

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, MARCH 22, 2017
8:30 A.M.

Present: Evelyn O. Shaw, Chairwoman
Wade R. Fowler, Jr., Vice Chairman (VIA TELECONFERENCE)
D. Ralph Huff, Secretary
Darsweil L. Rogers, Treasurer

Others Present: David Trego, CEO/General Manager
Karen McDonald, City Attorney
Melissa Adams, Hope Mills Town Manager
Robert Van Goens, President Cumberland County EDC
PWC Staff
Media

Absent: Jim Arp, City Council Liaison
Michael Boose, County Liaison
Jay Reinstein, Assistant City Manager

CALL TO ORDER

Chairwoman Shaw called the meeting of Wednesday, March 22, 2017, to order.

APPROVAL OF AGENDA

Commissioner Rogers motioned to approve the agenda. Commissioner Huff seconded the motion. Before a final vote Mr. Trego, CEO/General Manager requested an addition to the agenda to discuss the Power Supply Agreement with Duke Energy.

Commissioner Shaw directed the item requested to be added as Item V and subsequent items to be renumbered.

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

CONSENT ITEMS

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

A. Approve Minutes of meeting of March 8, 2017

- B. Approve the award of a contract to Schweitzer Engineering Laboratories (SEL), c/o Atlantic Power Sales, LLC, Mt. Holly, NC, for the purchase of SEL Integrated Communications Optical Network (ICON) hardware and associated software for various applications.

Public Works Commission has been standardizing and installing SEL fiber optic Ethernet switches at the majority of our substation locations. The SEL ICON product provides seamless integration with the existing SEL fiber optic network switches and is designed to specifically provide reliable transportation of OT communications traffic in the power delivery space.

In order to leverage the functionality of PWC’s existing SEL fiber optic network switches, staff recommends that the SEL ICON product be selected as the standardized equipment to be used for the build-out of PWC’s OT fiber optic network. This will provide a storm hardened solution for communicating with mission critical electrical assets such as substations and automated transmission switches. Standardization of the SEL ICON products should provide a cost effective solution due to the low cost of integration, the ability to leverage training that PWC utility technicians have already undergone, and the ability to effectively reduce the cost of spare inventory. This SEL equipment promotes interchangeability of communication modules and sub-modules between different units.

Staff is requesting authorization to issue a purchase order in the amount of **\$308,295** for the purchase of ICON equipment and software as follows:

SONET Communications for Smart Grid	\$ 23,307
69kV Sectionalizing Improvements	\$ 78,412
T/D Substations	\$ 72,957
FDC (Fiber Distribution Closet)	\$ 10,782
SONET Management Software	\$ 5,000
POD’s (Points-of-Delivery)	\$ 31,989
69kV MOAB’s (Motor Operated Air Break Switches)	<u>\$ 85,848</u>
	\$308,295

Additionally, staff is requesting authorization to purchase additional Schweitzer ICON hardware and software pursuant to the “sole source” exception as the need arises.

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 (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.

The purchase of this equipment and software is budgeted in the FY2017 CIP Budget under CPR1000217 – SONET Communications for Smart Grid (\$250,000

available), and CPR0000046 – 69kV Sectionalizing Improvements (\$243,250 available).

- C. Resolution to Direct the Filing of an Application for State Loan Assistance - PWC2017.05

Approve Resolution PWC2017.05, directing the filing of a State Revolving Loan Application for the Rockfish Creek Basin Peak Flow Facilities project currently estimated at approximately \$11.7 Million.

Staff recommends that the Commission adopt the attached Resolution PWC2017.05.

- D. Capital Project Ordinance – Hurricane Matthew Capital Project Fund – PWCORD2017-04.

Three water and wastewater projects have been identified as strong candidates for insurance and FEMA funding and have been reviewed by representatives from both agencies. An advance disbursement of \$1.2 million has already been approved with the remaining disbursements being made periodically during the construction of the projects.

Recent discussions during the CIP departmental review process indicated a capital project fund would be beneficial in managing and accounting for the funding and construction of certain projects. Additional projects may be added to this fund through the budget amendment process as they are identified and approved.

Staff recommends that the Commission adopt the attached budget ordinance PWCORD2017-04.

END OF CONSENT

STRATEGIC PLAN PRIORITY ACTION ITEMS UPDATE

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

Mr. Trego, CEO/General Manager provided an update of Strategic Plan Priority Action Items.

