

BOARD OF PUBLIC UTILITY COMMISSION

The regular meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS was held Wednesday, May 10, 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 Nathan Thompson Diane Schmidt Drew Degner Stewart Logan George Sharpe
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Commission members absent:	Patricio Sanchez Linda Corwin John Buffington
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City Council Liaison:	Janis Jakino
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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
Customer Service	Nicki Parks
Community Works Director	David Sypher
Community Works	Mark Hathcock
Community Works	Benedikte Webb
Jacobs	Nicholas King
Administrative Services	Nalinee Jose
Administrative Services	Cory LeClaire
Legal	Jennifer Breakell
PUC Secretary	Amy McKinley

The meeting was convened by the Chair.

The Chair called for a motion to approve the Minutes of the April 12, 2023 Regular meeting. Vice-Chair Dinning offered such a motion and Commissioner Logan provided a second. By voice vote, the motioned passed unanimously.

The Chair called for a motion to approve the Minutes of the April 12, 2023 Special Budget meeting. Commissioner Logan offered the motion and Commissioner Uhl seconded. By voice vote, the motion passed unanimously.

BUSINESS

Quarterly Financial Report

Ms. Nalinee Jose offered details of the Quarterly Financial Statements for the utilities for period ending March 31, 2023.

Electric Utility

For the period ending March 31, 2023 the Net Income for the Electric Utility increased \$18.5 million from FY2022. Operating Revenues increased \$46.2 million; Operating expenses increased by \$31.5 million, largely due to increases in Natural Gas and Purchase Power. Non-

operating revenues increased \$599 thousand and non-operating expenses increased \$3.2 million, due to the revenue transfers in and out.

Commissioner Sharpe asked where the \$2 million transfer comes from. Ms. Jose said these funds are a portion of the \$5 million that will be transferred back to the Electric Enterprise Fund from the General Fund.

Water Utility

For the period ending March 31, 2023, the Net Income for the Water Utility increased \$1.2 million from FY2022. Operating revenues increased by \$2 million and Operating Expenses increased \$891 thousand. Non-operating revenues increased by \$49 thousand and non-operating expenses decreased \$62 thousand.

Wastewater Utility

For the period ending March 31, 2023, the Net income for the Wastewater Utility increased \$1 million from FY2022. Operating revenues increased \$1.3 million and operating expenses increased \$21 thousand. Non-operating revenues increased \$78 thousand and non-operating expenses decreased \$327 thousand.

Electric Utility Report

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

Ms. Wilson noted the overall Consumption by Customer Class demonstrated the utility was less than 0.25% under budget for FY 2023. She noted that for April the utility was 10% below what was budgeted.

Commissioner Sharpe asked if there was a specific reason why Industrial Consumption was down. Ms. Wilson commented some of this may be because some industrial customers have cut back on their load due to the PCA rate. Mr. Adair noted that over the fiscal year the Industrial customer usage has increased compared to FY 2022.

A review of the utility's Cash Balance demonstrated a balance of \$20.9 million. When the required restricted cash reserves are deducted, the utility cash balance has a negative balance of \$16.2 million. Ms. Wilson said for the month of April the utility saw a \$4.4 million increase in cash.

Chair Larsen asked if the negative balance will be resolved by July as was discussed earlier this year. Ms. Wilson said the utility did see a positive cash flow in April but several things such as paying for fuel and purchase power cost invoices, accounts receivables being paid on time, etc. will determine if the PCA can be reduced before the end of the year.

Ms. Wilson noted the FY2023 Revenue Actuals is \$88 million, 6% under the FY2023 Revenue Budget of \$108 million. Year to Date Expenses, Budget to Actual, was \$117 million, 7% over budget primarily due to Purchase Power costs which were 34% over budget and Natural Gas costs which were 45% over budget. Year to Date Capital Improvement Expenses was \$16 million, 25% under budget. As of March 2023, the PCA was increased to \$0.06/kWh. Through April FEUS has recovered \$1.9 million of the \$38.3 million balance in March.

