

# BOARD OF PUBLIC UTILITIES SELF-EVALUATION CALENDAR YEAR 2021

Approved [Date]

In accordance with Section 3.9 of the BPU's Procedures Manual, during November and December, the BPU will perform an annual self-evaluation of its own performance.

*Criteria: Enter a number from 1 to 5 next to each question and make comments as appropriate:*

*5 = all the time*

*3 = some of the time*

*1 = seldom or not at all*

QUESTION	SCORE	COMMENTS/ POSSIBLE ACTION
<b>I. GENERAL BOARD AREAS</b>		
A. Is there a Board policy manual addressing meeting procedures, committee roles and structure, election and term of officers, new member orientation, and related matters?	5 5 5 2 5 [4.4]	<ul style="list-style-type: none"> <li>Should we add a discussion of this to an agenda?</li> <li>Feel like we are scripted, how to add to agenda?</li> <li>Perhaps update policies doc for process to add to agenda.</li> </ul>
B. Do all Board members participate in a formal orientation?	5 4 5 4 5 [4.6]	<ul style="list-style-type: none"> <li>The BPU Policy Manual is a good starting point.</li> </ul>
C. Are Board procedures adhered to regarding bylaws, open meeting requirements, compliance with legal regulations, etc.?	5 5 5 5 5 [5.0]	<ul style="list-style-type: none"> <li>We go above and beyond</li> </ul>
D. Are meeting packets complete and distributed prior to meetings?	5 5 5 5 5 [5.0]	<ul style="list-style-type: none"> <li>The DPU seems to be slipping in this area since delays in packet production are becoming more frequent.</li> </ul>
E. Is the length of Board meetings appropriate?	4 4 5 4 4 [4.2]	<ul style="list-style-type: none"> <li>Are questions on consent items desirable?</li> <li>Can ask deputies questions.</li> <li>BPU is often reluctant to add extra meetings when they are required.</li> </ul>
F. Is there an annual Board calendar?	5 5 5 5 5 [5.0]	

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QUESTION	SCORE	COMMENTS/ POSSIBLE ACTION
G. Does the Board receive sufficient information to make good decisions?	4 4 3 4 4 [3.8]	<ul style="list-style-type: none"> <li>A large volume of data</li> <li>Usually yes. But options or implications are not always explained in Staff reports.</li> </ul>
H. Are decisions made in a timely manner?	4 4 3 5 4 [4.0]	<ul style="list-style-type: none"> <li>Perhaps the Uniper contract will eventually reveal the wisdom of the SMNR effort rather than uncut it.</li> </ul>

QUESTION	SCORE	COMMENTS/ POSSIBLE ACTION
<b>II. BOARD POLICY AREAS</b>		
<b>A. Accountability</b>		
1. Does the Board understand its obligation to see the organization acts in the best interests of DPU customer and citizens of the county?	5 5 5 4 5 [4.8]	<ul style="list-style-type: none"> <li>Board certainly understands their obligation.</li> <li>Believes every member wants to be on the board</li> </ul>
2. Does the Board act with diligence and objectivity on behalf of DPU customers and the County?	5 5 5 5 5 [5.0]	
<b>B. Responsibility</b>		
1. Do Board members understand their roles?	5 4 5 3 4 [4.2]	<ul style="list-style-type: none"> <li>Don't feel I've had much impact on policy. I do not shape policy.</li> <li>A board member makes a motion to add an item to the tickler. Refer to Boards &amp; Commissions Handbook and the BPU Procedures manual.</li> <li>Who is then responsible for presenting the agenda item?</li> <li>Generally, we try to approve budgets on time; occasionally we might influence policy.</li> </ul>

