ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY
WEDNESDAY, JANUARY 26, 2010, 5:00 P.M.

ALBUQUERQUE/BERNALILLO COUNTY GOVERNMENT CENTER
ONE CIVIC PLAZA, NW
ALBUQUERQUE, NEW MEXICO 87102

Before: Paul Baca
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

A P P E A R A N C E z

COMMISSIONER ART DE LA CRUZ, Chair
COUNCILLOR TRUDY JONES, Vice Chair
COMMISSIONER MAGGIE HART STEBBINS, Member
COUNCILLOR REY GARDUNO, Member
COUNCILLOR DEBBIE O'MALLEY, Member
COMMISSIONER ALAN B. ARMijo, Member
RICHARD Jimmy. BERRY, Mayor (Excused)
TRUSTEE PABLO RAEL, Ex-Officio Member (Excused)
MARK SANCHEZ, Executive Director
DAVID CAMPBELL, Administrative Officer, Alternate Member
CHAIRWOMAN JONES: Good morning, everyone.
Thank you for attending and watching. I now call this January 26th, 2011 meeting of the Albuquerque Bernalillo County Water Utility Authority to order.
Let the record reflect that all members are present and also that there will be a change in the agenda. Item 10A, election of officers, will be moved after Item 4, proclamations and awards.

Let's start, please, with a moment of silence and the Pledge of Allegiance, led by our newest member, Michelle Lujan Grisham.

(Whereupon, there was a moment of silence.)
(Whereupon, the Pledge of Allegiance was led by Commissioner Michelle Lujan Grisham.)

CHAIRWOMAN JONES: Thank you. And welcome, Commissioner Lujan Grisham.

COMMISSIONER LUJAN GRISHAM: Thank you very much.

CHAIRWOMAN JONES: Thank you.
I will making a motion, please, to approve the December 8th, 2010 minutes. Is there a second?

CHAIRWOMAN HART STEBBINS: Second.

CHAIRWOMAN JONES: Are there any corrections?
Seeing none, approval of the minutes has been moved and seconded.
All those in favor, say aye.

ALL MEMBERS: Aye.

CHAIRWOMAN JONES: Opposed?

That passes unanimously.

(7-0 vote. Agenda Item 3 approved.)

CHAIRWOMAN JONES: We're going to start out, as we do every quarter, and this is pretty exciting for us, we're going to start off with proclamations and awards. Our first -- we have two awards that are really special this year, or this time around. One is called the Pretreatment Award. It's a pollution prevention efforts that have gone above and beyond the wastewater discharge permit requirements.

This is awarded to Intel. Accepting for Intel is Steve Shurran. If he would come up to the podium, please, I'm going to say all kinds of wonderful things about Intel. And then we'll ask you to come up front and accept this award. You can even speak for a very short period, if you'd like.

So that everyone knows what Intel has done, Intel had a 71 percent solid waste landfill diversion rate and a 95 percent chemical waste recycle rate. No lead is currently used in any of Intel New Mexico's manufacturing processes. Treatment of HF waste, 762 tons of calcium fluoride was generated. Instead of
being sent to a landfill, it was sent off to reuse in cement manufacturing.

For those of you who don't follow what we do at the Water Authority, at the treatment plants, this is a big deal.

So, Mr. Shurran, would you like to say a couple of words on behalf of Intel.

MR. SHURRAN: First of all, I want to thank you for the invite. And I accept this wonderful award on behalf of the employees of Intel. There's a lot of hard work that goes on with our environmental people who run the programs and our operations engineering folks, who work hard every day to insure that we meet the requirements of the Water Authority.

And I sincerely appreciate the excellent working relationships we have with you and your folks. It allows these wonderful things to happen. So thank you very much. I appreciate it.

CHAIRWOMAN JONES: Thank you very much. And some of the commissioners, or the board members would like to say something, and we'd like to ask you to come up here so we can each congratulate you.

COMMISSIONER DE LA CRUZ: Thank you, Madam Chair.
I want to thank Intel. I think that most Albuquerqueans and Bernalillo County residents and, of course, Sandoval County residents would be very appreciative of the fact that Intel is in our community. We wish Intel well. We hope that it grows and prospers.

But why don't you introduce some of the folks that came with you today.

MR. SHURRAN: Absolutely. So first, Frank Gallegos. Frank is our site manager for environmental health, safety, helping make sure that we stay in compliance from a management perspective.

And to Frank's left is Rick DeWeese. Rick is one of our program managers that works very closely with your wonderful people to make sure that we do comply.

COMMISSIONER DE LA CRUZ: Well, I appreciate all of you being here. But I've got to will tell you that Frank Gallegos, he's about 6'3", I knew him when he was about two feet tall. He was a junior wrestler. And he was a good wrestler, too.

So, Frank, I had to put that out there, my friend. Thank you.

Thank you, Madam Chair.

CHAIRWOMAN JONES: Thank you, all, Mr. Shurran.
Councillor Sanchez.

COUNCILLOR SANCHEZ: Thank you, Madam Chair.

Commissioner De La Cruz doesn't like to brag, but he was a very good wrestler also.

COMMISSIONER DE LA CRUZ: Thank you.

CHAIRWOMAN JONES: Any other comments?

The next award -- Mr. Campbell says he was a wrestler, but nobody wants to congratulate him.

Our best management practices award, or as it says in parentheses here, the BMPs, I'm not sure if I would want to be a BMP, but, oh, well, best management practices in place that have gone above and beyond regulatory requirements and have reached out to accomplish the true spirit and intent on pollution prevention is awarded to J.D. Halle Dentistry.

Is Dr. Halle here?

Would you like to come up front for a few minutes while we say good things about you? Thank you.

J.D. Halle Dentistry installed and amalgam separator to remove mercury waste several years prior to the mandatory installation requirements as specified by the Water Authority Sewer Use and Waste Water Control Ordinance, engaged in product substitution, thus reducing the environmental impact
of nonregulated dental materials. They maintained records of recycled and properly disposed dental wastes, converted to a digital x-ray technology, eliminating chemical waste entirely, and utilized sustainable practices to eliminate, minimize or mitigate adverse environmental impacts.

Thank you so much for your voluntary work on this. Thank you so much. Would you like to say a couple words.

DR. HALLE: Thank you for the award. Thank you for the opportunity to come down here. I appreciate that. I'm an old dog that was taught new tricks by Mr. Zimmerman and my staff, particularly Brenda Sahd, and I appreciate that. And, like I said, I just appreciate learning new things as I get older and doing what I can. Thank you.

CHAIRWOMAN JONES: Thank you, sir, very much. If you'd like to come up, we'd like to congratulate you personally. Thank you.

COMMISSIONER LUJAN GRISHAM: I just wanted to add this to the recognition of the doctor. There's a thing called precautionary principles, and it's very difficult to get folks to take effective, productive, proactive approaches until there's been some science
that says that you have to do it. And then that leads
to a mandate. And I just want to say that that's
incredible stewardship and leadership and it has great
productive community value, and I applaud your
efforts. I hope we do more environmental
precautionary principled work in our communities.
Thank you.

CHAIRWOMAN JONES: Thank you, Commissioner.
The next item on our agenda is also very
exciting for us. This is the quarterly employee
awards. As we call your name, if you would please
come down front. Patty has an award for you, which is
normally monetary. And then if you'll just wait up
here at the podium, we will then ask you to come and
let us congratulate each of you.
So the first award goes to Jane De Rose
Baman. And if I pronounced your name incorrectly, I
sincerely apologize. Jane's award is $425, plus a
24-hour vacation.
Anita Lowery. Anita will receive $400 plus
eight hours of vacation.
Sharon Sivinski. Sharon is receiving $400
plus eight hours of vacation.
Marla Clayton Irwin. Marla is receiving
$360.
Robert Apodaca. Robert is receiving $360.

Jared Ray. Jared will also receive $360.

Robert Tafoya. Robert will be receiving $360.

Margie Ulibarri. Margie is also getting $360.

You guys must have done some really good stuff here.

Robert Marquez. $350.

And Melissa Cuellar. Melissa is receiving $325.

On behalf of the board and everyone at the Water Authority, thank you, all so very much for giving above and beyond the call of duty. Would any of you like to say anything on television? If not, would you like to walk up here and we'll congratulate you personally. Thank you so much.

Thank you, all. It's really nice to see so many people receive special awards. It just goes to show what a wonderful group of people we have working at the Water Authority.

We are now going to move to an item that we moved up on -- from 10.A up on the agenda, and this is the election of officers.

I will entertain nominations for Chair. And
I will -- yes, sir.

COUNCILLOR SANCHEZ: Thank you, Madam Chair. At this time I would like to nominate Commissioner De La Cruz.

CHAIRWOMAN JONES: I'll second that.

Are there any other nominations?

All those in favor, say aye.

ALL MEMBERS: Aye.

CHAIRWOMAN JONES: Opposed?

Chairman De La Cruz, congratulations, you are the new Chair.

(7-0 vote. Commissioner De La Cruz approved as Board Chair.)

COUNCILLOR JONES: I now open the floor for nominations for vice chair.

CHAIRMAN DE LA CRUZ: Thank you, Madam Chair. I would like to nominate you as vice chair.

COUNCILLOR JONES: Thank you.

CHAIRWOMAN HART STEBBINS: Second.

COUNCILLOR JONES: Any other nominations? We have a nomination and a second.

All those in favor, say aye.

ALL MEMBERS: Aye.

COUNCILLOR JONES: Opposed?

Congratulations, I'm the new vice chair.
(7-0 vote. Councillor Jones approved as Board Vice Chair.)

COUNCILLOR JONES: And now we're going to have -- thank you, all. It's been great. I've served as the Chair for two years and it's been absolutely a wonderful experience. So thank you, all.

Now we're going to have a little break in the original -- in the normal agenda. We're going to kind of adjust the seating a little bit and let Chairman De La Cruz take over.

I do want to tell everyone who's watching TV or out there in the audience, I've been told that the Lobo game is on tonight. We are not all watching the Lobo game. What we have in front of us are iPads because this is our first meeting as a board that is paperless. So all of our agenda and our information is on each of our own little personal pads, iPads. So for you those of you who might think we're having a better time up here than we are, we're not. So thank you.

Hold -- if you'll be patient for just a second, we do a little adjustment and start the meeting again.

CHAIRMAN DE LA CRUZ: We are back in session.

Madam Chair, I'm going to still call you that for a
moment here.

COUNCILLOR JONES: Just for one second.

CHAIRMAN DE LA CRUZ: I want to thank you for your service.

COUNCILLOR JONES: Thank you.

CHAIRMAN DE LA CRUZ: It was deeply appreciated by all the members of the Water Authority.

The Chair, if you don't know, has a critical role besides just conducting the meetings. They are the point person for a number of issues.

And I want to thank you for your service.

I also want to thank the vice chair, Maggie Hart Stebbins, for her work, as well. Thank you.

COUNCILLOR JONES: And if I may, Mr. Chair.

CHAIRMAN DE LA CRUZ: Councillor Jones.

COUNCILLOR JONES: Thank you, Mr. Chair. Along those lines, Commissioner Hart Stebbins has been a great asset as the vice chair. She's always been there to help and she served well. And we have a little token of our appreciation for her.

CHAIRMAN DE LA CRUZ: I would like to also thank the former Chair by giving her a token of appreciation for her hard work.

COUNCILLOR JONES: Thank you.

CHAIRMAN DE LA CRUZ: Before we get on to
regular business, I just want to talk a moment to first thank the councillors and the commissioners and the CAO for their vote of confidence. It's deeply appreciated.

