal System as of October 1, 2011.

Bonneville has agreed by contract to review and set the Tier 1 Rate every two years. The ratemaking process incorporates inputs from a number of public processes, including (a) the Integrated Program Review, which establishes BPA's operating budgets and costs, (b) the Capital Investment Review, which establishes BPA's long-range capital plan, and (c) the Rate Period High Water Mark process, through

which the resources of the Federal System and total Preference Customer loads are determined for the purpose of allocating costs under the tiered rates construct. At the conclusion of the ratemaking process, Bonneville submits its rates to FERC for approval. This review is to confirm Bonneville's rates are sufficient to recover the agency's costs.

Under its Block and Slice Agreement with Bonneville (described below), Idaho Falls Power's High Water Mark for the maximum amount of power it can purchase at the cost-based Tier 1 Rate is sufficient to cover all of its power purchases from BPA.

Block and Slice Power Purchase Agreement. Idaho Falls Power has executed a long-term agreement with Bonneville (the "*Block and Slice Agreement*"), providing for the purchase and sale of the "Block" and "Slice" energy products for the period from October 1, 2011 through September 30, 2028. The Block product provides a set amount of energy delivered in flat monthly blocks; the Slice product represents a "slice" or percentage of the actual output of the Federal System.

The Block product provides Idaho Falls Power with power in flat monthly amounts that are determined based on Idaho Falls Power's historical average monthly loads. For the year ended September 30, 2020, Idaho Falls Power received 207,242 MWh from the Block product, as shown in the table below.

The Slice product provides Idaho Falls Power with variable amounts of power that reflect the actual output of Bonneville's resource portfolio. It provides Idaho Falls Power with the ability to follow its customer loads by storing and dispatching energy within the contractual constraints and physical limits of the Federal System. Under the Slice product, Idaho Falls Power takes responsibility for managing its portion of Bonneville's resources, and assumes the inherent risks. The majority of Idaho Falls Power's short-term wholesale market sales are from surplus Slice energy, which varies with the seasonal and daily variations in the Slice product's output. If the regional snowpack and water conditions that feed the Federal System are above average, the energy output from the Slice product will be above average. If snowpack and water conditions are below average, then the output from the Slice product will be reduced. The output of the Federal System varies annually with changes in hydrological conditions. Regional weather patterns create the snowpack and precipitation levels that feed the Columbia River System and the resulting hydroelectric generation of the Federal System.

As a purchaser of the Block and Slice products, Idaho Falls Power has an obligation to pay its pro rata share of Bonneville's actual operating costs for the sum of its Block percentage and its Slice percentage. Idaho Falls Power's Block percentage is 0.34754% and its Slice percentage is 0.54893%, for a total cost allocation of 0.89647%. IFP's combined Block and Slice percentages are equivalent to 551,643 MWh or 62.973 aMW, under critical water conditions.

The following table shows the amounts of energy purchased by the City from BPA under the Block and Slice in each operating year:

YEAR ENDING SEPTEMBER 30	BLOCK ENERGY (MWh)	SLICE ENERGY (MWh)	TOTAL ENERGY (MWh)[1]
2012	343,339	452,294	897,726
2013	355,118	426,434	876,746
2014	345,026	432,914	914,160
2015	362,990	401,518	904,552
2016	348,072	404,176	868,102
2017	251,053	465,197	997,267
2018	231,297	458,646	960,823
2019	238,843	381,733	880,763
2020	207,242	414,271	899,565

1. Total Energy includes energy that was surplus to System requirements.

After the end of each fiscal year, Bonneville "trues up" the difference between its actual costs and its rate forecast for the year through the Slice True-Up Adjustment charge or credit. Idaho Falls Power's share of the Bonneville's fiscal year 2020 Slice True-Up Adjustment was a credit of approximately $470,000. IFP has received a Slice True-Up Adjustment credit in each year since 2011 under the current Block and Slice Agreement.

The Slice portion of the Block and Slice Agreement includes a separate Creditworthiness Agreement to secure Idaho Falls Power's payment obligations. Under the provisions of the Creditworthiness Agreement, Idaho Falls Power would be required to provide credit support though a letter of credit if Idaho Falls Power's long-term credit rating were to drop below investment grade or if Bonneville were to determine that Idaho Falls Power was not creditworthy. The maximum amount of credit support or collateral is based on a factor of 0.12 multiplied by Idaho Falls Power's total annual cost for Slice, or approximately $2.5 million. To date, Idaho Falls Power has not been required to provide collateral for this purpose.

The payment obligations of Idaho Falls Power under the Block and Slice Agreement are payable solely from the income and revenues of Idaho Falls Power and as an operating expense of the System.

Transmission. Idaho Falls Power purchased bundled transmission and power supply services from Bonneville until the 1990s when FERC rulemakings prompted Bonneville to unbundle its transmission services from its power supply services. Idaho Falls Power now receives network transmission services from Bonneville under a long-term contract with indefinite renewal rights for preference power purchased from Bonneville. The transmission capacity available under this contract is based upon the actual amount of BPA energy delivered to IFP. Transmission costs make up approximately 12% of Idaho Falls Power's total costs of power supply and transmission services from BPA. Bonneville typically files two-year rate cases for its transmission service costs.