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2. Do Board members understand the difference between their policy role and management's administrative role?	4 4 3 4 4 [3.8]	
3. Do Board members actions reflect this understanding?	5 4 3 4 4 [4.0]	
<b>C. Policy Direction</b>		
1. Do Board members understand the mission, goals, and strategies of the organization?	5 4 5 4 5 [4.6]	<ul style="list-style-type: none"> <li>It's crystal-clear; as lieutenants our task is to implement established mission, goals, and policies in a cost- effective manner. The difficulty and conflict come in trying to actually influence alternatives.</li> </ul>
2. Does the Board give clear directions to management on the mission and goals of the organization?	4 3 5 3 4 [3.8]	<ul style="list-style-type: none"> <li>Sometimes it can be difficult to set clarity in goals. There is a fair bit of focus in setting goals.</li> <li>Example: risk separating from LANL. Risk discussion never took place. Who is deciding?</li> <li>Free and open discussions are not held</li> <li>Future agenda item -- Discuss lab participation risk, open market risk</li> <li>This is our most difficult task.</li> </ul>
3. Does the Board spend appropriate time on policy consideration and direction versus operational issues?	4 4 5 3 4 [4.0]	<ul style="list-style-type: none"> <li>Largely yes, but they do get into operational issues.</li> <li>Harder to distinguish between operational and policy issues since there is no business as usual. Things are constantly changing.</li> <li>Maybe need to adjust approach</li> </ul>

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QUESTION	SCORE	COMMENTS/ POSSIBLE ACTION
<b>D. Monitoring</b>		
1. Does the Board have a system for receiving and monitoring information about the DPU's organizational performance?	4 4 5 4 5 [4.4]	<ul style="list-style-type: none"> <li>We've got a pretty good system -- quarterly reports for utility systems and the Electric reliability rept. Board must decide what to do with the data.</li> <li>Quarterly reports, monthly status reports (especially electric distribution reliability). Can we develop similar reliability reports for Water, Gas, &amp; Sewer Systems?</li> </ul>
2. Are there systems for modifying policy, procedures, processes, and priorities when DPU organizational performance does not meet standards?	4 3 3 3 5 [3.6]	<ul style="list-style-type: none"> <li>This comes back to the point of "how does the board initiate action as opposed to approving action?"</li> <li>Not clear. Perhaps more BPU brainstorming on what policy to initiate. For example, would tabulating individual sewer back-up problems reflect reliability issues? Perhaps metrics for water pipeline/sewer breaks, gas delivery issues, or billing problems should be tabulated and reported</li> </ul>
3. Are organizational goal setting and achievements considered during the DPU Manager's evaluation?	5 5 3 5 5 [4.6]	<ul style="list-style-type: none"> <li>The public has no idea. The BPU should have one public facing statement on this issue. Even as simple as "We rated him as excellent."</li> <li>We need to spend time on process considerations before the next Utility Manager evaluation.</li> <li>Apparently, there is an APPA manual for this, but I have not seen it. Should it be part of BPU Policy Manual?</li> <li>Currently, no portion of the Utilities Manager's performance goals or evaluation is available to the public. If this question is important enough to include in the board's public self-evaluation, then the board should consider whether the public should know more about the UM performance evaluation.</li> </ul>

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E. Other Communication and Advocacy		
1. Does the Board represent the community interests it serves?	4 3 3 5 5 [4.0]	<ul style="list-style-type: none"> <li>We try to but limited contact with customers especially since the onset of COVID.</li> <li>A lot of these boards and commissions are filled with individuals with certain views and there is not always a good cross section of the public. Not a lot of volunteers, so the citizens get the government that they deserve.</li> <li>Stromberg – there are small community action groups but there may be a silent majority that the BPU never hears from.</li> <li>Difficult to say; progressives are well represented but conservatives seem too reluctant to come forward.</li> </ul>
2. Does the Board communicate the value of the organization to its stakeholders?	3 3 3 2 4 [3.0]	<ul style="list-style-type: none"> <li>Difficulty understanding the meaning of this question</li> <li>Should BPU/DPU even be involved in community outreach and re-education efforts?</li> </ul>
3. Does the Board seek input and involve its stakeholders in policy considerations and decisions?	3 5 5 4 4 [4.2]	<ul style="list-style-type: none"> <li>Input from the dept. and some from the survey. But lacking outreach and public involvement.</li> <li>Tobin – ask for public comment but awkward because BPU does not respond to it during the meeting.</li> <li>At a recent CC meeting after public comment, no dialogue but Chair Ryti he responded or directed the question to staff to answer.</li> <li>We try as demonstrated by frequent customer surveys and other feedback mechanisms.</li> </ul>
4. Do Board members support the organization publicly?	5 5 3 5 3 [4.2]	
5. Does the Board communicate effectively with the County Council?	5 5 5 4 4 [4.6]	<ul style="list-style-type: none"> <li>Mostly on Chair's shoulders. Council liaison has been open</li> <li>The joint BPU-CC Subcommittee has helped us focus on important issues of mutual interest.</li> </ul>