In addition, one of the things that I want to mention and -- Mr. Executive Director, that one of the things that's been on the plate for this board and, of course, for the water is the fact that we have aging infrastructure. And it has become a very public issue, and I think that it is a national issue. The reality is that for many years America has not invested in itself, we have not invested in ourselves, and consequently, we have aging infrastructure.

Mark, I would like to request that a plan be provided to the board or some method that we can look forward to try to rectify that, to try to look for a way forward in terms of aging infrastructure. Can you please address the board.

MR. SANCHEZ: Mr. Chairman, Members of Authority, some time ago we discussed a conversion to something we call asset management. We have been working very hard over the last year and a half to develop an asset management plan. What that would entail is basically taking an inventory of every asset we have. We have 2500 miles of waterline, 1700 miles
of sewer lines, countless assets above the ground, the water treatment plant, the reclamation facility that is certainly in need of millions of dollars that we've discussed in the past.

And what this plan will do is identify that inventory of assets, identify that most vulnerable ones, and help us prioritize or capital expenditures in the future and identify if that level of spending is sufficient. And that's something that the board will have to wrestle with.

We'll bring that to you probably around March for introduction before the budget and the capital program for next year and the next decade.

CHAIRMAN DE LA CRUZ: Councillor Sanchez.

COUNCILLOR SANCHEZ: Thank you, Mr. Chairman. I know there's not asset management for aging councillors or commissioners.

CHAIRMAN DE LA CRUZ: Thank you for that observation, Councillor.

Councillor Garduno. I'm sorry, I thought you were requesting to speak.

Well, thank you. I think that's needed and important.

We're going to move to public comment now.

Ms. Jenkins, how many do we have signed up?
MS. JENKINS: One person. That's Geraldine Amato.

CHAIRMAN DE LA CRUZ: You will have, Ms. Amato, three minutes to speak, with a warning at two and a half minutes. If more than five speakers, which we done have, we'll not worry about. Ms. Amato.

MS. AMATO: Thank you. One reason I believe we have aging infrastructure that's being neglected or has been neglected for too many years, I'm told that after 50 years it should be a project to replace such infrastructure, water mains and sewer lines, I think. But if you notice on the agenda, or I'm noticing, state certification of the Water Authority budget and federal legislative priorities. It is because we have a top-down government and the locals do not have that much to say about the major decisions that are made overtime.

We have bond issues that come out periodically. If the people here were in charge, there would be a bond issue, under the current order of things in this private commercial jurisdiction, to replace the waterlines. But that's not on that agenda because the major decisions are made by absentee overlords and we get to make decisions on the peripheral issues. And you'll also notice that the
people of this locale are called customers. That should be a red flag right there. The people of this nation are supposed to own the resources of this nation, including the water, part of the commonwealth.

Now we're customers.

So who owns it? You go back to the financial thing. The owners of every resource of this nation today by acts of treachery and treason are the owners of the central bank. They own us. We have an illusion of ownership. Everything we possess is not ours. They're just letting us think we have it for whenever if they want to take it from us, they can.

And if you look at what happened with the privatized prisons, what was the argument they used to privatize some of these prisons in this state, that the private corporations can do a better job, more efficient and cheaper and blah, blah, blah. What it actually did was remove accountability of these outfits further and further away from the local populace. Now we hardly know what's going on within these prison walls.

They're privatized.

And the same thing may happen or more likely will happen with this water utility authority. It can easily, under this here, all the scrunch about, you know, the financial situation, that we can't run the
Water Authority, government can't, so we'll just privatize it and let somebody else run it.

And I just heard a little blip about the regulation committee on the state level, electric company I think it was, regulation commission. I heard there was a proposal to eliminate that. I guess let such outfits as PNM have free rein with electric rates, I suppose. I didn't hear the details. I only heard that blip announced somewhere.

And then we have the water situation here, where we have pharmaceutical contaminants, and there's no regulations by our overlords on regulating those toxins in our water. Wouldn't that be something the locals would really be concerned about, that there's no regulation on pharmaceutical contaminants and what we're drinking? I think so. So even if you don't go to the doctor and get a prescription, you can just drink it because they said we're not going to regulate it and that's, you know, tough, you can just be dosed with medications against your choice or against your -- any prescription from any official agent of the pharmaceutical industry.

CHAIRMAN DE LA CRUZ: Thank you, Ms. Amato.

MS. AMATO: Any questions?

CHAIRMAN DE LA CRUZ: Moving on to Item 6, let
me announce that our next scheduled meeting is
February 23rd, 2011. Due to a conflict with the city
council meeting the Water Authority meeting will be
held at 4 o'clock p.m. here in the Vincent E. Griego
Chambers.

Mark, the next item is related to the
customer advisory committee. Am I supposed to read
that or are you supposed to take that? Okay. Let me
just read that, then, and ask for everybody's
patience. I'm getting used to the little script here.

There is a vacancy on the customer advisory
committee. A member who represented the customer
service category has recently resigned. If board
Members have nominations, please submit them to the
Water Authority staff.

Moving on to Item 7, introduction of
legislation. There's one item for introduction, which
is A, WUA R-11-3, approving and authorizing a U.S.
Bureau of Reclamation grant in the amount of 295,000
for the southwestern willow fly catcher habitat
restoration project collaborative program.

Mr. Sanchez.

MR. SANCHEZ: Mr. Chairman, as you indicated,
this is an introduction only, first reading. We were
awarded this grant by the bureau of reclamation in the
amount of $295,000. There's a $10,000 match that's
budgeted in our current budget. It would help with
some bosque restoration. And it's a positive thing
for us and for the environment and the bosque.

Rick Billings, who is the environmental
scientist on staff, who is managing this grant, is
here if you'd like to hear more details about this at
this time.

Rick.

MR. BILLINGS: Thank you. Do you just want me
to provide some more details?

CHAIRMAN DE LA CRUZ: Why don't you go ahead and
give a general description of the grant.

MR. BILLINGS: Surely. The grant is to do
habitat restoration work. This will be in the La
Orilla area, just north of Montano on the west side.
We'll be constructing what are called willow swales to
let some groundwater get in certain parts of that
area. And we'll be reintroducing the willows. And
the intent is that the willows will mature and canopy
for this and then it creates habitat for this bird,
which is one of the concerns of the collaborative
program.

CHAIRMAN DE LA CRUZ: Thank you.

Moving on to Item 8, approval of the consent
agenda, I want to take the -- which is Item A, WUA C-10-31, extension of employment contract of the executive director, and put it onto approvals. I want to discuss, and we have actually talked about this briefly at the last meeting, that we establish goals and an evaluation process for the executive director. And so unless there's opposition, we'll move that to approvals.

Secondly, let's move on to -- we have a motion for approval of the consent agenda. Do I have a second?

COMMISSIONER HART STEBBINS: Second.

CHAIRMAN DE LA CRUZ: We have a motion and a second. All in favor of approving the consent agenda, say aye.

COUNCILLOR GARDUNO: Mr. Chair.

CHAIRMAN DE LA CRUZ: Councillor Garduno.

COUNCILLOR GARDUNO: I also would like to take WUA C-11-1, state certification and Water Authority FY 2011 budget, off consent.

CHAIRMAN DE LA CRUZ: Thank you, Councillor. We have a motion and a second. All those in favor of approval, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?
COUNCILLOR GARDUNO: Actually, it doesn't require a vote, Mr. Chair.

CHAIRMAN DE LA CRUZ: That was consent agenda.

COUNCILLOR GARDUNO: Sure, yeah.

CHAIRMAN DE LA CRUZ: As amended.

Let me go ahead and let's do this one more time to make sure everybody has a clear vote.

All in favor of approving the consent agenda with the amendment, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously.

(7-0 vote. Agenda Item 8 approved.)

CHAIRMAN DE LA CRUZ: Okay. What I'd like to do at this time is the item that we moved will be at the top of the agenda at this time. And I'd like to discuss and open the floor to the creation -- before we vote on an extension of the contract, that we have a brief discussion about an evaluation process and goal setting for the executive director.

Commissioner Hart Stebbins.

Commissioner Lujan Grisham.

COMMISSIONER LUJAN GRISHAM: Thank you, Mr. Chair. And I'm new to this process. I'd actually like to do two things. I want -- if someone can help
give me a background about the extension and -- since we were 24 months out, just to sort of get me educated on that issue, and then tying that to -- are we saying that we don't currently have a process for an evaluation of the executive director or a tool that does that or a set of priorities or a scope of work? 

Just catch me up a little. I apologize, Mr. Chair.

CHAIRMAN DE LA CRUZ: Mr. Sanchez, go ahead. 

MR. SANCHEZ: Madam Chair, Commissioner Lujan Grisham, your first question, why the extension beyond, and former Chair Jones may want to talk about a little bit about this, but the discussion we had with the board early on about the employment agreement for the executive of the utility and not necessarily myself, but just in general, was that there needed to be some sense of management stability given the turnover of the board and the way the appointment process works. Each year we're likely to have at least one turnover on the city side and one on the county side.

The issue raised was not only within the organization but externally, the Water Authority has almost $700 million in outstanding debt, so we have a pretty significant exposure in relationship with Wall
Street, the rating agencies, our bondholders, and to
them it sends a signal of management stability. So
this was the discussion that was had with the board
and that was the rationale for having that time
horizon.

There's nothing magic about it. That was
the discussion then. This body can certainly change
that. My recommendation would be myself. Aside from
that, even if it were not me, that you consider
something along that line, because the feedback we've
had is that it's important to the outside world in
terms of showing that there's continuity and there's
stability in the organization.

And I think early on it was more critical
because this entity has not had a great deal of
history. We've been in existence for about six years
entirely. So sending that signal at the time was very
important. And Councillor Jones may want to reflect
on that, because she was there when we met with the
rating agencies and had this discussion.

CHAIRMAN DE LA CRUZ: Commissioner Lujan
Grisham, go ahead. You still have the floor.

COMMISSIONER LUJAN GRISHAM: Thank you, Mr.
Chair, Director Sanchez. What's the standard for
utility authorities? Is it a three year for exactly
the reasons that you've described, so that you've got
the management and leadership stability, given that
you have basically a body or a board of directors that
are largely elected with different schedules for
election, is it a 36 month, is that the standard in
the industry?

And I appreciate the edification. Thank
you.

MR. SANCHEZ: Mr. Chair, Commissioner Lujan
Grisham, I'm not sure there's a standard. You know,
it's probably in the 24 to 48 months time horizon,
generally.

If you want, I can go into the second
question or allow a discussion on that point.

CHAIRMAN DE LA CRUZ: Well, go ahead and finish
the discussion as related to Lujan Grisham's request.

MR. SANCHEZ: Okay. Mr. Chairman, Commissioner
Lujan Grisham, the other question you asked was about
performance evaluation, performance measurement.

What we do is actually a pretty elaborate
process. We have five-year goals that are set around
the American Water Works Association business areas,
because we are a business essentially, as a utility,
in a government setting. We establish one-year
objectives that are measurable and tend to be a reach
for us against those goals. We tie them to our budget. We do a performance plan over and above the goals and objectives that literally compare us to other similar utilities and we benchmark ourselves against those utilities that look like us in terms of how we rank. We have performance indicators against those. We do peer reviews, where people come in and evaluate us. We survey our customers every other year and we survey our employees about every four to five years. And it's a continuous feedback loop for improvement. So I would say that is the model that would be used to evaluate success for the utility overall.

I think the piece that's been missing that you're discussing today, that I would concur would be good to close the loop with, is to take all of that other priorities you might have and meet with me and say, "Here's how we think you're doing personally," against all of that information.

