GENERAL

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

Commission members absent:  
Marty Johnson

City Council members:  
Sean Sharer  
Janis Jakino  
Jeanine Bingham-Kelly  
Mayor Nate Duckett

City Council members absent:  
Linda Rodgers

City personnel present:  
Electric Utility Director  
Hank Adair  
Electric Transmission and Distribution  
Luke Lugenebeel  
Electric Generation Manager  
Britt Chesnut  
Electric Engineering  
John Armenta  
Electric Compliance Manager  
Linda Jacobson-Quinn  
Electric Business Operations  
Brandon Hill  
Customer Care Manager  
Nicki Parks  
Public Works Department  
David Sypher  
Public Works Department  
Jeff Smaka  
OMI/CH2Mhill  
Ron Rosen  
Administrative Services Accounting  
Teresa Emrich  
Administrative Services Accounting  
Sherree Wilson  
Administrative Services Accounting  
Olena Erickason  
City Manager  
Rob Mayes  
Assistant City Manager  
Julie Blair  
City Attorney  
Jennifer Breakell  
PUC Secretary  
Amy McKinley

Chair Spence called the meeting to order at 10:20 am with a quorum present to conduct business of the Commission.

BUSINESS
Commissioner Glass asked for information regarding the Electric Department Division Goals and Objectives and he specifically asked for clarification about Root Cause matters. He noted that specifically in our region that if we look at the Navajo Generating Station closing this year and the San Juan Generating Station possibly closing 2022, he would like to see a goal related to working with key partners in our region. Commissioner Glass offered the example of land availability and noted the Navajo Nation has land and the city of Farmington has some great capabilities where we could possibly work in partnership with them as well as the State for future generations in this area because of the recently passed Energy Transition Act.

Mr. Adair addressed Commissioner Glass’s comments noting that FEUS has looked at other generation sources, to include a solar project for which the city received bids. The proposed costs were not in a range the city was comfortable with so this particular project did not move forward. Mr. Adair said staff continue to monitor solar opportunities. Mr. Adair did note the utility is adding generation investments into its portfolio.

Commissioner Hunter asked Mr. Adair if FEUS is regularly approached by others to partner with generation projects. Mr. Adair said his office is regularly approached by organizations with information about proposed generation projects.

Fiscal responsibility is a key goal for the department and Mr. Adair reviewed key budget items considered when planning the proposed FY2020 and FY2021 budget:
- A need for more support to execute safety and security within the utility by adding an additional position in Safety and also in IT position.
- Loads flat for FY2020. The utility anticipates a slight increase in load from FY2020 to FY2021.
- Gas costs will above market until December 2020 when the prepay contract expires. Staff anticipates gas costs will be lower for the remainder of FY2020 through FY2021.
- Cost for purchase power is expected to remain reasonably low in the short term.
- No significant generation maintenance outages are anticipated in the proposed FY2020 budget cycle.
- The short term generation project continues.
- Continued replacement and upgrading of aged infrastructure using cash reserves.
- Attracting and Maintaining an experienced work force. The proposed FY202 budget includes the addition of two FTE and includes a fully funded pay-plan.
- No rate increase is projected in FY2020 and FY2021; a Cost of Service Study is budgeted.
- PCA Budgeted to change to $0.010 per kWh, and then reduce to $0.005 per kWh for FY2021.
- Bond percentage reduced to 65% from 75% for new short term generation project.
- Complete the conversion to Southwest Power Power for Reliability Coordinator (RC) services by end of calendar year 2019.
- Continued evaluation of San Juan Generating Station.

Mr. Adair said the Electric Revenues are projected to be up slightly in FY2020 and then drift back down in FY2021. He said the utility’s largest revenue source is the Commercial customer at 43%, followed by Residential customers at 31% and Industrial at 22%. The remaining 8% of Electric Revenue encompasses Wheeling fees, Joint Use fees as well as miscellaneous fees.

Mr. Adair pointed out the high numbers for Electric Expenses for current FY2019 noting this was due to major maintenance outages at the San Juan plant and Bluffview Power Block Unit. He stated the utility is working closely with the state to ensure future reliability of power.
and California ISO chose to create their own RC organization so this required utilities to make a decision about becoming members of the California ISO RC or SPP. Because the Western Area Power Authority (WAPA) chose to go with SPP, FEUS chose to do the same. The other entities participating in SPP are Excel Energy, Public Service Company of Colorado, Black Hills Energy, Tucson Electric Power and El Paso Electric Company.

Commissioner Hunter asked about the status of the issue regarding the city of Bloomfield. City Manager Mayes responded with a brief update about the current activities regarding this Bloomfield matter.

Chair Spence asked for a motion to recommend City Council approval of the Electric Department proposed FY2020 budget. Commissioner Hunter moved to recommend City Council approval of the Electric Department proposed FY2020 budget; Commissioner Duckwitz seconded the motion.

Commissioners voting for: Commissioner Glass, Commissioner Uhl, Chair Spence, Vice-Chair Parkes, Commissioner Larsen, Commissioner Hunter, Commissioner Dinning, Commissioner Duckwitz, and Commissioner Westall. Those voting against: None. The motion passed unanimously.

