

BOARD OF PUBLIC UTILITY COMMISSIONERS

The regular meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS was held Wednesday, February 12, 2014 at 3:00 p.m., in the Executive Conference Room at City Hall, 800 Municipal Dr., Farmington, New Mexico, in full conformity with the laws and ordinances of the Municipality.

I. GENERAL

1. Commission members present: James Spence  
Jeff Parkes  
Carol Cloer  
Chris Hunter  
Tory Larsen  
Bill Standley

Commission members absent: Amanda Weese  
Bill Hall  
Marty Johnson  
Vic Eicker  
Keith Johns

Mayor and City Council:

Mayor Tommy Roberts

City personnel present:

Water/Wastewater	Jeff Smaka
CH2MHill OMI	Monica Peterson
PUC Secretary	Amy McKinley
Accounting	Sheree Wilson
Utility Business Operations	Susan Nipper
Customer Service	Nicki Parks
Electric Utility Director	Michael Sims
Electric Transmission & Distribution	Rodney Romero
Electric Generation	Jim McNicol
Electric Engineering	John Armenta
Legal	Jay Burnham
City Manager	Rob Mayes

Guests:

Matt Dodson  
Kris Cope

2. Vice Chair Spence called the meeting to order at 3:04 PM with a quorum present to conduct the business of the Commission.
3. A motion was made by Commissioner Standley to approve the Minutes of the January 8, 2014 meeting. PUC Secretary McKinley stated that while the body of the Minutes remained the same, Vice-Chair Spence's professional designation was added to the signature line of the Minutes after the Minutes were distributed. Commissioner Standley then made a motion to approve the Minutes with that addition of Vice-Chair's professional designation added. Commissioner Cloer seconded the motion and the motion carried.

II. BUSINESS

1. Quarterly Financial Report:

Ms. Wilson presented the Quarterly Financial Report. Ms. Wilson stated the Electric Utility's operating revenues was \$3.7 million higher than last year. Ms. Wilson

reported electric sales increased by \$3.6 million, majority of this increase was due to higher PCA revenues. Ms. Wilson stated surplus sales had small increase of \$6 thousand. Ms. Wilson stated other revenues were \$102 thousand higher due to increases in auction proceeds, joint-use billing and fiber optic leasing. Ms. Wilson stated operating expenses had a \$2.1 million increase. Ms. Wilson reported purchase power was up \$2.6 million. Ms. Wilson stated natural gas costs were down \$2.4 million, while coal costs were higher by \$717 thousand. Ms. Wilson stated salary and benefits increased \$683 thousand. Ms. Wilson reported other expenses and depreciation had small increases. Ms. Wilson stated non-operating revenues increased by \$186 thousand and expenses also increased by \$333 thousand. Ms. Wilson stated overall the Electric Utility's net income was increased by \$1.4 million from the previous year.

Ms. Wilson pointed out that at the request of Commissioner Hunter, a column has been added to the spreadsheet demonstrating the percentage in dollar change which reflects the changes from FY13 to FY 14 for those individual lines.

Commissioner Hunter asked for next meeting that some detail added regarding the 13.8% increase in salary and fringe benefits. Mr. Sims responded that the salary and fringe benefit number is as high as it is due to the termination of employees. Mr. Sims stated when employees are terminated the City must pay out salary and various benefits such as vacation. Commissioner Hunter asked if these types of things were factored out would the number be more in the range of 5 or 6 percent. Mr. Sims stated the number would be very likely be lower than that.

Ms. Wilson reported on the Water Utility's operating revenues decreased \$648 thousand from FY2013. Ms. Wilson stated water sales were down \$653 thousand. Ms. Wilson stated the renewal/replacement fees increased \$14 thousand, while the water rights acquisition fee had a slight decrease of \$5 thousand. Ms. Wilson reported the operating expenses were up by \$375 thousand. Ms. Wilson stated the OMI contract had an increase of \$155 thousand. Ms. Wilson reported salaries and benefits was lower by \$4 thousand. Other operating also had a decrease of \$30 thousand, while depreciation expenses increased \$254 thousand. Ms. Wilson reported non-operating revenues were down by \$8 thousand. Ms. Wilson reported non-operating expenses were also down, by \$31 thousand. Ms. Wilsons stated as a result, the net income for the Water Utility decreased by about \$1 million from the last year.