*Expand Water Service within Cumberland County
Strategic Priority - Water Service Expansion*

Mr. Trego stated he and Chairwoman Shaw met with the Chair of the Cumberland County Commissioners several weeks ago. They have begun a process of taking a look at prioritizing certain areas of the County where there is mutual agreement that possible development/redevelopment can occur and where they may want to investigate the possibility of extending water to those areas.

Mr. Trego stated they had a preliminary meeting of PWC staff and County Staff, including the County Manager to develop a plan for that committee, in taking a look at extending water to other areas of Cumberland County. Mr. Trego stated the committee identified there was a previous study completed in 2009 that looked at extension of water in Cumberland County. That plan is a little old; development has occurred and we have put new lines in. That plan was county wide and now we are looking at a more focused approach. The County will work with PWC staff to use this document as a base and develop an RFQ that will update the document and streamline it to reflect the more focused approach. The County will have the RFQ completed in the second calendar quarter of 2017. Discussion ensued regarding the timing of the RFQ.

Mr. Trego clarified that the County is expecting to have the RFQ issued in the 2nd physical quarter of 2017 (April-June). Based on the RFQ, the working group (committee) will develop options and recommendations to return to their respective Commissions to determine if there is agreement on how to proceed. He stated staff expects to have recommendations in FY2018.

Mr. Trego stated PWC is in pretty good shape to serve the area of immediate concern (the Grays Creek area). We do not need to rush into the process because of the area where there is current development. He stated others areas of concern may come up (North Fayetteville), but we have things in motion to take care of those areas. Additional discussion ensued regarding the RFQ.

*Revisit City Water/Sewer Extension Policy Related to Annexation
Strategic Priority - Water Service Expansion*

Mr. Trego stated the revised PWC Charter addressed the annexation issue regarding the water system expansion. It basically stated the City of Fayetteville cannot require annexation as it relates to the extension of water. He also stated PWC and City policies surrounding annexation have been updated based on the new Charter.

If the Commission desired to revisit this issue with the City (from a policy prospective) it would be regarding the sewer policy.

*Work with City of Fayetteville to Leverage Fiber Assets for Broadband Expansion
Strategic Priority - Expand Fayetteville Broadband Capabilities*

Mr. Trego stated he has had some meetings regarding this topic and some members of staff have participated in meetings with the City regarding the alternatives of expanding broadband capacities. What are the alternatives? What do we have? He stated we have shared maps. He stated within the bundles of fiber there are a certain number allocated for the City and a certain number allocated for PWC. Part of that was to identify ways primarily the City and PWC's fiber assets could be leveraged for Broadband Expansion. He stated he pointed out to the City in the last meeting, they already have the assets available to them and they can allocate them. He stated the City is taking the lead on this issue. PWC is here to provide technical support and to provide them what they need if they choose to enter into a public/private partnership. Mr. Trego stated if the City needed additional assets above

what has been allocated, they would need to come back to PWC to request some of our 'dark fiber'. Discussion ensued.

Develop Ways to Showcase PWC Value in the Community
Strategic Priority - Showcase PWC Value to Community

Mr. Trego stated Staff developed presentations to showcase the value of PWC. Speaker training has been provided to PWC employees. We are also reaching out to local groups in an effort to make a presentation to them. We have found that many calendars are booked up for several months.

He also stated we have initiated 'PWC Day' to showcase PWC to Community Leaders. We had the first one last calendar year (2016) and will have a second one on May 4th. During 'PWC Day' we bring in community leaders to learn about PWC. This includes a tour of PWC. We see this effort as very positive.

Mr. Trego stated we are also developing new and expanded ways to enhance community outreach. We utilize our CAG (Community Action Group) in this effort as well. We are also revamping some of our existing programs to ensure we are getting the message out regarding our value to the community.

Commissioner Shaw commented on a recent College and Employment Fair at the Smith Recreational Center. She stated there were colleges there as well as employers, to include Duke Energy Progress. There were young people there who will be starting their junior year next fall and some were engineering students. Commissioner Shaw recommended PWC to be in attendance during these college and employment fairs. Discussion ensued.

Commissioner Rogers stated last weekend at the Chamber "Latinos for Progress" gave a presentation in which they spoke on entrepreneurship and business. He printed out our Business Building Rally information and realized there was nothing in Spanish. English is not their first language. Commissioner Rogers requested for PWC to consider printing and providing presentations in Spanish as well as solicit vendors within our Latino community.

