

**June 8, 2022**

The Idaho Falls Power Board of the City of Idaho Falls met Wednesday, June 8, 2022, at the Idaho Falls Power Energy Center, 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 Jim Francis  
Board Member Jim Freeman  
Board Member Lisa Burtenshaw  
Board Member John Radford (via Zoom)

Absent:

Board Member Thomas Hally

Also present:

Bear Prairie, Idaho Falls Power (IFP) General Manager  
Stephen Boorman, IFP Assistant General Manager  
Richard Malloy, IFP Hydropower & Utility Regulatory Compliance Manager  
Michael Kirkham, Assistant City Attorney  
Linda Lundquist, IFP Board Secretary

Mayor Casper called the meeting to order at 7:50 a.m.

**Calendar, Announcements, Events and Updates**

Mayor Casper announced that the Idaho Transportation Department (ITD) is looking for input on siting electric vehicle (EV) facilities and plans to hold community outreach events over the next few weeks. General Manager (GM) Prairie explained that the state is looking for input on siting charging facilities in the corridors identified by ITD and is working through the federal government's National Electric Vehicle Infrastructure (NEVI) program. He said he'd reach out to ITD, as the utility has experience siting and building out affordable charging facilities within the city and gave examples of the collaborative work done by the city's economic development team, utility staff and Tesla staff to site and design Tesla's first charging facility in the state. He added that the utility also worked with Smart Charge America on their siting and facility design at Walmart and said the most recent Greater Idaho Falls Transit (GIFT) charging facility at the airport's design and installation was completed in under two months by utility staff. Mayor Casper reported on discussions held at the recent Northwest Public Power Supply's (NWPPA) conference regarding software issues and commented that it might make sense to find software that meets individual department needs instead of attempting to meet the needs of the entire city. She mentioned that NWPPA's annual report will be in Board Member's mailboxes. Mayor Casper announced that the Department of Energy (DOE) plans to visit Idaho Falls in mid-July to discuss the city's proposed peaking plant and research facility.

Board Member Radford provided updates on current federal legislation including the Build Back Better Act, Jobs Act and available broadband funding. He gave a brief Environmental Protection Agency (EPA) report that appears to be focused on funding for climate change, environmental injustice and staff increases. He reported that the American Public Power Association (APPA) recently endorsed Grant County PUD's hydro relicensing and commented that the relicensing reform needs more reform than originally proposed. GM Prairie added that the Public Power Council (PPC) and their lobbyists have been working with the Army Corps of Engineers to deauthorize power as a use of the Willamette river projects that have the

June 8, 2022

capacity for 50-80 megawatts (MW), which were originally built to keep Portland, Oregon from flooding and power production was a secondary use as opposed to the Lower Snake dams which power is a main purpose. The Willamette projects with requested fish passage costs would drive power rates from those projects to a point that's very uneconomical so flood control should pay in GM Prairie's view. He said to expect to see a purchase request at the next City Council meeting for a new 105' bucket truck to replace an aging truck that often breaks down and leaves crews stranded in the air. GM Prairie explained that he'd like to try wrapping the truck with the yellow/gold color that could include additional logos/images instead of spending double on custom painting since there have been ongoing issues with matching the paint color and added that it could also prove to be more beneficial not only for the cost savings and quicker delivery times but an added bonus would be when the vehicle is sold to other departments/entities that the wrap could be removed. GM Prairie stated that his takeaway from attending the NWPPA and Pacific Northwest Utilities Conference Committee (PNUCC) meetings is that the supply chain won't likely improve over the next three years unless a mighty recession hits and normalizes the system. Assistant General Manager (AGM) Boorman said the utility still has a good inventory of transformers and explained that the utility has been rebuilding transformers to stay ahead of the supply chain issues. GM Prairie added that he doesn't want to commit all of the transformers to the developers and be caught short if the utility needs them for existing customers. Mayor Casper said that a conversation should be had with community development and developers about it and commented that a factor driving the supply chain is outsourcing to other countries and now being faced with higher prices when purchasing locally.

