

May 10, 2023

The Idaho Falls Power Board of the City of Idaho Falls met Wednesday, May 10, 2023, at the Idaho Falls Power Boardroom, 140 S. Capital, Idaho Falls, Idaho at 7:45 a.m.

Call to Order, Roll Call, and Announcements:

There were present:

Mayor Rebecca L Noah Casper

Board Member Michelle Ziel-Dingman

Board Member Tom Hally

Board Member Jim Francis

Board Member Jim Freeman

Board Member Lisa Burtenshaw (joined via Zoom)

Board Member John Radford (arrived at 7:49 a.m.)

Also present:

Bear Prairie, Idaho Falls Power (IFP) General Manager

Stephen Boorman, IFP Assistant General Manager (AGM)

Darrin Blaisdell, IFP GIS Supervisor

Richard Malloy, IFP Engineering and Compliance Manager

Randy Fife, City of Idaho Falls Attorney

Linda Lundquist, IFP Board Secretary

Mayor Casper called the meeting to order at 7:48 a.m.

Calendar, Announcements, Events and Updates

Mayor Casper stated that she had been in attendance at the Idaho National Laboratory's (INL's) Net-Zero Fair said it appeared they were focused on solving their issues/net-zero goals without the collaboration of local partners. General Manager (GM) Prairie explained that because the utility has been short on energy, coupled with high, wholesale market pricing, he challenged the utility's energy services division to assess energy efficiencies in all city buildings. They found that not only could the city garage save almost \$18,000 per year and the ice arena about \$8,000 per year in energy charges by upgrading to light-emitting diodes (LEDs) with IFP's rebate program, but that their lighting will be far brighter and of better/higher quality. He explained how they initially declined the upgrades due to budget constraints, even though the LED upgrade paid for themselves in under two years. GM Prairie explained that he then offered additional energy efficiency (EE) funding to set up a loan program for them where they would pay back the loan with the monthly energy savings. The garage and ice rink were excited they could get the better lighting and not have to come up with the upfront funding. There was general support from the Board on this approach and appreciation was expressed for IFP supporting EE efforts at city locations. Board Member Hally asked if most businesses have converted to more efficient lighting and GM Prairie said that a lot of businesses have, and explained that he's doubled the EE budget for the next fiscal year and plans to add additional staff to support the program if needed. Board Member Freeman asked about the progress of changing out streetlighting to LED lighting and GM Prairie said the utility is about half way through upgrading the entire city and plans to have it completed in the next two years. Board Member Francis asked if there are other city buildings that could benefit from upgrading their lighting and GM Prairie said that he expects there is and will extend the loan program where needed and asked the Board to let him know as they see other city buildings that might qualify for upgraded lighting. He said the utility is keeping pace with new construction and installing conduit where possible in order to stay ahead of future electric vehicle (EV) demand. GM Prairie reported that the American Public Power Association (APPA) continues to focus on getting more transformers and combating the new efficiency standards proposed by the Department of Energy (DOE) that will only cause further supply chain problems. He said there is heavy regulation reform expected from Senator Manchin's work and licensing reform focused on National Environmental Policy Act (NEPA). GM

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Prairie said there appears to be support in Congress for smaller hydro plants with an easier avenue to relicensing. He reported that transmission is moving toward with forty percent (40%) higher buildout costs and Board Member Radford said he thinks the city might be better off with small modular reactors (SMRs) to accommodate future demand for EVs and GM Prairie explained that power lines still need to get built to carry nuclear energy and pointed out that a grid can't be run off resources that only run thirty to forty percent (30-40%) of the time on an intermittent basis controlled by weather or sun. He said that Fitch reaffirmed IFP as an AA stable rating and pointed out that the utility has a very strong credit rating relative to utilities of the same size and pointed out two factors that could reduce credit ratings; financial margins and unacceptable capital risks related to the Carbon Free Power Project (CFPP). Mayor Casper reported that instead of the Terra Power project in Kemmerer, Wyoming breaking ground last week they announced a two year delay. GM Prairie said he thought their timeline might have been too aggressive to get designed, built and certified by the Nuclear Regulatory Commission (NRC). Mayor Casper reminded the Board that there will not be a July Board meeting and to finalize plans for the upcoming, out-of-town Idaho Consumer-Owned Utilities Association (ICUA) and Utah Associated Municipal Power Systems (UAMPS) annual summer conferences. GM Prairie announced that there will be some heavy fiber marketing this summer and provided mailer samples.

