

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, SEPTEMBER 28, 2016
8:30 A.M.

Present: Darsweil L. Rogers, Chairman
Wade R. Fowler, Jr., Vice Chairman
Evelyn O. Shaw, Treasurer

Others Present: David Trego, CEO/General Manager
Karen McDonald, City Attorney
Jay Reinstein, Assistant City Manager
Nat Robertson, Mayor
Media
Visitors
PWC Staff

Absent: Michael G. Lallier, Secretary
Jim Arp, City Council Liaison
Kenneth Edge, County Liaison
John Ellis, Hope Mills Liaison

ADMINISTER OATH OF OFFICE

Mayor Nat Robertson administered the Oath of Office to D. Ralph Huff to the Public Works Commission of the City of Fayetteville.

CALL TO ORDER

Chairman Rogers called the meeting of Wednesday, September 28, 2016, to order.

APPROVAL OF AGENDA

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

PRESENTATION

A. Safe Water 15-Year Directors Award

*Presented by: Mick Noland, Water Resources Chief Operations Officer
Chris Smith, Water Resources Treatment Facility Manager*

Mick Noland, Water Resources Chief Operations Officer, stated this award is a testimony of how well departments are run within PWC's two drinking water plants. Both plants are associated with the EPA Safe Drinking Water Program.

Mick Noland introduced Chris Smith, Water Resources Treatment Facility Manager to give some details and background of the award.

Chris Smith stated PWC has been in the Safe Drinking Water Program for 15 1/2 years. During the Safe Water Conference in Chicago this summer, PWC received the 15 year Directors Award. As a charter member, PWC is the first in the state to receive this award. Chris Smith attributed PWC's success to the support and corporation of operations and maintenance staff as well as the Commission.

CONSENT ITEMS

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

- A. Approve Minutes of meeting of August 24, 2016.
- B. Approve the issuance of a purchase order in the amount of \$655,819.75 to Systems with Intelligence, Inc. (SWi), Mississauga, ON, for all hardware, software licenses, technical support, installation, on-site engineering services and testing to complete the installation of video security equipment at all of PWC's substations and points-of-delivery (POD) in accordance with N.C.G.S. 143-129(e)(6) "sole source exception". The stations included in this request are Bordeaux, Cape Fear, College Lakes, FTL, Ireland Drive, Lafayette Village, Murray Fork, Purolator, Raeford Road, Raleigh Road, Tokay Road, Water Works, Wilmington Road, and upgrades to POD 1 (Owen Dr.), POD 3 Switchyard, Waters Edge, Crystal Springs, Carver Falls and Yadkin Road Substation staff has researched multiple sources for this equipment and has found that SWi is the sole source provider to meet the unique requirements necessary to work within an electrical substation environment and provide necessary interfaces to existing PWC equipment.

The "sole source" request is supported by the following specifications available only with the SWi equipment: Equipment is specifically designed for Electric Utilities – is substation hardened, and meets the IEEE1613 (and IEC61850-3) standards for IED's designed for electric substations.

- All equipment is fiber-optic based – direct connectivity between cameras and DVS – hence equipment within the substation is optically isolated and data lines are free of being corrupted by EMI/EMF.

- All equipment is designed to handle surges and transients up to 5000V – ideal for substation environment. Universal power supplies can handle any voltage from 24V to 265V AC or DC; therefore, the devices can be powered off different sources within the substation. Additionally, the redundant power supplies means the security system can also use the DC Station batteries for backup.
- Cameras and Digital Videos Servers are fully compliant to MODBUS, DNP 3.0, and IEC 61850 (GOOSE) and consequently can communicate with other IED's (and RTU's) within the substation, but also events and alarms can be mapped back to local SCADA systems. Serial connectivity (RS232, RS422 and RS485) allows physical connectivity between substation systems.
- Complying with new regulatory requirements for physical security (eg. NERC CIP version 5); this includes video surveillance and access control for electric utility substations and generating plants.
- SCADA and Asset Management integration allows monitoring and diagnosing primary equipment in real time alongside other electrical data (SCADA) and developing failure analysis curves (Asset managers – such as Cascade).

