

BOARD OF PUBLIC UTILITY COMMISSIONERS

The special meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS was held Wednesday, February 10, 2016 at 3:00 p.m., in the Executive Conference Room at City Hall, 800 Municipal Dr., Farmington, New Mexico, in full conformity with the laws and ordinances of the Municipality.

GENERAL

1. Commission members present:
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|---------------|--|
| James Spence | |
| Jeff Parkes | |
| Marty Johnson | |
| Gordon Glass | |
| Rubin Armenta | |
| Bill Hall | |
| Tory Larsen | |
| Chris Hunter | |
| Carol Cloer | |

- Commission members absent:
- | |
|---------------|
| Bill Standley |
| Keith Johns |

- | | |
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| City personnel present: | |
| Electric Utility Director | Rodney Romero |
| Electric Business Operations | Sue Nipper |
| Electric Transmission & Distribution | Ward Allies |
| Customer Service | Nicki Parks |
| Public Works Department | Jeff Smaka |
| OMI/CH2MHill | Ron Rosen |
| Administrative Services | Andy Mason |
| Administrative Services Accounting | Sherree Wilson |
| City Manager | Rob Mayes |
| PUC Secretary | Amy McKinley |

- Guest:
- JD Turley, OMI consultant

2. Chair Spence called the meeting to order at 3:00 PM with a quorum present to conduct the business of the Commission.
- Chair Spence asked if there were any additions or corrections to the Minutes of the January 13, 2016 meeting. Commissioner Parkes made a motion to approve the Minutes and Commissioner Hunter seconded the motion and the motion passed unanimously.

BUSINESS

1. Quarterly Financial Report:
- Mr. Mason, Administrative Services Director, reviewed the comparative financial statements for the six months ending December 31, 2015 for the Electric, Water and Wastewater utilities.

Mr. Mason reported the Electric Utility's net income increased \$910 thousand from FY2015. He said residential sales were up approximately \$493,000, commercial sales were lower by \$398,000 and industrial users were down \$606,000 compared to last year. Mr. Mason said the big change was in the PCA with an increase of \$4.8 million.

Mr. Mason stated Operating Expenses increased \$4.3 million over last year. He said Purchased Power was up \$1.4 million, a 21% increase, and fuel costs which are natural gas and coal were up about \$2.7 million.

Mr. Mason reported that Non-operating revenues increased \$201,000 mainly due to increases in capital contributions and Expenses decreased \$620,000 due to decreases in the dividend transfer.

Commissioner Hunter asked if the Purchased Power costs went up because the Bluffview plant was out of service during much of this reporting period. Mr. Mason referred this question to Mr. Romero who stated that this cost increase was due in part to the Bluffview plant being down for maintenance, but the purchased power cost is also due to the natural gas pre-pay agreement.

Mr. Mason reported on the Water Utility Revenues and Expenses. He said Operating revenues increased \$751,000 from the prior year; water sales were \$501,000 higher and the renewal/replacement fee increased \$257,000. Mr. Mason reported that Operating Expenses saw little change from the prior year with a decrease of \$19,000. The Non-operating revenues decreased \$851,000, mainly due to no proceeds from grants. Mr. Mason stated Non-operating expenses increased \$103,000 from the prior year.

Commissioner Hunter stated that for the past six months the water utility has increased the renewal and replacement fee dollars by \$247,000 and asked if capital expenses are matching this renewal and replacement funding. Mr. Mason stated that Jeff Smaka will address the commissioner's question during his presentation to the Commission.

Mr. Mason offered details on the Wastewater utility financials. He said the net income an increased \$229,000 from the prior year. He said the Operating revenues showed an increase of \$181,000. Mr. Mason said Wastewater sale were up \$103,000; residential sales increased \$109,000 and commercial sales were down by \$62,000. Mr. Mason reported that for Operating Expenses, there was an increase of \$145,000 due to the \$61,000 increase in the OMI contract and Other Operating Expenses were up \$112,000.

2. Water/Wastewater Report:

Mr. Smaka offered a brief review of the activities of the Water/Wastewater division. He pointed to the 2P Waterline Replacement Project stating this project is under current design and that this project is a loan/grant package from New Mexico Finance Authority; the project is estimated at \$3.2 million and the city will receive a \$1 million grant. Mr. Smaka stated the Water Treatment Plant #2 project is approximately 95% complete; this plant typically is shut down during the winter months and will not be turned on until late April. Mr. Smaka said the Wastewater Treatment plant project is out for bid with an anticipated March 3 bid opening date; this is an approximate \$14 million, 24 month construction project.

