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The Idaho Falls Power Board of the City of Idaho Falls met Thursday, February 27, 2020, at the Idaho Falls Power Conference Room, 140 S. Capital, Idaho Falls, Idaho at 7:00 a.m.

Call to Order, Roll Call, and Announcements:

There were present:

Mayor Rebecca L. Noah Casper
Board Member Thomas Hally
Board Member Jim Francis
Board Member Jim Freeman
Board Member Shelly Smede
Board Member Michelle Ziel-Dingman

Absent:

Board Member John Radford

Also present:

Bear Prairie, Idaho Falls Power (IFP) General Manager
Stephen Boorman, IFP Assistant General Manager
Randy Fife, City Attorney
David M. Smith, City Accountant
Linda Lundquist, IFP Executive Assistant

Mayor Casper called the meeting to order at 7:01 a.m. with the following items:

Calendar, Announcements, and Events Update:

Mayor Casper gave an update on the 2020 APPA Legislative Rally in Washington D.C. She pointed out legislation that is being brought forward on the federal level that is of interest to the utility such as pole attachments. She said that Senator Risch is interested in helping to keep minor league baseball in Idaho Falls and reminded the board members of the upcoming City Club meeting on Friday.

Updates from Board Members:

Board Member Hally said that Jackson Hole Junction is having an event later today at 3:00 p.m. to present to the public the proposed new projects for the area. Board Member Francis asked for clarification on the Department of Energy's (DOE) budget. Board Member Freeman brought up the prior week's City Club event and stated that he felt encouraged that legislators seem to understand the importance of waste disposal. There was a discussion on waste disposal and reprocessed fuel. GM Prairie said that there is a federal bill in the house regarding restricting local authorities zoning requirements for wind and solar facilities.

Q4, Annual Report and Board Policy No. 5:

GM Prairie noted that a few incorrect slides were included in the packet and that it will be corrected after the meeting. He continued to say that the Financial Stability and Credit Worthiness policy states what we do as an entity and it's what credit agencies look at when evaluating the risk and stability of an organization. He reviewed the policy and emphasized that it's the Board's duty to remain engaged, be competent and qualified, and be focused on retaining management and key employees. It's also the Board's responsibility to make sure the General Manager is educated and participates in the industry, make sure the staff is trained, have succession planning and follow reporting requirements.

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GM Prairie reviewed the 2018-19 fiscal year financials. He noted a major investment in fiber, the construction of the 161-line extension project and the potential Westside substation buyout. Board Member Freeman asked if there is something in place in case there are too many days of cash on hand? GM Prairie stated that there is a potential of spending upward of sixty-five million dollars over the next five years with up-coming larger capital projects like the fiber network expansion, distribution investments and the 161 kv line. He continued to say that the Target Fund balance is coming off of a good water year and noted that the area has not experienced a drought in at least seven years. He gave instances where the Rate Stabilization Fund would be utilized instead of raising rates to cover things unexpected. It acts as a rate shock absorber. Mayor Casper asked about the utility's investment strategy. Mr. Smith answered that investing is managed through City Treasury. GM Prairie stated that the City Treasurer is being very specific on matching gains to funds and said that even though fiber is under the electric power umbrella that it wouldn't be prudent to mix rate classes as fiber and power customers may not be one in the same, plus it eliminates subsidization back and forth. He added that instead of reinvesting funds in the market, that it be invested back into fiber. Mr. Smith said that there is some leeway in the Rate Stabilization and Capital Improvement Funds. GM Prairie explained that The Rate Stabilization Fund is driven off of the power supply. Mayor Casper asked for a deeper dive into the Energy Conservation Fund and programs sometime this year. GM Prairie said April may be good opportunity and continued to review the fund balances. Mr. Smith explained how the bank accounts were combined into a pooled cash account, but that the cash is being tracked separately. He reviewed the Power Financial Report and announced that future reporting will contain more information including gap reporting and capital expenditures and will follow the budget more closely. He proposed to change the format and report that has been used in years past to something he believes is more informative. The Board was in general agreement to the changes. GM Prairie added that the new reporting will be a more accurate representation of day-to-day activities. Board Member Freeman asked if the auditors review the Electric department when the rest of the City is reviewed? Mr. Smith replied yes and added that two-thirds of their time is spent on auditing Electric's accounts. He gave a 2018/2019 year-to-year comparison and noted that there is more money flowing in 2019 due to the fiber pilot being a new addition. He reviewed the assets and depreciation and stated that the hydro projects alone are valued at \$290,000,000. GM Prairie stated that the fiber fund was created last year to provide more clarity and noted that the MERF fund balance is not included in the fund balance because it's used more as a capital planning tool. Mr. Smith added that the MERF fund predicts how long something is expected to last. There was a discussion on how the utility keeps older but functioning vehicles in the fleet as backups for when the newer ones go in for service, etc. Mayor Casper added that MERF is good for departmental planning on equipment and added that Enterprise Funds have more leeway with MERF than the General Fund. GM Prairie stated that the utility has been replacing equipment based on need and not just when it's scheduled, which also gives the opportunity to role funds out of MERF and back into the utility if needed. He explained how the Enterprise and General Funds work differently.

