Idaho Falls Power

2013 Annual Report

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Idaho Falls City Council Members

Jared D. Fuhriman, Mayor

Ida Hardcastle, City Council President

Thomas Hally, Idaho Falls Power Division Liaison

Michael Lehto, Idaho Falls Power Division Liaison

Karen Cornwell

Sharon Parry

Kenneth Taylor

2013
Idaho Falls Power

Management Statement

We hear it frequently from residents, visitors and even national surveys – Idaho Falls is a great place to live! Our city is often touted as one of the best small towns in the United States due to the great quality of life and affordable cost of living.

From the greenbelt to the Tautphaus Park Zoo to electricity costs that are the envy of Americans from coast to coast, Idaho Falls boasts amenities that contribute greatly to our quality of life while remaining affordable.

These amenities didn't happen by accident, of course; their presence here would not have been possible without significant commitment, planning and fiscal management by the city's leaders over the last century-plus. These leaders had the political will to see projects through to completion, and they operated under a long-term vision that put the community's best interests first.

A strong example of a visionary community leader's commitment to investing for long term benefits is Mayor Joseph Clark's vision to bring electric power to Idaho Falls at the end of the 19th Century. There were times when Mayor Clark's vision drew scrutiny and evoked mixed public reaction.

Thanks to the foresight and unflinching commitment to advancing the quality of life in the city held by Clark and his successors in City Hall, however, Idaho Falls residents today enjoy access to low-cost, reliable electricity.

We believe that today, 113 years later, Mayor Clark would be proud of the enterprise that Idaho Falls Power has become: A not-for-profit, community-owned electric service provider that provides some of the least-expensive electricity in the country. We continue to maintain the historic investment in local hydropower plants. And we are keeping an eye on the city's growing electric demands to make sure we are planning improvements that will continue to secure that quality of life that was part of his vision.

As we continue to make investments in our historic facilities such as the 1930s turbines at the Old Lower Plant site and in expansion of our backbone infrastructure, we can't help but feel a sense of pride for the accomplishments of those who have come before us. We are thrilled to be continuing Mayor Clark's vision and to be serving our friends and neighbors in the Idaho Falls community.

Jared Fuhriman
Mayor

Jackie Flowers
General Manager

Financial Statements

Statement of Net Position

Assets

	September 30, 2013	September 30, 2012
CURRENT ASSETS		
Cash and cash equivalents	$ 6,687,326	$ 9,824,621
Investments	21,741,893	20,370,858
Accounts receivable, net	4,475,326	4,080,612
Power contracts receivable	1,696,487	1,732,405
Interest receivable	169,668	107,730
Materials and supplies	3,557,508	3,114,688
Due from other City funds	311,217	320,423
Total current assets	38,639,425	39,551,337
RESTRICTED ASSETS		
Cash and cash equivalents	4,003,633	5,925,419
LONG-TERM INVESTMENTS	15,160,854	9,535,482
UTILITY PLANT		
Plant in service	195,996,401	192,151,620
Accumulated depreciation	(114,793,536)	(109,628,242)
Construction work-in-progress	8,036,844	7,225,266
Net utility plant	89,239,709	89,748,644
OTHER ASSETS	128,216	194,995
Total assets	$ 147,171,837	$ 144,955,877

Statement of Net Position

Liabilities and Net Postion

	September 30, 2013	September 30, 2012
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 2,250,735	$ 1,610,966
Purchased power payable	2,376,065	2,038,565
Due to other City funds	283	975
Total current liabilities	4,627,083	3,650,506
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current portion of interest payable	3,019,342	5,956,285
Current portion of bonds payable	785,658	1,693,715
Total liabilities payable from restricted assets	3,805,000	7,650,000
LONG-TERM LIABILITIES, net of current portion		
Bonds payable	728,860	1,514,518
Interest payable	2,553,590	4,833,309
Post-employment benefit obligation	12,712	9,352
Total long-term liabilities, net of current portion	3,295,162	6,357,179
Total liabilities	11,727,245	17,657,685
NET POSITION		
Net investment in capital assets	87,853,407	86,735,406
Restricted	984,291	-
Unrestricted	46,606,894	40,562,786
Total net position	135,444,592	127,298,192
Total liabilities and net position	$ 147,171,837	$ 144,955,877

