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The Idaho Falls Power Board of the City of Idaho Falls met Thursday, Sept. 23, 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 Thomas Hally
Board Member Jim Francis
Board Member Jim Freeman
Board Member Lisa Burtenshaw
Board Member John Radford (left at 8:15 a.m.)

Absent:

Board Member Michelle Ziel-Dingman

Also present:

Bear Prairie, Idaho Falls Power (IFP) General Manager
Stephen Boorman, IFP Assistant General Manager
Randy Fife, City Attorney
Mark Hagedorn, Controller
Jace Yancy, Operations Technology Manager
Joelyn Hansen, Lead Customer Service Representative
Linda Lundquist, IFP Board Secretary

Mayor Casper called the meeting to order at 7:03 a.m. and made some brief announcements that included a story about how Hurricane Ida caused many issues for cities, especially power related. She mentioned the infrastructure and reconciliation bills in the U.S. Senate and Congress, and noted that if passed, could mean more financial support for the Carbon Free Power Project (CFPP).

Board Member Updates and Announcements

Board Member Radford gave a summary about his recent Policy Makers Council meeting and reiterated some points made by Mayor Casper and offered more highlights from the two bills. Board Member Francis asked if hydropower is considered clean energy and General Manager (GM) Prairie replied yes and added that the American Public Power Association (APPA) and every utility is talking about how to achieve a clean energy portfolio. He cautioned that when the nation pushes past 70% of non-remitting resources, that energy will likely become unaffordable and may prove unreliable with the current technology we have today. He said that Germany's failed aggressive energy program resulted in quadrupled energy costs and a crippled economy. GM Prairie add that an aggressive energy policy may increase rates by 10% every year for a few years. Mayor Casper added that in the case of Germany, coal becomes an affordable alternative. GM Prairie said that over the summer, California called for an emergency executive order which allowed for less clean alternatives in lieu of rolling blackouts. Board Member Freeman noted that he hasn't heard much talk about transmission within the infrastructure bill. GM Prairie said that bill offers higher rates of return for multi-state large projects.

GM Prairie gave some announcements for upcoming events and meetings, which include a ribbon cutting ceremony commemorating the Sugarmill to Paine 161 kV line and Paine substation. He noted that due to delays in receiving materials, the event may get pushed to the spring. Mayor Casper commented that the fish hatchery tour would benefit the entire Board and Board Member Radford agreed and added that inviting

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legislators would also be beneficial. GM Prairie also agreed and said it could add some context around the Bonneville Power Association (BPA) issue. Board Member Francis asked if the hatchery deals with strictly salmon and asked where they are released and GM Prairie answered yes, and likely in Salmon and McCall. GM Prairie stated that there has to be enough attendance desire to go on the tour because it will be a “meeting” and must have and maintain a quorum. He continued to say that should there not be enough interest, a regular board meeting with take place instead and added that Ms. Lundquist will do a survey of interest later in the week.