Idaho Falls Power also receives network transmission service from PacifiCorp under a long-term transmission service agreement held by the Utah Associated Municipal Power Systems ("*UAMPS*") for IFP's energy delivery needs beyond what is provided under its transmission service agreement with Bonneville.

HORSE BUTTE WIND PROJECT

Idaho Falls Power has entered into a Power Sales Contract (the "*HBW Power Sales Contract*") with UAMPS for the purchase of electricity from the Horse Butte Wind Project, a 57.6 MW nameplate capacity wind farm comprised of 32 Vestas V-100 (1.8 MW) wind turbines and related facilities located in Bonneville County, Idaho, approximately 15 miles east of the City. Commercial operation of the Facility commenced on August 15, 2012.

Under the HBW Power Sales Contract, IFP has agreed to purchase, on a take-or-pay basis, 5.26% of the generating capacity and output of the Horse Butte Wind Project and to pay the same percentage of all of UAMPS's ownership and operating costs, including debt service on the bonds issued by UAMPS to finance the costs of acquisition and construction of the Project. The term of the HBW Power Sales Contract extends for the useful life of the Horse Butte Wind Project and may not be terminated so long as any of UAMPS' bonds remain outstanding. Idaho Falls Power's payment obligations under the HBW Power Sales Contract are payable solely from the revenues and income of the System and as an operating expense of the System.

UAMPS. The City is a member of UAMPS, a political subdivision of the State of Utah that provides wholesale electric services to over 50 public utility systems in eight Western states. The City joined UAMPS in order to achieve economies of scale in purchasing power supplies, transmission access to power markets outside of the Pacific Northwest and the use of UAMPS' power scheduling and dispatching office which operates 24 hours a day on a real-time basis. The UAMPS power scheduling and dispatch desk works with the Idaho Falls Power dispatch desk on an hourly basis to manage the BPA Slice product and transact as required in the hourly wholesale power markets to balance customer energy demand and supply resources.

FIVE-YEAR POWER SUPPLY AND SALES HISTORY

The following table shows the power supply resources and power sales of Idaho Falls Power for the last five years of operations:

POWER SUPPLY AND SALES (MWH)

Year Ended September 30

POWER SUPPLY RESOURCE	2016	2017	2018	2019	2020
System Generation					
Upper Plant	44,628	45,797	56,221	50,597	49,946
City Plant	42,425	46,149	49,788	46,722	48,028
Lower Plant	41,738	48,597	58,216	51,380	49,266
Gem State	118,432	131,734	157,674	130,683	126,444
TOTAL SYSTEM GENERATION	247,223	272,277	321,899	279,382	273,684
Purchased Power					
BPA/Block and Slice	752,248	716,250	689,943	615,333	621,513
Horse Butte Wind	50,741	74,308	24,854	43,557	39,812
Other	54,704	15,668	40,099	25,259	38,654
TOTAL PURCHASED POWER	857,693	806,226	754,896	684,149	699,979
TOTAL POWER SUPPLY	1,104,916	1,078,503	1,076,795	963,531	973,663
POWER SALES					
Retail	693,978	688,998	682,566	692,339	708,705
Wholesale	337,766	311,776	294,865	167,492	186,132
TOTAL POWER SALES[1]	1,031,744	1,000,774	977,431	859,831	894,836

Source: Idaho Falls Power.

1. Difference between Total Power Supply and Total Power Sales is attributable to transmission losses and other factors.

System peak demand for the year ended September 30, 2020 was 140.2 MW. The historic peak demand of 154 MW occurred in December 1998.

For the year ended September 30, 2020, carbon-free generation (hydroelectric, nuclear, wind and solar) accounted for 96% of the electricity delivered to the customers of Idaho Falls Power. The other four percent of electricity that is not counted as carbon-free represents wholesale market purchases which do not have a designated carbon profile.

Off-System Sales and Purchases. Idaho Falls Power markets surplus energy in excess of the requirements of its customers into the wholesale market. The timing and volume of these transactions are based upon hydrological conditions at the time and during the operating season due to the large amount of hydroelectric generation from IFP's owned resources and the Block and Slice Agreement. In a typical operating year with average stream flows Idaho Falls Power sells approximately 250,000 MW of surplus generation into the wholesale market with the proceeds from these transactions being used to offset other power supply costs and lower customer net retail rates. The proceeds from these sales varies from period to period based upon surplus energy availability and market prices. Some surplus energy is sold ahead in the forward energy markets, typically hedged with any necessary peak energy purchases to manage price risk exposure.

The general volumes and transaction types are dictated by IFP's Risk Management Policy (described above). This policy helps manage utility wholesale market price exposure while also allowing some ability for Idaho Falls Power to take advantage of market opportunities with its surplus energy.

IFP's owned and purchased power supply resources do not provide sufficient electricity to meet the peak demands on the System. IFP enters into short-term power purchase transactions in the wholesale market to meet its peak demands.

