

BOARD OF PUBLIC UTILITY COMMISSION

The regular meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS, was held virtually using Zoom at <https://us02web.zoom.us/j/83019877796> at 3:00p.m. on Wednesday, September 9, 2020. The virtually open regular session was held in full conformity with the laws and ordinances and rules of the Municipality.

Upon roll call, the following were found to be present, constituting a quorum:

Commission members present:	James Spence, Chair Jeff Parkes Gordon Glass Connie Dinning Tory N. Larsen Alex Uhl Drew Degner via Zoom Linda Corwin Joanne Duckwitz
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Commission members absent:	Marty Johnson Kyle Westall
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constituting all members of said Advisory Commission.

Also present were:

Electric Administration	Hank Adair
Electric Engineering	John Armenta
Electric Generation	Britt Chesnut
Electric Field Operations	Luke Lugenbeel, via Zoom
Electric Field Operations	Dan Anglin
Electric Utility Business Operations	Brandon Hill
Electric Utility Financial Analyst	Olena Erickson
Community Works	David Sypher
Community Works	Jeff Smaka
Community Works/Jacobs	Teresa Garcia
PUC Secretary	Amy McKinley

The meeting was convened by the Chair.

A motion was made by Commissioner Dinning to approve the Minutes of the July 8, 2020 Regular meeting and Special Budget meeting. Commissioner Uhl seconded. The roll was called with the following result:

The members present voting aye:	Chair James Spence Vice-Chair Jeff Parkes Commissioner Alex Uhl Commissioner Connie Dinning Commissioner Tory N. Larsen Commissioner Drew Degner Commissioner Linda Corwin Commissioner Joanne Duckwitz
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Those voting nay: None

The Chair thereupon declared the motion passed.

BUSINESS

Water/Wastewater Report

Mr. Jeff Smaka, Water/Wastewater Administrator, offered a review of the activities of the Water and Wastewater division for the month of August, 2020. He noted the 2P Waterline Replacement Project-Phase III is completed and the contractor is working on project closeout documents. Mr. Smaka said the Water Treatment Plant Upgrade Study was approved by City Council at the August 18 meeting and the design as outlined in the study is underway.

Commissioner Corwin asked about the archeological issues with the LaPlata Highway projects. Mr. Smaka noted this project has encountered numerous archeological issues as the original paving of the LaPlata Highway went over any archeological concerns in this area.

Water/Wastewater Operations Report

Utilizing a PowerPoint presentation, Teresa Garcia of Jacobs provided a review of the activities of the Water and Wastewater operations for the month of August. Ms. Garcia noted the Animas River flows in August fell below the median daily flows in August. She noted the high water usage in the month of August, partially due to stay at home orders as well as the atypically high weather. Crews repaired 24 water line breaks; 5 main lines and 19 service lines.

Responding to a question by Commissioner Glass regarding a discharge test from Lake Nighthorse, Mr. David Sypher, Community Works Director, stated the San Juan Water Commission would like to perform a discharge test however there are concerns regarding performing such a test. Mr. Sypher stated that when a release would take place, the water rights are counted at the release point, not at the destination, and since no pipeline exists from Lake Nighthorse to Farmington, any evaporation or absorption of water into the creek bed, this water would not be received by Farmington.

Chair Spence recalled previous discussions regarding laying a pipeline from Lake Nighthorse and asked the status of this plan. Mr. Sypher said the San Juan County Water commission performed a very preliminary study about alternatives to moving water from Lake Nighthorse to Farmington. This preliminary study suggested a cost of \$150 - \$180 million to construct a pipeline system for moving this water. Mr. Sypher noted that a project of this magnitude would like entail legislative processes, which can be a very long term effort so any kind of construction project for this would be many years out and would be a project of, and for the benefit of our children and grandchildren.

David Sypher, Community Works Director reported the City of Farmington has instituted a Drought Phase One designation asking residents to voluntarily reduce their water usage. Mr. Sypher invited the Commission to visit the city's website to review useful tips for water conservation.

Due to a teleconference presentation from outside contractors, Chair Spence asked Mr. Sypher to pause in his presentation until following the Broadband Presentation.