Q3 Financial Report

Controller Hagedorn reviewed the financial statements from power and fiber. He stated that power is in great financial shape and noted that cash slightly decreased from last quarter, primarily due to power sales and the construction of capital assets. He continued to point out that receivables are near the same but noted that assets have increased. He said that the days-cash-on-hand is still well within board policy. GM Prairie commented that there have not been any withdrawals against the bonds yet. Mr. Hagedorn explained the liability, statement of changes, income statements and expense statements. Board Member Hally asked if residential, commercial, and industrial are combined on the statements and GM Prairie pointed out that IFP has a good balance of customers and not too much farm irrigation. Board Member Hally asked what the costs were for commercial customers and GM Prairie said that commercial and industrial customers pay \$3.90 per megawatt hour (MWh) plus demand charges and residential customers pay \$6.20MWh. Mayor Casper asked what the difference was between commercial and industrial customers, and GM Prairie said that generally industrial customers own and maintain their transformers. Board Member Hally asked what category the bitcoin customers are in, and GM Prairie said commercial. Mayor Casper asked about power purchases and GM Prairie said that power purchases for Horse Butte come through Utah Associated Municipal Power Systems (UAMPS) and operates at about \$82MWh depending on amount of wind production. He pointed out that the higher cost is due to original construction cost overruns and noted that the next phase should come in closer to \$35MWh and added that he’s been encouraging UAMPS to take firm construction bids on this next phase. Board Member Radford asked to see a year-over-year comparison and Mr. Hagedorn displayed a comparison slide and then showed the expenses and payment in lieu of taxes (PILOT). Board Member Burtenshaw asked for clarification on PILOT and GM Prairie explained that IFP pays 6.5% into the city’s general fund in lieu of paying property taxes. Board Member Francis asked if Parks and Recreation (P&R) pays their lighting costs and Mr. Hagedorn said yes. GM Prairie explained that anything that lights up a roadway is considered street lighting and paid by streets. He continued to give examples of private lighting like in parking lots and security lighting. He pointed out that those customers pay \$20 per month, per light, including P&R, but noted that IFP maintains the lights. He explained that there is a separate fund for energy efficiency that receives money from the BPA energy efficiency program for loans and rebates. Board Member Francis asked why work orders account for more in quarter three than in the year-to-date (YTD) and Board Member Hally asked when they get capitalized. Mr. Hagedorn said it could be just the timing of income statements and the transfer of assets and noted that the city has contracted a consultant to make the process more efficient. He continued to explain that income is up slightly over last year and pointed out that the quarter is up over the previous year’s quarter, due to an extra pay period in the quarter as well as more hours worked relative to capital projects. GM Prairie added that as traffic congestion has increased in the city, he’s authorized overtime pay for crews to stay and finish a job as opposed to returning to the same job the next day for only a little more work to complete and reiterated that the figures reflect the current massive capital expansion phase the utility is in. Board Member Hally asked if the expenses will trend down due to the Sugarmill to Paine winding down and GM Prairie said it should as there is \$20 million to start drawing from. He added that the utility is on target to build more in a five-year period than was built in the last 30 years. Mr. Hagedorn explained the cash on hand statements for fiber and pointed out that it’s related to power loaning fiber money for the fiber to home project. GM Prairie added

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that fiber will have to pay the current interest rates. Mr. Hagedorn said the assets are growing and GM Prairie explained the pole attachment agreements and added that in the next fiscal year the utility will be repairing/replacing poles to also accommodate fiber.

GM Prairie talked about the power markets and explained how figures are representative of drought conditions and increased power market rates. He said that extended and extreme temperatures brought expensive heavy load power and noted there was more load in Idaho Falls than he's ever seen, with an increase of about 15% across the region. He said the day-ahead is about triple in cost and suggested that the utility likely needs to put more dollars into the rate stabilization fund to capture the volatility and risk exposure in the current energy markets. He continued to say that there hasn't been a rate increase in four years and added that the utility has been giving about \$1.7 million back per year in the power cost adjustment (PCA). GM Prairie noted there was a huge spread between the loads for most of the day compared to the evening peaks. Board Member Burtenshaw said she noticed the river was running higher in July and August and GM Prairie agreed and said that helped the utility for the fourth quarter. He continued to point out that the total average cost is still competitive at about \$38MWh. He said that while retail sales are up, there's still a need to go to the market. There was a discussion on the river level and winter weather. GM Prairie explained that the heavy load hour position moved a lot this quarter and pointed out that he made sure to get the load forecast caught up with the load growth with BPA. He explained that the utility has taken the full tier one from BPA and will be about \$350 million higher than in the past, but still averaging about \$36MWh for BPA energy. GM Prairie pointed out that the mid-Columbia prices are driven by the natural gas prices in the Northwest which went from \$55 to \$106MWh for this winter. He added that winter prices have doubled and emphasized the need for peaking capacity. GM Prairie continued to say that there are no hedges on the books right now because of rapidly changing prices, higher peaks and higher average loads. Board Member Burtenshaw asked if Texas charged differently for peak usage and GM Prairie explained the state's retail market structure, which offers multiple vendors and pricing. He reviewed the river flow charts and reiterated how bad this water year was. There was a discussion on snowmelt and the extended weather outlook.

