

February 28, 2019

The City Council of the City of Idaho Falls met in Special Meeting (Idaho Falls Power Board), Thursday, February 28, 2019, at 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 (by telephone until 10:30 a.m.)
Board Member Jim Freeman
Board Member John Radford (by telephone)
Board Member Shelly Smede
Board Member Michelle Ziel-Dingman

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
Jace Yancey, IFP Operation Technology Manager
Richard Malloy, IFP Hydropower and Utility Regulatory Compliance Manager
Linda Lundquist, IFP Executive Assistant

Mayor Casper called the meeting to order at 7:02 a.m. with the following items:

Calendar, Announcements, and Events Update:

Mayor Casper reported on the American Public Power Association (APPA) Rally in Washington DC this week. Monday was a business day for the APPA and between Mayor, General Manager Prairie and Board Member Radford, they attended the following meetings; policy makers, awards, political action, workshop takeovers, and buyouts. Mayor Casper noted that when investor owned utilities buyout public owned utilities, the boards become disengaged when they start thinking monetarily of their utilities. There was a pole attachment workshop similar to last years'. She mentioned that 5G has still not been perfected nor commercially deployed and that it's more of a densification of 4G. There is a bill in the house against Federal overreach to repeal the FCC rule. There are agencies making rules that contradict laws so General Manager Prairie stated that when there is a broad consensus with the board, then he'll sign onto bills that rein in overreach. Tuesday and Wednesday were spent visiting offices on the Hill. Their group met with Congressman Simpson and the Appropriations Committee. They also visited Congressman Fulcher's 1st Congressional District. Mayor stated that he has hired a seasoned and diverse staff and seems enthusiastic. The group attended the Idaho Industries Breakfast, which had a nuclear theme. Senator Crapo gave Idaho Falls Power a shout out. They had a good visit with Senator's Merkley and Risch. Discussions took place over small modular pole attachments, municipal bonds, and the potential for sale power marketing agencies like Bonneville Power.

Board Member Radford added that the group, including Mike Squires, Government Affairs Director with the Utah Associated Municipal Power Systems (UAMPS) had met with Senator Feinstein's office and noted that progress was being made in support of licensure, but said there are concerns about price and sustainability. The Policy Makers Council was a good experience to learn about business, and infrastructure. He stated that Municipal Bonds are a big issue and that current tax laws prevent refinancing for lower rates. More of that discussion was tabled for next month's board meeting.

Board Member Hally led a further discussion around 5G and 4G. It was brought up that micro towers were being put in 4G areas or high density areas to fix call-drops at heavy load times.

February 28, 2019

Updates from Board Members:

There were no updates.

Fiber Pilot Update:

Mr. Yancey gave an update on the Fiber Pilot project. The Idaho Falls Fiber (IFF) is launching an interim website with four local providers known to the utility. Board Member Freeman asked if there is a liability issue if the providers cause damage. General Manager Prairie asked for clarification of question and stated that there won't be cause for physical harm to property or the utility. Mr. Yancey said that if we as a fiber utility were to succeed then the providers succeed as well and added that training for the providers was to take place later this day. He continued to update the board with the status of the website and that the utility is working with Civic Plus, who built the City website. They charge \$6000 dollars for a landing page and need six months to complete the project. Since their completion timeframe was not in-line with Fiber's goals, the staff created a workaround and diligently built out a WordPress website for a March 4 launch. Staff will continue to prepare content so when Civic Plus is ready to roll out the Fiber landing page, pages of information will be ready to drop in to the new website.

Mr. Yancey mentioned the GIS map that was created for the Monday launch and noted that it is great tool for Fiber and the community. The interactive maps will be populated when fiber becomes available and will notify community members that have signed up for notification. General Manager Prairie would like to see a 20 percent signup rate over the next two months and 40 percent in six months' time - marching toward 50 percent in one year, which is being tracked through work orders. In a couple of months, Fiber will give an update to the board. Mr. Yancey stated that staff is working to automate the signup and payment process as much as possible in hopes of making it easier for the customer. He previewed the website, *Idahofallsfiber.com*, and reviewed the signup and installation process. Mr. Yancey highlighted the "two bill" language so that customers do not get confused between the infrastructure billing (link to city utility billing) and the provider billing (links to provider websites). The service providers have multiple options/price ranges. There is good competition among three of the four. General Manager Prairie said in Utah it took 10 years for pricing to evolve - by comparison, IFF is starting with competitive pricing out the door. It is a different economic business model where the demand is already here and the pricing is inline. We will have analytics for customers that want fiber when they fill out an interest form. He stated that there may be a learning curve for three of the four providers but we will stay committed to each other's success, which is good for the community. Mr. Yancey added that YouTube TV is now available in our area, plus offerings from Hulu and other streaming services that include local stations. General Manager Prairie spoke about tying fiber into the electric utility through the central HVC system. IFF is giving away a Honeywell thermostat to central heating/air customers when they sign up for a fiber installation.

