The regular meeting of the CITY OF FARMINGTON BOARD OF PUBLIC UTILITY COMMISSIONERS was held Wednesday, February 13, 2019 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.

GENERAL

Commission members present:
James Spence
Jeff Parkes
Gordon Glass
Alex Uhl
Tory N. Larsen
Kyle Westall
Connie Dinning
Joanne Duckwitz
Marty Johnson
Chris Hunter

City personnel present:
Electric Utility Director
Hank Adair
Electric Generation
Britt Chesnut
Electric Regulation & Control
Linda Jacobson-Quinn
Customer Service
Nicki Parks
Electric Business Operations
Brandon Hill
Electric Engineering
John Armenta
Public Works Department
David Sypher
Public Works Department
Jeff Smaka
JACOBS
Teresa Brevik
Administrative Services
Teresa Emrich
Administrative Services
Sheree Wilson
PUC Secretary
Amy McKinley

Guests: Mr. Michael Fisher, Black and Veatch
Mr. Josh Pauly, Black and Veatch
Jamie Shockey, Generation Supervisor, FEUS
Ben Banks, Generation Engineer, FEUS

Chair Spence called the meeting to order at 3:00 pm with a quorum present to conduct the business of the Commission.

Chair Spence asked for a motion to approve the Minutes of the January 9, 2019 meeting of the Public Utility Commission and Commissioner Hunter made this motion and Commissioner Johnson seconded. Upon voice vote the motion to approve the January 9, 2019 PUC meeting minutes passed unanimously.

BUSINESS

Quarterly Financial Report 2nd Quarter ending December 31, 2018-Electric Utility
Ms. Sheree Wilson offered a review of the Quarterly Financial Report for the Electric Utility. She indicated the Net Income increased $7.8 million from the prior year.
Quarterly Financial Report 2nd Quarter ending December 31, 2018—Water Utility
Ms. Wilson offered a review of the Quarterly Financial Report for the Water Utility. The report noted the Water Utility's net income decreased $1 million from FY 2018. Operating Revenues increased $116 thousand. Ms. Wilson noted Water Sales were down $141 thousand; Residential customer sales decreased $166 thousand and Commercial customer sales increased $272 thousand. She said Renewal/Replacement fees also increased $272 thousand.

Ms. Wilson confirmed the question by Commissioner Duckwitz that there was an increase in Operating Revenues. Ms. Wilson explained that much of the increase is associated with the water rate increase in December 2018, the final year of the 5 year phased in rate increases.

Vice-Chair Parkes also asked for clarification on the revenue increase as the rate increase was 10% yet the revenues are flat. Ms. Wilson noted the percentage increase depends on meter size; the majority of Residential is more like 13%. Vice Chair Parkes said he expected more of an increase in revenue. Mr. Sypher noted the different sized meters cause different rate increase percentages.

Commissioner Hunter asked for a review of price increases, R&R and the like. He also would like some information about the impact of the voluntary drought restrictions that were put in place.

Ms. Wilson’s reported indicated the Operating expenses increased $1.3 million much of this amount was due to the OMI contract increase.

Quarterly Financial Report 2nd Quarter ending December 31, 2018—Wastewater Utility
Ms. Wilson offered a review of the finances for the Wastewater Utility. She noted the Wastewater Utility’s net income decreased $123 thousand from last year. Operating Revenues were up $61 thousand. Residential customer sales were $376 thousand higher and Commercial sales were up $108 thousand from last year. The Renewal/Replacement fee increased $168 thousand; the Environmental tax was down $20 thousand. Ms. Wilson noted the Operating expenses increased $495 thousand. The OMI contract was up $307 thousand from last year and other operating expenses increased $133 thousand. Non-operating revenues decreased $109 thousand, mainly due to a decrease in transfers from Water and Expenses increased $20 thousand.

Water/Wastewater Report:
Mr. Jeff Smaka offered a review of the activities for the Public Works Water/Wastewater divisions report for January 2019. Regarding Phase I of the 2P Waterline Replacement Project, the mainline for this project is complete; service lines are being worked on at this time. He said that Phase II of this project, work on McCormick School Road, is 96% complete and the work on Murray Drive is 60% complete. Mr. Smaka’s report indicated the City Council approved moving forward with the NMFA loan process for Phase III of this project.

Mr. Smaka reviewed the LaPlata Highway Project Phase 1 (Pinon Hills Blvd. to Coyote Drive). He said there are environmental issues being dealt with so the design of this project is lagging. He noted staff is working on the redesign for water line replacement and the NM DOT permitting process.

Mr. Smaka briefly reviewed the status of various renewal and replacement projects are taking place throughout the city.

Commissioner Hunter asked if Murray Drive will be repaved upon completion of the water and sewer line replacements project. Mr. Smaka indicated this is a nine bursting pipeline project.
$1,821,344). The ASA Work Breakdowns as follows: Capital Improvements was $275 thousand, Water breaks and drought contingency was $817 thousand, and Water system repairs at $729,344.

Commissioner Westall asked for information to be provided at the next meeting regarding the breakdown between water breaks and drought contingency. He also asked about $729,344 for Water system repairs. Ms. Brevik noted that much of this is related to the pump station repair work. Mr. Sypher referred the commissioners back to Jeff Smaka’s Water/Wastewater report where he details a listing of water line, sewer line, and pump station upgrades and this will provide good information regarding to the ASA contract expenses for this work.