Commissioner Parkes asked about why the water revenues are down almost 10 percent and if this is unusual.

Ms. Wilson stated there was less consumption compared to last year. Mr. Smaka stated that due to the rainfall that occurred in the late summer early fall, as well as some colder weather, consumption was less.

Commissioner Cloer asked why the OMI contract had an increase of \$155 thousand. Commissioner Hunter also asked this question and requested that a detailed explanation be brought to the next meeting.

Ms. Wilson reported the Wastewater Utility's operating revenues was up \$131 thousand from the prior year. Ms. Wilson stated wastewater sales increased \$107 thousand. Ms. Wilson stated renewal/replacement and environmental taxes had slight increases. Ms. Wilson stated operating expenses were higher by \$189 thousand. Ms. Wilson reported the OMI contract was up \$131 thousand and other operating expenses was higher by \$43 thousand. Ms. Wilson stated salaries and benefits along with depreciation had slight increases. Ms. Wilson reported non-operating revenues increased \$93 thousand, mainly due to capital contributions of \$88 thousand from San Juan County for a lift station. Ms. Wilson reported non-operating expenses decreased \$3 thousand. Ms. Wilson reported from FY2013 to FY2014, the net income for the Wastewater Utility increased \$38 thousand.

Commissioner Hunter again questioned the OMI contract increase and requested a detailed explanation be brought to the next meeting.

2. Customer Service Report:

Ms. Nicki Parks stated that last year the APPA sent out to all of its members a survey about customer service policies. Parks stated that FEUS participated in this survey,

along with 438 other utilities. Ms. Parks stated she and Ms. Nipper reviewed the survey results and selected items they felt demonstrated how the activities of the Farmington Electric Utility System Customer Service division compared with those of the other APPA members.

Commissioner Hunter asked what the typical residential deposit is. Ms. Parks stated that deposits are variable and are determined by averaging a 12-month previous usage of the property and calculate a two-month average.

Ms. Parks stated the customer does receive the deposit amount after 12 months of good history.

Commissioner Parkes asked if there is a preferred way for customers to pay their bill. Ms. Parks stated there are many options available for the customer to pay their utility bill and the Customer Service division has no preference.

Commissioner Parkes asked which option is the cheapest to process.

Ms. Parks stated she would research that and report back to him. Ms. Nipper commented that bank drafts would most likely be the least expensive way to process utility bills because there is no charge to the customer and no charge to the utility and the customer continues to receive a paper bill.

Vice Chair Spence asked based on the results of the survey if there is anything the Customer Service division is considering doing differently. Ms. Parks stated she feels the installers handling cash in the field is a definite safety issue that needs to be addressed.

3. Electric Project Status Report:

Mr. Armenta referred back to discussions at the January 8, 2014 Commission meeting about the typical causes of power outages. Mr. Armenta stated a study was performed in 2011 and the data collected demonstrated animals, trees and weather were the biggest causes for power outages within the Farmington Electric Utility system.

Mr. Armenta reported on ongoing Distribution, Transmission and Substation engineering projects.

Commissioner Hunter asked what the BLM's view is to allowing the Utility to build out power lines and is there a sea change in terms of them not allowing the Utility to access areas with power.

Mr. Armenta stated each year new federal rules are put on the BLM. Mr. Armenta stated the rule in question is related to the Simone Canyon project and the BLM indicates the project has incurred a visual intrusion in the area. Mr. Armenta stated the Utility likes to begin on top of a hill and work down as it is easier to install lines in that manner. Mr. Armenta stated that due to the BLM visual intrusion rules, the utility is encountering that rather than going up and back down, the utility will need to go around Simone Canyon. Mr. Armenta stated this does add more cost.

Commissioner Hunter asked if the BLM is getting firmer on this standard. Mr. Armenta stated the BLM rules have always been difficult to work with.

Commissioner Hunter requested a short briefing detailing in general terms the various regulatory agencies the utility with.

Mr. Sims responded that a presentation by the utility compliance division will be planned in the near future.

