BOARD OF PUBLIC UTILITY COMMISSIONERS

The regular meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS was held Wednesday, May 11, 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

Commission members present:	James Spence Jeff Parkes Rubin Armenta Gordon Glass Bill Standley Marty Johnson Chris Hunter Carol Cloer Tory N. Larsen
Commission members absent:	Bill Hall

City personnel present:	
Electric Utility Director	Rodney Romero
Business Operations Manager	Susan Nipper Greaves
Electric Transmission & Distribution	Luke Lugenbeel
Electric Generation Manager	Britt Chesnut
Electric Regulatory Compliance Manager	Linda Jacobson-Quinn
Customer Service	Nicki Parks
Public Works Director	David Sypher
Public Works Department	Jeff Smaka
OMI/CH2MHill	Ron Rosen
Administrative Services	Andy Mason
Administrative Services Accounting	Sheree Wilson
Legal	Jennifer Breakell
PUC Secretary	Amy McKinley

Chair Spence called the meeting to order at 3:00 p.m. with a quorum present to conduct the business of the Commission.

Chair Spence asked for a motion to approve the Minutes of the April 13, 2016 regular PUC meeting and the April 13, 2016 special PUC and City Council budget meeting. A motion was made by Commissioner Hunter and seconded by Commissioner Parkes, and upon voice vote the motion passed unanimously.

BUSINESS

Quarterly Financial Report:

Mr. Andy Mason offered a report on the 3rd quarter Utility Financials.

Mr. Mason's report showed the Electric Utility's net income was down $1.8 million from last year; operating revenues decreased $413 thousand. Mr. Mason stated Industrial customer sales were down $1.6 million and Commercial customer sales were down approximately $309,000. He said Residential customer sales increased $837 thousand. Mr. Mason's report showed operating expenses increased $2.4 million; fuel costs (natural gas and coal combined) increased $1.4 million and other operating expenses were higher by $3.3 million.

For the Water Utility, Mr. Mason's report indicated the Water Utility's net income was higher by $648 thousand from FY 2015. Mr. Mason's report stated operating revenues increased $1.3 million; water sales increased $911 thousand and renewal/replacement fees increased $365 thousand. Mr. Mason's report showed operating expenses decreased $438 thousand.

Commissioner Parkes observed the report indicates operating expenses are approximately 6% lower than last year and asked if it is expected to be the same at the end of the fiscal year or are there costs that staff expect to hit at the last quarter. Mr. Mason said he does not expect expenses to change very much.

Mr. Mason's Quarterly Financial report offered details on the Wastewater utility. The report showed the Wastewater Utility's net income increased $508 thousand for the prior year. Mr. Mason said the Operating revenues were up $411 thousand; wastewater sales increased $301 thousand and the Renewal/Replacement fee increased $202 thousand. Mr. Mason's report indicated operating expenses increased $94 thousand; the OMI contract was up by $90 thousand and other operating expenses increased $52 thousand.

Commissioner Hunter asked if there should be thought given to what the percentage profits should be on these operations. He stated that he would like to have more definitive information regarding profitability through the rate structure.

Public Works Director David Sypher commented that staff keeps an estimated 2 to 3 month cash balance. He said that for the renewal and replacement funds the goal is to spend all the funds on the many projects.

Water/Wastewater Report:

Mr. Smaka offered a review of the various activities of the Water/Wastewater division. He said that many renewal and replacement projects are underway throughout the city.

Commissioner Hunter requested staff take into consideration the placement of signage at the 20th Street project stating the cost of the project and the estimated completion date. Public Works Director Sypher noted signage is in place directing road users to visit the City of Farmington website for project information.

Water/Wastewater Operations Report:

Mr. Ron Rosen, CH2M, offered a PowerPoint presentation on the water/wastewater operations for the month of April, 2016. Mr. Rosen's report demonstrated the Farmington Lake level is at 100%. Mr. Rosen noted that water production is down compared to last year. He said there are a number of possible reasons for production losses; economic factors, the new meters recently installed, or possibly water conservation as residents have noticed rate increases on their monthly bills. Mr. Rosen's report further demonstrated the many water/wastewater test reports required to be performed each month.

