1000 Central Avenue
Los Alamos, NM 87544

LOS ALAMOS

County of Los Alamos
Minutes
Board of Public Utilities

Cornell Wright, Chair; Steve Tobin, Vice-chair;
Stephen McLin, Eric Stromberg, and Carrie Walker, Members
Philo Shelton, Ex Officio Member
Steven Lynne, Ex Officio Member
Denise Derkacs, Council Liaison

Wednesday, June 15, 2022	**5:30 PM**	**Remote Meeting** **https://us06web.zoom.us/j/81716376222**

REGULAR SESSION (Closed Session 5:30 - 5:45 pm)

1. CALL TO ORDER

The regular meeting of the Incorporated County of Los Alamos Board of Public Utilities was held on Wednesday, June 15, 2022. Board Chair Cornell Wright called the meeting to order at 5:30.p.m. via Zoom videoconferencing platform. Members of the public were notified of the ability to live-stream and submit public comment during the meeting. The following board members were in attendance:

Present 6 - **Board Member Stromberg, Board Member Tobin, Board Member Shelton, Board Member Wright, Board Member Walker and Board Member McLin**

Absent 1 - **Board Member Lynne**

1.A. 16025-22 Utilities Manager Performance Review

Pursuant to § 10-15-1 (H)(2) of the New Mexico Open Meetings Act, NMSA 1978, the Board of Public Utilities will meet in closed session to discuss information pertaining to limited personnel matters.

Pursuant to § 10-15-1 (I)(1) of the New Mexico Open Meetings Act, NMSA 1978, if any meeting is closed pursuant to the exclusions contained in Subsection H of this section, the closure:
(1) If made in an open meeting, shall be approved by a majority vote of a quorum of the policymaking body; the authority for the closure and the subject to be discussed shall be stated with reasonable specificity in the motion calling for the vote on a closed meeting; the vote shall be taken in an open meeting; and the vote of each individual member shall be recorded in the minutes. Only those subjects announced or voted upon prior to closure by the policymaking body may be discussed in a closed meeting.

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Chair Wright moved that the Board of Public Utilities convene in closed session as authorized by the limited personnel matters exception to discuss the Utilities Manager performance review and planning. The motion passed by the following vote:

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Yes: 5 - Board Member Stromberg, Board Member Tobin, Board Member Wright, Board Member Walker and Board Member McLin

1.B. 16049-22 Reconvene from Closed Session

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Member Stromberg moved that the Board of Public Utilities approve the Utilities Manager's performance evaluation and asked the Board Chair to forward the salary recommendation to County Council as discussed in tonight's closed session.
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Yes: 5 - Board Member Stromberg, Board Member Tobin, Board Member Wright, Board Member Walker and Board Member McLin

2. PUBLIC COMMENT

Chair Wright opened the floor for public comment on items on the Consent Agenda and for those not otherwise included on the agenda. There were no comments.

3. APPROVAL OF AGENDA

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Member Walker moved that the agenda be approved as presented. The motion PASSED by the following vote:
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Yes: 5 - Board Member Stromberg, Board Member Tobin, Board Member Wright, Board Member Walker and Board Member McLin

4. BOARD BUSINESS

4.A. Chair's Report

Chair Wright stated that he had no items to report.

4.B. Board Member Reports

There were none.

4.C. Utilities Manager's Report

Mr. Shelton reviewed his written report which is attached to the minutes. He provided summarized comments and responded to board member inquiries as appropriate.

4.D. County Manager's Report

Mr. Lynne was absent. Deputy County Manager Anne Laurent attended on his behalf.

She highlighted items from recent Council meetings and responded to board member inquiries as appropriate.

4.E. Council Liaison's Report

Ms. Derkacs commented that Ms. Laurent provided information on the items that she planned to present and she had no additional comments.

4.F. Environmental Sustainability Board Liaison's Report

Ms. Emerson highlighted items from recent ESB meetings and responded to board member inquiries as appropriate.

4.G. General Board Business

4.G.1. 16034-22 Electricity Grid Research Presentation

Ms. Garcia began by stating that The University of New Mexico Department of Economics would be presentating on a potential partnership opportunity. The following researchers were in attendance and solicited BPU & DPU support for "Smart Meters and Household Characteristics: Estimating load profiles and changes in consumption behavior": introduced the following guests:

Mr. Jesse Kaczmarski, Ph.D. Candidate of Economics, UNM
Dr. Janie Chermak, Professor of Economics, UNM
Dr. Yuting Yang, Assistant Professor of Economics, UNM
Dr. Selena Connealy, Associate Director of NM EPSCoR

