

**May 16, 2019 - Unapproved**

The City Council of the City of Idaho Falls met in Special Meeting (Idaho Falls Power Board), Thursday, May 16, 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 (departed at 8:40 a.m.)

Board Member Thomas Hally

Board Member Jim Francis

Board Member Michelle Ziel-Dingman

Board Member Shelly Smede (departed at 8:40 a.m.)

Board Member Jim Freeman

Absent:

Board Member John Radford

Also present:

Bear Prairie, Idaho Falls Power (IFP) General Manager

Stephen Boorman, IFP Assistant General Manager

David M. Smith, City of Idaho Falls Accountant

Randy Fife, City Attorney

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 announced the Line Commission meetings that are ongoing and noted how gratifying it is to be making some traction with the State and also notices how Governor Little seems to be dialed in. The Energy Alliance passed a board motion on a joint signatory letter asking congress for pathways to waste disposal across the country. Mayor Casper asked that everyone read the letter before deciding to endorse it. Board Members Francis asked for some clarification on the logo and Hally asked if there needed to be a vote to sign the letter.

**Updates from Board Members:**

There were no updates.

**Mobile Substation Lease Discussion:**

Assistant General Manager (AGM) Boorman was contacted by a transformer company which stated that an energy coop in New Hampshire wanted to rent Idaho Falls Power's mobile substation for the purpose of feeding their system while they build out a new substation. He saw an opportunity to get some return on IFP's initial investment. General Manager (GM) Prairie gave some history on how the mobile substation was acquired over 15 years ago and explained why the mobile substation was originally purchased, due to not having the reliability from upgrades we have in place today. He looked into selling it a couple of years ago at an estimated value of \$200,000 to \$350,000 and decided not to sell it. Boorman added that not only would the rental agreement be good financially for IFP, it will also be good for the mechanical aspects of the substation to be commissioned. The rental contract with Power and Mountain West Transformer would be for three months at \$25,000 per month and will go down to \$20,000 per month for subsequent months if needed. The lessee will pay all of the freight and their insurance covers all loss or damage. Pending final

legal review, AGM Boorman recommends entering into the contract. Mayor Casper motioned that she is willing to sign the rental contract.

Capital Project Review:

AGM Boorman reviewed the proposed IFP capital projects for the next five years. GM Prairie explained the process in developing the Capital Plan and noted that the Capital Plan should line up with the Strategic Plan. He added that next year when purchases start coming through, that they will be tied to the Capital Plan. Board Members Freeman and Hally agreed that this was a primary board responsibility and emphasized its importance for rate setting. David M. Smith gave an example that if you are taking more depreciation per year than your asset reinvestment, then you are not reinvesting as much into your system as it is decaying, pending your depreciation rates are correct. He further stated that our depreciation rates are likely shorter than how long an asset will actually last. Board Member Hally asked about scheduled replacements under the Municipal Equipment Replacement Fund (MERF) and if IFP needed to abide by the replacement schedule if the item didn't need to be replaced. GM Prairie stated that he has been keeping running equipment past the MERF schedule and works with the purchasing department on items like line and bucket trucks that often need a 16-month lead time for ordering. He continued to say that MERF is put into the budget every year as an expense. Mayor Casper asked if there is enough money in the plan for emergencies and GM Prairie answered, "yes". There was a brief discussion on why the Federal Energy Regulatory Commission (FERC) license is in the Capital Plan. GM Prairie stated that the FERC license has a 30-40 year lifespan and is treated like an asset where the expense is spread out over multiple years.

AGM Boorman reviewed the Bulb line items. He stated that battery banks are essential. The Protective Relay and Protective System Engineering Analysis will be important in maintaining and keeping the system safe and free of debris. GM Prairie explained the importance of replacing the sand separators at the City plant because it cleans out the sand and debris before the cold river water enters the generators for cooling. The Gem State elevator needs to be replaced, as the parts are no longer available for purchase. Board Member Francis asked if each vehicle has its own section under MERF. GM Prairie answered, "yes", and gave an example of a truck scheduled for repair versus replacement. Under Transmission, he stated that half of the cost of the Sugarmill to Paine Transmission Line will be reimbursed by Rocky Mountain Power (RMP). The Paine Substation equipment has a long lead time and are in next year's budget also. GM Prairie explained that the Inverter Upgrade is what charges the batteries.

