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The City Council of the City of Idaho Falls met in Special Meeting (Idaho Falls Power Board), Thursday, April 12, 2018, 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 (by phone until 7:15 a.m.)
Councilmember Thomas Hally
Councilmember Jim Francis
Councilmember John Radford
Councilmember Michelle Ziel-Dingman (departed at 9:40 a.m.)
Councilmember Shelly Smede
Councilmember Jim Freeman

Also present:

Jackie Flowers, Idaho Falls Power Director
Bear Prairie, Idaho Falls Power Assistant Manager
Jace Yancey, Operations Technology Manager
Roger Timmerman, UTOPIA Fiber
Pamela Alexander, Municipal Services Director
Michael Kirkham, Assistant City Attorney
Kathy Hampton, City Clerk

Mayor Casper stated following the audit presentation by Moss Adams at the April 6, 2018 Work Session, it is necessary for immediate action of a resolution. She then turned the discussion to Mr. Kirkham. Mr. Kirkham stated there is advice from the external auditors to close the weaknesses in the finance area. He indicated staff is working to implement the change immediately. He also stated there is preference from the financial institutions for a resolution adding the Municipal Services Director as an authorized personnel on all financial accounts. It then was moved by Councilmember Hally, seconded by Councilmember Francis, to amend the agenda in order to pass a resolution to include the Municipal Services Director, Pamela Alexander, as a signor to the City's general ledger accounts. The second signature does not currently exist and there is a considerable amount of money involved. Roll call as follows: Aye – Councilmembers Dingman, Smede, Francis, Freeman, Hally, Radford. Nay – none. Motion carried. Mr. Kirkham briefly reviewed the resolution authorizing the Municipal Services Director to serve as a signor on all financial accounts and receive financial statements and investments. He reiterated the reason for the resolution is for financial institution policy. Director Alexander will be authorized to utilize the account on behalf of the City whereas the City Treasurer is currently the only authorized position. Councilmember Hally read the title of the resolution as follows:

RESOLUTION NO. 2018-06

A RESOLUTION OF THE CITY OF IDAHO FALLS, IDAHO, A MUNICIPAL CORPORATION OF THE STATE OF IDAHO, TO AUTHORIZE THE MUNICIPAL SERVICES DIRECTOR TO BE A SIGNOR AND FULLY AUTHORIZED PERSON ON ALL FINANCIAL ACCOUNTS HELD BY THE CITY OF IDAHO FALLS ON BEHALF OF THE PUBLIC.

It was moved by Councilmember Freeman, seconded by Councilmember Hally, to pass the resolution. Roll call as follows: Aye – Councilmembers Francis, Dingman, Freeman, Hally, Radford, Smede. Nay – none. Motion carried.

FY18Q1 Financial Report and Power Supply Forecast:

Director Flowers reviewed Q1 stating revenue and expenses were close in comparison. Expenditures = 21% of budget, revenue is on par with budgeted anticipation. She stated the demand charge on commercial accounts are being caught up. Payment in lieu of taxes (PILOT) = \$1.2m, which is approximately 1/12th payment. Fluctuations will be tried up at year end.

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Cash balance: Operating Cash = \$6,795,416
Electric Light Fund = \$7,561,315
Rate Stabilization Fund = \$19,122,905
Transmission and Distribution (T&D) Fund = \$8,099,909

Mr. Prairie reviewed Q1 Power Supply Report stating total expense = 21.53% of budget, total revenue = 128.78%. He indicated revenue surplus sales are set based upon a lower water scenario and not average water like expenses.

Mr. Prairie reviewed the following with general discussion throughout:

- Q1 Net Power Supply Cost = \$661,072, this is 11% lower from the previous year.
- Average Net Cost per megawatt per hour (MWh) = \$30.87, compared to \$34.81 in 2017.
- Transmission under Utah Associated Municipal Power Systems (UAMPS) = 282,830, compared to 84,000 in prior year. Increase is due to being charged for transmission from PacifiCorp for the Bulb Turbines.
- UAMPS energy expense = \$335,304, compared to \$1,115,000 in prior year. Mr. Prairie stated in-house staff has assisted with this reduced expense.
- Power Supply Revenue Year over Year (YOY) was up \$319,023. Average price Q1 = \$21.79, compared to Q1 17 = \$18.40. Mr. Prairie stated the increase reflects taking advantage of market prices and shaping the slice generation better.