Write offs of Aged Inactive Utility Accounts:

Ms. Parks reviewed the recommendation of staff for the PUC to recommend to City Council the authorization to write off uncollectible and unsecured utility accounts by resolution for the year 2011 in the amount of 113,380.13. Ms. Parks stated these accounts incurred and left unpaid by utility customers have met the aging write off requirements and are eligible to be written off through the City of Farmington's collection process, which included collection from customers that could be contacted by mail and phone, transfer of balances to active customer accounts and credit agency reporting. Ms. Parks stated every possible means has been taken to collect the money owed. Ms. Parks noted the 2011 write off amount is $51,000 less than last year; it is .09% per every revenue dollar taken in. Ms. Parks noted it was in 2011 that the utility began having a full time collections specialist on staff and the low write off amount demonstrates that the specialist's efforts have paid off for the utility. Ms. Parks noted the collections agency contractor, The Advantage Group, was able to collect $2,500 from the 2011 accounts.

Chair Spence asked for a motion from the PUC to recommend to City Council the authorization to write off uncollectible and unsecured utility accounts in the amount of $113,380.13; Commissioner Parkes so moved and the motion was seconded by Commissioner Hunter, and upon voice vote, the motion carried unanimously.

Regulatory Compliance Report:

Ms. Linda Jacobson-Quinn, Regulatory Compliance Manager, offered a presentation detailing the many regulatory compliance operations of FEUS. Ms. Jacobson-Quinn's presentation offered historical information about nationwide outage events that lead to the many mandatory and enforceable compliance regulations applicable to FEUS. The report reviewed the creation of the Federal Energy Regulatory Commission (FERC) in 1977 as well as the creation and responsibilities of NERC, the National Electric Reliability Council (NERC); this organization is now named the North American Electric Reliability Corporation but its acronym remains the same. Ms. Jacobson-Quinn's presentation detailed the events that spurred the creation of the Western Electric Coordinating Council (WECC). In 2007 FERC, NERC and WECC standards became mandatory and enforceable. Ms. Jacobson-Quinn stated that even following these mandates becoming enforceable, major outages continue to occur point to two significant outages in 2011 that occurred in the western interconnection.

Ms. Jacobson-Quinn said the NERC standards are divided into two different categories; the Operations and Planning Standards and the Critical Infrastructure Protection (CIP) standards. She offered a visual aid of two large 3-ring binders that contain copies of the 79 standards and over 682 CIP requirements that FEUS must comply with. Ms. Jacobson-Quinn said that additional CIP standards are presently being reviewed and will be forthcoming in the near future.

Ms. Jacobson-Quinn said that site audits are performed every three year so FERC, NERC and WECC can monitor FEUS's compliance to the standards. Ms. Jacobson-Quinn said FEUS will have two audits this year; an Operations and Planning audit in July and a CIP audit in August. These audits are intensive; it takes a great deal of time and resources and staff has been preparing for these audits for well over a year.

Electric Utility Report:

Ms. Sue Nipper Greaves offered a condensed version of the Electric Utility Report with year to date utility information presented, and noted that revenues are at 98% of budget and expenditure at 92% of budget. A breakdown of the cost per MWH at the Animas plant was provided. Ms. Nipper Greaves pointed out that the report indicates a credit balance in the PCA account; FEUS anticipates customers will see a reduction to the PCA in the near future.

Director's Report:

Mr. Romero reviewed the activities of the utility for April 2016.

Commissioner Cloer asked about the comment at the April 13, 2016 meeting about the tax credit for the hospital's solar facility. Mr. Romero said it would appear the hospital committed itself to its solar facility business model when the solar panels were purchased prior to gaining city approval for this type of use on the hospital's property. Mr. Romero said the hospital's decision to purchase the panels and not take advantage of any possible tax credits may be a financial issue they will most likely deal with for a longer period than hospital staff first thought.

Commissioner Cloer asked for clarification on the amount of power FEUS receives from its ownership in the San Juan Generating Station. Mr. Romero confirmed the San Juan Generating Station is expected to provide 22% of FEUS's resources.

Mr. Romero reported to the Commission that staff and Leidos representatives are in the process of constructing a RFP to distribute to vendors regarding the community solar initiative and data received from the vendors will provide information needed to determine the cost to build a solar facility and to also assist in determining the cost a customer would pay to

participate in the community solar project. Mr. Romero reported the RFP for the Cost of Service Study was awarded and this work will begin soon. He said the Cost of Service information is also important in determining the customer's cost to participate in the community solar project.

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 4:40 p.m.

Approved this 8th day of June, 2016.

MV

James Spence, MD, Chair