

**CITY OF FARMINGTON
CITY COUNCIL WORK SESSION AGENDA
July 2, 2013 – 9:00 a.m.**

DEPARTMENT HEAD REPORTS

1. Employee of the Month Award (Employee Council President Shannon Ben)
2. Consideration of a recommendation from the Public Utility Commission and staff to direct the Electric Utility System to negotiate the acquisition of up to 65 additional megawatts of capacity in San Juan Generating Station Unit 4 on or before January 1, 2018, with no purchase cost for the asset required and with the most favorable terms and conditions achievable for the benefit of the City of Farmington (Jim McNichol, Pat Augustine and Gary Vicinus) ----- 1
3. Presentation of proposed plans for the Fire Station #1 project (RMKM Architecture)

Action Requested of Council:

Approve the proposed plan for the Fire Station #1 project.

Background/Rationale:

Council has authorized construction to build a new Fire Station #1 and Fire Administration building. RMKM Architecture, P.C. was awarded the professional architectural services contract

Staff Recommendation:

Approve the proposed plan.

Instructions Upon Approval:

Proceed with construction procurement.

Budgetary Impact:

\$3.2 million from the 402 Fund.

COUNCIL BUSINESS

4. Appointments to the Citizen Police Advisory Committee and the Library Board (Mayor)

CLOSED MEETING

5. To discuss request for proposals for veterinary services for the Animal Shelter, pursuant to Section 10-15-1H(6) NMSA 1978.
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6. Request for proposals for veterinary services for the Animal Shelter (Kristi Benson) **[Tabled at the June 18, 2013 City Council Work Session] ----- 2**

Action Requested of Council:

Approve recommendation to award the contract.

Background/Rationale:

Proposals for veterinary services for the Animal Shelter (Parks, Recreation & Cultural Affairs) were opened on May 16, 2013 with one offeror participating.

Staff Recommendation:

The evaluation committee recommends that the contract be awarded to San Juan Veterinary Hospital as the sole proposal is deemed to be advantageous and in the best interest of the City.

Instructions Upon Approval:

Award contract.

AGENDA ITEM SUPPORT MATERIALS ARE AVAILABLE FOR INSPECTION AND/OR PURCHASE AT THE OFFICE OF THE CITY CLERK, 800 MUNICIPAL DRIVE, FARMINGTON, NEW MEXICO.

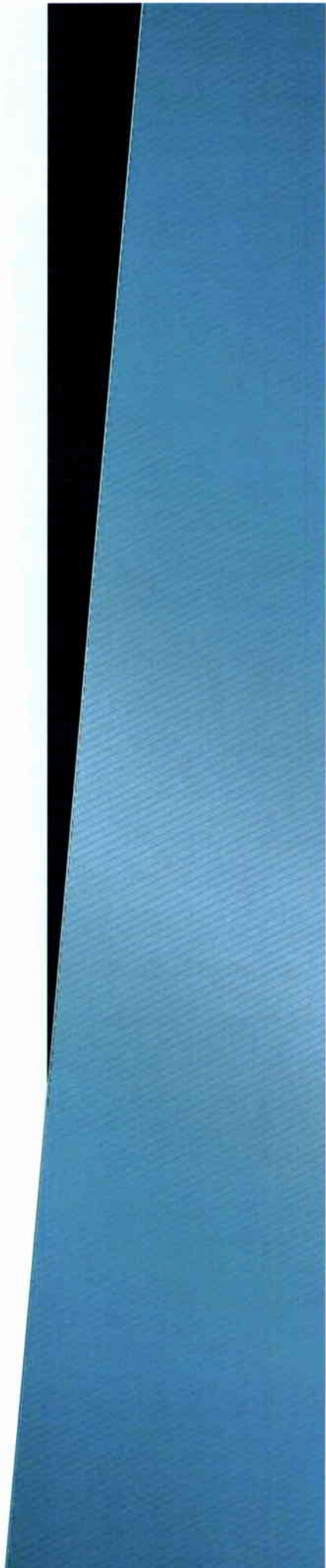
ATTENTION PERSONS WITH DISABILITIES: The meeting room and facilities are fully accessible to persons with mobility disabilities. If you plan to attend the meeting and will need an auxiliary aid or service, please contact the City Clerk's Office at 599-1106 or 599-1101 prior to the meeting so that arrangements can be made.

