

PUBLIC WORKS COMMISSION  
MEETING OF WEDNESDAY, SEPTEMBER 13, 2017  
8:00 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  
PWC Staff

Absent: Michael Boose, County Liaison  
Melissa Adams, Hope Mills Town Manager  
  
Media

CALL TO ORDER

Chairwoman Shaw called the meeting of Wednesday, September 13, 2017, to order.

APPROVAL OF AGENDA

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

CONSENT ITEMS

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

- A. Approve Minutes of meeting of August 23, 2017
- B. Approve bid recommendation to award contract for Sewer Lift Station Rehabilitation at North Fayetteville and Cypress Lakes lift stations to Carolina Management Team, LLC, Asheville, NC in the total amount of \$811,910.10, the lowest responsive, responsible bidder and forward to City Council for approval.

The FY2018 CIP WS68 - Lift Station Wet Well Rehabilitation – North Fayetteville & Cypress Lakes is a budgeted item. \$850,000 is allocated for the project to be funded with Series 2016 Bond Proceeds.

Bids were received on August 16, 2017, as follows:

<u>Bidders</u>	<u>Total Cost</u>
Carolina Management Team, LLC, Asheville, NC	\$811,910.10

Comments: Plans and specifications were requested by nine (9) contractors with five (5) contractors attending the pre-bid conference. This project was advertised for bids twice due to the fact that an insufficient number of bids were received on the first advertisement. Only one bid was received after each advertisement.

END OF CONSENT

#### PRESENTATION REGARDING FUTURE OPTIONS FOR PWC'S POWER SUPPLY PORTFOLIO

Presented by: Jon Rynne, Chief Operations Officer – Electrical  
Chris Dawson, P.E., GDS Associates  
Gary Brunault, GDS Associates

Mr. Rynne, Chief Operations Officer, Electrical, stated earlier in 2017, PWC began looking at our options with DEP. We have an early termination option coming on June 30, 2019. We wanted to look at our options for power supply going forward. So, before we reached the termination point we could present these options to the Commission.

We sent out an RFQ earlier this year, looking for a consultant to assist us with the choices for power supply. Mr. Rynne stated we created a panel of diverse PWC employees to evaluate the consultants' RFQs. Through that panel, we graded and evaluated the experience of the consultants. GDS was the successful firm and we contracted with them earlier this year to begin the process of looking through the portfolio of options of power supply going forward.

The team of managers working with GDS includes:

David Trego, GM/CEO  
Dwight Miller, CFO  
Rhonda Haskins, Director of Financial Planning  
Ace May, Power Plant Manager  
Keith Lynch, Power Supply and Compliance Manager

Mr. Rynne introduced Chris Dawson. He stated Mr. Dawson will discuss the methodology and criteria that GDS is using to narrow down the scope and give options going forward.

Chris Dawson stated he has been with GDS Associates for 20 years and has been fortunate to work with PWC. He stated Mr. Brunault is not present due to consequences with Hurricane Irma.

Mr. Dawson stated they are in a three phase scope of work in which they will outline and evaluate power supply alternatives to the existing full requirements agreement power supply agreement we have with DEP. They will also work with staff to evaluate the alternatives and then present them to the Commission.

Mr. Dawson stated a lot of his experience has been with power supply matters. Assisting companies such as PWC with integrated resource planning; contract management; resource procurement and market related issues. He stated they will discuss where we are now (what things look like with DEP); some of the alternatives they will consider; the steps they will take to identify the alternatives they will consider; and what the next steps are in this process.

Mr. Dawson stated 10 years ago the environment was different. There were high and volatile natural gas prices as well as high and volatile market prices. When PWC evaluated their alternatives, the risks and the rewards of entering into a full requirements agreement made the most sense at the time. There were utilities looking at investing in new coal and nuclear or non-gas fired assets and DEP had a diverse system.

He stated now, 10 years later, it has been an interesting turn around. There is a proliferation of renewable resources; low prices for wind and solar. Natural gas prices have decreased due to the evolution of shale gas discoveries. Load growth has dissipated.

PWC has the ability to give a five year notice to terminate its agreement with DEP. This notice must be given by June 2019. This serves as the leverage point for PWC to take a step back and look for possible alternatives and see if it makes sense to give that notice to DEP.

