

**CITY OF FARMINGTON
CITY COUNCIL WORK SESSION AGENDA
September 3, 2013 – 9:00 a.m.**

DEPARTMENT HEAD REPORTS

1. Resolution No. 2013-1485 urging the Environmental Improvement Board to not adopt any “regional haze rule” State Implementation Plan (SIP) that involves closing down units at San Juan Generating Station (formerly known as Resolution No. 2013-1482) (Jay Burnham) **[Tabled at the August 13, 2013 Regular City Council Meeting and the August 20, 2013 Work Session]** ----- 1
2. Farmington Electric Utility System - Cost of Service Study (Mike Sims and Scott Burnham of SAIC) ----- 2

Action Requested of Council:

Consideration of a recommendation from the Public Utility Commission and staff to implement electric utility rate changes resulting from a Cost of Service Study performed by SAIC.

Background/Rationale:

The Farmington Electric Utility System has not implemented a rate increase since 1982. Rates must be adjusted for the continued reliable operation of the electric system.

Staff and Public Utility Commission Recommendation:

Staff is requesting **preliminary** approval of the rate changes pending a public process that includes distribution of the study and presentations to the public and other government entities through public meetings and required newspaper postings.

Instructions Upon Approval:

Staff will implement the requirements of State of NM Statute 3-24-9 C which states “*Prior to implementing general retail rate increases for customers of its electric utility system in that area more than five miles beyond its boundaries, a municipality shall, after reasonable notice by publication in one or more newspapers of general circulation in such area and to the board of county commissioners of each county in which such customers are situated and to the New Mexico Public Utility Commission, provide an opportunity at one or more public forums for affected customers and the board of county commissioners to present their views, comments and data. The New Mexico Public Utility Commission may also appear and present matters within its rate-making expertise. The municipality and board of county commissioners may agree to alternative or additional rate-making procedures for such rate increases.*”

Since the Farmington Electric Utility System serves customers in both San Juan County and Rio Arriba County, circulation and/or presentations will be made to both county commissions.

Staff will bring this item back to the Council for final approval once the public process has been completed.

Budgetary Impact:

Final approval of the rate changes as recommended in the Cost of Service Study will result in additional revenues to allow the Farmington Electric Utility System to recover its expenses.

3. FY 2014 Capital Projects and ICIP Plan (Rob Mayes and Teresa Emrich) ----- 3

Action Requested of Council:

There is no action requested of the Council at this time. The information is provided in order to answer Council's questions and provide Council the opportunity to give direction to staff.

Selection and prioritization of the top five projects will be requested at the September 10, 2013 Regular City Council meeting.

Background/Rationale:

A local infrastructure capital improvement plan ("ICIP") is a 5-year plan that establishes planning priorities for anticipated capital projects. The state-coordinated ICIP process encourages entities to plan for development of capital improvements so they do not find themselves in emergency situations, but can plan for, fund and develop infrastructure at a pace that sustains their activities. The projects included in the plan can be considered for state capital outlay appropriations during the legislative session.

A list of recommended potential projects is being introduced for Council review. Of the potential project listing, five projects must be selected and prioritized by level of importance. The five projects selected will comprise the City of Farmington ICIP plan submitted to the Department of Finance Local Government Division no later September 30, 2013.

4. Bid to reconstruct Taxiway B at the Four Corners Regional Airport (Kristi Benson) --- 4

Action Requested of Council:

Approve recommendation for award.

Background/Rationale:

Bids opened August 27, 2013 with one bidder participating.

Staff Recommendation:

Award the bid to reconstruct Taxiway B at the Four Corners Regional Airport (Administration) to Oldcastle SW Group, Inc., dba Four Corners Materials, as the sole bid is fair and reasonable and in the best interest of the City (\$1,676,933.74). The award is contingent upon receiving Federal Aviation Administration and New Mexico Department of Transportation-Aviation Division grant funding.

Instructions Upon Approval:

Award construction contract.

