

BOARD OF PUBLIC UTILITY COMMISSION

The regular meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS was held Wednesday, August 11, 2021 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:

Jeff Parkes
Connie Dinning
Tory N. Larsen
Linda Corwin
Drew Degner
Patricio Sanchez
Hart Pierce
Nathan Thompson
Richard Dembowski

Commission members absent:

Joanne Duckwitz
Gordon Glass
Alex Uhl
Kyle Stowell

constituting all members of said Advisory Commission.

Also present were:

Electric Administration
Electric Generation
Electric Field Operations
Electric Engineering
Electric Utility Financial Analyst
City Attorney
Enterprise Accountant - Administrative Services
Community Works
Jacobs
Jacobs
PUC Secretary

Hank Adair
Britt Chesnut
Luke Lugenbeel
John Armenta
Olana Erickson
Jennifer Breakell
Sheree Wilson
Jeff Smaka
Ron Rosen
Jacob Smith
Amy McKinley

Guests:

Faron Carpenter 37 Road 5575, Farmington
Michael Darmody 312 W. LaPlata, Farmington
David Fosdeck, 209 N. Locke Ave., Farmington
Steven White, 1710 Brenwood Dr., Farmington
Rod Hubble, 4500 Barcelona Circle, Farmington
Joseph Pope, 500 W. 32nd Street, Farmington
Rubin Kelly, 99 CR 3665, Aztec
Mary Ann Briody, 1224 Chaco Ave., Farmington

The meeting was convened by the Chair.

Chair Parkes requested a motion to approve the Minutes of the July 14, 2021 Regular meeting. A motion was made by Commissioner Dembowski and seconded by Vice-Chair Dinning. By a voice vote, the motion passed unanimously.

BUSINESS

Quarterly Financial Report

Ms. Sheree Wilson, Enterprise Accountant, provided a report of the Quarterly Financial Report for FY2021 4th Quarter ending June 30, 2021.

Regarding the Electric Utility, the net income decreased \$10 million from the prior year; Operating Revenues decreased \$4.9 million and Operating expenses saw a decrease of \$1.8 million. Non-operating revenues decreased \$1.8 million mainly due to decreases in capital contributions; Non-operating expenses increased \$5.2 million, due to an increase in the revenue transfer.

In a review of the Water Utility Financials, the Water Utility's net income decreased \$675 thousand from last year. Operating revenues increased \$243 thousand; Operating expenses increased \$704 thousand. Non-operating revenues decreased \$95 thousand and Non-operating Expenses increased \$119 thousand.

For the Wastewater Utility, net income increased \$2.6 million from FY2020. Operating revenues increased \$46 thousand; Operating expenses decreased \$905 thousand. Non-operating revenues decreased \$90 thousand and Non-operating expenses decreased \$1.7 million, mainly due to decreases in interest and issuance costs paid on the finalized NMED loan in FY2019.

Water/Wastewater Report

Mr. Jeff Smaka offered a report of the water and wastewater activities for July 2021.

Regarding Capital Improvement projects, the Water Treatment Plant Upgrade design is nearing 60% completion; a review meeting will be held on August 26. The Raw Waterline Rehab project is progressing albeit a bit slower than anticipated due to fitting fabrications that need to take place on site. Mr. Smaka's report highlighted the status of various Renewal and Replacement projects.

Vice-Chair Dinning asked for an update on the status of the Cost of Service study. Mr. Smaka noted work is slowly progressing and team meetings will resume soon.

Water/Wastewater Operations Report

Utilizing a PowerPoint presentation, Mr. Ron Rosen of Jacobs, provided information regarding water/wastewater operations activities for July 2021.

Mr. Rosen's report noted that Animas River flows declined consistently through the month. Pumping from both Animas Pump Station 2 and Farmers Ditch continues as turbidity allows. Three new residential meters and one new commercial meter were installed in July. There were 12 water line breaks in July; 10 Service lines, which were all black ply lines, and 2 main lines.

Regarding Wastewater, flows in July were consistent with last month and increased from the same month last year. The TDS Net Increase is up slightly; results are slightly higher than July last year.

Cost of Service and Rate Study Presentation

Utilizing a PowerPoint presentation, Ms. Olena Erickson, Utility Financial Analyst, provided an overview of the process and initial assumptions of the FEUS Cost of Service and Rate Study. She reminded the Commission the last FEUS Cost of Service Study was completed in 2016 and rate changes started in March, 2017. Ms. Erickson said the schedule for completion is planned for the end of calendar year 2021. In response to a question posed by Commissioner Pierce, Ms. Erickson said the Integrated Resource Plan process plays a role in the preparation of the Cost of Service study.

Commissioner Pierce asked whether possible delays in 2022 would cause the need for FEUS to go to the market which could then affect the rate and Ms. Erickson said yes. Chair Parkes clarified the Cost of Service plan will assume the Enchant project goes through and SJGS remains open, but if this does not happen NewGen will offer other scenarios.