Resource Planning and Future Power Supply. Idaho Falls Power does extensive resource planning on an annual basis which is presented to the Power Board. This planning function looks twenty years into the future with load forecasts based upon best available predictive analytics of growth and consumer demand changes. On an at least monthly basis the portfolio model and resource plan is updated with the most recent basin hydrology reports to effectively model and predict hydro generation supply and shape. This information is analyzed and, following risk management guidelines and hedging strategies, IFP enters into power purchase and sales contracts to balance monthly and seasonal supply surplus and deficits.

In addition to interactions with the wholesale power markets for seasonal shaping long range planning processes analyze the longer term resource needs that are best suited for resource development. Peaking resource needs are being analyzed as what is the lowest cost, reliable and stable options to best meet customer needs. These options range from battery technology, demand response program development, simple cycle natural gas peaking to clean synthetic fuels peaking plants. Some of these options are technology maturity and price dependent but system resource planner consistently follow and analyze best available technology, price and maturity.

Through its membership in UAMPS' resource project committee, IFP participates in analyzing and developing numerous power supply facilities with other UAMPS members. The resource committee led to the development, participation and creation of the Horse Butte Wind project. The resource committee is analyzing solar, wind, battery systems, advanced nuclear, clean fuel plant conversions and other emerging power generation projects that can meet IFP's resource needs. This access to project-based resource development coupled with long-range resource planning enables Idaho Falls Power to incrementally add the right resources at the proper times to meet its goals of affordable and reliable power supply.

Idaho Fall Power is a participant in a small modular nuclear reactor project, the Carbon Free Power Project, currently being developed by UAMPS. This project is a longer lead time development resource intended to meet growing demand and needs further out for additional baseload generation. This project is proposed to be sited at INL and is in the early stages of development. No assurance can be given that the project will proceed to construction. If the project proceeds and IFP elects to continue its participation in the project, it will have the right to purchase up to 5 MW of project output under a take-or-pay power sales contract. This project is not expected to commence commercial operation before 2029.

ENERGY SALES AND CUSTOMERS

The following table shows the number of customers, electric sales and electric sales revenues of Idaho Falls Power for the last five years of operations:

CUSTOMERS AND SALES

Year Ended September 30

	2016	2017	2018	2019[1]	2020
NUMBER OF CUSTOMERS					
Residential	23,261	23,640	23,888	24,425	24,883
Commercial	4,192	4,151	4,240	4,236	4,287
Industrial	7	7	7	4	4
High Density Load	-	-	-	3	4
TOTAL CUSTOMERS	27,460	27,798	28,135	28,668	29,178
ELECTRIC SALES (MWH)					
Residential	279,311	287,139	282,150	290,426	302,276
Commercial	312,557	307,906	327,002	333,291	342,405
Industrial	91,572	94,173	73,070	68,616	65,214
High Density Load	-	-	-	1,619	5,583
TOTAL SALES (MWH)	683,440	689,218	682,222	693,952	715,478
ELECTRIC SALES REVENUES					
Residential	$19,128,632	$21,078,900	$22,227,660	$22,841,879	$23,400,474
Commercial	16,598,473	18,750,286	21,124,660	22,731,171	22,958,293
Industrial	3,888,144	4,423,840	3,733,954	3,471,500	3,372,564
High Density Load	-	-	-	85,673	291,687
TOTAL SALES ($)	$39,615,249	$44,253,026	$47,086,274	$49,130,223	$50,023,018

Source: Idaho Falls Power.

1. Adjustments to rate classifications in 2019 resulted in three industrial customers moving to the commercial rate class.

Idaho Falls Power in 2018 created a separate rate class to adequately deal with the risks that high density load customers, predominantly crypto currency miners, could place on their electric system and other electric customer rate classes. The creation of a separate rate class ensures proper rate treatment so there are not cross rate class or customer type subsides or risk shifts. High density load customers that are larger than 1 MW are covered by the New Large Single Load rate which is essentially a negotiated rate as determined and approved by the City Council. This offers an additional layer of protection for existing customers and traditional rate classes from undue risks. Idaho Falls Power's electric rates are some of the lowest in the United States which without these protections could result in undue upward rate pressure or risks.

Largest Customers. The following table shows the ten largest customers by kWh sales, of Idaho Falls Power for the year ended September 30, 2020.

CUSTOMER	BUSINESS	KWH SALES	% OF REVENUES
Busch Agricultural Resources[1]	Grain Milling	62,258,606	6.4%
Battelle Energy Alliance[2]	INL Contractor	47,791,970	6.2
City of Idaho Falls (Water)	Utility	14,791,679	1.9
Eastern Idaho Regional Medical Center	Health Care	8,089,607	0.9
City of Idaho Falls (Wastewater)	Utility	7,150,067	0.9
Mountain View Hospital	Health Care	6,996,644	0.8
Wal-Mart	Retail Sales	3,637,560	0.4
Winco Foods	Grocery Sales	3,343,738	0.4
Sam's Club	Retail Sales	3,064,720	0.4
Bonneville County	Government	2,955,681	0.3
TOTAL		160,080,272	18.6%

Source: Idaho Falls Power.