Mr. Kazmarski presented the bulk of the information. He presented that the research aims to develop improved estimates of customer electricity demand for intra-day, week, month, and season, the research team would like to partner with DPU and solicit information from customers. Data collected at the household-level will be linked to electric consumption data provided by the department, along with weather data. This will provide a rich, micro-level dataset to be used to develop consumption models for customer types and an improved understanding of the consumption patterns. This information could allow for better load forecasting and improving reliability in the electric utility. In addition, information gathered in this research project could potentially be used for conservation efforts and goals. Information that the team will be seeking from DPU customers will cover dwelling characteristics, appliance characteristics, and socio-economic factors. The survey would be designed and administered through the UNM Department of Economics, with any additions that DPU would like to add. All customer information will remain confidential and be used only for the purpose of this study. DPU took part in this research in 2019, providing only electric consumption data for customers on circuit 16. This data covered a select number of accounts from 2013 to 2019. This survey would add to the previous research that has been conducted thus far.

After significant discussion and questions from the board the researchers provided clarifying information. The board agreed that they would like additional information before they could act on the request. Chair Wright requested that the researchers return to the Board of Public Utilities in July and present the additional information requested. They agreed.

4.H. Approval of Board Expenses

There were none.

4.I. Preview of Upcoming Agenda Items

15793-22 Tickler File for the Next Three Months

Chair Wright reviewed the items included in the tickler for July - September 2022. He asked board members for comments or additions to the agendas. There were no additional items identified.

5. PUBLIC HEARING(S)

5.A. **CO0643-22-a** Introduction of Incorporated County of Los Alamos Code Ordinance No. 02-329; An Ordinance Amending Chapter 40, Article III, Sections 40-151, and 40-152 of the Code of the Incorporated County of Los Alamos Pertaining to Gas Service Rates.

Ms. Garcia reviewed the pertinent details for Code Ordinance 02-329. The ten-year forecast for the gas utility presented with the FY2023 budget included a series of rate increases to generate revenues needed for current operations and to build cash reserves necessary for future infrastructure needs. Rate increases proposed in the Gas fund were three consecutive years of eight percent increases, followed by five percent in FY 2026. The Gas Rate schedule has been unaltered since 2016, in which the commodity rate was decreased from .29 cents per therm to .23 cents per therm. Prior to this change, in 2013, the commodity rate was decreased from .55 cents per therm. The gas rates for service charges have not been changed since 2009. It the latest iterations of analysis, large increases to costs due to inflation and supply chain shortages have greatly impacted fund balances. Staff feels confident the short to mid-term rate trajectory proposed in the FY2023 budget are appropriate for the four-year horizon at least and is thus proposing a multi-year rate adjustment at this time. Four years projected rate increases are included in the ordinance proposed.

The advantages to implementing the multi-year proposal are numerous. Importantly, it provides for the rate adjustments to scheduled and effective with advanced notice to customers. It allows our customers to plan and budget for future anticipated utilities costs, rather than experience the “rate shock” of unanticipated rate increases on a more frequent basis. Without the multi-year approach, that is difficult to accomplish, and complicates fiscal planning needs from year to year. Doing a multi-year incremental rate adjustment also allows planned revenues to match the timing of planned expenditures, rather than accumulating excess cash early on for expenditure in a later period. This also allows for the advanced planning of rates in the billing system, helping staff ensure billing accuracy when the new rates become effective. Enacting a multi-year ordinance in no way limits the Board from later proposing another ordinance to change rates, either up or down, during that four-year period if operational experience necessitates such action. Should it become apparent that the rates proposed are either not achieving the revenue requirements of the systems, or are exceeding them, there is no reason why they could not be adjusted in the interim. This multi-year proposal simply provides for seamless and timely implementation of the rate projections should future results tie within reasonable variation to budget projections.

Included in the presentation attached as Exhibit C are the rate comparisons with neighboring and similar communities, costs as a percentage of median household income, and long-term utilities costs projections normally presented with proposed rate adjustments. These continue to demonstrate that even with the challenges of our complicated system and mountainous terrain, consumer costs for gas services remain competitive and reasonable for our community.

The proposed rates should restore cash flow to an acceptable level within the projected time frame in the gas system. This plan will provide adequate funding for necessary repairs and replacements and continuing operations and provide for movement toward our long-term cash reserve goals. Once achieved, it is anticipated that rate adjustments simply to account for inflation will suffice for the foreseeable future.

Rate increases are going to be needed to fund necessary operations and replacement of infrastructure through rates. Other scenarios could be considered with more significant rate increases being implemented to fund more rapid system upgrades. If no action is taken, we would have to continue to curtail maintenance and replacements and system reliability will suffer. The proposed increases are expected to generate, in Gas Distribution, $229,280; $391,535; $568,830; and $662,083 for FYs 23, 24, 25, and 26 respectively.

