

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, MAY 24, 2017
8:30 A.M.

Present: Evelyn O. Shaw, Chairwoman
Wade R. Fowler, Jr., Vice Chairman
D. Ralph Huff, III, Secretary
Darsweil L. Rogers, Treasurer

Others Present: David W. Trego, CEO/General Manager
Karen McDonald, City Attorney
Jay Reinstein, Assistant City Manager
Jim Arp, City Council Liaison
Melissa Adams, Hope Mills Town Manager
PWC Staff
Media

Absent: Michael Boose, County Liaison

CALL TO ORDER

Chairwoman Shaw called the meeting of Wednesday, May 24, 2017, to order.

APPROVAL OF AGENDA

Upon motion by Commissioner Rogers and seconded by Commissioner Huff, the agenda was unanimously approved.

CONSENT ITEMS

Upon motion by Commissioner Rogers and seconded by Commissioner Fowler the Consent Items were unanimously approved.

- A. Approve Minutes of meeting of May 10, 2017
- B. Approve RSM Audit Engagement Letter and the Contract to begin 2017 Audit of Accounts.
- C. Approval of Loan from Electric Fund to Water/Wastewater Fund

- D. Approval of Budget Ordinance PWCORD2017-05 – Electric and Water/Wastewater Budget Amendment - (FY2016-2017)

Electric and Water/Wastewater FY2017 amendment #5 decreasing the Electric Fund budget \$3.8 million to \$248.4 million and increasing the W/WW Fund budget \$34,000 to \$102.2 million

- E. Approval of the following Budget Ordinances PWCORD2017-06 thru PWCORD2017-17

Subject to approval by the Commission the following ordinance amendments will be effective May 24, 2017:

- PWCORD2017-06 Series 2014 Water Connect CPF amendment #3 reduces bond proceeds needed to complete construction in this fund by \$3 million. These proceeds will be added to the Series 2016 Water/Wastewater CPF.
- PWCORD2017-07 2014 LED Street Lighting CPF amendment #3 is a housekeeping item reallocating remaining bond proceeds of \$2,342 that were previously dedicated to pay bond issue costs.
- PWCORD2017-08 NCDOT CPF amendment #3 is to close out a completed project.
- PWCORD2017-09 NCDOT CPF amendment #4 is to adjust the budget to more recent revised project estimates included in the FY 2018 CIP
- PWCORD2017-10 2014 W/WW Revenue Bond CPF amendment #3 increases bond proceeds of \$931,287 remaining after the completion of Annexation Phase V Areas 14 and 15.
- PWCORD2017-11 2016 W/WW Revenue CPF amendment #2 increases bond proceeds available by the \$3 million from the Water Connect project above and \$9,832 from the reallocation of bond proceeds that were previously dedicated to pay bond issue costs.
- PWCORD2017-12 Annexation Phase V Area 14 & 15 CPF amendment #2 is to close out this fund. The accounting for this project was completed upon receipt of the outstanding overlay funds recently received from the City. This project was completed under budget and the remaining \$931,287 in bond proceeds will be moved to the 2014 W/WW Revenue Bond CPF which is also being amended for this same amount above.
- PWCORD2017-13 Annexation Reserve Fund amendment #22 is housekeeping items adjusting interest income, debt service payments and transfers to project funds to expected amounts for this fiscal year.
- PWCORD2017-14 Electric Rate Stabilization Fund amendment #26 increases interest income \$460,000 and increases the transfer from the Electric Fund by \$223,273 for contractual credits received during this fiscal year from Duke Energy.

Subject to approval by the Commission the following 3 ordinance amendments will be **effective July 1, 2017**, for the fiscal year 2018 activity from the Electric and Water/Wastewater funds and interest income:

- PWCORD2017-15 Annexation Reserve Fund amendment #23 establishes fiscal year 2018 activity for the Electric and W/WW transfers, assessment collections, interest income and debt service payments.
- PWCORD2017-16 Electric Rate Stabilization Fund amendment #27 establishes the fiscal year 2018 activity for the transfer from the Electric Fund and interest income.
- PWCORD2017-17 Water/Wastewater Rate Stabilization Fund amendment #17 establishes the fiscal year 2018 activity for the transfer from the W/WW Fund and interest income.