Public Works Water/Wastewater Budget Presentations:

Water/Wastewater Operations Annual Report:
Mr. Ron Rosen and Ms. Teresa Brevik offered a report of the many water and wastewater projects Jacobs undertook in the past year that are important in efficiently providing quality water and wastewater services to the city of Farmington. Mr. Rosen offered a video presentation highlighting the many water and wastewater facilities throughout the city.

Mr. Rosen reminded the commission and council of the collector app being used by Jacobs personnel to assist with operation activities. This app can assist with gathering data about maintenance issues throughout the city of Farmington.

Ms. Brevik discussed some of the proposed projects for the future to include a composting program at the wastewater treatment plant to help reduce costs and be more efficient with the sludge at this plant, continued upgrades with raw water distribution to the pump stations, complete the 42” steel line project, upgrade the control system at plant 1, assist the city with the reliability study of the water system that falls under the new Water Infrastructure Act, and continue work on the collector app and assist with GIS needs to the city.

Commissioner Hunter suggested the video presentation could be placed on the city’s Facebook page to.

Vice-Chair Parkes said the new Water Infrastructure Act was discussed and asked if there are any significant changes the city will need to have in place.

Ms. Brevik noted the Risk and Resiliency report, which is a part of cyber security, is one issue that will need to be addressed in the near future.

Chair Spence asked for a recommendation by the Commission to accept the annual report. Commissioner Hunter made the motion to accept the annual report and Commissioner Uhl seconded the motion. Upon voice vote the motion passed unanimously.
Water Utility Budget Presentation:
Mr. Jeff Smaka offered a presentation detailing the proposed FY2020 Water Utility Budget. His presentation offered information about the many water utility facilities throughout the city. He noted there are 350 miles of various sized water pipe, 19 pump stations, 2,669 fire hydrants, approximately 6,512 valves, and approximately 16,470 water meters.

Mr. Smaka noted that since the renewal and replacement fee went into effect in FY2007, projected revenue generated for the water utility is approximately $29.8 million and projected expenditures is $30.5 million on renewal and replacement projects.

Mr. Smaka’s report noted the FY2020 water utility projected revenue of $4.3 million and projected expenditures of $7.5 million for renewal and replacement system improvements.

Mr. Smaka said the emphasis remains on capital upgrades to improve service delivery and fire protection. Total expenditures in capital in FY2020 is projected to $17.3 million; he reiterated that $7.5 million of this $17.3 million is renewal and replacement funding. He noted project renewal and replacement expenditures over the next five years is $27 million.

Mr. Smaka’s review for the proposed FY2020 Water Utility Budget shows Revenues is projected at $25.63 million and Expenditures is projected at $30.27 million. The FY2020 Projected Beginning Cash is $11.4 million and the Budget FY2020 Ending Cash Balance is $6.8 million.

Mr. Smaka’s report noted this proposed budget assumes 10.0% growth in revenues in FY2020 over FY2019. The proposed FY2020 budget includes $17.3 million of capital expenditures which can be held back if revenues come in below projections.

City Manager Mayes commented that the city’s rate structure for water and electricity continues to use the traditional model where consumption pays for everything and fixed costs are subsidized by usage. He said that as things move to conservation and renewables and so forth, there will need to be a shift in the rate structure where fixed costs are shared whether you use electricity or water, or not. In the case of 2018 when the city encountered drought conditions, conservation of water also meant a drop in revenue.

Commissioner Larsen asked the status of this rate structure shift as it has been discussed over the past couple of years.

City Manager Mayes noted that a policy shift took place over a decade ago to perform regular and routine cost of services, and with courageous leadership of elected officials over this same decade plus, very challenging decisions were made to implement the renewal and replacement and the implementation of rate adjustments.

Chair Spence asked for a motion to make a recommendation to City Council for the approval of the proposed Water Utility FY2020 budget. Commissioner Hunter made a motion to recommend to City Council the approval of the FY2020 Water Utility budget and Commissioner Uhl seconded the motion. Upon voice vote, the motion passed unanimously.

Wastewater Utility:
Mr. Jeff Smaka offered a presentation detailing the proposed FY2020 Wastewater Utility Budget. His presentation offered information about the many wastewater utility facilities throughout the city.
Mr. Smaka’s report noted the proposed FY 2020 budget assumes 15.0% increase in revenues over FY2019 projected. The proposed FY2020 budget includes $7.4 million of capital expenditures which can be held back if revenues come in below projections.

Commissioner Hunter asked about where the city stands on the rate cycle for wastewater.

Mr. Smaka indicated that December 2018 saw the final increase of the five-year rate cycle. Staff is preparing to enter into a cost of service study and anticipates a recommendation from the results of the upcoming study will go before the PUC and city council in fall 2019.

Commissioner Larsen asked City Manager Mayes if the wastewater utility billing is having similar issues as water and electric with regard to paying by consumption rather than by service.

City Manager Mayes noted that wastewater rates are determined via a formula based on winter quarter water usage.

Chair Spence asked for a motion to make a recommendation to City Council for the approval of the proposed Wastewater Utility FY2020 budget. Commissioner Hunter made a motion to recommend to City Council the approval of the FY2020 Wastewater Utility budget as presented; Vice-Chair Parkes seconded the motion. Upon voice vote, the motion passed unanimously.

ADJOURNMENT

There being no further business to come before the Commission, upon motion duly made and seconded, the meeting was adjourned at 1:05 pm.

Approved this 8th day of May, 2019.

James Spence, MD, Chair