

BOARD OF PUBLIC UTILITY COMMISSIONERS

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

Commission members present: James Spence
Marty Johnson
Rubin Armenta
Bill Hall (arrived at 4:05 pm)
Tory N. Larsen
Chris Hunter

Commission members absent: Gordon Glass
Bill Standley
Jeff Parkes
Carol Cloer

City Council Liaison: Gayla McCulloch

City personnel present:
Acting Electric Utility Director Rodney Romero
Electric Business Operations Manager Sue Nipper Greaves
Electric Generation Manager Britt Chesnut
Electric Engineering Manager John Armenta
Electric Transmission and Distribution Luke Lugenbeel
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
City Manager Rob Mayes
PUC Secretary Amy McKinley

Chair Spence called the meeting to order at 3:05 p.m.

BUSINESS

Quarterly Financial Report:

Mr. Mason offered a report on the Electric Utility Financial Statement for the 4th quarter ending June 30, 2016. He said the utility's net income decreased \$840 thousand from FY2015; Operating Revenues were \$2.8 million lower from FY2015 and Operating Expenses were lower by \$513 thousand. Mr. Mason reported that non-operating revenues increased \$228 thousand, mainly due to increases in capital contributions and expenses decreased \$1.2 million due to decreases in the dividend transfer.

Mr. Mason presented details of the Water Utility Financial Statement for the 4th quarter ending June 30, 2016. His report showed the Water Utility net income was up by \$347 thousand from last year; operating revenues increased \$1.8 million and operating expenses increased \$404 thousand. Mr. Mason said water operating expenses increased \$404 thousand. The report indicated Non-operating revenues decreased \$954 thousand mainly due to no proceeds from grants. Non-operating expenses increased \$140 thousand.

Commissioner Hunter asked for clarification about why the OMI contract increased 20% from last year. Mr. Mason deferred to Public Works personnel. Mr. Smaka stated the dollar amount in this report includes the OMI contract and the expenses that fall under the Additional Services Agreement. Commissioner Hunter requested the ASA expenses be placed on a separate line item.

Mr. Mason reported on the Wastewater Utility's Financial Statement for the 4th quarter ending June 30, 2016. He said the wastewater utility had a net income of \$2.2 million which is higher than last year by \$484 thousand. He said the operating revenues showed an increase of \$596 thousand from last year which was driven by the user fees; residential was \$338 thousand higher and commercial showed a decrease of \$54 thousand. Mr. Mason said the total wastewater user fees were up \$405 thousand.

Customer Service Report:

Ms. Parks, Customer Care Manager provided a presentation detailing the statistical data regarding the many services provided to customers. Ms. Parks reported Customer Service staff assist an average of 5,640 walk-in customers per month at the MOC location and 3,963 walk-in customers at the Annex location. She said Customer Service takes an average of 17,994 phone calls per month through the city's IVR phone system; these are citywide calls some of which are routed to Customer Service. Ms. Parks reported an average of 3,374 disconnect notifications due to non-payment are delivered each month and 2,039 of these disconnects are sent out to the field each month. Ms. Parks noted the various bill payment methods used; her data demonstrates that a significant amount of City of Farmington utility customers, 11,581 customers per month on average, make face to face contact with Customer Service personnel; 14,314 payments are received by mail from the Denver lockbox.

Water/Wastewater Report:

Mr. Smaka offered a review of the Water /Wastewater activities for the month of July, 2016. He said RMCI, Inc. was awarded the \$20.3 million contract for the Wastewater Treatment Plant improvements. Mr. Smaka reported the 2P Waterline Project Phase I received a loan from NMFA and this project will go out for bid late fall 2016 with construction to begin spring 2017. Mr. Smaka reviewed the many renewal and replacement projects taking place throughout the city. General discussion ensued regarding the contract with Animas Valley Water Association to service Animas Valley customers in the Crouch Mesa area.

The arrival of additional Commissioners allowed for a quorum to be present and Chair Spence asked for a motion to approve the Minutes of the July 13, 2016 PUC meeting. Commissioner Hunter made a motion to approve the July 13, 2016 PUC Minutes and Commissioner Johnson seconded; the motion passed unanimously.

Water/Wastewater Operations Report:

Mr. Rosen, OMI, presented information regarding the water/wastewater operations for the month of July. He reported the Animas River monitoring indicated that trends are normal for seasonal flows; the July flows peaked on July 2 at 1800 CFS. Mr. Rosen noted the peaks in flow are caused by rain events. The report indicated 55 meters were installed in 2016 versus 39 meters installed in 2015 for the same 5-month time period.

Mr. Rosen said the draft NPDES permit from the EPA was received and staff is reviewing this permit. He said this draft permit shows the EPA has relaxed the TDS limit from 400mg/l to 497mg/l.

Commissioner Armenta asked if the improvements at the Wastewater Treatment Plant will decrease the TDS levels. Mr. Rosen said UV disinfection will be used rather than the use of Chlorine and bisulfate to de-chlorinate so there will be a diminished amount of TDS generated from those chemicals.

