

BOARD OF PUBLIC UTILITY COMMISSION

The regular meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS was held Wednesday, February 9, 2022 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 Alex Uhl Linda Corwin Nathan Thompson Patricio Sanchez, Zoom Hart Pierce, Zoom Richard Dembowski, Zoom Drew Degner, Zoom Kyle Stowell, Zoom
City Council:	Linda Rodgers, Zoom

constituting all members of said Advisory Commission.

Also present were:

Electric Administration	Hank Adair
Electric Generation	Britt Chesnut
Electric Engineering	Shawn Weiss
Electric T&D	Luke Lugenbeel
Customer Service	Nicki Parks
Administrative Services	Sheree Wilson
Community Works	Jeff Smaka
Jacobs	Phil Johnson
PUC Secretary	Amy McKinley

Guests: Tim Ford
Eli Pavlik
Matt Dodson
Steven White
David Fosdeck
MaryAnn Briody

The meeting was convened by the Chair.

Chair Parkes asked for a motion to approve the Minutes of the January 12, 2022 Regular meeting. Commissioner Corwin offered such a motion, Commissioner Uhl seconded. By voice vote, the Motion passed.

BUSINESS

Quarterly Financial Report

Ms. Sheree Wilson, Enterprise Accountant provided a report of the Quarterly Financial Report for Fiscal Year 2022, 2nd Quarter Ending December 31, 2021. Ms. Wilson reminded the Commission the city did not charge for late fees, warning fees, disconnect fees during all of FY2021. The reinstatement of fees in FY2022 provided an overall increase of 323,000%, a huge increase over FY2021, which was 0%. As far as interest income for all of the utilities, there was a decrease of almost 50% from last year, much of this is due to lower interest rates and limited investments in CDs and securities.

Electric Utility

Ms. Wilson's report noted the Electric Utility Net income increased \$736 thousand from last year, much of this is due to decreases in the Non-operating Expense for revenue transfers. The Transfer Expense decreased \$2.7 million, over 50% from last year. Other significant changes were the costs for purchase power and fuel under Operating Expenses. Purchase Power increased \$5.2 million from last year. To offset Operating Expenses increases, there was a decrease of \$7.2 million in Fuel Costs (natural gas and coal combined). Other Operating Expenses increased \$1.6 million, largely due to the Bluffview Plant Scheduled Outage. Operating Revenues decreased \$2 million, much of this is due to a decrease in electric sales PCA sales.

Water Utility

In a review of the Water Utility Financials, Net Income for the Water Utility increased \$314 thousand over last year. Water Sales decreased \$375 thousand; Operating Expenses decreased \$641 thousand.

Wastewater Utility

For the Wastewater Utility, net income increased \$259 thousand from FY2021. Operating revenues increased \$183 thousand and Operating expenses increased \$692 thousand. Non-operating revenues decreased \$19 thousand and Non-operating expenses decreased \$786 thousand.

Water/Wastewater Report

Mr. Jeff Smaka provided information regarding water and wastewater activities for January, 2022.

Mr. Smaka reported that on January 25, 2022 the City Council approved ordinance to increase the Water and Wastewater Rates. The new rates will go into effect in March 2022.

Regarding Capital Projects, the contractor submitted the 100% design drawings and these are currently under review by the NMED. Installation of pipe for the Raw Waterline Rehab project is completed. The contractor is waiting for the weather to improve so the asphalt work can be completed.

Mr. Smaka highlighted the progress of the various Renewal and Replacements projects throughout the city.

Water/Wastewater Operations Report

Utilizing a PowerPoint presentation, Mr. Phil Johnson of Jacobs, provided information regarding water/wastewater operations activities for January 2022. Animas River flows decreased overall throughout the month of January. Seven new residential meters were installed in January. There were 20 water line breaks in January; 14 service lines and 6 main lines.

Regarding Wastewater treatment, flows in January were close to average for the season. In February new influent flow meters should be installed and fully functional. Responding to requests by commissioners during the January meeting, Mr. Johnson provided information that demonstrates the various parameters regarding Effluent quality.

Electric Utility Report

Mr. Hank Adair provided a PowerPoint presentation to detail FEUS financial information for January 2022.