COUNCIL BUSINESS

5. Appointments and reappointments to the Administrative Review Board; Animal Services Advisory Committee; Community Relations Commission; Electrical Code Advisory Commission; Parks, Recreation and Cultural Affairs Commission; and Public Utility Commission (Mayor)
6. Inquiry into status of the Presbyterian Medical Services Joint-Intervention Pilot Program (Councilor Sandel)

CLOSED MEETING

7. To discuss request proposals for a Comprehensive Parks, Recreation and Cultural Affairs Master Plan, pursuant to Section 10-15-1H(6) NMSA 1978.

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8. Request for proposals for request for a Comprehensive Parks, Recreation and Cultural Affairs Master Plan (Kristi Benson) ----- 5

Action Requested of Council:

Approve recommendation to award the contract.

Background/Rationale:

Proposals for a Comprehensive Parks, Recreation and Cultural Affairs Master Plan (Parks, Recreation and Cultural Affairs) were opened on July 24, 2013 with five offerors participating.

Staff Recommendation:

The evaluation committee recommends that the contract be awarded to GreenPlay LLC based upon the pricing schedule for services.

Instructions Upon Approval:

Award contract.

AGENDA ITEM SUPPORT MATERIALS ARE AVAILABLE FOR INSPECTION AND/OR PURCHASE AT THE OFFICE OF THE CITY CLERK, 800 MUNICIPAL DRIVE, FARMINGTON, NEW MEXICO.

ATTENTION PERSONS WITH DISABILITIES: The meeting room and facilities are fully accessible to persons with mobility disabilities. If you plan to attend the meeting and will need an auxiliary aid or service, please contact the City Clerk's Office at 599-1106 or 599-1101 prior to the meeting so that arrangements can be made.

RESOLUTION NO. 2013-1485

A RESOLUTION URGING THE ENVIRONMENTAL IMPROVEMENT BOARD TO NOT ADOPT ANY “REGIONAL HAZE RULE” STATE IMPLEMENTATION PLAN (SIP) THAT INVOLVES CLOSING DOWN UNITS AT THE SAN JUAN GENERATING STATION

WHEREAS, the Environmental Protection Agency (EPA) has adopted regulations regarding air visibility issues in this region which are sometimes referred to as the “Regional Haze Rule”, and

WHEREAS, these regulations require coal fired power plants in the region to install equipment to reduce the release of particulates which is referred to in the regulations as “Best Available Retrofit Technology” or BART, and

WHEREAS, the Regional Haze Rule regulations required the states within the region covered by the regulations to submit to the EPA a State Implementation Plan or SIP proposing how the installation of BART technology on plants within the state would bring them in compliance with the goals of the Haze Rule, and

WHEREAS, the State of New Mexico, under a previous governor’s administration, failed to submit an SIP to the EPA within the time period required by the regulations and the present administration then adopted and submitted New Mexico’s original SIP for the San Juan Generating Station which required all four units at the San Juan Generating Station (SJGS) to add Selective Non-Catalytic Reduction or “SNCR” technology to reduce particulates, but that plan was not approved by the EPA and the EPA then adopted a Federal Implementation Plan or “FIP” which required installation of Selective Catalytic Reduction or “SCR” technology on all four units, and

WHEREAS, the cost of installing SCR technology was so expensive (estimated by PNM to be as much as \$750 million to \$1 billion) that the operator of the plant, Public Service Company of New Mexico (PNM), appealed EPA’s action to the federal courts and asked the state of New Mexico to intervene and propose an alternative SIP with a higher probability of being approved by the EPA, and

WHEREAS, PNM, the State of New Mexico and the EPA reached an Agreement in Principle (AIP) outlining a way of going forward that would avoid further litigation and lead to adoption of a new SIP, however, the AIP contemplates a new “Alternative SIP” which would require the closing of two of the four units at SJGS, and

WHEREAS, closing down the two units as proposed by the Alternate SIP would eliminate 837 megawatts (MW) of generating capacity at the plant with the only new generation coming from a proposed natural gas powered peaking plant capable of generating 170-200 MW, but only operating at a 10% load factor, producing a reduction of net capacity of over 800 MW, and