Customer Service Write-Offs

Ms. Nicki Parks, Customer Care Manager, addressed the commission seeking a PUC recommendation to city council to write off inactive utility accounts aged over four years with a balance of \$0.01 or more. She noted the amount being requested for the year ending December 31, 2018 is \$149,150.09, 0.107319% of 2018 revenue. Industry standard is 1% for write-offs for utilities and the City of Farmington consistently stays well beneath this standard.

The Chair called for a motion to recommend city council approval to write off uncollectible and unsecured utility accounts. Commissioner Thompson offered such a motion and the motion was seconded by Commissioner Sharpe. Upon a voice vote, the motion passed unanimously.

Commissioner Schmidt asked Ms. Parks if there has been an increase in past due accounts due to the increase in the PCA. Ms. Parks said it is unknown at this time how the increase in the PCA has affected the timely payment of utility bills noting that in addition to the PCA increase in March, the state's LiHEAP program ended on March 15. Some customers who participate in the LiHEAP program choose not to pay any portion of their utility bill throughout the winter months and therefore these customers tend to have a considerable account balance, and then the March invoice also had an increase in the PCA. The Customer Service team can experience increased tension when assisting these customers.

Director's Report

Mr. Hank Adair, Electric Utility Director, provided a review of the activities of the utility for April, 2023.

Regarding Substation/Distribution/Transmission projects, the Outage Management System (OMS) utilizes the location of meters to help define the potential size of an outage. Some ghost meters have for many reasons not been pinpointed within the OMS; FEUS personnel have been actively updating the OMS with exact locations for these ghost meters and at this time the OMS has seen a 93% reduction in ghost meters.

The Bergin Control building is now energized and commissioning will begin soon. At the Animas Substation, all concrete pads are now set and ready to receive equipment.

FEUS personnel completed 16 transformer upgrades system wide; four line extensions were completed for new homes; three underground and one overhead. There was a short transmission outage to replace a bad pole found during pole testing. This outage was completed ahead of schedule.

Regarding Generation, at Navajo flows are up to 500 cfs and making 12 MW of energy. The BOR will be ramping up for a spring release within the next week or two. Generation crews completed the cleanup of the Willett ditch bypass. At the Bluffview plant, unit mapping was completed for summer temps. Staff are working on gas agreements for winter hedges. The RFP for the reciprocating engine island was extended by two weeks to allow a bidder time to submit a bid.

Related to outages, FEUS experienced one outage in the month which affected a large industrial load. This outage occurred due to an issue with customer owned equipment. FEUS personnel provided assistance in returning power to the customer.

Regarding solar, 14 customers have applications pending totaling 80 kW. From April 1 to present, 15 solar customers were connected totaling 71kW.

Mr. Adair notified the commission of FEUS's receipt of the APPA RP3 Platinum Level Award. This award is based on industry-recognized leading practices in four important disciplines: Reliability, Safety, Workforce Development and System Improvement. Only about 10% of the 2,000 public power utilities across the United States hold this RP3 designation.

Water/Wastewater Operations Report

Utilizing a PowerPoint presentation, Mr. Nicholas King, Jacobs Laboratory Director, provided information regarding water/wastewater operations activities for April. Mr. King offered information regarding the San Juan and Animas River flows. The San Juan River flow is at 3850 cubic feet per second and the Animas River flow is at 3160 cubic feet per second.

Regarding Water Production History, on May 4 the Water Treatment Plant No. 2 was put on line because of demand and is currently producing approximately 2.88 million gallons per day. Water Treatment Plant No. 1 is producing approximately 11.5 million gallons per day. Farmington Lake is at 99.8% capacity. Six new meters were installed in April; four residential meters and two commercial meters. There were 3 water service line breaks, all were black poly line. There was also one main line break which was an asbestos-concrete line.

