

D-R-A-F-T

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, OCTOBER 14, 2015
8:30 A.M.

Present: Darsweil L. Rogers, Chairman
Wade R. Fowler, Jr., Vice Chairman
Michael G. Lallier, Secretary
Evelyn O. Shaw, 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
Visitors
PWC Staff

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

ACKNOWLEDGEMENTS

Chairman Lallier welcomed former Commissioner Robert C. Williams, former Senator Larry Shaw and son, Larry Shaw, Jr. and other visitors to the Commission meeting.

Commissioner Lallier also welcomed newly appointed Electric Operations Chief Officer, Reggie Wallace to the Commission meeting.

ADMINISTER OATH OF OFFICE

City Council Member James Arp administered the Oath of Office to Evelyn O. Shaw to the Public Works Commission of the City of Fayetteville.

Council Member Arp stated, "This is a special day to have our first African American female join the Commission and we are pretty excited about it".

Commissioner Evelyn Shaw stated, "It is absolutely an incredible feeling to be standing here". She acknowledged her family, extended family (members of the John Wesley United Methodist Church); Delta Sigma Theta sorority sisters and Mr. Benson Otovo.

Commissioner Shaw thanked all the Commissioners and in particular Chairman Michael Lallier for the wonderful welcome given to her.

She stated, "I pledged to all of you, just as I did in my oath I will work to the best of my abilities for all the rate-payers that this great agency serves." She also thanked all the Council Members who entrusted her with this opportunity, stating "they are to be lauded".

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Commissioner Shaw went on to say, “this is a great day, especially for African American women, who for 105 years have not had a seat at this table”.

Chairman Lallier congratulated Commissioner Shaw on her appointment and also thanked former Commissioner Greene for her years of service to the Board.

Chairman Lallier thanked the staff and fellow commissioners for their help during the past year. He stated they have accomplished a lot; they retired a general manager and hired a new general manager; they have begun to seek clarification of our charter through the courts and will continue, moving forward. He stated we have some 600 strong team members at the Public Works Commission and is thankful for what they do every day in keeping the lights on and the water running.

Commissioner Fowler also stated PWC has accomplished 5 million hours (plus), without a loss time incident.

CALL TO ORDER

Chairman Lallier called the meeting of Wednesday, October 14th to order.

Election of Officers for Fiscal Year 2015-2016:

Commissioner Wade Fowler submitted the following slate of officers for FY2015-2016.

Chairman – Darsweil Rogers
Vice Chairman – Wade Fowler
Secretary – Michael Lallier
Treasurer – Evelyn Shaw

Commissioner Evelyn Shaw seconded the motion and it was unanimously approved.

Commissioner Lallier then congratulated Commissioner Rogers for being elected Chairman of the Public Works Commission.

Chairman Rogers acknowledged the tremendous contributions of Chairman Lallier who served for two years. He also acknowledged Commissioner Lynne Greene who was an active Commissioner and a colleague and he truly valued her opinion. Chairman Rogers also welcomed Commissioner Shaw to the board, stating he looks forward to her participation and this will be an outstanding opportunity for all to work together on behalf of the Commission.

APPROVAL OF AGENDA

Upon motion by Commissioner Lallier, seconded by Commissioner Fowler, the agenda was unanimously approved with the addition of Consent Item 2E.

CONSENT ITEMS

Upon motion by Commissioner Lallier, seconded by Commissioner Fowler Consent Items with the addition of Item 2E were unanimously approved.

- A. Approve Minutes of meeting of September 23, 2015
- B. Approve bid recommendation to award bid for purchase and installation of a Transformer Loss Test System to Phenix Technologies, Accident, MD, in the total amount of 268,570.00 and forward to City Council for approval. The Transformer Loss Test System is a budgeted item (budgeted amount of \$284,000 in FY2016 CIP EL 71). Bids were received on August 27, 2015 as follows:

<u>Bidders</u>	<u>Total Cost</u>
Phenix Technologies, Accident, MD	\$268,570.00
* Automated Systems & Diagnostics, Inc. (ASD), Apex, NC	\$171,620.00
<i>* Please see notes in comments section and on attached.</i>	

Comments: Invitations to bid were sent to three (3) vendors with two (2) vendors responding. PWC staff is only aware of three (3) vendors who supply this type of equipment. Staff has reviewed and evaluated the proposals and has determined the bid from Automation Systems & Diagnostics, Inc. (ASD) is non-compliant to our specifications. Please see attached document indicating key deficiencies of the ASD bid. The lowest responsible, responsive bid is recommended.