WHEREAS, the closing of two units at SJGS would also mean a massive reduction of the number good high-paying jobs at PNM and at San Juan Coal Company, the mine operator at the San Juan Coal Mine which supplies coal to SJGS, and the loss of these jobs would have a tremendous negative effect on the local economy, and

WHEREAS, the state, which is already struggling to meet its expenses due to the recent recession, would also see a reduction in severance taxes due to the reduced mining activity at the San Juan Mine, and

WHEREAS, the City of Farmington generally would be supportive of collaborative solutions designed to implement federal regulation in a way that the stakeholders can support, however it also recognizes that the nation, state and local region is struggling in the wake of the recent general recession and that San Juan County is also feeling the negative economic effects of a downturn in natural gas production in the area, and

WHEREAS, the City Council has weighed these factors and has concluded that it cannot support the AIP and the Alternative SIP which, if carried out, would lead to loss of jobs and a devastating effect on our struggling economy, and

WHEREAS, since the terms of the Agreement in Principle (AIP) are designed in part to mitigate the negative effects of closing down units at the San Juan Generating Station, the City of Farmington anticipates and expects that if the Environmental Improvement Board does adopt the Alternative SIP as recommended by the AIP, the parties to the AIP should be obligated to carry out all the terms and conditions of the AIP, including PNM's commitment to construct a natural gas fired peaking plant at or near the current SJGS site.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF FARMINGTON, that the City opposes the adoption of any alternative State Implementation Plan which requires the closing of units at SJGS.

BE IT FURTHER RESOLVED that the City urges the New Mexico Environmental Improvement Board to consider the negative effects on the local economy that would be caused by the shutdown of units at SJGS in its decision making and to consider other solutions whereby all four units could continue in operation and the related high-paying jobs at the plant could be preserved.

BE IT FURTHER RESOLVED that the expectation of the City is that if the Alternative SIP is approved, the parties to the Agreement in Principle (AIP) will adhere to all of the terms of the AIP, including PNM's commitment to construct a natural gas fired peaking plant of the size and type contemplated in the AIP.

BE IT FURTHER RESOLVED that city staff is directed to distribute a copy of this resolution to the New Mexico Environment Department and members of the Environmental Improvement Board, and is directed to submit a copy of this resolution

into the record of the EIB hearing on the Alternative SIP which is scheduled to be held in Farmington on September 5 and 6, 2013.

PASSED, APPROVED, SIGNED AND ADOPTED this _____ day of _____, 2013.

Tommy Roberts, Mayor

(SEAL)

ATTEST:

Dianne Smylie, City Clerk



Cost of Service and Rate Design Study

Farmington Electric Utility System
Farmington, New Mexico

August 2013

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This report has been prepared for the use of the client for the specific purposes identified in the report. The conclusions, observations and recommendations contained herein attributed to SAIC constitute the opinions of SAIC. To the extent that statements, information and opinions provided by the client or others have been used in the preparation of this report, SAIC has relied upon the same to be accurate, and for which no assurances are intended and no representations or warranties are made. SAIC makes no certification and gives no assurances except as explicitly set forth in this report.

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Cost of Service and Rate Design Study

