

DECEMBER 11, 1997

The City Council of the City of Idaho Falls met in Regular Council Meeting, Thursday, December 11, 1997, in the Council Chambers at 140 South Capital Avenue in Idaho Falls, Idaho.

There were present:

Mayor Linda Milam
Councilmember Melvin Erickson
Councilmember Gary Mills
Councilmember Beverly Branson
Councilmember Ida Hardcastle
Councilmember Brad Eldredge
Councilmember Larry Carlson

Also present:

Dale Storer, City Attorney
Rosemarie Anderson, City Clerk
All available Division Directors

Mayor Milam requested Eagle Scout Andrew McCracken to come forward and lead those present in the Pledge of Allegiance.

The Mayor and Councilmembers honored two Eagle Scouts, Andrew McCracken and Adrian McCracken, by presenting them with Certificates of Recognition for earning their Eagle Scout Awards.

Mayor Milam recognized the Parks and Recreation Division for receiving the "Good Neighbor Award" from the Idaho Falls Garden Club and Garden Talk Garden Club. This special recognition was given for the beautiful flower gardens around the City.

The City Clerk read a summary of the minutes for the November 25, 1997 Regular Meeting. It was moved by Councilmember Eldredge, seconded by Councilmember Mills, that the minutes be approved as read. Roll call as follows:

Aye: Councilmember Carlson
 Councilmember Erickson
 Councilmember Hardcastle
 Councilmember Eldredge
 Councilmember Mills
 Councilmember Branson

Nay: None

Motion Carried.

CONSENT AGENDA ITEMS

The City Clerk presented monthly reports from various Division and Department Heads and requested that they be accepted and placed on file in the City Clerk's Office.

The City Clerk presented several license applications, including BEER LICENSES to Albertson's, Inc. (East Anderson Street), Albertson's, Inc. (Seventeenth Street),

Albertson's, Inc. (West Broadway), Ashley's Italian Restaurant, Bubba's Bar-B-Que

DECEMBER 11, 1997

Restaurant, Circle K (Broadway), Doc's Broadway Lounge, Eagle's Lodge, Elk's Lodge, Flying J, Ford's Bar, Fred Meyer Stores, Inc., Gas 'N' Grub, Get-N-Go Convenience Store, Great Wall Restaurant, Idaho Brewing Company, Inc., Jiffy Mart (Elm Street), K. C.'s Food Mart, Kwik Shops, Inc., La Hidalquense, Leo's Place (Broadway), Leo's Place (First Street), Mama Inez, Maverick Country Store (Broadway), Maverick Country Store (Woodruff Avenue), Maverick Country Store (Yellowstone Avenue), McFarlane's IGA, Midget Market, Outback Steakhouse, Papa Tom's Pizza (Woodruff Avenue), Pizza Hut (Anderson Street), Pizza Hut (Broadway), Pizza Hut (Seventeenth Street), Pressbox, Puerto Vallarta, Ray's Western Bar, Rutabaga's, S & K Konvenience Stores, Inc., Samoa Club, Sandpiper, Save Fast Gas (Broadway), Save Fast Gas and Grocery (First Street), Skipper's Fish and Chips (Seventeenth Street), Skipper's Fish and Chips (Yellowstone Avenue), Skyline Lanes, Smith's Food and Drug No. 121, and Weston's Lamplighter; BARTENDER PERMITS to Kathy A. Acevedo, Derek N. Ballard, Jessica A. Blaker, Danny W. Empey, Virginia A. Gale, Emma F. Kanirie, Brandon D. Pearce, Kenny J. Sessions, Andrea Smith, and William J. Waters, all carrying the required approvals, and requested authorization to issue these licenses.

The City Clerk requested Council ratification for the publishing of legal notices calling for public hearings on December 11, 1997.

It was moved by Councilmember Eldredge, seconded by Councilmember Mills, that the Consent Agenda be approved in accordance with the recommendations presented. Roll call as follows:

Aye: Councilmember Eldredge
 Councilmember Carlson
 Councilmember Mills
 Councilmember Erickson
 Councilmember Branson
 Councilmember Hardcastle

Nay: None

Motion Carried.

REGULAR AGENDA ITEMS

The City Clerk presented the following Expenditure Summary dated November 1, 1997 through November 30, 1997, after having been audited by the Fiscal Committee and paid by the Controller:

	<u>GENERAL</u>	<u>STREET</u>	<u>AIRPORT</u>	<u>WATER & SEWER</u>
SERV/MAT	\$1,223,651.43	\$ 108,600.47	\$ 228,219.83	\$ 397,610.99
SALARY	<u>1,223,106.49</u>	<u>74,551.66</u>	<u>38,804.57</u>	<u>165,628.15</u>
TOTAL	\$2,446,757.92	\$ 183,152.13	\$ 267,024.40	\$ 563,239.14

	<u>ELECTRIC</u>	<u>SANITATION</u>	<u>RECREATION</u>	<u>LIBRARY</u>
SERV/MAT	\$1,964,423.69	\$ 36,493.55	\$ 20,080.46	\$ 60,166.97
SALARY	<u>263,065.03</u>	<u>85,610.74</u>	<u>33,626.70</u>	<u>62,189.48</u>
TOTAL	\$2,227,488.72	\$ 122,104.29	\$ 53,707.16	\$ 122,356.45

DECEMBER 11, 1997

	<u>AMBULANCE</u>	<u>BPA WEATH LN FD</u>	<u>TOTALS</u>
SERV/MAT	\$ 41,127.29	\$ 17,235.28	\$4,097,609.96
SALARY	<u>72,314.08</u>	<u>.00</u>	<u>2,018,896.90</u>
TOTAL	\$ 113,441.37	\$ 17,235.28	\$6,116,506.86

It was moved by Councilmember Eldredge, seconded by Councilmember Hardcastle, to approve Check No. 34460 in the amount of \$132.18, made payable to Barnes and Noble Bookstore. Roll call as follows:

Aye: Councilmember Hardcastle
Councilmember Branson
Councilmember Eldredge
Councilmember Carlson
Councilmember Erickson

Nay: None

Abstain: Councilmember Mills (as he is an employee of Barnes and Noble Bookstore)

Motion Carried.