The Commission previously approved “sole source” contracts to SWi for security systems at all of PWC’s points-of-delivery and the Crystal Springs substation on March 11, 2015; and for Camden Road, Cumberland Road, Mintz Pond, P.O. Hoffer, Fenix, Industrial Park, Railroad Street, Arran Park, Gray’s Creek, and Williams Street substations on December 9, 2015.

COMMENTS: N.C.G.S. 143-129(e)(6) allows an exception to the bidding requirements when (i) performance or price competition for a product are not available; (ii) a needed product is available from only one source of supply; or (iii) standardization or compatibility is the overriding consideration. This request supports the Commission’s directive to accelerate the upgrade of security monitoring at all PWC substations.

BUDGET INFORMATION: \$750,000 is budgeted in FY2017 CIP EL 32 – Security Monitoring Equipment Upgrade.

PHASE V ANNEXATION CONTRACTOR SURVEY

Presented by: Misty Manning, Water Resources Engineer II

Misty Manning, Water Resources Engineer II, stated the reasoning for obtaining feedback from the annexation contractors were related to bids received in September of 2014 for construction areas 16 and 17.

In November of 2014, these bids went before City Council and were rejected to allow revision of contract documents to include the City of Fayetteville's new paving and compaction specifications.

Construction areas 16 and 17 were rebid in the summer of 2015 to include the new specifications. Those bid prices increased 65% over previous constructed areas 14 and 15 and 70% over the initial bid results.

Misty Manning stated this dramatic increase was extremely concerning for all parties involved. Resulting in questions being raised as to what PWC and the City of Fayetteville can do to lower construction cost and annexation bids.

In March 2007, memos were sent to 11 past and current Phase V contractors. On March 23, 2016, PWC and City of Fayetteville Engineering staff contacted the contractors by phone. As a result, feedback was received from eight contractors, five by phone and three e-mail responses.

Commissioner Rogers questioned the reasoning for the inability to reach contractors by phone. Mrs. Manning stated some contractors preferred to have someone else answer specific questions.

A total of nine questions were asked pertaining to:

- Advertisement and award process
- Fluctuation of Bid Prices
- General Contract Requirements
- Payment and Subcontractor Requirements
- Revised Compaction and Paving Specifications
- Storage Area Requirements

Contractors were also asked how they felt PWC and the City of Fayetteville could increase the number of potential bidders?

Productive feedback was received from contractors on the following items:

- Contract time
- Liquidated Damages
- Work Hours
- Inspector Overtime
- Time Extension due to Weather Delays
- No Overage Allowed (NOA) Items
- Advertisement Information
- Storage Area
- Truck Route Bond
- Asphalt Patching Outside Trench Limits
- Changes in Paving and Compaction Specifications
- Construction Market
- Financial Information Request

Misty Manning stated PWC and City of Fayetteville staff reviewed the results and made decisions on how to address these concerns. In the meantime, PWC Charter Agreement was revised and reverted back to the previous paving and compaction specifications which were a permanent patch. If the City chose to proceed with the overlay, they would pay the additional cost.

Ms. Manning expressed the complexity of associating a direct cost with customer complaints. Therefore, with the best interest of our customers in mind, PWC and the City of Fayetteville agreed these items will remain unchanged:

- Work Hour Restrictions
- Liquidated Damages
- Inspector Overtime
- Storage Area Requirements

There are some planned contract changes to be implemented by PWC and the City.

PWC

- Contract Time
- Time Extension for Weather
- NOA Items
- Financial Information Request
- Advertisement

City of Fayetteville

- Truck Route Bond
- Asphalt Patching Outside the Trench Limits

Plans are to implement these changes in construction areas 18 and 19. This includes Southgate and Arran Lakes West. Advertisement will be in November 2016 with construction beginning next spring.