Utility-wide Market Compensation Policy

General Manager Prairie reviewed the Utility-wide Market Based Compensation policy and asked for the board's approval that it to be moved from an administrative policy to a board policy. He stated that the union contract is in line with the City policy. There was a discussion about 1-year contracts and 3-year contracts and Mr. Fife stated that 1-year contracts are preferable and are in accordance with the law. Annually, there is about 12 hours of staff time for union negotiation. Idaho Falls Power has a good working relationship with the union. General Manager Prairie reviewed the non-union policy and spoke about the Milliman study and plans to bring it to the 2019 union contract negotiations.

It was moved by Board Member Dingman and seconded by Board Member Radford to allow staff to make minor grammar/formatting edits and add "lesson/eliminate" to section *II. Procedure Statement* and to change the policy from an IFP Administration Policy to a Board Policy. Roll call as follows: Aye - Board Members Francis, Dingman, Smede, Freeman, Hally, Radford. Nay - none. Motion carried.

February 28, 2019

FY2018 Financials and Compliance w/Finance Policy Review:

General Manager Prairie presented the Financial Stability and Creditworthiness Annual Report for FY2018. The two main parts; Financial Stability and Creditworthiness and Risk Management, were reviewed with general discussion throughout with emphasis on the sections of Responsibilities, Reporting and Asset and Operations Management.

Finance: Target Liquidity & Coverage –

The results of operation and financial condition of Idaho Falls Power, including a report on the liquidity and coverage requirements targeted fund balances established by this policy.

Year-end analysis shows policy calls for a minimum of 250 days cash-on-hand and IFP has 392; exceeding requirements of cash-on-hand targets.

Target Fund Balances

Policy set initial targets, then they are provided in the Cost of Service (COS), which drives the budget process. Fund balances, not including MERF, didn't draw down on funds from 2015 as much as was anticipated. There were some small rate tweaks in 2017, so as not to drawback too much. 2018 was a good water year with good wholesale revenue. Some dollars go back through PCA.

	Target Fund Balances	Fund Balances 9/30/2018
Electric Light Fund	\$10 Million	\$15.1 Million
Rate Stabilization Fund	\$20 Million	\$20 Million
Capital Fund (2018 COS Proj)	\$6.8 Million	\$10.2 Million
Energy Conservation Fund	\$1.2 Million	\$2.8 Million

- Based upon 10yr capital plan, varies year-to-year based upon needs, historically was \$12 Million
- \$20 Million is a good benchmark for rate stabilization – 75% mechanism through PCA back to customer – maintain good liquidity and bond rating
- Rate increase a year ago = increased revenue

A depreciation discussion followed. General Manager Prairie stated that we need a better accounting system that tracks work orders to see what is reinvested back into the system. After depreciation, if the net asset value stays stable – then we are investing enough into the system. Mr. Smith agreed that the new accounting system must track work orders in order to be considered.

General Manager Prairie stated that Fiber came in substantially under budget, however, the number will change this year because we will have financial statements that will stand on their own and be more informative. Council decided to take payment in lieu of taxes in the amount of \$1,408,698 and instead of allocating to the general fund and put it into the Fiber pilot project. He explained that in the customer buyout process, it's a 50/50 split with the customer where they are billed over a three-year period and noted that it's still a savings for the customer and after three years, their rates will significantly drop typically. IFP cancelled the Handley neighborhood buyout due to lack of interest; only 6 of 15 preferred to move to IFP. General Manager Prairie concluded that a number of customers decided against their best economic interest in moving to IFP. He also stated that if a customer isn't taking electric service then they won't be getting fiber service either.

The Rule of 90 is putting pressure on staff for line crews, general managers, specialized staff, with a particular high demand for IT/Utility staff. 500-line workers will be needed by transmission projects in the Western United States. The wages are rising generally faster than other industries. IFP will be hiring for either a journeyman lineman or apprentice.

There was a discussion on SCADA and cyber-attacks and how an attack on certain City assets that the utility utilizes would affect the utility operations as a whole. Mayor Casper invited the board members to attend a functional exercise in tabletop style, conducted every 5 years.