It was moved by Councilmember Eldredge, seconded by Councilmember Mills, to ratify the remainder of the expenditures for the month of November, 1997. Roll call as follows:

Aye: Councilmember Hardcastle
Councilmember Branson
Councilmember Eldredge
Councilmember Carlson
Councilmember Erickson
Councilmember Mills

Nay: None

Motion Carried.

Mayor Milam requested Councilmember Branson to conduct a public hearing, as legally advertised, to consider a rezone from PT-1 (Planned Transition) to R-1 (Single-Family Residential) and for consideration of an amendment to the Comprehensive Plan from Planned Transition to Residential of Lots 1-18, Block 24, Highland Park Addition. At the request of Councilmember Branson, the City Clerk read the following memo from the Planning and Building Director:

DECEMBER 11, 1997

City of Idaho Falls
December 8, 1997

MEMORANDUM

TO: Mayor and City Council
FROM: Renée R. Magee, Planning and Building Director
SUBJECT: REZONING AND AMENDMENT TO COMPREHENSIVE PLAN -
HIGHLAND PARK ADDITION, BLOCK 24, LOTS 1-18

Attached is a copy of the petition to rezone Lots 1-18, Block 24, Highland Park Addition from PT-1 to R-1. The petitioner is asking for the rezoning in order to construct a single-family dwelling. In November, the Planning Commission considered this rezoning request and recommended rezoning Lots 1 through 18 to R-1 and amending the Comprehensive Plan. The Commission determined the area has not developed as anticipated in 1987 when the Plan was adopted. The demand for commercial and multi-family construction has not materialized, and single-family is still the dominant existing land use. This rezoning and amendment request is being submitted to the Mayor and Council for consideration.

s/ Renée R. Magee

The Planning and Building Director located the subject area on a map and further explained the request.

Frances Priest, 18 North 3167 East, appeared to explain that he is the owner of 4 lots of this ground. He explained that he would like to build a home on those lots. He cannot meet the requirements of the PT-1 Zone, so is hereby requesting that this area be rezoned to R-1.

There being no further discussion, it was moved by Councilmember Branson, seconded by Councilmember Carlson, to rezone Lots 1-18, Block 24, Highland Park Addition from PT-1 to R-1 as requested, and that the City Planner be instructed to reflect said amendment and zoning change on the Comprehensive Plan and Official Zoning Map located in her office. Roll call as follows:

Aye: Councilmember Branson
Councilmember Hardcastle
Councilmember Mills
Councilmember Eldredge
Councilmember Carlson
Councilmember Erickson

Nay: None

Motion Carried.

Mayor Milam requested Councilmember Branson to conduct Annexation Proceedings Prior to Platting for Intermountain Business and Technology Park. At the request of Councilmember Branson, the City Clerk read the following memo from the Planning and Building Director:

DECEMBER 11, 1997

City of Idaho Falls
December 8, 1997

MEMORANDUM

TO: Mayor and City Council
FROM: Renée R. Magee, Planning and Building Director
SUBJECT: ANNEXATION – INTERMOUNTAIN BUSINESS AND TECHNOLOGY
PARK

Attached is the Annexation Ordinance and Annexation Agreement for Intermountain Business and Technology Park. This is a request to annex prior to platting a 24-acre portion of the business park. This portion is located north of Technology Drive and south of 29th North. The requested zoning is I & M-1. In November, the Planning Commission considered this annexation request and recommended annexation to the City and the initial zoning of I & M-1. This Department concurs with the Commission's recommendation. This annexation request is being submitted to the Mayor and Council for consideration.

s/ Renée R. Magee

The Planning and Building Director located the subject area on a map and further explain the request.

Dr. Charles Boge, 1452 Three Fountains Drive, appeared to answer any questions for the Mayor and City Council.

There being no questions or comments, it was moved by Councilmember Branson, seconded by Councilmember Carlson, to approve the Annexation Agreement for Intermountain Business and Technology Park and, further, give authorization for the Mayor and City Clerk to sign said Agreement. Roll call as follows:

Aye: Councilmember Carlson
Councilmember Erickson
Councilmember Hardcastle
Councilmember Eldredge
Councilmember Mills
Councilmember Branson

Nay: None

Motion Carried.

At the request of Councilmember Branson, the City Attorney read the following Ordinance by title:

ORDINANCE NO. 2257

AN ORDINANCE ANNEXING CERTAIN LANDS TO
THE CITY OF IDAHO FALLS, IDAHO; DESCRIBING
THESE LANDS; REQUIRING THE FILING OF THE
ORDINANCE AND AMENDED CITY MAP AND

AMENDED LEGAL DESCRIPTION OF THE CITY

DECEMBER 11, 1997

WITH THE APPROPRIATE COUNTY AND STATE
AUTHORITIES; AND ESTABLISHING EFFECTIVE
DATE.

The foregoing Ordinance was presented by title only. Councilmember Branson moved, and Councilmember Carlson seconded, that the provisions of Idaho Code Section 50-902 requiring all Ordinances to be read by title, and once in full, on three separate dates be dispensed with and the Ordinance be passed on all three readings. Roll call as follows:

Aye: Councilmember Eldredge
Councilmember Carlson
Councilmember Mills
Councilmember Erickson
Councilmember Branson
Councilmember Hardcastle

Nay: None

Motion Carried.

It was moved by Councilmember Branson, seconded by Councilmember Carlson, that the initial zoning for Intermountain Business and Technology Park be established as I & M-1 and that the comprehensive plan be amended to include the area annexed herewith, and that the City Planner be instructed to reflect said annexation, zoning and amendment to the comprehensive plan on the comprehensive plan and zoning maps located in her office. Roll call as follows:

Aye: Councilmember Hardcastle
Councilmember Branson
Councilmember Eldredge
Councilmember Carlson
Councilmember Erickson
Councilmember Mills

Nay: None

Motion Carried.