Regarding Wastewater treatment, effluent flow for April was 3.87 MGD. The plant treated 114 million gallons of water, below average for this time of year. Mr. King noted the Effluent BOD (Biochemical Oxygen Demand) was at 3.51 mg/L; effluent TSS (Total Suspended Solids) was at 1.92 mg/L; Effluent TDS (Total Dissolved Solids) Increase was 432.71 mg/L (the limit is 497 mg/L); Effluent e.Coli continued to be very low at 1.38 MPN/100ml.

Water/Wastewater Financial Report

Mr. Cory LeClaire offered a report detailing the quarterly finances for the Water and Wastewater utilities. In the third Quarter ending March 31, 2023, the Water Fund Cash Balance was \$15.1 million and the Wastewater Fund Cash Balance was \$17.9 million. The number of customers and meters both decreased by 0.3% from the prior year. The number of gallons YTD decreased by 1.1% from FY2022.

The Water Utility Revenue Budget is \$18.1 million with Revenue Actuals of \$16.9 million; The Water Utility Expenditures Budget is \$16.8 million with \$16.1 million Actual Expenditures.

The Revenue Budget for the Wastewater Utility is \$10.6 million versus Revenue Actuals of \$10.4 million. Budgeted Expenditures are \$10.8 million versus Actual Expenditures of \$8.7 million. The number of customers increased by 0.1% from the prior year. Consumption YTD has decreased 2.5% from FY2022.

CIP Water/Wastewater Report

Mr. David Sypher informed the commission that Mr. Andrew Sova has left the City of Farmington and Mr. Sypher introduced Mr. Mark Hathcock who has accepted the position of Water/Wastewater Administrator.

Mr. Mark Hathcock, Water/Wastewater CIP Administrator, provided an update regarding capital projects planned and under way throughout the city.

Regarding Capital Projects, the Raw Waterline Rehab project is 92% complete. This project is to relocate the raw water line from San Juan River to Willet Ditch from under the Animas Power Plant to Hydro Plant Road.

For Renewal and Replacement projects, several projects have recently completed to include the 16" PVC installation on East 30th Street from Tulane to the Kiwanis Park PRV; 1,600 feet of new 8" and 6" PVC from Southside River Road north to the end of Harbor Lane; the installation of 210 feet of 6" PVC from 30th Street to the end of the cul-de-sac.

Work continues on the 2019 Polyline Replacement project. To date 1217 polylines have been replaced. The contractor, KG Sewer, is presently working in the vicinity of Brenwood and Ridge Lea Ct.

O&M Water/Wastewater Report

Ms. Benedikte Webb offered an update for the operations of the Water/Wastewater for April. She reported the city had an emergency with its water tanks last week when crews discovered some newly installed radar sensors had been programmed incorrectly so the readings were telling personnel the tanks had water when in fact tank 5C and two others fed by 5C, were almost empty. Water Treatment Plant No. 2 was brought on line so the tanks could be refilled. The need to fill the tanks took priority over the repair of a water leak at Pinon Hills and English. The water leak has been repaired.

Vice-Chair Dinning asked if there are other monitoring methods that would indicate the tank levels were low. Mr. Sypher responded stating the department does have a standard operating procedure calling for manual inspections. He said staff continues to investigate how this emergency happened, how the sensors were programmed incorrectly, among other questions. Ms. Webb said one indicator is that the pumps would shut off, but because the sensors reported the water level was fine, it took time to understand there was no fault in the pumps and the pumps were actually shutting off due to lack of water. She said the most telling thing was the 3:00 am phone calls from customers who said they had no water. Mr. Sypher said the department is working on its entire SCADA system, doing an upgrade, adding additional sensors and making it so the remote operation is much more efficient. He said they recognize there is some antiquated equipment within the system.

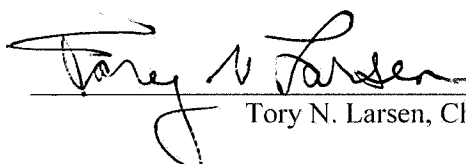
BUSINESS FROM THE FLOOR

None.

ADJOURNMENT

There being no further business to come before the Commission the meeting was adjourned at 5:10 p.m.

Approved this 14th day of June, 2023.



Tory N. Larsen, Chair