

PUBLIC WORKS COMMISSION  
MEETING OF WEDNESDAY, JUNE 11, 2014  
8:30 A.M.

Present: Michael G. Lallier, Chairman  
Wick Smith, Vice Chairman  
Lynne B. Greene, Secretary  
Darsweil L. Rogers, Treasurer

Others Present: Steve Blanchard, CEO/General Manager  
Mike Bailey, Hope Mills Liaison  
Karen McDonald, City Attorney  
Kristoff Bauer, Deputy City Manager  
PWC Staff

Absent: James Arp, Council Liaison  
Billy King, County Liaison  
John Ellis, Hope Mills Liaison

Chairman Lallier called the meeting of June 11, 2014 to order.

Employee Recognition

David Trego, Chief Operations Officer-Electric Systems recognized Duane Stalnaker, the 2014 NCAMES Lineworkers Rodeo Overall 1<sup>st</sup> Place Winner in the Journeyman Lineman Division.

The Commission congratulated Mr. Stalnaker on receiving this award.

Approval of Agenda.

Commissioner Greene requested the agenda be amended to add a closed session for legal consultation as allowed under N.C. General Statutes 143-318.11(a)(3).

Upon motion by Commissioner Greene, seconded by Commissioner Rogers, the agenda was unanimously approved as amended to add a Closed Session for legal consultation as allowed under N.C. General Statutes 143-318.11(a)(3).

Consent Items

Upon motion by Commissioner Smith, seconded by Commissioner Rogers, the following Consent Item was unanimously approved:

A. Minutes of meeting of May 28, 2014.

Bid Recommendation for Glenville Lake Dam Rehabilitation

Joe Glass, Water Resources Engineering Manager discussed this item. Mr. Glass stated the Glenville Lake Dam is the lower dam in a series of four impounds at Glenville Lake where PWC draws water into Glenville Lake Treatment Plant. He stated this is an old structure, with the original dam being built around 1909. Mr. Glass stated over the years there have been minor modifications to the dam, along with routine maintenance. He stated PWC staff began to see and recognized that the Glenville Lake Dam was aging. Mr. Glass stated the Glenville Lake Dam is an importance piece of the water supply network for PWC, therefore, staff decided to be proactive and investigate the overall condition of the dam. He stated they also found the concrete spillway in the middle of the dam had started to show signs of aging along with some minor issues. Mr. Glass stated PWC went through the process and selected the engineering firm of CDM Smith in Raleigh to evaluate the dam. He stated the geotechnical staff at CDM Smith has numerous experience in dam design and evaluation and as a result of their evaluation, they recommended PWC replace the spillway. Mr. Glass stated extensive permitting was required in order to meet the state criteria for approval from the State and PWC had to comply with local and federal regulations as well.

Mr. Glass stated PWC bid the project on May 21, 2014. He stated plans and specifications were requested by eleven (11) contractors with two (2) contractors bidding on the project. North Carolina General Statutes require that three (3) bids be received in order to open on the first advertisement; therefore, the project was re-advertised and bids were opened on May 29, 2014. There is no requirement that a certain number of bids be received on a second advertisement. Bids were received from Crowder Construction Co., Charlotte, NC in the amount of \$3,143,851.50 and from Thalle Construction Co., Hillsborough, NC in the amount of \$5,193,206.00. The Glenville Lake Dam Rehabilitation project is budgeted in FY 2015 as CIP WS6 for \$2,860,000 and FY 2016 for \$400,000. Total budgeted amount is

\$3,260,000. It was noted the contract time is 360 days, assuming the start date is in August 2014, with completion occurring in FY 2016. Mr. Glass stated staff recommends the Commission award the contract to Crowder Construction Co., Charlotte, NC, the lowest responsive, responsible bidder in the amount of \$3,143,851.50 and forward to City Council for approval.

Commissioner Smith stated there is quite a difference in the bid prices and asked if staff had any explanation as to the reason for the difference. Mr. Glass stated staff could only identify areas where there was significant difference in cost such as in mobilization and stream diversion. He also stated there was a difference in cost in the miscellaneous category. Mr. Glass stated these types of projects are difficult; it's not like a straight forward sewer line installation. Mr. Glass stated there is a lot of concrete and specialized work involved. He stated staff could not identify any specific issues as to why the bid from Thalle Construction was \$2 million higher. He stated Crowder Construction came in close to the Engineer's budgeted estimate. Commissioner Rogers asked Mr. Glass to explain the difference in this project and the Hope Mills Dam project which Crowder Construction was the contractor. Mr. Glass explained PWC's design is more of a straight forward, standard type situation. He stated PWC has a bigger footprint to work with, a longer dam and some of the parameters PWC is working with is on a much smaller scale than the Hope Mills situation. Mr. Glass stated Hope Mills had a large spillway requirement to put in a small area and their whole dam was pretty much all spillway to meet the state criteria. He stated PWC did not have their criteria since we had more of a dam to work with and PWC is building their dam off of an existing structure that has been in good condition for many years and it has good foundation soils. Mr. Glass reviewed the design for the new spillway. Chairman Lallier asked Mr. Glass if he had any concerns about any particular part of the project. Mr. Glass stated one of the key issues is water seepage through the dam. He stated even if the dam were made of solid concrete water will seep through concrete, which takes years. Mr. Glass stated it is important to handle this seepage appropriately and PWC will have under drains to handle this seepage to pass it safely. Discussion ensued. Mr. Glass stated PWC has used Crowder Construction in the past for projects and have a good relationship with this company and staff has no concern about using this company for this project.

