BOARD OF PUBLIC UTILITY COMMISSIONERS

The special budget meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS and City Council was held Wednesday, April 13, 2016 at 10:00 a.m., at the Farmington Civic Center, 200 W. Arrington Street, Farmington, New Mexico, in full conformity with the laws and ordinances of the Municipality.

GENERAL

1. Commission members present: James Spence
Jeff Parkes
Rubin Armenta
Gordon Glass
Bill Standley (left meeting at 11:00AM)
Bill Hall
Tory Larsen
Chris Hunter
Carol Cloer

Commission members absent: Marty Johnson

City Council Members Present: Gayla McCulloch
Nate Duckett
Linda Rodgers
Sean Sharer

Mayor: Tommy Roberts

City personnel present:

Acting Electric Utility Director	Rodney Romero
Business Operations Manager	Susan Nipper Greaves
Electric Transmission & Distribution	Luke Lugenbeel
Electric Generation Manager	Britt Chesnut
Electric Engineering Manager	John Armenta
Electric Compliance Manager	Linda Jacobson-Quinn
Customer Service	Nicki Parks
PUC Secretary	Amy McKinley
Public Works Department	Jeff Smaka
CH2MHill	Ron Rosen
Administrative Services	Andy Mason
Administrative Services	Teresa Emerich
Administrative Services Accounting	Sheree Wilson
City Manager	Rob Mayes
Legal	Jennifer Breakell

Guests:

Annette Lobato, Electric Generation
Ed Garcia, Electric System Control
Melvin Serna, Electric System Control

2. Chair Spence called the meeting to order at 10:10 AM with a quorum present to conduct the business of the Commission.

I. BUSINESS

1. Electric Department Budget – Rodney Romero

Mr. Romero reminded the Commission that the philosophy of the Farmington Electric Utility System is to "Provide reliable and low cost electricity to our customers through operational excellence and exceptional customer service".

Mr. Romero stated the proposed budget for FY 2017 and FY 2018 budget years projects a flat customer load growth. He said the proposed FY 2017 budget maintains the current staffing level of 180 budgeted employees.

Mr. Romero reported the proposed FY 2017 budget addresses regional economic factors to include lower industrial loads and the fuel contract price which is presently above market rates. Mr. Romero also said that because FEUS is a vertically integrated utility with distribution, transmission and generation, it deals with many of the same compliance demands as larger utilities; these increased compliance requirements are considered in the proposed FY 2017 budget.

Mr. Romero stated FEUS continues to have areas of its system in need of improvement; the proposed FY 2017 budget has committed funding for these improvement projects.

Commissioner Hunter asked about the city's view of the use of CNG for its fleet. Mr. Romero said that FEUS has discussed converting vehicles and equipment to CNG; due to FEUS's extensive service area, along with the lack of CNG infrastructure throughout the service area, converting vehicles and equipment to CNG is not feasible at this time.

Commissioner Hunter observed there is one (1) CNG station on HWY 64 that could be utilized and he would like FEUS to look at using CNG for equipment and trucks. Mr. Romero responded that bucket trucks and other equipment used by FEUS are very expensive; converting each vehicle to CNG and possibly converting back to using traditional fuels would not be cost effective.

City Manager Mayes commented that for many vehicles this technology does not work; buses could be usable with CNG, but for police department vehicles and long distance vehicles CNG is just not feasible. Mr. Mayes also stated CNG infrastructure also continues to be an obstacle.

Vice-Chair Parkes asked about the $10 million for new generation in the proposed FY 2018 budget projection. Mr. Romero stated this funding is a place holder for funds should a new generation source come into play.

Chair Spence asked if the ongoing issue with Bloomfield was considered when preparing this proposed budget. Mr. Romero stated that FEUS continues to serve the City of Bloomfield and possible loss of electric load has not been considered with this proposed FY 2017 budget. City Manager Mayes commented that while this issue does cause a bit of uncertainty the outcome will not be known for some time and is not a practical consideration for this budget cycle.

Vice-Chair Parkes commented that the drop in industrial sales must make budgeting difficult and asked how volume sales were projected. Mr. Romero stated historical and current numbers are reviewed and staff communicates with industrial customers regarding their projections. Mr. Romero also commented that while industrial losses have occurred, commercial and residential sales have seen slight increases.

Mayor Roberts commented that 22% of FEUS's power supply is from the San Juan Generating Station; he feels it is a fair prediction to make that at the end of five years the San Juan Generating Station will shut down and the utility needs to be thinking about this. Mr. Romero said the utility is thinking about the potential shut down of this plant and this is one of the scenarios being considered within the Integrated Resource Plan being prepared.

Chair Spence asked for a motion to make a recommendation to City Council for the approval of the FY 2017 Electric Department budget. Commissioner Standley made a motion to recommend to City Council the approval of the proposed FY 2017 Electric Department budget and Commissioner Hunter seconded the motion. The motion passed unanimously.

2. Public Works Water/Wastewater Budget – Jeff Smaka

Mr. Smaka reviewed a presentation detailing the proposed FY 2017 Water Utility budget.

Mr. Smaka reported the proposed FY 2017 budget for Water offers a projection of $20 million in revenue and approximately $25 million in expenditures which would bring the cash balance down to just under $6 million. Mr. Smaka said staff assumed a 10% growth in revenue over FY 2016 which was the cost of service revenue projection. He said capital expenditures are budgeted at $14.8 million. If projection of revenue does not come as anticipated, some capital projects could be postponed.

Commissioner Larsen asked if the San Juan River pump station is routinely exercised. Mr. Smaka said the original San Juan River pump station was permanent and experienced high rates of vandalism, so it was replaced with a portable pump station placed into service when needed.

Vice-Chair Parkes noted the $5 million excess in expenditures over revenues and asked if the budget reflects the use of cash funds because capital project funds were not spent as anticipated in FY 2016. Mr. Smaka stated that two projects encompassing approximately $2.5 million were begun but not completed during FY 2016 and will be carried over into FY 2017.

Chair Spence asked if staff anticipates any significant degradation of the Animas River water due to the Gold King Mine spill and if there is a plan to limit the times the city taps into the river for Lake Farmington. Mr. Smaka noted Ron Rosen's report that detailed the monitoring system that has been installed at the two pumping locations that automatically shuts down the pumps should river turbidity reach designated unsafe levels.

Chair Spence asked for a motion to make a recommendation to City Council for the approval of the FY 2017 Water budget. Commissioner Cloer made a motion to recommend to City Council the approval of the FY 2017 Water budget and Commissioner Hunter seconded the motion. The motion passed unanimously.

The PUC/City Council budget meeting adjourned at 11:46 AM for a lunch break.

The PUC/City Council budget meeting re-convened at 12:17 pm.

Mr. Smaka reviewed the proposed FY 2017 Wastewater budget.

Mr. Smaka reported proposed FY 2017 revenues for Wastewater are projected to be $17.4 million and expenditures are projected to be $19.8 million; these projections will bring the cash balance down to approximately $4.1 million.

Councilor Duckett asked if there are plans to install sewer lines in the northern areas of the city where sewer service is not currently in place. Mr. Smaka responded that without detailed study it would be difficult to project the cost effectiveness of installing sewer lines in areas of the city where homes are separated by large parcels of undeveloped land.

Chair Spence asked for a motion to make a recommendation to City Council for the approval of the FY 2017 Wastewater budget. Commissioner Parkes made a motion to recommend to City Council the approval of the FY 2017 Wastewater budget and Commissioner Hall seconded the motion. The motion passed unanimously.

II. 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 12:39 p.m.

Approved this 11th day of May, 2016.

MD

James Spence, MD, Chair