Mr. Dawson stated Investor Owned Utilities (IOUs) are seeking alternatives for higher returns on equities (ROEs). They have invested in more transmission. He stated in considering where we are today and what our relationship is with DEP, we need to take into consideration that for a vertically integrated utility like DEP, they have done things like acquisitions (Piedmont being the most recent). We have to ensure what makes the best sense for PWC. Are they in-line with our goals? We have to look at the risks DEP faces since we are in a full requirements agreement with them. Any regulatory or legislative risks they face become our risks. We are picking up a share of their costs. In as much as they invest in distributed generation technologies or incur their customers to reduce load, if we don't have the same ability, we will pick up a larger load ratio share of their costs.

He went on to state in Phase 1 they will explore (at a high level) generation alternatives, power supply alternatives that make sense for PWC, and return to the Commission in December to ask for their approval of the resource scenarios they will recommend.

In Phase 2 they will take the 3-5 resource scenarios they are recommending for the Commission to approve and conduct an intensive study, ferreting out all the issues that may

be involved with each. If necessary, conduct a solicitation to procure the best options in Phase 3.

Mr. Dawson went on to discuss the power supply options available to PWC which include the DEP Full-Requirements option; Full Requirements with Alternative Supplier option; Generation with Partial Requirements option; and Owned Generation & Market Purchases option. Each option has its trade-offs. He stated PWC has a unique opportunity to evaluate potential alternatives and if appropriate, terminate the existing DEP full-requirements agreement.

Mr. Dawson stated in Phase I they will primarily focus on what generation options will be available to PWC. He stated there are a variety of options to consider.

1. Acquire interest in existing/new generation assets via Ownership or PPA
2. Develop / self-build new generation
3. Butler-Warner - firm gas arrangements / repowering
4. Partner with developer for new generation
  - a. At Butler-Warner site
  - b. Somewhere on DEP transmission system

He stated the Butler-Warner Plant is nearing the end of its useful life, but it doesn't mean that it is at the end of its useful life. There are ways to extend its useful life. A significant investment can be made to give PWC more flexibility and more capability. He stated we can look to maintain it for another 10 years from today in an attempt to phase into something else. Butler-Warner Plant could play a role in any power supply option which includes partial requirements service or generating resources. Any potential options would include looking at the value of the Butler-Warner site, as well as looking at the potential impacts of re-powering the plant.

All of the options he has proposed are primarily based on natural gas and would require some type of firm gas arrangements to be viable options. Mr. Dawson stated the Atlantic Coast Pipeline will be online in several years. It is a new build natural gas pipeline which is being developed by Duke/Piedmont (Plus Dominion, Southern Co.). He stated preliminary conversations with Piedmont suggest no significant capacity is available on the Atlantic Coast Pipeline. It is almost fully subscribed. He stated there is a potential to expand the pipeline capacity but there are no current plans to do so.

Mr. Dawson went on to state, as PWC begins to go down the path of looking at generation options, we need to take into consideration that it may be difficult to acquire firm gas from Piedmont.

Mr. Trego stated when the Atlantic Coast Pipeline was first proposed, PWC had conversations with Piedmont, but it was before the Piedmont/Duke Merger and they were obviously more excited. PWC intervened in the Duke/Piedmont Merger process. Specifically we intervened making the case that we wanted to make sure we would be given fair treatment with our plant should we decide in the future to request service off the Atlantic Coast Pipeline. Basically what we asked for at the NCUC is that we would be given equal treatment as any of Duke's plants. We didn't anticipate they would rule, because they don't rule on hypotheticals (we didn't have any proposals before Piedmont). They did allow us to reserve our rights, so we do have an avenue for that.

Mr. Dawson stated again, they are not taking Butler-Warner off the table. It has been a very well maintained project. It has served the City for many years and it currently is providing value with the DEP full requirements agreement. We will continue to look at different alternatives for the plant to see what makes the most sense and then make a recommendation on what kind of future this plant can have in serving our needs.