- C. Approve Interlocal Agreement With North Carolina Department Of Environmental Quality, Storage Tank Division

Note: Interlocal Agreement is required to participate in the extension of a water main to serve two properties with contaminated wells on Dixie Trail.

- D. Approve General Fund Budget Amendment #1, Electric Rate Stabilization Fund Amendment #23 and Establish the NCDOT Capital Project Fund and Budget

1. General Fund Budget Amendment #1 – The original adopted Budget for Fiscal Year 2016 is \$360,439,769. Budget Amendment #1 request will decrease the General Fund budget by \$1,572,800 for an amended total of \$358,866,969. This amendment represents a 0.44% adjustment.
2. The estimated true up from Duke Energy of \$2,600,000 is expected to be due in November 2015. The amendment moves \$2,225,300 from the Wholesale Power Cost Adjustment (WPCA) Reserve to the General Fund for payment of the true-up (credit on December 2014 invoice). We received a true-up credit in June 2015 of \$920,400 and \$70,000 of WPCA surplus. A difference of \$600,000 will be transferred to the Electric Rate Stabilization Fund (ERSF) for future disbursement.

The Electric Rate Stabilization Fund Amendment #23 receives the \$600,000 identified above.

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3. Staff is requesting the Commission establish a NCDOT Capital Project Fund (NCDOT CPF) and move the associated capital projects, funding and reserves from the Water and Wastewater General Fund Budget to the NCDOT CPF. There are six completed projects totaling \$3,124,995 and is payable to NCDOT but not invoiced. Five projects are in progress with an approximate value of \$4,604,000. The initial budget request for this fund is \$7,730,000. By establishing NCDOT CPF the funding and projects can be tracked more easily and simplifies the General Fund capital project process.

Staff recommends that the Commission adopt: (1) the attached General Fund Amendment #1 for Fiscal Year 2016; (2) Amendment #23 to the Electric Rate Stabilization Fund; (3) the NCDOT CPF and Initial Budget; and forward to the City Council for inclusion in their budget at the October 26, 2015, City Council meeting.

- E. Authorize staff to issue a purchase order in the amount of \$627,000 to Hitachi HVB, Inc., Suwanee, GA, for the purchase of eleven (11) 72.5kV Vacuum Circuit Breakers in accordance with N.C.G.S. 143-129(e)(6), commonly known as the “sole source” bidding exception. In addition, staff requests authorization to purchase additional vacuum-interrupter breakers from Hitachi HVB, Inc., in accordance with this Statute, as the need arises.

COMMENTS:

N.C.G.S. 143-129(e)(6) allows an exception to the bidding requirements for the purchase of apparatus, supplies, materials or equipment when a needed product is available from only one source of supply. Currently, the Commission needs to purchase eleven (11) 72.5kV Vacuum Circuit Breakers for the POD II Rebuild and the Lafayette Village Substation Rebuild. This type of breaker utilizes a vacuum-interrupting technology to stop the flow of current to the power system. Currently, Hitachi HVB, Inc. is the only manufacturer worldwide who produces this product and meets the vacuum-interrupter requirement. Predominantly, circuit breaker technology uses a halon-based gas called sulphur hexafluoride, or SF6. This is a “greenhouse gas” similar to chlorofluorocarbons, or CFC’s which have been banned from production in the United States and many other countries. By specifying the vacuum-interrupter breaker instead of the SF6 breakers, PWC avoids the use of environmentally harmful chemicals and eliminates exposure to PWC employees and the general public. The Environmental Protection Agency (EPA) has added SF6 to the list of greenhouse gases whose emissions must be reported when used under certain circumstances. In view of these issues, staff feels it is in the best interest of the Commission to reduce PWC’s SF6 inventory. Therefore, staff requests approval to issue a purchase order in the amount of \$627,000 for the purchase of eleven (11) 72.5kV Vacuum Circuit Breakers, as well as approval to make additional vacuum-interrupter breaker purchases as needed, from Hitachi HVB, Inc., under the “sole source” exception allowed by the Statutes. The lead time for these breakers is approximately eight (8) months; therefore, approval is being requested now in order to receive the breakers prior to the end of FY2016.

