

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, AUGUST 27, 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
Karen McDonald, City Attorney
Kristoff Bauer, Deputy City Manager
PWC Staff
Media

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

Chairman Lallier called the meeting of August 27, 2014 to order.

Approval of Agenda.

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

Consent Items

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

A. Minutes of meeting of August 13, 2014.

Review Preliminary Year End Financial Statement Recap (PWC Strategic Goal #1)

Dwight Miller, Chief Finance Officer, reviewed in detail the preliminary month and year-to-date financial statement recap for the period ending June 2014. The financial statement reflected operating results of \$4,901,700 for the electric utility, \$4,521,500 for the water and sewer utility and \$277,800 the Fleet Maintenance Internal Service Fund. Discussion ensued.

Mr. Miller responded to questions from the Commission regarding the financial statement recap.

General Manager Report

➤ NERC/SERC Self Reporting Notice

David Trego, Chief Operations Officer-Electric Systems updated the Commission on the NERC/SERC self-reporting notice regarding a NERC violation related to PRC005 – testing requirements for various equipment. He stated he is on the Executive Committee of SERC and this requirement is the most violated standard because a lot of problems can happen when testing equipment. PWC completed a self-report of the NERC violation (PRC005) which involved the failure of the impedance tester hard drive.

Mr. Trego stated as outlined in PWC's Internal Compliance Plan when any violation occurs, no matter how minor, the Commission is to be informed when the violation occurs. He stated the Internal Compliance Plan document is posted on PWC's website and employees are trained on this document. Mr. Trego stated in this particular instance, as one of our requirements, we do impedance testing on our batteries at our points of delivery in case there is a power failure we are still able to operate our safety devices at our points of delivery. He stated we are required to test the batteries every 12 months. The testing device used to test the batteries failed (memory chip within the device was corrupted) and we were not able to extract the data out of the testing equipment and by the time this was determined we had gone past the 12 month time frame. He stated this was considered a 'technical' violation in that we were not able to verify the test results by being able to print them out and show them if SERC came in. Mr. Trego stated PWC submitted the report to SERC informing them that we were not able to extract the data out. He stated PWC put in mitigation plan which included going back out to retest and re-verify the results and submitted it to SERC. Mr. Trego stated everything passed. He stated included in the mitigation plan is a new procedure for retainage and downloading of information in the future. SERC has accepted everything and was very pleased with the timeliness of the data and pleased with the mitigation plan. SERC has given PWC positive feedback on the self-reporting of this violation. Mr. Trego stated PWC has a compliance culture in that we don't wait for SERC to come in we report

when we find something. Mr. Trego stated where we are now is that SERC has all the information regarding this violation and they will go through an assessment time period. He stated this is not a 'high level' violation and would be considered a 'find, fix and track' violation. Mr. Trego stated typically these types of violations are not 'fineable' offenses since we self-reported, have a compliance culture, there was no intent to deceive or not to do the test, it is a technical violation, therefore essentially no fine. He stated this case will not be closed out until after the first of the year which will give SERC time to go through and review the information and send to NERC.

➤ Bond Sale Update

Dwight Miller provided an update on the bond sale. The bid date was August 26, 2014 at 11:00 a.m. and PWC sold \$111,455,000 worth of Revenue Bonds. Mr. Miller provided a list of the bond underwriters (7 total) to the Commission. He stated Piper Jaffray was the low bidder with a TIC (total interest cost) of 3.307106. Mr. Miller stated he had originally anticipated the low bid (TIC) to be 3.75, therefore, with the low bid coming in at 3.307106; this will reduce the debt service by \$10 million. Mr. Miller stated the bid was a competitive bid sale and that PWC was the 1st North Carolina utility using a competitive bid to sell revenue bonds. He stated this turned out to be a substantial savings (\$4.5 - \$5 million) to our ratepayers by doing a competitive sale versus the traditional negotiated sale. It was a good day and good savings for our customers.

Information will be sent to the Mayor and Council regarding the bond sale.

- Provided a copy of the Economic Development Procedure and Sponsorship Procedure. He needs feedback from the Commission today so he can provide these documents to the City in order to get feedback from them before it is adopted.

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

- A. Monthly Cash Flow Report for June 2014
- B. Recap of Uncollectible Accounts

C. Investment Report for June 2014

D. Approved N.C. Department of Transportation Encroachment Agreement(s):

- Encr. #17791 – sewer installation – SR 1104 (Strickland Bridge Road)
- Encr. #17957 – 6” fire line – SR-1400 (Cliffdale Road)
- Encr. #17959 – water main installation – SR-1132 (Legion Road)
- Encr. #17960 – water main installation – SR-1415 (Yadkin Road)
- Encr. #17961 – water main installation – NC 87/24 (Bragg Blvd)

E. Actions by City Council during meeting of August 11, 2014, related to PWC:

- Approved bid award for Rockfish Creek Water Reclamation Facility Aeration Improvements
- Approved First Amendment to Decatur Drive License Agreement

F. Actions by City Council during meeting of August 20, 2014 related to PWC:

- Report on the City/PWC Steering Committee Progress
- Confirmed to City Manager and PWC Commissioners to proceed with realignment as directed in Resolution No. R2013-52 and improve the pace in order to be completed within the next 12 months
- Council approved to direct the City Manager to proceed with the development of the Budget, Audit and Organizational Performance functions
- Approved to eliminate any discussion of divestiture of PWC
- Approved to phase out Phase V funding from the Enterprise Fund Transfer to the General Fund over three years and unless directed otherwise, the City’s Budget Officer will include this strategy in the budget development instructions for FY 16

Comments:

- Commissioner Rogers: Inquired about the conversation with the City in terms of Steve Blanchard and Ted Voorhees creating a plan for delivering out all the requests the City Council wants over the next 12 months. How can we assist Mr. Blanchard and keep on track. Chairman Lallier stated he, Mr. Blanchard, Mayor Robertson and Mr. Voorhees met on the items for the September 2nd meeting and feel we have control over 3 of the 4 items that will be discussed.

Mr. Rogers said to be clear, the broader question as it relates to the City Council's desire for the utility to address the \$78 million is something that will be moved beyond the September 2nd meeting. Chairman Lallier stated it was not anticipated nor requested that this happen on September 2nd. He stated there will be no change until the next budget year.

➤ Commissioner Greene: Will not be at the September 10, 2014 Commission 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 as allowed under N.C. General Statutes 143-318.11(a)(3) for legal consultation.

Upon motion made by Commissioner Greene and seconded by Commissioner Rogers, the Commission unanimously voted to go into closed session at 10:02 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 10:35 a.m.

There being no further business, upon motion by Commissioner Rogers, seconded by Commissioner Greene and unanimously approved, the meeting was adjourned at 10:35 a.m.