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended September 30, 2013	2012
OPERATING REVENUES		
Retail	$ 43,746,799	$ 43,290,148
Wholesale	10,987,666	11,695,961
Other	949,626	939,825
Total operating revenues	55,684,091	55,925,934
OPERATING EXPENSES		
Purchased power	27,848,406	26,699,414
Power generation	2,679,122	2,938,474
Transmission and distribution	2,452,561	2,649,568
Customer accounting and collection	1,707,073	1,768,740
General and administrative	5,615,423	5,120,945
Depreciation	5,841,575	5,716,301
Total operating expenses	46,144,160	44,893,442
OPERATING INCOME	9,539,931	11,032,492
OTHER REVENUE (EXPENSE)		
Investment earnings	322,955	312,798
Interest expense	(806,402)	(1,272,782)
Transfers for payments in lieu of taxes	(3,388,681)	(3,363,970)
Other	1,468,577	2,769,346
Total other expense	(2,403,551)	(1,554,608)
CAPITAL CONTRIBUTIONS	1,010,020	94,551
CHANGE IN NET POSITION	8,146,400	9,572,435
NET POSITION, beginning of year	127,298,192	117,725,757
NET POSITION, end of year	$ 135,444,592	$ 127,298,192

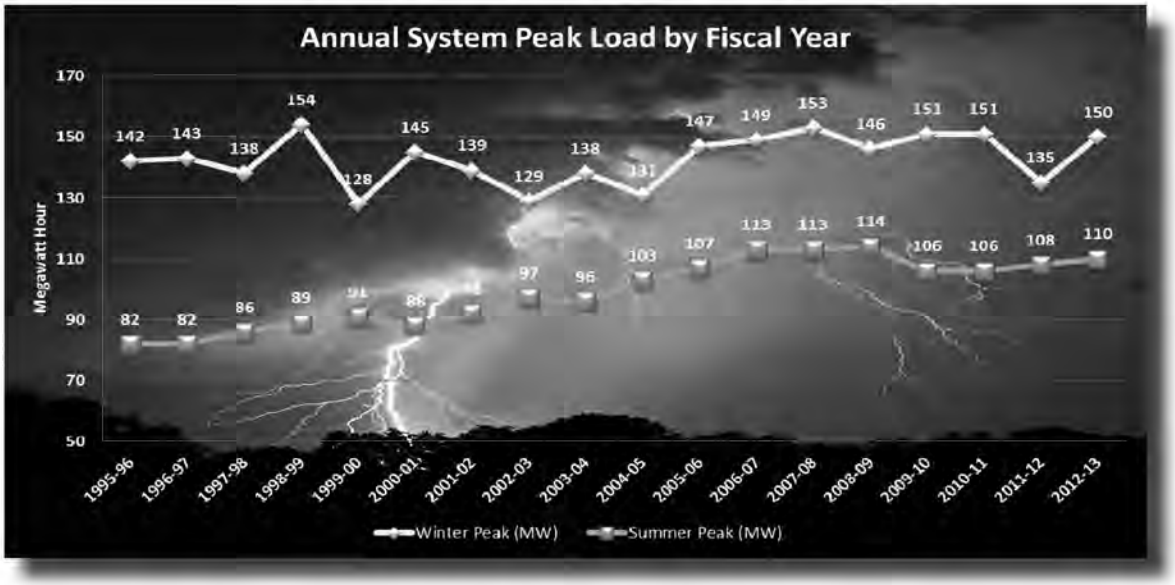
Statement of of Cash Flows

	Years Ended September 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 52,376,291	$ 52,344,813
Receipts from City	2,958,210	2,872,886
Payments to suppliers	(31,222,112)	(30,180,965)
Payments to employees	(5,301,331)	(4,997,114)
Payments to City for services used	(2,799,205)	(2,887,909)
Net cash flows from operating activities	16,011,853	17,151,711
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers for payments in lieu of taxes	(3,388,681)	(3,363,970)
Other, net	1,468,577	2,769,346
Net cash flows from noncapital financing activities	(1,920,104)	(594,624)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Plant expenditures and construction of capital assets	(4,322,619)	(6,540,248)
Change in materials and supplies	(442,820)	98,185
Principal payments on bonds	(1,693,715)	(1,820,851)
Interest payments on bonds	(5,956,286)	(5,849,149)
Net cash flows from capital and related financing activities	(12,415,440)	(14,112,063)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(78,248,573)	(68,793,766)
Proceeds from sale and maturity of investments	71,252,166	71,497,728
Interest on investments	261,017	344,955
Net cash flows from investing activities	(6,735,390)	3,048,917
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,059,081)	5,493,941
CASH AND CASH EQUIVALENTS, beginning of year	15,750,040	10,256,099
CASH AND CASH EQUIVALENTS, end of year	$ 10,690,959	$ 15,750,040

