

Utilities Customer Advisory Group

Minutes for the Meeting on

June 23, 2021

3:00 p.m.

Zoom Webinar

Committee Members Present

Paul Royalty, Chairman

Elizabeth Bardwell, Vice-Chair

Frank D. Gomez, Committee Member

Robert Snyder, Committee Member

John McElroy, Committee Member

Others:

Gregory Shervanick

Philip Simpson

City Staff Present

Delilah Walsh, Utilities Director

Adrienne Widmer, Assistant Utilities Director

Jose Provencio, Deputy Director Business Services

Domonique Rodriguez, Rates and Economic Analysis Manager

Mario Puentes, Gas Business Analyst

Tanya Cereceres, Administrative Assistant

Vice-Chair Royalty called the meeting to order at approximately 3:00pm.

Royalty: First thing I want to do is I have to read a little advisory about being able to, because we're holding this meeting in remote, first of all we will need to make sure that we are considering that we are wholly remote. We need to remember that we need to announce the names of those members of the public that are online and that are participating. As those members speak, they must identify themselves whenever they do speak, and members of the public are afforded remote access through the web link. If the audio or video of this proceeding is interrupted, then we need to suspend the discussion until the link is restored. All voice votes will be by roll call. I do know that we have a quorum at this time looking at the people that are in attendance. At this time, I'd like to begin by asking who is here and if you can announce your name and that sort of thing.

Snyder: This is Bob Snyder, and I am here.

Royalty: All right. Good. Thank you Bob.

McElroy: This is John McElroy, and I'm here.

Royalty: Thanks John.

Bardwell: Beth Bardwell and also present.

Chair Royalty: Good.

Cereceres: Mr. Gomez. You're on mute.

Gomez: Am I there now?

- Chair Royalty: Yes, sir.
- Gomez: Okay, Gomez here with flying colors. Let's get the show on the road.
- Chair Royalty: I'm looking for those flying colors. Anyway, anybody else from no public online? Okay. How about staff for the Utilities? Could you announce yourselves please?
- Walsh: Delilah Walsh, Utilities Director.
- Provencio: Jose Provencio, Deputy Director of Utilities with Business Services.
- Rodriguez: Domanique Rodriguez, the Rate and Economic Analysis Manager for Utilities.
- Cereceres: Tanya Cereceres, Administrative Assistant.
- Royalty: Okay. Well, welcome everyone.

1. Conflict of Interest:

- Royalty: I want to start out the meeting. What I need to do is I need to ask if there is anybody in attendance here either on the committee or any member of the City staff that has a known conflict of interest with any of the items on the agenda.

There were none.

2. Resignation of Chairman Suttmiller:

- Royalty: The first item on the agenda or second item on the agenda then is to actually, because we had Mr. Suttmiller resigned, then then I am actually acting as Chairman for this meeting.

3. Introduction and Selections of Chair and Vice-Chair:

a. Introduction of Newest Member:

- Royalty: Then going forward, and the next item is what we need to do is introduce the new member that we've got. John, would you like to come on board and give us a little bit about yourself?
- McElroy: Yes. I'm John McElroy. I'm a civil engineer. I've worked both in the public and private sectors. I'm a graduate of New Mexico State University. Worked in those, the civil engineer for probably the last 40 years. Twenty-eight of those years with New Mexico Department of Transportation. The last 12 years or so in the private sector. I'm currently still working in the private sector as a consultant.
- Royalty: Okay, good for you. Well, welcome aboard. We appreciate you becoming a member of UCAG.

McElroy: I've also just, I've lived in Las Cruces for the last six years. I moved here six years ago.

Royalty: Good.

McElroy: Here for a little while.

Royalty: You're a newcomer, then to Las Cruces.

McElroy: Yes, I am.

b. Vote on New Chairman:

Royalty: I think the next thing on the agenda then is to vote on a new Chairman. Do I have any motions for the floor for a new Chairman?

Bardwell: I would like to nominate Paul Royalty to be our next Chairman.

Snyder: I'll second that.

Gomez: I'll third this.

Royalty: Well, thank you guys. I guess the question is that we need to have a vote on that. We're going to do a kind of a roll call vote. I'd like to go ahead and get a vote on that. Can I get a motion? I guess I need a motion before we can actually vote on it.