Mr. Prairie briefly compared plant generation for October, November, and December. He reviewed Cost of Service vs Actual Retail Sales and Customers graph from October 2017-December 2017, stating customer growth continues to be strong. He also reviewed Heavy Load Hour (the middle 16 hours of the day) and Light Load Hour (the remaining hours of the day) Position graphs. He indicated July and August show more length on heavy load due to Bonneville Power Administration (BPA) purchase of 15 MW. He noted heavy load prices have remained stable. Light load is typical in having a lot of length still even though the load sold steadily through the winter as the snow piled up. Prices on light load were pretty steady.

Mr. Prairie reviewed Net Power Supply Cost graph stating FY2018 dropped slightly from the previous report due to water/generation increase.

Mr. Prairie reviewed weather outlook. He indicated there was colder weather the last two (2) months along with high precipitation. He noted cooler weather helps the runoff and stream flows. He also reviewed the water report stating there is high reservoir levels. Snow pack for the upper Snake River is 116-126% of average in the three (3) measurement zones.

- Dalles, April – September: average water = 119%, 90% water = 113% of average. Generation did not go up much to reflect the higher water due to the spill test.
- Upper Snake River, April – September: average water = 128%, 90% water = 115% of average.

Project Discussion:

Sandy Downs Substation – Director Flowers stated in 2008 property was acquired near Sandy Downs for a future substation site. Due to a subdivision developing in close proximity, IFP was approached by the Public Works Department for an alternative substation location. She indicated discussion had been, and is continuing to, occur with the Parks and Recreation (P&R) Department and the South Fork Archers regarding the current archery range. Director Flowers stated it has been proposed to move the archery range to the Gem Lake Kids Fishing Pond location. This would require implementation of a small professional services contract. A Conditional Use Permit (CUP) is the next step towards developing the substation at the current archery range location. Director Flowers indicated staff was going to proceed with the CUP submittal. It will be a few years before IFP would start construction on the substation at that site so the archers can continue to use the location as the City works with them on relocation prospects. Additionally, it was noted that York Road will eventually be widened due to its arterial status and in response to anticipated growth in the area. The proposed location of the substation will be more suitable to future road development needs.

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Heritage Park Line Relocation – Director Flowers stated generation along the Snake River has taken place since the 1940’s. Discussion is occurring regarding how to navigate the power lines for Heritage Park with minimal impact. In 2009, Power Engineers was selected to complete the design of the river crossing project, which was constructed in 2010. Director Flowers reviewed the current 46kV power line infrastructure as well as the proposed pole relocation. She requested a General Services Agreement with Power Engineers for design associated with relocating the power lines for \$67,709. She indicated this agreement will be included on the April 12 Council Meeting agenda. Director Flowers confirmed that the IFP budget includes both expenditures and revenues for the Heritage Park line relocation, the costs will need to come from the project budget. In establishing the FY18 budget, the City Council opted not to include in-kind costs in the Payment in Lieu transfer and instead transfer all funds to appropriate in the budget process.

W. 17th S. Line Extension – Director Flowers stated the north side of this road is City residents and the south side is County residents. She reviewed the current pole configuration. She indicated there have been attempts for a joint pole use with Rocky Mountain Power (RMP) for the two (2) years. Assistance has been requested from RMP for the last easement. Director Flowers reviewed options to complete the easement, including a Joint Use Agreement with RMP; separate IFP line; and, separate IFP underground line. The most cost efficient is a standalone line for the City on the north end of the road but that will lead to two separate distribution lines on both sides of the road. The County right-of-way use requires joint use but given the north side of the road is in the City, the City process governs and there is no standard for joint use or underground in the City. IFP is waiting for one last legal response from RMP regarding joint use potential and acquisition of the last easement. Absent agreement, IFP will have to proceed with a standalone line on the north end of the road.

Rocky Mountain Power Coordination Projects:

Director Flowers briefly reviewed the Asset Purchase Agreements for Prestwich Estates and Jackson Hole Junctions. A portion of the buy out to be paid by Prestwich Estates customers will be collected through the consumptive use surcharge. Jackson Hole Junction will be responsible for 50% of the transfer fee which will be collected in conjunction with the line extension fees into this development. These agreements will be included on the April 12 Council Meeting agenda.

Director Flowers preferred to postpone the Eastern Idaho Grid discussion for a future meeting.

Operations Technology Overview:

Mr. Yancey stated he began at IFP as an intern in 2001 and has been employed since 2003. He reviewed the organization chart and staff for operation technologies.