Statement of of Cash Flows

	Years Ended September 30, 2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 9,539,931	$ 11,032,492
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	5,841,575	5,716,301
Changes in operating assets and liabilities		
Accounts receivable	(394,714)	(209,712)
Power contracts receivable	35,918	(459,402)
Due from/to other City funds	8,514	(38,856)
Accounts payable and accrued liabilities	639,769	(10,643)
Purchased power payable	337,500	1,116,294
Post-employment benefit obligation	3,360	5,237
Net cash flows from operating activities	$ 16,011,853	$ 17,151,711
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Amortization of debt related other assets included in interest expense	$ 66,779	$ 66,779
Contributed utility plant by governmental authorities	$ 283,056	$ 37,542
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, current	$ 6,687,326	$ 9,824,621
Cash and cash equivalents, restricted	4,003,633	5,925,419
Cash and cash equivalents, end of year	$ 10,690,959	$ 15,750,040

*Footnotes to financial statements are available upon request.



Power Supply

Idaho Falls Power owns and operates four hydroelectric dams on the Snake River, assets that continue to be a cornerstone of the utility's ability to maintain reliable, low-cost electricity.

IFP receives the majority of its electricity from the Bonneville Power Administration through a 17-year contract. The 2013 fiscal year marked the third year of this contract along with full implementation of the SLICE product with BPA. This agreement calls for IFP to receive a percentage or "slice" of the power generated by BPA's hydropower system, which consists of 31 dams along the Columbia and Snake Rivers, and gives IFP needed flexibility to better match its generation with the demand for electricity among city residents.

In order to economically optimize this dispatch of resources, IFP in the 2013 fiscal year invested in software allowing the utility to generate additional electricity in the periods when demand from customers is at its peak. Utilizing this hydro optimization is proving to be an invaluable tool in that it helps IFP to limit its purchases of expensive wholesale power.

The Upper Snake Basin, which provides water for IFP's dams, realized below-average stream flows in 2013, creating a difficult situation for a region so reliant on snow melt to fill the reservoirs for power generation and agricultural needs. Fortunately, the drier-than-normal conditions did not stretch across the region. The Columbia Basin that supplies water for IFP's slice share, saw near-normal snowpack/run-off for the year. Given the water conditions in 2013, the diversity in location for power-generation resources was very beneficial in balancing IFP's power production.

Linemen Rod Elliott, seated, and Nate Jagielski replace a power pole on Gladstone Street.

Transmission and Distribution

The focus during the 2013 fiscal year was on rebuilding and maintaining the city's power delivery equipment.

Maintenance work and equipment upgrades were concentrated in the Capitol Hill area as well as the primary power lines in the lettered and numbered streets.

Extensive repairs were completed on underground power lines that have been the source of disruptions in recent years – on Vassar Way and Presto Avenue, and in the Alice Dickson subdivision.

In addition to infrastructure repair and maintenance, a number of construction projects required new installations – new facilities in Idaho Falls School District 91, at Snake River Landing and along University Boulevard, in particular.

Throughout the year, crews installed 238 power poles – some new, others replacing existing poles in that had deteriorated, and on street corners where new curbs were installed for compliance with the Americans with Disabilities Act.

IFP also began using a less expensive pole, cutting costs by $32,284.

T & D, by the numbers:
Street lights installed: 62
Overhead transformers installed: 37
Underground transformers installed: 49

Linemen Mike Gose, seated, and Russ Powell train for pole-top rescue.

Generation

Maintenance of the city's four hydropower plants was the priority, with extensive upgrades performed on the cooling systems at the three bulb turbine plants.

Crews also installed an alarm system at the Lower Plant to alert personnel to problems with the 8-megawatt turbine.

Two radial gates at the Lower Plant were also repaired and repainted.

At the adjacent Old Lower Plant, which was built in the 1930s, two 1.5-megawatt generators were removed for testing and repair. Key generation components were removed, too.

At the City Plant, crews shut down and inspected the 31-year-old facility. This critical maintenance work takes place every five years to ensure the health of the asset, which is capable of generating 8 megawatts.

At Gem State, which is the largest of the city's four hydro plants with a 24-megawatt generating capacity, crews conducted a five-year height test on the radial gates and implemented erosion-control measures on the banks of the 305-acre Gem Lake reservoir.

IFP's maintenance crew dismantles a damaged turbine at the Old Lower Plant.

Generation, by the numbers:

Peak summer load: 110 Megawatts on July 2, 2013.
Peak winter load: 150.18 MW on Jan. 14, 2013
Total net generation: 246,387,828 MW

Maintenance technician Rod Moore works on a turbine at the Old Lower Plant.