Staff recommends that the Commission adopt the attached budget ordinance amendments. (See Pages _____ of the Minutes)

END OF CONSENT

PUBLIC HEARING ON PROPOSED FISCAL YEAR 2017-2018 ANNUAL BUDGET

Chairwoman Shaw opened the Public Hearing. There were no speakers present, although eight written comments were submitted. They were submitted by:

Cassandra Barlogio, 151 Treetop Drive, Apt. K, Fayetteville, NC

Ms. Barlogio's comments favored Community Solar Funding in the Budget.

C. Fisher, 1619 Ft. Bragg Rd., Fayetteville, NC

C. Fisher's comments Favored Community Solar Funding in the Budget

Jennifer Tapia, 4018 Dellwood Drive, Fayetteville, NC

Ms. Tapia's comments favored Community Solar Funding in the Budget

Beatriz Lothrop, 61 Greenridge Road, Weaverville, NC

Ms. Lothrop's comments favored Community Solar Funding in the Budget

Lawrence Turk, POB 203, Hendersonville, NC

Mr. Turk's comments favored Community Solar Funding in the Budget

Akila Mosier, 365 Huffmantown Road, Richlands, NC

Ms. Mosier's comments favored Community Solar Funding in the Budget

Stephen Boletchek, 1306 Elbury Drive, Apex, NC

Mr. Boletchek's comments favored Community Solar Funding in the Budget

Ms. Molly Diggins, 19 W. Hargett Street, Raleigh, NC
Ms. Diggins' comments favored Community Solar Funding in the Budget

COMMISSION CONSIDERATION OF BUDGET ORDINANCE PWCORD2017-18 -
(FY2017-2018 ANNUAL BUDGET)

David Trego, CEO/General Manager referenced the Budget Ordinance on Pages 12-13 of the 2017-2018 Budget Book. He stated the Budget Ordinance staff is requesting Commission to approve is consistent with our last meeting.

Upon motion by Commissioner Rogers and seconded by Commissioner Fowler, Budget Ordinance PWCORD2017-2018, the FY2017-2018 Annual Budget was unanimously approved. (See Ordinance on Pages _____ of Minutes)

3rd QUARTER (JANUARY THRU MARCH) FINANCIAL RECAP – (Goal #1)

*Presented by: J. Dwight Miller, Chief Financial Officer
Brenda Brown, Controller*

Dwight Miller, Chief Financial Officer presented Brenda Brown, Controller, to provide a summary of the 3rd Quarter finances.

Ms. Brown stated Electric Sales are down 1.7%. Electric Operating Expenses are also down .6%. The Electric City Transfer/PILOT/ED is up 9.9%. Power Supply costs are down 2.6%. G&A Expenses are down 3.9%. Other Operating Expenses are down 3.4%. Water Sales are up 3.4%. Wastewater Sales are up 2.3%. Net Bad Debts are lower at just over .5%. The Days Cash Reserve is 128.93.

Ms. Brown stated the Electric Sales have been rather steady over the past nine months. They have gone down 1.7% which is due to the mild winter and spring. Power Supply costs are consistently going down since 2014. G&A expenses have experience a decline since last year as well. Other Operating Expenses have slightly increased due to the effects of Hurricane Matthew in October. City Transfer is up 9.9% which is directly related to our Economic Development agreement which we pay \$100,000 per month that we did not have in the prior year.

Ms. Brown also stated Budget to Actual comparisons reflects Operating Revenues have increased slightly which is due to our rate increases. The Power Supply and Generations costs have decreased over last year. The Operating Results are comparable to last year. The change in Net Position is solid, though it is lower than last year.