72.5kV Vacuum Circuit Breakers are budgeted in EL39 – Lafayette Village Substation Rebuild - \$1,250,000 and EL48 – POD II Rebuild - \$1,500,000. The amounts stated are the dollar amounts budgeted for equipment under each CIP project. These funds are not solely budgeted for breaker purchases, as other equipment for the projects will be purchased from these funds.

PRESENTATION OF FINANCIAL HIGHLIGHTS AND ANNUAL AUDIT REPORT
FOR FISCAL YEAR 2015 PREPARED BY CHERRY BEKAERT LLP (PWC
STRATEGIC GOAL #1)

*Presented by: Dwight Miller, Chief Finance Officer
Michelle Thompson, Partner - Cherry Bekaert LLP*

Dwight Miller, Chief Finance Officer informed the Commission the 2015 Fiscal Year End Audit is complete. Mr. Miller recognized and thanked members of the Finance staff for their assistance during the audit process. He introduced Michelle Thompson, Partner with Cherry Bekaert LLP. Ms. Thompson briefly reviewed the results of the annual audit for fiscal year ended June 30, 2015. She stated the Commission again this year received an unmodified or clean opinion, which means the basic financial statements are fairly stated in all material respects.

Ms. Thompson expressed appreciation on behalf of Cherry Bekaert LLP to the PWC staff for their assistance in completing the audit, and for the opportunity to serve as auditors for PWC.

Following Ms. Thompson's review of the audit, Dwight Miller gave an overview of the 2015 Comprehensive Annual Financial Report and presented a PowerPoint presentation which included additional detail concerning the audit.

Listed below are the financial highlights of the audit:

- ❖ The PWC's net position was \$851.6 million, an increase of \$17.8 million, or 2.1 percent, up from \$833.8 million in Fiscal Year 2014.
- ❖ Total unrestricted and undesignated operating reserves were 108.79 days at June 30, 2015, down from 109.36 in the prior year.
- ❖ Income before Capital Contributions and Transfers was \$23.3 million compared to \$13.1 million in Fiscal Year 2014, up \$10.2 million or 77.9 percent.
- ❖ In March of 2014, electric rate adjustments were approved effective May 1, 2014 and May 1, 2015.
- ❖ In March of 2015, water/wastewater rate adjustments were approved effective May 1, 2015 and May 1, 2016.
- ❖ The Electric Rate Stabilization Fund net position was \$48.4 million at June 30, 2015.
- ❖ Capital contributions were \$7.8 million, a decrease of \$1.6 million, compared to \$9.4 million in the prior year.
- ❖ Capital spending for the Electric System was \$27.2 million, an increase of \$6.8 million, or 33.3 percent.
- ❖ Capital spending for the Water and Wastewater Systems was \$50.9 million, an increase of \$15.4 million, or 43.4 percent.
- ❖ During Fiscal Year 2015, the PWC maintained its Aa2 and AA rating from Moody's and Standard and Poor's, respectively. Fitch assigned its first rating to PWC of AA.
- ❖ PWC's senior lien ratio is 3.9, exceeding the minimum requirement of 1.10.

Discussion ensued. Mr. Miller, Mr. Trego and staff responded to questions from the Commission regarding the audit report. Mr. Miller also stated the Annual Audit Report will be posted on the PWC website.

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Commissioner Lallier requested for staff to provide an in-depth explanation of the 'Other Post Employment Benefit Retiree Healthcare Plan' Funding at a future Commission meeting.