**Short Term Generation Presentation:**
Mr. Britt Chesnut, FEUS Assistant Director, Generation, introduced representatives from Black and Veatch, Mr. Michael Fisher and Mr. Josh Pauly, who will provide information about the FEUS Short Term Generation project.

Mr. Fisher offered background information detailing how this Short Term Generation project came to be noting the 2017 FEUS IRP showed a need for replacement power. Mr. Fisher said Black and Veatch was contracted to provide a new generation siting study. Two plants were considered; the Animas station and the Bluffview station. Two different technologies were considered: 60 MW combined cycle project (CC), similar to the existing Bluffview unit, and 18 MW Reciprocating Internal Combustion Engine (RICE). Both technologies were considered for both sites. Mr. Fisher noted that at the Animas location a CC unit would fit but was not economically feasible and the RICE unit would also fit but would be expensive due necessary demolition. At the Bluffview location, CC will fit but it is expensive and would require adding water treatment and evaporation ponds. RICE will fit at Bluffview.

Commissioner Glass asked how the cost of producing power with a new unit versus purchasing power on the open market or other sources has changed significantly since the approval of the IRP.

Mr. Adair said that as a part of the project study FEUS staff reviewed and studied the cost of market over the last two years, FEUS’ cost of purchased power, investment costs, maintenance costs, and the estimated future fuel costs. Staff believes the cost of installing the RICE will pay back in six or seven years, depending on gas prices. He said this is purely financial, let alone the economic benefits of the flexibility of future dispatchable or renewable resources. This review prompted staff to move ahead with further development of the project.

Commissioner Glass asked if this power is needed even if the closure of SJGS occurs.

Mr. Adair said the Short Term Generation plan was totally independent of the SJGS matter. Replacing SJGS energy was indicated within the mid-term plan of the IRP calling for a combined cycle unit.

Commissioner Westall asked if new real estate was considered. Mr. Adair commented that this option was considered and if we discuss mid-term generation, and having to install a combined cycle unit, there is no good place within current FEUS real estate so locating other property would be necessary. He said in terms of benefit for the reciprocating engines specifically, if there was a sister unit, the switch yard was already built to handle an additional generation asset at Bluffview so it is very cost effective to take advantage of that location, specific to the reciprocating engines.
Mr. Josh Pauly, Black and Veatch, reviewed the cost differences between the East-West configuration and the North-South configuration for the Bluffview location.

Commissioner Duckwitz observed that placing the units at the Bluffview site would save on staffing issues.

Because these RICE units are quite loud when running Commissioner Larsen asked how the sound of the RICE units will be addressed with regard to building construction. Mr. Pauly agreed that sound is an issue and observed the issue is being addressed using extensive acoustical treatments on the interior. Mr. Pauly said the Black and Veatch acoustic engineer reviewed the project and the COF Code of Ordinances regarding noise level requirements. This acoustic engineer also reviewed decibel levels around the property boundaries. Mr. Pauly confirmed sound will be cause for an expensive building cost when putting the estimate together. He said concerns about sound will be carried through when writing specifications for equipment suppliers.

Following general discussion about project costs, Mr. Adair indicated he would plan to bond 65% and use 35% of cash reserves to fund this project. The cost would be spread over FY 2020 and FY 2021.

Mr. Adair said staff is asking the Commission to recommend to City Council to move ahead with the bidding phase of the project. This step does not mean the project will be fully executed because staff does need to look at the bid prices and specifications against the specific project plans and budget. Mr. Adair reaffirmed the Council has to approve any contracts written.

Chair Spence asked for a motion to recommend to City Council to proceed to the project bid phase of the project. Commissioner Dinning offered such a motion and Commissioner Hunter seconded. Upon voice vote the motion passed unanimously.

Commissioner Larsen asked when the presentation would be provided to the City Council and Mr. Adair said the presentation will take place at the Council Work Session on February 19, 2019.

**Electric Utility Report:**
Mr. Brandon Hill offered the electric utility report for the month of December, 2018. He reported the total GWH Sales for December was 87 GWH; 24 GWH for Residential; 35 GWH for Commercial; 27 GWH for Industrial.

The PCA continues at $0.005 per kWh. Mr. Adair commented about potential changes to the PCA. He said the recent replacement power costs have been high so it is possible the PCA will be increased to $0.010 per kWh in April.

**Director’s Report:**
Mr. Hank Adair offered information on the activities of the utility. He said crews are working to upgrade the electrical infrastructure along back alleys and side streets in downtown as part of the Main Street project.

As part of the Main Street project, Mr. Adair said FEUS will install an electric charging station in the parking lot behind Browns Shoe Fit.

Commissioner Glass asked why this location was selected. Mr. Adair noted there is infrastructure in this location and is a convenient location with regard to downtown
continue to review the designs and work with DataPros to create an clear and informative utility bill.

ADJOURNMENT

There being no further business to come before the Commission, upon motion duly made and seconded, the meeting was adjourned at 4:46 pm.

Approved this 13th day of March, 2019.

[Signature]

James Spence, MD, Chair