Fiber

Circa, IFP's city-wide fiber optic network, was extended to 17 locations in the 2013 fiscal year. Since its inception in 2004, Circa has been extended to more than 250 businesses, plus most local school district facilities.

IFP crews finished a hardware upgrade for network equipment and extended it to all city buildings, significantly boosting the capabilities of the city's computer network.

IFP also finished construction of a wireless communications network on the city's power delivery system, as part of the utility's participation in the Pacific Northwest Smart Grid Demonstration Project. This new network arms system operators with real-time information regarding the city's electric grid. This improved monitoring capability is expected to increase efficiency, improve power quality, prevent outages and speed up restoration time when outages occur.

Fiber technician Dave Rossow conducts maintenance on the city's fiber-optic network.

1.5 megawatt turbine at the Old Lower Plant. This is one of two1930s-era turbines that is being repaired.

Traffic

IFP crews upgraded traffic cabinets at 10 intersections. The new cabinets protect sensitive equipment aimed at increasing traffic flow by adapting to changes in traffic patterns and boosting coordination between signals.

IFP is also testing a vehicle detection system aimed at improving traffic flow. The technology is expected to replace the current underground "loop" system that is expensive to repair.

IFP crews also installed a solar-powered crosswalk at Eastern Idaho Regional Medical Center, and installed four solar-powered lights to alert drivers to school zones.

Lineman Russ Powell leads a safety demonstration at the Public Power Open House in September.

Customer Service

IFP, along with the Partnership for Science and Technology, Idaho National Laboratory and the Center for Advanced Energy Studies, held a series of meetings focusing on the utility's participation in the Pacific Northwest Smart Grid Demonstration Project.

IFP personnel conducted 53 tours for approximately 1,590 visitors during the year.

In March, IFP held the inaugural Energy and Electricity Merit Badge Pow Wow for Cub Scouts and Boy Scouts interested in learning about electricity and conserving energy, and in earning their Electricity and Energy Merit Badge. In all, 173 Boy Scouts received Merit Badges at a Court of Honor ceremony in April that was presided over by Mayor Jared Fuhriman.

IFP also hosted an Energy Extravaganza in the spring for Girl Scouts. Forty-four attendees were awarded Energy Saver Fun Patches for their efforts.

IFP continued to sponsor local high school students at the Idaho Consumer-Owned Utilities Association's annual Youth Rally. The six-day event offers students the opportunity to enjoy social activities while learning about the energy industry. Nine of the sponsored students earned scholarships to help cover college tuition and one was chosen to represent Idaho at the 2013 National Rural Electric Cooperative Association's Leadership Conference in Washington, DC in July.

IFP's annual Public Power Open House in late September drew more than 1,200 visitors.

Rory Cullen, right, and Hector Martinez, left, giving bucket truck rides at the Open House.

Operations

The Federal Energy Regulatory Commission's annual safety inspection of the Gem State plant uncovered no problems requiring corrective action.

Operations staff undertook a Sufficiency Review Program required by the North American Electric Reliability Corporation, a federal agency that oversees the nation's utilities. This three-day endeavor prompted a review of physical and cyber-security procedures and refinement of those procedures.

Operations staff continued to hone procedures to create efficiencies in the IFP warehouse. The priority for the 2013 fiscal year was recycling. A move to recycle all salvage material – metal, copper and glass from electromechanical meters that were replaced – generated $29,539.

Meter install, Smart Grid project

IFP installed approximately 5,900 advanced meters during the fiscal year.

In late summer, the utility began testing equipment in the homes of volunteers in the Pacific Northwest Smart Grid Demonstration Project.

Approximately 250 load control switches – devices that allow the utility to cycle off water heaters – were installed, as were more than three dozen programmable thermostats that allow IFP to adjust heating/cooling systems by a few degrees.

The equipment is intended to help reduce load during periods of peak demand for power.

The goal is to measure the effectiveness of the equipment and its technology, to see if the devices can help significantly reduce the demand for electricity and help the utility avoid unplanned power purchases.

Energy efficiency

More than 500 customers participated in IFP's Energy Efficiency programs, which include zero-interest loans on appliances, rebates for commercial lighting projects and free energy audits on homes and businesses.

The participants helped IFP achieve 7.5 million kilowatt-hours in energy savings (nearly $500,000) in 2013 - enough to power 543 homes for one year.

Energy Efficiency, by the numbers:

150: Number of free residential energy audits conducted
$3,000: Average annual savings per weatherized home, in kilowatt-hours
66: Number of commercial lighting projects completed
$114,333: Estimated annual savings as a result of commercial lighting projects

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