GM Prairie gave a short briefing on Payment in Lieu of Taxes (PILOT). He explained why the graph looks different now where the dollars are put directly into the General Fund than it did in the past when in-kind transfers were used. He gave a Customer Service Exchange update and mentioned that IFP and other interested parties were trying to streamline the process through the Public Utility Commission, and even though the bill failed this year, it shed light on the burdened process. He said there will be efforts to move it forward again in next year's legislation season. Mayor Casper asked if the utility is incentivizing upfront payments? GM Prairie stated that most of the commercial customers pay upfront and about ninety-five percent of residential customers pay monthly for system transfers and noted that the electric power savings for most customers are still lower in cost than what they had been paying previously. Mr. Fife stated that by customizing the service locations, there have been no consumer complaints. GM Prairie added that IFP pays for 100 percent of the asset transfer and splits the legal and other overhead costs 50/50 with the

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customer. In contrast, Rocky Mountain Power charges 100 percent of the service transfer costs to the customer. AGM Boorman explained that transferring larger blocks of service (like an entire neighborhood) at once is more economical for the customer. Mayor Casper stated that she is proud how the utility has been able to keep the rates low. GM Prairie explained how the utility was making it a win-win situation for all parties. Mr. Fife stated that the incumbent provider has the right to provide services after annexation and that City service is not part of the annexation laws.

GM Prairie reviewed the Service Territory Load Growth and explained how it's trending due to energy conservation efforts like the use of LEDs. He pointed out that the winter peaks are going down and the summer peaks are increasing, likely due to air-conditioning going into new builds. He noted that the wholesale power supply costs are inline, but with a slight increase from the previous year. He stated that the Columbia River didn't have a great water year, but that the projections are mostly inline. He noted that projected retail sales and generation are inline and came within 116 customers. GM Prairie stated that he may add forward hedges out to five years to take some risk out of the portfolio. He continued to say that due to last year's fires and hurricanes, insurance rates will likely increase 15-30 percent. He added that the utility will be switching to the preferred broker of American Public Power Association because they have access to more underwriters, which will hopefully lead to more competitive rates.

GM Prairie reviewed the Workforce Trends and Mr. Smith added that the utility is budgeting for the possibility of six retirements in the next fiscal year. GM Prairie said that we will continue to have linemen retirements and will post positions as they come available. He said that the focus this year in the union negotiations will be on some legal cleanup and aligning more with City policies where we can. He added that pressure continues to be on General Managers and management positions and noted that wages are rising faster in the utility industry compared with other industries due to shortages of experienced utility workers. He reviewed areas of risk for the utility and said there is a focus on the current accounting system and stressed the need for a state-of-the-art software system that not only could meet the needs of the utility, but the entire City. He stated he has been working with Municipal Services as they develop out a path for software changes. GM Prairie reviewed compliance and reliability standards. He reviewed how safety is being tracked in the utility and pointed out how the accidents and lost time is trending downward.

GM Prairie stated that due to time limitations, he couldn't review the PILOT policy but noted the redlined version is included in the packet. He explained that Mayor Casper and he made some changes that include a six and a half percent payment to the general fund and will bring it forward in the next Board meeting as an action item for approval.

Due to time limitations, the Power Supply and Resource Adequacy Video will be tabled until the next meeting, but GM Prairie noted that links to the video are in the packet.

Carbon Free Power Project (CFPP):

GM Prairie stated that the CFPP project has slowed down some. The decision to move forward will be presented likely in the fall. He reviewed the March 2018 Board Minutes on the original CFPP presentation and gave project updates. He said to expect to see Fluor continue to divest ownership and noted that they are losing around a billion dollars per year. He said that the design certification is ahead of schedule. It will now be available likely in fall the of 2020. He pointed out other changes like the upsized power that went from 50Mw to 60Mw modules. He said that Utah Associated Municipal Power Systems (UAMPS) is using a new engineering company to conduct a wet-cooling and/or dry-cooling analysis and that the UAMPS project committee will make the decision on cooling and he will update the board when that takes place. GM Prairie pointed out that Phase One of the project had been amended to remain in Phase One longer to

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get more clarity and noted that the cost share increased from six million to nine million dollars. Board Member Hally asked if the DOE's contribution is known? GM Prairie replied no, that it is still being worked on. He continued to say that adding a Small Nuclear Reactor (SMR) asset will raise rates initially, but when it's paid off it will likely be one of the most affordable assets in the portfolio similar to the Bulb Turbines and Gem State. The SMR's life is budgeted to forty years, but likely to be 60-80 years. He added that 215MWs of the SMR has been sold thus far, including the DOE's share. Board Member Francis asked when the City is expected to have to pay for it? GM Prairie answered that it's not paid upfront but through a bond issue paid out over forty years. He reviewed the power sales contract and mentioned that if anyone leaves the project, that it will create an offramp for everyone in the project, but noted that there are committed stakeholders. Mayor Casper asked about the Construction Operating License Agreement (COLA). GM Prairie stated that the sitework would be done in parallel with the license application. He stated that under the current market scenario, a 55MS SMR asset would increase rates by about five percent, however, with the Joint Use Module Plant (JUMP) acquisition in fifteen years, it will likely help bring operating costs down because the JUMP module will be a lower cost than our base original 10MW.

Utility Reports:

Federal and State Regulation/Legislation – GM Prairie reviewed the Idaho Conservation League letter that was sent to the Council Members. Mayor Casper stated that a Board response is appropriate. GM Prairie agreed to draft a response letter for Mayor and Council to review with a plan to bring forward as an action item in the March 12, 2020 Council Meeting. GM Prairie stated that the Fiber legislation failed. Mr. Fife commented that he will work on the messaging and language in the bill for next year's legislation season. Board Member Hally asked where the Idaho Governor stands on the broadband issue and GM Prairie stated that the Governor is supportive of municipalities having broadband.

There being no further business, the meeting adjourned at 11:15 a.m.

s/ Linda Lundquist _____

Linda Lundquist, EXECUTIVE ASSISTANT

s/ Rebecca L. Noah Casper _____

Rebecca L. Noah Casper, MAYOR