

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, MARCH 11, 2015
8:30 A.M.

Present: Lynne B. Greene, Vice Chairman
Wade R. Fowler, Jr., Secretary
Darsweil L. Rogers, Treasurer

Others Present: Steve Blanchard, Interim CEO/General Manager
Karen McDonald, City Attorney
Kristoff Bauer, Deputy City Manager
Glenn Adams, County Liaison
PWC Staff
Media

Absent: Michael G. Lallier, Chairman
James Arp, Council Liaison
Mike Bailey, Hope Mills Liaison
John Ellis, Hope Mills Liaison

Vice Chairman Greene called the meeting of March 11, 2015, to order.

Approval of Agenda

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

Commissioner Greene noted that Chairman Lallier is not present. He is in India and cannot dial into the meeting. Commissioner Greene stated Chairman Lallier has approved the staff recommendations.

Consent Items

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

- A. Minutes of meeting of February 25, 2015.
- B. Bid recommendation to award contract for the Camden Road Water Main Improvements to Sandy's Hauling and Backhoe Service, Inc., Roseboro, NC, the lowest responsive, responsible bidder in the total amount of \$543,244.25 and forward to City Council for approval.

This is a budgeted item in FY2015 – CIP WS8 – Camden Road Water Improvements - \$388,000. A budget transfer of \$169,000 from WS81 – Lift Station Wet Well Rehabilitation – is being made to fund the difference in the budgeted amount and the actual bid amount.

Bids were received on October 2, 2014.

Bidders	Total Cost
Sandy's Hauling and Backhoe Service, Inc., Roseboro, NC	\$543,244.25
Triangle Grading & Paving, Burlington, NC	\$565,719.90
Odell Smith & Sons, Spring Lake, NC	\$581,943.75

Notes: Plans and specifications were requested by eight (8) contractors with four (4) contractors responding. A lower bid was received by Sandhills Contractors, Inc.; however, Sandhills sent a letter on October 10, 2014, withdrawing their bid for the project. PWC is contesting whether Sandhills withdrew the bid within the timeframe established by the North Carolina General Statutes. This issue has not been resolved; however, this will not impact who is recommended for award of the project. Sandy's Hauling & Backhoe Services has agreed to hold their bid price for this project.

- C. Staff request for the Commission to approve the issuance of a purchase order in the amount of \$292,603.94 to Systems with Intelligence, Inc. (SWi) Mississauga, ON, for all hardware, software licenses, technical support, installation, on-site engineering services and testing to provide video security equipment at all PWC's points-of-delivery (POD) and the Crystal Springs substation in accordance with N.C.G.S. 143-129(e)(6) "sole source exception".

N.C.G.S. 143-129(e)(6) allows an exception to the bidding requirements when (i) performance or price competition for a product are not available; (ii) a needed product is available from only one source of supply; or (iii) standardization or compatibility is the overriding consideration.

Substation staff has researched multiple sources for this equipment and has found that SWi is the sole source provider to meet the unique requirements necessary to work within an electrical substation environment and provide necessary interfaces to existing PWC equipment and systems.

The "sole source" request is supported by the following specifications available only with the SWi equipment:

- Equipment is specifically designed for Electric Utilities – is substation hardened, and meets the IEEE1613 (and IEC61850-3) standards for IED's designed for electric substations.
- All equipment is fiber-optic based – direct connectivity between cameras and DVS – hence equipment within the substation is optically isolated and data lines are free of being corrupted by EMI/EMF.
- All equipment is designed to handle surges and transients up to 5000V – ideal for substation environment. Universal power supplies can handle any voltage from 24V to 265V AC or DC; therefore, the devices can be powered off different sources within the substation. Additionally, the redundant power supplies means the security system can also use the DC Station batteries for backup.
- Cameras and Digital Videos Servers are fully compliant to MODBUS, DNP 3.0, and IEC 61850 (GOOSE) and consequently can communicate with other IED's (and RTU's) within the substation, but also events and alarms can be mapped

back to local SCADA systems. Serial connectivity (RS232, RS422 and RS485) allows physical connectivity between substation systems.

- Complying with new regulatory requirements for physical security (e.g. NERC CIP version 5); this includes video surveillance and access control for electric utility substations and generating plants.
- SCADA and Asset Management integration allows monitoring and diagnosing primary equipment in real time alongside other electrical data (SCADA) and developing failure analysis curves (Asset managers – such as Cascade).

The total cost of the SWi video security system with analytics that includes all services, hardware, software licenses and support is \$292,603.94.

\$250,000 is budgeted in FY2015 EL 41 – Security Monitoring Equipment Upgrade. A budget transfer of \$43,000 is being made to fund the difference in the budgeted amount and the actual cost.

III. Consider changes to PWC Water and Wastewater Rate Schedules; and Rate Schedule for new LED and traditional lighting services

*Presented by: Steven K. Blanchard, Interim CEO/General Manager
Dwight Miller, Chief Finance Officer*

Steven K. Blanchard, Interim CEO/General Manager stated PWC is following the Commission's goal of analyzing water and wastewater rate schedules. In the past the Commission has chosen make changes to the rates for a two year period.

PWC is also establishing rate schedules for the LED Lighting. PWC is in the process of changing over from the standard mercury and high pressure sodium lighting to the LED lighting. Mr. Blanchard stated PWC needs to have schedules in place as we look at street lighting (which is our present focus) and also area lighting that we lease on a monthly basis. PWC has reviewed the rates on the legacy lighting and the new LED lighting and staff is making a recommendation today for the new rate schedules.

Mr. Blanchard presented Mr. Miller to continue the presentation.

Dwight Miller, Chief Finance Officer, presented in detail the proposed rate considerations which would increase the water and wastewater base charge and a recommendation to increase the outside differential by an additional 5% from 155% to 160%, effective May 1, 2015 and an additional 5% to 165%, effective May 1, 2016.

Mr. Miller informed the Commission that in reviewing the cost of service and project revenue requirements there is an estimated revenue deficiency in FY2016 and 2017 of \$4.3 million and \$4.7 million, respectively. Mr. Miller stated the anticipated draw on the rate stabilization fund over 3 years will minimize rate impacts. The proposed basic facility charge increase will cover most of the deficiency. Volume charge increases are necessary to cover remaining revenue (there were no volume charge increases in FY2014 and 2015).

The impact for an average 5,000 gallon a month water/wastewater user is \$2.83 per month (from \$52.21 to \$55.04). The average impact for a 1,000 kilowatt electric user is \$2.80 per month (from \$105.40 to \$108.20). Total impact on customer after billing effective May 1st is \$5.63. Mr. Miller also recommended a change to the usage for Flat Rate Sewer Customers from 5,000 to 4,900 gallons based on current trends in average water usage.

Mr. Miller provided a rate comparison with other comparable utilities and commented that PWC's water and sewer rates remain among the lowest in the state. He also reviewed statistics on the total number of water and sewer customers PWC currently serves.

Mr. Miller and Mr. Blanchard responded to questions from the Commission regarding the proposed changes and rate stabilization balances.

Following discussion, upon motion by Commissioner Rogers, seconded by Commissioner Fowler the Commission unanimously approved changes to the PWC Water and Wastewater Rate Schedules as outlined below.

1. Increase the base and volume charges per the Water and Wastewater Rate Changes worksheet with effective dates of May 1, 2015 and 2016
2. Increase the Outside Differential to 160% and 165% effective May 1, 2015 and May 1, 2016, respectively
3. Change Billing for Flat Rate Sewer customers based on 4,900 gallons per month, currently 5,000 gallons per month

Mr. Miller also addressed the area (optional) lighting rate schedules. Area lighting is lighting the customer requests, it can be on the street, in their yard or in a parking lot.

PWC is proposing a three year phase-in increase for the existing lights (mercury vapor and high pressure sodium) and is proposing to establish new lighting schedules for the LED lights. PWC expects full cost recovery by May 2017. Traditional lighting has been under-recovering the costs. The lighting schedules are comparable for LED and mercury vapor until PWC begins to phase out the mercury vapor lighting. When the new lighting schedules are in place, PWC can begin to market the LED lighting to customers.

Commissioner Rogers asked staff to explain the traditional and LED Area Lighting schedules. Mr. Trego responded by providing additional explanation for the comparable traditional and LED rate schedules. Discussion ensued.

Following discussion, upon motion by Commissioner Fowler, seconded by Commissioner Rogers the Commission unanimously approved to adopt the three year rate schedule for new LED and traditional lighting services effective May 1, 2015, 2016 and 2017.

Steve Blanchard, Interim CEO/General Manager requested for David Trego, Electric Systems Chief Officer to update the Commission on a Resolution of Non-Compliance.

Mr. Trego reminded the Commission that approximately 5 months ago, the Electric Division had a violation of their NERC regulations in which they had a piece of test equipment to fail that tested the batteries in the substations. Per the NERC rules, PWC self-reported the violation. SERC responded by stating, although it was a technical violation, it would have had a minimal effect on the bulk electric system. SERC also noted PWC has an excellent compliance history and quickly mitigated the issue. (In fact, PWC began mitigation efforts before we self-reported.) SERC stated the violation will not be part of our permanent record.

Mr. Trego stated according to the PWC Compliance Plan he is reporting the results to the Commission.

Mr. Blanchard also updated the Commission on Time Warner Wi-Fi questions in downtown Fayetteville. He stated this is a City program and PWC will work with the City as they develop their plan and concepts.

Commissioner Rogers asked for an update on PWC Conservation efforts. He noted that Duke Progress Energy is installing a solar farm in the Fayetteville area. Steve Blanchard stated PWC currently purchases recs to satisfy our requirements. PWC is investigating the feasibility of a small solar farm to meet our requirements and allow customers to buy into it. David Trego, Electric Systems Chief Officer and Mark Brown, Customer Programs Officer, are looking into it.

David Trego stated the federal tax credits associated with solar farms are due to expire at the end of this year. Discussion ensued.

Mr. Blanchard also informed the Commission that Mick Noland is attending the Inter Basin Transfer meeting. It is expected that Department of Natural Resources will approve the request.

REPORTS AND INFORMATION

A. Recap of Uncollectible Accounts

- July 2014
- August 2014
- September
- October 2014

B. Investment Reports for

- July 2014
- August 2014
- September 2014
- October 2014
- November 2014
- December 2014
- January 2015

C. Monthly Incident Summary for February 2015

- D. Personnel Report for February 2015
- E. Position Vacancies
- F. March 2015 Wholesale Power Cost Adjustment
- G. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. #17776 – water and sewer installation – NC59 and SR 1131
 - Encr. #17971 – water main installation – SR1404 & US401BYP (Skibo Rd)
- H. Approved Railroad Encroachment Agreement(s):
 - CSX Transportation – Encr. #17785; CSX Agreement #766930 installation of water main (Winslow to Robeson St. Water Main Replacement) near Milepost A-210.41
- I. Approved Utility Extension Agreement(s):
 - Dark Branch Properties II, LLC - electric, water and sewer to serve Village Drive (Fordham Drive)
- J. Nicholas S. Harrell – water and sewer to serve Deaver Circle
- K. Actions by City Council during meeting of March 2, 2015, related to PWC:
 - Authorized the City Manager to engage Grant Thornton, Independent Audit Firm to perform agreed upon procedures on the PWC NavIgate project.

There being no further business, upon motion by Commissioner Fowler, seconded by Commissioner Rogers and unanimously approved, the meeting was adjourned at 9:28 a.m.