Overview of the Evaluation Process - Mr. Dawson stated there are a lot of different options. They are trying to aggregate all the options; get the information (pricing, availability reliability) and bring it all together. And then they will do comparative analysis. They will then look at all the resources and see which makes sense (combined cycle; combustion turbine, reciprocating engines, etc.). He stated there are a host of variables which must be taken into account.

They will evaluate the best options available from each resource type to determine the most effective range of operations and bring their 3-5 options to the Commission in December. They will present pros/cons and reasons for the recommendation of the selected scenarios/resources and request approval to proceed with Phase 2.

Once approval has been given to proceed to Phase 2, GDS will conduct a detailed resource assessment; conduct comprehensive modeling; pro-formas/rate projects and then present results to the Commission in June 2018. Mr. Dawson stated if we needed to give a termination notice it needs to be done by June 2019.

He stated if PWC needed to move into Phase 3, it would be a Procurement Solicitation Phase. We would issue an RFP and look to receive information from competing vendors regarding the 3-5 scenarios we identified. He stated the normal timeframe is 12 months to issue; receive responses; evaluate; and begin negotiations with bidders.

Mr. Trego stated the staff and GDS will provide any information the Commission may need in the interim. The biggest decision is the balance between risk and price. The most comfortable option is what we currently have (Full Requirements Option). If we are losing power it is because Duke has a bigger problem because we are considered native load. We have the same rights and privileges under our contract as any retail customer of Duke. He went on to discuss Kings Mountain and the agreement they recently entered into.

Mr. Trego stated he has requested for GDS to clearly define the risks and the options of each scenario so the Commission can make an informed decision.

Chairwoman Shaw opened the floor for questions from Commissioners.

Commissioner Fowler - Looking forward do you see natural gas prices continuing to stay down. Or can it be forecasted? Looking at the load requirement and the growth of distributed generation, is there a forecast on this?

Mr. Dawson replied all the pundits say that the supply of shale gas (lacking any fracking regulations) is so much that this country will be the biggest exporter of liquefied natural gas. He stated the expectation is low gas prices for a number of years. Yet he stated his advice is not to put all your eggs in one basket. Do not anticipate the gas prices will stay low. So, GDS will do a sensitivity analysis for any of the alternatives they suggest. They will look at gas prices at \$3.00 - \$7.00 and they will see if it is something PWC can live with.

Mr. Dawson stated his advice regarding load growth is to diversity so we can adjust to the expectation of load growth or the lack thereof. Discussion ensued.

Commissioner Rogers requested the definition of several acronyms Mr. Dawson used in his presentation.

Mr. Dawson stated DEP's native load begins with their retail customers and everyone else is a second class citizen. So, if load needs to be cut for any reason, the second tier class citizens will be cut before their native load customers. LNG means liquefied natural gas; PPA means Purchase Power Agreement.

Commissioner Rogers also discussed high cost and low cost. He asked if we are really operating at high cost. Mr. Trego stated it is relative. Discussion ensued.

Commissioner Rogers also asked Mr. Dawson if he could look back ten years, would he have done a different agreement. Mr. Dawson responded, probably not. Discussion ensued.

Mr. Trego discussed the options PWC has with DEP and other possible partners.

Commissioner Fowler asked if there are any other moves toward deregulation with regards to municipal utilities in North Carolina. Mr. West (General Counsel) responded no, other than in a minor context, solar. There is no real push toward deregulation at this time. Additional discussion ensued.

#### DISCUSSION REGARDING PWC UTILITY SERVICE TO NEW BASEBALL STADIUM

Presented by: David W. Trego, CEO/General Manager

Mr. Trego stated this is an opportune time to discuss our service to the baseball stadium. He introduced Sam Powers who has done a lot of the engineering and analysis regarding our service to the stadium. Mr. Trego also stated our main concern at this particular point is regarding our sewer service to the baseball stadium. We do not have all the information we need for electric and water. Our facilities in the general area seem to be adequate based on the preliminary number we have.

From the beginning PWC had concerns about the ability to provide sewer service based on the lay of the land. Mr. Trego went on to display a chart which displayed the proposed stadium and the surrounding areas (Hay Street, Prince Charles, Proposed Parking Garage/Hotel, railroad tracks on two sides). He stated this makes this an interesting site, basically because of the railroads which are difficult to deal with in getting new service lines into the area.