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QUESTION	SCORE	COMMENTS/ POSSIBLE ACTION
<b>III. BOARD RESPONSIBILITY AREAS</b>		
<b>A. Legal</b>		
1. Does the Board act within the guidelines set by the county charter and policies and procedures document?	5 5 5 5 5 [5]	
2. Are there written policies on Board ethics and conflicts of interest?	5 5 5 5 5 [5]	
<b>B. Financial</b>		
1. Does the Board approve annual operating and capital budgets and receive periodic (at least quarterly) progress reports?	5 5 5 5 5 [5]	<ul style="list-style-type: none"> <li>The quarterly Report has budget information</li> <li>We need to do a better job of reviewing that document</li> <li>Suggest a budget quarterly report similar to the one for utility systems. Or show how the budget ties into those systems. The process has really improved over the years.</li> </ul>
2. Does the Board review a financial plan for the organization and receive sufficient information to monitor its financial strength and performance?	5 5 5 4 5 [4.8]	<ul style="list-style-type: none"> <li>Feedback from staff does pertain to this question.</li> </ul>
3. Are financial goals and comparative ratios established and does the Board receive tracking information?	5 5 5 3 5 [4.6]	
4. Are the requirements for an annual audit met and does the Board receive a report on the results?	4 5 5 4 5 [4.6]	<ul style="list-style-type: none"> <li>One member of the board is on the audit committee.</li> <li>Audit final report includes findings and that is published.</li> <li>Need to assign board member participation and report out on audit committee</li> </ul>

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5. Are the organizations and the Board indemnified sufficiently against insurable risk?	5 5 5 5 5 [5]	
QUESTION	SCORE	COMMENTS/ POSSIBLE ACTION
6. Is the Board proactive in pushing for rate increases with the County Council when these increases are necessary for the financial health of the DPU?	5 5 5 5 5 [5]	<ul style="list-style-type: none"> <li>Supported by DPU 10-yr &amp; 20-yr projections for infrastructure replacement needs versus revenue projections. This continues to be a major improvement tool to communicate needs to County Council and residents.</li> </ul>
<b>C. Planning</b>		
1. Is the Board informed about the business environment in which the organization is operating?	4 5 5 3 4 [4.2]	<ul style="list-style-type: none"> <li>Yes, in general</li> <li>The frequency of IRP studies may have to be increased from every 5-yrs to every 2-3 years.</li> </ul>
2. Does the Board review and approve the organization's mission, goals, and major strategic initiatives?	5 5 5 5 5 [5]	
3. Do Board members usually attend annual DPU strategy and planning meetings?	5 5 5 4 5 [4.8]	<ul style="list-style-type: none"> <li>Other planning meetings go on without board member participating.</li> <li>The annual strategic planning meeting achieves this. Will have a new facilitator that may suggest a different approach.</li> <li>Dislikes the question. Planning takes place throughout the year.</li> </ul>
<b>D. Board/Management Relations</b>		
1. Is there a written job description and/or employment contract for the DPU Manager?	5 5 5 5 5 [5]	
2. Does the Board conduct a formal, annual performance review of the DPU Manager?	5 5 5 5 4 [4.8]	