Farmington Electric Utility System New Generation Presentation

Jim McNicol – FEUS Generation Manager

Pat Augustine, Gary Vicinus – Pace Global

City Council Meeting, July 2, 2013



Agenda

- ▶ Farmington's Electric Generation Resources
- ▶ 2012 Integrated Resource Planning
- ▶ Developments at San Juan Generation Station
- ▶ Opportunity
- ▶ IRP Analyses – Updated
- ▶ Recommendation
- ▶ Summary
- ▶ Questions

Current Generation and Load

- ▶ Full Load Capacity– 160 MW
- ▶ Typical Useful Capacity - 120 MW to 140Mw
- ▶ Peak Load Demand - 200 MW

The City is a Net Purchaser of Power

Current Assets

Animas CC – 25 MW (NG)
Bluffview CC – 63 MW (NG)
Navajo Hydro – 30 MW* (ROR)
SJGS – 43 MW (Coal)

* Typically less than 15 MW

Integrated Resource Plan

- ▶ Future Load Growth
- ▶ Future Generation Options to Serve Load
- ▶ Retirement of Aging Generation Assets
- ▶ Maintaining Fuel Diversity

Pace Global Study

- ▶ 2012 Pace Global IRP Recommendations
- ▶ Most Favorable Options :
 - CC addition in 2017, 65 MW or 105 MW
 - Option for solar in 2025
- ▶ Coal Option
 - Lowest Cost
 - Uncertainties
 - Risk

San Juan Generating Station

- ▶ Four Owners are Exiting
 - California Law – M-S-R, SCPPA, Anaheim
 - Tri-State Generation (Colorado)
- ▶ State Implementation Plan – SIP
 - Retire Units 2 and 3 – Dec. 2017
 - Install lower-cost SNCRs on Units 1 and 4
 - Compliance with Regional Haze BART Regulations

San Juan Generating Station

- ▶ Two Unit Shutdown + Four Departing Owners = 119 Newly Available MWs
- ▶ Opportunity for COF to Acquire
- ▶ Remaining issues:
 - Revised project participation agreement
 - New plant ownership structure
 - Pre 2018 voting rights (budgets, projects)
 - SNCR and U2/U3 Retirement Logistics
 - Eventual Plant Decommissioning

Opportunity

- ▶ Acquire a Portion of the 119 MWs
- ▶ **No Acquisition Cost – \$0/kW**
 - No Construction Costs
 - No New Participation Fees
 - No Financial Closing Costs
 - No Cost to Increase COF's MW Ownership
- ▶ **New Combined Cycle Construction Cost – \$1500/kW**
- ▶ **Timeline – Final Decision, August–October, 2013**

Opportunity Cost

- ▶ **Actual Future Costs** (COF will pay a higher percentage of plant costs with more owned MWs)
 - Routine capital and O&M
 - Extraordinary capital, SNCRs – Est. \$100/kW
 - Partial plant retirement related
 - Plant de-commissioning – Est. \$150/kW
 - **TOTAL Actual Costs = \$200/Kw to \$400/kW**
- ▶ **Opportunity Cost = Actual Future Costs (\$200 to \$400) + Acquisition Cost (\$0) = \$200 to \$400/kW**
- ▶ **New CC Power Plant Would Also Have:**
 - Routine capital and O&M
 - Extraordinary capital, limited during early plant life

Recommendation

- ▶ Acquire 60 to 65 MW SJGS capacity in 2018 or sooner
- ▶ Install 65 MW of new Combined Cycle generation in 2022
- ▶ Complimentary Options
 - Animas Peaking
 - Renewable Energy – Solar