Mr. Sims stated that during last year's budget process, it was discussed that the utility was going to step up the capital investment in the utility system. Mr. Sims stated this is not an easy task and Mr. Armenta and his group are to be congratulated because at this time, the utility is exactly on budget for the first time in many years. Mr. Sims stated that for many of the projects Mr. Armenta reported on today, the major emphasis to get these projects completed has been done in the last year to year and half. Mr. Sims stated Mr. Armenta's engineering group and the Transmission and

Distribution (T&D) group, the personnel in the field who put the stuff together deserve some major credit.

4. Water/Wastewater Report:

Mr. Smaka briefly reviewed current water/wastewater projects. Mr. Smaka reported that for the Sewer Lift Station 5 improvements project staff is waiting for the electrical equipment to arrive and the anticipate equipment delivery in late March. Mr. Smaka stated all the mechanical equipment has been replaced. Mr. Smaka reported that Lift Station Two is presently in the design phase and construction is scheduled to begin in spring 2015.

Mr. Smaka stated the water meter replacement project is estimated to begin in April 2014.

Mr. Smaka stated work continues with NMED on the loan paperwork for the Wastewater Treatment Plant upgrade. Mr. Smaka stated the design is moving forward as well as the environmental documents the need to be obtained and completed.

5. Water/Wastewater Operations Report:

Ms. Monica Peterson presented the Water/Wastewater Operations Report for the month of January. Ms. Peterson stated that water line breaks were down considerably from December.

6. Electric Utility Report:

Ms. Nipper presented the monthly and year to date Electric Utility Report.

Commissioner Hunter asked if all of the December revenue related to the rate increase. Ms. Nipper stated the rate increase did help with the increase in revenue for December.

Commissioner Hunter commented on big swings in the numbers in the industrial customer sales usage for the past few months. Ms. Nipper stated this usage is very much driven by the price of natural gas.

7. Director's Report:

Mr. Sims presented the Electric Report for the month of January.

Mr. Sims reported that upon the recommendation of the Commission, the utility proceeded to Council regarding the implementation of a newsletter prepared in an electronic format. Mr. Sims stated the City Council decided to use this idea for a larger, citywide newsletter and this newsletter will include the utility.

Mr. Sims stated a NMED air quality compliance audit was conduct at the Animas Power Plant. Mr. Sims stated these audits are very important and it is extremely important that the utility be in compliance and be prepared for these types of audits. Mr. Sims stated there were no adverse findings by the NMED audit and this is very good. Mr. Sims stated the utility's environmental scientist is to be congratulated for having everything prepared for the audit.

Mr. Sims stated the Industrial Pre-treatment Inspection also took place. Mr. Sims stated this inspection is conducted by CH2MHill and the utility also passed this inspection with no compliance issued noted.

Mr. Sims reminded the Commission of the one of the goals of the department reorganization was to have a group within the department that would oversee contractors and consultants for T&D construction and testing. Mr. Sims stated these two new positions have been filled.

Mr. Sims updated the Commission regarding the heater problems with the GE system at the Bluffview Power Plant. Mr. Sims stated the generation group very ingeniously devised a temporary repair that allowed the operation of the Bluffview Plant while GE proceeded to correct the engineering of their system.

Mr. Sims stated the Navajo Dam Hydro Plant Unit 2 is back on line at minimum flow. Mr. Sims stated that anytime this unit operates, it is very good for the utility because the power cost is so low.

Vice-Chair Spence asked if the construction of the central computer system is completed.

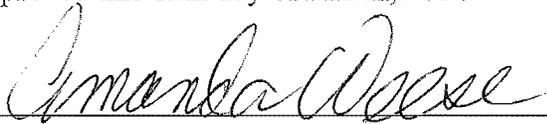
Mr. Sims stated this project is complete and the system is operating very well. Mr. Sims stated the engineer in charge of the project, Shawn Weiss, did an excellent job in engineering and overseeing that project.

III. ADJOURNMENT

There being no further business to come before the Commission, upon motion duly made and seconded, the meeting was adjourned.

The meeting was adjourned at 4:33 p.m.

Approved this 12th day of March, 2014.



Amanda Weese, Chair