The Airport Director submitted the following memo:

City of Idaho Falls
December 8, 1997

MEMORANDUM

TO: Mayor and Council
FROM: Jim Thorsen, Airport Director
SUBJECT: CHANGE ORDERS NO. 2 AND 3 TO THE H-K CONTRACTORS
CONTRACT

DECEMBER 11, 1997

The City's consulting engineers, Sverdrup Facilities, has submitted Change Orders No. 2 and 3 to the Contract with H-K Contractors for the Runway Rehabilitation Project.

These changes reflect the actual work accomplished under the unit price contract through phases 1A and 1B. Phase 2 of the Contract will be done during 1998.

The F. A. A. has approved the Change Orders.

The Airport Division requests authorization to accept the Change Orders.

s/ Jim Thorsen

It was moved by Councilmember Carlson, seconded by Councilmember Branson, to accept Change Order Nos. 2 and 3 and, further, give authorization to execute same. Roll call as follows:

Aye: Councilmember Branson
Councilmember Hardcastle
Councilmember Mills
Councilmember Eldredge
Councilmember Carlson
Councilmember Erickson

Nay: None

Motion Carried.

The Electric Division Director submitted the following memos:

City of Idaho Falls
December 5, 1997

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: Mark Gendron, Electric Division Director
SUBJECT: I. C. U. A. AGREEMENT

Attached for your consideration is an Idaho Consumer-Owned Utilities Association (I. C. U. A.) Membership Agreement. The City Attorney has reviewed the Agreement.

The Electric Division respectfully requests approval of the Agreement and authorization for the Mayor to sign.

s/ Mark Gendron

It was moved by Councilmember Eldredge, seconded by Councilmember Hardcastle, to approve the I. C. U. A. Agreement and, further, give authorization for the Mayor to sign the necessary documents. Roll call as follows:

DECEMBER 11, 1997

Aye: Councilmember Mills
Councilmember Erickson
Councilmember Carlson
Councilmember Branson
Councilmember Hardcastle
Councilmember Eldredge

Nay: None

Motion Carried.

City of Idaho Falls
December 8, 1997

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: Mark Gendron, Electric Division Director
SUBJECT: ORDINANCE TO CREATE RATE STABILIZATION FUND

Attached for your consideration and adoption is a Supplemental Ordinance to create a Rate Stabilization Fund within the Electric Division. Also attached is the Engineer's Report relating to this Ordinance. The Rate Stabilization Fund will be funded from existing balances in the Electric Light Fund, reserves that will be freed-up in April 1998 upon the retirement of the City's Taxable Electric Revenue Bonds, Series 1994, and future net earnings of the Electric Division.

The Rate Stabilization Fund will be used to position the Electric Division for competition and will be applied, at the direction of the City Council, to the early retirement of bonds, capital improvements, renewals and replacements to the City's electric system, future power supply costs and other purposes.

The Electric Division respectfully requests adoption of the Ordinance.

s/ Mark Gendron

The Electric Division Director presented to the Council the Independent Consulting Engineer's Report (the "*Engineer's Report*") of Mooney Consulting (the "*Consulting Engineer*") prepared at the request of the Electric Division with respect to the transition of the electric utility industry to a competitive market, the position of the Electric Division and contain certain recommendations of the Consulting Engineer.

It was thereupon moved by Councilmember Eldredge, seconded by Councilmember Hardcastle, and unanimously adopted that the Engineer's Report be entered in the minutes of the meeting. Roll call as follows:

Aye: Councilmember Carlson
Councilmember Erickson
Councilmember Hardcastle
Councilmember Eldredge
Councilmember Mills

Councilmember Branson

DECEMBER 11, 1997

Nay: None

Motion Carried.

The Engineer's Report was thereupon accepted for filing by the City Clerk and is as follows:

**MOONEY CONSULTING
200 Mallard Drive, Suite 350
Boise, Idaho 83706**

ENGINEER'S REPORT

SUMMARY

The electric utility industry is in transition from "regulation" to "competition". It is unclear how quickly the transition will occur (expected to be 5 to 10 years). The Electric Division ("Electric Division") of the City of Idaho Falls ("the City") is in a good position to complete the transition successfully, if it takes action at this time to mitigate the risks associated with a competitive electric utility industry and makes appropriate provisions for events over which it has no control. The principal risks arising from industry restructuring and the resulting competition are stranded investments (including potential cost allocations that could be sought by B.P.A.), retention of customers, uncertainty and costs of future power supplies and off-system sales and tax law limitations.

This report recommends that the retained earnings available, reserves and future net earnings of the Electric Division which are produced from now until the start of "retail access" be set aside within the City's Electric Light Fund. As discussed below, the amounts set aside should be applied in a manner that best assures the long-term competitiveness of the Electric Division.

Based on current information and projections, the City should set aside \$20 to \$25 million by 2001 to be used for the following purposes:

- Early debt retirements
- Renewals, replacements and major capital improvements
- Rate stabilization and/or reduction
- Power supply and generation competitiveness
- Contingency for other appropriate purposes related to the transition to "customer choice".

If necessary to reduce current expenses and improve the competitive position of the Electric Division, the City should also develop and adopt a contingent "current refunding" program which would allow reshaping of the payment obligations of the 1991 Bonds.

Finally, the City should continue to actively monitor the legislative proposals for competition, particularly with respect to avoiding a burden for stranded costs which would not be uniformly applicable to all customer classes.

DECEMBER 11, 1997

INTRODUCTION

The electric utility industry is undergoing significant changes which are likely to continue for at least another decade. The changes began with passage of the Public Utilities Regulatory Policies Act (PURPA) in the last 1970's which initiated competition in electric generation and were further accelerated by the passage of the Energy Policy Act (EPA) in 1992 which opened transmission access at the wholesale level. The Federal Energy Regulatory Commission (FERC) issued its Orders 888 and 889 in 1996 to implement the open transmission access provisions of the EPA. Neither Congress nor FERC has acted to require direct transmission to end-users of electricity ("retail access" or "customer choice").

