BOARD OF PUBLIC UTILITY COMMISSIONERS

The special meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS was held Tuesday, May 17, 2016 at 2:30 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 Marty Johnson Rubin Armenta Bill Standley Tory N. Larsen Chris Hunter Carol Cloer
Commission members absent:	Bill Hall Gordon Glass

City personnel present:	
Electric Utility Director	Rodney Romero
Business Operations Manager	Susan Nipper Greaves
Electric Transmission & Distribution	Luke Lugenbeel
Electric Generation Manager	Britt Chesnut
Customer Service	Nicki Parks
Administrative Services Accounting	Sheree Wilson
Legal	Jennifer Breakell
PUC Secretary	Amy McKinley

Guests:
Mr. Joe Mancinelli, NewGen Strategies and Solutions
Ms. Jessica Terry, NewGen Strategies and Solutions

Chair Spence called the meeting to order at 2:30 p.m. with a quorum present to conduct the business of the Commission.

Presentation for Kick off of Cost of Service Study and Rate Study for electric rates:

Ms. Susan Nipper Greaves, FEUS Business Operations Manager, introduced Mr. Joe Mancinelli and Ms. Jessica Terry of NewGen Strategies and Solutions (NewGen), the firm contracted by FEUS to perform a Cost of Service Study and Rate Study for electric rates.

Mr. Mancinelli introduced himself and said NewGen is a relatively new firm yet the staff have years of experience performing utility cost of service and rate studies. He said the presentation will offer a high level overview of the scope of work for the project and the policy considerations that go with such a study as the one they are preparing for FEUS. Mr. Mancinelli said the scope of work is broader than a cost of service so many members of NewGen's staff will be working on this project.

Mr. Mancinelli stated the cost of service has four basic steps: 1) kicking off the study and gathering data; 2) determining a revenue requirement; how much revenue needs to be obtained from rates; 3) the cost of service study; 4) rate design; what is the fair way of collecting from the various classes of customers. He said NewGen will also review wholesale transmission rates and pole attachment rates. Mr. Mancinelli said that imbedded in these various calculations are avoided costs; the avoided cost of additional KWh becomes important when customers want to self-generate. He said overhead allocations will be reviewed, particularly as it pertains to construction projects to make

sure that FEUS is properly recovering for overhead costs across the system. Mr. Mancinelli stated that well designed rates will complement the FEUS business plan.

Ms. Jessica Terry reviewed information that offered details regarding the questions asked when determining the rate design.

Commissioner Hunter asked Ms. Terry and Mr. Mancinelli to define and elaborate on load factor, a critical concept that he feels not everyone understands. Mr. Mancinelli used the example of a meter on a 100 watt light bulb, the meter is read every month; at the beginning of the month the 100 watt bulb is turned on and it stays on through the month. At the end of the month the utility takes the 100 watts x 730 hours in a month for a total of 73,000 watts used in a month - a high load factor. Turning on the 100 watt bulb for 1 hour at the beginning of the month and then it remains off the remainder of the month equals gives a total of 100 watts used in a month – a very low load factor. The low load factor customer is very inefficient from the perspective that the utility has to provide that 100 watts to the customer whenever the customer wants it. If the customer only wants the power for 1 hour, then theoretically the cost of the light bulb must be recovered in that 1 hour versus the high load factor customer who uses the 100 watt bulb all month long and the cost of the bulb is spread out over the 730 hours.

Commissioner Larsen clarified that a customer that uses a consistent amount of electricity all the time essentially should receive a better rate than someone who uses electricity intermittently. Mr. Mancinelli confirmed that this is typically seen in the electric utility industry.

Mr. Mancinelli stated that one of the risk management tools FEUS uses is the pass-through. The pass through basically protects the utility from fluctuating costs. Mr. Mancinelli stated the industry is beginning to see things such as environmental compliance issues being added to these pass-through tools.

Discussion ensued regarding how rates for solar users will be determined. Commission members offered suggestions and discussed concerns regarding solar generation, to include the uncertainty of recovering costs from community solar participants who leave the community solar project, being included in the FEUS rate structure.

Chair Spence asked when a follow up presentation will be offered. Ms. Nipper Greaves commented that NewGen could possibly have policy ideas and concepts ready for discussion at the June meeting.

Commissioner Larsen asked if it is known that a rate increase is needed. Ms. Nipper Greaves and NewGen representatives noted that the cost of service study and rate study are at the beginning stages and rates have not been discussed at this time.

ADJOURNMENT

There being no further business to come before the Commission, the meeting was adjourned at 4:25 p.m.

Approved this 8th day of June, 2016.

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James Spence, MD, Chair