Upon motion by Commissioner Smith, seconded by Commissioner Rogers, the Commission unanimously approved to award contract for the Glenville Lake Dam Rehabilitation to Crowder Construction Co., Charlotte, NC, lowest responsive, responsible bidder in the amount of \$3,143,851.50 and forward to City Council for approval.

Chairman Lallier stated he would like the Commission to be briefed at critical points during the project and to keep them informed of any issues regarding the project.

*Consideration of Findings Resolution for Series 2014 Revenue Bonds*

Dwight Miller, Chief Finance Officer reported on this item. He stated the Commissioners were present at the June 2, 2014 City Council work session when he briefed the Council on the proposed Series 2014 Revenue Bonds. Mr. Miller introduced and read the heading for Resolution PWC 2014.04 for the official minutes as follows: *“Resolution Making Certain Findings and Determinations, Authorizing the Filing of an Application With the Local Government Commission, requesting the Local Government Commission to sell Bonds at a Competitive Sale and Approving the Financing Team all in connection with the Issuance of Revenue Bonds by The City Of Fayetteville, North Carolina.”* Mr. Miller requested the Commission adopt Resolution PWC2014.04 and request that City Council adopt a similar resolution at their June 23, 2014 meeting.

Upon motion by Commissioner Greene, seconded by Commissioner Rogers, the Commission unanimously approved to adopt Resolution PWC2014.04 *“Resolution Making Certain Findings and Determinations, Authorizing the Filing of an Application With the Local Government Commission, requesting the Local Government Commission to sell Bonds at a Competitive Sale and Approving the Financing Team all in connection with the Issuance of Revenue Bonds by The City Of Fayetteville, North Carolina”* and request City Council adopt a similar resolution at their June 23, 2014 meeting. (See Resolution on Pages \_\_\_\_\_ of minutes.)

Consideration of the Health and Welfare Benefit Plan and the Amended and Restated Flexible Benefit Plan

Dwight Miller, Chief Finance Officer discussed the Health and Welfare Benefit Plan and the Amended and Restated Flexible Benefit Plan which deal with PWC's health and benefit plans. Mr. Miller stated the Health and Welfare Benefit Plan is a wrap document that basically encompasses all our benefit plans. He stated the Flexible Benefit Plan deals with Section 125, Cafeteria Plan, of the Internal Revenue Code which permits employees to pay certain qualified benefit expenses, including health and dental premiums, on a pre-tax basis, thereby reducing the employee's total taxable income. PWC also gets a tax savings from reduced FICA, FUTA, SUTA and workers' compensation taxes on participating employees. Mr. Miller noted the revenue ruling changed for one item in the Flexible Benefit Plan which would give employees an option to carry over \$500 from one year to the next in the Flexible Spending for medical reimbursement account. He stated currently there is a run out period for when you can spend your dollars and PWC would like to change this option to the \$500 carry over, which is included in the Amended and Restated Flexible Benefit Plan document. Discussion ensued.

Upon motion by Commissioner Greene, seconded by Commissioner Smith, the Commission unanimously approved to adopt the Health and Welfare Benefit Plan effective July 1, 2014 and the Amended and Restated Flexible Benefit Plan effective July 1, 2014.

Consideration of Wholesale Power Cost Adjustment

Dwight Miller, Chief Finance Officer presented this item. Mr. Miller stated during the discussions on the rate changes a few months ago and dealing with the new power supply contract with Duke Progress Energy we do have a balancing true up with the cost of their production of power. He stated a true-up or balancing of Duke Progress Energy's cost of energy and capacity is filed each year with the Federal Energy Regulatory Commission (FERC) on FERC Form 1. An under collection will be billed to or an over collection will be refunded to PWC. It was noted that there was discussion at the May 28, 2014 Commission meeting in regards to the wholesale power cost adjustment (WPCA). Mr. Miller stated the discussion was centered around the Fuel Adjustment charge and wanting to change the name and how it is administered. He stated the Wholesale Power Cost Adjustment (WPCA) will replace within PWC's rate regulations and electric rate