Customer consumption for January was 87,882 MWH and this is slightly under budget. Related to Year to Date Consumption, Industrial usage has stabilized although is still lower than previous years; Commercial usage continues to be lower; Residential usage remains reasonably flat. FEUS Cash Balance remains reasonably consistent at the \$58.6 million. Year to Date Revenue Budget vs Actuals demonstrates the utility is \$4 million under budget, primarily due to the lower usage in the Commercial classes and the revenue related to the PCA. Regarding Year to Date Expenses Budget vs Actuals, the utility is at budget for expenses year to date.

Regarding the PCA, FEUS is in the target balance and the PCA continues to be \$0.01 per kWh.

Information Only Electric System Rate Study Presentation

Mr. Hank Adair, Electric Utility Director, Ms. Jill Schuepbach and Mr. Joe Mancinelli of NewGen Strategies and Solutions, provided an information only presentation regarding the FEUS Rate Study.

Revenue Requirement: identify the cost to operate the utility and determine the rate revenue necessary to keep FEUS financially solvent. The Revenue Requirement is \$97.8 million.

Cost of Service: determine the cost to serve different customer classes, identifying fixed and variable cost components within each customer class. Fixed costs equal 64% of the \$97.8 million Revenue Requirement. The cost of connecting to the FEUS grid for Residential customers is \$53.46 per month. Fixed Cost Recovery is an issue for the total system.

The FEUS Rate Study indicated the revenue recovery is sufficient as a whole to meet the \$97.8 million Revenue Requirement. There is a need to move some rate classes closer to cost of service and to improve recovery of fixed versus variable costs. To minimize rate shock, rate changes would be phased in.

Commissioner Thompson asked if the Transmission and Distribution cost would be the same for non-distributive generation and distributive generation. Mr. Mancinelli responded in the affirmative noting this is the underlying cost of reliability. The \$53.46 is the cost of service for residential, regardless of whether these customers are distributive generation or not. The proposed Residential rate continues to not meet the cost of service.

Rate Design: use the Cost of Service results to guide rate design. Rates must fully recover all costs; assure revenue recovery is sufficient for a five-year planning period; move customer classes closer to cost of service while minimizing inter- and intra-class cost shifting; improve recovery of fixed costs versus variable costs; phase in rate changes.

RESIDENTIAL EXAMPLE CUSTOMER BILL: 650 KWH					
Rate	Current Rates	Phase 1 FY2023	Phase 2 FY2024	Phase 3 FY2025	Phase 4 FY2026
System Infrastructure Charge (\$/month)	\$6.75	\$12.00	\$13.50	\$15.00	\$16.50
Demand (\$/kW)	N/A	N/A	N/A	N/A	N/A
Energy (\$/kWh)	\$65.07	\$67.98	\$68.02	\$68.12	\$68.25
PCA (\$/kWh)	\$6.50	\$0.00	\$0.00	\$0.00	\$0.00
Total Bill	\$78.32	\$79.98	\$81.52	\$83.12	\$84.75
Total Bill Change		\$1.66	\$1.55	\$1.60	\$1.63
Total Bill Change		2%	2%	2%	2%

SMALL GENERAL SERVICE (0-40 KW) PROPOSED RATES					
Rate	Current Rates	Phase 1 FY2023	Phase 2 FY2024	Phase 3 FY2025	Phase 4 FY2026
System Infrastructure Charge (\$/month)	\$9.00	\$13.00	\$17.00	\$21.00	\$25.00
Demand (\$/kW)	N/A	N/A	N/A	N/A	N/A
Energy (\$/kWh)	\$0.10	\$0.11	\$0.10	\$0.10	\$0.10
PCA (\$/kWh)	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00
Average Bill Change		0.4%	0.4%	0.3%	0.3%

PROPOSED RATE BI-DIRECTIONAL	August Bill 1,247 kWh Usage		
Rate	Phase 1 No Solar	Phase 1 Bi-Directional 100% of load	Phase 1 Bi-Directional @ 120% of load
System Infrastructure Charge (\$/mo.)	\$12.00	\$12.00	\$12.00
Customer Purchases (kWh)	1,247	867	841
Energy Charge & PCA (\$/kWh)	\$0.10	\$0.10	\$0.10
Energy Cost	\$130.36	\$90.69	\$87.91
Subtotal Bill	\$142.36	\$102.69	\$99.91
Customer Sells to FEUS (kWh)	-	508	659
Rate Paid to Customer (\$/kWh)	(\$0.04)	(\$0.04)	(\$0.04)
Energy Revenue	\$0.00	(\$17.79)	(\$23.08)
Total Bill	\$142.36	\$84.90	\$76.84

The cost to connect to the FEUS grid with or without rooftop solar is greater than \$50.00 per month. Regarding distributed generation, FEUS proposes to remove the Standby Rate Rider and introduce Bi-Directional Net Metering. With Bi-Directional Net Metering the customer will

require only one meter, will use the energy they produce first, customer may purchase supplemental energy at the standard tariff rate, may sell power to FEUS and be compensated at FEUS' avoided cost rate.