1. Busch receives electric service at two locations; kWh sales shown are total sales to both locations.

2. Battelle receives electric service at multiple locations; kWh sales shown are total sales to all locations.

IFP's annual uncollectable amounts average under three percent. IFP did not experience an increase in delinquent accounts in fiscal 2020 resulting from the COVID-19 pandemic.

RATE STRUCTURE AND RATES

The System operates on an entirely self-supporting basis, and the revenues from the rates shown below and other System revenues pay all costs of the System, including purchased power expenses (which account for approximately 70% of budgeted operating expenses), operation and maintenance costs, debt service expense and capital improvement costs, and also provide funding for the Rate Stabilization Fund discussed below. System rates are reviewed annually by management of IFP and the City Council. IFP conducts annual cost of service studies to ensure that its rates for each customer class reflect accurately its actual cost of serving the customers in each class.

The electric rates presently charged by IFP are among the lowest of any utility in the United States. IFP has established itself as a provider of reliable electric service at low and stable rates. By so doing, it promotes economic development in the City and the public welfare. Its goal in contracting for new power supplies is to maintain and, if possible, improve its position as a leader in providing low-cost and reliable electric service.

The rates and charges for electric service provided by Idaho Falls Power are established and approved by the Mayor and City Council. The rates and charges are not subject to review or approval by any State of Idaho or federal regulatory body or commission.

The following table shows IFP's current rates and charges by customer class:

CUSTOMER CLASS

RATE/CHARGE	Residential	Commercial	Industrial	High-Density Load*
Base Energy Charge/kWh	6.25¢	3.90¢	3.90¢	3.90¢
Demand Charge/kW	n/a	$9.00	$7.00	$9.00
Service Charge/month	$18.00	n/a	n/a	n/a
Power Cost Adjustment/kWh	($0.002)	($0.002)	($0.002)	n/a

** High density loads over 1 MW receive a negotiated rate.*

Source: Idaho Falls Power.

The following table shows the changes in IFP's base energy charges per kWh over the last ten years.

BASE ENERGY CHARGE/CUSTOMER CLASS

EFFECTIVE DATE	Residential	Commercial	Industrial
October 1, 2009	5.65¢	4.25¢	3.40¢
October 1, 2011	5.95¢	4.00¢	3.40¢
October 1, 2013	6.25¢	4.25¢	3.50¢
October 1, 2015	5.35¢	3.08¢	2.98¢
October 1, 2016	5.78¢	3.50¢	3.40¢
October 1, 2017	6.25¢	3.90¢	3.90¢

Effective October 1, 2017, (i) base energy charges for residential customers increased by 7.52%, (ii) base energy charges for commercial customers increased by 10.25%, and (ii) base energy charges for industrial customers increased 12.82%. Demand charges for commercial customers were increase from $8.00 to $9.00 in 2018. There has not been any rate increase for any rate classes since 2018. All customers began receiving a ($0.002/kWh) Power Cost Adjustment (PCA) credit on their utility bill each year starting in 2017. The former rate classes for small and large industrial customers were consolidated into a single Industrial rate category in 2017.

Comparative Electric Bills. The following table shows a comparison of the IFP's monthly electric bills for selected residential (1000 kWh) and commercial (15 kW, 4000 kWh) loads to the bills of other utilities in Idaho. This table is based on publicly-available rate tariffs and schedules.

UTILITY	RESIDENTIAL	COMMERCIAL
IDAHO FALLS POWER	$ 78.50	$283.00
INVESTOR-OWNED UTILITIES		
Rocky Mountain Power	133.13	438.88
Idaho Power Company	89.87	331.57
COOPERATIVE UTILITY		
Fall River Electric Coop	110.52	311.21

SELECTED FINANCIAL INFORMATION

The following tables provide summary financial information for the Electric Fund for the last three fiscal years ended September 30.

SUMMARY STATEMENT OF NET POSITION

	2016	2017	2018	2019	2020
Assets					
Current assets:					
Cash and cash equivalents	$2,557,410	$3,058,534	$7,607,507	$6,348,289	$2,469,285
Investments	38,984,797	40,689,849	37,736,357	45,671,115	52,403,867
Receivables (net of uncollectibles)	4,718,643	4,228,837	4,922,428	4,431,037	4,181,362
Due from other funds	-	-	-	-	3,002,943
Inventory	3,109,419	3,051,337	3,357,515	4,274,687	4,470,125
Total current assets	49,370,269	51,028,557	53,623,807	60,725,128	66,527,582
Capital assets:					
Land and buildings	8,766,037	8,896,274	8,907,521	8,925,359	9,254,455
Improvements	203,617,626	212,203,166	214,241,770	226,344,942	223,270,889
Machinery & equipment	10,718,806	10,288,991	11,054,856	11,636,146	12,007,726
Construction work in progress	5,085,640	2,714,511	7,303,189	6,538,657	9,374,363
Less: accumulated depreciation	(130,484,990)	(136,625,059)	(143,018,564)	(149,623,386)	(151,998,277)
Total capital assets, net	97,703,119	97,477,883	98,488,772	103,821,718	101,909,156
Total Assets	147,073,388	148,506,440	152,112,579	164,546,846	168,436,738
Deferred outflow of resources	2,290,717	818,057	745,928	607,970	1,146,615
Total assets and deferred outflows	$149,364,105	$149,324,497	$152,858,507	$165,154,816	$169,583,353
Liabilities					
Current liabilities:					
Accounts payable	$2,747,229	$2,860,233	$1,990,394	$4,184,446	$2,163,210
Accrued wages and compensated absences	1,037,492	989,930	1,025,777	1,127,634	1,057,625
Due to (from) other funds	-	-	(1,920,859)	-	-
Total current liabilities	3,784,721	3,850,163	1,095,312	5,312,080	3,220,835