Gomez: I so make the motion.

Royalty: All right. Then that being the case, is there any discussion?

Bardwell: I second the motion.

Royalty: Okay. Is there any discussion? I'd like to say thank you very much for the nomination. Then we need to take a vote roll call vote.

The New Chairman, Paul Royalty, was Approved Unanimously 5-0.

c. Vote on New Vice-Chairman:

Chair Royalty: Then that being the case that we need to have a motion then for a Vice-Chair. Is there anybody that would like to make a motion and then we have a vote for a Vice-Chair.

Bardwell: If it's acceptable, I would like to offer my services as Vice-Chair. If anyone agrees with that and would like to make a motion to nominate me, I would be very happy to serve in that capacity.

Gomez: Young lady, I'd be more than happy to nominate you. Good smile. Thank you.

Snyder: I second that.

Chair Royalty: Okay, and Mr. McElroy, are you in agreement with that?

McElroy: Yes.

Chair Royalty: Okay, I don't think we need to vote on this. I just think we need to appoint as far as that goes. Then we have that volunteer, so thank you Ms. Bardwell for volunteering on that.

The New Vice-Chair, Elizabeth Bardwell, was Approved.

4. Acceptance of the Agenda:

Chair Royalty: Okay, so moving on. I want acceptance of the agenda. Taking a look at that, can I get a motion to accept the agenda as it is written?

Bardwell: I move to accept the agenda.

Gomez: I second that.

Chair Royalty: Okay. We need to I guess go through the motion again of going down the list. All those in favor.

The Agenda was Accepted Unanimously 5-0.

5. Approval of Minutes:

5.1. Regular Meeting Minutes of March 10, 2021

Chair Royalty: All right now we need the approval of the minutes from the last meeting. Do we have a motion to approve that?

Gomez: I so move. Sorry, lady, go ahead.

Bardwell: No, it's fine Mr. Gomez.

Gomez: All right. I do make the motion that minutes be accepted.

Chair Royalty: Okay.

Bardwell: I second.

Snyder: I'll second the motion.

Chair Royalty: Okay, so we've got that. We need to go through the process again.

The Minutes were Approved Unanimously 5-0.

6. Public Participation:

Chair Royalty: The next thing on the agenda is public participation. Do we have anybody out there that would like to make a presentation or would like to do that? We're going to limit the presentations to 10 minutes, if there's anybody that wants to speak at this point. All right. Hearing none.

There was none.

7. Gas Rate Review:

Chair Royalty: Then we're going to move forward then to the Gas Rate Review. Most of us here have seen the presentations two or three times now through our several meetings. I just want to reiterate and basically for Mr. McElroy and anybody else a little bit about what has taken place and where we are at this point. All right. The rate review, as there are three options, it's under consideration here for the rate review and one is the full cost implementation of the new rates in one year. The second one is a limited phase in cost increase for two of the most impacted customer classes; that's the small and large commercial customer classes, and those are to be phased in over three years. We have the third option then is a full phase in cost increase for all customer classes for over three years.

Some of the facts about the Gas Rate Review is the fact that the increased overall revenue is by \$2.4 million annually. The last Gas Rate increase was in 2011, 10 years ago. The average residential monthly bill today is \$26.87, including the access charge. A full cost increase would see the average residential bill go from that \$26.87 up to \$29.33. The average small commercial monthly gas bill today is \$75.15, including the access charge, and a full cost increase would see the average small commercial bill builder \$107.00, and they're the ones that are the most impacted in the rate increases. That being said then what I would like to do then is to get Domonique if I can actually have you actually go over then anything that may need to go over for this rate. Can you guys hear me?

Snyder: I can hear you.

Chair Royalty: Okay. Good. Domonique is there anything else that I have kind of missed as I was kind of summarized there?

Rodriguez: Mr. Chairman. This is Domonique Rodriguez. No, you summed it up quite nicely.

Chair Royalty: Okay good. Thank you.

Bardwell: I do have a question. I'm not sure now is the appropriate time to raise this issue, but do we have an opportunity to discuss the scope of the options under the rate review to add to what you just said Paul?