Broadband Presentation

Mr. Hank Adair, Electric Utility Director, said staff wanted to bring forward a large endeavor the City of Farmington/Farmington Electric Utility System has been considering. With the utility's current position regarding revenues and where we see electrical load going, COF/FEUS is considering whether it would be valuable to consider providing broadband internet service to the home. Mr. Adair noted that considering participation in providing broadband services is a big decision so staff is reviewing this opportunity in two phases; the first phase is the Rural Digital Opportunity Funding (RDOF) auction. Mr. Adair said FEUS has not committed to the auction but has signed up for the auction that will take place late October. He reiterated this does not commit the city to anything, it merely puts the city on the list should it be decided that participation has value. The 2nd phase is a review of the financial and survey information which is being provided by Finley Engineering and CCG, to determine if this is a financially feasible opportunity. Mr. Adair noted he initially was requesting a decision by the Commission to recommend to move forward with participating in the auction. He noted this potential opportunity is a big decision and therefore, he has asked to remove any recommendation at this time so as to provide the Commission with more time to review the information, offer feedback and ask additional questions about this opportunity. Mr. Adair noted that a great deal of analysis has been performed regarding the potential for providing broadband service. He thanked Olena

Erickson, FEUS Financial Analyst, Dan Anglin, FEUS Technical Services Superintendent, Luke Lugenbeel, Assistant Director-Field Operations, and John Armenta, Engineering Manager, for their efforts in providing expertise and information as it pertains to the City's existing fiber network and the GIS data as it would relate to providing broadband services.

Utilizing a PowerPoint presentation Ms. Erickson reviewed the pros and cons of the City of Farmington/FEUS becoming a provider of broadband internet service. The presentation detailed why broadband should be considered a utility: the price of an internet connection at home is the biggest barrier for many homes; making broadband publicly-owned, the internet could be ubiquitous; providing broadband could provide a new stream of revenue; similar to water, gas and electricity, internet access is now recognized as a human right. Challenges faced in providing broadband are population density (NM average is 1-20 people per square mile); the carefulness to spend taxpayer dollars on a product that is already provided by private companies; failure of other similar projects; next generation wireless 5G. Within the FEUS service area, there are four in town and five rural area providers of broadband services.

Ms. Erickson reviewed the various expenses that could be involved with implementing a broadband service. Her presentation noted the cost to implement a broadband service would be 100% borrowed on a 25 year loan term with a 3% interest rate. The service would have \$9 million of annual debt service.

Ms. Erickson's presentation noted that when using the RDOF funds as well as Bond funds, there would be an estimated loss of approximately \$9.9 million when providing broadband service only to rural areas however, by providing broadband to the entire FEUS service area, it is estimated to see a gain of \$46.9 million.

Ms. Erickson reviewed projects presently being planned within the region, such as the Large Backbone Construction Project, which will connect Phoenix and Denver and will go through the Navajo Nation near Gallup and Southwest CCOG is planning to extend this backbone from Gallup to Cortez. FEUS could connect from Cortez.

Ms. Erickson did note that while it was not included in the presentation the question about having permissions to place cable upon poles with rights-of-way in areas of the FEUS service territory will need to be addressed.

Commissioner Glass asked about the need for wired infrastructure versus using wireless broadband across wide open spaces. Ms. Erickson commented that wired broadband service would provide faster internet speeds whereas wireless services tend to be less reliable and have slower speeds.

Commissioner Corwin commented that 4CED is planning a big broadband loop for service and asked if FEUS has been communicating with 4CED. Ms. Erickson confirmed that FEUS and 4CED have had discussion about potential broadband service.

Regarding the challenges noted in the presentation, Commissioner Dinning asked if the wireless 5G technology will be a problem as it develops and would this be competition for this proposed broadband service. Ms. Erickson said the 5G technology as competition to broadband is unknown.

Vice-Chair Parkes asked what the breakeven point is and if the key driver is penetration where the breakeven penetration is and what happens if reality falls short by 5 or 10 percent. He asked what the affect would be on the utility in terms of negative cash flow. He feels these points will be critical to understand. Vice-Chair Parkes also noted it will be critical to look at the technological issues if we assume a 20 or 30 year payback period.

Mr. Doug Dawson of CCG Consulting commented that the breakeven rate at this time is approximately 43% penetration and that would be across the entire footprint. He said it is likely to see a better penetration percentage in the rural areas.

Commissioner Dinning asked what about this area is so solid that it makes construction of a broadband infrastructure a good area. Mr. Dawson noted some of the service area is well within the area that qualifies for the RFOD grant. In many areas much expense goes into the construction and FEUS has the benefit of owning much of its infrastructure so this construction expense is much more reasonable.

Commissioner Degner asked about costs associated to tying in individual homes/businesses should there be a need to upgrade the line from the street to the structure. Mr. Dawson commented that there would be a cost associated with the device installed on the structure but the fiber line from the pole to the building would be included within this cost. Because this would be a fiber line, existing cable lines/phone lines cannot be used, a new drop would be necessary.

Commissioner Larsen commented that he recently completed a survey regarding broadband service and asked when the results of this survey would be available. Mr. Dawson noted the results of the survey will be provided within in the full Feasibility Study.

Commissioner Glass asked if there is a risk of stranded assets should technology change and is the utility at risk of losing costs. Mr. Dawson commented there is very little risk of incurring stranded assets by installing fiber and he noted that wireless is not a substitute for fiber.