Referring back to the Load Profile slides, Commissioner Thompson asked what the shape of the Load Profile is for the entire utility. Ms. Scheupbach responded that on an annual basis, the shape of the utility's load profile would be very similar. Mr. Adair noted that on a monthly level the provided slide matches very well with the information provided as part of the monthly Electric Utility Report where the megawatts are reported each month. Mr. Adair also noted the sample bills were provided to demonstrate total bills for load profiles for January, May and August to demonstrate bi-directional billing.

Vice-Chair Dinning commented she was nervous about purchase power costs rising significantly in the future and asked what NewGen's assumptions were around purchase power prices going forward. Ms. Scheupbach responded noting the Cost of Service proposal suggests the PCA would go to zero but the PCA could be increased should purchase power costs increase.

In response to Ms. Scheupbach's comments regarding using the PCA to make up for purchase power costs should these costs increase, Commissioner Thompson expressed his confusion to this response since the examples provided said the PCA was going away. Mr. Adair responded stating that the proposed rate design has planned for a \$0.00 PCA but the PCA could be increased should there be an extreme situation.

Vice-Chair Dinning pointed out that some rate classes would see a rate decrease and she reiterated her concerns about the cost of purchase power in the future and she questioned whether it makes sense to drop a rate and then have to raise it back up.

Commissioner Stowell left the meeting at 4:42pm.

Commissioner Larsen asked when the Residential base charge will ever get to the \$53 base. Mr. Mancinelli said while the cost of service is making progress, it's unlikely that the true cost of service will ever be reached. Mr. Mancinelli said the utility makes changes to rates keeping all types of customers in mind so the question of whether the utility will ever reach true cost of service is a decision for FEUS.

Mr. Adair noted an additional public information meeting will take place in the near future where the public can comment on the rate study. Mr. Adair stated the presentation from today's meeting is on the FEUS webpage.

Chair Parkes asked why FEUS and other utilities have so much of their costs on a volumetric basis and so little on the fixed. He asked if it is primarily to encourage conservation or what does the utility lose if it moves toward a higher fixed cost and lower volumetric costs. Mr. Mancinelli offered some historical insight on the revenue generated from usage noting when a utility charged a fixed cost, the revenue didn't change if the weather changed and customers used more energy. General discussion ensued regarding the pros and cons of fixed costs versus volumetric costs.

Commissioner Corwin commented she would like to see the avoided cost rate for selling power back to FEUS to be higher than the \$0.035. Mr. Adair stated the avoided cost is \$0.035, but will be calculated annually.

Chair Parkes asked about the status of the utility's payment of a dividend to the City of Farmington noting that last year there was an exception to this dividend payment and the utility provided additional funds to the city's general fund. Ms. Scheupbach responded stating the traditional dividend plan was used in formulating the proposed rates. Mr. Adair commented that besides the City of Farmington, the cities of Bloomfield and Kirtland and San Juan and Rio Arriba Counties also receive license and/or franchise fees from FEUS.

Commissioner Sanchez requested benchmarking be provided for other rate classes besides Residential as a demonstration of how FEUS rates compare to neighboring utilities for these rate classes.

Director's Report

Utilizing a PowerPoint presentation, Mr. Adair provided details of activities of the utility for January 2022.

Regarding Substation/Distribution/Transmission the design for the Animas Substation is complete and preparations are being made to send the project out for contractor bid. The commissioning and testing of the Bluffview transmission protective relay panels is complete. Bushings were installed on the generator stepup unit (GSU) at Bluffview.

For Generation sources, at the Navajo Plant water flow recently increased to 350 CFS for 7MW of production. The Bluffview Plant continues its scheduled Outage and the engine inspection resulted in some engineering analysis on the components. Delivery currently remains in late March. The San Juan Generating Station experienced great performance in January.

FEUS customers in the Lee Acres area experienced one circuit outage in January.

