

BOARD OF PUBLIC UTILITY COMMISSION

The regular meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS was held Wednesday, January 11, 2023 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:	Connie Dinning Tory N. Larsen Alex Uhl (arrived at 3:19 pm) Patricio Sanchez Linda Corwin Drew Degner Nathan Thompson Hart Pierce Diane Schmidt John Buffington
Absent:	Kyle Stowell

constituting all members of said Advisory Commission.

Also present were:

Electric Utility Director	Hank Adair
Electric Engineering	Shawn Weiss
Electric Business Operations	Sheree Wilson
Community Works	Andrew Sova
Community Works	Benedikte Webb
Jacobs	Phil Johnson
Administrative Services	Nalinee Jose
Legal	Jennifer Breakell
PUC Secretary	Amy McKinley

The meeting was convened by the Chair.

Chair Larsen asked for a motion to approve the Minutes of the December 14, 2022 Regular meeting.

Commissioner Degner moved to approve the Minutes and Commissioner Sanchez seconded. The motion passed.

BUSINESS

Water/Wastewater Report

Mr. Andrew Sova, Water/Wastewater Administrator, provided information regarding water and wastewater activities for December, 2022. Mr. Sova noted work continues on the East 30th Street Waterline Replacement project. The forecasted weather is likely to stall this project for another week or so. The East Main Sanitary Sewer Rehab project in front of the Gateway Museum location was delayed by a week or so due to encountering unexpected pipe size which caused added challenges for the slip lining work. A new water line is being installed at Harbour Lane; two fire hydrants on this line were not flowing properly and did not provide adequate fire protection. This project is one of approximately ten similar projects to ensure adequate fire protection to the community.

Commissioner Degner asked about the funding for water projects. Mr. Sova said the City of Farmington is looking to receive a 50% grant match it received from the NMFA's Drinking Water State Revolving Fund for work on the Water Treatment Plant #1 project. He also said he was notified by the New Mexico ICIP there is a potential this project could be fully funded from the NMFA so the grant would not be needed. He said he will be meeting with NMFA staff and will ask if this 50% grant match could be used toward the Water Treatment Plant #2 project.

Water/Wastewater Operations Report

Mr. Phil Johnson introduced Benedikte Webb, the COF Water/Wastewater Operations Manager and Environment Administrator. Ms. Webb will be a regular presenter before the Public Utility Commission. Ms. Webb reiterated the mayor's invitation to participate in the tour of the WWTP.

Utilizing a PowerPoint presentation, Mr. Phil Johnson provided information regarding water/wastewater operations activities for December. Animas River flows were below average throughout December. As of the date of this report, the Farmington Lake level is near 100% capacity. Water production in December was consistent with previous years. Three new meters were installed in December; 2 residential meters and 1 commercial meter. There were 15 water line breaks; 7 cast iron main lines, 1 asbestos cement main line and 7 black poly service lines.

Regarding Wastewater treatment, effluent flows in December were below average for this time of year. Discussion during the December meeting pointed to what appeared to be a significant decrease in wastewater treatment flows. While the December flows were approximately 20% less than in November, flows continued to be above an average of 3.00 MGD. Much of the reduction is due to dryer conditions and less water usage.

Commissioner Alex Uhl arrived at 3:19 pm.

Commissioner Thompson asked for information on water storage at the Farmington Lake area. Ms. Webb commented that Mr. Sova had made a mention of a dam raise study. Mr. Sova said there is discussion to use some of the Gold King Mine Spill funding to perform a study regarding raising Farmington Lake by several feet and to put infrastructure around the dam to not only provide more water storage but to allow for more recreation.

Commissioner Thompson asked what the timing is for this and Mr. Sova said it is dependent on funding; the study alone is \$5 million, the possible cost for a road around the dam would be approximately \$10 million, and the actual construction of a raised dam would be anywhere from \$80 to \$100 million.

Electric Utility Report

Ms. Sheree Wilson provided a PowerPoint presentation to detail FEUS financial information for December 2022.

She noted the overall Consumption by Customer Class demonstrates the utility is 2% over Budget for FY 2023.

Regarding the Cash Balance, at this time FEUS is dipping into cash reserves, approximately \$6.7 million and much of this is due to increases in fuel costs and purchase power costs.

Year to Date Revenue is 9% under budgeted Revenue. Year to Date Expenses is 11% over budget, primarily due to the costs of natural gas, which is over budget by 51%, and purchase power, which is 70% over budget.

The PCA will be increased to \$0.03/kWh beginning January 1, 2023. Customers will see this PCA increase on February billings.

Vice-Chair Dinning asked at what point staff anticipates seeing improvement in budget figures with the increase in the PCA. Ms. Wilson said any changes the utility sees will be dependent on costs of natural gas and purchase power.