The Electric Power Purchased decreased 2.2%. The cost per MWh has increased .1% (\$70.141). She stated the Power Costs have decreased over last year. The Electric Margin

as a Percent of Total Sales has increased. Staff responded to questions from Commissioners.

Ms. Brown stated Water and Wastewater Sales increased 3.4% and 2.3% respectively over the previous year. The G&A Expense decreased 8.2%. We have experienced a decrease in our computer contract and contractual services from last year to this year. There has also been a slight decrease in our bad debt expense over last year. Other Operating Expenses increased by 6.5%. This is due primarily due to Hurricane Matthew costs. Mgallon sales decreased 1.4% over the past year.

She reported the Total Operating Revenues in Water and Wastewater increased slightly. Total Operating Expenses also increased. Our change in Net Position increased slightly over last year. The Water Margin in dollars has had a steady increase since 2014. Water Margin as a Percent of Total Sales has experienced a slight increase. The water margin percentage change increased 2.7% over the previous year.

The Wastewater Margin in dollars has increased over last year. The Margin as a Percent of Total Sales decreased slightly. The Margin percentage change increased 1.9%.

The ratio of Sales (City and PWC) for Fleet Maintenance is 75/25 (\$5,018,100 / \$1,711,900). Operating expenses also increased by 5.0%. This increase is due to the damages we suffered from Hurricane Matthew. Ms. Brown also reviewed the Fleet Maintenance Budget Actual to Previous Year.

Ms. Brown reviewed the Capital and Debt Service for the 3rd Quarter for the Electric, Water and Wastewater and Fleet Maintenance Capital Expenditures. She also stated the Electric and Water Bad Debts for the 3rd Quarter has decreased to just over .5%. She also stated the Operating Reserve is 128.93, which is above our target of 120 Days.

Commissioner Rogers inquired about the Prepay option. Discussion ensued regarding analysis and viability of the option.

Chairwoman Shaw thanked Mr. Miller and Ms. Brown for the 3rd Quarter Financial Recap.

INTENTION TO SELF REPORT AND MITIGATION PLAN – ELECTRIC DIVISION

Presented by: Jon Rynne, Chief Operations Officer - Electric

Mr. Rynne, Electric Systems Chief Operations Officer stated this is a notice to the Commission. As staff was preparing for the SERC spot check of our compliance with the mandatory reliability standards for operating an electric utility, we determined we were not in compliance with a particular reliability standard. In order to be proactive about this we are going to self-report to SERC of what our mitigation plan will be to come into compliance with this communication standard.

Mr. Rynne stated, essentially we were already performing this action. We had not recorded the training or documented the personnel that needed to have the training for the compliance. He said this is for dispatchers, line-workers and any persons who would be responding to an emergency that would possibly affect the bulk electric system on how they would communicate with the dispatchers. This is a “tell, repeat and confirmation” style of communication. We already do this action, but we had not documented the training of the personnel or documented the procedure. We are going through this now. He stated we will be completed with all of our personnel before the actual spot-check by SERC. This is essentially showing we had a deficiency and showing what the mitigation plan is.

Mr. Trego stated we have an internal compliance plan and as part of that plan whenever we find a violation it is our requirement we report it to the Commissioners. That shows our compliance culture and our transparency to SERC and NERC that we report it all the way to the policy making board. It is seen as a best practice in the industry to do so. Discussion ensued.

GENERAL MANAGER REPORT

Mr. Trego recognized the presence of Denise Bruce from Sustainable Sandhills as well as Caroline Hensley from the Sierra Club.

DUKE ENERGY

Mr. Trego stated Duke Energy has given notice to the NCUC that it intends to file their Base Rate case. It will include their Coal Ash requirements. We have reached settlement with Duke. We will be very interested and involved in the NCUC case because any disallowances they get at the state will get passed through our contract. We are allowed to intervene, not as a wholesale customer of Duke, but as a retail customer of Duke. We will be monitoring and we will be active as need be because we want to make what we pay is our fair share of those costs.