Commissioner Corwin asked for an update on the reciprocating engines. Mr. Adair stated reciprocating engines are good, fast response machines. He noted some of the IRP plans look at including one to two reciprocating engines so FEUS is looking to bring this back. He reminded the Commission that a couple of years ago FEUS had the purchase of reciprocating engines to the point of bids received and the levelized cost of energy for those machines did not play out at the time because the markets changed. Mr. Adair said FEUS will put the cost of two engines in the initial budget and adjust with some renewables. He did say the IRP does need to be completed.

Commissioner Thompson asked about Enchant updates. He said he recalled reading about a walk of the pipeline locations that may be taking place soon. Mr. Adair said he heard of a walk that would take place a week or so from the date of this meeting. Commissioner Sanchez said the BLM site makes note of when walks will take place.

Chair Parkes confirmed that a public input meeting will be planned before the March meeting.

BUSINESS FROM THE FLOOR

Several citizens offered comments primarily regarding distributive generation.

Mr. Tim Ford offered comment saying he feels he is being persecuted for adding solar to his home. He is confused about paying a fee to have his solar system connected. Mr. Ford stated he bought solar to benefit the community.

Regarding solar rates, Mr. Eli Pavlik stated he understands the proposed rates show the rider will go away and he feels this is step in the right direction. Mr. Pavlik said bi-directional metering is already in use by solar customers. FEUS provides solar customers with a monthly true up; if a solar customer sells excess power to the utility, the customer is paid for this power at the avoided cost, or if the utility sends more power to the solar customer in the month, then the customer pays for this power at retail or \$0.10. He said the way he reads the proposed rate design, the monthly true up will go away and he asked for clarification. Mr. Adair commented noting the AMI meters will provide usage data on 15-minute increments. Discussion ensued about who benefits from this 15-minute true-up. Noting he was not speaking for other solar customers but only for himself, Mr. Pavlik said he does not consider this proposed rate plan acceptable for solar customers, however he would consider a monthly true up of net metering, which is the current status, along with the elimination of the solar tax (Standby Rider rate) to be an acceptable rate agreement between solar customers and FEUS.

Mr. Matt Dodson offered comment stating commercial customers are the highest risk and yet they receive the lowest energy rate, their rates are going down. He said residential customers are subsidizing commercial customers. Mr. Dodson noted his understanding of the proposed bi-directional net metering rate is that anything the solar system produces is going to be purchased by FEUS at \$0.035/Kw, and any power the solar customer purchases will cost \$0.10/Kw. He does not see this as the same as how the true up is presently calculated. Mr. Dodson said he agrees with Mr. Pavlik that the present monthly true up calculation is acceptable. Now, at the end of the month, whatever extra, or whatever you did owe the solar customer, then OK, he agrees with Mr. Pavlik on this monthly true up plan. He said the 15 minute true up concept is making sure that everything a solar customer produces is sold at \$0.035, and he is against this. Mr. Dodson thanked the utility for removing the Solar Standby Rider.

Mr. Steve White approached the commission and asked when customers will see the rate structure for a solar customer. Mr. Adair provided Mr. White with handouts of sample proposed rates for bi-directional billing.

Mr. Fosdeck commented noting he is a solar advocate in Farmington. He thanked Mr. Adair for providing his suggested bill comparisons. He commented about the removal of the Standby Rider rate noting concern that this Standby Rider rate could be reinstated like the PCA can be reinstated. He felt like this presentation did not provide certainty about the city's view of solar noting it seemed like the City Manager's view of solar is not the same as the view of FEUS. Mr. Fosdeck stated it is not possible to do instantaneous net metering on a 15 minute smart meter. He said the utility is only getting a snapshot of someone's consumption at the 15 minute period the meter logged.

Ms. MaryAnn Briody addressed the Commission and expressed her thanks for the work that has been done for solar customers. She said the 15 minute increment issue needs to be looked at carefully. She did say she hopes the city is making progress on solar. Ms. Briody said she wants the city to invest in solar. She said solar is not uncertain; solar is quite certain. Ms. Briody said NewGen gave the information that was asked for which was the status quo; the city didn't ask them to look at what the dream could be, how we can stop living moment to moment here in Farmington, worrying about the next lawsuit and the next power plant shutting down, and what the fossil fuels are going to do to our grandchildren. She encouraged more vision.

ADJOURNMENT

There being no further business to come before the Commission, a motion to adjourn was made by Commissioner Corwin and seconded by Vice-Chair Dinning. The meeting was adjourned at 5:47 pm.

Approved this 9th day of March 9, 2022.



Jeff Parkes, Chair