Mr. Yancey stated IFP uses several technologies to function as a business. He reviewed the following with general discussion throughout:

Supervisory Control and Data Acquisition (SCADA)

- Monitors and controls devices at substations and power plants
- Implemented in 2009
- Monitored and used 24/7/365 by Electric Dispatchers
- Manage assets remotely
- Provides historical data from assets

Mr. Yancey reviewed the 10 Gig Fiber Ring, emphasizing the importance of the fiber ring for City operations, and in particular for electric operations.

Geographic Information Systems/Outage Management System (GIS/OMS)

- One (1) employee
- Environmental Systems Research Institute (ESRI) based system
- OMS is a FUTURA system

Mr. Yancey stated meters continue to be replaced to enable remote disconnect. Additionally, in large outages the remote meter notifications overwhelm the system. New meters hold their outage notification a bit longer to allow

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short duration outages (such as breaker operations) to clear before sending the notification and thereby not overwhelming the system. The City will continue to deploy these meters in the future.

Advanced Metering Infrastructure (AMI)

- Three (3) employees
- New meter installs, remote disconnect meter installation began in 2012
- Meter issues/troubleshooting
- Work very closely with Utility Division

Mr. Yancey reviewed the AMI and Fiber network map.

Traffic Network

- Controller and programming system to direct street lights in accordance with signal timing as set by the City's traffic engineer

Information Technology/Operations Technology (IT/OT)

- Merged within the last 5-6 years, the utility operates many sophisticated technology systems to support its operations. The IT/OT interface is critical as the City works to deploy more two-way communicable devices and integrate systems.

Cyber Security

- One (1) employee dedicated to cyber security
- Cyber security in one word would be described as a "culture"
- Began at IFP in 2007
- Initial limited personnel and budget

Mr. Yancey stated cyber security is very expensive, requiring constant investment but it is necessary. He reviewed the IFP Network Overview including firewalls and routers. He stated that the electric industry is the only industry with enforceable penalties and cyber security continues to be a focus area.

Network Communications

- Extensive system to all City-owned sites

Physical security

- Cameras, etc.

Idaho Falls Fiber Network Overview:

Director Flower indicated for more than 100 years, the City has provided its own public power. She stated cities traditionally provide infrastructure and services for growth including roads, airports, railroads, water, sewer, electric, and gas. New essential infrastructure for global competitiveness includes fiber optic broadband infrastructure. The catalyst: City's phone system no longer supported; replacement due by 2005; developed phone system using fiber; result – increased efficiency and cost savings to the City. The challenge is deciding to how proceed with existing State statutory authority. Mr. Yancey reviewed history of fiber from FY1999, which began as a joint City/County project, to FY2007. Director Flowers stated fiber service is restricted to City limits. She indicated businesses have developed inside City limits specifically for this service. Mr. Yancey stated the pricing structure has not changed since the ordinance was adopted in 2005. He reviewed fiber maps from Phase I to present, stating 130 miles of fiber have been added since 2004. Brief discussion followed regarding public/private partnerships and applicable fees. Mr. Yancey reviewed the 10 Gig fiber ring for City communications; traffic fiber map; and, fiber backbone map. He also reviewed the commercial wholesale customers and service providers; the remaining amortization amount for construction costs; and, fiber financials, stating initial payback was planned for 2023-2024.

Where to go from here:

- 2013-2014 – started realizing we were running out of fibers available for commercial lease
- 2015 – started process to identify what is the 'next step'

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- 2016 – identified a process to ‘reclaim’ 12 fibers to give/allow additional lease capacity
- 2016 – hired consulting and engineering firm to conduct a broadband feasibility study

Why broadband matters:

- Home broadband usage is doubling every three (3) years
- Economic benefits – higher property values, education, working at home/telecommuting, and economic development