#### Board Policy No. 1 – Payment in Lieu of Taxes (PILOT) Annual Review

GM Prairie gave an overview of the current policy and noted the APPA study that identifies trends across the industry is not yet available. Board Member Francis asked if IFP is sharing the salary and benefits cost of the traffic engineer with public works and GM Prairie said that public works is paying the entire amount out of the general fund transfer from electric. He reviewed the traffic and bigger projects proposed for next year and pointed out the increased budgeted funds to cover the projects. Board Member Freeman asked if there has been much feedback on traffic and GM Prairie said the biggest complaints are Yellowstone and Broadway and added that public works continues to work to get ITD onboard with having IFP maintain their signals and coordinate them with ours. There was a discussion about state-owned versus city-owned assets. GM Prairie said that IFP is often relied upon to fix and maintain Ammon's traffic lights because they don't have traffic electricians on staff and added that he'd like to get an agreement in place with the City of Ammon to clarify responsibilities and liabilities. He noted that Ammon hasn't yet returned a signed agreement and it has been in their hands for over year now with multiple conversations and email exchanges by IFP notifying them that without an agreement IFP will not be able to help them the next time they call for help. He added that Ammon has limited spare parts, including traffic cabinets which take up to one year to arrive once ordered, which he views as a major risk item for their traffic system of which he has informed them of. He said that he would like to run fiber to the light near Cabela's in order to coordinate with IFP's lights near there. This was Ammon's request to get an agreement in place and work together more, but they seem unable to get traction on getting it to council for an unknown reason to him. GM Prairie pointed out that he added fiber optic revenue into the PILOT and reviewed the graphs.

#### COSA/Rates/Budget/CIP Review and Discussion

GM Prairie said that most utilities run a cost-of-service analysis (COSA) every 4-6 years and pointed out that he updates it every year like some of the larger utilities do and added that this year will be the first time in four years there may be a need for a rate adjustment. He reviewed the large capital expenditures and explained there are many moving parts in the current economy and noted that he is working on changing the net metering rates to reflect a true time-of-day rate structure to avoid subsidization. GM Prairie explained that good water years equate to good wholesale years where the utility can give money back through the payment cost adjustment (PCA) and pointed out that this will be the second year in a row where

June 8, 2022

that isn't possible. Board Member Burtenshaw commented that this was another good reason for a peaking plant to help stabilize and provide low-cost affordable rates to accommodate growth. GM Prairie explained how the operating revenue is paid back over the coming years and reviewed the fund and target balances and pointed out how the cash-on-hand is going down and warned that the utility may be in violation of the policy in a year or two unless action is taken with raising rates. He continued to show how the revenue levels out in the next two years in the flow through from year-to-year section and explained how projecting out a few years avoids moving rates around every year. Mayor Casper asked what information is considered in the *customer charge* and GM Prairie said that expenses like the cost of billing, metering, transmission and distribution system costs, etc. , which are the fixed costs to serve a customer regardless of the amount of kilowatt hours they consume in any particular month or period. He explained the rate structure and mentioned that the 22 or so opt-out customers may have to pay a little more in their monthly bills because their meters still have to be manually read every month but would perform an in-depth cost-of-service analysis on their manual meter reading and assign a rate that covers the costs. There was a Board consensus for raising rates as needed due to the rising cost of service. AGM Boorman explained demand charge terminology and gave examples of how it is often a preferred and more equitable rate structure. GM Prairie explained how EVs, working from home and customers living in vacation homes are showing a much different rate profile than in the past and pointed out that demand rate structures might be a better way to address peak energy usage. He explained that a major limiting factor in more forward-leaning rate designs is IFP's customer information system (CIS) and city billing system capabilities.

