

September 27, 2018

The City Council of the City of Idaho Falls met in Special Meeting (Idaho Falls Power Board), Thursday, September 27, 2018, at Idaho Falls Power Conference Room, 140 S. Capital, Idaho Falls, Idaho at 7:00 a.m.

Call to Order:

There were present:

Mayor Rebecca L. Noah Casper
Councilmember Shelly Smede
Councilmember Jim Francis
Councilmember Jim Freeman
Councilmember Michelle Ziel-Dingman
Councilmember John Radford (by telephone at 10:15 a.m.)

Absent:

Councilmember Thomas Hally

Also present:

Bear Prairie, Idaho Falls Power General Manager
Stephen Boorman, Idaho Falls Power Assistant General Manager
Randy Fife, City Attorney
Kathy Hampton, City Clerk

Mayor Casper called the meeting to order at 7:03 a.m. with the following items:

Calendar, Announcements, and Events Update:

Mayor Casper stated Intermountain Gas will be lowering rates by approximately 10%. Director Prairie noted this decrease is likely due to the delay of how they hedge so historically low gas prices help their retail rates. Mayor Casper stated the Federal Communications Commission (FCC) put out rules regarding small cell pole attachments.

Updates from Board Members:

There were no updates.

Q3 Financial and Power Supply Report:

Director Prairie stated retail sales were in line with expectations although a bit lower due to loads. Revenue was in line with Cost of Service (COS). He noted the net operating income loss is due to several Operations & Maintenance (O&M) expenses in June including Moreton Insurance, The Energy Authority (TEA) software, Payment in Lieu of Taxes (PILOT) true-up from the previous year, and, administration inter-fund transfer. Brief comments followed. Director Prairie briefly reviewed Year to Date Power Billing and Year to Date KWH Sold graphs as well as the Spill Order process. He also reviewed:

- Q3 Net Power Supply cost increased 4% = \$227,956
- Year over Year (YOY) Q3 decreased 8% = \$1,287,048
- FY18 Total Expense YOY decreased \$1,069,558
- Utah Associated Municipal Power Systems (UAMPS) energy costs YOY decreased \$301,483, transmission decreased \$380,598
- Q3 Power Supply revenue YOY decreased \$539,403, this is due to market prices
- Average Net Cost per MWh = \$33.82
- Q3 is 53.35% of total budget expended
- Q3 Net Cost of wholesale power is 66% of COS projection

Director Prairie stated retail load in Q3 was 3,300 MW lower this year, this also was short of forecast. Generation for Q3 was in line with last years' Q3. Director Prairie noted upper plant generation continues to perform well post the channel dredge capital improvement last year. He also briefly reviewed Old Lower generation. Director Prairie reviewed Heavy Load (HL) Hour position graph. He noted there was shortage on HL in December and January. He

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indicated he will be looking at hedges for spring length and summer shorts on HL. He briefly reviewed prices for Heavy Load, Light Load, and Forecast Net Power Supply Costs.

Director Prairie reviewed Water Supply Forecasts graph for October through September, including the exceedance values. He also reviewed the water report for the surrounding reservoirs.

Review High Density Load (HDL) Rate and Fees, Review Credit Risk Deposit Requirements for Existing Customers:

Director Prairie reviewed the High Density Load Rate. This rate shall be applicable at a single point of delivery and one (1) location per customer for all energy requirements for potential future server farms, crypto currently, data processing or similar technological operations that have a high load density. The policy will prevent means to circumvent the maximum of kW per customer as there is obligation to protect current customers. Director Prairie reviewed proposed rates/fees for HDL Distribution Connection; HDL Credit Risk Deposit; High Density Demand Charge, Energy Charge, and Power Cost Adjustment (PCA), with general comments throughout. He stated HDL is a different type of customer and risk; there is low capital investment relative to other similar loads; and, the markets and fundamentals change fast. Idaho Falls Power (IFP) will continue to work with Community Development Services to ensure HDL locations are in the proper zoning. Director Prairie stated he is aware of three (3) current HDL customers. A rate class has now been developed to allow customers to move to the proper rate class. He believes it would be difficult to retroactively collect the fees as they are already connected, he did not recommend collection of these fees. Options include a credit risk deposit on potential load or future growth above 200 kW. General discussion followed. It was then moved by Councilmember Freeman, seconded by Councilmember Dingman, to waive the connection fees for existing HDL customers and collect a credit risk deposit for future growth from the existing customers based on a three (3) month baseline. The motion was amended by Councilmember Francis that this would apply to self-identified customers that are currently on the system. The motion was seconded by Councilmember Dingman. Roll call as follows: Aye – Councilmembers Freeman, Smede, Francis, Dingman. Nay – none. Motion carried. Director Prairie prefers the rate to be effective October 1, 2018.

Review of Final Disconnects Policy and Procedures:

Director Prairie stated the proposed disconnect policy and procedures would not allow deviation for special circumstances. He reviewed late payment status as of September 18, 2018: residential customer account = 3,211; commercial customer account = 250; industrial customer account = 1; and, total amount due = \$459,084.82. Director Prairie reviewed IFP comparison of delinquency policy and special conditions (no disconnect for non-payment) with neighboring utilities including Fall River Electric, Lower Valley Energy, and Rocky Mountain Power. He noted the residential late fee has been removed. The disconnect policy will allow residential customers 45 days to be past due and will allow commercial customers to be 75 days past due. The policy will be included on the September 27 Council Meeting agenda.