Under the Distribution line items, the Conduit Installation is an underground boring conduit project with Fiber, where Electric will piggy back and upgrade the electrical system at the same time as the new fiber is going in. The Distribution Automation System can alert the dispatcher of a fault where they can isolate about 200 customers and close the line at dispatch instead of sending a lineman out to close the line. This reduces the outage to minutes instead of hours in bringing the system back up. The Fiber system is what makes the Distribution Automation possible. Mayor Casper asked when the system will be up and running and AGM Boorman said in the next fiscal year and added that crucial switches still needed to be added to the system. GM Prairie explained that IFP didn't really have a dispatch center in the traditional utility sense, seven years ago and since then, the utility has invested time and money into the dispatch function. He continued that a utility requires a highly qualified and trained dispatch staff in order to make decisions about shutting down and cranking up 12,000 volts of electricity.

IFP has contracted out for some pole testing. About 1200 poles are scheduled for this year. There has been about a 10 percent failure rate on poles, mostly in the older neighborhoods which is normal and, in most cases, there will be a complete rebuild of the lines. The line extensions are based on customers that request to be changed over to Idaho Falls Power. GM Prairie stated that the budget is large enough to take advantage

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of opportunities like working with Downtown Development on when they rehabilitate an alley. This is a perfect time to redo all the old lines. Board Member Hally asked if IFP had been reimbursed for the Broadway Lighting Project and AGM Boorman replied, “yes”. He said that the cost is expensive and that IFP always try to work with the developers on sharing costs when work is requested by a customer. The Sandy Downs feed cutover was purchased from RMP and IFP is working to have it ready before the rodeo.

GM Prairie stated that through the settlement with Elster, IFP is purchasing upgraded meters which helps do shut-offs more efficiently. It’s a great customer service tool and also sends good data back during outages. IFP will continue to invest in the project. The generator for building 2 is getting old and fatigued and we are analyzing to see if it needs to be replaced. IFP is working with Public Works and investing in battery backup systems for traffic lighting. There was a discussion about grant money and Federal matching. Under the Administration budget, the overhead bay doors need to be replaced. The heaters are over 30 years old and some do not work so they will be converted to more efficient and less cost gas heaters. The mezzanine will be remodeled, adding needed office space and will help to centralize work groups. Fiber conduit installation is contingent upon if the fiber plan moves forward. There will be more information available at the next meeting on the Fiber pilot.

### Budget/Preliminary Cost of Service Discussion:

GM Prairie led the discussion that the new 161 kV line was a large budget item. He added that traffic signals are driving up the budget but is working with Public Works on their state level matches, grants, etc. Mayor Casper mentioned that if traffic has more spending, that there will be less money in the transfer fund and that could put some pressure on the general fund. Bonneville Power Administration (BPA) is projecting a 2.8 percent rate increase, but it won’t be finalized until July. Meanwhile, GM Prairie will continue to manage rates and watch for the summer demand, but prefers to only move in little steps. Depending on how the Fiber project progresses, he may ask for two communication technicians. Transmission and Distribution downsized through retirements and will most likely need to add an apprentice lineman. GM Prairie stated that he prefers to send two apprentices, through training to save on costs and that it can be a five-year process. Additionally, three more linemen will most likely retire over the next three years and it’s desirable to maintain current staffing levels. GM Prairie said he would like to add one utility helper which is a union position and would also be a good position for Fiber and Electric and a great way to add an entry level position, which will be potential feedstock into an apprentice program.

GM Prairie stated that the costs for paper billing are expensive. The utility pays .70 to send a paper bill, not including the labor. Also, the utility pays about \$450,000 (3 percent) per year on credit card processing. There’s a proposal to charge a \$4 fee to customers who pay with credit cards and give a \$1 credit to customers who pay by automatic draft. The utility would like to get the messaging out over the summer and transition by October 1, 2019. There was a general nod of approval with Board Member Hally cautioning of privacy breaches.

Break from 8:36 – 8:51 a.m. with Mayor Casper, Board Members Smede and Radford absent for the remainder of the meeting. Mayor Pro Tem Hally restarted the session.