Ms. Garcia also provided the following documents in the meeting packet:
A - Code Ordinance 02-329 - Gas Rates
B - Typical Residential Bills
C - Rate Comparisons to Neighboring Communities
D - Revenue, Expenses, and Cash Balances Graphs FY2023 through FY2032
E - Summary of Proposed Gas Rate Increases

The board discussed and asked questions. Ms. Garcia provided clarifying information as appropriate. Chair Wright called for public comment - there was none.

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Member Walker made the following motion: I introduce, without prejudice, Incorporated County of Los Alamos Code Ordinance No. 02-329; An Ordinance Amending Chapter 40, Article III, Sections 40-151, and 40-152 of the Code of the Incorporated County of Los Alamos Pertaining to Gas Service Rates. The motion passed by the following vote:
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Yes: 5 - **Board Member Stromberg, Board Member Tobin, Board Member Wright, Board Member Walker and Board Member McLin**

6. CONSENT AGENDA

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Member Tobin moved that the Board of Public Utilities approve the items on the Consent Agenda as presented and that the motions in the staff reports be included in the minutes for the record. The motion passed by the following vote:
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Yes: 5 - **Board Member Stromberg, Board Member Tobin, Board Member Wright, Board Member Walker and Board Member McLin**

6.A. **15786-22** Approval of Board of Public Utilities Meeting Minutes

I move that the Board of Public Utilities approve the meeting minutes as presented:

6.B. **15343-22a** Approval of Services Agreement No. AGR 22-68 with Molzen-Corbin for the Purpose of the Water Production Facilities Electrical and Mechanical Upgrades Design

I move that the Board of Public Utilities approve Services Agreement No. AGR 22-68 with Molzen-Corbin in the amount of $209,604.00, a contingency in the amount of $25,000, for a total project budget of $234,604.00, plus applicable gross receipts tax, for the purpose of the Water Production Facilities Electrical and Mechanical Upgrades Design and forward to Council for approval.

6.C. **AGR0864-22** Approval of Services Agreement No. AGR 22-961 with Rio de Chama Acequia Association, Inc, in the amount of $80,000.00, plus Applicable Gross Receipts Tax, for the Purpose of Bulk Water Purchase

I move that the Board of Public Utilities approve Services Agreement No. AGR 22-961 with Rio de Chama Acequia Association in the amount of $64,850.00 and a contingency in the amount of $15,150.00, for a total of $80,000.00, plus applicable gross receipts tax, for the Purchase of the 2022 Allocation of San Juan-Chama Project Water, and forward to Council for approval.

7. BUSINESS

7.A. **15795-22a** Approval of DOE/LAC Resource Pool Budget for Fiscal Years 2023 & 2024

Mr. Garcia discussed the Electric Energy and Power Coordination Agreement (ECA) between the County of Los Alamos and the Department of Energy requires that a 24-month budget be approved each year. The budget process begins with both parties preparing a load projection by month for the budget period. From these load projections the Power Supply division prepares a Resource Supply Projection that matches the available resources to the projected loads and estimates the variable costs for both our owned resources and for purchased power. Finally, costs for projected generation, purchases, and transmission are allocated to the parties based on the terms of the ECA.

This budget projects total costs per MWh of $57.07 and $53.43 for fiscal years 2023 and 2024, respectively. Actual costs for fiscal year 2022 through April were $63.32 per MWh compared to budgeted costs of $53.83 per MWh, due in large part to market drivers. The increase from FY2022 budget to FY2023 is due to the lingering impacts to purchased power price projections resulting from market conditions. The ten-year historical average cost per MWh for the fiscal years 2012 through 2021 was $61.63. This budget cycle presents a fundamental shift in the Operations of the Power Pool. The Pool is anticipating having a positive reserve for the first time in its 37 year history. Costs to the LAPP participants vary due to each party's load factors. The projected costs to the County per MWh are $56.20 and $52.76 for fiscal years 2023 and 2024, respectively. This budget was approved by the Operating Committee on May 17, 2022.

If this budget is not approved by the Board and Council, then ECA terms state that we will continue under the last approved budget while we continue to negotiate a budget. Certain costs are billed to the participants as budgeted (fixed charges associated with the various resources) and reconciled in the next budget cycle. Delay in approving a budget will result in adjustments being needed to reconcile actual billings with the budget after the fact once the budget is approved. DPU's expenditure authority for purchased power costs is incorporated into the budget approved by the Utilities Board and County Council during the normal County budget cycle. Approval of this Resource Pool budget is a contractual requirement of the ECA. The Resource Pool budget may differ somewhat from the purchased power expenditure authority requested by DPU during the normal County budget cycle due to timing differences in the budget cycles.