Chair Spence asked what the upper limits of bandwidth are with fiber. Mr. Dawson noted one report indicated 178 Terabytes in one strand of fiber. Mr. Dawson stated the technology is most likely capable immediately of 1 Gigabyte to each home and could be easily upgradable to 10 gigabytes per home.

Mr. Adair wrapped up the presentation by noting this opportunity is a new product and there are many questions surrounding it. He said FEUS is debt free and has traditionally paid cash for its assets. The utility is very conservative which is why FEUS has the lowest rates in the region. This broadband opportunity will be a change in approach and the big issue is the debt equity. He said that going into debt does involve risk and is the utility willing to go into debt to become a broadband provider. The utility has demonstrated there is an opportunity with providing broadband. Mr. Adair said he looks forward to hearing feedback from the Commission members regarding this opportunity.

Commissioner Duckwitz commented that this would be a new line of revenue and when one looks at what has been going on in our community recently, a new stream of revenue is a good thing.

Commissioner Dinning feels this is a good opportunity to pursue and looks forward to reviewing the full Feasibility study.

At the request of Chair Spence, Mr. David Sypher offered information about an upcoming rate increase for Waste Management services. Mr. Sypher noted residential customers should expect to see a 2.4%, or \$0.58 increase per month on their monthly sanitation fee.

Electric Utility Report

Mr. Brandon Hill, Business Operations Utility Analyst, reviewed a PowerPoint detailing the financial information for the month of August. There was a slight increase in consumption over all the classes for August from July. A review of the past four years demonstrates a downward trend year over year since FY2018. Mr. Adair commented that the drop in the Industrial load, from 69,775 MWH in August 2018 down to 48,221 in August 2021, is due a great deal to the reduction in the oil and gas industry. Regarding Revenue, Actuals have been under Budget each of the past five years; Expenditures over the past five years have been under budget each of the past five years.

The PCA remains at \$0.01 per kWh.

Director's Report

Mr. Adair provided PowerPoint presentation highlighting activities of the utility for August. Regarding Substations, a contractor has been on site at the LaPlata Substation to refurbish a transformer. The Technical Services team replaced Reclosers at the Pump Canyon Substation. Mr. Adair noted Dan Anglin's team has also performed a great deal of work at the Cottonwood Substation.

Activities within Distribution and Transmission include work performed at the Mesa Mobile Home Park to upgrade the underground infrastructure. Service connections are currently taking place. Work on the Distribution Feeders on the eastside of Cottonwood is complete. Pump

Canyon Transmission maintenance is complete; this work included maintenance work on 17 structures.

Mr. Adair provided information regarding the FEUS Generation resources. At the Navajo Hydro Plant, flows were up based on reduced Animas River flow. At the time of this meeting, Navajo saw generation at 23.4MW at 950 cfs. The Animas Power Plant is scheduled for retirement at the end of the month. The Fall Outage at Bluffview is scheduled to take place September to October 15. Mr. Adair noted the San Juan Generating Station saw poor performance in the month of August related to bottom ash and tube leaks.

The utility experienced three circuit outages during August; windy conditions caused an outage on the Turley circuit, inspection work caused an outage on the College circuit, and a hay fire prompted utility response to isolate which caused an outage on the Bisti circuit.

Mr. Adair noted a great deal has been occurring at the Administration level of the utility. He said the utility and the IBEW have been in contract renegotiation meetings. The Ratification vote will take place on September 9 and 10. Mr. Adair said work on the SJGS project continues; Cindy Crane, CEO of Enchant has been busy with engagement and work on purchase power agreements; Feed study work continues and Stack testing is taking place. Enchant continues to work with the DOE And USDA Rural Utility Service to pursue potential low debt financing.

Mr. Adair noted that four of the five EV charging station are on line. Commissioner Glass connected to the station located near Browns' Shoe Fit in downtown Farmington. Commissioner Glass said he was pleased to see that a charge for usage is on a per minute basis. He noted this means that a tourist to our city could visit downtown or a museum or the library and could take advantage of the charging station at each location without having to pay for 1 hour of usage at each site.

Mr. Adair noted that utility disconnects and late fees were paused due to COVID. Currently, as of September the uncollected COVID delinquent fees total approximately \$2 million.

ADJOURNMENT


There being no further business to come before the Commission, a motion to adjourn the meeting was made by Vice-Chair Parkes, and seconded by Commissioner Glass. The roll was called with the following result:

Those voting aye: Chair James Spence
 Vice-Chair Jeff Parkes
 Commissioner Alex Uhl
 Commissioner Connie Dinning
 Commissioner Tory N. Larsen
 Commissioner Drew Degner
 Commissioner Linda Corwin
 Commissioner Joanne Duckwitz

Those voting nay: None

The Chair thereupon declared the motion passed. The meeting was adjourned at 5:00 pm.

Approved this 14th day of October, 2020.



James Spence, MD, Chair