NCAMES

Mr. Trego stated this past week was the North Carolina Rodeo. One of our apprentice line-workers, Tyler Brayboy, finished fifth in the obstacle course. It is a good thing for our apprentices to be involved in this type of activity. Mr. Trego stated he has seen the obstacle course in the past and it is not easy.

LED LIGHTING IN DOWNTOWN

Mr. Trego reminded the Board, PWC will be testing various types of LED lights in Downtown along Hay Street. We will install three temperatures of light. The LED lights can vary from a very blue light to a very soft white light. The Downtown Alliance and Downtown Merchants will be able to review them and provide feedback regarding them. We will also engage City Staff and the City of Fayetteville Public Safety. Mr. Trego stated

the lights in the downtown area now are sodium vapor lights and only come in one color. Discussion ensued.

SUMMER INTERNS and STEM STUDENTS

Mr. Trego stated our summer interns are now on board. They work on projects in departments that have requested the additional summer staff. We will also hire 10 STEM students during the summer.

PWC AT THE CHAMBER

Carolyn Justice-Hinson stated PWC will sponsor the June edition of the Chamber Coffee Club on June 15th. It will be held at the Baymont on Owen Drive. We will show a new short PWC Video which features customers, staff and community leaders talking about PWC. We will share information about our rates and our work in the community. She stated we will talk about PWC day as well as the Community Advisory Group and opportunities to serve. Discussion ensued.

COMMISSIONER COMMENTS:

Commissioner Huff inquired about electric rates. He stated the leasing world is having issues regarding tenants who have received bills and their rates have changed from small users to medium users. He stated the tenants are saying they have done nothing different, but PWC is changing their rate classification.

Mr. Trego stated the determination of which rate they are on is dependent on their usage and how they use their energy. If they go over the threshold of using 10 kilowatts for three months out of 12 they have to go over to the medium service. It is not a decision that we say yes or no, it is determined by the rate. Commissioner Huff clarified that it is not a recent decision that has been made by PWC. It is not a change. It has been this way for several years. Mr. Brown confirmed that we have not made a change in policy. We are not doing anything differently. Yet, we are working on how to administer it consistently.

Additional discussion ensued regarding rates. Mr. Trego stated staff is looking into revising the rate structure and will report back to the Commission.

REPORTS AND INFORMATION

The Commission acknowledges receipt of the following reports and information.

- A. Monthly Cash Flow Report – April 2017
- B. Recap of Uncollectible Accounts – April 2017
- C. Investment Report – April 2017
- D. Position Vacancies
- E. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. #18497 – 10” DI sewer force main – US301 & SR1722

- F. Approved Utility Extension Agreement(s):
 - Camden Glen Developers, LLC – water and sewer to serve Peartree West subdivision , located off Camden Road
 - Willow Group Investments, LLC – electric, water and sewer to serve Walter Reed Plaza, located off Owen Drive and Walter Reed Road
- G. Actions by City Council during meeting of May 8, 2017, related to PWC:
 - Approved Adoption of Capital Project Ordinance Amendment for the TEXFI Site (CPOA 2017-36)
 - Approved Bid Recommendation – Annexation Phase V – Project VIII, Area 18 Section II – Southgate Subdivision
 - Approved Amendment #5 – Agreement between the City of Fayetteville and the Public Works Commission Establishing a Formal Agreement to Fund the Construction of Water and Sanitary Sewer Systems in the Annexed Area Referred To As Phase V
 - Denied Recommendation for PWC’s Fleet Parts Outsourcing

ADJOURNMENT

There being no further discussion, upon motion by Commissioner Rogers, seconded by Commissioner Huff and unanimously approved, the meeting was adjourned at 9:21 a.m.