Chair Royalty: Yes, I think that's what we've got. Right now I don't have a motion on the floor, but we can open this up for discussion now and then we'll look for some motions later on here after this discussion.

Bardwell: One thought, I have some comments about the information in the flyer that was distributed during the last public outreach. At the appropriate time, I would like an opportunity to raise some questions and provide some suggestions about how to make the information on that flyer more comprehensive.

The one comment that I would have to add to what you said Paul, is that one option that the, and you can correct me if I'm wrong, but my understanding is one option that UCAG could take is to recommend that the rate increase not proceed. It's not just that there are three options available where we can phase in this increase in one of three ways moving forward, all immediately or in a phased approach, but there is the possibility that UCAG would vote not to proceed with the rate review based on public comment that's been received. I just want to clarify that, and you can correct me if I'm wrong.

Chair Royalty: I think that is I would say opportunity. That is a proposal that could pass if possibly go. The problem that we've got, and I'm going to speak and maybe Joe Provencio is better to speak at this than myself, but the thing that I would caution in that area is the fact that the Utility is every month they're going more in the red because they're paying for this additional Cost of Service. The Cost of Service for this Gas service that we're talking about. Then if we didn't go forward then there would have to be some drastic action that would have to take place at the Utility. That drastic action is going to be delay of projects and possibly that kind of thing. My personal view, and when we get ready to vote on this would be the fact that we would have an opportunity is I think Ms. Bardwell, why don't you put that in a motion that would make that as one of the options and then we'll have to select from, kind of vote on the selecting of the options and see how we go from there. That'd be appropriate.

Bardwell: My understanding is that as the Utility Customer Advisory Group that we are gathering public input on the proposed rate review. That one of the options that our group could do based on public input, I don't think we're ready to vote today Paul, because we're still gathering public input. We will continue to gather public input; I think that's part of the purpose of today's meeting is to extend it. That based on customer input, we may consider an array of options. I think one of those options could be given that we are coming out of a pandemic, and the economic situation that many of our citizens and businesses are in Las Cruces, that we might choose to not increase rates at this time. I don't know if that's the direction we'll take, and I don't think we're going to take a vote today. I want to open up the possibility or make clear at least from my perspective that that may be an avenue we choose based on public comment that comes in. I felt that the information that was included in the flyer that went out to our customers narrowed the options that we might choose. I just wanted to clarify that point from my perspective, that I have

an open mind at this point really. I'm still looking very much forward to public input. I've been considering the public input that's been provided to date on a number of different aspects of the rate review. I hope we give those serious consideration. They seem to be very thoughtful comments.

Chair Royalty: Okay. Domonique, can you give us an overview of what the feedback has been, or the feedback as far as from the customers has been?

Rodriguez: Joe had his hand up. I'm not sure if you wanted to ...

Chair Royalty: Well, I didn't see that. Okay, let's move to Joe then first.

Rodriguez: Okay. Thank you.

Provencio: Thanks Chairman. Chairman. Jose Provencio, Deputy Director of Business Services. To address the point that Commissioner Bardwell did raise and part of discussion that you forward Chairman, both of the points are entirely valid in terms of the purpose and the content of the UCAG Committee. The reason the review was commissioned, and it was commissioned approaching a year ago was to review the adequate rate level that the Utility is recovering. Now the point is, is there was three options that were presented. I know that we've had some feedback from the public that you know coming out of pandemic restrictions and the pandemic slowdown, there are some individuals and some businesses that are hurting. We still can keep the focus of looking at one of the three options. You know one of the three options. Another one would be is you know if you're going to phase in, maybe not backload, the increase over a period of years. The three years a little bit more towards the latter years than in the foreword years. That's the main crux of the entire review is to make sure that, and I do realize that there is some tough times that have been faced by our customers and our businesses, the health and the reliability of the Utility is still in question. We can, as the UCAG continues the public outreach and information and data gathering, it is a bona fide response from many of our customers. That would be totally categorized in the final review of the UCAG of the public outreach. Submit those numbers or that data to the Board, as well as some of the concerns that you have. It's just I think it's well, not that it is a bit premature to say no increases as a choice. We do have to have and work within the constraints of the financial viability of the Utility.

