

June 24, 2021

The Idaho Falls Power Board of the City of Idaho Falls met Thursday, June 24, 2021, at the Idaho Falls Power Energy Center, 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

Board Member Michelle Ziel-Dingman

Board Member Jim Francis

Board Member Jim Freeman

Board Member Lisa Burtenshaw (arrived at 7:05 a.m.)

Board Member John Radford (arrived at 7:06 a.m.)

Board Member Thomas Hally

Also present:

Bear Prairie, Idaho Falls Power (IFP) General Manager

Stephen Boorman, IFP Assistant General Manager

Ben Jenkins, IFP Systems Engineer

Randy Fife, City Attorney

Linda Lundquist, IFP Board Secretary

Mayor Casper called the meeting to order at 7:04 a.m. and gave a brief overview of the recently held American Public Power Association's (APPA) conference. She shared some booklets obtained from the conference and based on various topics of conversations, she noted there seems to be a push for electrification in the transportation sector. She also pointed out a growing secondary market for used car batteries. Mayor Casper said that the Biden Administration has allotted more money in the nuclear budget than has been seen in the last five years. Board Member Freeman asked what the carbon footprint of batteries looked like and General Manager (GM) Prairie mentioned that the rare earth minerals used in battery production may be a game stopper for scaling up and noted a possible bigger issue may be recycling and how to pull metals back out for future use but noted that production costs continue to be going down.

Board Member Updates and Announcements

Board Member Francis asked why B. Jackson wasn't listed by name on the contracts for City Council's review and Mr. Fife replied that a blank contract is acceptable, as the memo specifies what the contract is for. Board Member Francis was not sure of the work that Wheeler Electric does per the contract and GM Prairie explained that they provide the fiber splice, which brings the line into the home and added that Wheeler also installs the optical network terminal (ONT) box in residences. He made a few brief announcements that included the upcoming summer membership meetings for Idaho Consumer-Owned Utilities Association (ICUA) and Utah Associated Municipal Power Systems (UAMPS). He added that one of the utility's largest industrial customers, Anheuser-Busch Malting Plant won an Energy Efficiency Award by working with IFP on energy efficiency projects. GM Prairie requested that the Budget Review move ahead of Board Policy No. 1.

Cost of Service/Rates/Budget Review/Capital Plan

Assistant General Manager (AGM) Boorman gave a brief overview of IFP's larger projects and noted that the city will see a large benefit from these projects as the lines will tie back in on the north side of town. He also noted that once the Paine substation is completed, that the Westside substation upgrades will begin next year. Board Member Hally asked if Bonneville Power Administration (BPA) had been properly maintaining the equipment and AGM Boorman replied that there will be some needed upgrades. He