So I think that would be a good thing to do. I'd welcome that. I think we'd all be better off for it.

COMMISSIONER LUJAN GRISHAM: Mr. Chair, Director Sanchez, thank you very much.

CHAIRMAN DE LA CRUZ: Councillor Jones.
COUNCILLOR JONES: Thank you, Mr. Chair.
And thank you, Mr. Sanchez. And just because I -- I was able to go to the last bond ratings meetings, it is quite obvious that it is very important to the bonding companies, ratings companies that we do have a continuity, and so what Mr. Sanchez is saying is absolutely true. It is important.
I do believe that what Mr. Sanchez has offered could be handled, and I believe that it's time for this board to look at it, and that is some personal evaluation. And that would be personal evaluation of Mr. Sanchez above and beyond the budgeting goals and the objectives.
And I would like to move that -- make a motion that we do grant the one-year extension, because we need to get that done, but that we -- along with that, we revisit and perhaps have something on the board for the next meeting or 30 days from now and work on an evaluation process that we think would work on a personal basis. So I would move WUA C-10-31.
COUNCILLOR SANCHEZ: Second.
CHAIRMAN DE LA CRUZ: We have a motion and a second.
All those in favor, say aye.
ALL MEMBERS: Aye.
COUNCILLOR GARDUNO: I have a -- may I?

CHAIRMAN DE LA CRUZ: I apologize, Councillor Garduno.

COUNCILLOR GARDUNO: Yeah, that's all right, Mr. Chair.

CHAIRMAN DE LA CRUZ: I failed to heed former Commissioner Alan Armijo's advice to me when I was the Chair on the county commission, and his first words to me were, "Look to the side, bro."

Go ahead, Councillor.

COUNCILLOR GARDUNO: Way off to do side, right?

CHAIRMAN DE LA CRUZ: Go ahead, Councillor Garduno.

COUNCILLOR GARDUNO: Thank you, Mr. Chair.

Mr. Sanchez, Executive Director. I hear and understand why there's a desire and a need for continuity and even for years going forward. One of the things that worries me sometimes is that, as entities, we protect ourselves on that end, but then we negligent to protect ourselves on the other end, which is if there is a termination desire that we find ourselves with multiple-year contracts that we have to renegotiate or denegotiate, I guess, and find that we need to pay out more money than we had planned to do. So that's one of the things that -- that I'm concerned
about, and maybe that could be part of the discussion.

CHAIRMAN DE LA CRUZ: Councillor Sanchez.

COUNCILLOR SANCHEZ: Thank you, Mr. Chairman.

This is the third supplemental employment agreement, and this would extend the contract up until June 30th of 2013; is that correct?

MR. SANCHEZ: Correct.

COUNCILLOR SANCHEZ: Thank you.

CHAIRMAN DE LA CRUZ: Thank you. We have a motion and we have a second, and I'm looking to right and left.

All in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously.

(7-0 vote. Agenda Item 9A approved.)

CHAIRMAN DE LA CRUZ: I want to say, Executive Director, that you have a tough job and this is a big operation. And I understand that you can't make everyone happy. But I can tell you, having served in at least two other governments as an employee, not just as and elected official, obviously just one as an elected official, that it's an incredibly tough job and you can't please everyone, and I know that.

And want to commend the Water Authority for
its being progressive in a number of areas in terms of
its thoughtfulness and its work application to all of
the citizenry.

And I want to thank the employees of Water
Authority, because -- I talk briefly about aging
infrastructure, but, you know, somebody has to get out
there in the middle of the night to fix broken types,
and I have to doubt, in the middle winter, that's not
a particularly fun job. And so I want to thank all of
the employees of the Water Authority. I want to
congratulate you on that contract extension.

But I also want to congratulate this board,
because I think it is necessary, and I think it's to
the executive director's benefit that there be some
feedback and that there be goals established, and that
when we have that feedback, that it be done in closed
session so that we can be candid and honest with the
executive director. So I want to commend everybody
for that. Thank you.

MR. SANCHEZ: Thank you.

CHAIRMAN DE LA CRUZ: Moving on to Item 9,

Councillor Sanchez.

COUNCILLOR SANCHEZ: I think we have one more
item under the consent agenda.

COUNCILLOR GARDUNO: And I just had a couple of
clarifying questions, if I could, on state certification of the water utility authority fiscal year 2011 budget.

I know that we have a tremendous debt service that we need to take care of. Have we thought of ways that we're going to do that? I know the state may have certified it, but have we thought of ways to take care of that debt service?

I that right now we're about $60 million worth of debt service; is that correct? And is the state aware of that, and how was that discussed going forward?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, yes, of course they're aware of that. I mean, we're in debt by design. When we brought online the San Juan Chama project, it was $500 million that we added to our debt service. However, we're one of very few utilities in the country who have a very sustainable source of water. So our future is fairly secured in terms of our water portfolio. And there's very few utilities in the country that could even dream of doing that, irrespective of any debt they could issue.

I would also call to your attention that we have a Triple A rating by Standard & Poor's. And it's not because we manage for a rating. Because there's
ways to manage for a Triple A rating. We don't have a huge reserve. We're not sitting on a lot of cash. We're very frugal. We don't take more from our customers than we need to operate.

Now, in terms of our policies that are set by the board, we have 12-year debt financing for our basic capital program, with 50 percent cash. Extremely conservative. Rating agencies love that because we retire our debt very quickly. So that's one of our strategies. Our debt gets repaid very, very quickly. So that's how we issue new debt, to continue our basic capital program and other needs. Like we know we're going to have to invest upwards of $200 million over the next decade at our reclamation facility because of its -- its infrastructure has aged and fallen apart, and that's one of our strategies. Because we retire debt so quickly, we're going to fill that gap with a new issue, if you will, for that facility.

I'm not sure if I'm getting into as much detail as you'd like. I could certainly keep talking about that.

COUNCILLOR GARDUNO: Mr. Chair.

That answers primarily my concern that the state not be too lenient, I guess, in some ways, but
rather that it be another check in this, you know, continuum of folks.

MR. SANCHEZ: Mr. Chair and Councillor Garduno, you know, in addition, basically every lump of government submits their budget to the local government division of the finance department for the state. And it's basically a formality, that they look at your budget, do your resources match your expenditures, et cetera, do they think it's valid. But over and above that, we're under the jurisdiction of the state auditor. We have an annual audit. The state auditor must review it for accuracy, determine if there's any findings. And over and above that, because of our amount of debt, the bond rating agencies and bondholders specifically look in much more detail, I can assure you, than they do, with regard to our revenues or ability to service that debt and the future going forward. And for the most part, their evaluation of us is in the top tier of utilities in the United States.

COUNCILLOR GARDUNO: Mr. Chair, if I may continue.

One of the things that also concerned me a little bit is that the City of Albuquerque is the fiscal agent for Water Authority.
MR. SANCHEZ: Mr. Chair, Councillor Garduno, not the fiscal agent. Our CAFR, our certified financial report, is issued under the city because of the makeup of this board. Since the majority of the board come from the City of Albuquerque, the certified financial report is deemed to come through the City of Albuquerque. So we're a component unit of the City of Albuquerque because four of the seven members come from the City of Albuquerque.

COUNCILLOR GARDUNO: Right. And that's understandable. But the CAFR for the Water Authority is based on the CAFR for the city; is that correct?

MR. SANCHEZ: Mr. Chair, Councillor Garduno --

COUNCILLOR GARDUNO: For the audit?

MR. SANCHEZ: -- no. It is an independent CAFR. But, again, we're considered a component unit of the city. So they're two separate CAFRs, but one cannot be issued without the other one.

COUNCILLOR GARDUNO: Right. And one of the things that concerns me is that the city has not had a CAFR in the last two years, as I understand it.

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, that is correct. And that is an issue that we jointly face with the city. It is not because of our inability to produce records or accuracy. It's a
system issue. And Stan Allred, our chief financial officer, may want to talk a little bit about that and Mr. Campbell may want to chime in as well about the headache we share in this regard.

COUNCILLOR GARDUNO: Yeah. It might be instructive, Mr. Chair.

MR. ALLRED: Mr. Chair, Councillor Garduno, probably three years ago the City of Albuquerque implemented an ERP system, and it's -- it's the financial system, so it's the general ledger, HR system and whatnot, and there has been issues with it. There's been issues of trying to get the data out to be able to develop a trial balance and a general ledger and the information needed to develop a CAFR.

The 2009 CAFRs have been submitted and released by the state auditor. Currently, the FY 2010 CAFRs are being worked on. Those were due December 1st of 2010, so they're approximately two months late at this point. The city as well as the authority is working very hard to get those done. Those should be done early this spring. As these things get better and the system continues, the things -- how the system gets worked out, the feeling by both the authority and the city is that the CAFRs will start being done on time again.
There's a steering committee for the ERP system to get it up to speed to where it needs to be at. I am on the steering committee for that, so the water authority sits on the steering committee for that as well, with two city officials.

So we had a blip. It's being worked on very diligently by the City of Albuquerque staff, by water authority staff. We've offered up a lot of our staff to help work on that, and I think we're getting to a point where we'll be able to start getting back to where we need to be getting.

COUNCILLOR GARDUNO: Thank you.

And, Mr. Chair, I don't mean to belabor this, but I think it's very important that we realize that the city is having a problem, but it's not solely to the city, it extends to other entities. And I realize also that -- and I've had conversations with folks in the city that are looking to see that the ERP becomes a viable system. And I -- maybe it's a form of lobbying, but I would like to ask my colleagues on the city that we make sure that these CAFRs are on time. And I'm sure everybody does, too. I'm not the only one. But that may mean an investment in the ERP arena. And with that, I don't know whether Mr. Campbell -- I don't mean to speak for you.
MR. CAMPBELL: Mr. Chairman and Councillor Garduno, I agree with what Mr. Allred said, with one caveat in that he called it a blip, and it's a huge blip. It really has been a very trying time for us to get this system underway and fully implemented. And we're not there yet, but we've been applying resources to it and are asking the city council for additional resources as we go along. We are -- we're getting better and we're getting it worked out, but it is a very expensive and a very arduous process to put this into place.

Once there, we believe that it will provide the kind of transparency and the kind of instantaneous information that we've become accustomed to in the 21st century. But we're not there yet. We expect to be there in not too long a time. But I appreciate your support in suggesting that we apply the necessary resources to it. That's the only which way we're going to get through this.

CHAIRMAN DE LA CRUZ: Seeing no other comments on this issue, let's move on to Item 9. I make a motion to approve Item 9A, WUA R-10-15, creating a process for approval of community garden irrigation accounts and establishing a residential gardening demonstration project.
COMMISSIONER HART STEBBINS: Second.

CHAIRMAN DE LA CRUZ: Mr. Sanchez.

MR. SANCHEZ: Mr. Chair, before we proceed, I don't think there was a motion to approve the previous item on the budget certification.

CHAIRMAN DE LA CRUZ: Oh, well, let's back up then.

Did you want to move that, Councillor?

COUNCILLOR GARDUNO: So moved.

COUNCILLOR SANCHEZ: Second.

CHAIRMAN DE LA CRUZ: We have a motion and a second.

All in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously.

(7-0 vote. Agenda Item 9B approved.)

CHAIRMAN DE LA CRUZ: Mr. Sanchez.

MR. SANCHEZ: Mr. Chair, Members of the Authority, there's been a discussion for the last probably year or two about community gardens. There was a task force and a report that was initiated by Councillor Jones and Councillor Garduno. And one of issues that it raised was what was the water authority's role in these community gardens, and how
could we be of assistance, given the constraint we had about not having a subsidy in our system, if you will, for any customers. So what this legislation does is it outlines our role.

