

March 28, 2019

The City Council of the City of Idaho Falls met in Special Meeting Idaho Falls Power Board), Thursday, March 28, 2019, 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 Shelly Smede (Out at 9:30 a.m.)
Board Member Jim Francis
Board Member John Radford
Board Member Jim Freeman
Board Member Thomas Hally

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 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 gave a briefing on the APPA Legislative Rally held in Washington, DC in February 2019. She met with Maria Korsnick, President and Chief Executive Officer of the Nuclear Energy Institute (NEI), who were having their Nuclear Innovation Week; including their annual R & D Summit in DC. She noted that nuclear is being talked about with the old way on thinking; three phase. Chicago-based Exelon, the current owner of Three Mile Island's still-functional Unit 1 reactor, according to a show on National Press Radio, they are still grappling with the reality of nuclear energy and costs. Mayor Casper continued that NEI is trying to bring nuclear energy to Puerto Rico and that the military has nuclear needs for micro reactors that are reliable and transportable. She brought up the Small Modular Reactor (SMR) project with Utah Associated Municipal Power Systems (UAMPS) and mentioned that the Department of Energy has infused 150 million dollars into the program and that the CEO of Idaho Power is interested in buying into the project. General Manager Prairie who chairs the Carbon Free Power Project (CFPP) said that the goal is to be 100 percent carbon free by 2045. Board Member Radford added that Australia turned down 5G and the only vendor is the Chinese. He noted that there is an extra burden on us to be more informed on running a utility and managing nuclear conversation.

Updates from Board Members:

General Manager Prairie passed out event calendars and asked the Board to put a place holder on the summer schedule. Board Member Hally noted that we are a sponsor of the ICUA opening reception. Board Member Freeman stated that there was an Idaho Power press release on Facebook about a technology advisory board, with NewScale. Board Member Hally asked if Idaho Power was trying to hedge with a potential loss of dams? General Manager Prairie answered that their biggest issue is replacing coal plants

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that are slated to retire in the coming years. General Manager Prairie stated that the region is going to need dispatchable resources and a transmission line like gateway west is not a resource per se. Board Member Francis asked what is dispatchable? General Manager Prairie said it's the capacity to generate when you need to. He added that the SLICE product is, and that wind and solar can only be dispatched down and not up to meet peak loads.

IBEW Union Negotiation and IFP Wage Scale Adjustment Discussion:

General Manager Prairie reviewed the Idaho Falls Power Wage Scale policy and advised that May is the time period to make the wage inflation adjustment based on the 2018 Milliman Survey, which compares salaries for at least 84 utilities across the region. He made clear that IFP isn't making a cost of living adjustment but simply following policy to keep wages adjusted annually to market. Mayor Casper stated that keeping wages based on external data may not be tracking at the same rate and asked if this could be an issue to be discussed. Do we raise rates every year if needed? General Manager Prairie explained that labor is a cost of doing business, so we need to manage it and look for efficiencies. He gave these examples that the new call center will cut back on \$50,000 in overtime currently being paid to ESRs and that we're now using smaller line crews because we have equipment that can do what humans used to do. He continued to compare labor and equipment and that if times got tough, you freeze wages across the board but when the utility financial situation corrects, you'll need to make up for it which causes major shock. Board Member Freeman noted that if everyone is using the Milliman scale, then that sets the rate and perpetuates itself. General Manager Prairie said that IFP will lag a year and not front-run because we're contributing to the average so in short if everyone did what we do there would be no increase because we use year old data. We took the minimum and scaled it down. Assistant General Manager Boorman added that what pushes up wages is supply and demand. Board Member Francis asked for clarification if everyone across the board gets the percentage increase and General Manager Prairie answered "yes". He went on to explain that the compensation is based on knowledge, skills and work product and not time in position. He continued that the Union is big on seniority and that a senior worker would get the promotion over someone potentially more qualified and that employees tend to unfairly compare and contrast between job groups. He added that the current Union contract ends May 11 and that he will work to wrap-up union discussions by April 25, 2019.

It was moved by Board Member Hally, seconded by Board Member Radford, to move into Executive Session which has been called pursuant to the provisions of Idaho Code Section 74-206 (j), to consider labor contract matters authorized under section 74-206A (1)(a) and (b), Idaho Code. At the conclusion of the Executive Session the Board will reconvene into Regular Board Meeting. Roll Call as follows: Aye - Board Members Smede, Francis, Radford, Freeman, Hally. Motion carried.

The Idaho Falls Power Board of the City of Idaho Falls met in Special Board Meeting (Executive Session), Thursday, March 28, 2019, at the Idaho Falls Power Conference Room, 140 S. Capital, Idaho Falls, Idaho 7:50 a.m.

There were present:

Mayor Rebecca L. Noah Casper
Board Member Shelly Smede
Board Member Jim Francis
Board Member John Radford
Board Member Jim Freeman

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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

There being no further business, the Executive Session concluded at 8:18 a.m. and reconvened into Regular Board Meeting. Roll Call as follows: Aye – Board Members Freeman, Hally, Radford, Francis, Smede.

Q1 Financials & Power Supply Report:

General Manager Prairie briefed the board on the recent Northwest energy shortage event in early March. One Northwest utility went through their entire power supply budget in those 2-3 days. He continued that there is widespread volatility in the marketplace effecting the price of power with gas constraints and marginal water supply out of the federal hydro system and our own supply and demand is getting tight again. He is looking into putting forward hedges on the books and noted that the SLICE product helps us being in two markets. General Manager Prairie stated that the load growth is returning in certain areas of the region and wider electric markets.

