

BOARD OF PUBLIC UTILITY COMMISSION

The regular meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS was held Wednesday, February 8, 2023 at 3:00 p.m., in the Executive Conference Room, City Hall, 800 Municipal Dr., Farmington, New Mexico in full conformity with the laws and ordinances of the Municipality.

Upon roll call, the following were found to be present, constituting a quorum:

Commission members present:	Tory N. Larsen Connie Dinning Alex Uhl Patricio Sanchez Linda Corwin Drew Degner Nathan Thompson Diane Schmidt John Buffington
Absent:	Kyle Stowell Hart Pierce

constituting all members of said Advisory Commission.

Also present were:

Electric Utility Director	Hank Adair
Electric Engineering	John Armenta
Electric Business Operations	Sheree Wilson
Electric Generation	Britt Chesnut
Community Works	Andrew Sova
Community Works	Benedikte Webb
Jacobs	Phil Johnson
Administrative Services	Nalinee Jose
Administrative Services	Cory LeClaire
Administrative Services	Teresa Emrich
Legal	Jennifer Breakell
PUC Secretary	Amy McKinley

The meeting was convened by the Chair.

Chair Larsen asked for a motion to approve the Minutes of the January 11, 2023 Regular meeting.

Commissioner Corwin moved to approve the Minutes and Commissioner Sanchez seconded. The motion passed.

BUSINESS

Commissioners Uhl and Degner arrived.

Electric Utility Report

Ms. Sheree Wilson provided a PowerPoint presentation to detail FEUS financial information for January 2023.

Ms. Wilson noted the overall Consumption by Customer Class demonstrated the utility was 2% over budget for FY 2023. Regarding Cash Balance, as of January the utility was at \$26.7 million; the Unrestricted Cash Balance dropped to -\$7.1 million, meaning the utility is using a portion of the \$31.1 million Restricted Cash Reserve. Total Energy Sales was 10% below budgeted Revenue. The billed portion of the PCA was 3% below budget. Year to Date Expenses, Budget to Actual, was 8% over budget due primarily to Purchase Power costs which were 66% over budget and Natural Gas costs which were 45% over budget. Year to Date Capital Improvement Expenses

were \$12.7 million, or 23% under budget.

Director's Report

Regarding Substation/Distribution/Transmission projects, the Bergin Substation rebuild will have scope adjusted to reduce costs to set the building this year, and then complete work out with internal resources in the future. Demolition is complete at the Animas Substation. The Contract Electrician has completed transfer of all service connections on 20th Street. Joint use utilities need to transfer their attachments before the retired poles can be removed.

Regarding Generation, flows at Navajo are down with winter operation to 300 CFS and 6 MW of production. Bonding for new generation was approved by the NMFA board on January 26, 2023. FEUS continues to look for support from local legislators on cost recovery related to SJGS undepreciated assets, and reciprocating engines. Levelized Cost of Energy (LCOE) work for Combined Cycle plant was completed and the internal review is ongoing.

The analysis related to a gas agreement is ongoing. A long term Purchase Power Agreement (PPA) proposal was sent to suppliers. The utility's consultant, Brattle, is continuing to analyze energy imbalance markets.

Mr. Adair offered an information only report to discuss the utility's cash reserves, the major drivers affecting the cash reserves, and PCA adjustment considerations. Mr. Adair's report provided insight into the local and global events that have occurred since 2020 and how these events have impacted the utility. Mr. Adair's report highlighted the numerous methods being considered or implemented to limit and control expenses to include a City Manager proposal of a \$5 million transfer from the general fund to the Electric Enterprise, a City Manager proposal to suspend the monthly Electric Enterprise transfer until cash reserves are recovered to policy position, FEUS termination of contractor line service support for FY23 and FY24, each electric utility division has reviewed work group budgets and reduced any spending to include deferring the purchase of vehicles, tools, test equipment, and discretionary travel. The city has also requested financial relief from the State of New Mexico in the form of recovery of the \$23 million of undepreciated assets in SJGS, \$40 million in funds for the first 18MW of replacement generation for SJGS, \$24 million for first 20MW of solar replacement for SJGS. FEUS will also be implementing an increase of the Power Cost Adjustment (PCA) to \$0.06/kwh, effective March 10, 2023.

Commissioner Schmidt asked if the utility had received feedback from customers regarding the \$0.03/KWh PCA increase. Mr. Adair said the utility has received feedback ranging from angst over how an increase will affect them to appreciation for informing the customers. Mr. Adair reminded the Commission of the utility assistance program that is available for those who are experiencing financial hardship.

Vice Chair Dinning expressed appreciation for the detailed report and stated she supports the PCA increase to \$0.06/KWh.

Commissioner Schmidt stated she also supports the PCA increase to \$0.06/KWh.

Commissioner Thompson noted that as the weather warms, gas bills will reduce at the same time as the electric bill increases with this PCA increase so this could ease some of the customer financial discomfort.

Commissioner Sanchez also noted that when budgets begin to tighten, training tends to take a hit. Commissioner Sanchez is a proponent of training and asked if FEUS has limited training funding. Mr. Adair said training budgets will be reduced but not eliminated.

Commissioner Buffington urged the City to work on a communication tool because there will be questions and concerns regarding a rate increase. He said he does not think the general public realizes what the impact is from the closure of the San Juan Generating Station, how much power FEUS received from the plant.