Consulting and Work Order Process

Assistant General Manager (AGM) Boorman explained how IFP uses work orders as a tool to track costs and discovered through the consultant process, that other city departments use them differently. GM Prairie added that it's good to see where the needs are and what direction the department and city needs to go. Mayor Casper pointed out there was a lack of technology years ago in municipal services and Board Member Francis asked if the auditor was an issue and AGM Boorman said yes. Board Member Freeman asked what departments are going to pay for the consulting, etc. GM Prairie said that IFP is paying as the utility needs to understand their own needs and implored those decisions need to be made collectively for the city's overall benefit and noted that he'd found good synergy from the meetings with a positive exchange of information. He announced there will be another consultant meeting held in mid-October and Mayor Casper forewarned the Board/Council to be prepared to consider a proposal for new software, or enhancements to existing software, etc.

New Large Load Service/Rate Request

GM Prairie announced the potential for two new commercial customers, which combined would have a use for up to six megawatts of power. He explained the new, large load rate process and reminded the Board they passed a resolution which determines commercial rate eligibility for Biologic's and this practice and large load rate protects the utility against large entities that consume a lot of power without giving back to the larger community. Board Member Francis asked if the utility runs the risk of discrimination and GM Prairie said the resolution was designed to protect against that and also provides for a good exchange.

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Generation Resource Development – CFPP and Peaking Plant

GM Prairie showed a map of the small modular reactor (SMR) site and pointed out the new roads being built. He said that Rizzo is the contractor doing site work there, such as the core drills. He explained how UAMPS got a revolving credit loan for \$35 million and pointed out that its participation percentage is a utility liability as a participant but noted that he has been setting aside money in the budget as it's being spent. Mayor Casper said she feels good about setting aside money and wondered if other utilities are doing the same and asked if there is a risk that other subscriptions may fail in their obligations. GM Prairie said that UAMPS has no credit outside of the credit of the project members and that their creditor, Bank of America (BofA) looks heavily at the top five biggest participants and if someone in the project goes bankrupt, BofA would come to the other participants for payment. He said that NuScale and Fluor are contracted to work together to get the project built and noted that the newly hired UAMPS project manager has been very effective. He said that the subscriptions have very slightly increased and added that Doug Hunter at UAMPS expects to be mostly subscribed by years' end. GM Prairie advised the Board to read Europe's Energy article included in the packet and fears the U.S. may be shutting down reliable energy sources before replacement sources are in place.

GM Prairie said he is working to secure property for a peaking plant and noted that land prices are expensive but still believes the numbers are good even if the current federal legislation goes through that has a megawatt tax is assessed to carbon emitting resources. He added that Idaho National Laboratory (INL) is excited to have a research facility to work on clean fuels like hydrogen. Mayor Casper asked where the land search is focused, and GM Prairie said it must interconnect to our grid and added that he is researching four to five properties and has been meeting with their owners. Board Member Burtenshaw asked if we can annex property and GM Prairie said that current available properties are not contiguous, but a few are close to the city boundary which makes them higher in value in his judgement for purchase over further out land. Board Member Freeman agreed that closer in property costs more money.