Mr. Trego stated when the project was first announced; PWC worked with the City and requested load information. This is a design that is ongoing as we speak. It has taken some time to get refined numbers from the design engineers. This is expected because of how the project is being designed.

Mr. Trego went on to state the concerns we have regarding the line on Hay Street. He stated it has two restrictions. It is an 8 inch line, which has been relined, so now its capacity is 6 ½ inches. Also, the slope of the line is not very much. Part of the capacity of a sewer line is based on its slope. Mr. Trego also mentioned the other businesses that are tied into the line.

Mr. Trego stated there were some assumptions made early on by the designers regarding where they could tie in. He stated we have received some load data and think we have a solution at this point that is workable and will not involve a lot of capital investment on our part or on the baseball stadium's part. Mr. Trego stated that this solution is based on the current numbers we have received. If there are changes we will have to re-evaluate it. Unlike other places on Hay Street, this site has an alternative where we can serve it with sewer. There was a line that was installed behind the Prince Charles. Mr. Trego detailed the direction the sewer line will take on the map. He stated when PWC determined we could not serve everything from the Hay Street line we took a line at how we could utilize this line.

He stated there is a problem though. A lift station would be needed if we served the entire stadium from the alternate route earlier identified. But after receiving refined numbers from the design engineers we have determined we can serve a side of the building on the Hay Street line. He described it on the map. He stated it may take some of the capacity out of the Hay Street line. It will take enough capacity out that we will not be able to serve the other entities without getting at capacity.

Mr. Trego stated PWC has notified the Prince Charles engineers that they will have to keep their existing service location. He also stated there is a manhole very close to the proposed parking structure and hotel and they will be able to tap into it. He stated he is cautiously optimistic that we have found a low cost option that will not involve ripping up Hay Street, making that line bigger.

Mr. Reinstein stated by ripping up Hay Street, it will provide us with future growth. Does this solution provide us with future growth? Mr. Trego stated we do have additional capacity on the Hay Street line, but it is not enough to serve the entire stadium.

Commissioner Huff stated the hospital owns the one acre lot on the corner which is near City Hall. They are concerned about housing for their residents and may build on that lot. Would the Hay Street sewer line serve it? Mr. Trego described on the map the sewer line that would serve the lot should there be development on it.

Council Member Arp stated there is the potential at some point in the future (based on economic demand in downtown) the City may relocate its offices and the police department to a municipal campus. Mr. Trego responded that the City Hall is served by a different line (down Franklin).

Council Member Arp stated we will be doing construction at the Ball Park, the Prince Charles Hotel, the new hotel and maybe some potential modifications on Hay Street. We will be disturbing that area and those businesses at that time. We want to make sure we will not have to come back five years from now and tear Hay Street up and disturb those businesses a second time. He stated if there is a requirement to do it, we prefer to look at doing it now.

Mr. Trego stated we can look at the plans with the City, if we needed to do some upgrades just in the section between the tracks and not involve the railroad that could be a possibility. But it does not change the decision on how to serve the baseball stadium at this point.

Mr. Trego went on to state that if we had to deal with digging up Hay Street and deal with the railroad, we would not make opening day. It would be a big project.

Commissioner Rogers asked if what Council Member Arp is suggesting happens, will we be able to accommodate the economic growth on Franklin Street. Mr. Trego affirmed yes we can. More discussion ensued regarding the stadium.

Council Member Arp confirmed that there will be apartments in the stadium and he asked Mr. Reinstein to ensure PWC has the numbers related to them. Mr. Trego stated there are factors that can be used related to apartments and hotels, but there are no industry standards for a baseball stadium, because they are unique. Discussion ensued.

Council Member Arp thanked Mr. Trego and staff for the work involved in planning the sewer service to the stadium. He stated it was a good presentation. Council Member Arp also stated Council will reach out to PWC (possibly with the potential for a grant) regarding LED lighting for the stadium. He stated they are interested in LED lighting rather than the traditional lighting that is installed in baseball stadiums. He stated LED is low cost; has a much longer life and it also enhances the aesthetics. He said he does not know if there is a grant available, but if so, they would like to pursue the opportunity if there is. Mr. Trego will speak to Mark Brown regarding grant opportunities when he returns.

