

BOARD OF PUBLIC UTILITY COMMISSION

The Budget Meeting of the Board of Public Utility Commissioners/City Council City of Farmington was held Wednesday, April 13, 2022 at 10:15 a.m., at the Farmington Civic Center, 200 West Arrington, 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:

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| Commission members present: | Jeff Parkes
Connie Dinning
Tory N. Larsen
Alex Uhl
Linda Corwin
Kyle Stowell
Patricio Sanchez
Hart Pierce
Nathan Thompson
John Buffington |
| Commission members absent: | Drew Degner
Richard Dembowski |

constituting all members of said Advisory Commission.

Also present were:

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| Mayor | Nate Duckett |
| Councilor | Linda Rodgers |
| Councilor | Janis Jakino |
| Councilor | Jeanine Bingham-Kelly |
| Councilor | Sean Sharer |
| City Manager | Rob Mayes |
| Assistant City Manager | Julie Blair |
| City Attorney | Jennifer Breakell |
| Electric Administration | Hank Adair |
| Electric Engineering | John Armenta |
| Electric Generation | Britt Chesnut |
| Electric Business Operations Manager | Sheree Wilson |
| COF Administrative Services | Teresa Emrich |
| Community Works | David sypher |
| Jacobs | Phil Johnson |
| PUC Secretary | Amy McKinley |

The meeting was convened by the Chair.

BUSINESS

Electric Department Budget:

Utilizing a PowerPoint presentation, Mr. Hank Adair, Electric Utility Director, offered details regarding the proposed FY2023 Electric Department budget.

The FEUS mission is to safely provide reliable, reasonably priced electricity with operational excellence, exceptional customer service and environmental stewardship. Mr. Adair stated these goals are aligned with the utility’s strategic goals:

- Safety for Ourselves and the Community. Over the past year, FEUS has focused on department wide safety training and these training efforts have resulted in a 75% reduction in OSHA recordable incidents compared to previous years.

- FEUS sets high goals for maintaining Regulatory Compliance requirements. FEUS will be involved in two regulatory audits in calendar year 2022.
- Exceptional Customer Service. A new billing platform was instituted allowing customers greater access to their utility bills. FEUS also plans to install payment kiosks in various locations throughout the FEUS service territory to provide added convenience to customers.
- Operational Excellence. FEUS has a 99.977% reliability rate.
- System Assessment/Process driven goals. The installation of relays throughout the system is an excellent example. The relay settings are continuously monitored and assessed for accuracy. A relay setting that is too sensitive may cause outages, but a relay set with not enough sensitivity can allow damage to the system.
- Fiscal Responsibility. FEUS regularly monitors the utility's cash balance to ensure reasonably priced rates for our customers.
- Environmental Stewardship: FEUS is proud of the Navajo Hydro Plant which provides energy with a low carbon footprint and stated that on April 12 the Navajo Hydro Plant produced the equivalent of 150 acres of solar energy.

Mr. Adair noted the FEUS service territory encompasses 1,718 square miles with 45,000 metered locations and approximately 35,000 customers. A portion of the 263 miles of FEUS Transmission line is grid related for the entire grid. FEUS has 2,435 miles of Distribution line, 36 substations and three generation facilities.

Mr. Adair stated a review of rates of other electric utilities continues to demonstrate FEUS offers the lowest rates in all rate classes within the region.

Mr. Adair reviewed key assumptions made by FEUS when preparing this proposed FY2023 budget:

- FY2023 Revenues will be increased approximately 2% compared to FY2022.
- Expenses will see slight increases based on material cost escalation and labor.
- The San Juan Generating Station will remain online beyond 2022. FEUS has agreements with current SJGS ownership and \$2.7 million is budgeted to provide for the FEUS portion of the Decommissioning Trust of SJGS.
- Bloomfield continues to use FEUS as its electricity provider.
- One additional staff position, Joint Use Coordinator, in the Business Operations division.
- The installation of short term and long term generation sources.
- Continued availability of WAPA CRSP power.
- The proposed FY2023 budget does not include broadband infrastructure and O&M costs.

The proposed FY2023 FEUS Budget indicates Revenues at \$102.7 million and Expenditures of \$108.6 million. The Ending Cash Balance for the proposed FY2023 FEUS Budget is \$47.4 million.

Commissioner Sanchez asked for clarification of the proposed \$12 million investment for a 10MW of solar. He asked about other alternatives such as reciprocating engines, or thermal. He also asked how much electricity \$12 million can buy using reciprocating engines. Mr. Adair stated this assumption is being driven a great deal on the Integrated Resource Plan analysis and modeling and commented the IRP portfolios are kicking out renewable resources that are much higher than what is being discussed here. Mr. Adair said he would rather manage a small bit of solar where the city has the benefit of ownership but noted the city does not have the benefit of tax credits. Mr. Adair noted solar is a 20% capacity factor and a reciprocating engine is a 90% capacity.

Chair Parkes asked for a motion to recommend City Council approval of the proposed Electric Department FY2023 budget. Vice-Chair Dinning offered such a motion and Commissioner Sanchez seconded. Upon voice vote, the motion passed unanimously.