GM Prairie reviewed the 2023 rate projection in COSA and explained how the revenue model shows higher cost adjustments than he is prepared to make and emphasized that he'd like to keep all the rate classes inline and is committed to keeping increases to at or below inflation, while noting that inflation is about 8% and maybe higher; the cost of energy has risen 25%. He committed to working to maintain rates at this level and with no increases over the past 4 years but doesn't think a "no increase" this year is possible or prudent. He believes the final numbers will be between a 5 – 10% increase. The Board was generally understanding of the need and current operating environment. He gave an example of how raising the fixed customer charge could lower the total power bill on smaller and less efficient homes like mobile homes because it keeps the per kilowatt hour rate in line and prevents subsidization between people who have natural gas heat versus electric heat, etc. and pointed out that payroll and benefits he projected to increase by 7% and explained his request to increase approved positions from 82 to 84. He explained how the geographic information system (GIS) would benefit from staff depth to reduce single employee risk that is currently in place and talked about how an inhouse accountant could help address work order issues in real-time and also identify items potentially missed in central finance along with taking some of the pressure off him and allow him as the GM to focus on broader and higher level utility issues. Board Member Francis said the added position makes sense as long as they coordinate with central finance and Board Members Burtenshaw, Freeman and Ziel-Dingman agreed. Board member Burtenshaw felt time was of the essence and that this is a major area of risk and concern for her and expressed the need to be doing something now and not waiting around. GM Prairie explained that he is working and coordinating with the Controller and that anything done would be in a coordinated manner. GM Prairie continued to review the budget pointing out that everything is contributing to a higher budget, including inflation and overall growth. He reviewed the utility's cash flow and commented that sales are increasing due to the utility growing. AGM Boorman reviewed the capital budget and pointed out that fiber is on schedule to have the bulk of it built out in four years total time. He said the runner hub at lower is currently being refurbished this year and shows the upper plant is scheduled for next year. He explained how the bulbs and gem state will fold into the same budget for the next year. AGM Boorman explained that the transmission budget allows for one substation rebuild per year. He pointed out the operations technology expenses are spread across the entire department. He commented on the A&G building projects as the water tank is removed and how space for parking will be reallocated once the railroad property is hopefully purchased. He noted along with the fiber expansion, that

June 8, 2022

dark fiber for commercial is still being requested on a regular basis. Board Member Freeman asked if there was enough money in the traffic budget of which GM Prairie said he builds the capital portion with information given to him by Director Fredericksen. GM Prairie asked the Board to review the rest of the CIP budget at their leisure due to the limited time remaining.

Peaking Plant Update

Richard Malloy, IFP's Hydropower & Utility Regulatory Compliance Manager explained that the request for information (RFI) was drafted and widely distributed in March 2022 and had received three responses. He reiterated that the utility's main priorities continue to be reliability, affordability and environmental responsibility and explained that the RFI also requested any information on any emerging technologies suitable for co-development at a possible research park. Mr. Malloy summarized that the RFI didn't return a response which meets the utility's needs without carbon emitting fuel inputs; there were no large-scale battery options were presented and there were no off-the-shelf options that completely omit carbon outputs currently. He said that there will be ongoing discussions with the respondents and that he expects the utility's stated priorities will carry over into a request for quotes (RFQ). GM Prairie expressed his concerns about the utility's immediate needs in the next three years over grid stability, supply chain, emerging new technologies, Ukraine war, rising natural gas prices and the current inflation rate. Board Member Burtenshaw asked if there is a short-term solution and GM Prairie said he is planning on purchasing 10 MWs for the months of July, August and September 2023 and noted that gem state will no longer be delivered to PacifiCorp post summer of 2023. He said he is also researching battery leasing that has a four-hour duration for \$80 megawatt-hour (MWh) but was unsure if this was a firm quote and is requesting more information because he has experienced in the past issues where suppliers use indicative prices that are not followed through in reality when you press the question. GM Prairie informed the Board that the construction cost and supply chain risk that exists in today's environment compared to when the simple peaking plant was proposed last April is drastically different. What was to be an 18-month project for around \$30 Million dollars using \$3 natural gas is now likely a 4-5 year construction timeline and at a much higher cost for construction and added that natural gas prices have skyrocketed. GM Prairie cautioned that what made good risk-reward sense a year ago is perhaps not the same today and expressed the desire to focus more on the front-end and added that research and collaboration with the Idaho National Laboratory (INL) has taken much more time than constructing a simple peaking plant and that clean energy research could be done later on.

Draft Resolutions Review was tabled due to lack of time but GM Prairie noted that these were items that have been previously discussed in the Board and were drafted by Legal. He continued to say that he is pressing forward with the resolution to remove fund 15 and they will likely see that soon on a Council agenda and asked the Board to please review and let him know if there are questions or concerns.

GM Prairie asked the Board to review the Whitlock Consulting Group's report included in the packet.

There being no further business, the meeting adjourned at 11:45 a.m.

s/ Linda Lundquist \_\_\_\_\_

Linda Lundquist, BOARD SECRETARY

s/ Rebecca L. Noah Casper \_\_\_\_\_

Rebecca L. Noah Casper, MAYOR