Legislation is being considered, however, at both the Federal and State levels which would provide customer choice to all electric customers. Most of the legislative alternatives propose implementation dates which range from 1998 to 2002. Montana and California have legislated customer choice and implementation is proceeding.

The Idaho Legislature in its last session passes legislation requiring that all electricity providers in Idaho, including municipal and cooperative utilities, present unbundled costs in accordance with guidelines of the Idaho Public Utilities Commission ("PUC"). This exercise is the Legislature's initial effort toward attempting to identify the potential impacts of deregulation and competition.

Many proposals for deregulation and competition provide for either functional separation or full divestiture of the power supply function from the transmission and distribution (wires) function within a utility. For an investor-owned utility such as PacifiCorp or Idaho Power, some proposals call for a separate legal entity to be formed to own existing generating plants in order to assure fairness in competition and true "customer choice". Functional separation of generation and power supply from wires is being considered by other municipal entities.

CITY'S OBJECTIVES

The Mission Statement of the Electric Division as previously approved by the City Council is as follows:

The Electric Division shall be the consumer-owned electrical energy supplier of choice for its customers by:

1. Offering safe, reliable, high quality power and related services,
2. Giving superior customer service, and
3. Being a regional price leader.

Based upon discussions with management of the Electric Division and representatives of the City, we understand that the City desires to maintain and promote the basic objectives of the Electric Division's Mission Statement during

and after the transition to deregulation and competition. The recommendations set forth in this report are intended to enable the City to achieve these objectives.

DECEMBER 11, 1997

THE POTENTIAL RISKS AND IMPACT OF COMPETITION

The Electric Division's present electricity customers receive service at a total cost which has in the past compared favorably with all other providers in the State of Idaho and is currently lower than its neighboring competitor. Notwithstanding the past competitiveness of the Electric Division, industry restructuring and the transition to competition present a range of risks and uncertainties in future years that are in many instances out of the City's control.

As discussed below, these risks and uncertainties include, among other things, the following: (1) retention of the Electric Division's existing customers; (2) the capital and operating costs of the City's owned generating facilities (the Bulb Turbine Projects and the Gem State Project); (3) the costs of purchased power supplies on the open market; (4) the relative cost position of the City's generating and purchased power resources to future market prices for electricity ("stranded costs"); (5) future rules and regulations governing the determination of the City's stranded costs; (6) stranded cost recovery charges that the Bonneville Power Administration ("B.P.A.") may seek to impose upon its existing customers, including the City; and (7) the ability of the City to recover its stranded costs under future laws and regulations issued by the State of Idaho, FERC and the Idaho PUC.

Retention of customers is of critical importance to the City. Loss of customers can shift payment burdens from commercial and industrial customers (the customers most likely to seek alternative energy suppliers) to residential customers. The keys to the retention of customers are quality service and price of energy.

Based on current forecasts, the City's costs from the Gem State and Bulb Turbine Projects will be somewhat higher than projected market costs. The higher-than-market costs of the Gem State and Bulb Turbine Projects is attributable to the annual debt service requirements of approximately \$7.6 to \$8.0 million on the bonds issued by the City to finance the costs of these projects. The annual debt service requirements on these bonds will continue until their final retirement in 2015. Since the debt service (or capital) costs of the Gem State and Bulb Turbine Projects is the largest component of the total costs of these projects, it is apparent that the City must position itself to reduce its debt service costs if the costs of the Projects are to be reduced to projected market levels. The expected cost of power from B.P.A., and any continuing obligation of the City to purchase power from B.P.A. beyond the end of the current contract (which expires in 2001) add to the City's uncertainty of being competitive.

The City has issued bonds only to finance the cost of construction of the Bulb Turbine and Gem State Projects and has funded all other electric system improvements from earnings of the Electric Light Fund (partly due to the magnitude of generating plant costs as well as the less restrictive provisions of Idaho state law governing the issuance of bonds for generating plants than for transmission and distribution plant additions). The current debt was

consolidated under a common financing plan as system debt in 1991 for both the Bulb Turbine and Gem State Projects and is payable from system revenues.

DECEMBER 11, 1997

Appropriate allocations of debt to generation, transmission and distribution need to be made to accurately reflect the true costs of and investment in all system components.

POWER SUPPLY AND GENERATING PLANT

Diversification

The City considers a diversified power supply portfolio to be important from both a risk and cost standpoint. In addition, a long-term view is considered prudent and has led the City to develop the Bulb Turbine and Gem State Projects which represent nearby renewable resources. From the date of customer choice, it is conceivable that "price" will be all that is considered by the customer. As a result the City has directed us to explore and develop those alternatives which would at least result in a price-neutral wholesale power supply position for the City while maintaining its long-term goals.

2001 Price Target for Wholesale Purchases and Generation Costs

B.P.A. has stated its goal to be competitive at wholesale at 2001 (date of expiration of the City's B.P.A. Contract) is \$20 per Megawatt hour (MWh). While it is possible that \$20 may be as much as 20% higher or lower than the wholesale market price at that time, the City's view from a planning standpoint is that \$20 per MWh is an appropriate target for 2001. We believe that, for planning purposes, this is a reasonable target level for the City's total cost of generated and purchased power and energy in 2001.

Transmission Delivery Costs

Another factor to consider in the competitiveness at the wholesale level is the delivered cost of electricity to the City. Current estimates range from \$2.50 to \$4.50 per MWh for delivery of power from B.P.A., Utah Associated Municipal Power Systems ("UAMPS") or any other wholesale supplier to the Electric Division. Delivery of the Gem State and Bulb Turbine Projects is likely to be \$1.00 per MWh or less because of the resources' location within the City's electric system. While the Electric Division's local generation will enjoy some cost advantages as a result of reduced transmission costs, these advantages are not so large as to offset the higher costs resulting from the annual debt service requirements for the Bulb Turbine and Gem State Projects.

