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The City Council of the City of Idaho Falls met in Special Meeting (Idaho Falls Power Board), Thursday, June 14, 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

Councilmember Thomas Hally

Councilmember Jim Francis

Councilmember Jim Freeman

Councilmember John Radford (departed at 8:52 a.m.)

Councilmember Shelly Smede (departed at 8:00 a.m.)

Councilmember Michelle Ziel-Dingman

Also present:

Jackie Flowers, Idaho Falls Power Director

Bear Prairie, Idaho Falls Power Assistant Manager

Dana Briggs, Economic Development Coordinator

Randy Fife, City Attorney

Kathy Hampton, City Clerk

Mayor Casper called the meeting to order at 7:01 a.m. She reminded the Councilmembers of the upcoming Utah Associated Municipal Power Systems (UAMPS) Conference.

Budget/Payment in Lieu of Taxes (PILOT) Discussion:

Director Flowers stated the PILOT policy was memorialized in May 2017, although the defined process has been in place for several years. She indicated American Public Power Association (APPA) does a benchmark assessment of PILOT every two (2) years, which lags two (2) years. Idaho Falls Power (IFP) has been benchmarking against this assessment for approximately ten (10) years. APPA collects data from IFP (cash and in-kind contributions for other City departments) to be included in their report. The report contains two (2) categories: revenue (\$50-\$100M) and region (Pacific Northwest). Director Flowers stated there was a substantial increase in contribution levels by the geographical boundary due to the reduced number of respondents as compared to previous surveys with only nine this time. The policy states not to exceed the highest of the two 3rd quartiles. This year's data slightly increased the revenue category, however, the region category increased from 6.6% to 9.7%. Director Flowers stated historically this has been in the 6.6% range. She cautioned against building ongoing programs around this high percentage due to it being substantially higher than thing historically from the report. She added if history is an indicator this number will drop back in two years to be more in line with the past years of data. She believes consistency should be maintained/followed within the policy. Brief discussion followed regarding the northwest respondents smaller sample size and some respondents not submitting that historically had in past years. Director Flowers stated once the PILOT is transferred it is then considered General Fund money. FY17-18 = \$3,292,115, % contribution = 6.6%; Mr. Prairie believes 6% should remain as a historic reference as current stated on the calculation form. Director Flowers and Mr. Prairie reviewed the PILOT transfer process and calculations, including the traffic fund and fiber expansion funds. Director Flowers stated staff is working on techniques to reduce the cost of fiber installation. General comments followed.

Project Update:

Heritage Park-

Director Flowers reviewed the proposed three (3) power pole placements at Heritage Park. She stated it was determined the existing steel structure on the west side of the river crossing would not be strong enough to support the wires for the distance between the poles, therefore, laminate structures (engineered poles) will be used. Six (6) poles will run the perimeter of the access road along the edge of Heritage Park. This will reduce the overall amount from ~\$1.2m to ~\$700k. Director Flowers stated a journal transfer will occur at the end of the project to true-up expenses and revenues. She indicated pole work could begin in fall 2018.

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Sole Source with JE Dunn for INL Buildings-

Director Flowers stated in December 2017, IFP requested to approve a sole source with JE Dunn for underground work at new Idaho National Laboratory (INL) facilities. The sole source was projected at \$344,000. Since that time there has been additional conversation with the INL regarding design changes, which increased the cost 21% to \$434,000. Director Flowers stated there has also been evolution in the State Tax collection requiring contractors to pay tax on any equipment or materials used from IFP. She indicated due to this requirement, the final estimate from JE Dunn was an additional increase of ~\$90,000. Director Flowers stated this is part of the INL large single load negotiated rate, therefore, INL will be paying 100% of these costs over a period of time, per the previously approved agreement. She indicated since there is no existing purchase order, the increase is not considered a change order as the sole source will remain the same. The total purchase order will be issued in the amount of \$515,756. Director Flowers stated per discussion with the City Attorney, there is no legal requirement to re-advertise the sole source. There was no concern from Councilmembers to proceed.