And one of the obstacles that community gardens tend to have is, they have a willing property owner who has a vacant parcel of land that is not connected to our system, so there's typically a utility expansion charge associated with getting them service. And that's typically, you know, $2500 or something, and for a community group, that's a significant amount of money just to get to the point of having service before you even plant anything to be grown. So what this would do is basically say we'll finance that. We can't waive that charge, but we can finance that over ten years to where the monthly charge is 30 or $40, and that begins to be realistic.

The other thing we want to do is make sure these community gardens are efficient in their use of water, so through our conservation program, we'll offer a $250 rebate to help them get started if they use efficient watering methods. We going to set an irrigation budget so that they're penalized for the water they use, and we'll have a resource within the water authority to interact with them. And hopefully
they're partners with the city, the county or the village of Los Ranchos, and we can start propping up a few of these and just see how it goes. And we may have to revisit this in the future, but we think this is a good first step.

CHAIRMAN DE LA CRUZ: Commissioner Lujan Grisham.

COMMISSIONER LUJAN GRISHAM: I'd certainly like to commend Councillor Jones and Garduno, I think. I live in the north valley and I have a property that irrigates, and they're -- the Indian Pueblo Cultural Center is looking at expanding their teaching gardens, and so I see a lot of potential for a variety of things for community gardening. And I love the conservation aspect.

I would encourage us to think about taking this a step further, given that we can't waive the $2500 connection fee, if I said that right, and maybe we could think about partnering with some nonprofit or philanthropic groups, and because if they -- if they pursue conservation, education and support in the context of community gardening, programs we could lend our expertise and support to direct them to maybe think about putting that in their funding queue for such projects.
CHAIRMAN DE LA CRUZ: Commissioner Hart Stebbins.

COMMISSIONER HART STEBBINS: Thank you, Mr. Chairman. The resolution says it authorizes up to ten agreements with property owners. Have those ten properties been identified yet, or is this still a process that's open to neighborhoods to apply?

MR. SANCHEZ: Mr. Chairman, Commissioner Hart Stebbins, we've not identified any of them. We have had maybe a couple of serious inquiries, so we think there's likely to not even be ten, but we just thought that might be a reasonable number to start with.

Again, what I think we're going to learn from this, we'll probably revisit this in the future, maybe to tweak the rebate or identify other ways to partner with resources outside of local government.

COMMISSIONER HART STEBBINS: So you'll establish a process through which neighbor associations or communities can apply?

MR. SANCHEZ: Yes.

COMMISSIONER HART STEBBINS: Okay. Thank you.

MR. SANCHEZ: My expectation is that we will help all of them. I don't think we'll be setting limits, because I'm not sure we're going to have ten in the first year. If we do, we'll revisit that.
CHAIRMAN DE LA CRUZ: Councillor Garduno.

COUNCILLOR GARDUNO: Thank you, Mr. Chair.

And yes, I wanted to thank my partner in this, Councillor Jones. It was something that we thought about, were very deliberative about it, because we wanted to make sure that it worked. The study group was -- consisted of a lot of folks who have been looking at this, have been talking about community gardens for a long time, and I'm proud to say that one of the nonprofits that stepped up and in fact did a lot of the work on city property, as a matter of fact, was the Southwest Organizing Project. And SWOP was immediately thrust into this. And they've learned a lot and I think the community itself in that area has learned a lot. A lot of produce was produced. And in fact, the title of that project was called, "Feed the Hood." And it was that. It was intentional, because all of the produce that was produced was specifically for that neighbor, if you will, and it was free to anyone that availed themselves of it, worked on the garden. And some of kids had never really literally seen a plant grow in the sense of a productive plant, fruit or vegetable.

So in that sense, I think this is a great way to go. I want to commend and thank Executive
Director Sanchez for having been so supportive all along the way. I'd call Mr. Sanchez with I'm sure silly questions as far as he was concerned, but they were things that we wanted to know and wanted to make sure that we were doing it right.

And, like I said, it was on public property, held by the city, along the flight corridor at Puerto del Sol. So we want to continue that.

And you're right, Mr. Sanchez, I don't know that there will be ten, but my hope is that there will be hundreds sometime soon.

Thank you.

And, thank you, Mr. Sanchez.

CHAIRMAN DE LA CRUZ: Trustee Rael.

MS. RAEL: I just want to say that in Los Ranchos, community farming is very important and so I want to thank you for including us in this. It's very much appreciated from the people in Los Ranchos.

CHAIRMAN DE LA CRUZ: Thank you. I, too, want to commend Councillors Garduno and Jones for their work on this. And of course the water authority staff that worked on it. It was a good job.

We have a motion. Do we have a second?

COMMISSIONER HART STEBBINS: Second.

CHAIRMAN DE LA CRUZ: We have a motion and a
second.

All in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously. Thank you.

(7-0 vote. Agenda Item 9C approved.)

CHAIRMAN DE LA CRUZ: Moving on to Item 9B, we have a motion to approve WUA R-10-16, authorizing an agreement with Albuquerque Public Schools, Southwest Mesa Middle School, for water and sewer service.

Mr. Sanchez.

MR. SANCHEZ: Mr. Chairman, Members of the Authority, this is actually a substitute document from the one that was first introduced at your last meeting. You may recall this -- the original plan was to locate an athletic complex, adjacent to the high school. APS has changed course. They now plan to construct a middle school at this site, not an athletic complex. My understanding is they're doing a site study for the athletic complex, and they do not anticipate it being at this location any longer.

So what's before you is to approve service to a middle school adjacent to the existing high school, on 118th and Dennis Chavez. And Allen Porter is here, who has worked with APS on this development
agreement and can go into further detail or answer any
questions.

CHAIRMAN DE LA CRUZ: Let me just ask first, do
you know that that's -- that it's been voted on, that
that complex is moving, or is it still not determined
as a final action?

MR. PORTER: My understanding, that APS has not
taken the final action to abandon the site, however,
they have every intention of doing so. The new site
that has been offered them has a lot of advantages,
including access. I feel that that's -- it's not
going to happen at this site, my understanding and the
information I've received.

CHAIRMAN DE LA CRUZ: That being said, since
there is no final action, does it matter that we
approve this at this time or not? Because just so
that you're aware, I'm opposed to having that facility
moved from its current location, so I don't know what
that means. And I know that the board has not taken
final action.

MR. SANCHEZ: Mr. Chair, only to indicate that
if you deferred this, if you didn't take action on the
middle school, they could not proceed with service for
that middle school.

CHAIRMAN DE LA CRUZ: So if we take the action
and they elect to keep that athletic facility there --

MR. SANCHEZ: They would have to come back for
approval from you all for service to the athletic
complex.

Is that correct, Allen?

MR. PORTER: That would be correct. And my
understanding is it can be done as an amendment to the
development they've worked on tonight, even if it's
just the middle school.

CHAIRMAN DE LA CRUZ: Councillor Garduno.

COUNCILLOR GARDUNO: Thank you, Mr. Chair.

Mr. Sanchez, does that mean that the -- or
maybe a better question is, what is the usage
difference, if there is any, between a middle school
and a sports complex?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno,
it's significant. An athletic complex would have a
great deal of turf. The middle school would simply be
service, you know, mainly for rest rooms and fire
protection.

COUNCILLOR GARDUNO: Mr. Chair, it worries me a
bit, then, if we had been talking about serving a
complex that uses X amount of gallons and now we're
going to essentially reduce it for a middle school
purpose. And then if it doesn't pan out and it goes
back to a -- you know, some kind of a sports stadium
or sports facility that we would be short the water
amount that would be needed. And how would that be
taken care of, do you know?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno,
I wouldn't envision any problems with serving any
facilities that APS would plan on bringing online in
the short term. I mean, you know, 50 years down the
road, we'll probably have some issues. But by then,
we'll fill that gap.

COUNCILLOR GARDUNO: And, Mr. Chair, I guess,
related somehow, APS doesn't own any water, like Intel
does or Kirtland Air Force Base or UNM?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno,
that's correct.

COUNCILLOR GARDUNO: So they would have to apply
each time they extend or...

MR. SANCHEZ: Mr. Chairman, Councillor Garduno,
if you recall, we have a service area map, if you
will, or boundary, and any development at the site of
that must be a no-net expense; meaning the developer,
in this case, APS, who is considered a developer, has
to pay for all costs associated with extending
service, a water supply charge, if there is one for
them, and there has to be a land-use plan that
identifies the proper use and siting of that facility,
wherever it's going to be, for you to consider that.
That's the existing policy of the water authority.

COUNCILLOR GARDUNO: And, again, Mr. Chair and
Mr. Sanchez, reading through a lot of the material,
because it's so fun to look at it over here on this
machine, that there was reference to linking land use
to water use. Is that what you're talking about?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno,
if you recall, the development agreement process to
get service, the first test is, is there a land-use
plan. We're not a planning and zoning entity, so we
rely on the City of Albuquerque, Bernalillo County,
the Village of Los Ranchos to have a land-use guide,
if you will, for how development is to occur. Absent
that, they would not meet the criteria to even bring a
development agreement to you. So in this case there
is a land-use plan associated with the area, and this
would have to conform to that, the city would have had
to approve that use for us to consider extending
service.

COUNCILLOR GARDUNO: And so, Mr. Sanchez, the
care we have to take is that the school is not built
in so remote an area that it invites leapfrog
development? And that's the concern I have,
especially nowadays when I think APS sees themselves as needing to build facilities. But what that does is it invites flight out of the core of the city to sprawl development necessarily. And I want to make sure that we take care of that and make sure that land use and water use are connected and there's a nexus there.

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, I think the protection for that is generally the land-use plan, and in that area, I think it's the Southwest Area Plan would require sequential development from the eastern edge westward. So there could not be leapfrog development, regardless of any commercial or institutional development which might occur there. That's our guide that we would use to evaluate service.

COUNCILLOR GARDUNO: Thank you.

CHAIRMAN DE LA CRUZ: Councillor Sanchez.

COUNCILLOR SANCHEZ: Thank you, Mr. Chairman.

The Southwest Area Plan does call for contiguous development, but I also have the same concerns as the chairman does regarding moving this facility.

This has been in the works for a long, long time and many of the residents support the facility at its current location. And also, we don't need just
one sports complex on the west side, I think we need
two, on the northwest mesa and also the southwest
mesa.

     Living here almost my entire life, I mean,
all we've had for probably 40 years now has been Milne
stadium and Wilson stadium. So I'm glad that APS is
looking at building the new sports facility, but I
would hope that they would continue to look at maybe
possibly building two within a shorter period and not
waiting another 40, 50 years.

     CHAIRMAN DE LA CRUZ: Mr. Campbell.

     MR. CAMPBELL: Mr. Chairman, let me address
this. I think it's true that the land-use plan
determines what the zoning is going to be and what the
density and protects against leapfrog development.
What we're talking about here is just the waterline to
what appears to be now a middle school site.

     But I can say that the City of Albuquerque
is in discussions with APS with respect to athletic
facilities and also joint use facilities that we can
be working on. Obviously these are discussions that
are being had and will be brought to our respective
governing bodies. But they are going on and we are
very intent on getting adequate recreational
facilities to the west side.
CHAIRMAN DE LA CRUZ: We have a motion and we have a second.

All in favor, say aye.

SIX MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

No.

I moved it, Councillor Jones seconded it.

It was everyone except me.

(6-1 vote. Agenda Item 9D approved with Chairman De La Cruz voting no.)

CHAIRMAN DE LA CRUZ: Moving on to Item 9C, WUA C-11-4, 2011 federal legislative priorities.