Commissioner Fowler was curious about the time issue. The 8:00 a.m. to 5:00 p.m. and why we remain with this option as he feels citizens would prefer roads being completed in relation to the workers are done at 5:00 p.m.

Misty Manning stated contractors feel an hour time extension will not yield significant enough production rate increases to justify customer complaints. Discussion ensued.

David Trego complimented City and PWC Engineering staff for their corporation and flexibility while working toward reasonable approaches to save money for all parties involved.

Commissioner Shaw questioned if there was any indication from the responding contractors that any one driver was more significant in driving the cost up than the other? Misty Manning stated there were two: One being the construction market and the other being changes in the specifications. Discussion ensued.

Commission Shaw also questioned if contractors currently serving in the Annexation were the same respondents to the survey? Has any thought been given to whether or not it will be beneficial to have price negotiation going forward due to changes which will affect current work?

Misty Manning stated approximately 80% of current work is complete at this time. Mick Noland provided an explanation of how unit prices affect bids prices and the reasoning for not negotiating once bids are awarded. Discussion ensued.

Commissioner Fowler questioned if staff had compared the cost of doing overlays versus patching and how this would impact rates? Commissioner Fowler emphasized the importance of road improvement. David Trego stated the current agreement allows PWC to give the city a project credit for the patch cost should the City decided to overlay. Discussion Ensued.

Commissioner Rogers suggested an analysis be conducted with the City on this issue.

David Trego asked Misty Manning for an email response to compare areas 16 and 17 bids under the old standards and the delta between the patch and overlay to areas 16 and 17 under the new standards to provide a range. David Trego will forward information to Commissioner Fowler.

Mick Noland asked Gloria Wrench to relay findings related to the percentage of contractors. Gloria Wrench stated the majority didn't address contractor percentages in their specs. Gloria Wrench indicated the main objective is to avoid the majority of the contract being brokered out. Additional discussion ensued.

RETIREE BENEFIT SURVEY RESULTS

*Presented by: Carolyn Justice-Hinson, Communications /Community Relations
Officer Bobby Russell, Human Resources Officer*

Bobby Russell, Human Resources Officers stated as requested by Commission a Retiree Insurance Survey was conducted. Carolyn Justice - Hinson, Communications/Community Relations Officer will discuss those results followed by additional comments and discussion on how to proceed from this point.

Carolyn Justice Hinson stated the basic request from the Commission was to survey retirees on the option to stay in the PWC plan or to go to the marketplace for health insurance.

Currently 92 retirees are covered under PWC insurance, 64% of those responded to the survey. The survey asked would they like the option of receiving a health insurance credit to purchase coverage from other insurers. Of the responses, 8% said yes and 92% said no.

The main reasons for not interested were:

- Being able to find comparable coverage at or near flex credit amount

- Had not investigated other plans and do not know what is available
- Changing insurance plans

Other comments and reasons received were:

- Current health and recent diagnosis
- Not being part of group rate
- Not what was expected and promised when they retired
- Concerned PWC will cancel retirees' insurance

David Trego discussed recommendations. Mr. Trego stated based upon the survey, retirees overwhelmingly do not want to get their own insurance.

Based on survey results, the recommendation is not to make changes this cycle with the retiree insurance. Mr. Trego reminded the Commission of Dwight Miller's prior statement of PWC being allowed to give retirees a flex credit up to \$1050.00. We are required to only give them up to what they actually incur; therefore, PWC would have extra staff effort in processing these invoices.

Mr. Trego stated if Commission wants to consider this for future cycles, staff will gather information to fill knowledge gap and perform another survey.

Commissioner Fowler feels terms of the agreement with retirees should be held. David Trego stated the Commission has taken action of anyone hired after May 2016; they will knowingly not have this benefit.

Commissioner Shaw questioned if the 92 retirees were under Medicare age? Carolyn Justice-Hinson, Communications and Community Relations Officer, stated they were.