APPROACHES TO REDUCING POWER SUPPLY AND GENERATION COSTS

The following approaches are recommended to position the Electric Division for competition, once direct access begins:

- Set aside into a reserve within the Electric Light Fund retained earnings, reserves and future net earnings which can be used for bond repurchase (1991 Bonds are not callable), payment of all or a portion of each year's debt

service to provide competitive retail rates, capital improvements, or other described purposes.

- Develop a reasonable and appropriate allocation of the current debt to both the wires and generating functions.

DECEMBER 11, 1997

- Establish a current refunding program which permits issuing new bonds to repay all or a portion of a given year's debt service. The new bonds issued would have maturities beyond 2017, effectively extending the debt repayment over more of the useful life of the generating plants. The current refunding program should be a contingency plan used only if the other approaches do not produce the desired results.

DISCUSSION OF ACTION PLAN

It is prudent for the Electric Division to begin building reserves immediately because of the uncertainty of the timing and specifics which may be required by deregulation and competition. While there are many uncertainties associated with the timing and scope of utility deregulation and competition, it is clear that the Electric Division will be best positioned to meet future challenges if it (1) has a cash reserve to pay off debt, maintain a quality transmission and distribution system and stabilize rates, (2) is prepared to recover some of the Electric Division's potential stranded costs through a wire charge and (3) if all else fails is able to defer principal payments on its existing debt through current refundings.

The target amount of the Electric Division reserves specifically provide for the following estimated annual costs over which it has little or no control. Among the variables and resulting dollar amounts are:

- Idaho PUC or FERC directives or unbundling methodology, including allocation of debt (\$2 to \$4 million annually from 2001 through 2015)
- B.P.A.'s rates and contract terms beyond 2001 (\$1 to \$2 million annually from 2001 through 2010)
- Transmission rates and terms (wheeling for B.P.A., UAMPS, and other power supply (\$0.5 to \$1 million annually from 2001 through 2005)
- Market price for wholesale power delivered to the City (\$+2 to \$-2 million annually from 2001 through 2010)
- Snake River water flow variability and resulting power cost from generating plants (\$+2 to \$-2 million annually for the life of the plants)
- Capital improvements (\$1.5 million every other year over and above the budgeted annual amounts)

The initial proposed target amount for the Electric Division reserves is \$20 to \$25 million over and above the existing working capital requirements. The amount represents a realistic view of the likely requirements due to the above stated variables. Because the ranges of the variables are large when added together, the importance of an annual review cannot be overemphasized.

Based on projections of the Electric Division, it appears that the proposed reserve amount (1) can be satisfied with existing retained earnings, reserves, and projected net earnings without any rate increase; (2) will provide enough cash to pay down sufficient debt to make the Bulb Turbine and Gem State Projects competitive resources; and (3) it will enable the Electric Division to operate on a pay-as-you-go basis and will provide reserves for the variables described above and for unforeseen contingencies. The key assumptions in the

projections are that rates to customers would remain as currently set for all customers, transfers to the City's General Fund would remain at the present level, and "customer choice" would not begin until 2001.

DECEMBER 11, 1997

IMPLEMENTATION AND CONTINUING REVIEW OF ACTION PLAN

Immediate implementation of the action plan will give the City the most flexibility and will increase the probability of its competitiveness. As the timing and variables become better defined, the fund target may need to be increased or decreased. In addition, it will become clearer over time to what extent, if any, the "current refunding" program needs to be utilized.

CONCLUSIONS

Based on the information presented in this report, the conclusions are:

- The City is reasonably well positioned to effectively compete in a deregulated, competitive energy industry; however, changes in some aspects of the City's finance and operation are likely to be required.
- Customers of the City's will most likely continue to use the wires and other administrative services including metering, billing and collecting.
- The most likely change required will be with respect to power supply and/or generation because customers of the City's will most likely have the opportunity to choose an electric energy supplier (which may or may not be the Electric Division).
- In order for customers to continue to buy electric energy from the City, after customer choice is implemented, the price and services offered by the Electric Division must be comparable to or better than the competition.
- It is the best interest of the City, its residents and the customers of the Electric Division for the City to implement immediately the action plan described above.

RECOMMENDATIONS

Based on the findings and conclusions above, it is therefore recommended that the City:

- Establish a fund with an initial target balance from \$20 to \$25 million, funded from existing reserves and current revenue, which can be used for bond repurchase, payment of all or a portion of power supply costs or debt service to maintain competitiveness, capital improvements and other permitted purposes.
- Allocate debt to both the wires and generation functions in accordance with accepted State of Idaho and FERC guidelines, either presently adopted or promulgated in the future.
- Develop a bond repurchase/debt retirement program to prepay existing debt.
- Maintain operations on a pay-as-you-go basis and the current level of transfers to the General Fund.
- Monitor and review annually the target balance for the fund.
- Establish a contingent "current refunding" program which can be used annually, if required, to effectively extend debt to later in the useful lives of the generating projects and after the current bonds mature.

- Continue to monitor and attempt to anticipate and influence the rapid changes in the electric utility industry to reflect the unique circumstances of the City and its customers.

DECEMBER 11, 1997

Mr. Gendron reviewed for the City Council the various federal and state laws and regulations that had been enacted over the past few years to promote competition in wholesale and retail electric services and discussed the possibility that legislation or regulations could be passed in the future by either the federal government or the State of Idaho that could require the City's Electric Division to provide "retail wheeling" or "customer choice". Mr. Gendron advised the City Council that the Electric Division had directed the Consulting Engineer to prepare an engineering study that analyzed the changes now occurring in the electric utility industry and the potential impact of such changes on the Electric Division and that sets forth the recommendations of the Consulting Engineer regarding the actions that could be taken by the City to ensure that the Electric Division would be able to meet the challenges of the competitive electric utility industry.

Mr. Gendron reviewed with the Council the analysis and recommendations contained in the Engineer's Report and there followed a general discussion of the Engineer's Report. The City Council then reviewed the Mission Statement and Operating Principles of the Electric Division in light of the recommendations contained in the Engineer's Report.