Review Fiber UTOPIA Agreement, Resolution, Pilot Project Update, College of Eastern Idaho (CEI) Co-location and Business Model Review:

Director Prairie reviewed UTOPIA information with general discussion throughout:

- Not-for-profit governmental entity (Intergovernmental Agency under the State of Utah) that works with cities (similar to UAMPS)
- Years of experience – since 2004 (design, engineering, consulting, network management) on open access network
- Willing to work with Idaho Falls Fiber on business model that works for us

Revenue distribution:

- All-in price the customer ends up paying through the next two bills (Director Prairie hopes will be \$60-\$80)
 - Infrastructure split %/month billed by the City
 - Infrastructure cost repayment
 - Customer connection costs
 - Revenue for system O&M
 - Retail fee split %/month billed by service provider
 - UTOPIA management of network cost

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- Internet service provider's revenue
- Additional revenue goes to Idaho Falls Fiber

Director Prairie stated a fiber box would be located near or on each pilot project residence although there would be no obligation to utilize the fiber. He reviewed the infrastructure to each residence stating the innovative infrastructure will result in significant savings. Director Prairie briefly reviewed the UTOPIA Joint Powers Agreement. He clarified the City is only utilizing UTOPIA's design and open access infrastructure, it is not government competing against an enterprise. This is a public/private partnership. The agreement will be included on the September 27 Council Meeting agenda.

Director Prairie briefly reviewed the pilot project resolution. General comments and brief edits followed. Mr. Fife stated there could be a challenge to run the fiber utility. He indicated the law has not changed claiming authority that may not exist. Director Prairie reiterated IFP is not in the fiber business in the traditional sense because we are planning to operate an open access network where someone else is the retail provider of the data/content. The resolution will be included on the September 27 Council Meeting agenda.

Director Prairie reviewed the fiber pilot map including overhead and underground line areas. He reminded the Council of the fiber hut location on Parks and Recreation (P&R) property that IFP traded the use for in exchange for extending fiber to Sandy Downs. This trade was memorialized in a memorandum between P&R and Fiber. He indicated residents are anxious for the fiber pilot project. General comments followed regarding the infrastructure to each pilot area. Director Prairie reviewed the timeline, stating the pilot project rollout could occur in spring/summer of 2019. He indicated UTOPIA believes there could be a 2-3 year timeframe for entire City-wide rollout if supported by the Board/Council.

Director Prairie reviewed the Idaho Regional Optical Network (IRON) contract which was previously approved by Council. IRON is needing a point of presence for connection which has been proposed at College of Eastern Idaho (CEI). There is ongoing discussion with the City of Ammon for a presence of connection agreement. Additional information will be forthcoming.

Review Tree Trimming Bid/Contract for FY2019:

Director Prairie stated several departments have needs for tree trimming, including IFP's need for the power lines. There is a connection with IFP and Code Enforcement for similar resources. Director Prairie will be requesting clarification for the manner of tree trimming related to focus on reliability and maintenance of easements and to ensure there is limited 'hot-spot' trimming. He indicated over ten (10) years ago the City performed aggressive tree trimming over the course of approximately three (3) years. Since that time, the tree trimming has become a maintenance mode. The trees are now over-taking the power lines which causes reliability and safety issues and concerns. Director Prairie stated roughly \$250,000 has traditionally been placed in the budget for tree trimming. He allocated \$500,000 into the current budget for a tree trimming contract to address the issue. The contract was bid, Davey Tree Company was the sole bid received. Davey Tree Company has had the tree contract for approximately 13 years because they have always been the low bid. Director Prairie stated the bid was divided into two (2) components to address the 'hot-spot' work as well as bid alternates to address trim trimming for the lines out of the substations. He noted the language regarding the alternate bids was not defined as clearly as they had hoped in hindsight. Therefore, he requested rejection of the alternates and to award the base only bid. The base bid will allow the 'hot-spot' work to continue as needed. Additional discussion will occur regarding a direction from the Board on how aggressive to trim in order to move to preventative trimming instead of reactionary. Assistant Director Boorman stated trees in close proximity to power lines will be revived on a case by case basis. Future tree trimming discussions will be coordinated with Code Enforcement and P&R to see if there are collaboration opportunities. This item will be included on the September 27 Council Meeting agenda.

Review Fee Waiver and Discussion on Updates:

Director Prairie stated the fee waiver resolution has not been updated since the 2016 inception. He believes there should be changes to the IFP line extensions as inconsistency of application can lead to frustrations among customers. This has cost impacts and policy impacts on IFP. Director Prairie proposed the ability to adjust up to 50% of the IFP

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labor portion of the fee be included in the resolution. This would not be a large financial risk and would not be controversial with IFP. Director Prairie also believes the fee waiver locations (map) needs updated for removal of the green field construction areas. He stated Community Development Services Director Brad Cramer and Economic Development Coordinator Dana Briggs have been collaborating on this item. There was consensus of the Council to proceed forward with recommended changes. Brief general comments followed.

Standing Reports as needed:

Director Prairie reviewed a recent article regarding the survival rate of salmon with regard to the four (4) lower Snake River dams. He expressed his frustration with information contained in the article. He reviewed a 100-year perspective on salmon and dams co-existing in the Columbia River Basin. Brief comments followed including alternative power sources.

Director Prairie commended IFP staff for their recent awards at the annual American Public Power Association (APPA) Conference.

There being no further business, the meeting adjourned at 10:52 a.m.

s/ Kathy Hampton _____
CITY CLERK

s/ Rebecca L. Noah Casper _____
MAYOR