In response to Commissioner Buffington's question regarding realistic chances of receiving funding from the state, City Manager Mayes stated the city is not counting on receiving funds, as is seen in the presented plan, but there is a reasonable chance as state legislators who represent our region have been active in working to assist with finding ways for Farmington to receive funds.

While he is not happy about the need for an increase in the PCA, Commissioner Uhl said an increase is necessary. He noted it is important to communicate both the increase and the decrease in the PCA once the gas price crises is past us.

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Quarterly Financial Report

Ms. Naline Jose offered details of the Quarterly Financial Statements for the utilities for period ending December 31, 2022.

Electric Utility

For the period ending December 31, 2022 the Net Income for the Electric Utility increased \$10.8 million from FY2022. Operating Revenues increased \$23.5 million; Operating expenses increased by \$13 million, largely due to increases in Natural Gas and Purchas Power. Non-operating revenues increased \$443 thousand and non-operating expenses increased \$40 thousand.

Water Utility

For the period ending December 31, 2022, the Net Income for the Water Utility increased \$103 thousand from FY2022. Operating revenues increased \$501 thousand and Operating Expenses increased \$134 thousand. Non-operating revenues decreased \$5 thousand and non-operating expenses decreased \$36 thousand.

Wastewater Utility

For the period ending December 31, 2022, the Net income for the Wastewater Utility increased \$542 thousand from FY2022. Operating revenues increased \$481 thousand and operating expenses decreased \$383 thousand. Non-operating revenues increased \$31 thousand and non-operating expenses decreased \$32 thousand.

Ms. Teresa Emrich, Administrative Services Director, offered an informative presentation regarding the city's financial process for the Water and Wastewater Utility Enterprise. She noted the city's utilities are enterprise entities. She also said the city is required by the general accepted accounting principles (GAAP) to present presentations using an accrual accounting, which takes the revenues and matches it to the expenditures that are being incurred at the same time, so you want the timing to be correct. Ms. Emrich said some reports are presented on a budget basis which is a bit different than on the accrual accounting basis, so there are three main items that are non-cash transactions in the financial statement: amortization, depreciation, transfer to WIP (work in progress).

Ms. Emrich's presentation demonstrated how wastewater revenues are calculated by averaging the water usage for months of December, January and February to equal the Winter Quarter. Wastewater charges for the Industrial and Commercial customers are billed at full water usage amounts. The City of Farmington has 26 pay periods, so you will see some large fluctuations by month for payroll personnel costs. So

Water/Wastewater Financials

Mr. Cory LeClaire offered a report detailing the quarterly finances for the Water and Wastewater utilities. In the Second Quarter ending December 31, 2022, the number of customers and meters both decreased by 0.2% from the prior year. The number of gallons YTD decreased by 2.8% from FY2022.

The Revenue Budget for the Water Utility is \$14.1 million versus Revenue Actuals of \$13.9 million; Expenditures Budget of \$12.4 million with \$12 million Actuals. The 5 Year Revenue trend demonstrated a downward Revenue trend.

The Revenue Budget for the Wastewater Utility is \$8.3 million versus Revenue Actuals of \$8.2 million. Budgeted Expenditures are \$8.4 million versus Actual Expenditures are \$6.6 million. Wastewater Revenues are trending upward over the past five years.

Water/Wastewater Report

Mr. Andrew Sova, Water/Wastewater Administrator, provided information regarding water and wastewater activities for December, 2022. Mr. Sova noted the Water Treatment Plant 1 project went out for bid, open for 45 days. It is anticipated that construction will begin late summer 2023. This project also has a 50% grant match. Work continues on the East Sanitary Sewer Rehab project. Work continues with laying pipe; 300 feet of pipe was installed on the date of this meeting. Construction on the raw water line that runs from Porters Arroyo to the golf course and the college is continuing. The 30th Street project from Tulane to Kiwanis Park continues. The installation of a new water line at Harbour Lane is nearing completion.

Water/Wastewater Operations Report

Utilizing a PowerPoint presentation, Mr. Phil Johnson provided information regarding water/wastewater operations activities for January. Animas River flows were below average throughout January. As of the date of this report, the Farmington Lake level is near 100% capacity. Water production in January was consistent with previous years. Five new meters were installed in January; all five were residential meters. There were 13 water line breaks; 6 cast iron main lines, 1 PVC main line and 6 black poly service lines.

Regarding Wastewater treatment, effluent flows in January were below average for this time of year. Mr. Johnson noted the Effluent BOD (Biochemical Oxygen Demand) was slightly up at 8.38 mg/L; effluent TSS (Total Suspended Solids) was at 14.28 mg/L; Effluent TDS (Total Dissolved Solids) Increase was 434.45 mg/L; Effluent e.Coli was very low at 2.01 MPN/100ml.

Water/Wastewater Report

Ms. Benedikte Webb provided a verbal report on various projects taking place throughout the city. Regarding leak reduction projects, one of the projects completed last year was on 30th Street where the city was experiencing a loss of approximately 275 thousand gallons of treated water a day. Ms. Webb informed the commission the Water Utility AMI project is now underway and is beginning with the bulk water users.

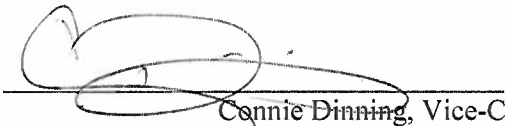
BUSINESS FROM THE FLOOR

None.

ADJOURNMENT

There being no further business to come before the Commission the meeting was adjourned at 5.35 p.m.

Approved this 8th day of March, 2023.



Connie Dinning, Vice-Chair