Councilmember Eldredge noted that the Engineer's Report recommended that the City set aside \$20 to \$25 million within the Electric Division to be used for early retirement of the outstanding electric bonds of the City, the costs of necessary capital improvements, renewals and replacements to the City's electric system, rate stabilization, power supply costs and other purposes related to the electric system. Mr. Eldredge noted that after reserving necessary amounts for working capital, the application of (i) the existing retained earnings of the Electric Light Fund, (ii) the reserves to be released on April 1, 1998 upon the final payment of the City's Taxable Electric Revenue Refunding Bonds, Series 1994 and (iii) the projected net earnings of the Electric Light Fund should produce an amount equal to the recommended funding level by the year 2001. Mr. Eldredge noted that this corresponds to the Consulting Engineer's estimate of the timeframe for customer choice and retail wheeling. Mr. Eldredge proposed that the amounts to be set aside be deposited into a special fund within the Electric Division to be known as the "Rate Stabilization Fund".

After a discussion of the foregoing matters, the following Ordinance was introduced in written form by City Attorney, Mr. Storer, and was read by title:

ORDINANCE NO. 2258

SUPPLEMENTAL ORDINANCE NO. 2258 MAKING CERTAIN FINDINGS AND DETERMINATIONS WITH RESPECT TO THE CITY'S ELECTRIC DIVISION, ESTABLISHING A RATE STABILIZATION FUND WITHIN THE ELECTRIC LIGHT FUND, MAKING CERTAIN APPROPRIATIONS TO SUCH FUND AND PROVIDING FOR RELATED MATTERS.

The foregoing Ordinance was presented by title only. Councilmember Eldredge moved, and Councilmember Hardcastle seconded, that the provisions of Idaho Code Section 50-902 requiring all Ordinances to be read by title, and once in full, on three separate dates be dispensed with and the Ordinance be passed on all three readings. Roll call as follows:

Aye: Councilmember Hardcastle
 Councilmember Branson
 Councilmember Eldredge
 Councilmember Carlson

Councilmember Erickson
Councilmember Mills

DECEMBER 11, 1997

Nay: None

Motion Carried.

Councilmember Eldredge expressed his appreciation for Mark Gendron, Electric Division Director, Jim Burr and Bob Mooney for all of the work that has gone into this Engineer's Report and Ordinance. The Electric Division Director expressed his appreciation to Dale Storer (City Attorney), Craig Lords (Municipal Services Director), Craig Rockwood (City Treasurer), Robert Holm (City Controller), Jo Fikstad (Electric Division), and Scott McBride (Electrical Engineer) for their work in creating this Engineer's Report and Ordinance. Mr. Gendron acknowledged Councilmember Melvin Erickson for his role in the development of the City's electric utility.

The Municipal Services Director submitted the following memos:

City of Idaho Falls
December 5, 1997

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: S. Craig Lords, Municipal Services Director
SUBJECT: LEASE AGREEMENT – CAFÉ AT SAND CREEK GOLF COURSE

Attached for your consideration are copies of a proposed Lease Agreement between the City of Idaho Falls and Norman Helderan for the Café located at Sand Creek Golf Course. The City Attorney has approved said Agreement.

Municipal Services does not anticipate that the property will be needed for public purpose during the term of this Agreement.

Municipal Services recommends approval of this Agreement and respectfully requests City Council to approve and authorize the Mayor to execute the Agreement.

s/ S. Craig Lords

It was moved by Councilmember Eldredge, seconded by Councilmember Mills, to approve the Lease Agreement with Norman Helderan for the Café at Sand Creek Golf Course and, further, give authorization for the Mayor and City Clerk to execute said documents. Roll call as follows:

Aye: Councilmember Eldredge
Councilmember Carlson
Councilmember Mills
Councilmember Erickson
Councilmember Branson
Councilmember Hardcastle

Nay: None

Motion Carried.

DECEMBER 11, 1997

City of Idaho Falls
December 5, 1997

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: S. Craig Lords, Municipal Services Director
SUBJECT: LEASE AGREEMENT – 19TH HOLE CAFÉ AT PINECREST GOLF COURSE

Attached for your consideration are copies of a proposed Lease Agreement between the City of Idaho Falls and Renee Walsh for the 19th Hole Café and Refreshment Stand located at Pinecrest Golf Course. The City Attorney has approved said Agreement.

Municipal Services does not anticipate that the property will be needed for public purpose during the term of this Agreement.

Municipal Services recommends approval of this Agreement and respectfully requests City Council to approve and authorize the Mayor to execute the Agreement.

s/ S. Craig Lords

It was moved by Councilmember Eldredge, seconded by Councilmember Mills, to approve the Lease Agreement with Renee Walsh for 19th Hole Café at Pinecrest Golf Course and, further, give authorization for the Mayor and City Clerk to execute the necessary documents. Roll call as follows:

Aye: Councilmember Hardcastle
Councilmember Branson
Councilmember Eldredge
Councilmember Carlson
Councilmember Erickson
Councilmember Mills

Nay: None

Motion Carried.

City of Idaho Falls
December 5, 1997

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: S. Craig Lords, Municipal Services Director
SUBJECT: LEASE AGREEMENT – CAFÉ AT SAGE LAKES GOLF COURSE

Attached for your consideration are copies of a proposed Lease Agreement between the City of Idaho Falls and Renee Walsh for the Café located at Sage Lakes Golf Course. The City Attorney has approved said Agreement.

DECEMBER 11, 1997

Municipal Services does not anticipate that the property will be needed for public purpose during the term of this Agreement.

Municipal Services recommends approval of this Agreement and respectfully requests City Council to approve and authorize the Mayor to execute the Agreement.

s/ S. Craig Lords

It was moved by Councilmember Eldredge, seconded by Councilmember Mills, to approve the Lease Agreement with Renee Walsh for the Café at Sage Lakes Golf Course and, further, give authorization for the Mayor and City Clerk to execute the necessary documents. Roll call as follows:

Aye: Councilmember Branson
Councilmember Hardcastle
Councilmember Mills
Councilmember Eldredge
Councilmember Carlson
Councilmember Erickson

Nay: None

Motion Carried.

