



April 13, 2015

Honorable Governor C.L. "Butch" Otter  
Idaho State Capitol  
Boise, ID 83720-0034

Subject: **2014 Annual Report of the Idaho Energy Resources Authority**

Gentlemen:

Idaho Code requires that the Idaho Energy Resources Authority annually report to the Governor and the Legislature the Authority's operations and accomplishments and provide an accounting of its receipts and expenditures, assets and liabilities and schedule of bonds outstanding. Attached is the 2014 Annual Report.

Thank you for the opportunity to serve the people of the state of Idaho through the Idaho Energy Resources Authority.

Sincerely,

A handwritten signature in black ink that reads "E. Robert Mooney". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

E. Robert Mooney, Chairman

A handwritten signature in blue ink that reads "Ron Williams". The signature is cursive and somewhat stylized, with the first letters of each name being capitalized.

Ronald L. Williams  
Attorney for the IERA

cc: Lieutenant Governor, Brad Little  
Senate President Pro Tem, Brent Hill  
House Speaker, Scott Bedke



**2014 ANNUAL REPORT  
OF THE  
IDAHO ENERGY RESOURCES AUTHORITY**

**March 31, 2015**

The Idaho Energy Resources Authority (IERA) is an “independent public body politic and corporate”<sup>1</sup> created in 2005 for the purpose of facilitating the financing of electric generation, transmission and distribution facilities and renewable energy resources for the benefit of Idaho utilities and consumers.<sup>2</sup>

**Board Appointments**

The Governor appointed George Eskridge to serve as a Director of the Authority, term expiring June 30, 2019. Mr. Eskridge recently retired from the Idaho Legislature where he served as Representative from District 1 and Co-Chair of the Energy, Environment and Technology Interim Committee. Prior to his service as a Legislator, Mr. Eskridge worked as an Account Executive for the Bonneville Power Administration and for the Rural Electrification Administration.

**Project Development, Financings and Operations**

In 2014, pursuant to a Master Memorandum of Intent (“MOI”), the Bonneville Power Administration and the Authority entered into a transaction (“BPA Transaction”) for the Authority to finance, acquire, construct and lease to Bonneville certain transmission facilities and equipment (“Facilities”). This BPA Transaction consisted of the following agreements entered into by the Authority: (i) A Credit Agreement with Bank of America), in a total amount not to exceed \$100,000,000 and for a term not to exceed seven years, (ii) a Construction Agreement with Bonneville as construction provider, whereby Bonneville acquires, constructs, installs, tests and energizes, as applicable, the Facilities, (iii) a Master Lease wherein the Authority leases the constructed Facilities to Bonneville, (iv) a Custodial and Security Agreement with Bank of America and U.S. Bank (as the collateral trustee) whereby the Authority pledges lease revenues (to be received from Bonneville) to secure the timely payment and performance of the obligations of the Authority under the Credit Agreement, and (v) an Account Control Agreement with the two banks to manage receipt and disbursement of funds.

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<sup>1</sup> Idaho Code § 67-8904

<sup>2</sup> Idaho Code § 67-8902

The Authority does not manage or operate any facilities. Pursuant to the Lease Agreement, Bonneville manages and operates all Facilities financed pursuant to the Credit Agreement and constructed by Bonneville.

### **Legislative Matters**

Following the signing of the MOI between Bonneville and the Authority, Bonneville expressed a desire that Authority's enabling Act provide additional assurances that any financings the Authority does for Bonneville insulates – or “walls-off” – BPA from any other financings the Authority does for non-BPA parties. In addition, Bonneville suggested the possibility that the Authority could finance BPA's acquisition of conservation resources if Bonneville elected to finance, rather than expense, acquisition of conservation resources. Without a legislative change however, the Authority could not finance conservation resources for Bonneville.

As a result of these discussions with Bonneville, in late 2014 the Authority drafted legislation to: (i) confirm that the Authority is not a taxing district and cannot file for bankruptcy, (ii) further clarify that the Authority may pledge and assign its interest in a facility to a participating utility for whom it is providing financing, and (iii) provide an additional power to the Authority so that it may finance conservation measures for a participating utility that is a federal agency – i.e., Bonneville. This draft legislation became Senate Bill 1024, which passed both the Idaho House and Senate, was signed into law and became effective on March 18, 2015.

[\[http://www.legislature.idaho.gov/legislation/2015/S1024.htm\]](http://www.legislature.idaho.gov/legislation/2015/S1024.htm)

### **Financial Matters**

Attached are financial statements of the Authority providing an accounting of its receipts and expenditures during the 2014 fiscal year, and its assets and liabilities as of December 31, 2014, other than receipts and expenditures occurring pursuant to the BPA Transaction.

The BPA Transaction is currently under audit, which audit is expected to be completed on or before June 30, 2015. Upon completion of the audit of the BPA Transaction, additional financial information related to that audit and the BPA Transaction will be published as a supplement to this report.

**Idaho Energy Resources Authority**  
**Balance Sheet**  
**As of December 31, 2014**

<b>ASSETS</b>	
Current Assets	
Checking/Savings	
IIB Operating Account	107,494.25
Total Checking/Savings	107,494.25
Total Current Assets	107,494.25
<b>TOTAL ASSETS</b>	<b>107,494.25</b>
<b>LIABILITIES &amp; EQUITY</b>	
Equity	
Net Assets	5,495.07
Net Income	101,999.18
Total Equity	<u>107,494.25</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>107,494.25</b>

*See Footnote 1*

**Profit & Loss**  
**January through December 2014**

<b>Ordinary Income/Expense</b>	
Income	
Income	<i>See Footnote 2</i> 256,892.86
Total Income	<u>256,892.86</u>
Expenses	
Administrative Services	22,210.00
Accounting Fees	375.00
Bank Fees	20.00
Board Meeting Expenses	1,686.92
Consulting Fee	800.00
Insurance	1,016.00
Postage/Printing	524.45
Legal	125,000.00
Telephone Expenses	512.37
Website/IT Support	2,748.94
Total Expense	<u>154,893.68</u>
Net Ordinary Income	<u>101,999.18</u>
<b>Net income</b>	<b><u>101,999.18</u></b>

**Footnotes**

- 1 The IERA leases certain transmission facilities and equipment to the Bonneville Power Administration (BPA). However, BPA is also the construction manager, operator and beneficial owner of the facilities. Consequently, all assets, liabilities and equity associated with the BPA Transaction are being accounted for and on behalf of BPA as the beneficial owner, and not the IERA. The BPA Transaction will be reported on separate financial statements of the IERA.
- 2 All 2014 income of the IERA and a majority of its 2014 expenses were related to the BPA Transaction.