February 28, 2019

General Manager Prairie stated that Kleinschmidt will develop a licensing plan in preparation for our FERC license. It's possible that a Bill will go in and improve the process; the hope is to be granted a 40yr FERC license. 2017 was a bad year for Workers Comp safety as one accident resulted in a lot of lost time. 2018 by comparison was a great year with zero lost time accidents. The 2019 accident will be reviewed in the next meeting. WECC conducted a risk assessment. Not all utilities have the same grid/risk or impact on the bulk energy system – moved the utility to a 9-yr from a 6-yr cycle.

Hydro and Power Supply Update:

General Manager Prairie continued that the service territory saw load growth with winter loads decreasing and summer loads increasing with more customers being added to the utility. The wholesale power supply report has nothing substantial to report. Q2 was a really good quarter from a total revenue standpoint due to good river flow. Buying at \$80 per MWh instead of \$150 per MWh in the region because of our partnership with UAMPS and the SLICE product. Utility spent a million dollars in dredging the Upper Bulb but now it's the best performer. It will pay itself back in six to eight years. The forecast for net power supply cost – the utility will adjust when the Bonneville rate case for the year is made available. The wholesale energy is short in the summer/winter peaking periods. There's a need for shapeable energy. There are no forward hedges as of September 30, 2018.

Avian Protection Agreement with UAMPS Discussion:

General Manager Prairie demonstrated what the powerlines would look like with the avian protection. Every other line will get the protection and as new lines are added, it's standard equipment to put on the avian protection. Mayor Casper asked for clarification if all of the 85 sites identified and if they will be getting the protection. General Manager Prairie stated that the utility gets preference for being a member of UAMPS and Horse Butte and that all 85 sites will get mitigation and is expected to last for 30 years. He added that it's good for the environment and the community.

Service Policy Review Update:

Assistant General Manager Boorman reviewed the updated service policy that IFP uses to communicate our standards to customers and contractors. There is a meeting scheduled for April 1 with contractors, inspectors, and engineers to go over the updates.

Call Center RFP Discussion:

Assistant General Manager Boorman discussed having a call center to help staff cover the phones 24 hours per day, seven days per week, without incurring overtime costs. There is a need to have a company help the Energy Service Representatives (ESR) handle calls, especially during heavy outages. There was only one qualified company to come from the Fall 2018 request for proposal; Cooperative Response Center, Inc. (CRC). CRC handles calls for over 400 clients (mostly coops, who can walk away at any point from the call service contract). General Manager Prairie added that the utility has the option to utilize CRC as much or little as needed. The ESRs will be repurposed. The plan is to train and have the ESRs specialize in their area of strength. Without overtime costs (currently \$50,000 per year) the utility will improve customer service, computer savvy and good remote disconnects without stretching the ESR's job descriptions too far. There was a discussion. General Manager Prairie stated that Raft River, Fall River other coops use them and pointed out that when a customer calls in, they don't know they are talking to a call center. The idea is to have a computer system that shares real-time information to the call center so they can respond with good customer service. Board member Radford expressed his concerns spending of \$50,000 in outsourcing. General Manager Prairie said that you can outsource for \$60k or spend \$250,000 (4 employees) for local control. By utilizing a call center, for example, there would be 30-40 customer service agents taking calls in a widespread outage and the utility wouldn't have to lockout their phones like they do now. IFP also handles after hour calls for public works, so the call center would take these calls too. Mr. Fife has minor changes to add to contract before it could move to council meeting.

February 28, 2019

Sugarmill to Paine Update:

Mr. Malloy presented an update to the Sugarmill to Paine Line and gave details of the Conditional Use Permit (CUP) Hearing to be held on March 6, 2019 at the Bonneville courthouse. The plan is to give testimony at the hearing in favor of the project. Rocky Mountain Power (RMP) will be taking the lead on the discussion. Mr. Fife noted that the transmission line had already been approved in Jefferson County. General Manager Prairie stated that the long-term plan is for RMP to continue north, which will benefit farmers with irrigation pumps and stabilizes the voltage across the valley. The utility will have good representation. He added that the cost to bury a 160-line transmission line versus a distribution line is 6-10 times the cost. It takes up a lot of land when it's underground compared to overhead because you cannot build or farm over the top generally. A discussion followed.

Public Power Council (PPC) Update on the Columbia Basin:

General Manager Prairie will continue to update the board with Columbia Basin fish and wildlife issues. He stated that the PPC Fish Facts is a great tool for legislators, containing precise and up to date information. It's updated once per year with fast facts and figures. A discussion followed. General Manager Prairie concluded that it's expensive and time consuming to breach dams.

There being no further business, the meeting adjourned at 10:48 a.m.

s/ Linda Lundquist
EXECUTIVE ASSISTANT

s/ Rebecca L. Noah Casper
MAYOR