MR. SANCHEZ: Mr. Chairman, Members of the Authority, our priorities list is slim. There's not much to be had from the federal government these days. However, one of the main requests that we must offer up is something called Title 16, which authorizes a match by the federal government for local projects, and it's typically a 25 percent match.

There's a $20 million cap for Title 16. We have just about capped out, if you will, our $20 million, so we must get another authorization under Title 16 for another $20 million so that we could plan and construct projects for the next decade or two.
So that basically is what we're requesting here. By policy of the board, we're directed to not expand the footprint of the reclamation facility, the sewer treatment plant. So the idea into the future is that we start constructing satellite facilities where we can reuse that — reuse the gray water. And one would be sited by Kirtland Air Force Base adjacent to Mesa del Sol, and one would be sited on the West Mesa, in the close proximity of Coors and Montano. And the idea is that we would begin to capture discharge in those locations and polish it and reuse it for parks and open space, much like we're doing on the north and south side today. Those are the kinds of projects that would be eligible under Title 16. That's one of our requests.

The other is to continue down the road with arsenic treatment. We need an arsenic treatment facility on the east side. We currently have one on the west side. And we'd like to begin the feasibility analysis for solar at our water treatment facility. This may not be feasible for a decade, but if we don't start today, we may not realize that. And I think as power costs go up, solar is going to become more and more feasible and financially relevant.

And then there's something at the end of the
request that are just status reports. And we're just simply extending our support for the Endangered Species Act Collaborative, which is a local group of water consumers and users and regulatory agencies that are engaged in complying with the biological opinion for the river and the Endangered Species Act. That's important for everyone in the community.

And continuing to work with the core of engineers to be able to store native water at Abiquiu reservoir. Currently that's where we store all of our surface water, and by rule, we can only store surface water there. If we were to have the flexibility to store native water, it would give us another tool into the future and it would give the entire basin another tool that we could use in times of drought or needs to help others in addition to our customers.

I'd stand for any questions.

CHAIRMAN DE LA CRUZ: I move approval --

Councillor Jones.

Councillor Garduno.

COUNCILLOR GARDUNO: Thank you, Mr. Chair. I know that the authority has been looking at solar ways of generating energy. Will this be a pilot project or is it something that's already been talked about or do we need to start looking at places to find money for
MR. SANCHEZ: Mr. Chairman, Councillor Garduno, I think we need to start looking at places to find money for this, and this is one of our requests, to get seed money to start evaluating this. We have a significant cogeneration facility at our waste water treatment plant where we literally create power out of methane gas to actually operate that facility and in some cases sell back to the power grid. So we're looking at solar as an addition to that portfolio of just green energy and helping to reduce our power costs.

COUNCILLOR GARDUNO: Thank you. Mr. Chair, I wanted to speak a little bit to the solar grid, I guess, that was put up at the airport. It was something that people thought might work, could work, maybe a good idea. Well, it's turned out to be an amazing boon to the city, I think, and has generated many more kilowatts than was expected and I think that that would be a good study, a good model, if you will.

Thank you, Mr. Chair.

CHAIRMAN DE LA CRUZ: Thank you, we have a motion and we have a second.

All in favor, say aye.

ALL MEMBERS: Aye.
CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously.

(7-0 vote. Agenda Item 9E approved.)

CHAIRMAN DE LA CRUZ: Moving on to Item 9D, WUA C-11-5, reappointment to the customer advisory committee.

COMMISSIONER HART STEBBINS: Second.

CHAIRMAN DE LA CRUZ: We have a motion and a second. All in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously.

(7-0 vote. Agenda Item 9F approved.)

CHAIRMAN DE LA CRUZ: Moving on to Item 10, other business. Item 10B, we've already dealt with 10.A, Kirtland Air Force Base presentation, Mr. Tom Berardinelli.

MR. BERARDINELLI: I'll just go right to the first slide. Mr. Chair, as we offered when we came to the November meeting, there was a very, very short period of time to make a presentation and we offered to return at the authority's convenience to give a more in-depth presentation on the award of the performance-based contract in our efforts to continue the remediation of the fuel plume that has migrated
off the Kirtland Air Force Base boundary. And so
that's my purpose this evening. I have some slides to
go through that, but please feel free to interrupt
with any of your questions at any time during the
presentation.

In -- on the 30th of September, which is the
very end of the fiscal year for the federal
government, the Air Force awarded a $50 million
contract to Shaw environmental, which is one of the
largest environmental remediation firms in the world,
a very reputable firm, very capable of addressing what
is a very difficult remediation because of the depth
of the water table here in Albuquerque.

The contract provided work plans that were
required by the New Mexico Environmental Department
and added a fourth work plan that the Air Force
believed was important to go beyond just
characterization but to begin remediation, actually
pulling fuel off the water table prior to the
completion of the total characterization that New
Mexico Environmental Department had required.

And so in addition to the three plans
required by the state, we also submitted a fourth
plan. The New Mexico Environmental Department gave a
partial approval to the first three plans, which was
the most visible and the largest part of the approval, which was the drilling of the wells that will be off of the installation to further characterize the fuel plume that has migrated off the base into what is the Siesta Hills and Elder Homestead neighborhoods in Albuquerque.

The fourth work plan, which is that containment plan, and what I'm going to spend some time on discussing with you here, we have a map in the presentation to look at, is, as was submitted on the 1st of December to the New Mexico Environment Department, we're still awaiting their reply to that work plan, they held a public meeting approximately two weeks ago on that plan.

The installation, we did promise that within 24 hours of New Mexico Environmental Department approval of our work plans, we would begin drilling, and we did that on the base, to begin the installation of the first of what are 78 new groundwater and 35 soil vapor monitoring wells that have to be drilled both on the base and off of the installation boundary.

This slide says that we anticipate beginning drilling in the residential areas on the 1st of February; that will probably slip a week or two. We have, prior to any drilling that we do off base, we
have promised the neighbor associations, the Elder Homestead and Siesta Hills, to meet with them at their next homeowners associations, or if they weren't going to have one for some time, we would conduct a separate public meeting. We also will be going -- senior leadership of the base will be going door to door in any of the neighborhoods where there's going to be drilling and offering one-on-one meetings with any members of community that had any questions about the drilling that's going to occur, what it's going to look like. There's a pamphlet that we've developed that is being provided to all members of those neighbor associations and at the individual households. So if there are any questions, we'll be able to contact them personally or however they desire to be contacted to provide any information or answer specific questions that they may have.

A lot of folks ask: Well, what's the end state of this contract, of $50 million contract, in September of 2014, and, you know, what's it going to get us, what's that $50 million buy?

One of the things that it does is it fully characterizes the plume and the dissolved phase of the plume, which is that sheen that moves out from where the actual fuel is floating on the water table. One
of the things that we know right now is pretty much a
two-dimensional aspect of this plume in its dissolve
phase. What we don’t have is that third dimension,
which is very important. And so this contract really
gives us -- will give us that three dimensional site
model, if you will, conceptual model, that gives us a
three-dimensional look at what this looks like so that
we don’t do something prematurely through remediation
that could potentially make the situation worse.

There are certain things we know we can do without
making it worse, and those we will do, both -- and I’m
going to explain one of them, which is the containment
of the fuel that we know is floating on the plume, and
also remediating some of the vapor that is -- that’s
in the soil. So it puts very aggressive interim
measures in place with soil vapor extraction and the
containment of the plume.

    And then the final requirement of that
contractor is to make the proposal for what the final
remediation will look like to completely bring the
fuel, any contaminant levels below the minimum
contaminant level that is specified by the EPA.

    And that gets a public -- that itself gets a
public comment period prior to its approval as well.

So the meaningful public participation throughout this
entire process is incredibly important to us.

There will be a public comment period on that proposed corrective action. The New Mexico Environmental Department will to approve it. And then from October 2014 until whatever it takes to get those contaminant levels below the minimum contaminant levels that are required is what the Air Force is taking responsibility for. And I think it's -- what I want to emphasize here is that we have a contractor that is -- the Air Force has contracted Shaw to do this. The Air Force cannot contract away its obligation, its responsibility. Any document that's prepared that submitted on behalf of the Air Force is signed by the installation commander, it is not signed by a contractor, so the Air Force retains full responsibility for the remediation of this plume. We don't hand off the responsibility to the contractor by awarding this contract.

This slide shows our containment, this fourth work plan that we thought was important to do, additional containment while we're conducting the characterization. If you look -- with some of these arrows, which is what the groundwater flow is that we know and how it would be impacted by a -- by the containment plan and the reinjection site is what is
shown on this. If you look to the upper right-hand corner of this slide, that's the Siesta Hills neighborhood, and just before you go off the chart, that's Gibson Boulevard. Elder Hostel is just on the other side of -- or I'm sorry, Elder Homestead is just on the north side of Gibson.

So where you see those two red dots, we would essentially drill two extraction containment pumps that would -- are at the very leading edge of where the fuel plume intact is floating on the water table. And the idea there is, is that what feeds the dissolve phase is the fact that that fuel is there. And so the more we can get out of there, the quickest, the more of the source we remove for any dissolve phase that could potentially spread.

Now, it's taken 30-plus years for it to move about a mile. The -- and we don't know, until we get that third dimension, whether there is any movement at all in this plume. It's potential that it could even be contracting just by natural degradation. The stuff that's down there, there's a lot of microbial, natural microbial activity that we know exists that could potentially be doing that. But that -- we don't really -- we won't know the extent of that until this third dimension of this characterization is done. But
what those containments pumps will let us do is get that fuel out of there, which is the source of the containment. It would then be treated to drinking water quality. And then at that green site that you see off the right edge of the site, it would be reinjected into the ground. The reason that site is selected is not only -- it performs two things that help us contain this. One, it reduces the size of -- LNAPL, or light nonaqueous phase liquid, is just a term for the fuel that's floating intact. It lets us reduce that size, but then it also puts the water back in that is fully treated to drinking quality standards. And, essentially, that water flow keeps it going towards its Ridgecrest -- towards the Ridgecrest well, but it also creates a curtain, if you will, that blocks any potential migration, if there is any, towards that well. So its a dual capability to contain this from any further migration, either through the dissolved phase that may exist, and also by creating a blockage, a curtain if you will, of treated water that moves directly to the Ridgecrest well site.

This will be -- the installation of this system pending the New Mexico Environmental Department approval will begin in March and should be operational
six months, approximately six months after they approve it. So if it doesn't get approved for several months, it's just approval plus six months before it becomes operational.

It's incredibly important for us to make ensure that we get this fuel off the groundwater. The Air Force takes full responsibility for it. There is no question who put it there. We did it over a period of years, and it's our responsibility to clean it up, and we intend to do that. We will continue -- we have been and will continue to fund the water utility authority to do increased monthly water testing that the Authority does. We don't do it for them, so it's under their requirements and standards for testing at the Ridgecrest well to ensure that, you know, something didn't get by at sentry well. We do have at least one sentry well out there between Ridgecrest and the leading edge of the dissolve phase that we know is clean, and by the time the rest of these wells are drilled, we will have a full sentry line, if you will, in a clean area, that which would give us plenty of warning if there was going to be any migration at all towards the Ridgecrest well. So right now there is no danger to the Ridgecrest well. We intend to keep it that way. I know there's people that have discussed,
you know, should we just shut those wells down and
have the Air Force, you know, pay for new wells? The
answer is no, we don't need to do that. We will clean
this up so that those wells are not threatened and the
Air Force stands up to that responsibility. We'll do
whatever it takes. And we know there's many millions
of more dollars that will go into that after this $50
million, five-year characterization is done.