Mr. Smaka addressed Commissioner Hunter's question about spending of the \$247,000 renewal and replacement funds stating that expenses are in line with revenues received.

3. Water/Wastewater Operations Report:

Mr. Ron Rosen introduced JD Turley, a consultant working with OMI, who offered a presentation about the new real-time reporting process being implemented by OMI for work orders, preventative maintenance and other reporting items. Mr. Turley stated these real-time reports will be beneficial to assist OMI personnel with maintenance activities for the City of Farmington. Mr. Rosen commented that this new real time data will be used to prepare the new design of the reported submitted to the PUC each month.

Commissioner Hunter commented that he looks forward to the new report format; he said he would like to see departmental reports that focus on fewer items and that are more strategic in nature.

4. Electric Utility Report:

Ms. Nipper offered a review of the Electric Utility Report for December 2015. The sales in December overall were pretty good; FY16 was just a little bit under FY15 and slightly over projection. She said Industrial sales are down 8.1% but Residential was up 5.8% and YTD for the six months sales averages out a bit. Ms. Nipper reported the PCA percent change between FY15 and FY16 was 25.9% partially due to the September 2015 increase in the PCA rate from 1-1/2 cents to 2 cents per KWh.

Ms. Nipper stated that in December 2015 Sales were down 3.3% and Industrial Sales were down 11.1%. She said year to date, industrials are down 6.6% an overall 3%. Now, these are sales for the revenue month so they are for six months. Ms. Nipper said upcoming revenues for industrial customers will be down 22.9% when the January data is reported; Residential sales are flat and commercial sales are down just a bit.

City Manager Mayes noted that projections of future power demand will be challenging, but this is how things have been since 2009.

City Manager Mayes stated the lower electricity sales has a factor when discussions with Bloomfield move from legal questions to feasibility analysis and you recognize that over 60% of the pie that Bloomfield wants to take is down 60% +/- . City Manager Mayes observed that had Bloomfield mortgaged their entire city to buy the utility they would be bankrupt with these revenue losses, so it is more than just a theoretic challenge that we try to point out to their leadership.

Ms Nipper commented that as hard as it is for FEUS with these industrial numbers, FEUS also has a very large commercial and residential base, so it is not quite as bad as if industrial sales was the only game in town.

5. Director's Report:

Mr. Romero reviewed the recent activities of the utility. He said the proposed Rules and Regulations will go to the City Council for review and at a following council meeting staff will ask for approval of the Rules and Regulations.

Mr. Romero said staff is moving full steam ahead on the IRP looking to the future for resources and future load. He also said the search for a consulting firm to assist with the upcoming rate study is underway. The COF Purchasing department sent out RFPs but due to the recent storm, the responses were delayed beyond the submittal date and time; therefore, a new submittal date has been set.

Mr. Romero reported work is ongoing at the Aztec and Cottonwood substations.

Commissioner Hunter asked about the status of the community solar survey. Mr. Romero stated that Leidos Engineering representatives will offer a presentation to the City Council on March 8 and to the PUC on March 9 to report on the results of the survey as well have some data on the various solar facility scenarios being considered.

Commissioner Hunter encouraged attendance at an upcoming public hearing held by the BLM regarding the agency's proposed rule on oil and gas industry venting and flaring. City Manager Mayes encouraged the Commission to ask Commissioner Hunter to speak on behalf of the PUC regarding the impacts of the proposed rule on the utility and the city. Chair Spence asked for a show of hands to indicate a consensus from the Commission regarding having Commissioner Hunter speak on behalf of the PUC; all commissioners raised their hands in consensus to allow Commissioner Hunter to speak on behalf of the PUC at the upcoming BLM public hearing.

Commissioner Cloer asked City Manager Mayes about the status of the Bloomfield issue. City Manager Mayes reviewed what is sure to be a very lengthy process of motions, the potential of trials, possible feasibility studies, etc.

ADJOURNMENT

There being no further business to come before the Commission, upon motion duly made and seconded, the meeting was adjourned.

The meeting was adjourned at 4:10 p.m.

Approved this 9th day of March, 2016.


James Spence MD, Chair