Board Member Radford reported that funds are being administered through the DOE to address supply chain issues, transformers, energy tax credits and upgrading hydropower.

Board Policy No. 2 – City Council Acting as IFP Board

Board Member Francis requested a typo correction and pointed out that the updated policy does not reference evaluation of the general manager, gives latitude to the Board if the Mayor does not run a meeting, and further clarifies the Board's and Council's roles. Mr. Fife explained that per state statute, City Council always presides over issues when acting as the Board.

It was moved by Board Member Radford and seconded by Board Member Freeman to approve Board Policy No. 2 – *City Council Acting as IFP Board* with the corrected typo. The motion passed unanimously, with Board Member Burtenshaw indicating her vote via text message.

Q2 Financial Review

Chief Financial Officer Josh Roos reviewed IFP's *statement of net position* and pointed out that the designated cash moved from \$22 to \$38 million due to rate stabilization, capital improvements and energy efficiency. He noted that Municipal Equipment Replacement Fund (MERF) will be moved into the designated fund and that power is earning five to six percent (5-6%) interest on all investments. He explained the collections account process and that the liability fund was drawn down due to the payout of the bond. CFO Roos explained that the October 2022 rate change resulted in increased revenues of about \$2.5 million. Board Member Francis asked how the certified clean energy (CCE) is shown and CFO Roos said it's under energy efficiency and noted there are currently 12 CCE customers with another advertising flyer going out in the June utility billing. GM Prairie reviewed the *customer past due graph* and pointed out that it's showing some stabilization and explained that there weren't a lot of disconnects/reconnects due to the cold spring and policy not allowing disconnects below freezing temperatures. He said the disconnect policy may need to be reviewed at some point to address times when night temperatures dip below freezing but days warm up. He noted that prepay is the solution to force late payers onto a prepayment plan, which in his view can likely be only accomplished with a different computer information system (CIS) software package. Software issues are currently being discussed/evaluated by a software consulting working group. Board Member Burtenshaw asked how customers are being accommodated that pay the same amount every month regardless of the amount owed, and who potentially end up with a large credit and CFO Roos explained that when customers reach a \$1,000 credit, he contacts them to advise he will be issuing them a refund check.

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CFO Roos reviewed Idaho Falls Fiber's (IFF's) *statement of net position* and pointed out that it's a little low on cash, but to expect a transfer soon as fiber is in its final construction phase this year; yielding about a \$16.2 million loan, plus interest and payable to power. GM Prairie explained that it's a benefit to fiber by having power pay the bulk of the upfront costs because the power work has to be completed regardless of fiber going in and pointed out that it's a \$20 million capital investment in city infrastructure. Mayor Casper inquired about the anticipated payback time and GM Prairie said that repayment is on track for about 10 years, and explained that the payback time is relative to take rates. He stated that he'd like to continue driving the rates down with more subscription and plans to heavily advertise as Century Link and Sparklight are competing for the business and added that these actions could increase the take rates and thereby decrease the payback time. CFO Roos pointed out that the fiber revenue has doubled since March 2022.