Are there any questions? This is one -- I
can probably show you the map here that's a little
bit -- whoops. Nope, the backups aren't on there.
Never mind. Are there any questions at all?
CHAIRMAN DE LA CRUZ: Councillor Garduno.
COUNCILLOR GARDUNO: Thank you, Mr. Chair and
Mr. Berardinelli. Thank you for all the times that
you met with the neighborhoods, the folks that are
most affected. I think they appreciate that. The
fact remains that we've got a lot of work to do. A
lot of the folks here at the beginning were concerned
that we weren't moving fast enough and that there was
some sense that the state would take care of whatever
migrated outside of the Kirtland Air Force Base. And,
again, I want to thank you for taking responsibility
and doing this.

However, time lines are always important for
folks. And I realize that you can't just magically say we're going to be able to clean it up in a month or ten years or whatever. But people plan their lives and whatever else needs to happen. And this contamination has been a real -- I think people have even blamed me for it. So, you know, I don't know what that means, but -- and then on the heels of this, we find that Gulton has left a mess of their own.

MR. BERARDINELLI: I'm sorry, Mr. Chair,

COUNCILLOR GARDUNO: Gulton Industries that was a -- I think they produced some kind of equipment, that they used a lot of solvents. That's on the north -- excuse me, on the east end of almost what we were talking about here. And at that point, Siesta Hills and Elder Homestead, but Siesta Hills primarily is right at the path of both of those migrating plumes, if you will. And I don't know how we can say anything to these folks other than, you know, we're going to try our darnedest to do this. There is no money set aside statewide or citywide or countywide to remediate the problem at Gulton. But I would hope, although we passed a memorial asking that the state look at this, at Gulton, that these folks are given even more assurances that the Air Force is going to do
all it can and certainly we'll continue pushing for help from the state to take care of the other situation.

I don't know what else to say other than it's come to a point where now almost anything that happens related to Kirtland Air Force Base and other industries in that area, there's been this doubt that people are taking it seriously, and I wanted to make sure that they heard it from you and they hear it from the Air Force that this is a serious issue and is going to be remediated and it is something that is top of mind for everyone there.

Sometimes it gets conflated, the idea of asking a tough question about an issue with being against an entity. And I want to tell you that I'm not against the air base, but I am against some of the situations that have happened there. So that said, I hope to work closely together so that we can do the work that needs to be done so make sure that folks in that area feel safe again. Thank you, Mr. Chair.

Thank you, Mr. Berardinelli.

CHAIRMAN DE LA CRUZ: Commissioner Hart Stebbins.

COMMISSIONER HART STEBBINS: Thank you, Mr. Chairman.
So the amount of this performance-based contract is $50 million, correct? So what happens as you go through — if — as you're going through the process of evaluating the contamination, the various phases of the contamination? If it turns out to be more extensive than had been anticipated and the remediation cost is higher, is Shaw bound under the contract to do all the work for this amount?

MR. BERARDINELLI: The contractor is bound to meet the requirements of those work plans that were approved by the New Mexico Environmental Department. And that is mostly characterization. So it is that characterization that we will learn primarily over these next five years that will determine, before we issue the final — before we determine what the final remediation method will be. So it's this level of characterization that's designed just to do that, to ensure that we don't award a contract until we know what we're up against so when the Air Force does work with the contractor to determine what that should be and then of course is approved by the environmental department, that we know exactly what we're up against.

At the same time we recognize that we can't just not do anything. And so the continued soil vapor
extraction and this -- essentially this pump-and-treat system that's proposed is our attempt to safely remediate while we characterize this so that we don't create any unintended consequences, but at the same time, we remove the primary threat to that.

Mr. Chair, one of the things that I would like to ask the authority to consider also as we have a new New Mexico Environmental Department secretary coming on board. We've had some informal discussion with the city, some here, and we plan to meet with Secretary Designate Martin in the beginning of February to discuss this very issue and hopefully take advantage of the opportunity to look at how we can approach this as a task force, if you will. There are a lot of people impacted by this, and also regulatory authorities. You are really the customer that's impacted by this and we believe need to have a seat at the table as we move forward. And also the Albuquerque -- the city, from a permitting standpoint and from there environmental department is involved. They've indicated a willingness to work together as a team. The challenge has been in the past that the New Mexico Environmental department has not wanted to do that. And it's created a lot of what we would consider bureaucracy that could be a short -- when we
talk about moving faster, we could do that better if we met as a team, both the base, the authority, the city and the environmental department, to say, if we're going to do something, where are there concerns, how do we address those concerns and if a requirement from one permitting agency, the state environmental department requires permits that have to be approved by another permitting agency, how do we shortcut that whole bureaucrat particular process to make this move forward. And so that's one of the things we plan to address with secretary designate Martin. And we'd certainly want to offer to the authority at whatever level you believe is most appropriate a participation in that sort of approach. We think it would be beneficial to everybody to have that representation.

COMMISSIONER HART STEBBINS: Thank you very much for that statement. And I really do, I think we all appreciate your recognition of our interest in this, in resolving this problem. And I have to say that you and everyone else that I have dealt with has been open and responsive and we're very grateful for that.

One other question I have, you say the environment department gave partial approval for the first three plans. What do you mean by "partial," and what were their concerns?
MR. BERARDINELLI: It does not involve the location of the drilling. They did approve all of the drill sites. I give you an example of one of the changes that we have to make is there was a -- they wanted to use a different material -- they wanted us to use a different material for the drill casings than was originally proposed, and so we had to come back and make a change. There's actually 19 pages of very specific items that the state would like us to look at in terms of testing and those types of things that we have to provide to them. But it does not affect the part that they -- the parts that they approved are the substantive parts of the plan, which is all of the drill site locations, the depths that they are drilled at. And essentially, these 78 new wells are divided up in clusters of three. So they're not 78 separate sites. I can't do public math, but they're divided into three sets and they're drilled at different depths so that at each location, we know what's going on at the surface, what's going on just beneath the surface and then below that. So if -- that's what's going to give us that three-dimensional look.

So to answer you question, Mr. Chair, Commissioner Stebbins, it is, most of those things are transparent to the overall plans and they are smaller
pieces that we have to address with the state on some of the reporting requirements.

I would add that anytime we report anything to the state, any presentation that we make, including this one, any of our public meetings, we post that on our public web site. And so anybody that's interested in this can go back as far as they would like and all the public record on this is all accessible through our web site.

COMMISSIONER HART STEBBINS: I've seen that. Thank you. And just one last request, if you don't mind. You say there's a pamphlet available for the neighborhood associations. Can we -- can you make that available to us so that --

MR. BERARDINELLI: Absolutely.

COMMISSIONER HART STEBBINS: -- as we're out in the community, we can share that information?

MR. BERARDINELLI: Absolutely. We'll provide that to Mr. Sanchez to make sure that you have it.

COMMISSIONER HART STEBBINS: Thank you.

CHAIRMAN DE LA CRUZ: Commissioner Lujan Grisham.

COMMISSIONER LUJAN GRISHAM: Thank you, Mr. Chair. I have a couple of questions. And this -- the $50 million to Shaw, and I'm going to characterize
this as your sort of acute phase, so on the one hand, you're trying to identify the breadth of the problem so that -- and the details of that problem so that you can determine what remediation efforts are appropriate. But then, knowing that we've got the problem, we're doing some immediate remediation.

How much money of the 50 million goes to the remediation, as opposed to the characterization?

MR. BERARDINELLI: Through the performance-based contract award, we don't specify what the distribution is. Although I will tell you -- and I don't know if -- we do have the contractor site manager here, but a good portion of that cost goes to the treatment -- that pump-and-treat capability is incredibly expensive.

Tom, is there a percentage distribution that you would say between the containment remediation and the investigation?

TOM: I hesitate to give a number, because there's also a lot of soil remediation shallow, too. So rather than speak --

MR. BERARDINELLI: But the -- Mr. Chair, Commissioner Lujan Grisham, the intent behind the performance base is the Air Force pays the contract and then it is the responsibility of the contract to
meet the requirements of the work plans that are approved by the state. So the contractor has to do what's ever required to meet those approved plan -- work-plan requirements by the state. So they have to distribute that funding as necessary to meet those work-plan requirements.

COMMISSIONER LUJAN GRISHAM: And, Mr. Chair, if I may, one other question.

Can we get information -- or perhaps that's been provided to this body before my first meeting, so if it has, I apologize, or if it's on your website, I apologize. But I'm also interested in the process for what you're doing as you're remediating with the contaminants from both the soil and the wells, the water, what that process is to deal with that, those contaminants from both those sources. I'd like to be fully educated about that. And so has that information come to this body before?

MR. BERARDINELLI: Well, the -- we have not -- until this fourth work plan is approved by the state, we have actually not done any water treatment yet, so that would be the first of the water treatment under the containment plan that I just discussed. The -- any soils that are removed, and those are all inside the base boundary, where there's soil contamination.
There's not contamination that's outside, those soils that were contaminated were removed based on state direction and were treated as hazardous waste and disposed of as hazardous waste. Or were tested to determine that they were not hazardous and could be used back to fill back in.

COMMISSIONER LUJAN GRISHAM: Mr. Chair, so I understand correctly, so the water aspects, we haven't gotten there yet, and we'll get information and assurances about how that's being dealt with, and you'll have to get approval from the New Mexico Environment Department?

MR. BERARDINELLI: Mr. Chair, Commissioner Lujan Grisham, that's correct, that once we receive comments back and we anticipate that, like the other work plans, we will probably get a partial approval of some kind and that we will have to address whatever concerns that the New Mexico Environment Department has on that, on that work plan, and then once that's done, before we do anything, then we will be more than happy to come back to you or provide, through Mr. Sanchez, any information that you require on that and come back and present any details.

COMMISSIONER LUJAN GRISHAM: Thank you. I would like to have that happen. I appreciate that.
MR. BERARDINELLI: Absolutely.

CHAIRMAN DE LA CRUZ: We'd appreciate that.

Thank you.

Councillor Garduno.

COUNCILLOR GARDUNO: Thank you, Mr. Chair.

Thank you, Mr. Berardinelli. The math is 26 different sites with three each site wells. But I think it bears mentioning that those wells are not a derrick or a sight -- unsightful place. If you could just describe that, I guess.

MR. BERARDINELLI: Mr. Chair, Councillor Garduno, initially there is a drill rig that drills it. Once the well is drilled, it's a very small manhole cover that's there that's used to do testing. And so once it's done, there's a very small manhole cover, about this size, that for each of those drill sites that are used then to access those for testing.

COUNCILLOR GARDUNO: And, again, to characterize this correctly, let's see, there's three wells, all three at different depths to help with the three-dimensional characterization; is that right?

MR. BERARDINELLI: Mr. Chair, Councillor Garduno, yes, that's correct. And in the pamphlet that we distribute to the community, it shows a picture of what the drill rig looks like and also what
the finished area -- and you had mentioned Siesta Hills Homeowners Association. I would say we have been in very close communication with that homeowners association. Many of those members could probably give this briefing better than I could because of their knowledge of this. We think that's important, though. The more people understand about this and we are able to discuss this, the better is it for the community. And they've actually experienced this already. And so they know what disruption there is for a short period of time, what it looks like afterwards, and so we've also discussed that with the Elder Homestead community, that if, you know, they want to get a perspective unique from the Air Force or anybody else, they can go to Siesta Hills and see what it looks like and talk to their neighborhood association as well.

