



2016 ANNUAL REPORT OF THE IDAHO ENERGY RESOURCES AUTHORITY

The Idaho Energy Resources Authority (“IERA” or the “Authority”) is an “independent public body politic and corporate”¹ 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.²

Board Appointments and Administrative Matters

In February of 2016, Michael “Mike” Mooney was appointed by Governor Butch Otter to serve on the IERA’s board until 2020. Mike recently retired as the President/CEO of Bank of the Cascades, Idaho Region (and its predecessor companies).

In July of 2016 Governor Otter appointed E. Robert “Bob” Mooney to a term expiring in 2021. Bob served as a former IERA board member and its first Chairman, but left the board in late 2015. Upon his appointment to the board Bob was asked and agreed to serve as the Authority’s Executive Director.

The table below lists the IERA board members, their terms and positions.

Member Name	Position Expires	Original Appointment	Position
George Eskridge	June 30, 2019	January 8, 2015	
Jackie Flowers	June 30, 2018	September 4, 2013	
Randolph Hill	June 30, 2017	January 3, 2013	Chairman
Daniel Kunz	June 30, 2018	September 4, 2013	
Mark Llitas	June 30, 2021	October 1, 2012	Sec/Treasurer
E. Robert Mooney	June 30, 2021	July 1, 2016	Executive Director
Michael "Mike" Mooney	June 30, 2020	February 18, 2016	

¹ Idaho Code § 67-8904

² Idaho Code § 67-8902

Project Development, Financings and Operations

The Authority conducted no financings in 2016.

In 2013 the IERA and the Bonneville Power Administration (“Bonneville” or “BPA”) signed a Master Memorandum of Intent (“MOI”) indicating BPA’s intent to request that the IERA participate in two transmission facilities lease-purchase transactions on behalf of Bonneville.

In 2014 BPA and the IERA entered into the first MOI transaction of approximately \$110 million for the construction of improvements to the Morrow substation and related transmission lines and equipment. The second MOI transaction was scheduled for 2016, but Bonneville requested that this transaction be postponed.

In 2017 the IERA anticipates issuing long-term bonds to “take out” a prior short-term line-of-credit financing provided by U.S. Bank National Association to the Northwest Infrastructure Financing Corporation VI (“NIFC VI”), for construction of electrical facilities on behalf of BPA, and the lease of those facilities from NIFC VI to Bonneville. Upon the purchase by the Authority of those facilities from NIFC VI, the IERA would, in turn, lease the same facilities back to BPA on a long-term basis. Lease revenues received from BPA would be used to retire the IERA bonds, over time.

Upon completion of the 2017 financing by the Authority on behalf of BPA, the second of the two transactions contemplated by the MOI will have been completed. However, Bonneville has indicated it would like to consider using the IERA for additional financings, as also contemplated by the MOI, upon agreement between BPA and the Authority.

The IERA does not manage or operate any facilities. Pursuant to the 2014 Credit Agreement and Lease Agreement, Bonneville manages and operates all facilities financed by the IERA and constructed by Bonneville.

Financial Statements

Attached are audited financial statements of the Authority providing an accounting of its receipts and expenditures during the 2016 fiscal year, and its assets and liabilities as of December 31, 2016.

IDAHO ENERGY RESOURCES AUTHORITY

FINANCIAL STATEMENT

for the year ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Idaho Energy Resources Authority
Boise, ID

We have audited the accompanying financial statement of Idaho Energy Resources Authority (an Idaho nonprofit corporation), which comprises the statement of financial position as of December 31, 2016, and the related statement of activities and cash flow for the year then ended, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Idaho Energy Resources Authority as of December 31, 2016, and its changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Richter, Stuart & Todeschi PA

March 1, 2017
Boise, Idaho

IDAHO ENERGY RESOURCES AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

Assets	
IIB Operating Account	<u>\$99,400.44</u>
Liabilities and Net Assets	
Accounts Payable	\$1,045.00
Net Assets	
Unrestricted	<u>\$98,355.44</u>
Liabilities and Total Net Assets	<u>\$99,400.44</u>

See accompanying notes and auditors' report.

IDAHO ENERGY RESOURCES AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Ordinary Income/Expense	
Income	
Annual Fee	\$ 10,000.00
Total Income	<u>10,000.00</u>
Expense	
Insurance	1,133.00
Professional Services	
Accounting Services	1,607.50
IERA Admin/Gen	<u>7,022.50</u>
Total Professional Services	8,630.00
Telephone Expense	1,169.64
Total Expense	<u>10,932.64</u>
Net Change in Unrestricted Assets	\$(932.64)
Net Unrestricted Assets Beginning of 2016	<u>99,288.08</u>
Net Unrestricted Assets End of 2016	<u><u>\$ 98,355.44</u></u>

See accompanying notes and auditors' report.

IDAHO ENERGY RESOURCES AUTHORITY
STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 2016

Cash Flows from Operating Activities

Decrease in Net Assets	\$(932.04)
Adjustments to reconcile changes in net assets to net cash provided by operations	
Accounts Payable	<u>1,045.00</u>
Net Increase in Cash	<u>112.36</u>
Cash at Beginning of Year	99,288.08
Cash at End of Year	\$ <u>99,400.44</u>

See accompanying notes and auditors' report.

1. **Significant Accounting Policies**

Organizational Structure. Idaho Energy Resources Authority is a quasi-government agency that is exempt from Federal and Idaho income taxes. The Authority is organized for the purpose of providing wholesale power suppliers (such as the Bonneville Power Administration) and investor owned, municipal and cooperative electric utilities that serve Idaho customers a low-cost financing vehicle for building Idaho's electric infrastructure.

Unrestricted Assets. Unrestricted assets represent the resources and the changes in those resources that are currently available for use by the Corporation.

Use of Estimates. The preparation of financial statement requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. **Credit Lines**

The Idaho Energy Resources Authority has entered into a line of credit conduit financing with Bank of America, N.A., as of August 7, 2014, relating to the construction of various transmission assets to be owned by Idaho Energy Resources Authority and leased to the Bonneville Power Administration.

Idaho Energy Resources Authority has no control over the transmission assets to be financed and makes payments under its line of credit solely from rental payments received from Bonneville Power Administration under a lease-purchase agreement.

3. **Subsequent Events**

The date to which events occurring after December 31, 2016 have been evaluated for possible adjustment to or disclosure in the financial statement is March 1, 2017, which is the date on which the financial statement were available to be issued.