Farmington Electric Utility System Farmington, New Mexico

Table of Contents

Letter of Transmittal

Table of Contents

List of Tables

List of Figures

Executive Summary

Section 1 INTRODUCTION AND SUMMARY 1-1

Overview 1-1

Study Results 1-2

PCA Charge 1-3

Recommendations 1-4

Section 2 EXISTING SYSTEM 2-1

Overview 2-1

Power Supply..... 2-1

Transmission..... 2-2

Distribution..... 2-2

System Peak Demand 2-2

Usage Characteristics by Class..... 2-3

Section 3 COST OF SERVICE ANALYSIS..... 3-1

Introduction 3-1

Current FEUS COS and Revenue..... 3-1

COS Methodology 3-2

Test Year Revenue Requirement 3-2

Production 3-2

Transmission 3-3

Distribution 3-3

Customer Costs 3-3

Administrative and General 3-3

Debt Service..... 3-3

Payments to Governmental Entities..... 3-3

Capital Paid from Current Earnings..... 3-4

Other Income 3-4

Fiscal Year, Adjustments, and Test Year..... 3-4

Unbundling of Revenue Requirement 3-6

Classification of Test Year Revenue Requirement 3-6

Table of Contents

Allocation of Test Year Revenue Requirement	3-8
Approach to Billing Determinants	3-8
Demand Allocation Factors	3-10
Energy Allocation Factors	3-11
Customer Allocation Factors	3-11
Cost of Service and Current Revenue	3-12
Section 4 RATE DESIGN	4-1
Introduction	4-1
Revenue Adequacy of Proposed Rates	4-1
Rate Structure	4-2
PCA Charge	4-3
Tariff Number 1: Residential	4-3
Tariff Number 2: General Service	4-6
Tariff Number 3: Rectifier	4-8
Tariff Number 4: Street Lighting	4-9
Tariff Number 5: Private Area Lighting	4-10
Tariff Number 6: Large General Service	4-10
Tariff Number 9: Bulk	4-12
Tariff Number 9-Int: Interruptible Bulk Power Service	4-13
Tariff Number 11: Transmission	4-14
Tariff Number 14: Outside Purchase Power	4-14
Other Rate Design Issues	4-15
Section 5 CONCLUSIONS AND RECOMMENDATIONS	5-1
Conclusions	5-1
Recommendations	5-1

List of Tables

Table 1-1 FY 2012 Class Revenues and Total Revenue Requirement for Test Year	1-3
Table 2-1 FEUS Generation Capacity	2-1
Table 2-2 FY 2012 Summary of FEUS Class Usage Characteristics (Before Test Year Rate Adjustments)	2-3
Table 3-1 FEUS 2012 FY Costs, Adjustments and Test Year Revenue Requirement	3-5
Table 3-2 Comparison: FEUS TY Estimated Rate Revenue and Revenue Requirement	3-5
Table 3-3 Unbundled Test Year Revenue Requirement	3-6
Table 3-4 Unbundling and Classification of Costs within Function	3-7
Table 3-5 Classification of Test Year Revenue Requirement	3-8
Table 3-6 Approach for TY Billing Determinants by Rate Tariff	3-9
Table 3-7 Allocation Meter Reading – Customer Weighting	3-11
Table 3-8 Allocation of Test Year Revenue Requirement	3-12
Table 4-2 Proposed Rate Adjustments in Three Phases	4-3

Table 4-3 Residential	4-4
Table 4-4 Example Bill Calculation – Residential – Phase 1	4-5
Table 4-5 Example Bill Calculation – Residential – Phase 2	4-5
Table 4-6 Example Bill Calculation – Residential – Phase 3	4-6
Table 4-7 General Service.....	4-7
Table 4-8 Example Bill Calculation – General Service	4-7
Table 4-9 Rectifier	4-8
Table 4-10 Example Bill Calculation – Rectifier.....	4-9
Table 4-11 Street Lighting	4-9
Table 4-12 Private Area Lighting	4-10
Table 4-13 LGS.....	4-11
Table 4-14 Example Bill Calculation – Large General Service.....	4-11
Table 4-15 Bulk Service	4-12
Table 4-16 Example Bill Calculation – Bulk Power – Phase 1	4-13
Table 4-17 Transmission.....	4-14
Table 4-18 Outside Purchase Power	4-14
Table 4-19 FEUS Rate Tariffs Proposed for Elimination.....	4-15

List of Figures

Figure 2-1: FEUS Monthly Coincident Peak Demand – FY 2012	2-2
Figure 4-1: Residential Monthly Bill Comparison.....	4-6
Figure 4-2: General Service Monthly Bill Comparison.....	4-8
Figure 4-3: Large General Service Monthly Bill Comparison.....	4-12
Figure 4-4: Bulk Power Monthly Bill Comparison.....	4-13