Mr. Smith reviewed the Q1 financial report and balance sheet. He stated that we have about 7000 remote meters that can be shut off for non-payment. He added that Bonneville Power Administration's (BPA) bill was about 2 million per month. General Manager Prairie continued that the December 2018 purchases were a little higher than normal because we were running on minimum flows in the Federal System. Load forecasting is conservative and annual energy sales are saying on track. He added that even with record snowpack cranked up in February that runoff is still below average at 93 percent for April – September. The Columbia Basin is at an 83 percent water year with modest natural gas prices.

BPA Settlement Offer on Bulbs Transmission, EIM and Westside Substation Update:

General Manager Prairie updated the board with the BPA settlement prices. He reviewed the history of what occurred and stated that he requested a refund of \$482,417 from UAMPS because the charges were based on projected and not actual amounts. He is trying to move the Westside buyout of BPA's assets forward. IFP values the asset at less than \$100,000 where BPA values them between 4 and 5 million dollars. A successful buyout will improve the reliability and operations for Idaho Falls Power.

Fiber Pilot Update:

Mr. Yancey provided a Fiber Pilot update and stated that the temporary website went live on March 4. To date there are 75 customers signed up with 71 returned contracts scheduled for installation. IFP currently has 50 connected customers with 22 of them being aerial. Board Member Francis said that the direct feedback that he has been receiving is that fiber customers are super happy with their Internet speed. Board Member Radford asked if IFP is still working in two of the three pilot areas. Mr. Yancey answered that IFP will be starting construction on the third and final area. It entails boring in Stonebrook 51,000 feet, which will take about 90 days. He added that most of the installations IFP is getting now have been by word-of-mouth. General Manager Prairie asked the group to "like" the Facebook page and added that many yard signs are being put out for current and new customers. Mr. Yancey reviewed the installation process through a slideshow. Board Member Radford mentioned that CableOne has been lowering their rates because IFP has brought fiber to the community. Mayor Casper added that maybe we should consider hiring a firm to help us with messaging. Mr. Yancey stated that there will be a Fiber Launch Party April 12 at the William J. Maeck Education Center and noted that all of the people in the pilot area will get invited.

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Sugarmill to Paine Line Update:

Mr. Malloy gave an update on the Conditional Use Permit (CUP) meeting. He stated the CUP approved the project with conditions. The biggest condition is to relocate the line from the north to the south side of Ririe Outlet Channel, however, IFP believes the condition is illegal and unenforceable under the U.S. Constitution because it's on Federal Lands. There will be an appeal to remove the condition. It will go to the county commissioners; the appellate is Rocky Mountain Power. Their grounds for appeal are: The condition is illegal, The Bureau of Reclamation will not permit a relocation of the line within the Channel, and the condition is improper because it requires the line to be moved from an R-1 to an A-1 zone. Mr. Malloy stated there are appeals by others; one of them states an undisclosed potential conflict of interest with board members to the project. Board Member Radford asked what that might mean and Mr. Malloy thought it could be a member recused because of owning land adjacent to the site. Board Members Francis and Freeman asked what our role in the appeal process is. It was answered that we are supporting Rocky Mountain Power through testimony if needed. A discussion followed about the importance of the line.

Jeff Paine Substation Naming Update:

General Manager Prairie stated that the naming ordinance was reviewed at the January board meeting and that IFP will fully comply with the process. He continued that locations are typically named after people involved with the organization as it keeps in contact with former engineers etc., with institutional knowledge. He added that using unique names for things like substations prevents confusion in the field and is a good safety practice for workers. Mr. Fife will review the City Naming Resolution to see if IFP will need a new resolution for the Paine Substation. Board Member Francis asked that the order be changed on the evening's Council Agenda to accommodate honoring Mr. Paine.

Hydro Insurance Renewal Update:

General Manager Prairie stated that the Hydro Insurance is up for renewal every year. Board Member Radford asked if our insurance effected property owners south of the dam and General Manager Prairie answered that the insurance is just for our dam property for catastrophic insurance. Downstream impacts if we were at fault would be covered by our ICRMP insurance. He added that we also have good gap insurance.

APPA Governance Best Practices, Board Policy Review and Performance Evaluations Discussion:

Mayor Casper opened the discussion stating that the APPA has their annual meeting every June with robust educational programs. Board Member Radford attended the APPA Legislative Rally in Washington, DC in February and stated that the Board has three responsibilities: Fiduciary, Legal and Regulatory. General Manager Prairie offered that IFP is a regulator like the PUC is for investor owned utilities. Board Member Radford continued that the Board's Strategic Plan needs to be in our purview regularly and that the board must find strategies to complete board work outside of meetings such as surveys. Board Member Hally added that there are numerous APPA videos available to review outside of Board meetings. Board Member Radford answered that there are many resources available to the Board and that everyone should be using them. The Board's job is to provide goals and training opportunities to the General Manager (GM), have good on-boarding processes to new board members and have policy making be the principal work of the board. A discussion followed about types and structures of boards. Board Member Radford continued that the Board needs policies around the GM position, that the Board should select an auditor for the Board's finances, and that the Board may need IT security auditors in years to come. He also questioned if there are job descriptions for board members and wondered whether there should be policies about attendance. Mayor

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Casper answered that she shoulders the responsibility of the GM's succession planning and that the City has gone to a unified auditor. General Manager Prairie added that policies are in place to bring stability and that they should be reviewed regularly. Board Member Radford concluded with the importance of transparency as leaders and that you should control all you must not all you can. He passed out surveys to each board member to be completed in a week or so and noted that this process is following the Strategic Plan.

There being no further business, the meeting adjourned at 11:09 a.m.

s/ Linda Lundquist

EXECUTIVE ASSISTANT

s/ Rebecca L. Noah Casper

MAYOR