### Q2 Financial Update Review:

Mr. Smith reviewed the second quarter financials, stating a 28 million dollar gross revenue with a difference of 1.9 million between last year and this. The money in the budget is reflective of fall spending and construction ramping up for the summer months. Mayor Pro Tem Hally asked if UAMPS returned the money to IFP and was answered with “Yes, the total was almost one million between UAMPS and BPA.” GM Prairie added that the fiber expansion will affect cash on hand.

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GM Prairie reviewed the Q2 Power Supply report and stated that IFP is not incurring any more transmission costs on the Bulbs. The power supply revenue wasn't much for January and February because the water was low and we had a dry January with not much flow. He continued that in early March, sales went to \$1000 per MWh hour for a 5-day period due to a constrained gas line out of Canada, transmission constraints out of California and cold weather in the upper West Coast where spending was high for electric. The region is retiring coal resources and it's a good time to put long-term purchases on the books. Mayor Pro Tem Hally asked how far can you hedge out and if there is a fee? GM Prairie stated 3-5 years with three being decent and said there is no fee because it is a futures contract, just risk premiums. A futures contract is a good insurance policy and takes some risk off the books. He continued that the utility doesn't have to pay for the energy until used, but a good credit rating is needed. GM Prairie stated that the loads were higher in Q2 than were forecasted because it got cold, which equates to good electric sales. Generation was in line with what was projected. He added that a cool drawn out spring is good with not a lot of flooding and that the snow pack helps keep even stream flows so there will be water later on in August. The Upper Snake flow is at 102 percent of average and natural gas prices have been flat.

### FY18 Audit Review:

Mr. Smith reviewed how Moss Adams ran the City audit. The adjustments shown for work in progress is actually moving work in progress to assets. He reported that the controller's office has been behind in processing because of Cayenta. Finance has worked hard to reconcile daily and close out the end of every month. He continued that Electric had a really clean audit. Moss Adams said they made some adjustments, but Mr. Smith felt that was to cover some other areas of adjustment that were already fixed by City staff. Board Member Francis asked if the Letter of Comments is made public and Mr. Smith replied, "no". He added that the UAMPS questionnaire statement needed to be filled out and that we're strong and in good shape in the UAMPS group.

### Strategic Plan Review and Update:

GM Prairie reviewed the plan, updated some of the wording, deleted some goals and accomplishments, and added additional points and goals. Mr. Fife gave an update on the Railroad purchase and talked about the Rails and Trails project and how it is a good, low cost program to cities where the area can be used for public purposes. The rails would be removed but the rail beds would remain in case the railroad was ever revived.

### Utility Reports:

*Operations Technology* – 5G is a huge investment in infrastructure with security concerns running that type of network.

*Generation* – Finished a successful dewater at the City plant with no issues. Dewaterers are typically every five years.

*Energy Services* – Cooperative Response Center, Inc. (CRC), a centralized call center, is on target for launch the second week of June. They are working on downloading data to CRC for a seamless customer interface. Mayor Pro Tem Hally asked the length of the contract and AGM Boorman replied that it is a month-to-month contract with no sunset.

*Fiber* – There is meeting next Tuesday with the boring contractor for the Stonebrook neighborhood. Five crews will be working there and should be getting underway later in the week. There are 105 customers signed up, which is almost 30 percent, and is on target with expected outcomes. CableOne front ran Fiber with a 1-year contract; not sure of the impact.

### Organizational Membership Reports:

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*Northwest River Partners (NWRP)* – Congressman Simpson has stirred some provocative discussion over the salmon runs. There is a task force working on the salmon issue, which has spurred regional conversation.

*Utah Associated Municipal Power Systems UAMPS* – The Small Modular Reactor (SMR) conversation is scaling up with the Department of Energy (DOE) paying for the first reactor. The DOE does not want to be the long-term owner of the reactor and there will be an opportunity to take over and pay for the operation and management with capital costs to build it out paid by DOE. The utility has the ability to pick up 5 MWh, which would slip into the City’s growth plan in 15 years.

*Bonneville Power Administration (BPA)* – The final rate decision will be in July and IFP’s rates will adjust at that time.

*Idaho Consumer-Owned Utilities Association (ICUA)* – The tentative agenda is available for ICUA’s Annual July meeting, golf tournament and auction in Boise, Idaho.

There being no further business, the meeting adjourned at 10:55 a.m.

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Linda Lundquist, EXECUTIVE ASSISTANT

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Rebecca L. Noah Casper, MAYOR