Source: Summarized from the City's Comprehensive Annual Financial Reports for the fiscal years shown.

SUMMARY STATEMENT OF NET POSITION - continued

	2016	2017	2018	2019	2020
Noncurrent liabilities:					
OPEB and compensated absences	383,554	257,336	370,347	510,647	507,192
Net pension liability	3,931,018	3,187,288	2,887,573	2,286,159	4,451,877
Total noncurrent liabilities	4,314,572	3,444,624	3,257,920	2,796,806	4,959,069
Total liabilities	8,099,293	7,294,787	4,353,232	8,108,886	8,179,904
Deferred inflow of resources—pensions	1,364,432	510,427	600,758	1,092,109	246,305
Net Position:					
Net investment in capital assets	97,703,119	97,477,883	98,488,772	103,821,718	101,909,156
Unrestricted	42,197,261	44,041,400	49,415,745	52,132,103	59,247,988
Total Net Position	139,900,380	141,519,283	147,904,517	155,953,821	161,157,144
Total Liabilities Deferred Inflows and Net Position	$149,364,105	$149,324,497	$152,858,507	$165,154,816	$169,583,353

Source: Summarized from the City's Comprehensive Annual Financial Reports for the fiscal years shown.

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Fiscal Years ended September 30

	2016	2017	2018	2019	2020
Operating revenues	$48,357,308	$51,296,056	$55,717,694	$56,679,992	$57,411,155
Operating expenses					
Operations and maintenance	43,743,308	42,728,135	42,245,594	42,228,914	39,558,028
Depreciation	6,329,590	6,389,354	6,483,295	6,873,947	6,384,587
Total operating expenses	50,072,898	49,117,489	48,728,889	49,102,861	45,942,615
Operating income	(1,715,590)	2,178,567	6,988,805	7,577,131	11,468,540
Nonoperating revenues	1,657,247	2,206,931	2,884,499	2,499,683	1,092,599
Net income before contributions and transfers	(58,343)	4,385,498	9,873,304	10,076,814	12,561,139
Capital contributions	549,177	707,786	516,997	1,659,433	3,039,512
Transfers in (out)	(4,099,210)	(3,474,381)	(4,005,067)	(3,686,943)	(5,085,575)
Change in net position	(3,608,376)	1,618,903	6,385,234	8,049,304	10,515,076
Net position, beginning of year	143,508,756	139,900,380	141,519,283	147,904,517	150,642,068
Adjustment	-	-	-	(5,311,753)	-
Net position, end of year	$139,900,380	$141,519,283	$147,904,517	$150,642,068	$161,157,144

Source: Summarized from the City's Comprehensive Annual Financial Reports for the fiscal years shown.

ENERGY EFFICIENCY PROGRAMS

For more than 35 years, Idaho Falls Power has sponsored efficiency programs for its customers. IFP estimates that these programs have resulted in annual energy savings of over 1,000,000 kWh (1,000 MWh). Currently, IFP is working with a number of its commercial customers to participate in a BPA-sponsored program that provides rebates for the cost of modern energy efficient lighting. IFP has recently identified new energy efficiency programs that are currently under investigation and have the potential to increase annual energy savings to 5,000,000 kWh. IFP intends to continue to implement additional efficiency programs that are cost effective in order to reduce the supplemental power supply resources that are needed to meet increases in System loads. Conservation and efficiency programs benefit IFP by reducing the overall energy requirements of the System as well as the peak demand on the System (which occurred in 1996).). IFP in a typical year commits over 2% of customer revenue to energy efficiency measures, rebates and programs. The utility is a regional leader in energy efficiency with staff holding leadership roles on regional technical advisory boards that develop and analyze future Pacific Northwest regional efficiency programs.