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3. Is the DPU Manager's compensation linked to the results of this review?	5 5 3 5 1 [3.8]	<ul style="list-style-type: none"> <li>County Council takes it into account</li> <li>See comments from II.D.3</li> </ul>
4. Does the Board make resources available for the DPU Manager's continued professional development?	5 5 5 5 5 [5]	
5. Is there a succession plan for the DPU Manager, with exposure to the Board of possible successors?	3 5 5 5 4 [4.4]	<ul style="list-style-type: none"> <li>Board has consistent exposure to deputy utility managers (possible successors) but no formal written succession plan.</li> </ul>
QUESTION	SCORE	COMMENTS/ POSSIBLE ACTION
6. Has the Board established an effective working relationship with the DPU Manager?	5 5 5 5 5 [5]	<ul style="list-style-type: none"> <li>Yes, no notable contention, Philo is responsive to requests.</li> </ul>
7. Is there Board/management cooperation on determining the future direction of the organization?	5 5 5 3 5 [4.6]	<ul style="list-style-type: none"> <li>Earlier comments on agenda setting related to this question</li> </ul>
8. Are Board/DPU Manager roles clearly defined so the Board focuses on its policy role and avoids micro-management?	5 5 5 5 4 [4.8]	<ul style="list-style-type: none"> <li>We don't get involved in the details. But boundaries of the policy role are not always clear. Important to be informed of operations without directing the operations.</li> </ul>
9. Does the Board provide overall staffing direction to the DPU Manager without becoming involved in specific personnel matters?	5 5 5 5 5 [5]	
10. Is the Board explicit about the information it needs from the DPU Manager to fulfill its governance function?	5 4 5 3 4 [4.2]	<ul style="list-style-type: none"> <li>Not sure it is explicit. Request additional information but some is implicit</li> <li>It takes time for BPU members to understand what we should request.</li> </ul>

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F. Education and Development		
1. Do Board members participate in educational opportunities recommended and offered by the DPU or other entities that enhance their effectiveness as a board member?	4 5 5 2 4 [4.0]	<ul style="list-style-type: none"> <li>Participated in several in the last year</li> <li>Certainly, given several opportunities.</li> <li>Independent education/research but nothing offered by the dept.</li> </ul>

QUESTION		COMMENTS/ POSSIBLE ACTION
<b>OPEN-ENDED</b>		
What did the BPU accomplish during the past year?		<ol style="list-style-type: none"> <li>Progress towards carbon neutral goal</li> <li>Review of NuScale fuel design (Reyes talk)</li> <li>Better budget predictability through extension of profit transfer return</li> <li>Putting power purchase agreements into place to reduce near-term market exposure.</li> <li>Slowly but surely the WR wastewater plant is a few steps closer to being built.</li> </ol>
What did the BPU fail to accomplish during the past year?		<ol style="list-style-type: none"> <li>Improved visibility of customer service effectiveness</li> <li>Improved visibility of UM succession plan</li> <li>Restoration of our original 8MW CFPP subscription</li> <li>BPU did not pursue any new activities related to most environmental sustainability goals; however, the new IRP and the LARES report in early 2022 should present opportunities to renew efforts and discussion.</li> </ol>

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<b>QUESTION</b>		<b>COMMENTS/ POSSIBLE ACTION</b>
What did the BPU do well during the past year?		<ol style="list-style-type: none"><li>1. Improved timeliness of annual actions</li><li>2. Collegial, supportive environment</li><li>3. Better practiced at remote meetings</li><li>4. 10 Year rate increase projections based on hard data about costs</li><li>5. The UM performance process ran more smoothly this year.</li></ol>
What did the BPU do poorly during the past year?		<ol style="list-style-type: none"><li>1. Customer engagement</li><li>2. Communications between the BPU and the public</li><li>3. Communicating with the public about the UM performance process.</li></ol>
What were the key issues of the past year? Did the BPU address them adequately?”		<ol style="list-style-type: none"><li>1. CFPP engagement, yes</li><li>2. WRWWTP contract, yes</li><li>3. Replacing 25 MW of San Juan generation. Resolved in short run with Uniper 25 MW PPA.</li><li>4. Adapting to rapidly changing gas and electric market conditions. BPU has thus far supported staff in taking intermediate measures to adequately manage risk and is pursuing a new IRP to inform longer-term planning.</li></ol>