Chairwoman Shaw distributed to the Commissioners a copy of the letter from the City requesting a waiver for consideration of the connection service fees for the baseball stadium. She stated this is for their information. A response has been sent to Council Member Arp, informing the City we are taking the request under advisement.

Mr. Trego stated in the context of the presentation, there are two parts to it. There is the standard request from the City which regards the waiver of the FIF fees. The other is the thought we would have a significant capital investment that would be borne by the baseball stadium if we needed to do anything with the line that ran under the railroad tracks. That is pretty much mitigated at this point (if the numbers remain the same). He stated staff will get more information to the Commission. He stated as far as the length of line that will need to be installed by the contractor with the baseball stadium, it is actually less than they initially planned. They had both lines going out to Hay Street, now they only have one stub line behind the Prince Charles and it is less line than they initially anticipated. That issue may remain off the table and the only issue will be the FIF fees.

## GENERAL MANAGER REPORT

### **PWC Assisting With Hurricane Irma Electric Restoration in Florida**

Mr. Trego stated PWC has twelve line workers going to Florida to assist in the power restoration. The Fayetteville Observer interviewed our Chairwoman, Evelyn Shaw regarding it.

Mr. Trego pointed out we have the ability under our Mutual Aid Agreement to tell our linemen to go, though we have never needed to do that. Our line workers volunteer for it. Britten O'Quinn has been here for almost thirty years and has responded to more hurricanes than he can remember. It is easy for a guy like that to say I have done enough hurricanes, but he didn't do that. He stepped up to the plate once again, which says a lot about our workers.

Mr. Trego went on to say that there are several volunteers who are relatively new employees and this will be an invaluable learning experience for them. It will prepare them for when we have a hurricane here in Fayetteville. He noted there are two (2) six man crews when normally there are four to five (4-5) employees per crew. He stated having the extra person there to learn is part of the process for us. And we are excited that we have both experienced as well as new employees on the team. Ms. Justice-Hinson stated the team arrived at the staging area last night and will arrive in Ft. Meade this morning.

Mr. Trego stated APPA is coordinating with ElectriCities of NC. ElectriCities is taking the lead in coordinating all the municipals who are responding. He stated we are fully reimbursed for all our expenses. It is our part of our mutual aid agreement.

Mr. Trego responded to Commission Rogers question regarding assistance in Texas. Mr. Trego stated Austin has the largest municipal there and it is assisting the smaller municipals who were affected by Hurricane Harvey. Houston is served by an investor owned electric system.

### **IBT Hearing**

Mr. Trego stated we expected to have a hearing today on the IBT case. Now, we will be involved in settlement discussions with Cary and Apex over the next few weeks. Mr. Trego stated the initial negotiations on the settlement will be conducted by the Subject Matter Experts (SMEs). They will take a look at the technical terms and what we expect (Fayetteville) as a reasonable return requirement back into the Cape Fear. Basically we need to make that technical determination if we feel it is fair under the settlement before we go to the lawyers. Mick Noland and our outside technical consultant will have conversations with Cary and Apex. Discussion ensued.

### **AMI Metering**

Mr. Trego stated PWC will send out letter notices to those customers whom we have not been able to contact or have not scheduled installation of the new AMI meter. Mr. Trego stated out of 180,000 meters, we will need to send letters to only 27 customers. He stated for many of the 27 we have left multiple calls and left messages. We have sent someone to every home and placed a door hanger requesting for a call back; some are citing some of the concerns on the conspiracy websites. The majority still have not called us so we will send

an official letter to them. The Fayetteville City Council Members have been contacted as well as the Hope Mills Town Manager to inform them of our efforts going forward.

At a future Commission meeting Susan Fritzen will give an update on the Connect Program.

*Commissioner Comments:*

*Commissioner Rogers*

Commissioner Rogers stated there has been a lot of conversation surrounding the quality of our water. He stated someone suggested there is a listing of the quality of water around the nation and our quality does not rank very high. He asked, what are the facts around this?

Mr. Noland stated there was one report that came out which stated the Cape Fear River was in danger primarily because of concentrated animal feeding operations. There are millions of hogs in the Cape Fear River Basin that manage their waste by placing it in a lagoon and spraying it on a field. There have been several studies done. One side argues it is a problem and the other side argues it is not. And the science has been challenged on how much a threat the organic type of waste presents to the river. That was the basis of one of the determinations.