Continue Advocacy for Atlantic Coast Pipeline
Strategic Priority - Power Supply Options

Mr. Trego stated PWC has contacted developers and are supportive of their efforts. He stated from our long-term power supply plan, this pipeline can play a role in the Butler Warner Generation Plant and provide long term options to generate electricity.

Mr. Trego stated we have attended meetings regarding the pipeline. We provide support for the process as it goes through the regulatory process while also advocating ensuring safety and equitable treatment for those impacted along the route. Commissioner Huff asked if those opposed to the pipeline are likely to prevail. Mr. Trego stated as of now the FERC does not have a quorum because some have left FERC and President Trump has not appointed new members. Discussion ensued.

AMI METER OPT OUT POLICY DISCUSSION

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

Mr. Trego stated we are nearing the end of our deployment of Advanced Metering. He reminded the Commission in August 2016 he gave a presentation on Opt-Out Customers. These customers said no to the installation of the advanced meters. He stated customers were informed that as of that time a policy had not been developed and once a policy was developed, they would be informed.

Mr. Trego stated there were two main reasons why customers opted out of the advanced meters. One is health concerns and the other is privacy concerns.

The health concerns – some of the earlier AMI meters that were deployed had a much higher radio signal. There were concerns about the strength of the radio signal related to impacting health devices and other things.

Mr. Trego stated the meters that PWC deployed are 3rd generational and the signal they give out is less than a cell phone. New technology has adapted and the advanced meters are equipped with the new technology. There is information on our website which explains the advanced meters.

The privacy concerns – Obviously customers do not want their information ‘out there’. There are rules and regulations regarding how we use information and what we have to do. We are regulated by the Federal Government as it relates to cyber security. Commissioner Huff asked if the privacy concerns are related to business or residential customers. Mr. Trego responded, primarily residential. He went on to say our meters are not connected to any appliance within homes. We have no idea what a customer is doing within the home. We are only collecting the data so we can bill them.

Mr. Trego stated in August 2016, there were 50 verified customers who opted-out. At that time we were 80% deployed. We are scheduled to be fully deployed as June 2017.

As of March 13th, we have 179,000 meters installed. There were 269 concerned customers. After we spoke to some and explained the meters to them, 166 of the 269 opted to have the meters installed. We now have 43 unconfirmed opt-out customers and 60 confirmed opt-out customers (who have stated they do not want the advanced meters).

Mr. Trego reviewed the implications of Opt Outs for PWC and the customers. He then outlined the options for Commission to consider.

Review - Implications of Opt Outs for PWC

PWC must provide meters that do not allow 2-way communications. Must read meters manually

Review – Implications of Opt Outs for Customers

Must be billed separately and cannot take advantage of the following:

- a. Services provided through advanced meters
- b. Future billing options such as flexible meter read dates
- c. Conservation & other cost reduction programs that rely on meter data
- d. Customer/PWC notifications through meter “alarms”
- e. Detailed usage information on customer portal

Opt Out Options

1. Do not allow Opt Outs: Have AMI meter installation as a condition of service from PWC
2. Allow Opt Outs & Socialize Costs Across Customers: Not favored by Commission during August 2016 Presentation
3. Allow Opt Outs & Charge those customers for all incremental costs of opting out
 - \$30 one-time fee to put in each non-communicating meter. Though the meters are non-communicating PWC may have to upgrade the existing/installed meters
 - Additional Fee of \$25/month per bill to defray costs of manual meter read and separate billing
 - Fee is not per meter, but per bill. It could include electric, water and/or irrigation meters
 - Fees will be added to PWC fee schedule which can change in the future based on cost

Mr. Trego requested the Commission to take action and outlined the next steps.

Desired Action:

- Commission decide on Opt Out policy
- Delay effective date until deployment is complete & customer communications are completed (target Jul/Aug 2017).

Next Steps

- Modify Policies & Service Regulations for the new policy.
- Develop & implement communication plan for those customers who have opted out
- Provide educational materials on AMI meters
- Provide written communication & personal outreach
- Report back to Commission on progress prior to new policy effective date

Discussion ensued regarding Opt-Out Policy.

Commissioner Fowler motioned to adopt an Opt-Out Policy which states AMI (Smart) Meters are a mandatory service of PWC and there is no opt-out provided. Motion was seconded by Commission Huff and unanimously approved.