FUTURE CAPITAL EXPENDITURES

The following table shows IFP's projected capital improvement expenditures on the System and is based on the fiscal 2021 capital expenditure budget and the later years based on IFP's 2022-2032 Capital Improvement Plan:

Capital Improvement Plan / Capital Budget

CATEGORY	2021	2022	2023	2024	2025	2026
Distribution[1]	$12,799,500	$9,480,000	$4,550,000	$2,150,000	$1,900,000	$3,225,000
Transmission	23,606,100	3,468,600	763,600	1,268,600	1,518,600	2,918,600
Generation						
Gem State	452,200	210,500	248,200	797,000	271,500	66,000
Bulb Turbines	432,800	2,108,600	2,073,700	725,600	569,600	331,600
Fiber Optic Network	4,124,609	4,437,500	4,417,500	2,122,500	1,207,500	0
Customer accounts	465,000	521,200	591,200	471,200	321,200	321,200
Admin & General	471,800	200,000	50,000	1,000,000	0	0
Operations Technology	385,000	225,000	1,067,000	160,000	352,000	48,000
Subtotal	42,737,009	20,651,400	13,761,200	8,694,900	6,140,400	6,910,400
Less Cash Contributions[2]	(26,634,030)	(5,302,613)	(3,374,339)	(3,923,268)	(4,271,781)	(4,469,094)
TOTAL (NET)	$16,102,979	$15,348,787	$10,386,861	$4,771,632	$1,868,619	$2,441,306

Source: Idaho Falls Power.

1. Distribution capital expenditures for fiscal 2021 includes $6 million for the pending large buyout of approximately 800 customers from Rocky Mountain Power.

2. Cash contributions include $20.5 million Bond proceeds for Project costs in fiscal 2021 and 2022; $7.8 million of payments from Rocky Mountain Power for its share of the costs of the Sugarmill-Paine 161 kV Transmission Project in fiscal 2021; and cash contributions from Idaho Falls Fiber in all fiscal years.

The total net capital expenditures shown above are expected to be funded with accumulated amounts on deposit in the Capital Improvement Fund (current balance of approximately $18 million) and available System revenues. The City does not expect to issue bonds or incur additional obligations to finance the projected capital expenditures of IFP.

RATE STABILIZATION FUND

Recognizing the challenges that Idaho Falls Power would be facing as a result of changes in the electric industry, in December 1997 the City Council created a Rate Stabilization Fund within the City's electric enterprise fund. The Council found that the creation and operation of the Rate Stabilization Fund would better enable IFP to continue to provide safe, reliable and low-cost electric service to the consumers served by the System. The Rate Stabilization Fund is governed by policy which states how monies flow between this dedicated fund and the rates to bring stability to customer rates that may arise from annual volatility in hydro generation amounts and wholesale energy price risks.

Excess revenues generated due to favorable market and/or hydrological conditions that produce additional

surplus generation that can be monetized in the markets are accounted for in the Rate Stabilization Fund. The Fund's target balance is $20 million, which was and is determined to be adequate for the size and risk profile of the energy portfolio, based upon current practices and market exposure. Approximately 75% of fund balances in excess of $20 million target at the end of the fiscal year are returned to the customers through a rate credit in the Power Cost Adjustment rate on customers' bills the following year. 25% is then moved into IFP's Capital Improvement Fund for system improvements. In any year in which power supply costs are higher than projected (for example, due to poor hydro conditions or unfavorable market conditions) and there is not additional power supply revenue to offset increased costs, amounts will be drawn from the Rate Stabilization Fund to cover current expenses. This "shock absorber" mechanism provides for stable rates while still allowing IFP to most effectively monetize the benefits of the hydro system. This separate fund also protects the other funds, like operating and capital funds from being at risk. Since the inception of the Power Cost Adjustment rate provision in 2018, there has been a credit to IFP's customers in each year. This credit has returned over $6 million to the customers from 2018-2021.

In the event that that fund is drawn below $16 million due to extremely poor net wholesale power supply expenses, the Power Cost Adjustment Rate, per policy, would be a charge to customers on their bills to replenish the stabilization fund balances back to target. The Rate Stabilization Fund was funded initially with existing reserves in the City's electric enterprise fund and reserves released upon bond retirements.

CERTAIN RISKS RELATED TO IDAHO FALLS POWER

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The electric utility industry in general has been, or in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. Such factors include, among others:

- effects of compliance with changing environmental, safety, licensing, regulatory and legislative requirements,
- changes resulting from conservation and demand-side management programs on the timing and use of electric energy,
- changes resulting from any national energy policy,
- effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity,
- Federal laws and regulations and congressional inaction, including the repeal of certain federal statutes that would have the effect of increasing the competitiveness of many investor owned utilities,
- increased competition from independent power producers and marketers, brokers and federal power marketing agencies,
- issues integrating solar and wind generation,
- the physical security of electric generation, transmission and distribution infrastructure and the security of system control and information systems against cyber-attacks and other security breaches,

- "self-generation" or "distributed generation" (such as microturbines and fuel cells) by industrial and commercial customers and others,
- increased operating and maintenance costs,
- changes from projected future load requirements,
- increases in costs and uncertain availability of capital,
- shifts in the availability and relative costs of different fuels and energy sources,
- increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in California and the Pacific Northwest,
- inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity,
- other legislative changes, voter initiatives, referenda and statewide propositions,
- effects of the changes in the economy,
- effects of possible manipulation of the electric markets,
- natural disasters or other physical calamities, including, but not limited to, earthquakes, tsunamis, mudslides, wind storms, floods and droughts,
- man-made physical and operational disasters, including, but not limited to, terrorism, cyber-attacks and collateral damage from untargeted computer viruses,
- operational issues relating to dams along the Columbia and Snake Rivers,
- changes to the climate, and
- epidemics and pandemics such as COVID-19.