Chair Parkes asked what the assumption is for the dividend payment for the General Fund. Ms. Erickson said as it is currently set, the dividend payment is 5% of operational revenue as per policy.

Electric Utility Report

Ms. Olena Erickson provided a PowerPoint presentation to detail FEUS financial information for July 2021. Consumption in MWH was 5% over budget; Residential and Commercial classes were over budget, but Bulk and Large customer classes were under budget. The 5-Year Trend demonstrates Industrial and Commercial sees a slight increase in consumption for FY2022 but overall these classes continue to have decreased consumption; Residential consumption remains steady. The PCA remains at \$0.01 per kWh.

Director's Report

Utilizing a PowerPoint presentation, Mr. Adair provided details of the activities of the utility for July, 2021. Regarding Substations, crews replaced the load tap changer (LTC) controller at Lee Acres Substation. Work continues at both the Animas and Bluffview Substations. The planning for distribution/transmission work is underway for construction of the 20th Street Phase II project. This project runs from Sullivan to Butler. Construction work to the reconductor Aztec Circuit 11-02 is ongoing. This work will resolve an unbalance and will also allow for new back up to the La Plata Circuit. 17 Transformers were upgraded in July. Regarding the Navajo Hydra Plant, the flows on the San Juan have been going up and down. Currently flows are at 700 CFS (15 MWs); a new vacuum pump was purchased and installed at the Bluffview Plant; SJGS saw challenged performance in July which affected purchase power volumes and expense. The utility experienced two outages in July, both were caused by lightning.

BUSINESS FROM THE FLOOR

Several residents addressed the Commission expressing concerns about rates as they apply to solar power.

Mr. Faron Carpenter, 37 Road 5575, Farmington, addressed the Commission stating he is concerned about fairness of his bill. He says he pays more with solar than without. Mr. Carpenter noted he is charged \$70 every month for power that he might produce and on top of that there is a banked consumption charge, which he does not know what is, but it averages to approximately \$50 a month. He noted his system only allows to send back 1.8 kW to the grid. Chair Parkes directed Mr. Carpenter to visit with Customer Service to review his service plan. Mr. Adair, Electric Utility Director, said FEUS staff will contact Mr. Carpenter to discuss his concerns.

Mr. Steven White, 1710 Brenwood Dr., Farmington, commented that the current rate system is punitive. He said the city told him he would be paid wholesale price for any excess power he consumed and he feels the city is getting paid twice for power he gives back to the system and he does not think this is fair. Mr. Adair said FEUS staff will contact Mr. White to discuss his concerns.

Dr. Joseph Pope asked about the rate differential between the Residential Renewal rate the people may opt for and how much more FEUS pays for energy that is renewable. Dr. Pope said it seems like solar people put energy to the system at peak times and wondered if there is a way to consider that this is some of the more expensive electricity that FEUS sells. Mr. Adair said that much of what is used is the over generation from other renewable sources FEUS has and what FEUS gets from the system. The more customers FEUS has on the renewable rate (FEUS presently has 5 customers on this rate) could provide the environment to buy more renewable power. Dr. Pope asked if the utility has an incentive to have more solar customers or does it just seem like, right now, there are financial disincentives to tie into the grid. Dr. Pope asked if in the big picture FEUS sees a future where more customers with rooftop solar will really help power the country with solar. Mr. Adair said the utility does see the opportunity for solar power. How that volume and how it would get to change a power plant or transmission service, FEUS does not see the penetration. Even under the new rate, FEUS has three times as many solar customers in the last three years as it has had since renewable rates were initiated. FEUS sees solar continuing and sees the interest but does not know if the utility will ever get to the megawatt level of interest.

Ms. Mary Ann Briody, 224 Chaco Ave., Farmington, addressed the Commission stating she is astounded by what she feels is a disconnect between the conversation in the meeting and what she is reading is happening in the world. Ms. Briody said the UN just came out with a big study three days prior to the meeting and she noted items detailed in the report to include extreme weather being on the rise and will keep getting worse and that if humans cut emissions, the worst impacts are avoidable. She said it sounded like the City was not listening to science, that the City is disregarding science. Ms. Briody said she sees the City pushing back as hard as they can against the science. She said the City of Farmington is being sued regarding the "solar tax" and she asked how much the city has paid toward this lawsuit. Chair Parkers thanked Ms. Briody for her comments and noted that some might disagree with the term "tax".

ADJOURNMENT

There being no further business to come before the Commission, the meeting was adjourned at 5:15 pm.

Approved this 8th day of September, 2021.

A handwritten signature in blue ink, appearing to read "Jeff Parkes", is written over a horizontal line.

Jeff Parkes, Chair