Chair Royalty: Okay. That being the case, can we get an idea then what the total, if we look at the total numbers on looking at the feedback that we've gotten from the public?

7.1. Public Outreach Update

Rodriguez: Mr. Chair. I will give the presentation of the public outreach update.

Chair Royalty: Okay.

Rodriguez: This is the update for the initial customer outreach that was completed, it began May 5th through May 26th. Two Zoom meetings were held. There was also a page that explained the Rate Review and included the documents as well as a UCAG e-mail for outreach to be sent to there as well. This table shows the two meetings. There was a total of four attendees at each meeting. This was the comments that we received back in one of the meetings. There was a comment for no increase, as well as from the UCAG e-mail there was responses from customers where one individual picked option one, six individuals picked option three, and five individuals commented of no increase.

During this public outreach in May 2021, our mailing was sent out via bulk mail instead of first class, which resulted in a delayed receipt of notification by our customers. With that being said, at this time LCU recommends to the UCAG that the public outreach period be extended at least through July 2021. With the contingency of having additional meetings, if needed, and this would be up for discussion and then decided upon by the UCAG. Customer feedback has also indicated additional topics for outreach communication. Our kind of next timeline if we were to move forward with public outreach being through the month of July, would be that in August I would come back again and provide the comments from the public outreach period. The UCAG would then discuss and vote a recommendation that would be presented and move forward to the Utilities Board. At this time, the UCAG can discuss what public outreach continuation would be based on this update, and based on what our recommendation here at Utilities is. Then your direction will then move myself and staff to move forward with scheduling those additional public outreach events. That's it for this presentation if you have any questions or comments for me.

Chair Royalty: Okay. Go ahead Ms. Bardwell.

Bardwell: Thank you. One I want to just extend my agreement and appreciation to LCU for extending the opportunity for public comment because of the delayed mailing that occurred and because many of the public comments that did come in were customers that expressed frustration that they were notified of a public meeting that had already taken place. I agree, let's step back, let's offer to extend the opportunity for public comment. I would be willing to participate in additional webinars as needed if that's the decision of staff that that would be worthwhile.

I do think it's really important for us because it wasn't just a delayed mailer, there was also an error in the news article public advertisement. Sorry, here, I'm outside so there's some noise it's going to be gone in a second. That one of the public advertisements in the Bulletin had the wrong time I believe. I just think it's really important for us to make sure that we dedicate the necessary staff time to make sure everything goes very smoothly this next time so that there's no question that we're providing an opportunity for public comment. I also have some requests for changing the information that's in

the flyer so whenever you're ready to enter into that topic let me know, Domonique and I'll come back on.

Chair Royalty: Okay, I think the question then that we need to do is we need to get a motion from the floor to actually say we want to extend the outreach through the end of July. Can I get a motion to that effect?

Bardwell: I move to continue public outreach, including presentations on the Gas Rate Review through the month of July.

Snyder: I second the motion.

Gomez: Thank you, Bob.

Chair Royalty: Okay, motion passes. Okay, so there's a second. So all those in favor?

The Motion to Extend Gas Rate Review Public Outreach Through July was Approved Unanimously 5-0.

Chair Royalty: In that motion was something out an outreach, so we need to come up with a date then for the outreach that we're going to do or for the meeting. I'm assuming to what you're talking about Ms. Bardwell is another one meeting where like what we had before where it's actually we're asking for comment from the customer. Is that correct?

Bardwell: Yes. With regard to presentations that we would hold two Zoom webinars, much like we did. One offered during the daytime, one offered at night for people who can't attend because of work obligations, is what I think would be appropriate. Spaced maybe a week or a week and a half apart, so that there's an opportunity for people to attend one and listen to the information and digest it and synthesize that information. If they wanted to come back and ask questions at a second webinar they could.

Chair Royalty: Okay. All right. I think that needs to be worked out then with the Utility over there. We'll have to work through that and see what is appropriate for that. I think we'll just leave it up to them then to schedule that appropriately. Domonique is that in your purview then to do that?

Rodriguez: Mr. Chair. As of July 1, we were actually able to hold meetings live.

