

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/87351225774> at 3:00p.m. on Wednesday, March 10, 2021. 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:	Jeff Parkes Connie Dinning Gordon Glass Tory N. Larsen, Zoom Alex Uhl Joanne Duckwitz Linda Corwin Patricio Sanchez Hart Pierce, Zoom
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Commission members absent:	Kyle Stowell Drew Degner
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constituting all members of said Advisory Commission.

Also present were:

Electric Administration	Hank Adair
Electric Engineering	John Armenta
Electric Utility Financial Analyst	Olena Erickson
Community Works	Jeff Smaka
Jacobs	Teresa Garcia
PUC Secretary	Amy McKinley

The meeting was convened by the Chair.

Chair Parkes requested a motion to approve the Minutes of the February 10, 2021 Regular meeting and such motion was made by Commissioner Glass and seconded by Commissioner Uhl. The roll was called with the following result:

Those voting aye:	Chair Jeff Parkes Vice-Chair Connie Dinning Commissioner Gordon Glass Commissioner Alex Uhl Commissioner Tory N. Larsen Commissioner Joanne Duckwitz Commissioner Patricio Sanchez Commissioner Hart Pierce Commissioner Nathan Thompson
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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 February, 2021.

Regarding the Cost of Service Study, the contract for this study was first issued in March, 2020 but was then placed on hold due to COVID-19. Work on this study re-started in January, 2021 and NewGen Strategies is actively working on updates to the Cost of Service study.

Mr. Smaka said by the end of March, 2021, the city should have 30% design drawings completed for review for the Water Treatment Plant Upgrade project. The contractor working on the Raw Waterline Rehab project, which replaces the 42" steel raw waterline from Animas Pump Station #1 to Water Treatment Plant #1, is opening access points along the route to perform line inspections.

Work on Sewer Lift Stations 12 and 14 is underway following manufacturing delays due to COVID-19. The contract has a new project complete date of March 11, 2021.

*Commissioner Corwin arrived to the meeting at approximately 3:10 pm.
Commissioner Degner arrived to the meeting at approximately 3:13 pm.*

Water/Wastewater Operations Report

Utilizing a PowerPoint presentation, Ms. Teresa Garcia, Jacobs provided details regarding the activities for Water and Wastewater operations for the month of February, 2021.

Animas River flows stayed below the median daily flows as temperature decreased. Ms. Garcia's report noted Lake Farmington remains at 100%. February water production decreased compared to January, 2021 and January, 2020. Five new residential meters were installed in February, 2021. There were 10 water line breaks in February; 2 main lines and 8 service lines.

FEUS Broadband Feasibility Study –Statistically Valid Survey Results

Ms. Olena Erickson, Utility Financial Analyst, and project manager for the FEUS Broadband Feasibility project, offered information regarding the results of the Statistically Valid Survey. Only residential customers from the urban area were included in this survey and 385 customers participated. The survey results indicated 85% of survey participants would support, or might support the idea of FEUS becoming a high speed internet provider. The top two reasons are the desire for more competition and driving prices down. Also, 60% of survey participants stated they would definitely, or probably buy from a new internet provider if the price was the same and allowed for faster internet speeds. FEUS was very pleased to see that 83% of survey participants were well satisfied with the electric utility overall.

Mr. Adair commented that public outreach is also a key element to the feasibility study. FEUS has partnered with Four Corners Economic Development to help coordinate with local businesses and the public at large. He also noted a broadband project will involve a large capital investment so a maximum amount of due diligence is very important. In response to a question posed by Commissioner Glass, Mr. Adair said there is a lot of money available, or being proposed through legislation at the state and federal levels to aid in funding the installation of a broadband infrastructure. Mr. Adair said participating in the various funding options available is a complex issue. The pace for participating in many funding opportunities is a fast one and performing our due diligence solidly, and not rushing it, but then also ensuring FEUS does not miss out on an opportunity will be challenging.

Commissioner Thompson commented that as a teacher he is aware of a number of children who do not have an internet connection at home and he asked about what the school district is saying about the broadband study and providing internet service. Mr. Adair stated the Farmington Municipal School District has recently installed its own fiber network which provides internet service to school facilities. Mr. Adair said he would assume the school district would see an FEUS broadband utility as a positive as FEUS broadband infrastructure would be able to serve individual homes.