City of Idaho Falls
December 5, 1997

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: S. Craig Lords, Municipal Services Director
SUBJECT: BID IF-98-6, QWIKSALT ROAD SALT

Attached for your consideration is the tabulation for Bid IF-98-6, Qwiksalt Road Salt.

It is the recommendation of Municipal Services to accept the low bid of Doug Andrus Distributing, Inc. to furnish the required Qwiksalt Road Salt for an amount of \$22.75 per ton.

s/ S. Craig Lords

It was moved by Councilmember Eldredge, seconded by Councilmember Mills, to accept the low bid of Doug Andrus Distributing, Inc. to furnish the required Qwiksalt Road Salt. Roll call as follows:

Aye: Councilmember Mills
Councilmember Erickson
Councilmember Carlson

Councilmember Branson
Councilmember Hardcastle
Councilmember Eldredge

DECEMBER 11, 1997

Nay: None

Motion Carried.

The Parks and Recreation Director submitted the following memos:

City of Idaho Falls
December 8, 1997

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: Dave Christiansen, Parks and Recreation Director
SUBJECT: LEASE AGREEMENT – IDAHO FALLS BRAVES PROFESSIONAL
BASEBALL CLUB, INC.

Attached for your consideration is a three year lease extension between the City of Idaho Falls and the Idaho Falls Braves Professional Baseball Club, Inc. The purpose of the extension is to allow the Idaho Falls Braves Professional Baseball Club, Inc. to lease the McDermott Baseball Field Facility for providing professional baseball. The City Attorney has reviewed the Agreement. It is, therefore, submitted for your approval.

s/ Dave Christiansen

It was moved by Councilmember Mills, seconded by Councilmember Erickson, to approve the Lease Extension Agreement with the Idaho Falls Braves Professional Baseball Club, Inc. for a three year period and, further, give authorization for the Mayor to execute the necessary documents. Roll call as follows:

Aye: Councilmember Carlson
Councilmember Erickson
Councilmember Hardcastle
Councilmember Eldredge
Councilmember Mills
Councilmember Branson

Nay: None

Motion Carried.

City of Idaho Falls
December 8, 1997

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: Dave Christiansen, Parks and Recreation Director
SUBJECT: JOINT USE AGREEMENT – BONNEVILLE CHARIOT
ASSOCIATION

Attached for your consideration is a Joint Use Agreement between the City of Idaho Falls and the Bonneville Chariot Association for the purpose of

DECEMBER 11, 1997

conducting chariot horse racing at the Sandy Downs Facility for the 1997 and 1998 Season. The Agreement has been prepared and reviewed by the City Attorney.

It is respectfully submitted for your approval and to have the Mayor and City Clerk to sign and execute said Agreement.

s/ Dave Christiansen

It was moved by Councilmember Mills, seconded by Councilmember Erickson, to approve the Joint Use Agreement with the Bonneville Chariot Association and, further, give authorization for the Mayor to execute the necessary documents. Roll call as follows:

Aye: Councilmember Eldredge
Councilmember Carlson
Councilmember Mills
Councilmember Erickson
Councilmember Branson
Councilmember Hardcastle

Nay: None

Motion Carried.

The Planning and Building Director submitted the following memo:

City of Idaho Falls
December 8, 1997

MEMORANDUM

TO: Mayor and City Council
FROM: Renée R. Magee, Planning and Building Director
SUBJECT: EXTENSION FOR RECORDING – WEST JENNIE LEE ADDITION,
DIVISION NO. 18

Attached is a written request to extend the recording of West Jennie Lee Addition, Division No. 18 for ninety (90) days. Under Section 10-1-17(E), a Final Plat is to be filed with the County Recorder's Office within ninety (90) days of Council approval unless an extension of time is granted by the Council. As stated in the attached correspondence, the engineering firm has not received the platting fees necessary for filing. This extension request is being submitted by the Mayor and Council for consideration.

s/ Renée R. Magee

It was moved by Councilmember Branson, seconded by Councilmember Carlson, to grant the extension of ninety (90) days for the recording of the West Jennie Lee Addition, Division No. 18 Final Plat as requested. Roll call as follows:

DECEMBER 11, 1997

Aye: Councilmember Hardcastle
Councilmember Branson
Councilmember Eldredge
Councilmember Carlson
Councilmember Erickson
Councilmember Mills

Nay: None

Motion Carried.

The Police Chief submitted the following memos:

City of Idaho Falls
December 1, 1997

MEMORANDUM

TO: Honorable Mayor Linda Milam and City Councilmembers
FROM: Chief J. K. Livsey, Police Chief
SUBJECT: ANIMAL SHELTER ORDINANCE

Attached is a copy of the proposed Impound/Boarding Fee Increases for the Animal Shelter. In addition to increasing fees, there will be new fees added.

Your approval of this increase will be appreciated.

s/ J. K. Livsey

Daniel Wallace, 1165 Bower Drive, appeared with a concern regarding the minimal amount collected for dog tags for non-spayed or non-neutered dogs. He stated that the fees should be higher to encourage pet owners to spay or neuter their animals. He requested the City Council to enforce the current law, until such time that this Ordinance can be fully reviewed.

Councilmember Hardcastle explained that any fees collected by the Animal Shelter and in behalf of the Animal Shelter should just cover the costs of doing business. She stated, further, that money has been set aside for several years to build a new Animal Shelter. This Ordinance is being adopted and the changes being made are to encourage people to license their dogs.

Mayor Milam clarified that the license fee was set so as to encourage people to license their dogs that they might be identified and the owners found. If the fees are set too high, people are discouraged from licensing their dogs.