Chair Royalty: Okay.

Rodriguez: I think instead of having the Zoom, that we could schedule two meetings in person, we could do one during the day and then one in the evening.

Chair Royalty: All right that sounds great.

- Rodriguez: Okay.
- Chair Royalty: That sounds great being able to do that. I'm going to leave it up to you to schedule those, if you don't mind.
- Rodriguez: Yes sir.
- Chair Royalty: Plenty of time to advise for us to get notice in the newspaper. Also, to get information out to the public, maybe we put it on our web page as well.
- Rodriguez: Yes, will do.
- Chair Royalty: All right. Very good. All right. Any other items right now that we need to look at? We're going to continue the outreach and look at that. Is there anything else, items that we need to bring up at this time?
- Bardwell: To follow up on my earlier comment regarding the Gas Rate insert. Are you anticipating sending that back out Domonique, during this period with advertising the date and time for the meetings which is what we included in the previous one? My question is, are you anticipating remailing that flyer to customers with the new dates?
- Rodriguez: Mr. Chairman, Miss Bardwell. Yes, we will advertise in, and maybe they'll probably be like just kind of small dates and times, and that this is where we're going to be at, this is what it's for. Then we are looking to do possibly another bill insert similar to what we did last time.
- Bardwell: Can I make some, I would like to share my suggestions for changes in that bill insert.
- Rodriguez: Okay.
- Bardwell: The comments, and I'm trying to sorry for the noise level here. I'm just trying to keep. I'm just trying to look at some documents while we talk. It's all on my computer. The first comment I have is at the bottom of the flyer it says there are three options being presented by the UCAG, and we list the full cost, limited phase in for some customer classes, and then a limited phase in for all customer classes. I feel like we should represent in this flyer that that to better reflect the scope of public input that we are seeking that we expand it to say whether the rate increase is reasonable, and if approved over what period of time the rate increase should be implemented for each customer class. I mean you can either keep that the way you've broken it out now and add a fourth bullet that says something like whether the rate increase should be implemented at all. I just want that possibility available to our customers who are reading this, so they understand we have an open mind. We are basically requesting their input based on the information that's being provided, whether the rate increase that is being proposed is reasonable, which is a statutory requirement. I don't want to foreclose in their minds that notion that we're

open minded about hearing their public input and responding to their feedback. That's one comment.

The second comment I have is I feel like now that the Las Cruces Utility Board has passed the emergency surcharge rider, we need to reference that in this flyer because, one; I don't want customers to get confused. All of a sudden, they're going to be seeing an increase in the cost of gas because of the emergency surcharge rider and they'll get confused. Well, is this what the Rate Review is proposing or what is this that I'm seeing now on my bill? I feel like it's important for us to make a reference to that resolution that was passed, and that customers will see this increase in what they're being charged for gas, that will be implemented, that's being implemented as of June 1st. But that is not what we're talking about when we talk about the Gas Rate Increase, we're talking about an increase on top of that agency surcharge rider. That's the second change I'd like to see.

Then the third change I would like is we have language in there describing the basis for the rate hike. I think we need to modify that language to accurately reflect where this rate increase is coming from. I think we want it to say that it reflects an increase in staff positions in addition to wages and benefits. That an increase of almost \$1 million in new annualized debt service to pay for gas development, in addition to maintenance and safety of gas lines. I offer those recommendations in the spirit of being very transparent and accurate about the information we're sharing with the public.

Rodriguez: Mr. Chairman, Ms. Bardwell. Thank you. I have taken note. Just a clarification, the Rate Review does not include new positions. Those are just for the positions that we have, so we will leave it for the benefits.

Bardwell: Well, you are filling vacancies.

Rodriguez: Right but they're not newly approved positions.

Bardwell: That's fine. You can say filling vacancies.

Chair Royalty: Okay, I think that is an administrative type thing that if I can leave Ms. Bardwell and Domonique, you two can get together and work those out because I don't know that we need to get involved in that wordsmithing in this committee. Okay. Moving forward, are there any other points that we need to make? Anybody wants to bring up, points of interest?