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including Idaho Falls Power, and likely will affect individual utilities in different ways.

Idaho Falls Power is unable to predict what impact such factors will have on its business operations and financial condition. This Official Statement includes a brief descriptions of certain of these factors. These descriptions do not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof.

CYBERSECURITY

Idaho Falls Power uses computer systems and information technology to conduct its operations. IFP is subject to cyber threats, including but not limited to hacking, viruses, malware, ransomware and other attacks on computers and other sensitive digital networks and systems. IFP employs a cybersecurity program that consists of policies, procedures, and technical controls, including firewalls, anti-virus software, anti-spam/malware software, intrusion protection and domain name system filtering software. IFP also contracts with third party vendors to monitor and augment internal monitoring of its computer systems.

Although Idaho Falls Power has a variety of security measures and safeguards in place as described above, no assurances can be given that any existing or additional safety and security measures will prove adequate in the event that cyberattacks, military conflicts or terrorist activities, including cyber terrorism, are directed against IFP's systems technology or the assets of the System. Cyberattacks are becoming more sophisticated and certain cyber incidents, such as surveillance, may remain undetected

for an extended period. United States government agencies have in the past issued warnings indicating that critical infrastructure sectors such as the electric grid may be specific targets of cybersecurity threats. Attacks directed at critical electric sector operations could damage generation, transmission or distribution assets that are essential to IFP's ability to serve its electric customers, cause operational malfunctions and outages affecting the System, and result in costly recovery and remediation efforts. The costs of security measures or of remedying damage from security breaches could be greater than presently anticipated.

CLIMATE CHANGE

There is scientific consensus that increasing concentrations of greenhouse gases have caused and will continue to cause a rise in temperatures around the world. The change in the earth's average atmospheric temperature, generally referred to as "climate change," is, among other things, expected to result in a wide range of changes in climate patterns, including changes in annual and seasonal temperature and precipitation patterns, increases in the frequency and severity of extreme weather events and more frequent incidences of wildfires and floods.

Legislation and Regulation. Federal, regional, state, and international initiatives have been proposed or adopted to address global climate change by controlling or monitoring greenhouse gas emissions, by encouraging renewable energy development, and by implementing other measures. Idaho Falls Power cannot predict whether or when new laws and regulations or proposed initiatives would take effect in a manner that would affect IFP, and, if so, how they would impact IFP's operations and finances.

During the Obama administration, the EPA established a rule known as the "Clean Power Plan" (CPP) to regulate carbon emissions of power plants under Section 11l(d) of the Clean Air Act (CAA). Subsequently, under the Trump Administration, the EPA repealed this rule and replaced it with the "Affordable Clean Energy" or "ACE" rule. The ACE rule was challenged in the United States Court of Appeals for the District of Columbia Circuit, and that court vacated the rule on January 19, 2021. The Court did not reinstate the Clean Power Plan, but remanded the matter to the U.S. Environmental Protection Agency for further proceedings consistent with the Court's opinion. The EPA then issued a two-paragraph memorandum stating, "EPA understands the decision as leaving neither of those rules, and thus no CAA section 111(d) regulation, in place with respect to greenhouse gas (GHG) emissions from electric generating units (EGUs). As a practical matter, the reinstatement of the CPP would not make sense. The deadline for states to submit State Plans under the CPP has already passed and, in any event, ongoing changes in electricity generation mean that the emission reduction goals that the CPP set for 2030 have already been achieved." At this time it is uncertain what action the EPA will take next.

Effects on IFP. Idaho Falls Power believes that direct effects of initiatives to reduce carbon emissions on IFP will be limited because substantially all of its owned and purchased power supply resources, particularly power purchased from Bonneville under the Block and Slice Agreement, are not carbon-emitting resources. While there may be initiatives for the early retirement of generating resources with high carbon emissions, particularly coal-fired generation, it is unlikely that the power supply resources utilized by IFP will be subject to early retirement as a result of climate change policy.