## Public Comments

I appreciate the board's discussion on community involvement and whether it represents the community. I agree that obtaining meaningful involvement and feedback is difficult. I believe that the pandemic has highlighted that community members tend to trust boards to operate in a manner that represents them, until a controversial subject arises. For further thoughts on that subject, reach out to our local school board:)

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Personally, asking whether I support a carbon neutral goal misses the mark. I suspect all support clean energy, but if you introduce the cost and reliability factors for the community's consideration, you get a significant shift in opinions, particularly in our community. For more on that topic, reference many of our recent county projects that would increase taxes/bond that were rejected by voters. Thank you all for your service to the county!!

## Staff Comments

James Alarid, Deputy Utility Manager - Engineering Division

**Observation** – I want to commend Chair Wright for his leadership and the board for their effective work. I believe the County Council has a lot of confidence in the BPU and it makes our work in gaining council approvals much easier.

**Question: What did the BPU do well during this past year.**

We have a number of complex technical evaluations, new electric generation investments, LANL contract renewal and related policy business items moving forward. The decision to hold a special meeting to discuss the Integrated Resource Plan (IRP) was a good decision. This is a good an example of providing a venue with enough time to discuss a complex issue. These types of business items will continue, and it would be good for the BPU to reflect on lessons learned from this meeting and consider approaching future complex business items in this manner.

**Question B. Financial, 2. Does the Board Review a Financial Plan for the organization and received sufficient information to monitor its financial strength and performance.**

In my almost 20 years with DPU we operated without a formal financial plan up until approximately 6-7 years ago. The existing financial plan was prepared fast in the spirit of “good utility practice”. The last 5- years have presented the most financial volatility such as gas supply/cost events, electric supply/cost events, a pandemic with huge cost/supply chain impacts and flooding from previous fires.

Chair Wright has recently questioned how firm is the line on the graphs reflecting the financial plan target. I am of the thinking that during these unprecedented financial uncertain times operating the below the target is not irresponsible. Board member Tobin has also stated in policy discussions that the BPU needs to set “bold and impactful policy”. So here are my thoughts on how this can be done and benefit each one of our customers.

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- 1) I believe we can create a financial plan that can leverage the **emergency repair component** of the reserves from all four utilities. We maintain reserves for emergency replacements in each of the funds.
  - a) The emergency reserves in all six funds all are about \$1 million each.
    - (a) The risk of having more than one emergency in the same year is low. I believe there could be a reserve fund that is half (or less) of the current plan's requirement for emergency repairs which could be applied to all funds.
- 2) FACT: We are the richest County in the state with 10's of millions in the bank.
  - a) The general county and the DPU operate in the spirit as one entity, to meet our customers' needs in all aspects of our operation except finances.
  - b) I see no reason why a line of credit or emergency loan procedure could be created where the idle money in the bank could be accessed by the DPU in the event of an emergency.
  - c) We have Council/DPU policy committee in place which is the perfect format to engage in this conversation.
  - d) We are municipal owned utility with options that have not been exercised.

Cost/supply uncertainty are the worst I have seen in my 20 years here. Revisiting our financial plan would be prudent at this time. There are alternatives to raising rates to our customers. In addition to the two suggested options above, a third-party review of our existing financial policy, baselining actual utility practices, and considering the probability and risk of emergency occurrences would likely justify lowering our current reserve requirements.

Heather Garcia, Deputy Utility Manager - Finance & Administration

I suggest reinstituting the Rate Stabilization Reserve fund for Gas or review of the cap limit for the variable rate for gas. The event in February that caused the variable rate to reach its cap/limit, this caused a ripple effect in the gas rate calculations. A rate stabilization fund could allow DPU to set rates without enacting the cap while recovering funds over a period from revenues and alleviating some of the ripple effects experienced. A rate stabilization fund would warrant an increase to the fixed gas rate as reserve targets would increase for the Gas fund. A cap limit increase could also achieve a speedy recovery of funds but has a greater overall impact to customers.