Commissioner Buffington expressed concern about the budget variances and asked if the current PCA the utility will see an improvement. Ms. Wilson replied the utility is hopeful this PCA increase will improve the cash reserves and Commissioner Buffington responded that wasn't very encouraging.

Commissioner Sanchez noted this PCA increase will be the third rate increase in a year. He observed the rate increases are tiered so customers will see increases again in the near future.

Ms. Wilson reviewed a graph demonstrating Generation Sources by MWH which demonstrates how the other sources of generation have enveloped the loss of generation due to the closure of the San Juan Generating Station.

Director's Report

Regarding Substation/Distribution/Transmission projects, the Bergin Substation rebuild has begun with concrete piers being placed for the new control building and earthwork is underway. The Animas Substation is 20% complete with demolition 90% complete. A 65 foot pole was installed at Farmington Lake for the FPD camera system. A regulator bank was installed on County Road 3000 to help with voltage control with 11-01 Circuit out. Thirteen transformer upgrades were completed system wide.

Regarding Generation, Navajo is at 300 CFS and 6MW of production. The Bluffview Plant experienced a recent outage due to a water line leak. The line was repaired and the plant is back in service.

Regarding new generation, bonding work continues related to the Bluffview reciprocating engine (two 9MW engines) project.

The City of Farmington is looking for support from local legislators to obtain ICIP funds in the amount of \$40 million for the reciprocating engines project. FEUS has also asked for direct recovery of the \$23 million, in very similar fashion as PNM, with loans that don't have to be paid back. This funding will be earmarked directly to the customers to help offset purchase power, which helps lower the PCA, which helps with cost recovery. The City of Farmington requested a Resolution from San Juan County supporting the city's request for direct recovery, which was approved unanimously. The City of Farmington City Council also unanimously approved a similar Resolution.

Commissioner Pierce asked for an estimate for when the reciprocating engines will be on line. Mr. Adair said the RFP should go out within 30 days and there is a time line of approximately 2 years before these units will be on line.

Staff continue to work on LCOE (levelized cost of energy) for the build of a combine cycle plant. Staff is also working on 30MW of solar generation.

Commissioner Thompson asked if the legislature has to carry a bill to provide the funding being requested and if the City of Farmington has a sponsor for it. Mr. Adair said the city does have a republic legislator and he has heard there is also a democratic sponsor.

Commissioner Thompson noted a bill has been introduced to provide tax credits for battery storage and asked how many of the new solar installations included storage. Mr. Adair stated this proposed bill is for tax credits for residential solar installations and the utility is looking to build a facility to generate 30 MW of power.

Mr. Adair provided information regarding generation resource costs. The average cost of purchase power for December 2022 was up 117% from December 2021.

Regarding Solar installations, in 2019, utility customers installed 5KW of solar capacity. In 2020, this increased to 14KW, 2021 saw 19KW. In just the first six months of 2022, the utility had 187KW of installed solar. Mr. Adair noted this 187KW of solar was prior to the July 2022 rate change. From July to December 2022 the utility saw 213KW of installed solar. Pending applications from July to December 2022 are for 260KW. The utility receives an average of 11 solar application submittals per day.

Commissioner Thompson asked how many of these solar installations include battery storage. Mr. Adair said he does not have this information.

There was discussion regarding fire safety associated with battery storage. Mr. Adair suggested this would be a topic the Farmington Fire Department would be better able to address.

Related to the San Juan Generating Station, Mr. Adair reminded the commission the city has removed itself from arbitration after the arbitrator ruled 3-0 and the auction continued.

Gas prices continue to be very high. FEUS bases its gas purchasing based on the NMMEA agreement and bond financing that gives FEUS a credit, which is normally about \$0.28. The gas purchase price is set by Inside FERC on day one of the month. The gas price for December was \$10.97/MMBtu. For the month of January, FEUS received an Inside FERC notification of \$32.97/MMBtu. Henry Hubb pricing on the date of this meeting was \$3.50/MMBtu. Staff have

reached out to the bond financing group and the gas supplier, RBC, and will be meeting with these entities to review the city's contract. Over the past several years, the utility's participation in NMMEAA has been financial beneficial. Mr. Adair said reviewing continued participation in NMMEAA is something to consider.

The Customer Service division reported making contact with 124,342 customers in 2022, the utility performed 548,715 meter reads, and took 467,645 utility payments. The Customer Service team administered \$1.9 million in financial aid support (Covid funds, Rental Assistance, LiHeap assistance, FEUS Utility Assistance program).

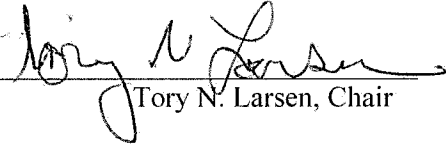
BUSINESS FROM THE FLOOR

None.

ADJOURNMENT

There being no further business to come before the Commission the meeting was adjourned at 4:16 p.m.

Approved this 8th day of February, 2023.



Tory N. Larsen, Chair