At the request of Councilmember Hardcastle, the City Attorney read the following Ordinance by title:

ORDINANCE NO. 2259

AN ORDINANCE REPEALING AND RE-ENACTING
SECTIONS 5-9-12, 5-10-3 AND 5-10-6 AND
ADOPTING A NEW SECTION 5-9-17 OF THE CITY

CODE OF IDAHO FALLS, IDAHO; PROVIDING FOR
THE IMPOUNDMENT AND CONFINEMENT OF
ANIMALS FOUND RUNNING AT LARGE WITHIN THE

DECEMBER 11, 1997

CITY AND ESTABLISHING A BOARDING FEE AND IMPOUND FEE THEREFOR; REQUIRING PAYMENT OF CERTAIN FEES FOR THE DISPOSAL OF ANIMAL CARCASSES; ESTABLISHING LICENSING FEES FOR DOGS AND SETTING FORTH PROCEDURES FOR DISPOSAL OF UNLICENSED OR UNCLAIMED DOGS; PROVIDING FOR SEVERABILITY; AND ESTABLISHING EFFECTIVE DATE.

The foregoing Ordinance was presented by title only. Councilmember Hardcastle moved, and Councilmember Branson seconded, that the provisions of Idaho Code Section 50-902 requiring all Ordinances to be read by title, and once in full, on three separate dates be dispensed with and the Ordinance be passed on all three readings. Roll call as follows:

Aye: Councilmember Branson
Councilmember Hardcastle
Councilmember Mills
Councilmember Eldredge
Councilmember Carlson
Councilmember Erickson

Nay: None

Motion Carried.

City of Idaho Falls
December 9, 1997

MEMORANDUM

TO: Honorable Mayor Linda Milam and City Councilmembers
FROM: Chief J. K. Livsey, Police Chief
SUBJECT: RUNAWAY ORDINANCE

Enclosed is a proposed Ordinance pertaining to Juvenile Runaways. Bonneville County has enacted this Ordinance, and it is our desire to do the same to assist officers with dealing with these young offenders.

Your consideration in this matter is appreciated.

s/ J. K. Livsey

Councilmember Hardcastle explained that this Ordinance will bring Juvenile Runaways under the purview of the Juvenile Justice System so that they might receive help or counseling. At the request of Councilmember Hardcastle, Jared Fuhriman (Police Department) appeared to explain that approximately 327 youth in Bonneville County have run away since January 1, 1997. This Ordinance will make it illegal for youth to run away, and further, will allow for helping youth and families who have suffered with runaways.

At the request of Councilmember Hardcastle, the City Attorney read the following Ordinance by title:

DECEMBER 11, 1997

ORDINANCE NO. 2260

AN ORDINANCE OF THE CITY OF IDAHO FALLS, IDAHO PROVIDING FOR THE ADOPTION OF A NEW SECTION 5-7-7 OF THE CITY CODE RELATING TO RUNAWAY CHILDREN; DECLARING IT UNLAWFUL FOR ANY MINOR TO RUN AWAY FROM HIS OR HER PARENTS OR LEGAL GUARDIAN; PROVIDING FOR SEVERABILITY AND EFFECTIVE DATE.

The foregoing Ordinance was presented by title only. Councilmember Hardcastle moved, and Councilmember Branson seconded, that the provisions of Idaho Code Section 50-902 requiring all Ordinances to be read by title, and once in full, on three separate dates be dispensed with and the Ordinance be passed on all three readings. Roll call as follows:

Aye: Councilmember Branson
Councilmember Hardcastle
Councilmember Mills
Councilmember Eldredge
Councilmember Carlson
Councilmember Erickson

Nay: None

Motion Carried.

The Public Works Director submitted the following memo:

City of Idaho Falls
December 10, 1997

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: Chad Stanger, Public Works Director
SUBJECT: BID AWARD – VETERANS MEMORIAL FLOOD DAMAGE REPAIR

On November 18, 1997, bids were received and opened for the Veterans Memorial Flood Damage Repair. Attached is a tabulation of the bid results.

Public Works recommends award of this Contract to the low bidder, Ferguson 4T Construction, Inc., in the amount of \$52,900.00; and, authorization for the Mayor and City Clerk to sign the Contract Documents.

s/ Chad Stanger

It was moved by Councilmember Erickson, seconded by Councilmember Mills, to accept the low bid of Ferguson 4T Construction, Inc. and, further, give authorization for the Mayor and City Clerk to sign the Contract Documents. Roll call as follows:

DECEMBER 11, 1997

Aye: Councilmember Mills
Councilmember Erickson
Councilmember Carlson
Councilmember Branson
Councilmember Hardcastle
Councilmember Eldredge

Nay: None

Motion Carried.

Memo from the Traffic Safety Committee carrying one recommendation:

City of Idaho Falls
November 24, 1997

MEMORANDUM

TO: Honorable Mayor Milam and City Councilmembers
FROM: Chief J. K. Livsey, Police Chief
SUBJECT: TRAFFIC SAFETY RECOMMENDATION

Attached are the minutes from the November Traffic Safety Meeting which recommends the placement of a "No Parking Here To Corner" sign and that a crossing guard be hired at this same location of Grizzly and Pancheri.

Your approval of this action recommended by the Traffic Safety Committee is appreciated.

s/ J. K. Livsey

Councilmember Hardcastle explained that after a traffic study was conducted in this area, it was decided to hire a crossing guard for one hour in the morning only, along with placing the sign. There being no further discussion, it was moved by Councilmember Hardcastle, seconded by Councilmember Branson, to approve the placement of a "No Parking Here To Corner" sign at the location of Grizzly Avenue and Pancheri Drive, along with a crossing guard to be placed at this same location. Roll call as follows:

Aye: Councilmember Carlson
Councilmember Erickson
Councilmember Hardcastle
Councilmember Eldredge
Councilmember Mills
Councilmember Branson

Nay: None

Motion Carried.

DECEMBER 11, 1997

There being no further business, it was moved by Councilmember Eldredge, seconded by Councilmember Mills, that the meeting adjourn at 8:25 p.m.

CITY CLERK

MAYOR