Mr. Noland went on to state the other one has to do with unregulated contaminants which is really a problem across the country. There are quite a few contaminants we monitor as part of our compliance with the Drinking Water Act. But there are tens of thousands of chemicals being used that are not regulated and do not have all the extensive health analysis done to determine cancer risk. He stated the GenX brought this issue into focus. There is no drinking water standard for it. The programs are in place to regulate what industries discharge is limited to several key contaminants.

The other contaminant that has been in focus is 1, 4 Dioxane. The EPA has a program which has the public water suppliers test for unregulated contaminants. They receive the results and then decide if this is something they need to regulate. Typically there are no health standards for it. A lot of the chemicals have been evaluated in a way that gives you an indication that it may cause cancer but it is not a definitive health study, but yet it is a number out there that is basically a target number until something better comes along.

It was the unregulated contaminate monitoring that showed up the 1, 4 Dioxane. When we saw that number, we worked through a consortium that we are a part of to have a researcher from NC State to go out and complete a study (we paid for the study) to find out where it was coming rather than wait for the State to complete it. We have found the three locations. Mr. Noland stated it is a testament to the working relationship we have with other municipalities. They know it is causing us a problem downstream and they are working on it to try to get some of the levels down. He stated all this is done outside of any regulatory directive. They are just doing monitoring now. There was not standard for analyzing Dioxane in wastewater. They had one for drinking water and stream water but none for wastewater because there are so many interferences. The State had to buy equipment, develop and get approved a standard for doing it. They are in the process of developing

contract labs so they can do the work. They will then begin to monitor the three municipalities that seem to be the biggest source.

Mr. Noland stated that based on the article that was in the paper. We have gone from being in the range of 3-4 parts per billion to .3 to .4 parts per billion. We are getting to where we need to, but there is still room for improvement. There is progress with GenX and the 1, 4 Dioxane. There are pharmaceuticals, health care products and a lot of other things that get into wastewater that is not regulated.

Commissioner Rogers stated someone suggested that all the drinking water in the nation is tested and we ranked in or near the bottom. Mr. Noland stated that the people and entities who are saying this are making statements which are not based on science. It is simply their opinion. Discussion ensued.

Commissioner Rogers stated he receives a lot of comments and heard on the radio we were the fifth worst in the nation. Mr. Trego stated he believed what they were rating was the risks in the river. Mr. Noland stated if you look at the data from five years ago the risk in the Cape Fear River Basin was really high. They were not looking at the data from five months ago; they were looking at the data from five years ago. If they looked at the data from today they would not have reached the same conclusion. Additional discussion ensued.

Mr. Van Geons stated the FCEDC is working with our team on bringing a commercial water bottling operation here. If it is good enough for them and they are paying customers it should pass the endorsement. Mr. Noland stated for 15 straight years we have exceeded the standards required by the EPA Safe Drinking Water Act which is why we are in the Partnership for Safe Drinking Water. It is testament that all the monitoring we are expected to do, passes. He stated the science is not behind the claim a lot of these entities are making.

*Commissioner Huff*

Commissioner Huff asked if we received any unsolicited offers on condo-ing the RC Williams building. Mr. Trego stated we did not. Brief discussion ensued.

## REPORTS AND INFORMATION

The Commission acknowledges receipt of the following reports and information.

- A. Monthly Incident Summary - August 2017
- B. Personnel Report - August 2017
- C. Position Vacancies
- D. Approved Utility Extension Agreement(s):
  - Asbury Automotive Group, Inc., elect/water/sewer utility extension to serve Crown Ford
  - Publix North Carolina, LP, elec./water/sewer ext. & service to serve Tallywood Shopping Center
- E. Actions by City Council during meeting of August 28, 2017, related to PWC:

- Approved Bid Recommendation – Twelve (12) 1200 Amp Circuit Breakers

#### ADJOURNMENT

There being no further business, upon motion by Commissioner Fowler, seconded by Commissioner Rogers and unanimously approved, the meeting was adjourned at 9:26 a.m.