Service Policy Update:

Director Flowers stated revisions to the Service Policy will incorporate the language related to conduit installation requirements per State Tax statutes. This item will be included on the June 14, 2018 Council Meeting agenda.

Procedure Review: Request to turn off street lights for Special Event Permits:

Director Flowers stated there is a need to clean up the process from the previous July 4 event. She prefers to establish best practice for the potential request related to turning off street lights which includes emergency planning. This has now been memorialized as an internal procedure within IFP. Director Flowers stated procedures include: security plan reviewed and approved by Idaho Falls Police Department; incident command center on-site staffed by Idaho Falls Police and Fire Departments; Public Works to approve road closures; and, provide indemnity clause naming the City as an additional insured. Director Flowers stated if there are unsafe conditions the request could be denied. If the request is approved, an IFP staff member will turn off a street light for an event. Mayor Casper stated this policy will give the City accountability. Discussion followed regarding an internal procedure versus a Council Resolution. It was decided the request will remain as an internal procedure although the Board Members will be notified of any amendments.

Large Single Load Update:

Mr. Prairie stated a current IFP high-density load (crypto mining) customer requested a substantial increase in their current amount of power, which was not available. Amount requested is considered a large single load rate, which is a negotiated rate. Mr. Prairie indicated since that time additional high density load entities have also requested large loads, no additional high density large load power is currently available due to transmission constraints in currently city locations they prefer to locate at. He stated the Memorandum of Understanding (MOU) with this current customer expired May 2018 and a Power Sales Agreement is progressing but has had to continue to have modifications due to permanent location siting issues. The customer has located two (2) temporary sites which are currently in the permitting construction design phase. It is anticipated the sites will be running in mid-August timeframe. Mr. Prairie stated one (1) site is located in the field adjacent to the Wastewater Treatment Plant (WWTP), and one (1) site is located near the grain elevators adjacent to I-15 at Lindsay Boulevard. Mr. Prairie indicated they had experienced difficulty finding a permanent location. He reviewed a substation location on York Road. He indicated there are current issues with the property owner and the potential sale of land and all costs need to be considered. He stated the customer is becoming frustrated with land acquisition as locating a temporary location has also been difficult. The customer is now focusing on a permanent location and is actively pursuing all options. Mr. Prairie stated the Power Sales Agreement will be modified for the customer. Brief general comments followed.

Fiber FY18Q1 and FY18Q2 Report and Update:

Director Flowers stated although all available fiber pairs have been leased, IFP continues to address service drops and extensions. Q2 is at 47% of the revenue for budget projections. Operations & Maintenance (O&M) has been largely labor expended. Director Flowers reviewed the number of businesses with leased pairs (25), large customers (16), drops (526), large customers drops (41), and, remaining amortization amounts (\$443,091.47). She stated there is an ongoing concern with a specific delinquent account. Director Flowers briefly reviewed current fiber projects,

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including a Pilot program anticipated for fall 2018. She stated a previous fiber customer has been distributing flyers throughout the community claiming to be a City fiber provider who has all the permits required to provide fiber and will be building fiber to homes. Stonebrook and Shamrock Park areas are being targeted. Director Flowers is anticipating a neighborhood meeting with these homeowners. Mr. Prairie stated the Pilot program is planned to occur in the Stonebrook area on roughly 1000 homes. The Pilot program will include overhead build, conduit installation, and, direct-buried fiber which will test all three different construction types we have in the City. He indicated IFP prefers to test the ability to install fiber in three (3) separate environments: cost to build aerial construction; determine the ability to use existing electrical infrastructure for a pathway; and, new construction to alleviate direct buried electrical conductor and install new path for fiber. There should also be conversation regarding long range plans. Director Flowers stated Idaho Regional Optical Network (IRON), the network deployed and developed for higher education connectivity, currently leases one (1) pair with seven (7) drop locations. She stated IRON has received money from the State to enhance their system. Conversation has occurred with IFP regarding a partnership as a full build will require IRON enhancement capacity coordination. Director Flowers stated IRON has requested providers to co-locate at three (3) locations for a point of presence. IFP has expressed interest in locating at College of Eastern Idaho (CEI) and would prefer to be involved with the design for security, safety, etc. Brief comments followed. Mr. Prairie stated conversations are continuing at Idaho Consumer Owned Utilities Association (ICUA) regarding co-ops and their customers' needs for fiber access.