Fiber Network Update

Mr. Yancy reported that eight of eleven fiber huts are online and are providing service. He explained how he expects to add one more in the next fiscal year by showing its location on the map and describing the complicated wiring process involved in bringing a hut online. Board Member Freeman asked for clarification if 12,000 customers were the total passed by with available service and Mr. Yancey said that yes, the fiber expansion is about halfway to completion with 12,000 completed customers passed by and eligible for service. He continued to review the contractors involved with the buildout and pointed out their differing roles. GM Prairie said some on the Council have questioned as to why out-of-town and/or out-of-state contractors are being awarded fiber contracts and he said that the local contractors are sometimes not able to scale up their businesses to meet the utility's needs and noted that East Idaho is growing fast. He added that B. Jackson has opened an Idaho Falls office to meet construction demands and sees growth opportunities in East Idaho to expand his business to a local presence. Board Member Freeman asked if they use the torpedo method and GM Prairie said yes and added that the torpedo method is easier and less invasive and doesn't limit construction when the frost begins. He said they also use a lot of bore rigs, but it depends on the area. Mr. Yancey pointed out the B. Jackson has been good about scaling to our project needs. He continued to say that Bluelakes is behind in their phases and will have to pay liquidated damages and added that they've been receptive and responsive to our concerns, and noted they're just understaffed and struggle to find labor in such a tight labor market. Board Member Francis pointed out that the city can't give preference to Idaho companies but must take the lowest responsible bid. GM Prairie added that the utility has been working with legal services to tighten the contracts and make them more specific to the utility's needs. Mr. Yancey reviewed next year's expansion focus and added that the maps are currently being worked on. He said boring in the new areas likely won't begin until April 2022. He pointed out that

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designing inhouse has been very successful with better drop installation practices and contract structure. He added that GM Prairie had great foresight to procure materials for the entire buildout ahead of schedule, as other entities are struggling with long material delays, rising material costs and costly shutdowns. GM Prairie explained how the city hasn't been able to secure federal grant money due to various reasons including the rural requirement and noted that entities who have been awarded, haven't been able to get materials. Ms. Hansen reviewed the take rates and said the utility is seeing better overhead numbers and seems to be gaining some traction. GM Prairie gave an example of how beneficial one gigabyte of upload speed can benefit customers working with big video files. Mayor Casper added that an infographic in the weekend newspaper might be a good idea and GM Prairie added that a spot has been secured in the January education edition of the Idaho Falls Magazine. Ms. Hansen said the take rates in the pilot are now over 50%, which exceeds the original 5-year model and GM Prairie added that the churn rate is almost nonexistent, as the only service loss is when someone moves, but pointed out that usually the new person that moves in takes our service. GM Prairie announced there will be a new provider coming on in October with very competitive rates. There was a discussion on providers and the ease and cost of switching providers. Ms. Hansen said that fiber marketing was originally left to the service providers but pointed out that the utility has hired a marketing company to help with taglines, marketing concepts, videos and print work. She passed around current marketing print work and showed the new fiber informational video. GM Prairie added that staff is continuing to advertise in public venues and added that he's working to secure a billboard in town for a year to help educate the community on hydropower, fiber optic, etc.

Utility Reports

Fiber - GM Prairie gave a summary of the Fiber Ordinance scheduled on tonight's Council agenda and noted the version for consideration is a cleaner version than the prior one from 2002 that has undergone minor adjustments along the way, which mostly pertained to dark fiber. Mr. Fife gave advise to the Board on how to proceed if there were going to be edits to the ordinance. GM Prairie stated that he wanted to add to the fiber marketing presentation that Red, Inc. Communications sends out text messages to new fiber customers to introduce them to the network to see how their service has been going. He added that while 95% of the responses are positive, he noted that it is a great tool to address issues that customers may have experienced.

Announcements

GM Prairie said there are articles included in the packet about the four lower Snake dams and extreme weather events. Mayor Casper stated that Rep. Simpson will be speaking at the Water Rights Coalition in November and noted that Appendix A in the 2020 IFP Annual report has good information.

There being no further business, the meeting adjourned at 11:13 a.m.

s/ Linda Lundquist _____

Linda Lundquist, BOARD SECRETARY

s/ Rebecca L. Noah Casper _____

Rebecca L. Noah Casper, MAYOR