Bardwell: I don't know if we're moving away from public outreach or you're opening this up as a general discussion Paul, if you could be more clear about where we're moving in the agenda.

Chair Royalty: Well, I was, I'm looking at what I want is any other discussion on anything we need to do going forward on the Rate increase, and then we're going to open it up for other items.

Bardwell: The one other comment or request I would have Domonique and I'm happy to make a motion if necessary is, when we come back in August after receiving additional public input or the public input we've received to date, I would request that all of those public comments be provided to the Board in appendix to a document that summarizes the issues that have been raised and the responses that the Utility staff has provided so that it's a summary document that captures by category the number and comments we've received, kind of like that first slide you had, but greater detail in your presentation. Then in the appendix have the actual comments attached there in a PDF, and that that document would be shared with the members of UCAG, but then also that would be a document that would be forwarded to the Las Cruces Utility Board along with our recommendation.

Chair Royalty: Then we can vote, then we'd be able to vote on our recommendation at that meeting in August. The meetings in July then will be informative in nature for the customer. Does that sound acceptable Domonique?

Rodriguez: Mr. Chairman, Ms. Bardwell. Yes, we can provide that in the August meeting.

Chair Royalty: Okay great. All right.

Rodriguez: Mr. Chairman. I have another presentation as well.

Chair Royalty: Okay.

Rodriguez: Before we move on to your other items of interest, if you're ready for it.

Chair Royalty: I'm ready for it.

Rodriguez: Okay. This presentation is to provide some comments that we received during our initial public outreach. The first comment was about Gas Main Extensions that is within our CIP, which is our Capital Improvement Plan. The Gas Main Extensions are within a category of the CIP which is called Development. It is comprised of gas system development, which gas system development, which is development of the utilities core low- and high-pressure distribution system throughout the service area. This includes new mainline infrastructure connecting new subdivisions. What that kind of means is that developers install utility infrastructure, and its gas, water, wastewater. At the end of that, once the installation and everything is completed it is accepted by the City and it is turned over to the City. Property owners who live in these subdivisions then pay for these when they close on their homes. They do pay for these new utility infrastructures.

There are also within this category projects to extend the low- and high-pressure distribution system for demand, redundancy, and reliability. With all of these projects service lines and connection fees are paid by the requesting customer. Mainline infrastructure that connects underserved areas and the

gas service area is administered by our Gas Main Extension Policy, which accesses the cost to the customers where the extension costs exceed the revenue justification allocation. I have a little bit more of that in a later slide.

My next slide shows a table where projects are included in the Rate Review and are part of the new debt that was discussed. This table is broken down by project name. Then what we did is we categorize these projects to what is tied to redundancy in the system, what is for line extension, and what is to increase capacity. For those that tie to line extensions what we do here in LCU is we do a survey, or we reach out to new customers and we see who would like to take on new service before we move forward with the design and then the ultimate construction. We do reach out to customers and do some public outreach that way when we're doing this. We wanted to provide this to you so you would know what these are for as well.

Then we also wanted to remind the UCAG based on our financial criteria, debt can be issued to fund system expansion and extension. LCU has an obligation to provide affordable energy resources to our customers within our service area. The next slide shows what our service area is in comparison to the City limits. The service area is the straight line that has no dots or anything in it. Then the City limits are those where it's red and black and dotted. Our service area does extend out of our City limits. We just wanted to make you aware of this as well.

Then this is the Gas Main Extension Policy. This is a little bit more information that I was talking about a little bit ago. You can find this on our gas tariff sheet, page 11. The objectives of this extension policy is to administer extensions of natural gas service to customers in underserved areas, construct and extend gas main distribution, reliability, and redundancy to the system. Then we also have in there a standard connection allowance, and this evaluates the standard allowance which is based on a five-year revenue stream and the total cost of the specific Gas Main Extension. That allowance is then given to the customers. They can use that for the payment of the line extension.

These are comments that we received, and we wanted to bring it forth to you. We'll do it a little bit different as you have requested in the August meeting. This is what I was trying to cover. That is the end of my presentation. Joe and I are here if you have any questions or comments.