Electric Utility Report

Ms. Olena Erickson, FEUS Utility Financial Analyst provided a PowerPoint presentation detailing the activities of the utility for the month of February, 2021. Ms. Erickson noted that Sales in MWH is 8% lower than budgeted; the 4-Year trend in MWH sales clearly identifies Industrial customer sales to take the biggest reduction. FEUS has only five customers in this Industrial category so any change by even one customer is significant to FEUS. Ms. Erickson's report noted the Cash Balance is up slightly from the last month but is down \$4.2 million from

the beginning of FY2021, mostly due to an increase in receivables of delinquent balances of \$2.9 million, and expenses. Current Capital expenses are 48% below budget due to challenges faced due to COVID-19. Year to Date Revenue is below Expenses which is just one contributor to the Cash Balance reduction.

FEUS has seen a loss of \$936,764 since the moratorium on Warning Tags and Late fees was put in place in March 2020. The Delinquent Account Balance for all utilities (Electric/Water/Wastewater/Sanitation) is \$3.5 million.

Ms. Erickson replied to a request by Commissioner Glass for clarification about the dividend transfer saying the dividend transfer policy is 5% of all operating revenues and non-operating revenues excluding customer capital contributions and "transfers in". She confirmed that \$5 million will be transferred to the General Fund during FY2021.

Photosol Presentation

Utilizing a PowerPoint presentation, Mr Josh Case, CEO, Photosol, provided information regarding planned solar projects within San Juan County. Mr. Case's presentation highlighted two projects within the Four Corners area:

San Juan Solar is located within San Juan County near the San Juan Generating Station and will have an interconnection capacity of 598 MW of Solar plus 300 MW of battery storage. Photosol has two Power Purchase Agreements-Energy Storage Agreements with PNM and both agreements are awaiting New Mexico Public Regulatory Commission approval. It is anticipated that construction for this project will begin in June or July of 2021. This project encompasses approximately 5,000 acres which is under Option and lease or Purchase Agreements.

The Shiprock Solar project is located on approximately 2,000 acres of BLM land under a Cost Recovery Act (CRA) and 5,600 acres of private land which is under contract and is planned to offer 360 MW with storage.

Mr. Case noted several benefits and contributions these projects may bring to the Four Corners. His presentation notes these projects will provide a new tax base as the San Juan Solar I project is an Energy Transition Act project and will pay full property tax. He noted these projects will provide approximately 1 to 1-1/2 years of construction jobs and then will bring a handful of longterm operation and maintenance jobs to the area. Photosol projects will utilize existing transmission infrastructure and will help New Mexico meet the Energy Transition Act requirements.

Commissioner Uhl asked if the San Juan Solar project is attempting to fulfill the 650 MW of solar and the 300 MW of storage that was detailed in a letter he received from PNM.

Mr. Case indicated that the 650 MW of solar sounds like the total amount of solar that PNM is striving for as a replacement for the closure of the San Juan Generating Station. Photosol has signed two Power Purchase Agreements with PNM for a total of 300 MW of Solar. There is another project within San Juan County that will provide 100 MW of Solar. Mr. Case said there is a 200MW project within McKinley County and an approximately 50MW project to be located within the Jicarilla reservation and these projects make up the 650 MW of solar.

Commissioner Sanchez asked if there will be sufficient transmission interconnection capability to support both the Photosol San Juan Solar project and the Enchant Energy project if both come in at full scale.

Mr. Adair responded stating there are transmission rights opportunities. He said based on load and reductions, there is adequate load.

Commissioner Sanchez commented about the fire risk associated with battery farms and asked about Photosol providing fire protection services/training to local fire departments to deal with the fire potential associated with battery farms. Mr. Case indicated Photosol will have a fire prevention plan in place and if that plan requires specific training for local fire departments, all of this will be addressed. Commissioner Sanchez went on to ask if Photosol would provide funding for any possible fire training. Mr. Case said that if this is something that needs to be addressed and a fire department needed such training so as to provide services to this project, Photosol would work that out.