GM Prairie reviewed the quarter two power supply and reported that retail sales were good but that wholesale prices were high due to extremely cold and dry weather in the Northwest region and added that the Canadian Rockies have struggled with late season storms. Board Member Freeman mentioned the Alberta fires, which resulted in the recent smoky skies in Idaho Falls. GM Prairie said the SLICE product was shorter than planned with pricing at \$140 per megawatt-hour (MWh), which is \$2 million over last year's pricing, but noted that the utility is expected to be on track with the budget and added that the Bonneville Power Administrations (BPA) is currently at \$30 MWh. He said the Upper Plant posted a low number for February, due to the plant being offline for repairs until July. He explained that the turbine is in Pennsylvania for refurbishment and learned last week that there are additional repairs needed and is planning on two to three additional months of generation loss over the summer (Lost generation is about \$20-\$25 thousand per day at the current energy prices.) GM Prairie said the utility continues to have strong demand and customer growth and noted the heavy load was down a bit. He said he didn't sell off much light load in the spring and as it turned out, was needed so not selling was a good decision. He reviewed the net power supply forecast and pointed out the higher energy costs have been sustained over longer periods and appears to be worse than the 2001 Energy Crisis. He noted an above normal snowpack and stream flows in the upper snake basin but said that two years of drought may come into play, with quick and heavy melt leading to possible flooding. GM Prairie said that above-average temperatures are predicted for the Northwest, and locally, should expect average precipitation.

FY22 Reliability Review

Geographic Information System (GIS) Supervisor, Darrin Blaisdell said the utility looks at a five-year trend and is focused on larger city outages and planned outages and pointed out that all things considered (using four different software technologies) the indices show the utility is very reliable. GM Prairie reminded the Board that last year, the utility acquired about 800 Rocky Mountain Power (RMP) assets and noted that many of the assets were drastically subpar compared to IFP standards. He gave an example of a very large project where the utility is digging up Sunnyside Trailer Court and replacing the electric and adding fiber, and noted that these situations hurt IFP's reliability numbers. Mayor Casper asked how the utility compares statewide and nationally and Mr. Blaisdell said that it's hard to quantify and compare IFP to other utilities because utilities are all unique and pointed out that most utilities IFP's size don't usually have generation. GM Prairie added that other parts of the country also have to consider weather as a major reliability factor, which can skew the numbers and noted the important thing to consider is the metrics to determine if we're seeing more outages or if it is just because we have twenty percent (20%) more customers than the year before. Board Member Freeman said he's noticed that when there are outages, that they seem to be much shorter. Mr. Blaisdell explained how enterprise software interacts to move and share data and gave examples of how fragile the system can be when different software is used (software that is not intended to work together) to produce reports and customer billing. He pointed out that the system breaks down frequently and staff spends much of their time creating work-arounds to produce desired results. He said the utility is considering other outage management systems that will have better touch points when working with other city systems and stressed the importance of a more integrated system (enterprise software) to save on staff

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time and to better serve customers. There was a discussion on current city software and how the working group of consultants will be evaluating city processes and interdependent departments to determine the best path forward, respective to enterprise software.

Peaking Plant Update

GM Prairie reported that the INL is working to get their electrolyzer request for proposals (RFPs) out and despite funding that may be set aside for IFP collaboration, he feels that the INL is pushing for the General Electric (GE) turbine to be installed in INL's desert operations instead of in town. He added there is high demand with increased costs and long lead-times for the 22 megawatt (MW) GE turbines engines that range in cost from \$17-22 million and noted they are built in California where the state is giving incentives to build natural gas peaking plants. Richard Malloy, IFP Engineering and Compliance Manager said that he's been in contact with representatives at GE who seem tepid in contracting with IFP for a turbine engine. GM Prairie explained that there may be a good alternative option to the GE engine with Caterpillar (CAT) who builds smaller (2.5 MW), reciprocating internal combustion engines (RICE) units that are more turn-key and also have retrofitting for hydrogen. He explained that if generation is kept below 15 MW, it could be put straight into distribution without the added time and cost of building a new \$8 million substation (like is needed for the GE 22 MW turbine engine). He said that CAT currently has several units available that another customer didn't need and explained that IFP could put in a non-binding, no-deposit hold on four or five of the units while initiating a complete RFP. Board Member Radford asked about the expected payback timeframe and GM Prairie said it would depend on the resources but that he will run a proforma and added that Utah Municipal Power Agency (UMPA), a UAMPS equivalent bought a plant from Constellation (an electricity and gas supplier) in the last year and said the plant is paying for itself to where it's making money. In contrast, UAMPS was short and IFP continues to be short over peak times and instead of generating electricity, IFP is buying electricity. Board Member Ziel-Dingman commented that IFP seems quite nimble when compared with the INL and GE and said she understands that lead-times are an issue. Mayor Casper said the city needs to do what is best for the city and Board Member Hally said he agrees and all Board Members give their consent for GM Prairie to move forward with a non-binding CAT option and broader RFP.