Bardwell: I have a couple of questions. When you survey for these projects, and I assume you're conducting these surveys when you're extending service into an unserved area. That that's the purpose for which you conduct these surveys. Do you ask for a firm commitment from residential or business that live within that unserved area or are you, it's just, tell me more about the survey process and what that means in terms of a firm commitment.

Provencio: I can address your question Commissioner Bardwell. The entire structure was defined and set up through the Gas Main Extension Policy. Before that the

whole process was ad hoc. There was no unified engineering review and design review as we extended into these underserved areas. To your question in terms of the survey, this is all embodied as part of the Gas Main Extension Policy where an area that has the potential to hook up new customers, it's set out as a flyer. There are three series of letters that go up to all the property owners informing them first that there is the potential for access to natural gas service. The second flyer is based on actual intent and desire and willingness to hook up to access gas service based on the threshold that if more than 25% of the projected neighborhood or area is has an interest in accessing and connecting to service, that is then forwarded to the engineering group to design and establish a baseline estimate of the total cost of the project, and the ultimate unit cost per parcel for the customers to view and what the allowances able to cover on a per unit parcel basis, and in the event of the allowance not covering that total cost, what that would be assessed to the customer based on the total cost of the extension. The customers are informed at three different stages of the entire process. When it is complete, they have a final letter going to the property owner to advise them to contact and schedule a meeting with the new connections so that process can start and begin with connecting customers to that project.

Bardwell: In that process there is no obligation on the part of that resident or business who expressed an initial interest in exploring the idea of receiving gas service. There's no contractual obligation on their part to actually contact the Utility and say, please come I want to pay whatever the cost is to hook up. There's no contractual obligation, is there?

Provencio: Chairman, Commissioner Bardwell. There is no contractual amount. However, there is an incentive. Within the extension policy, that if you contact us within a six-month period, the cost that's met and covered by the allowance applies. Anything after that, they would have to pay the entire cost of the Gas Main Extension. It's based more on incentive rather than contractual obligations. That it's really in the interest of the customers wanting to hook up to gas service, they realize that they have the numbers and the information in front of them that shows the net or if the allowance fully covers the cost of extension within that six-month period. Beyond that they have to pay the total rate.

Bardwell: Okay. I have another question but there's a lot of noise. Let me just wait till a couple of cars pass. The other question I have is, so you're talking about an allowance. This is new to me, so bear with me because I'm not sure I understood all of the technical explanation that you provided. There is an allowance, there's some type of cost benefit analysis that is carried out by your engineering staff to determine what cost the new customer has to bear for hookup. Is that the same thing as, or related to the term you used earlier revenue justification allocation? Is that related or the same thing or?

Provencio: Chairman, Commissioner Bardwell. Revenue justification it's another label or another title for the five-year revenue stream that's expected from the connection of the customer. Do apologize for mixing in different terms. The

allowance is based on the Cost of Service revenue stream of connecting a customer and that's the basis to offset the extension of the gas main to those properties or the neighborhood. It's the process that applies that, it's revenue justification, or the revenue stream over a five year period to offset and cover costs of Gas Main Extension. So it is one in the same.

Bardwell: Okay. I guess the question I have and I have heard some discussion of that, it involved other discussions with other customers and interested parties on this issue. I don't know the answer so I'm looking for confirmation of what they told me. To what extent do existing customers subsidize new gas lines to unserved areas based on your allowance calculation? Does that, is that question, is that ...

Provencio: Chairman, Commissioner Bardwell. I think I understand what the question may be. That is the basis and the intent policy of the Gas Main Extension to clearly define what the costs are to extend main service into an area. Remember, all the service lines, all the metering costs, everything after the gas main is paid and borne by the customer, regardless. Once that is quantified and presented to the customer so that the customer makes their own economic decision to access gas service, they pay the (*inaudible 1:11:12*) or they pay into whatever the allowance may cover the cost of the extension. In some cases, it's not, but they still have that information. Ultimately, the subsidy is minimized to nothing to point that those requesting and asking for that service pay for that. It's more organized through the Gas Main Extension Policy and all the information is provided. The engineering conducted to calculate what that is allocated or divided amongst the potential access points in the neighborhood, is clearly noted by those customers. The subsidy is next to nothing, because we still have to extend gas mains to provide service for the entire service area, and to maintain proper pressure and volume in our core network.

