

March 25, 2021

The Idaho Falls Power Board of the City of Idaho Falls met Thursday, March 25, 2021, at the Idaho Falls Power Energy Center, 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 (arrived at 7:20 a.m.)

Board Member Thomas Hally

Board Member Jim Francis

Board Member Jim Freeman (via Zoom)

Board Member John Radford (via Zoom)

Board Member Shelly Smede

Absent:

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 Smith, City Accountant III

Keith Simovic, Moss Adams Senior Manager (via Zoom)

Linda Lundquist, IFP Board Secretary

Board Member Hally called the meeting to order at 7:02 a.m. Announcements, events and updates will be given toward the end of the meeting.

Board Policy No. 4 – Utility-Wide Market Based Compensation and IBEW Negotiation Update

General Manager (GM) Prairie reviewed the policy and explained how wages are based on the Pacific Northwest's Electric Utility Market scale/survey by Milliman Consulting Group, and pointed out that annually all wage scales are adjusted to the average market change in the utility survey, but that every three years, every individual job category is adjusted back to their market target scale from the survey. He also noted that the policy uses the prior year's survey, which is released in November and I then adjusted to scale in May the following year. This prevents the perception of compounding wages moving up since we lag one year to survey results. Board Member Freeman asked if anyone receives a pay cut as a result of rescaling and GM Prairie explained that according to policy, if a salary scales down then employees' wages are frozen until the scale comes back into alignment. He reminded the Board that non-union employees will have their individual job scale adjustments this year, and pointed out that the union will be adjusted next year per the International Brotherhood of Electrical Workers (IBEW) agreement, if unchanged. GM Prairie reminded the board that the union already set wages to a five-year policy so they will likely continue to focus on contract clarity/simplicity and continuing to align with city policy as was done in last year's negotiations around vacation, sick and longevity pay. Board Member Smede asked how the cost of living (COLA) gets figured in and GM Prairie stated that COLA isn't part of any wage increases and reiterated that employees are strictly paid according to market scale to be competitive with utility labor costs in the industry to retain and recruit a competent labor pool. Mr. Smith asked if there are benefits of belonging to a union and GM Prairie said the IBEW insurance is one of the good value items for the members because they are on a national plan and noted that union members have some flexibility to retain insurance coverage after retirement and before Medicare. He also noted the pricing in the plan is very competitive because of its large size and national scope. Board Member Freeman asked how many

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employees were union members and who takes part in union negotiations. GM Prairie stated roughly half of the utility are union members and he said the negotiation is comprised of Human Resources, the Assistant General Manager, the General Manager representing the city, union stewards and union representatives on behalf of the union. He continued to explain that he focuses the meeting so it doesn't drag on and can usually be wrapped up with negotiations in a timely manner so as to not overly distract from other IFP work.

Q1 Financial Report

Mr. Smith reviewed fiber's balance sheet and pointed out that the operating profit for fiber is up \$46,000, which is mostly attributed to the fiber-to-home expansion. He noted a large change in cash this year over last due to fiber loans and increasing accounts receivables. He said that inventory is up because of the expansion and GM Prairie stated that fiber has been trying to stay ahead of the supply chain issues as other entities ramp up their fiber expansions with all the federal monies. Mr. Smith reviewed power's balance sheet and pointed out that the cash for the quarter is down due to loans to fiber and the airport, but noted that power accrues interest from these loans the same as it would from investing in the city investment pool. Board Member Francis asked if power loaned money to parks for irrigation and GM Prairie said that public works was involved in that loan and that the energy conservation fund loaned \$250,000 to public works for the irrigation project, because it was going to save a tremendous amount of electricity by not running the well which fits within the purpose of the conservation fund. Mr. Smith said that work-in-progress was up \$13 million over the prior year, which shows a lot of activity in the new construction sector and pointed out a large change in working capital due to fiber loans. GM Prairie reiterated that the balance sheets reflect the utility being in a major construction phase. Board Member Hally asked where the extra \$7 million dollars came from and Mr. Smith replied that it's from inventory and accounts receivable.