Commissioner Shaw also questioned the number of man hours required to manage the \$1050 credit. Bobby Russell, Human Resources Officer, indicated the administrative portion of the \$1050 credit would require additional Human Resources personnel.

David Trego informed the Commission that Reggie Wallace, Electric Systems Chief Operations Officer, will be retiring the first of the year.

UPDATE ON PWC CASES WITH DUKE ENERGY AT THE FEDERAL ENERGY REGULATORY COMMISSION (FERC)

Presented by: Reggie Wallace, Electric Systems Chief Operations Officer

Reggie Wallace, Electric Systems Chief Operations Officer, stated discussions have taken place in the past related to issues prior to FERC. The cases of discussion today apply to Open Access Transmission Tariff (OATT).

PWC has been working jointly with NCEMC's and NCEMPA. Specifically two things have been discussed: first request is to lower return on equity (ROE) in rate formula. Second request is to reduce magnitude of correction for losses.

The previous return on equity built into the OATT was 10.8% a negotiation was made for a reduction to 10%. Currently we are awaiting FERC approval for refunds. Refunds will be retroactive back to January 1, 2016.

Commissioner Rogers requested further discussion on how the agreement was achieved to reduce ROE. Mr. Wallace stated this was the subject of multiple meetings and multiple trips to Raleigh. David Trego stated we started this because an entity went against Duke Energy Progress Florida and were successful in lowering the ROE. Therefore, we used their arguments as a guide, modified them with our consultants with Duke Energy Progress of the Carolinas and put forth a case. Additional discussion ensued.

Reggie Wallace stated the ultimate savings will be approximately \$1.2 million 2016 – 2019.

Reggie Wallace stated the loss correction factor in our purchase power agreement was reduced from 2.15% to 1.6%. We were able to discuss this with Duke informally resulting in a filing and acceptance by FERC. The benefit of this refund was seen on the August 2016 invoice.

David Trego provided history on the merger settlement agreement when Duke Energy and Progress Energy merged. Additional discussion ensued.

Reggie Wallace stated the expected estimated savings per year will be \$800,000 because of this change. That is a combination of changes on the purchase power agreement and transmission purchases as well.

In addition, Mr. Wallace indicated Duke Energy's methodology of accounting for these losses was helter-skelter and inconsistent. Therefore as part of the settlement, we would work together to achieve a methodology to standardize how these losses will be computed, accounted for and updated going forward. During the process, additional information was received from Duke revealing an error in calculating a loss factor of 1.5% instead of 1.6% after the filing which is expected to save an additional \$125,000 yearly. Additional discussion ensued.

Commissioner Shaw thanked Mr. Wallace for that scintillating report.

PWC NOMINATION TO THE ELECTRICITIES BOARD OF DIRECTORS

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

Commissioner Rogers stated as a result of brief conversations with the other Commissioners, none are in a position to serve. It was recommended David Trego be appointed as PWC's representative to the Electricities Board.

Upon motion by Commissioner Fowler and Seconded by Commissioner Shaw, the nomination was unanimously approved.

GENERAL MANAGER REPORT

PUBLIC POWER WEEK

This is scheduled for the first week in October. It gives PWC the opportunity to showcase our value to the community as a public power entity.

PWC DAY

This is a new addition this year. Carolyn Justice – Hinson stated stakeholders from the community will be invited to tour various facilities while learning about PWC services, projects, and programs. Representatives from Home Builders Association, Plant Managers Association, Chamber, Hope Mills Chamber, FSU, Methodist, and FTCC are expected to attend. Depending on the success of this event, plans are to hold this event again in the spring.

Commissioner Rogers questioned the type of media to be in attendance. Carolyn stated the new publisher of the Fayetteville Observer and the Up and Coming will be attending. PWC will also be promoting the event throughout the day followed by a wrap up of the event. The event will be taped for future use by PWC as well.

Commissioner Fowler mentioned the key service organizations. Carolyn Justice-Hinson stated an invitation has been extended to the Kiwanis.