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continued to point out that the fiber project is in its third year and noted that it is a significant reinvestment in city infrastructure. Mr. Jenkins displayed a map of the utility's electrical system and illustrated how the Paine substation connects to Sugarmill. He exhibited an electromechanical relay and explained how the 1930s technology works and pointed out how temperamental it can be and that it requires a lot of calibration and tweaking. He added that digital relays are replacing this old technology. Board Member Hally asked if digital is better for cyber security and Mr. Jenkins replied that the digital relays can be programmed with much more flexibility and pointed out that one digital relay can replace up to 100 mechanical relays. There was some discussion on cyber security and how beneficial the Supervisory Control and Data Acquisition (SCADA) system is. Mr. Jenkins showed the before and after photos of the substation upgrades and noted that alarms will trigger if something is not right. He explained the difficulty of replacing old parts that are no longer being made. Board Member Hally asked if all the upgrades will be complete by 2025 and Mr. Jenkins clarified that the digital upgrades will be complete. AGM Boorman added that upgrades to infrastructure are continual, which led to a discussion on upgrading infrastructure. AGM Boorman pointed out how the utility has been focused on executing on the capital improvement plan (CIP) with multi-year projects, fuse cutouts and upgrading city streetlights with LED. There was a brief discussion on neighborhood lighting and Dark Sky Initiatives. Board Member Francis pointed out that street lighting costs comes out of the general fund and GM Prairie said that LED saves on operating and maintenance costs for Public Works and added that they could be controlled with Wi-Fi in the future if the city chooses to go in that direction. AGM Boorman continued to report that the fiber buildout is on target. GM Prairie said that it should be complete by late 2023 and added that he's anticipating adding at least one more fiber hut to the south side of town. There was a discussion about fiber huts on city-owned property and which departments maintain the surrounding property. He said that agreements are in place and memorialized in memos with other city departments if there were any exchanges between departments. Board Member Freeman asked what the plan is when the utility outgrows its current location and AGM Boorman said that the office and warehouse space is looking good, and a lot of outside storage has been moved to the Westside substation, but noted the immediate issue is parking and truck space. GM Prairie pointed out that the city hydro plant here will never be moved for obvious reasons and the current warehouse/offices are very centrally located from an operational standpoint and added that the current central location is also the fiber hub for the city. From his estimates it would be between \$40-60 million dollars to relocate operations and would not result in increased operational efficiency due to location. He reminded the board that the removal of the water tower creates the ability to expand truck storage and vehicle parking as has been discussed and in IFP's strategic plan for the past three years. AGM Boorman noted the utility is having an issue getting steel poles delivered for the 161 kV Line project and Board Member Burtenshaw asked for more details about the York Road expansion. AGM Boorman outlined the city's expansion plan and referred her to the Public Work's page on the city's website where Director Frederickson has outlined the project in more detail. GM Prairie said the utility is keeping up with city annexations on customer buyouts over the last four years. Board Member Freeman asked if traffic lights were being replaced with detection systems and AGM Boorman said that upgraded camera systems are going in where the current systems are failing and GM Prairie added that the new coordination system on 17<sup>th</sup> will be turned on this coming week. The remaining CIP budget was reviewed and Mayor Casper asked what the \$50,000 budget item was for utility work relating to the water tank removal, and AGM Boorman said the utility is working jointly with Public Works when the yard gets torn up and noted there will likely be opportunities to upgrade the plumbing and electrical systems at the Idaho Falls Power and Fiber in conjunction with the water project.

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

GM Prairie reviewed how the PILOT amount is derived per Board policy. Board Member Hally acknowledged that if value of land is skyrocketing, should the PILOT follow the value of the land? GM Prairie asked Board Member Hally if the PILOT follows the value of land, how would the utility handle it

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when land prices go down, which they can? He continued to state that one of the goals of a good PILOT policy should be stability and predictability and in his professional opinion basing things on something as volatile as property values does not meet this objective. He added that if IFP were an investor-owned utility the amount the city would receive in taxes would be under five percent (5%) and likely closer to four percent (4%). Board Member Radford asked Mayor Casper if this topic was discussed in the governance sessions at APPA? And Mayor Casper said that free services like water were discussed and noted that entities are grappling with making things equitable. Board Member Freeman agreed that finding the sweet spot is tricky. After a short discussion, GM Prairie pointed out the city is the utility's fourth largest customer and noted that Parks is a large customer. He reminded the Board that a few years ago the utility partially paid for the sewer treatment plant upgrade through its energy efficiency program, which has a lasting result of Public Works' saving about \$400,000 per year. Mayor Casper said she wanted to make sure there was a majority consensus to not make changes to the current PILOT and Board Member Burtenshaw said that based on what was presented, that six-point five percent (6.5%) seemed to be the right amount and noted that it is slightly above average of other utilities. GM Prairie said the Board has reviewed various methods to determine PILOT and explained that a three-year average is used and noted if it was based on property taxes the amount would be closer to four-point eight percent (4.8%).