Columbia River Treaty:

Mayor Casper stated the U.S. Government will be negotiating for a long-term agreement as well as the ongoing litigation associated with fish.

Mr. Prairie presented a 2011 U.S. Army Corps of Engineers - Bonneville Power Administration (BPA) presentation with general discussion throughout:

Treaty Background – approximately 15% of the Columbia River basin is in British Columbia (B.C.) but 30% of average flows come from Canada. The Treaty required construction and operation of three (3) large dams in B.C. to be operated for power and flood control benefits.

Treaty Power Provisions – Canada must operate their Treaty storage for optimum power generation. Canadian storage increases generation at U.S. projects by reducing spill. U.S. must deliver electric power to Canada equal to one-half the estimated U.S. power benefits, currently 536 average annual megawatt (MW). U.S. purchased power benefits in 1964 for \$254m for the first 30 years of operation.

Treaty Flood Control Provisions – U.S. purchase of 8.45 million acre feet (Maf) of flood control operation expires in 2024, regardless of the Treaty. In 2014, notice of intent of termination could be given for 10 (ten) years.

Columbia River Treaty Benefits – storage reduces flood flows, reduces spill, and shifts energy from low value time periods to high value time periods. Mr. Prairie reviewed amounts of water on the Columbia River.

Why a 2014/2024 Review:

Post-2024 Power Operations –

- If Treaty continues – coordinated annual planning, U.S. continues to pay Canadian Entitlement, certainty in Canadian storage operations
- If Treaty is terminated – Canada will release water based upon market conditions, Canadian Entitlement will cease to exist

Post-2024 Flood Control –

- Transition to “Called Upon” storage, we must reduce our reservoirs in order to utilize. Mr. Prairie stated Idaho Power was against termination of the Treaty due to the flood control section. An Idaho position paper was finalized and delivered to Senate and Congressional offices.

Canadian Entitlement and Generation – will reduce to 490 MW in 2024 with value ranging from \$100-\$300m depending on market conditions and the water year. U.S. entities believe we are overpaying for the power benefits due to the changes in river operations for mandatory spill for fish migration.

U.S. Entity Supplemental Report, Overview – U.S. Entity was defined in the Treaty, completed review of current benefits and operations. The current Treaty has no inclusion regarding biological issues.

Columbia River Treaty, U.S. Entity Perspective – needs to be modernized, Canada will be paid future benefits for 30 years.

Where are we at now?

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- U.S. did not send notice to terminate
- State Department has formally started negotiations
- Parties will stay engaged, as allowed (including CRP Power Group of which IFP belongs to)

Mr. Prairie believes negotiations will continue over the next few years.

Fish Mitigation Overview:

Mr. Prairie reviewed the following with general discussion throughout:

Where salmon die by the numbers graphic (downstream and upstream) including egg-to-smolt survival; mortality in the migration corridor; ocean survival; upstream migration; and, man-caused mortality. This data was the result from a multitude of research projects over the past four (4) decades.

Hydro System Passage includes hatchery management; egg; fry; smolt; tributary habitat; predation management; estuary habitat; and, ocean activity.

Graph of adult salmon and steelhead consumption by pinnipeds of harbor seals, stellar sea lions, California sea lions, and, total salmonid catch.

The whole dam story: a 100-year perspective on salmon and dams co-existing in the Columbia River Basin.

Total cost of BPA Fish & Wildlife actions since inception (1978-2017): over \$16 billion. Mr. Prairie believes this amount invested into addressing the hydro impacts on the fish is working and working well.

Dam survival rate was briefly reviewed. Little Goose Dam = 98.2% overall survival. Mr. Prairie believes there can be adapted river operations and make the facilities work for fish while maintaining power production, agricultural, flood control, and, irrigation. This can be a multi-use river system.

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

s/ Kathy Hampton

CITY CLERK

s/ Rebecca L. Noah Casper

MAYOR