TASTE OF FAYETTEVILLE

On October 9th a lineman truck will be present to give demonstrations and PWC hard hats will be distributed.

HOPE MILLS REFUNDS

As the Commission is aware, PWC desires to accurately get every dollar to customers that are due. A claim verification form was sent out in which the customer could list all available addresses in order to perform a cross referencing. Approximately 1200 forms were mailed. Currently 1100 forms were received. Checks will be cut in tranches beginning the first week in October.

Commissioner Fowler questioned if addresses follow customers. Mr. Trego stated as part of the form for cross referencing, customers are asked to list addresses they have lived at rather than dates. Therefore when PWC gets that information, it will be matched. Also if PWC observes a discrepancy in the number of addresses, the customer will be called for clarification.

WATER TANK NORTH FAYETTEVILLE PROJECT

PWC is receiving and evaluating the bids for this project which was a high priority project for the Commissioners.

MARKET HOUSE PROJECT

Moving forward in getting bid documents out, input received from the Downtown Alliance and business owners were compiled and bid opening is scheduled for next week. Work is planned to be done mid-January.

RAEFORD ROAD PROJECT

As the Commissioners are aware, PWC will be heavily involved over the next couple years in a major project on Raeford Road. We, the City and DOT, have started to receive multiple questions from the business owners. Many of the businesses have signs, area lighting and other things going on in which widening of this road will have major impact on.

DOT is getting prepared to start approaching these customers to ask for right of ways and easements. Mark Brown led the effort of working with the City and DOT to bring in the business owners, as their needs are a lot different from residential customers. The goal is to explain why easements are needed, what they are, what the requirements are and what the process is.

Tonight at FTCC an informational meeting will take place. Notices have been mailed to all property owners which can be different since many of the spaces are leased; DOT will be negotiating with the property owners.

Presentations will be made by the City, PWC, DOT, and Piedmont Natural Gas. We are not here to debate the project but to provide information on what the next steps are.

David Trego stated the out front meeting on Thursday, September 29th usually consists of residents; their concerns will be addressed at this time. Mr. Trego plans to attend this meeting as well.

Commissioner Fowler commented on an opportunity in which he spoke at the Fayetteville Kiwanis Club about PWC. He thanked Carolyn Justice-Hinson for the slide show of great information which made presenting easy. Commissioner Fowler also stressed the importance of taking advantage of opportunities like these to expose PWC to the community.

Commissioner Rogers questioned the spike in bad debt from \$192, 587.37 to \$253,753.09. Mr. Trego stated this increase reflects the summer time bills.

REPORTS AND INFORMATION

Commission acknowledges receipt of the following Reports and Information.

- A. Monthly Cash Flow Report for August 2016
- B. Monthly Incident Summary for August 2016

- C. Investment Report for August 2016
- D. Recap of Uncollectible Accounts
- E. Personnel Report for August 2016
- F. Purchase Order Report for August 2016
- G. Position Vacancies
- H. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. #18455 – 8” DI Water Main on SR-1415 (Yadkin Road) for Showcase Restoration – Yadkin Rd Water Main Ext PWC Drawing AW-15021A
 - Encr. #18456 – Erosion and Sediment Control- 1” PE water laterals, SR 1838
 - Encr. #18457 – 6” DI Water Main on SR-1414 (Raeford Road) for Raeford Road Townhomes Water Main Extension PWC Drawing AWS-14984B
- I. Approved Utility Extension Agreement (s):
 - Legend Hospitality One, LLC – water and/or sewer utility extension to serve Homewood Suites Hotel
 - Cape’s Landing –Water and Sewer Services
- J. Actions by City Council during meeting of August 22, 2016, related to PWC:
 - Approved bid recommendation to award the contract for purchase of approximately 6,000 tons of Ferric Sulfate Liquid
- K. Actions by City Council during Meeting of September 12, 2016 related to PWC:
 - Appointed D. Ralph Huff to the Fayetteville Public Works Commission for a four year term October 1, 2016 to March 30, 2020.

ADJOURNMENT

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