COUNCILLOR GARDUNO: And I think the other piece of this, and, you know, it was something that concerned me and concerned some of the residents of that area, and that is, what happens if the rig, the vibration were to destroy or harm or break foundations or things like that? And then the other piece of that is, when that water is remediated or filtered or cured, if you will, the water authority, at least the
folks that know this kind of science, would be the ones that also help you characterize that and make sure that water is safe, water is good, and just reinject it?

MR. BERARDINELLI: That's correct. The water that's reinjected would have to be tested to meet drinking quality standards, so it would have to be remediated. In fact, the treatment process for that is extensive and it would be treated and would have to meet any requirements before it could be reinjected into the ground.

COUNCILLOR GARDUNO: Mr. Chair.

If you could speak also to any unintended damages or whatever.

MR. BERARDINELLI: Mr. Chair, Councillor Garduno, the Air Force has a claims process that we use, so if there is -- if there's anyone that believes that as a result of the drilling that's taken place, there's contact information in those pamphlets, they can contact us and we can walk them through the claims process.

CHAIRMAN DE LA CRUZ: Commissioner Hart Stebbins.

COMMISSIONER HART STEBBINS: Thank you, Mr. Chair.
And I'm sorry, one last question. As you work through the characterization process, can you make the test results and other data available to us on a real-time basis?

MR. BERARDINELLI: Mr. Chair, Commissioner Hart Stebbins, I guess the answer is yes in that as soon as we have that -- all that testing information, we will post it to our web site. And we can actually -- we'll come up with a way to do the favorites list, if you will, to let people know what we've made postings to the web site on any testing information. We can make sure that Mr. Sanchez is aware of that.

COMMISSIONER HART STEBBINS: Great. Thank you very much.

CHAIRMAN DE LA CRUZ: Tom, I think I can speak on everybody's behalf in thanking you for your diligence and your work. And I also appreciate the fact that the Air Force has made available $50 million. That's a very significant amount of money. How far will that take us? Is it the anticipation of the Air Force that this will suffice in getting this work done?

MR. BERARDINELLI: Mr. Chair, actually Commissioner Lujan Grisham, I thought, put it kind of well as sort of the acute phase. This is really just
the beginning. This is what will be required to tell
us what the patients vitals are, so to speak, so that
we know what we're dealing with. There will be a
considerable additional amount that will go into the
completion of this. And the bottom line is, is the
Air Force will -- has committed at the secretary's --
secretary of Air Force level to bring this under
control so that any contaminant level is well below
any minimum contaminant levels for any contaminant
that may be there. So it's the beginning and the Air
Force realizes there will be -- there will be more to
do after September of '14.

CHAIRMAN DE LA CRUZ: The appreciate the Air
Force commitment. Thank you.

Moving on to Item 10C, fluoride standards
presentation. Barbara Gastian.

MS. GASTIAN: Good morning, Mr. Chair and
Members of the board.

There's been a lot of news lately about
fluoride in drinking water, and we wanted to give you
a status and some proposal for making some changes.
This is my first time with the iPad, too, so... There
we go.

So just this month, the U.S. Department of
the Health and Human Services, Centers For Disease
Control, announced a proposed new recommended standard for fluoride and drinking water. Is it not a standard, it's a recommended level of 0.7 parts before billion of fluoride in drinking water.

Okay. The proposed new recommended optimal level is based on CDC and U.S. EPA current understanding of the latest science on fluoride, the effect of fluoride on tooth decay prevention and development of dental fluorosis. The proposed optimal level is said to protect the public health benefits while preventing tooth decay and minimizing that chance for that dental fluorosis.

Fluoride in drinking water, nearly all naturally occurring fluoride waters contain come kinds of fluoride. There are a number of other common sources, like dental products. We have toothpaste and rinses, prescription fluoride supplements. You go to your dentist, and your kids have a dental application of fluoride. Foods, this was interesting to me. Beverages like black tea, coffee, soda, beer, wine and juice have substantial amounts of fluoride, especially black tea. Soups and fish, especially canned fish and shellfish. So if you're eating shrimp and drinking black tea, you might want to reconsider.

Fluoride in drinking water began about 1945,
and that was when the actual debate began about fluoride, and I think we're probably all familiar with some parts of that debate through our lifetime.

The CDC has, however, named water fluoridation as one of the ten greatest public health interventions of the 20th century.

The current recommended level is 0.7 to 1.2 parts per million. The new proposed recommended optimal level will be 0.7 parts per million. It's based on a September 2010 review. The current levels of tooth decay, water consumption in children based on temperature and where they live in the country, changes in the percentage of U.S. children and adults with dental fluorosis and new EPA assessments of cumulative doses for fluoride exposure and risk for children in dental fluorosis.

So the EPA has done an assessment and CDC has done that as well. EPA's drinking water standards are somehow different. CDC says when you fluoridate water, this was the level you should attain. EPA says you should not have any more than a certain level of fluoride in your drinking water. So there's an MCLG. That's the goal. You have an MCL, which is actually the standard, and then you have a secondary standard in this case, which protects against aesthetic and
cosmetic kinds of concerns. So bottom line, for the EPA standards at this time it's four parts per million, as the MCL, which is the maximum contaminant level, and two as the secondary standard.

EPA has completed their cumulative sources of fluoride exposure, the relative source contribution for water and their quantitative risks on the dental fluorosis. They'll be looking now at quantitative risks for skeletal fluorosis and skeletal fractures and the availability of laboratory analytical methods, which means that they're going to go substantially lower with their standard than where we are at this time.

Feasibility of treatment to reduce fluoride levels in water and data on occurrence and exposure. So how much fluoride is in the system, naturally occurring, what do people gain from fluoridation. The research results, EPA will use those to set a new standard. That may actually take years.

The water authority has a current fluoridation program, and our target range is .9 to 1.2 parts per million. We rely on the production wells. The average is 0.7 parts per million, and that is the naturally-occurring fluoride. From the water treatment plant, we are getting an average of .4 parts
It's actually just a tad off .5, so I think we could say .45. And we do supplemental fluoridation with hydrofluosilicic acid. On most of the east side of Rio Grande, we add fluoride; on the west side and the far north part of the east side, we do not add fluoride because it occurs in substantial amounts as we pump from the ground.

We would like to propose, indeed, a change in the fluoride practices for the water authority. We propose that we meet the CDC recommended level of 0.7 parts per million. We would rely on naturally-occurring fluoride levels. The production wells, again, .7 parts per billion on average. The water treatment plant average is .4 parts per million. So there would be no additional supplemental fluoridation. It would reduce our operational costs and our chemical handling and we would meet, again, that CDC recommended level of 0.7.

Are there any questions for me?

CHAIRMAN DE LA CRUZ: Thank you.

MS. GASTIAN: Thank you.

CHAIRMAN DE LA CRUZ: Moving on to Item 10D, update on PNM rate case. Ms. Winter.

MS. WINTER: Mr. Chair, Nann Winter with Stelzner, Winter, Warburton. I'm your counsel in the
PNM regulatory matter.

This afternoon at 2 o'clock, I made the following presentation at the public comment session of the public regulation commission. We were specifically invited to present by one of the commissioners. PNM was asked to put on a 15-minute case demonstrating their case in chief, and Commissioner Marks here, a representative here in Albuquerque, called my office and asked if we would present the intervenor consumer perspective, the rebuttal to PNM's case. So what you have in front of you and what I'll present to you right now is what I gave to the commission at 2:00. It was also presented to the commission again at 6:00. And I believe David Morris is handling that now.

As you know, the water has been fairly active in the PNM rate case. It's hit the press, it's hit the editorials. Apparently, it's going to hit Channel 7 and Channel 4, this evening. Again, David Morris is not handling that.

Other intervenors in this case are Kroger, the Feds are in it, the National Security Administration, Western Resource Advocates, the attorney general is in the case, the union folks are in the case. There are literally 26 parties in the
case besides Public Service New Mexico. Half of us are consumers. Half of us are consumer intervenors. Folks like us include City of Santa Fe, Buckman Direct Diversion. Other large consumer interests are the New Mexico Industrial Energy Consumers, we call them NMIEC, and the City of Albuquerque is a member of NMIEC. NMIEC also includes Intel, Honeywell, General Mills, UNM, City of Albuquerque. They are a large consumer of PNM services, as is the water authority. Between NMIEC and the water authority, we are definitely in the top three consumers of PNM services.

Historically, you may know that I've been working for either the city or the water authority since 1991, and I have been intervening in rate cases before the PRC since that period of time. Prior to that, I was a consumer advocate in the attorney general's office, both under Attorney General Hal Stratton and Attorney General Tom Udall. So it's -- these PNM cases come every two to three years, if we're lucky maybe a little longer than that. It's something we do and the city has done regularly for that period of time.

If you have any questions on any of the intervenors, let me know, but generally we've got
renewable folks, folks that are interested in solar
energy initiatives. We've got consumers like us
there, retail consumers are there, and, of course,
Public Service New Mexico is there.

I want to give you a brief overview of PNM's
retail rate request. Again, this is exactly what I
gave to the commission this afternoon. PNM is seek
$165 million annual rate increase, or about a
21.3 percent average. Some rate classes will see a
28 percent increase. We are one of those rate
classes, along with Intel. That 28 percent, just so
you know, translates to the water authority to be
$2.5 million, $2.544 million annually recurring until
they ask for more again.

So what's at stake for the water authority.
Your bill rate now is about 9.58 million. PNM's $165
million request would add another 2.544 million to
that request on an annual recurring basis. That's the
28 percent I'm talking about. This rate case is the
largest nominal rate case PNM has ever sought. It
follows base rate increases granted in '08, '09 and
2010.

But the 165 million is only half the story.
PNM will automatically receive another $144 million
through 2013 for fuel, energy efficiency and renewable
energy riders. And every one of us, all consumers at all levels, will see those automatic pass-throughs. So when I just told you that you were looking at 2.5 million recurring on the base rate request, you're looking at 2.3 million on annual recurring costs through 2013 for fuel, energy efficiency and renewable energy. In all, with the base rate increase and the flow-through riders, you're looking at about a 51 percent rate increase between now and 2013 based on PNM's ask today.

The next slide was really more for the public comment session of the PRC, but we presented a case about, you know, what the new governor is putting in place, unemployment rates being 8.5 percent, the cutbacks that are coming at the state level, noting that New Mexicans are ranked 43rd out of 50 in per capita income.

Again, we're back to PNM's largest-ever rate request. The next fee slides demonstrate what your consultants and expert witnesses would testify to if they had to present a case on the $165 million ask. And so the next few slides are your experts' perspective on why this $165 million is fundamentally flawed. Historically -- I'll do it real quick. Historically, PNM has asked for rate increases based
on historic budgeted test year. They would look at what they spent in '09, develop a case, then put it forward to the commission, then ask that, based on that historic number, they be compensated based on their known and actual expenses. Certified public accountants would certify their financials and, again, those would be put to the commission.

The problem with this 165-million case and the biggest problem with it is that PNM, for the first year ever, is proposing a forecasted test year. What they did is they said, "Okay. We know what we'd like to build in 2011, we know what we'd like to build in 2012, and we're going to ask for that now."

So rather than look at what they spent in 2009, PNM has changed its methodology for approaching the commission and is proposing a historically -- I'm sorry, a forecasted test year. So what they're presenting to the commission is a wish list, "Here's what we'd like to spend in 2011, here's what we'd like to build, here's what we'd like to pay our employees, and, oh, by the way would you grant that request."

And then they budgeted -- or they forecasted again for 2012. And that is how they arrived at the $165 million. So it's a huge regulatory departure for folks like me that are regularly in front of that
commission. We have to deal with all the uncertainties that come with that forecasted budget.