### **Cost of Service/Rates/Budget Review/Capital Plan**

GM Prairie gave an overview of the cost of service (COSA) process and pointed out that rates should be cost-based, fair and equitable and added that it's just a cash flow model. He reviewed the revenue requirement with a five-year look into the future. There was a discussion on fixed versus variable costs. He explained the importance for different rate classes and noted the adjustments made five years ago to residential, commercial and industrial seem to be holding up well. He reviewed the historical power cost adjustments (PCA) and Board Member Radford worried that the utility has been so efficient in giving the PCA, that rate payers may not even know they are getting it. GM Prairie cautioned that this is the worst market volatility than he'd seen since the energy crisis in 2001 and explained that he purchased energy for the next four days that cost five-times more than it would normally this time of year. GM Prairie said the utility is working with customers like Busch Ag to shift some of their peak load. Mayor Casper mentioned if the city had more robust utility/billing software, that perhaps it could add in time-of-day usage to better inform rate setting and pointed out the deficiencies in the current software. GM Prairie added that a prepaid option for customers would be a good tool for the chronically late payers and said that Cayenta is currently not capable of that. He continued to note though that the Advanced Metering Infrastructure (AMI) system since 2013 has been able if we had the Customer Information System (CIS) software to produce this function. Board Member Francis added that a possible trend in this area could be putting a battery in your home and GM Prairie cautioned that while this could be a trend, it's not affordable quite yet and needs to get out of the conceptual stage to widespread adoption, which is happening. He added that rate stabilization is intended to stabilize rates in drought years like we are experiencing this year.

GM Prairie reviewed the budget and added that he would like to add two positions, with one of them being subject to reduction in force (RIF) due to the position being focused on fiber expansion the next two years. Mr. Fife added that there is nothing wrong with telling people what may happen with a job and pointed out the concern would be making concessions to the employee. GM Prairie explained that he tries to refine the budget every year and noted he is anticipating buying more tier one power from Bonneville Power Administration (BPA) because it will be the start of a new two-year rate period. He explained how the cashflow statement was reflective of Rocky Mountain Power (RMP) paying for future capital of their portion of the 161 kV Line project and the bond sale. He pointed out the operations and maintenance went down a bit year over year. GM Prairie said the dues and subscriptions are expensive and explained the importance and benefits of membership in organizations that support public power. Board Member

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Burtenshaw mentioned it would be best to leave a membership if the partnership became nonbeneficial to the city. GM Prairie stated that Northwest River Partners (NWRP) wants to substantially raise their dues so they can hire a full-time lobbyist, but he is cautioning against that increase and prefers to grow the membership instead and Mayor Casper mentioned the Board appears in agreement. The Board recommended GM Prairie scale back the payments to NWRP media campaigns if possible due to the large increase in costs year over year but stated they do very much support the efforts to increase hydro awareness.

Utility Reports

*Transmission and Distribution* - GM Prairie showed pictures and explained where the new Paine substation project was at.

Organizational Reports

*Utah Associated Municipal Power Systems (UAMPS)* – GM Prairie gave an update on the Carbon Free Power Project (CFPP) and stated that the project management committee (PMC) voted to amend the budget, which triggered an offramp for July 16, 2021. He explained that under the new design the original \$55MWh not to exceed in 2020 dollars long-term cost of energy contract would increase to \$58MWh if we stay in the project and not utilize this offramp and added that the Department of Energy (DOE) agreement would need to get amended as well and pointed out that if a large number of other participants dropped out but the remaining participants voted as the PMC to stay in, the city wouldn't get reimbursed under the terms of the reimbursement agreement. Board Member Francis asked if there was any new subscription interest and GM Prairie said there were some letters of intent but that there wouldn't be any contracts signed before the offramp deadline. He explained that he would like to request a formal resolution from the Board/City Council to stay in the project and expressed that it might be best to hear directly from Doug Hunter and Mason Baker of UAMPS so the Board can get direct answers from them on their questions pertaining to this offramp decision. Mayor Casper suggested the Board meet in a special session on July 8, prior to the next Council meeting to discuss and get more background on this decision point.

Announcements

GM Prairie said the final bond closing occurred yesterday and netted \$20.5 million and added that the rate on everything including the cost of issuance is one point seven percent (1.7%), with the actual rate on the bonds at one point three percent (1.3%). He said the utility was rated with an AA stable credit rating and explained how hard that rating is to get for enterprise funds and added that it's unheard of for a utility of this size.

GM Prairie said the fiber statistics are included in the packet and to make him aware of any marketing opportunities.

There being no further business, the meeting adjourned at 11:07 a.m.

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

Linda Lundquist, BOARD SECRETARY

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

Rebecca L. Noah Casper, MAYOR