GM Prairie gave the quarter one (Q1) Power Supply report and pointed out that Utah Associated Municipal Power Systems' (UAMPS) energy is higher priced but noted that it's used for morning and afternoon peaking capacity. He said that the December figures are a little higher than what is normally seen, likely due to Bonneville Power (BPA) restricting water flows on the Columbia River. GM Prairie pointed out how impacting two cold Octobers in a row have been. He continued to report that power supply "net" costs are down from prior years. Board Member Francis asked for clarification on why peak loads appear to be down and GM Prairie said the utility's declining peak winter loads are likely due to houses converting to gas, new construction installing gas and more energy efficient factors like heat pumps etc. Board Member Hally asked who sells power to Texas and GM Prairie stated that while Texas is interconnected, everyone in the region was caught short on energy due to extreme cold weather. Board Member Radford asked how much of the year Idaho Falls operates on what is generated and if it's dependent upon the season and GM Prairie said there is one month in the spring when loads are typically low and asked for clarification if Board Member Radford was referring to just the hydro plants. Board Member Radford clarified, "yes" and GM Prairie stated that IFP's peak generation is about 50MW and pointed out that in the spring at night the utility can usually supply the city with generated resources for just a handful of hours per year. GM Prairie stated that our region buys energy out of the Southwest and since IFP has some light load length, we haven't bought energy because the summer prices for August are over \$200MWh. He explained that if California gets all of their generators online, it should be a noneventful summer, but pointed out that we need to look toward the future for other options as other utilities retire their existing coal plants. He explained that with these strong prices we will likely be buying some expensive peak energy this summer depending upon river flows and weather conditions, but purchasing flat heavy load energy blocks for the whole months seemed overly aggressive. GM Prairie reminded the Board that our region was predicted to have a huge moisture year, but so far, it's not proven out. He stated the best case scenario is to have a lot of high elevation snow

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pack, but as he reviewed the water charts and noted the dry spells, he said the inflows may be cut off quicker this summer than normal.

Moss Adams Audit Report

Moss Adams Senior Manager, Keith Simovic explained that the audit process this year has been conducted remotely through an electronic exchange of information. He noted that the final report is not complete, but should be available in a few weeks. He pointed out that a year-over-year comparison of financial statements would suggest that the pandemic has not had a significant impact on Idaho Falls Power. Mr. Simovic stated that the audit areas for this year specific to Idaho Falls Power are work orders, customer billing accuracy, consistent application of internal controls and prior audit recommendations. He explained significant deficiencies that were identified and pointed out other findings and best practice recommendations. Mr. Simovic explained the new accounting standards pertaining to leases, which would also include vehicles. GM Prairie clarified that Moss Adams used to conduct a separate audit report for IFP prior to being combined with the city audit and Mayor Casper pointed out how a governance board receives recommendations differently than city directors and asked if the cause of the deficiencies across the city is known. Mr. Simovic listed a few factors that could have contributed to deficiencies like COVID-19 pandemic, remote work, onboarding new employees in this environment and lack of personnel; but pointed out that it wasn't necessarily a lack of policy concern. GM Prairie asked if the deficiencies point to inadequate software and Mr. Smith added that some of the processes have redundancies like double and triple inputting. Board Member Radford suggested that expectations should be taken up in work sessions to include other departments, as the presented audit recommendations are not just for IFP specifically. Mayor Casper agreed and added that at some point, resource in software and personnel must be met to meet the city's high expectations.

Board Policy No. 5 – Financial Stability and Credit Worthiness

GM Prairie reviewed the policy and explained how this policy is the backbone of what IFP does and pointed out that the policy does a good job outlining who has authority to do what. He reviewed the Board's responsibilities, which includes making sure IFP has the resources it needs. GM Prairie reviewed management's responsibilities, including the flow of information and how IFP is addressing customer load changes as the city continues to grow.

Annual Report / 2020 Operations, Financial Review

GM Prairie reviewed peak load reports over the past ten years and reported that IFP winter peaks are shrinking while summer peaks are growing, likely due to warmer falls and cooler springs. He reminded the Board to read through the Marsh insurance information included in the packet. He explained how the insurance renewal process revealed that IFP was underinsured on replacement value. GM Prairie pointed out how he has observed insurance companies' tendencies of late toward cutting their risk and offering less coverage for catastrophic events. He said that Federal Emergency Management Agency (FEMA) requires IFP to purchase market available coverage and said if there ever were a disaster, that FEMA is considered a last resort. Mr. Smith asked if an earthquake takes out two dams, is that considered one or two events, and GM Prairie said it was one event. Board Member Francis asked if the city is required to carry insurance for damage downstream and GM Prairie said they are required to carry prudent insurance which you can never carry enough insurance to cover every possible scenario and that is what FEMA is for. He noted that other utilities are having trouble obtaining adequate coverage for their hydro projects and reiterated that most are buying less coverage for up to triple the cost. There was a discussion about appropriate coverage amounts and it was determined that the current insurance carrier was a fair price, despite the sharp increase in rates.