FY24 Capital Plan Review

Stephen Boorman, IFP Assistant General Manager (AGM) explained that over the next month, IFP will continue to refine the budget and reported that 50 budget sheets were completed on the Capital Improvement (CIP) and are included at the end of the packet. He explained that many of the projects are multi-year projects and pointed out a few big dollar items like the hydro relicensing, Upper Plant refurbishment, peaking plant and Paine Substation feeders. AGM Boorman said if any funding is awarded to projects to expect the budget to be reopened. Board Member Francis commented that he likes the budget sheets as it seems to help prioritize projects and Board Member Hally commented that if projects get delayed that the delay often costs more money. AGM Boorman added that sometimes the delays are also because IFP doesn't have enough employees to complete the projects. Board Member Freeman asked how the CIP projects are factored into rate setting and GM Prairie said he establishes a 10-year CIP where \$8 million annually is set aside, and explained that due to inflation and higher costs for materials the current cost is about \$17 million.

Hydro Insurance Renewal Review/Discussion

GM Prairie reviewed the hydro insurance plan proposed by the same carrier that has been contracted for over 22 years, with no claims submitted in 20. He commented that with the insurance market stabilizing, there was a new bidder this year but remarked that they came in about \$40,000 higher than the proposal before the Board. GM Prairie explained that the business interruption line item for about \$30,000, ensures that the utility gets paid for *loss of production* (after 90 days) and pointed out that most of the utility's outages run shorter now and are usually transformer issues that can be swapped out for spares, which are

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housed at all the plants. He recommends self-insuring this item on next year's policy, as the value may not be worth the cost for this risk. GM Prairie explained that rates have increased due to inflation, cost of construction, and an increased value of assets (plants) and expects to put \$500,000 in the 2024 fiscal year budget. He reminded the Board that Federal Emergency Management Agency (FEMA) requires the utility to carry a market value policy that will payout in a catastrophe before qualifying for FEMA reimbursement.

BPA 2028 Contract Update

GM Prairie reported that BPA's preference contract ends Oct. 1, 2028 and reiterated the importance/value of a 20-year preference contract to IFP. He reported that the Public Power Council's (PPC's) Executive Committee, where he serves as the new Board's Chair for the next two years, has been working to get BPA to do what the customers want/need but said the process continues to be a frustration for him and the committee because BPA doesn't seem to be listening to their customers, despite BPA's ongoing communication, regional presentations and listening sessions. GM Prairie said that PPC has submitted consensus position comments to BPA centered on a compromise of increasing the federal system from 7000 MW to 7250 MW. He cautioned that BPA has a finite system and warned that there may be better outcomes for some utilities, but not others and feels that the new contract shouldn't be inferior to the current one.

Utility Reports

Fiber – GM Prairie said that fiber is ramping up for a big year and previewed the planned summer advertising for the airport.

Organizational Membership Reports

Utah Associated Municipal Power Systems (UAMPS) – GM Prairie gave a brief update of the CFPP and Board member Francis noted there were no new subscribers.

There being no further business, the meeting adjourned at 11:52 a.m.

s/ Linda Lundquist _____

Linda Lundquist, BOARD SECRETARY

s/ Rebecca L. Noah Casper _____

Rebecca L. Noah Casper, MAYOR