Water/Wastewater Operations Annual Report:

Utilizing a PowerPoint presentation Mr. Phil Johnson offered a review of the 2021 Annual Report which highlights many of the water and wastewater projects Jacobs undertook in the past year.

The Annual Report highlighted safety as a priority for the Jacobs Farmington team. The Jacobs Farmington team has worked over five years without a single recordable incident. In 2021, each team member participated in 20 hours of safety training.

Jacobs Farmington hit 100-percent compliance with wastewater permit limits. Mr. Johnson noted that Farmington's Wastewater Treatment Plant processed 1.606 billion gallons of sewage and the Water Treatment Plants produced 3.836 billion gallons of safe drinking water.

The 2021 Annual Report highlighted operations and maintenance activities noting Jacobs received a SCADA system and hardware upgrade for Water Treatment plant #1 and the SmartCover H2S Sensors purchased in 2020 were placed in strategic locations to monitor H2S levels in the collection system.

Mr. Johnson noted that the COVID-19 global pandemic brought continued challenges in 2021 and the Jacobs Farmington team continued its commitment to the City of Farmington and its citizens by providing quality services. Jacobs Farmington employees have continued to support the community by participating in various events such as Jacobs IPP Coordinator Martha Roberts and a fellow Jacobs employee in Albuquerque assisting a local community member to write a grant to receive funds to develop an all abilities park in Farmington. Ms. Roberts and fellow employee Felix Gomes, along with family members, assisted the local Daughters of the American Revolution chapter in placing flags at a local cemetery for Veteran's Day.

Mr. Johnson said the Jacobs Farmington team takes great pride in providing quality, safe, water and wastewater services to the residents of Farmington. As the City's long-term partner Jacobs is committed to partnering with the City to improve efficiencies and reduce costs, while providing best-in-class service.

Water Utility Budget Presentation:

Mr. David Sypher offered a presentation detailing the proposed FY2023 Water Utility Budget. The presentation provided information about the water utility facilities throughout the city. Mr. Sypher noted there are 354 miles of various sized water pipe, 19 pump stations, approximately 2,774 fire hydrants, approximately 7,297 valves, and approximately 16,699 water meters. The City of Farmington water system has 13 storage tanks in the distribution system varying in size from 0.06 MG to 4.0 MG with a total storage capacity of 27 MG. The City of Farmington has a total of 29,540 acre-feet of water rights.

The Water Utility Budget report noted the FY2023 Projected Revenue is \$4.7 million and FY2023 Projected Expenditures is \$4.3 million for Renewal and Replacement system improvements. The report indicated the emphasis remains on capital upgrades to improve service delivery and fire protection.

The Water Utility FY2023 Budget Overview indicated Revenues of \$32.53 million and \$31.79 million for Expenditures. The Ending Cash Balance for FY2023 is forecast to be \$11.5 million. The proposed FY2023 Water Utility Budget assumes 3.5% growth in revenues in FY2023 over FY2022 projected actuals.

Commissioner Sanchez commented he recently read an article regarding water leaks found in water infrastructure and asked Mr. Sypher about the amount of leakage found in the City's system. Mr. Sypher noted the national average for leakage is approximately 10% and this is the approximate leakage percentage for Farmington. Mr. Sypher also said the leakage has been reduced as renewal and replacement projects are completed.

Chair Parkes commented that over the years the Public Utility Commission has been very supportive of the city's capital improvement program to maintain its infrastructure.

Chair Parkes asked for a motion to recommend City Council approval of the Water Utility proposed FY2023 Budget. Commissioner Pierce offered such a motion and Commissioner Sanchez seconded. Upon voice vote, the motion passed unanimously.

Wastewater Utility Budget Presentation:

Utilizing a PowerPoint presentation, Mr. David Sypher offered details of the proposed FY2023 Wastewater Utility Budget. The presentation provided information about the wastewater utility facilities throughout the city and Mr. Sypher noted there are approximately 237 miles of pipe of various sizes within the city's wastewater system, 18 lift stations, 40 pumps, and approximately 5,448 manholes.

The Wastewater Utility Budget report noted the Projected Revenue for FY2023 is \$14.12 million and FY203 Projected Expenditures is \$17.61 million. The proposed FY2023 Wastewater Utility Budget assumes a 6.5% increase in revenues in FY2023 over FY2022. The proposed FY2023 Wastewater Utility Budget includes \$6.9 million of capital expenditures, or 39% of the Expense Budget.

Chair Parkes asked for a motion to recommend City Council approval of the Wastewater Utility proposed FY2023 Budget. Commissioner Buffington offered such a motion and Commissioner Pierce seconded. Upon voice vote, the motion passed unanimously.

Mayor Duckett offered his thanks to the members of the Public Utility Commission for their service and commented that the Public Utility Commission plays an important role as an advocate for the citizens of our community.

ADJOURNMENT

There being no further business to come before the Commission, by unanimous voice vote, the meeting was adjourned at 1:08 pm.

Approved this 11th day of May, 2022.



Jeff Parkes, Chair