The physical effects of climate change could have various impacts on Idaho Falls Power. The amount of power available to IFP from BPA is dependent on the generation capability of the Federal System, which relies on precipitation and snow pack in the Columbia River Basin. The impacts of climate change on regional precipitation could affect the amount, timing, and availability of hydroelectric generation from the Federal System, as well as the operations of the Federal System. Many areas in the western United

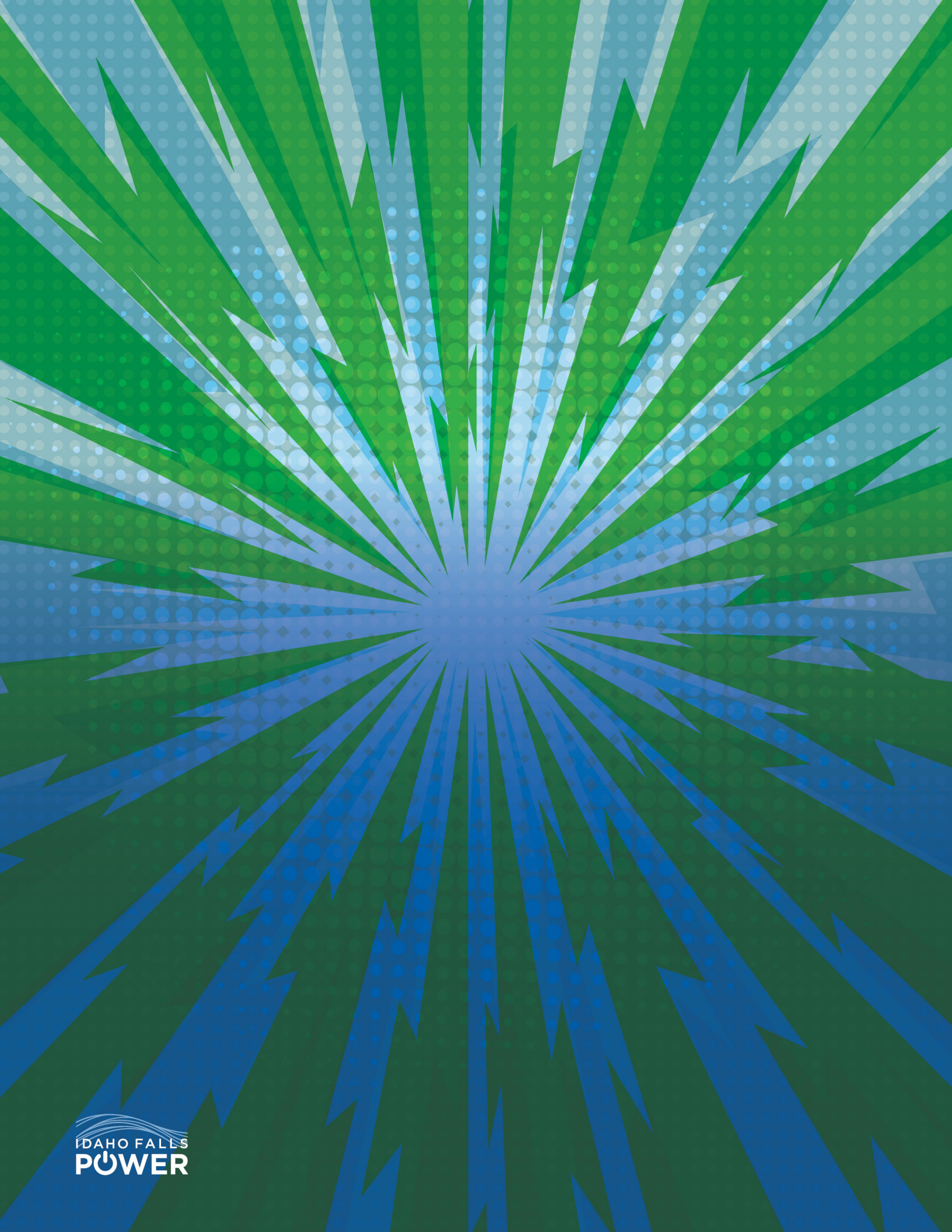
States have experienced severe to extreme drought conditions for the last several years, and drought conditions have been a cause or contributing factors in large and devastating wildfires in the region. Wildfires have damaged, destroyed or affected the operations of various transmission facilities that are essential for the stable operations of the regional power grid. In addition, climate change could affect load patterns on IFP's System if, for example, space heating and -cooling demands change and if heat waves become more frequent and severe.

Idaho Falls Power cannot predict the timing, extent, or severity of climate change or its effect on IFP's operations and finances, and there can be no assurances such effects will not be material and adverse.

WILDLAND FIRE RISKS

Fire protection for IFP's generation, transmission and distribution facilities is provided by the Idaho Falls Fire Department ("*IFFD*"), which has the largest full-time combined fire/EMS departments in Idaho. IFFD firefighters respond to calls within the City and the Bonneville County Fire Protection District 1, and serve a population of approximately 117,000 residents in an area of approximately 1,900 square miles. IFFD has four fire stations in the City, as well as an additional fire station just outside City limits. The Insurance Services Office (ISO), which issues fire insurance ratings on a 1 to 10 scale (with 1 being the best possible rating) that indicate how well-protected a community is by its fire department, has assigned IFFD a rating of "2." Less than 2.5% of the more than 48,000 fire departments nationwide have an ISO fire insurance rating of 2.

The service territory of Idaho Falls Power is primarily within the municipal city limits and is surrounded by farm land which largely eliminates wildfire risk to IFP's facilities. IFFD provides wildland firefighting teams that respond to numerous wildfires across the western United States, and is available to fight any wildland fires that may threaten IFP's facilities.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