Mr. Trego stated before staff implements the policy they will come back to the Commission to report on staff's efforts to reach out to customers.

POWER SUPPLY AGREEMENT WITH DUKE ENERGY

Presented by: David Trego, CEO/General Manager

Jon Rynne, Chief Operating Officer - Electric

Mr. Trego reminded the Commission Reggie Wallace gave a presentation in September regarding revising our agreement with Duke Energy Progress relating to the issue of losses. He stated whenever electricity is transported across the transmission system a little bit of electricity is lost. It is not a 100 percent efficient system. We have to buy more power than we use to accommodate for those losses. We found that there was a small section of our power supply agreement that needed to be modified to accommodate this change. Mr. Trego stated he is requesting for the Commission to approve the change and execute the revised agreement.

Mr. Rynne stated PWC worked with ElectriCities and the Co-Ops for approximately 18 months to come up with a methodology for DEP (Duke Energy Progress) and the western part of the DEC (Duke Energy Carolinas). Instead of just picking a number for this loss that is in our transmission agreements as well in our power supply cost agreement, they will actually have a method we can audit to see how they calculated the number so we can agree upon. Mr. Rynne went on to say that our power supply agreement represents that way of thinking and way of doing business with DEP going forward.

Mr. Trego stated he brought this issue as a walk-in because the parties have agreed to allow Duke to begin collecting these fees beginning in June (There is a sixty day open comment period at the FERC.). He went on to say that the document has been reviewed by our consultant and our FERC attorney. Mr. Trego requested a vote of the Commission to accept the change which will authorize the Chairlady and Secretary to execute the change.

Commissioner Huff motioned to accept the change to the Power Supply Agreement as presented by Staff. Commissioner Rogers seconded the motion and it was unanimously approved.

GENERAL MANAGER REPORT

Conservation Expo

The Conservation Expo will be Friday and Saturday at the Skyview on Hay. This is our 3rd annual expo where we help our customers to conserve and effectually use water and electricity. We give them LED light bulbs as a sample; tree seedlings to plant; and the ever popular fat trappers.

Ms. Justice-Hinson stated the event will be open on Friday (March 24th) from 10:00 a.m. to 9:00 p.m. and on Saturday (March 25th) from 9:00 a.m. to 2:00 p.m. This year it was expanded to two days which was a good decision because of all the activities downtown this year.

PWC Employee Mike Willis

Mr. Trego stated there was an article in the Fayetteville Observer on Sunday featuring Mike Willis. Mike saved the life of a trucker during Hurricane Matthew. He was reluctant to do the interview with Andrew though it was a wonderful act that he did.

ElectriCities

Mr. Trego stated PWC won five awards this year. They are: Competitive Business Environment Award; Energy Efficiency Award; Financial Stability Award; Legislative Involvement Award; and the Service Excellence Award. He stated PWC won every award we entered for. Though we do not perform to get awards it is good to be recognized by our peers.

Water Main Break – Robeson and MLK

Mr. Trego stated there was a water main break at Robeson and MLK. It was quite an ordeal for our crews. He thanked Mick Noland, Chris Rainey and the Water Construction crews for a job well done and for completing it timely.

Mr. Trego stated the failure was an odd failure. It broke along the length and not across the pipe. Mr. Noland stated staff became aware of the issue very quickly and were able to get the area shut down. There was only one customer out of service. He thanked the construction department for their capability in getting the main fixed quickly. There was a lot of coordination with others including the DOT. Water was back in service by 7pm the same day. The area was closed until the street was patched and ready for traffic.

Mr. Noland stated typically when there is a cast iron main break. We will send it off to see the condition of the pipe. Yet, there was no indication it was corroded. The cement liner appeared to be in good shape also. There was no indication to give us alarm that the rest of the main is ready to fail. Mr. Noland went on to comment on plans to replace mains that coincide with overlays the City is completing as well as DOT construction projects. Commissioner Huff commented on the quickness of the water main repair. Discussion ensued on the reason why the main may have failed.

Open Commission Items

Commissioner Rogers commented on the Open Commission Items. There were several on the list for an extended period of time. Mr. Trego and Mr. Noland responded to ‘Lead in the Water Pipes’. Staff deferred the report until the required testing is completed of differing customers. Once that testing is complete, we will respond to the Commission. Mr. Noland stated system wide testing for lead and copper will be done in June or July. In the last few times testing was done, we passed the requirements. Mr. