

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, SEPTEMBER 9, 2015
8:30 A.M.

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

Others Present: David Trego, CEO/General Manager
Karen McDonald, City Attorney
Kristoff Bauer, Deputy City Manager
James Arp, City Council Liaison
Glenn Adams, County Liaison
Media
PWC Staff

Absent: Mike Bailey, Hope Mills Liaison
John Ellis, Hope Mills Liaison

Chairman Lallier called the meeting of September 9, 2015, to order.

APPROVAL OF AGENDA

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

CONSENT ITEMS

Upon motion by Commissioner Greene, seconded by Commissioner Fowler Consent Items were unanimously approved.

- A. Minutes of meeting of August 26, 2015
- B. Bid recommendation to award bid for purchase and installation of thirty (30) Stationary Batteries and Battery Racks for the Butler-Warner Generation Facility to ABT Power Management, Inc., Charlotte, NC in the total amount of \$93,325.00 and forward to City Council for approval. The Replacement Stationary Batteries is a budgeted item (budgeted amount of \$106,500). Bids were received on August 18, 2015 as follows:

<u>Bidders</u>	<u>Total Cost</u>
ABT Power Management, Inc., Charlotte, NC	\$93,325.00
Industrial Battery & Charger, Inc., Charlotte, NC	\$98,012.00

Comments: Bids were solicited from six (6) vendors with two (2) vendors responding. The lowest bidder is recommended.

4TH QUARTER FINANCIAL STATEMENT RECAP (PRELIMINARY REPORT)

Presented by: Dwight Miller, Chief Finance Officer

(PWC Strategic Goal #1)

Dwight Miller, Chief Finance Officer provided an update of the 4th quarter operating results. Mr. Miller stated he will present the year-end audit final financial statement recap in October.

Mr. Miller stated electric revenues are under budget as well as power costs (operating expenses). Net Assets increased greater than budget and PWC set a new system peak in the last fiscal year. Water and wastewater revenues are under budget as well as operating costs with positive operating results. Capital spending is under budget (majority are DOT projects). Write-offs increased above the .7% mark. Cash decreased by .6 days.

Mr. Miller stated operating revenues are less than budgeted and we are seeing a decrease in residential usage patterns. In 2011 the average residential customer used 1383 kilowatt hours a month. He noted this year we are seeing 1042 kilowatt hours a month. His team based the budget on an average of 1113 kilowatt hours a month.

Commissioner Rogers asked if the temperature is a factor in the decrease in customer usage. Mr. Trego responded on the electric side, the decrease is partly due to energy efficiency requirements in replaced units. So when a customer replaces a 12 seer unit (seasonal energy efficiency ratio) it is replaced with a 16 seer heat pump, which is industrial conservation.

Commissioner Fowler asked if we anticipate this trend continuing as we install smart meters and customers become familiar with them. Mr. Trego responded that it is part of the goal, as customers get more information for them to use energy more wisely and efficiently. He also stated that this is a trend that we will need to watch. Discussion ensued.

Mr. Trego also stated PWC has gone from a peak summer utility to a peak winter utility. This shift is not a lowering in peak, and the system operates a little differently in the winter time as opposed to the summer time. Discussion ensued.

Commissioner Lallier asked for a comparison of our total megawatt hours we have purchased from year to year. Mr. Miller provided a slide which detailed the total megawatt hours purchased for several years.

Dwight Miller detailed the decrease in operating expenses and power cost expenses which resulted in a 41% greater than budgeted increase in net assets. Mr. Miller stated the margin is close to 25% (it increased by 13%). Discussion ensued on the true-up costs/credits. Commissioners requested for staff to recognize operating costs in last year's budget (2015 fiscal year).

Water sales increased 1.8% for the year, which is under budget. The operating expense is below budget and operating results are just above positive. Staff responded to questions from Commissioners. Mr. Miller stated Water/Wastewater operating expenses are under budget and the operating results are greater than budgeted with change in net assets 147.1% greater than budgeted. Unaccounted for water is 9.5%. The margin increased by 5.8%. Discussion ensued.

Mr. Miller stated the wastewater margin increased 1.1%. The average sewer treatment expense is \$.0057 per gallon. Average unaccounted for sewer is 36%.

Mr. Miller detailed preliminary YTD balances for the capital and debt service, capital variances as well as total accounts billed as of June 2015. PWC provides services (electric, water and sewer) to 261,948 customers. Service connections increased by 2.3%. Discussion ensued.

Mr. Miller noted that in-person payments rose significantly in the last fiscal year. Discussion ensued relevant to the wording on customer bills. Chairman Lallier requested for a 30 day progress report on bill redesigns. Ms. Fritzen informed Commission that she and Ms. Justice-Hinson will submit a presentation on the redesign of customer bills at the next Commission Meeting. Commissioners requested for staff to submit information relevant to the bill redesign and Commissioners will review prior to the next meeting.

Mr. Miller stated the electric and water resources net bad debt as above .7 percent. The industry average is less than .5%. Chairman Lallier requested a comparison of 2014 and 2015; 2nd – 4th quarters bad debt levels. Discussion ensued.

Mr. Miller highlighted the electric system peak, which was set in February 2015 and the water peak, which was set in June 2000. He also highlighted the Fleet Maintenance Internal Service Fund which zeros out at year end. There was a refund to the City of \$485,400.00. PWC has an operating reserve of 108.8 days as of June 30th.

Commissioners thanked Mr. Miller for the 4th quarter preliminary update.

GENERAL MANAGER REPORT

Mr. Trego announced PWC has surpassed 5 million hours of no lost time injuries. He stated he conducted a search and found only 2 other companies who have achieved this goal in the utility industry. He commended the employees on reaching this milestone.

September 12th thru 19th is National Electric Drive week. Mr. Trego stated PWC will begin promoting the charging stations we have installed through the grant we received from the Clean Energy Technology Grant. Three of the four sites have been selected which are; Honeycutt Park, Lake Rim Park and Clark Park. PWC is also considering Market Fair Mall as a potential site.

Mr. Trego reminded the commissioners of the presentation on substations from Joel Valley. Commissioners requested for staff to consider reducing the time in which substations will be upgraded with the new security camera technology. He stated they will cut the time from three years to two years. The project will be funded through the existing budget.

COMMENTS BY COMMISSIONERS

Commissioner Rogers announced he and Commissioner Fowler will take a tour of Fleet Maintenance after the next Commission Meeting and invited City staff to join him.

Chairman Lallier stated the transformers at POD1 are rusty and look old. Mr. Trego stated they are owned by Duke Progress. Mr. Trego will contact Progress to find out what they plan to do concerning these transformers.

REPORTS AND INFORMATION

- A. Purchase Orders
- B. Monthly Incident Summary for August 2015
- C. Personnel Report for August 2015
- D. Position Vacancies
- E. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. # 18224 – 6” DI Sewer Later & 6” RJDJ Fire Line and 2” Water Service on SR-2299 (Russell St)
 - Encr. #18225 – 8” Water Main on US401 BYP (Skibo Rd)
 - Encr. #18226 - 8” Sewer Main and 16” Steel Casing on SR1006 (Maxwell Road)
 - Encr. #18230 – 8” Water Main on SR 1411 (Bunce Road)
- F. Approved Utility Extension Agreement(s):
 - PHD @ Skibo II, LLC – electric, water and sewer services to serve Skibo Road Retail
- G. Actions by City Council during meeting of August 24, 2015, related to PWC:
 - Approved Capital Project Fund Amendments
 - Approved bid recommendation to purchase I/O Underground Primary Distribution Cable
 - Approved bid recommendation to award contract for the Cross Creek WRF Alkalinity Feed Improvements
 - Approved bid recommendation to award contract for Annexation Phase V – Project VII, Area, Hampton Oaks & Southgate Subdivisions to include Overlay
 - Approved bid recommendation to award contract for Annexation Phase V – Project VII, Area 17, Section I – Blue Spring Woods, Beacon Hill and Emerald Gardens Subdivisions to include Overlay
 - Approved bid recommendation to award contract for Annexation Phase V – Project VII, Area 17, Section II – Blue Spring Woods, Beacon Hill and Emerald Gardens Subdivisions to include Overlay

ADJOURNMENT

There being no further business, upon motion by Commissioner Fowler, seconded by Commissioner Rogers and unanimously approved, the meeting was adjourned at 9:53 a.m.