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Assistant General Manager (AGM) Boorman reviewed the Capital Investment Plan (CIP) and noted this year is a big year for the capital budget with the buildout of the Paine substation and Sugarmill Line extension and noted that the city will be reimbursed about \$7 million. AGM Boorman added that the budget plan also includes the Westside substation buyout and fiber expansion. GM Prairie explained how IFP is continuing to upgrade Supervisory Control and Data Acquisition (SCADA), work with city IT, conduct internal policy reviews and show federal compliance. He noted how Idaho National Laboratory (INL) has been a great resource and partner to IFP.

GM Prairie reviewed the wholesale power supply for the year, noting no surprises. He said that quarter four (Q4) came in under cost from the prior year with a total revenue over \$800,000 and noted that expenses were under projections. He explained the difference between budget and how rates are set. GM Prairie reported that the cost of service projection came in under actuals and reported that seventy-five percent (75%) was credited back to customers through their rates and twenty-five percent (25%) was reinvested into the utility. He plans to make conservative projections that will include a growing city.

GM Prairie announced that the Payment in lieu of Taxes policy will be reviewed in a couple of months when the American Public Power Association (APPA) survey is available, but reminded the Board that the amounts were increased to six point five percent (6.5%) last year. There was a discussion on good governance. GM Prairie reviewed the target fund balances. Board Member Hally asked if the fund included capital and labor in the energy conservation fund and GM Prairie said it did not. Board Member Francis commented that \$100,000 in fiber seemed low and GM Prairie explained how money is added as needed and noted that when fiber becomes profitable, they will have their own fund. GM Prairie reviewed the buyout activity in fiscal year 2020 and commented that IFP is still working through a large-scale buyout with Rocky Mountain Power (RMP) and noted that the process is tenuous and difficult and unfortunately customers get frustrated on how much time the transition can take. AGM Boorman reviewed IFP's succession plan and pointed out some anticipated retirements. GM Prairie added that the organizational chart is very different than it was three years ago and explained how the structure has been reorganized, based on employee's abilities. AGM Boorman reviewed the employee training budget and explained how advantageous investing in appropriate training is for the utility. He reviewed the current areas of risk and focus and reiterated how important COVID relief funds, attracting the right accountant and addressing software needs was to the utility. GM Prairie reviewed the safety metrics and pointed out for the year 2020, there have been zero lost-time accidents, which is hopefully attributed to recent safety initiatives.

Board Policies No. 2 and 3

There was a short discussion on the policies and Board Member Francis pointed out some grammar inconsistencies.

It was moved by Board Member Freeman and seconded by Board Member Francis to approve Board Policy No. 2 with grammar corrections and Board Policy No. 3 as presented. The motion passed with unanimous approval.

Utility Reports

Fiber – GM Prairie reviewed the fiber update and Board Member Francis called attention to the provider that was only showing a few customers compared to the other providers. GM Prairie said that price matters in a competitive market. He added that once the monthly provider fees kick in, that particular service provider will likely leave the network.

Energy Services – AGM Boorman announced that the metering at Sugarmill needs to be moved to Harrison.

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Calendar Events, Updates and Announcements

Mayor Casper shared with the Board a book authored by Bill Gates about getting to a net-zero carbon footprint and noted that some of the initiatives may help the city with the 2019-22 Resolution for carbon-free electricity generation. She announced that the Clean Cities Coalition is having a conversation about electric vehicles today and noted how timely it is that the Nuclear Energy Institute (NEI) and the United States Nuclear Industry Council (USNIC) are both holding conferences this week. Mayor Casper announced that HOUSE BILL 127, which oversees allocation of broadband funds had been signed into legislation. She shared some links to articles relating to the American Rescue Plan and noted that Idaho Falls may be in a position of leadership with regard to bringing nuclear to a region.

General Announcements

GM Prairie announced that a press release went out on Tuesday describing how IFP recently achieved APPA's RP₃ highest designation. He described the process and emphasized the importance of this designation and shared that there would be snacks provided for staff later in the day. He described a second press release going out this week (today), which announces a kickoff of the 161kV Line Extension. GM Prairie said there will be a pole setting event on Tuesday at Heritage Park at 10:00 a.m. Mayor Casper asked if Snake River Landing paid for the poles and GM Prairie said they paid for difference between normal poles and the taller poles installed to help the views. He thanked Board Member Smede for her dedication and service to IFP and gave her a signed hardhat. Board Member Hally asked how many contractors are working on the fiber extension project and GM Prairie spoke about some of the contractors and their responsibilities. He pointed out that in addition to awarded contractors, that there will likely be an additional 75 people in town contracted to help with the summer fiber buildout.

There being no further business, the meeting adjourned at 11:00 a.m.

s/ Linda Lundquist _____

Linda Lundquist, BOARD SECRETARY

s/ Rebecca L. Noah Casper _____

Rebecca L. Noah Casper, MAYOR