Update on FEUS Rate Study and Cost of Service Study:

Ms. Nipper Greaves and Mr. Joe Mancinelli and Ms. Jessica Terry of NewGen (by phone) offered an update on the development of the FEUS Rate Study and Cost of Service Study. Mr. Mancinelli and Ms. Terry provided information regarding the amortization of expenses and revenues over several years from the actual FY2015 budget figures to create a Test Year 2015. The Test Year 2015 figures will also be used to determine a Cost of Service and then translate this into rates. It is noted that many policy decisions go in to rate making and the policy decisions will be considered as the cost of services is translated to rates.

Commissioner Larsen asked if any adjustments were made for the San Juan Regional Medical Center solar facility when creating the Test Year 2015 and Ms. Nipper Greaves confirmed that no adjustment was made for this solar facility.

Commissioner Hunter asked about avoided costs and wanted confirmation that an assumption in the study includes no subsidies for distributed generation. Mr. Mancinelli said no subsidies are included in the study.

NewGen and FEUS personnel are reviewing FEUS Pole Attachment rates to ensure they are consistent with SEC and APPA methods; they are also reviewing avoided costs to fine tune the avoided cost analysis. NewGen is also reviewing FEUS' method for developing construction labor and related overhead rates. NewGen is presently reviewing cost of service and determining the cost to serve different customer classes, identifying fixed and variable cost components within each class. Ms. Terry stated NewGen created a FY2015 Test Year by using FY2015 expenses and revenues. The FY2015 expenses were then adjusted by averaging over five years the Capital plan, amortizing O&M expenses, removing one-time FY2015 expenses. The FY2015 revenues were adjusted by normalizing the November 2015 rate change, an adjustment for the 10% decrease in bulk power sales and the reduction of wholesale transmission customers and sales. The PCA was also reviewed to ensure that any adjustments made in the revenue requirement were appropriately flowing through the PCA.

Commissioner Armenta asked if the economy will have any effect on the rate model. Mr. Mancinelli said the cost of service is an important benchmark to judge decisions on and the commission should definitely try to move toward the cost of service, but local economic issues will play a role in deciding what is reasonable per customer class.

Commissioner Hunter asked about Time of Use metering and how it would play a role on the residential customer class. Mr. Mancinelli said time of use metering is a nice tool; utilities have had time of use metering but have not used the tool effectively. In effect, what time of use metering allows a utility to send different pricing signals at different times and to the extent that it helps a utility improve overall system load factor or improve or reduce usage during the most expensive periods to serve, and this information can change behavior, then it is a benefit, but achieving this is easier said than done because pricing signals must be sent that get a customer's attention; if the on-peak versus off-peak pricing is not significant, minimal reaction will be achieved. Mr. Mancinelli said if there is a significant on/off peak differential, it is noted that customers respond to these signals and they can be very valuable to the utility; it is not just the metering, it is the pricing signal that goes with the meter.

Commissioner Hunter asked if NewGen knew of any utilities that give residential customers a choice between time of use metering and flat rates. Mr. Mancinelli said this is quite common and giving residential customers this choice could be a good option.

Electric Utility Report:

Ms. Nipper Greaves offered a condensed version of the Electric Utility Report with year to date utility information presented. Ms. Nipper Greaves reported that when comparing FY2016 figure with FY2015, GW sales for FY2016 are down approximately 4.93%, industrial sales were down 12.68%, residential sales were up 1.5% and commercial sales were down 1%. The revenue comparison shows the residential revenue was up 5.5%, commercial revenues were flat, industrial revenue was down approximately 10%.

Ms. Nipper Greaves noted the PCA cost is anticipated to be lowered to \$0.015 on September 1, 2016.

Director's Report:

Mr. Romero updated the Commission on the cause of the power outage that affected the San Juan Regional hospital. He said maintenance work was being performed at the Animas Distribution Substation; testing of the power transformer at Animas was also scheduled. To accomplish the maintenance work and the transformer testing, crews were transferring load from Animas substation to the Bluffview substation which is a normal practice; crews were in the switching process and as the first feeder was switched on a problem was discovered in the relay protection in the distribution at the Bluffview station. Staff initially felt there was an error in the relay settings which tripped out the transformer at Bluffview causing an outage for all of the Bluffview station, which is south Farmington. Because the first feeder off of the Animas substation was switched off, which happens to be the hospital feeder, the hospital had both its primary feeder and back up feeder out of service, which caused the hospital to

activate their diesel generators. FEUS staff are performing an after action review of this incident.

Mr. Romero reviewed the ongoing electric underground construction taking place along the 20th Street project.

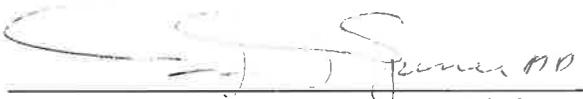
Chair Spence asked City Manager Mayes to comment on the status of the search for a Director for the Electric Utility. Mr. Mayes announced the promotion of Rodney Romero to the position of Deputy Director for the Electric Utility and the selection of Mr. Hank Adair as the new Electric Utility Director.

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 4:47 p.m.

Approved this 14th day of September, 2016.



James Spence, MD, Chair