Commissioner Sanchez brought up recyclability of the solar panels and how the used panels will be removed and disposed of. Mr. Case said many components can be recycled/reused. He noted the warranty on the panels is typically 25 years and the life of the project is 35 years plus.

Commissioner Sanchez asked if the hardware and software will be American sourced and American provided so there will be little worry of other countries, such as China infiltrating the utility grid. Mr. Case said he would happily do some research regarding the sources used to provide software and hardware to these projects and respond at a later date.

Chair Parkes noted that Mr. Case said the San Juan Solar project will pay full property taxes as part of the Energy Transition Act and asked if the same holds for the Shiprock Solar project. Mr. Case said the Shiprock Solar project is not yet contracted and it is not part of the Energy Transition Act. If there was any property tax abatement that is something that Photosol would need to work out with the County and the different taxing entities.

Chair Parkes noted the presentation highlighted 4-hour battery storage and asked Mr. Case to speak in lay terms about what battery storage is and how power is distributed from a battery. Mr. Case said the battery stores 100 MW of power at 4-hour duration. He noted PNM will have the ability to dispatch the 100 MW/4 Hours in a manner they choose; the 100 MW/4 hours could be dispatched at once, or in pieces. Mr. Case said the 100 MW Battery is intended to use at peak load and typically is used during the night time hours. Chair Parkes asked if this power storage could be used during the daylight hours should solar energy production be lost, or is this more to stretch out production in the evening hours. Mr. Case said PNM would have the flexibility to use this power however and whenever PNM chooses.

Commissioner Uhl asked what the life expectancy is of a battery. Mr. Case said Photosol has a 20-year contract with PNM and Photosol will maintain or replace these units throughout the contract term to maintain the 100 MW/4-Hour duration.

Commissioner Glass asked if there are possibilities of expansion for FEUS in the area related to solar and battery storage.

Mr. Adair noted the solar industry considers San Juan County a very good location for solar power production. Mr. Adair commented that as FEUS prepares its Intergrated Resource Plan (IRP), renewable would be included in the discussions.

Commissioner Glass asked if FEUS has transmission capability that would interface with solar and make it a viable energy source for FEUS. Mr. Adair said there is a transmission interconnect at the SJGS location so there is transmission capability. Mr. Adair reminded the Commission that a bid process would be initiated for any potential contracts with outside entities.

Director's Report

Mr. Adair offered a presentation reviewing the activities of the utility for February, 2021.

Regarding Substations, civil work at the Animas Substation is advancing well. The outage at the Mesa Substation began on February 4 for Testing. To date, no issues have been found. The Mobile substation did encounter a trip due to an oil level issue.

Related to Distribution and Transmission, the FY21 Pole Testing project has reached completion and the decision was made to extend the project so additional poles will be tested throughout this fiscal year. The Cottonwood Substation Distribution Feeds on the west side have been energized and all distribution is on at this substation. Due to outages in various areas, crews removed approximately 3,500 feet of open wire secondary and replaced this with primary service.

Regarding FEUS Generation sources, San Juan River flows remained steady at 400 cfs and the Navajo Hydro Plant is producing 9 MW of generation. The Bluffview Power Plant a scheduled spring outage from April 12 to April 22. Additional time was added to this outage to coordinate with transmission line work. The San Juan Generating Station experienced lower performance out of SJGS Unit 4 primarily related to an ash conveying outage. As part of the small Animas Hydro, work continues on the Willett Ditch head gates.

Mr. Adair offered information about how the cold weather event in Texas also impacted FEUS. He noted that during this week, the cost for power skyrocketed. For FEUS, Purchase Power costs are typically within a range of \$40-\$45 per MWH. During the week of the Texas cold weather event, FEUS Purchased Power jumped to a high of \$323.40 per MWH. FEUS spent \$827,374 for

Commissioner Tory N. Larsen
Commissioner Alex Uhl
Commissioner Linda Corwin
Commissioner Kyle Stowell
Commissioner Drew Degner
Commissioner Sanchez
Commissioner Pierce
Commissioner Nathan Thompson

Those voting nay: None

The Chair thereupon declared the motion passed. The meeting was adjourned at 5:02 pm.

Approved this 14th day of April, 2021.



Jeff Parkes, Chair