In addition Mr. Garcia provided these documents in the meeting packet.
A - Resource Pool 24-month Budget Package FY23-24
B - Loads and Resources worksheet FY23-24

The board discussed. Mr. Garcia responded to board member inquiries and provided clarifying information as appropriate. Chair Wright called for public comment; there was none.

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Member Stromberg moved that the Board of Public Utilities approve the 2023-2024 Resource Pool budget as presented and forward to the County Council with a recommendation for approval. The motion passed by the following vote:

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Yes: 5 - **Board Member Stromberg, Board Member Tobin, Board Member Wright, Board Member Walker and Board Member McLin**

RECESS from 7:59 - 8:09 p.m.

8. STATUS REPORTS

8.A. **15796-22** Summer Peak Power Demand: Briefing of Planned Activities

Mr. Garcia briefed the board on planned activities for the summer peak power demand. He stated that the Los Alamos Power Pool is in a different position than it has been before. For the first time in 37 years, Operations is expecting to manage a surplus of energy. Our buying strategy and handling of the Pool's planning reserve margin will be key to minimizing costs and maintaining reliability for the Pool and Sandia/Kirtland. This summer is predicated to very similar to last year and all the futures pricing indicate high risk of a significant weather event. Natural Gas prices have maintained higher pricing and have even increased coming into June 2022. Staff would like to share the steps of preparation for this summer and their approach to providing Firm Supply in the most economical way possible. Summer Preparations and pricing are currently built into EP's FY2022 budget.

Mr. Garcia also provided a copy of his presentation in the meeting packet. He responded to board member inquiries and provided clarifying information as appropriate. Chair Wright opened the floor for public comment; there was none.

8.B. [15790-22] Status Reports

Mr. Shelton reported that the following informational status reports were provided to the Board in the agenda packet:

1). Electric Reliability Update
2). Accounts Receivables Report
3). Safety Report

Mr. Shelton responded to board member inquiries and provided clarifying information as appropriate.

9. PUBLIC COMMENT

Chair Wright opened the floor for public comment; there was none.

10. ADJOURNMENT

The meeting adjourned at 8:45 pm

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APPROVAL

Cornell Wright, Jr
Board of Public Utilities Chair Name

Board of Public Utilities Chair Signature

July 20, 2022
Date Approved by the Board

Utility Manager's Report
June 15, 2022

1. Until the fire danger risk lessens, DPU has retained the generators for another month that were put in place in response to the Cerro Pelado Fire. The County employee teams continue to be impacted by the latest wave of COVID and the cases range from 17 to 22 cases per week.

2. Attended the UAMPS Project Management Committee (PMC) meeting regarding the CFPP and the project continues to remain on schedule and just under budget. There were no additional subscriptions obtained but there are a couple of prospective entities that may add to the subscription base by the end of summer. NuScale and UAMPS made a presentation at the APPA conference and there were approximately 100 people in attendance at the session.

3. For the NM Gas rate case that is before the PRC, Dan Najjar with Virtue and Najjar has prepared testimony for Jordan Garcia, Deputy Utilities Manager for Power Supply to present at the hearing scheduled for June 27th.

4. The SJGS coal mine has restored production coal and to date Westmoreland has delivered up to a 20 days' supply of coal and working to improve the stockpile to 30 days. I continue to attend weekly meetings on the Farmington and Enchant term sheet.

5. For the Los Alamos County Wastewater Treatment plant NPDES Discharge Permit renewal, EPA reopened the comment period for 45-days on the permit for the limited purpose of receiving additional data on the proposed sampling and monitoring requirements by July 11th. Staff has reviewed initial sample results and have taken additional samples to provide a detailed response to EPA. The goal during this comment period remains to help reduce DPU's sampling and monitoring costs proposed in this five-year permit renewal.

6. The Tyler/Munis redeploy on June 7th was successful. Like our staff, the Tyler Staff has been impacted by COVID and we are still finalizing an implementation schedule for the Tyler 311 and MyCivic software and go live date.

7. Working with staff on reviewing and updating of the department's job descriptions. These updated job descriptions will then be forwarded to Human Resources' compensation consultant to use in updating the County's compensation plan that occurs every four years.

8. Attended the Annual APPA conference and met with several vendors and learned much about the state of the industry. The main industry issues are dealing with an aging work force, supply chain issues, cost escalations, and as a result the need for rate increases. Vendors are asking for at least three years to implement projects given the issues stated above.