Bardwell: Thank you so much for that additional information and clarification. I appreciate it.

Provencio: Yes ma'am.

Chair Royalty: Okay. Any other questions concerning this? One I've got. I've got a question and I want to make sure I understand this. Is that this charge when engineering goes out and they calculate that, I think it is, and Joe you can correct me if I'm wrong, is over a five year period then that the income from the services then that are proposed, then actually pays for that fee that you're talking about there that is the assumption then that you've got that how much the cost is going to be, how much the utility actually provides, and if it's above that then the customer pays more than that. Is that the correct assumption that I've got there?

Provencio: Chairman, Commissioners. That's correct. It is very similar to line extension policies that are offered by investor-owned utilities, other gas companies.

Municipals. It's a means to provide all the information upfront that applies to all extensions, and the process is uniform and consistent throughout the service area. Revenue justification is a means to look at absent that revenue coming in, the Utility would not have received it. There is an incentive based on the expected revenue that would be generated by those customers. Anything above what the allowance is able to cover. In five years was the period that was selected when we proposed this policy about five or six years ago, that was deemed reasonable by the Board. We've been administering mainline extensions from that point on under this existing policy. Just to come back to what your original question was, yes, the allowance is at least the expected revenue that would be coming in over five-year period and how does it apply to cover the per parcel cost of a gas main extension within that neighborhood or that area?

Chair Royalty: Okay. That's what I wanted to know. I thought it was, and I had read that someplace. Okay, any other? Yes ma'am.

Bardwell: Mr. Provencio. Would you be willing to share that policy with me? Would you be willing to e-mail me that policy? I'd be interested in taking a look at it.

Provencio: Chairman, Commissioner Bardwell. We will certainly, I can, it's part of the gas tariff, and I will e-mail it to you. We can e-mail it to you directly.

Bardwell: Great. Thank you.

Provencio: Yes ma'am.

Chair Royalty: Actually, it's right on the agenda and it's under Natural Gas Main Extension Policy.

Provencio: Okay.

Chair Royalty: It states it there. You can click on that, and it take you right to it.

Bardwell: Yeah, I'm thinking I may have already read it. I just wanted to make sure there isn't something that I haven't had a chance to read yet.

Chair Royalty: I read that this morning and that's where I think I got the five years on that. Anyway, it's there. If you have a problem getting it, then you can get hold of Mr. Provencio or myself and we'll see if we can find it for you. Any other discussion, open discussion beyond the tariff or beyond the rate design?

Okay, so then the next question is the next meeting that we're going to have, and we said that we were going to put that off, instead of having, we're going to a couple meetings in July, and then one in the afternoon and one in the evening then for outreach and to get some input for our rate design.

8. Other Items of Interest:

Chair Royalty: Any other comments, suggestions?

9. Committee Discussion:

10. Next Meeting Date:

10.1. August 11, 2021

Chair Royalty: Then so then the next meeting that we're actually going to sit down and actually have a formal meeting like this is going to be in August. That's going to, and I haven't looked at what that date would be, it's going to be August.

Bardwell: I think it would be August 11th if my calendar is correct.

Chair Royalty: Yes, it would be August 11th is the second Wednesday. August 11th then would be the very next meeting that we've got. As far as a formal meeting, and we will actually vote and plan on voting at that meeting on what to advise the Utility Board going forward. Then we will have two meetings then in July, where we're actually going to be outreach meetings as far as that is concerned.

11. Adjournment:

Chair Royalty: Okay, I'd like to get a motion that we adjourn.

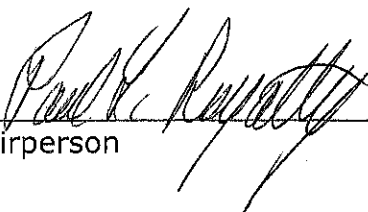
Gomez: I so move.

Chair Royalty: Okay Mr. Gomez. Thank you. Do I have a second?

Snyder: I second the motion.

Gomez: Thank you Bob.

Chair Royalty: All right. I don't think we need to that a roll call vote on that. We're very good. Appreciate it.



Chairperson