

BOARD OF PUBLIC UTILITY COMMISSIONERS

The regular meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS was held Wednesday, November 13, 2013 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: Amanda Weese  
James Spence  
Jeff Parkes  
Keith Johns  
Bill Standley  
Carol Cloer  
Marty Johnson  
Bill Hall  
Chris Hunter

Commission members absent: Vic Eicker

City personnel present:

- |                                      |               |
|--------------------------------------|---------------|
| Water/Wastewater                     | Jeff Smaka    |
| OMI/CH2MHill                         | Ron Rosen     |
| PUC Secretary                        | Amy McKinley  |
| Accounting                           | Sheree Wilson |
| Administrative Services Director     | Andy Mason    |
| Utility Business Operations          | Susan Nipper  |
| Electric Utility Director            | Michael Sims  |
| Electric Transmission & Distribution | Rodney Romero |
| Electric Generation                  | Jim McNicol   |
| Electric Engineering                 | John Armenta  |
| Legal                                | Jay Burnham   |
| Customer Service                     | Nicki Parks   |

- 2. Chairman Weese called the meeting to order with a quorum present to conduct the business of the Commission.
- 3. Commissioner Standley made a motion to approve the October 9, 2013 PUC Commission meeting minutes which was seconded by Commissioner Cloer. The motion passed unanimously.

II. BUSINESS

- 1. Quarterly Financial Report:

Mr. Mason detailed the quarterly financial report for the first quarter of Fiscal Year 2014. Mr. Mason stated the Electric Utility's net income increased by \$1 million from FY13. Mr. Mason reported the operating revenue was about \$2 million higher. Mr. Mason stated electric sales were up \$1.9 million; mainly due to \$2.4 million increase in the PCA and offset with lower sales to industrial customers of \$570 thousand. Mr. Mason reported surplus sales had a slight increase of \$6 thousand. Mr. Mason stated other revenues were up \$77 thousand, with increases in auction proceeds and fiber optic leasing. Mr. Mason stated operating expenses were \$950 thousand more than last year. Mr. Mason reported that purchase power increased \$1.2 million. Mr. Mason stated that natural gas costs decreased \$767 thousand and coal costs had a small increase of \$43 thousand. Mr. Mason stated salary and benefits were \$298 thousand higher. Mr. Mason reported other expenses decreased by \$41 thousand. Mr. Mason reported non-operating revenues were up by \$170 thousand and expenses also increased by \$166 thousand.

Mr. Mason reported the Water Utility's operating revenues were \$281 thousand less than last year. Mr. Mason stated water sales were down \$286 thousand. Mr. Mason stated the renewal/replacement fees increased \$7 thousand, while the water rights acquisition fee had a slight decrease of nearly \$2 thousand. Mr. Mason reported operating expenses increased \$87 thousand. Mr. Mason stated the OMI contract had an increase of nearly \$38 thousand. Mr. Mason reported salaries and benefits was lower by \$4 thousand. Mr. Mason reported other operating also had a decrease of \$66 thousand. Mr. Mason stated depreciation expenses increased \$119 thousand. Mr. Mason reported non-operating revenues were lower by about \$3 thousand. Mr. Mason reported non-operating expenses were also lower, by \$13 thousand. Mr. Mason stated the net income for the Water Utility decreased by \$358 thousand from the prior year.

Mr. Mason reported the Wastewater Utility's net income was \$150 thousand lower than FY13. Mr. Mason stated operating revenues were higher by \$48 thousand from last year. Mr. Mason reported wastewater sales and renewal/replacement fees were increased a combined \$53 thousand and environmental taxes decreased almost \$5 thousand. Mr. Mason reported operating expenses increased \$202 thousand over FY13. Mr. Mason reported the OMI contract increased \$89 thousand and other operating expenses increased \$107 thousand. Mr. Mason reported salaries and benefits along with depreciation had slight increases. Mr. Mason stated non-operating revenues had a small increase of \$1 thousand. Mr. Mason stated non-operating expenses increased almost \$2 thousand.

Mr. Mason reported that from September 2012 to September 2013, the cash balance changes for the Electric, Water, and Wastewater funds were \$(7,531,488), \$1,758,211, and \$377,378 respectively. Mr. Mason reported for the 1<sup>st</sup> quarter of FY14, the cash balance changes for the three utilities were \$2,001,903, \$1,787,600, and \$(199,980).

Commissioner Hunter requested that a percentage column be added to the spreadsheets to more easily view the financial increases/decreases between the fiscal years. Mr. Mason stated he would work on inserting this information.

Vice Chair Spence observed that the Other Revenue dollars vary significantly from fiscal year to fiscal year and asked why these dollars vary so dramatically from year to year. Ms. Wilson stated the Other Revenue category encompasses a variety of things such as auction revenues and fiber optic leasing dollars.

2. Water/Wastewater Report:

Mr. Smaka reported that HDR Engineering has submitted the design drawings for the Waste Water Treatment Plant (WWTP) upgrades. Mr. Smaka stated staff is reviewing the layout and design flow capacity of the proposed improvements. Mr. Smaka reported on the construction of the Medium Rate Activated Sludge (MRAS) basin detailed in the 2014 budget to provide redundancy at the WWTP and maintain compliance with EPA permit. Mr. Smaka reported the NMED approved funding the waste water treatment plant upgrade in the amount of \$10,000,000 through the Clean Water State Revolving Loan Fund (CWSRF) program.

Commissioner Parkes asked if the \$10 million loan from NMED is the projected total cost of the project. Mr. Smaka stated it is the total estimated cost of the project.

Mr. Smaka updated the Commission on the status of the Meter Replacement project. Mr. Smaka reported Staff is reworking the project to purchase water meters only and is working with OMI CH2MHill for a cost to do the water meter installation.

3. Water/Wastewater Operations Report:

Mr. Rosen, OMI CH2MHill, reported on the Water/Wastewater Operation activities for October. Mr. Rosen stated staff is continuing to work with customers to encourage reduction of the use of salt. Mr. Rosen stated that at the request of the EPA to encourage voluntary compliance with EPA requirements, letters were sent out to the various area car wash owners encouraging the reduction of the use of salt.

Commissioner Weese asked if any car wash owners had responded to the letters. Mr. Rosen stated that some of the car wash representatives have contacted his office.

Commissioner Cloer asked if there has been any cost analysis performed that would demonstrate how these EPA requirements will affect business owners financially. Mr. Rosen stated there is information that demonstrates the cost savings by not having to purchase so much salt.

Commissioner Larsen asked if there is no silver bullet that would solve the salt problem. Mr. Rosen stated there are various ways to solve the salt problem, but the cost is very high.

#### 5. Director's Report

Mr. Sims reported the new rate structure and associated tariffs went into effect on November 1, 2013.

Mr. Sims stated the Bluffview Power Plant continues to be off line due to the inlet air heater project. Mr. Sims stated this project has not been completed to the Utility's satisfaction and staff is working with the manufacturer to get the system to work as it was designed to work. Mr. Sims stated staff is moving in several different directions, potentially even away from the manufacturer, to get this unit up and running.

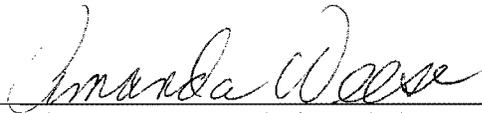
Mr. Sims stated the Animas Power Plant is on line and available for full load.

### 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 4:08 p.m.

Approved this 11th day of December, 2013.



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Amanda Weese, Commission Chair