schedules the Fuel Adjustment that is currently listed. Mr. Miller stated the money collected from the WPCA has not been provided for within our regular rate schedules that the Commission approved earlier. He stated this is additional cost which is made up of energy and some capacity charges. The Wholesale Power Cost Adjustment (WPCA) is assessed on a per kilowatt-hour basis and applies to all electric rate schedules. The adjustment will be calculated based on actual power supply charges or credits and projected energy sales of the recovery period (not less than 12 months) and will be recovered from or credited to all customers based on their respective billed energy use. As actual energy usage and power cost become known, there may be a modification of the amount collected from or credited to customer's bills adjusting for power cost not included in the rate schedules.

There was considerable discussion related to the Wholesale Power Cost Adjustment (WPCA). Mr. Miller discussed what the WPCA is comprised of, how it will be recovered and the impact on customers. He explained the estimated amount discussed to recover is \$9,575,000 which is comprised of the following: \$1,250,000 - the true-up for six months from the beginning of the new contract (July through December 2012); \$4,450,000- the true up for calendar year 2013 (12 months) and \$3,875,000 ó the true up estimate for January ó April 2014. He explained the estimated amount to be recovered in FY 2015 as follows: \$9,575,000 (amount discussed), less \$3,875,000 true-up estimate for January through April 2014), less \$1,900,000 (Fuel Adjustment Reserve) for a total of \$3,800,000. The estimated WPCA to be recovered during Fiscal Year 2015 is \$3,804,500. It was noted this amount is lower than the estimate due to limiting the adjustment to Duke Progress Energy's calendar reporting period ending December 2013 and applying the remaining Fuel Adjustment reserve of \$1.9 million. The estimated WPCA to be recovered each month is approximately \$317,000. It was explained the annual impact on a residential customer averaging 1,500 kWh per month is about \$33.60 or \$2.80 per month for electric service. Discussion ensued. Mr. Miller and Mr. Blanchard responded to questions from the Commission.

Following considerable discussion, upon motion by Commissioner Rogers, seconded by Commissioner Greene, the Commission unanimously approved to adopt the Wholesale Power Cost Adjustment for billings beginning July 2014.

Chairman Lallier requested staff include the quarterly billing from Duke Progress Energy on the agenda as a report in order for the Commission to consider the adjustment and give guidance to staff on how to proceed.

General Manager Report

- Plant Manager's Association luncheon was held on June 10, 2014 at the Butler-Warner Generation Plant.
- Meter change out & installation of advanced meters (part of Connect Program) started on Monday, June 9<sup>th</sup>.

Reports and Information: The Commission acknowledges receipt of the following reports and information:

- A. Monthly Incident Summary for May 2014
- B. Personnel Report for May 2014
- C. Position Vacancies
- D. Approved N.C. Department of Transportation Encroachment Agreement(s):
  - Encr. #17793 & water main installation & SR-3950 (Ramsey Street)
- E. Approved Utility Extension Agreement(s):
  - GKB Developers, Inc. & sewer utilities to serve Navy Federal Credit Union
  - Navy Federal Credit Union & water and sewer utilities to serve Navy Federal Credit Union located at 2430 Two Bale Lane
  - Methodist University & water utilities for Methodist University water extension
- F. Actions by City Council during meeting of May 27, 2014, related to PWC:
  - Approved exemption from Annexation per Policy 150.2 relative to PWC water services to the Bullard Circle area
  - Approved Best Practices Plan to discontinue the City's Call Center and transition to PWC Customer Programs Call Center
- G. Actions by City Council during meeting of May 28, 2014, related to PWC:
  - PWC budget follow up
- H. Actions by City Council during meeting of June 2, 2014, related to PWC:
  - Update on proposed Revenue Bond Issue
  - Delayed discussion on creation of City Budget Department

Comments:

- ⇒ Commissioner Smith: Kudos to Mark Brown, Sr. Customer Programs Officer for fielding questions from customers following the public hearing on annexation during the June 9, 2014 Council meeting.

Closed session for legal consultation as allowed by NC General Statutes 143-318.11(a)(3)

Chairman Lallier entertained a motion to go into closed session for legal consultation as allowed under N.C. General Statutes 143-318.11(a)(3).

Upon motion made by Commissioner Greene and seconded by Commissioner Rogers, the Commission unanimously voted to go into closed session at 10:08 a.m. as allowed under N.C. General Statutes 143-318.11(a)(3).

Following discussion, upon motion made by Commissioner Rogers and seconded by Commissioner Greene, the Commission voted to return to open session at 10:58 a.m.

There being no further business, upon motion by Commissioner Rogers, seconded by Commissioner Greene and unanimously approved, the meeting was adjourned at 10:58 a.m.