Commission also requested for staff to provide a comparison of current PWC and COF units in operation for period of 2011-2015 and the average age of each Fleet.

Upon motion by Commissioner Fowler, seconded by Commissioner Lallier, the Commission unanimously approved to accept the FY 2015 Annual Audit Report as prepared and presented by Cherry Bekaert LLP and the 2015 Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

Chairman Rogers, on behalf of the Commission, acknowledged and thanked the financial staff and Cherry Bekaert for their hard work associated with the annual audit.

GENERAL MANAGER REPORT

David Trego, CEO/General Manager, informed the Commission that PWC received an APPA Deed Award Grant. This \$24,000 grant deals with research in developing a calculation with the new smart equipment we have installed to be able to locate where a fault is on the line based on how long it takes to register the fault. This research will not only benefit PWC but also other utilities. Mr. Trego stated PWC is also partnering with Schweitzer on this project.

He also stated, PWC has also been notified by the North Carolina American Water Works Association; and the North Carolina Water Environment Association that we won the award for the best large collection system on the waste water side and we have won the safety award for our wastewater operations.

PWC has received five awards from APPA. They are: Competitive Business Environment; Energy Efficiency; Financial Stability; Legislative Involvement and Service Excellence.

Mr. Trego stated, although we do not gear our operations for winning these awards, it is nice to be recognized when we rise to such a level.

October is Energy Awareness Month. In the past when PWC participated in shows, we handed out CFLs. They are now basically a standard. We are now giving away LED lights. We also have also initiated customer programs related to LED lights.

COMMENTS:

Chairman Rogers commended the staff for the great work they completed during the heavy rain in assisting Methodist University and regarding the Glenville Lake Dam.

Commissioner Fowler commended Mark Brown for the quick response to customer issues.

REPORTS AND INFORMATION

Commission acknowledges receipt of the following Reports and Information.

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- A. Monthly Incident Summary for September 2015
- B. Budget Transfers – FY2015
- C. Personnel Report for September 2015
- D. Position Vacancies
- E. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr # 18233 – 8” DIP water main, fire hydr. and 1” water services – SR 1146
 - Encr # 18231 – new water line fittings for water main rehab – SR1006 (Person St.)
 - Encr # 18234 – 16” Steel Casing & 8 “ RJD Water Main – SR1112 (Rockfish Road)
 - Encr # 18232 – 12” sewer main and 24” steel casing – U-2519CA Proposed Future Outer Loop
- F. Approved Railroad Encroachment Agreement(s):
 - CSX Transportation – Encr # 17969 – 12” Sewer Force Main and 30” Water Main off of Cape Fear River Railroad Trestle
 - CSX Transportation – Encr # 17970 - 12” Sewer Force Main and 30” Water Main off of Cape Fear River Railroad Trestle
- G. Approved Utility Extension Agreement(s):
 - Tarheel Taco, LLC – electric, water and sewer utilities to serve 2180 Skibo Road
 - Harold Kidd – water utilities to serve Hoke Loop Water
 - Coldstream Developers, LLC – electric, water and sewer utilities to serve Village at Rockfish, Phase II
- H. Actions by City Council during meeting of September 28, 2015, related to PWC:
 - Approved Budget Ordinance Amendment 2016-3 (Purchasing Fund Transition)
 - Approved Bid Recommendation – Replacement Stationary Batteries

Following a brief recess Chairman Rogers entertained a motion to go into closed session for legal matters to discuss the pending litigation on the request for declaratory rulings as allowed under N.C. General Statutes 143-318.11(a)(3).

Upon motion made by Commissioner Lallier and seconded by Commissioner Fowler, the Commission unanimously voted to go into closed session at 10:25 a.m. as allowed under N.C. General Statutes 143-318.11(a)(3) to discuss the pending litigation on the request for declaratory rulings.

Following discussion, upon motion made by Commissioner Lallier and seconded by Commissioner Fowler, the Commission voted to return to open session at 11:25 a.m.

There being no further business, upon motion by Commissioner Lallier, seconded by Commissioner Fowler and unanimously approved, the meeting was adjourned at 11:26 a.m.