Mr. Yancey reviewed speed test results, business plans that were considered, sensitivity analysis, financial findings, and, next steps. He also reviewed key findings through residential market survey and customer outreach. Community outreach included reaching out to existing service providers, four (4) neighborhood meetings, and, answering questions and concerns. Director Flowers briefly reviewed options for the expansion of Idaho Falls fiber network, indicating there was preference to explore the open access option given our rich network of providers and success to-date with that public-private partnership model. The two areas of concern for that model: anticipated subscription and cost. IFP has continued to explore ways to reduce the cost of the fiber build out, including coordinating with IFP infrastructure upgrades, using existing IFP electrical conduit to pull fiber into neighborhoods, and using IFP staff in a workforce transition plan (adding apprentices in anticipation of future lineman retirements). IFP is proposing to proceed with a pilot project to confirm pricing for fiber install in three (3) separate environments. Mr. Yancey reviewed maps identifying electrical conductors installed prior to 1998 and installed after 1998. It was estimated new underground construction = \$95,000 per mile, new aerial construction = \$36,000 per mile. It is believed the new underground cost can be reduced substantially if we are able to pull fiber through existing electrical conduit. Also, IFP has plans to add conduit to approximately half of the areas served by underground electrical infrastructure because they are direct buried and at risk for electrical faults that interrupt service. Mr. Yancey briefly reviewed price estimates for existing Internet Service Providers (ISP) and new ISP.

Utopia Fiber Presentation:

Mr. Timmerman stated UTOPIA is a Utah Interlocal Entity created in May 2002. UTOPIA designs, builds, and operates open-access community fiber networks. UTOPIA Fiber, in partnership, provides the largest peering exchange in the region.

Mr. Timmerman presented the following with general discussion throughout:

- Why cities desire open-access fiber: enables smart City applications; video surveillance; AMI; SDADA; smart irrigation; traffic control/monitoring; air quality monitoring; Wi-Fi solutions; City meeting broadcasting; disaster recovery; signage/information: indoor and outdoor; smart parking; and, smart municipal facilities.
- Municipal open-access fiber: industry term that means the operator of the network and the service provider are separate entities; sometimes referred to as a ‘wholesale model’ or ‘infrastructure model’; and is pro-private sector and pro-competition.
- Restrictions on municipal fiber, very difficult for municipalities to do alone: various barriers (including public hearings; feasibility consultants and studies; and rates and requirements); wholesale exemption.
- Why dedicated Ethernet: needs to ensure all customers can equally use fiber; never congested; supports carrier-class services to any address. Mr. Timmerman believes Ethernet is less expensive to use and the several benefits of Ethernet outweigh the problems.
- What about wireless: wireless is complimentary, not competitive to fiber; technologies have 3-5 year lifecycle; enables faster return on investment but worse long-term investment; problems with coverage, weather, reliability, performance; great for filling in gaps where fiber is not yet available.

Mr. Timmerman reviewed customer satisfaction survey of UTOPIA, including price, speed, and service. He indicated UTOPIA fiber is financially stable as UTOPIA is covering all operational expenses; UTOPIA Cities are paying for original UTOPIA bond obligations; covering all operational expenses and debt service; net revenues continue to grow; and rapid growth of 1000-1500 new homes each month (300-400 customers). He reviewed revenue vs debt service; combined monthly revenue; and residential sales from 2013 (613) - 2017 (3218).

- Potential partnership: municipality (individual or collectively) – pledge agreement based on ~30% take rate target.

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- UTOPIA/UIA: bonds for construction of project; infrastructure fees pay bond service, churn; receives portion of subscriber fees to cover operational expenses.

Mr. Timmerman reviewed current UTOPIA fiber residential offerings; revenue distribution; risks of take rate and City obligation associated with a partnership; interconnectivity (UTOPIA to Idaho Regional Optical Network (IRON) to IFP); Idaho specific options (including supermajority vote for bonds, property assessment, and lease structure).

Mr. Timmerman reviewed shared operations model example and the breakdown of fees within the typical \$23/month transport fee shared based on responsibilities.

- What are benefits: bring in top speeds, price, service, and value for telecommunications service to City; expected decreased cost of service for all residents; increased residential property values; better service and lower costs for businesses, schools, municipal services, other.
- Benefits of partnership with UTOPIA fiber: avoid startup costs; stable finances; no economy of scale issues; 25+ service providers in place; simple feasibility based on proven track record of expenses/revenues; lower project cost from UTOPIA volume materials and labor purchasing.

Mr. Timmerman reviewed typical next steps including community survey, trial network, feasibility study, partnership agreement, City Council vote, project build, and 3-year maturity of marketing to target take-rates.

Following general brief discussion, there was consensus to proceed forward with conversations regarding a trial area and to develop an agreement with UTOPIA.

There being no further business, the meeting adjourned at 11:03 a.m.

s/ Kathy Hampton
CITY CLERK

s/ Rebecca L. Noah Casper
MAYOR