I want to summarize real quickly what PNM's already gotten. Back in May of '08, they did get a 6.3 increase. That was 35 million. In June of '08, they got 11 percent. In '09, they got another eight percent. And in July, you probably didn't notice it, but it is a line item on your bill, fuel adjustment clause increased $18 million.

The next slide, really, is more a demonstration of our problem with PNM's forecast methodology. There are no generally-accepted accounting standards associated with a forecasted budget. There's no independent CPA analysis. It presents a lot of extra time for the lawyers, for the PRC staff, for the consultants, and then unfortunately in this case the problem was compounded with PNM's use of a new proprietary software that did not allow the expert witnesses to sort of get behind those numbers. So the particular methodology suggested by PNM in this case is really making it difficult for the consumer advocates as well, just getting behind it.

In the presentation today, Mr. Darnell for PNM indicated that they've responded to 3,000 data requests through interrogatories. And I don't doubt
that. I think the water authority probably put forward five or 600 of those. But half of them were devoted to understanding the forecasted budget process.

The next biggest problem the water authority saw with PNM's case, and, again, it was presented to the commission this morning, was that PNM proposes an 11.75 percent return for its shareholders. What we pointed out is that PNM was only granted a 10.1 percent return to its shareholders two years ago. Since that time, we all know that you can't review a CD for anything more than one percent. Mortgages, passbook savings and every debt instrument has fallen significantly. But a big part of PNM's $165 million ask in this case is associated with giving those shareholders an extra two percent.

So the conclusion that the water authority presented on behalf of most consumer advocates in the room this afternoon was that we believe that PNM's $165 million ask is overstated by about $95 million. Forecasted data is unreliable. The 11.75 percent to shareholders is unprecedented and the economy simply can't support it at this point in time.

The public comments, I had to leave a little early, but the public comments were generally
supportive of consumer interests. We had some very
sweet senior citizens, some handicapped folks, a lot
of solar industry presenters. I don't know what
happened at the 6 o'clock presentation, but there was
some very sympathetic commentors that followed the
water on this presentation.

NMIEC, the City of Albuquerque's legal
counsel, also made a presentation. His presentation
nearly tracked mine. He just didn't do a Power Point.
He did a -- just a one-page piece of paper and
delivered his message. But it was very similar
because, again, the water authority is sharing
consultants with the City of Albuquerque, Intel and
the NMIEC consortium. It's -- you know, their
position is very much in line with ours.

I've given you the dollar magnitude of the
annual recurring possibilities to the water authority
or the impact to the water authority. I want to leave
you with some comparisons between Public Service New
Mexico and the water authority. And these also with
presented this afternoon to the PRC.

And just to give you a comparison of your
utility with Public Service New Mexico, residential
customers served, PNM has 450,000 statewide
residential customers. The Albuquerque Bernalillo
County Water Utility Authority has 172,000. Total annual payroll for PNM is about $123 million a year. Your organization's annual payroll is about $27.6 million a year. Statewide, PNM employees 1500 employees, you employ 600. Do the math. The average compensation per employee is about $84,000 for PNM and $46,000 for the water authority. PNM's bond rating is Triple B, outlook stable; yours is Triple A. Rate increase requests, you can see from this chart. PNM was granted 17.3 percent in '08, 1.6 percent in '09, 5.6 percent in '10. They're proposing to split this $165 million request to 16 percent this year, another six percent next year. In the meantime, in the same period of time, you have implemented a one percent rate increase.

PNM has asked to recover its legal fees and consulting fees and expert witness fees in this case. They have so far asked for $2.425 million to pay for their attorneys and consultants. And then I put our number next to that, just to give you a frame of reference.

They've sponsored 15 witnesses. The water authority has sponsored three. We are probably sponsoring more witnesses than any other consumer interest. Staff of the public service commission will
probably -- we'd probably put on more than that, five
or six.

Again, I would point out that we are
attempting to share our consulting expert fees. We
share with Mr. Campbell and the City of Albuquerque a
gentleman named Jim Dittmer. Mr. Dittmer is a revenue
requirements guy. He's the one who believes that PNM
has overstated its case by $95 million. He has been
working PNM for either the city or the water authority
for 15 years. So he has a very strong institutional
knowledge. He's been picked up again by the city and
by the water authority. So, again, we're attempting
to keep our costs down on this advocacy in sharing.
We've got one other expert that we share and we share
our rate-design guy, somebody who's looking
specifically at Rate Class 11B, we share him with
Buckman Direct Diversion out of Santa Fe. 11B is the
tariff that PNM charges the water authority and people
like us. We are 80 percent of all water pumping in
the state. Buckman Direct is probably another ten
percent. So between the two of us, Buckman Direct out
of Santa Fe and the water authority, we account of
90 percent of PNM's water pumping load. And so it was
a natural alignment that we would talk to Buckman
about sharing expert fees.
So with that, I would stand for any
questions.

CHAIRMAN DE LA CRUZ: Mark, before I go to
councillors and commissioners, what does this mean?

MR. SANCHEZ: Mr. Chair, Members of the
Authority, I believe the number that Nann provided,
the total of two, would be in the $5 million range, if
they were to get their ask.

CHAIRMAN DE LA CRUZ: If this were approved,
then we would be looking at an increase of $5 million
next year?

MR. SANCHEZ: Over and above the 9.5 that we
currently spend, correct.

CHAIRMAN DE LA CRUZ: Councillor Garduno.

COUNCILLOR GARDUNO: Thank you. So the
take-away lesson is get a job at PNM and buy a lot of
PNM stock? Is that what I'm seeing here? That's
ridiculous. And has anybody even said that?

MS. WINTER: Well, the opportunity to present
our case in chief hasn't come up at this point in
time. And as you've read, there are settlement
negotiations ongoing. I'm not at liberty to comment
on the content of those because they are negotiations
and there's no finality at this point in time. I'm
not sure we're even close. But, again, our position
is, is that this $168 million ask is way too heavy by at least half. And that's...

COUNCILLOR GARDUNO: And I guess I want to hold out a little bit of hope that in the negotiating world, you do ask for more than you think you're going to get, but even this is beyond the pale, I think.

Do you think that there's going to be a PRC come to whatever that's called, come-to-Jesus talk with PNM?

MS. WINTER: Mr. Chairman, Councillor Garduno, it's -- I have no knowledge of how the PRC would handle it at this point. It's really -- there is no hearing currently scheduled. There is a requirement that any stipulation be filed by February 3rd. And I think the parties are working towards that. But it's unclear whether that will happen.

COUNCILLOR GARDUNO: Well, then, I guess the sequel question would be, is that the proper place. I mean, is the PRC the place to apply pressure to whoever to get these numbers at least looked at a little closer?

MS. WINTER: Mr. Chairman, Councillor Garduno, the commission is the regulatory body for Public Service New Mexico, and, like I said, for 20 years we've been putting forward a case either on behalf of
the city or the water authority as a consumer advocate, and, you know, a fairly aggressive consumer advocate. And we're not the only one. You know, there's residential folks and Intels of the world and UNMs of the world. They've all been very aggressive consumer advocates. And that is squarely within the commission's jurisdiction. They do hold public comment. They held two public comment sessions down here in Albuquerque today; that doesn't happen often, but they did. And so that's -- it's advocacy, it's a commission proceeding. It comes with hearings and due process. And you know that we are pretty aggressive with retention and review of, you know, using experts and witnesses and whatnot. And it gets a good thorough review, if it gets there.

COUNCILLOR GARDUNO: Okay. Thank you, Mr. Chair.

MR. CAMPBELL: Mr. Chairman.

CHAIRMAN DE LA CRUZ: Mr. Campbell.

MR. CAMPBELL: Ms. Winter, thank you very much for providing this briefing. I did send a letter asking for such a briefing, and I agree that the water utility authority and the City of Albuquerque both have tremendous interest in making sure that the rates are appropriate and not confiscatory.
It has been widely reported in the news, in fact there was an editorial and news reports about the water utility authority and its participation or lack of participation in stipulation meetings and settlement meetings.

Without getting into the content of those, which would be inappropriate, I'd like you to address whether or not the water utility authority is participating in the settlement and stipulation hearings or meetings.

MS. WINTER: Mr. Chair, Mr. Campbell, we started negotiating in October, November. We were being summoned up to Santa Fe pretty regularly for mediation, both formal and informal. It was a pretty tough schedule. And then we broke. The group decided to break. We were too far apart. And we started preparing our cases in chief. The water authority then heard a month later that one other party had resumed negotiations. The water authority, in conjunction with NMIEC, the city's consortium, complained, and as of this moment, we are engaged in negotiations with Public Service New Mexico.

MR. CAMPBELL: Okay. So the news reports about two weeks ago to the contrary, the water utility authority is now engaged in these settlement
stipulation kinds of discussions, is that right?

MS. WINTER: Mr. Chairman, Mr. Campbell, I would say that's a fair representation, and I would say the press probably had something to do with your consortium and the water authority being invited back in.

MR. CAMPBELL: Okay. And I think one of the things that would be helpful coming out of this, not only is the rates become adjusted downward as much as possible, but also that there be some certainty in the rates going forward. Again, without revealing anything that may be going on in the stipulation or that can't be talked about, could you talk about how important rate certainty is for the water utility authority going forward.

MS. WINTER: Mr. Chairman, Mr. Campbell, I'm sure what your question is, but PNM proposed rate certainty with the 165. They proposed for sure that we would get hit with a 28 percent increase next year and for sure that we would get hit with something less than that the year after that.

The regulatory process, in and of itself, guarantees rate certainty. You come in, you ask and then those rates are then allocated one year and then the next year or maybe for a third year. There's no
1 doubt that what PNM asked for was rate certainty. We
disagree with the level of the rate certainty they
asked. You know, it's -- I'm not quite sure where
you're going with that on a rate certainty issue. But
the regulatory process, lets you know what your rate
will be today, tomorrow and next year. So if we come
to a stipulation, there's no doubt there will also be
rate certainty in that stipulation. The last few
stipulations have contemplated certainty for next
year, the year after that and the year after that.

You know, I'm hoping -- you know, the longer
the term of any agreement on that is better. You can
budget, you can raise your rates to reflect what
you've got to pay in 2013, or you know what you need
to do to cover your bill to PNM. But generally
speaking, what we have here is a fundamental
difference of opinion on what that rate certainty path
should be.

MR. CAMPBELL: Mr. Chairman, Ms. Winter, thank
you. I -- I guess what I mean by rate certainty is
that not that there be certainty at a particular level
but that you would know so that we could budget for it
what the rates would be going forward and that as you
and I know as lawyers, very frequently you have the
litigated situation, which takes an extraordinary
amount of time, and then there is often settlement stipulation kinds of discussions that really cuts down on the amount of time and institutes that certainty at an earlier time.

And I guess one of my concerns when I read that we were not participating in stipulation/settlement agreements was that we would not achieve the kind of rate certainty except by the formal process. And so I'd like to encourage the board and the water utility authority to participate as much as possible in settlement negotiations. And I'm pleased to hear that that's now happening. So thank you very much.

MS. WINTER: Mr. Chairman, any other questions?

CHAIRMAN DE LA CRUZ: Thank you.

MS. WINTER: Okay. Thank you.

CHAIRMAN DE LA CRUZ: Seeing no other business, I make a motion to adjourn.

COUNCILLOR JONES: Second.

CHAIRMAN DE LA CRUZ: We have a motion and a second.

All in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously. Meeting
adjourned.

(Whereupon, the meeting adjourned.)
STATE OF NEW MEXICO
COUNTY OF BERNALILLO

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I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this matter and that I have no interest in the final disposition of this matter.

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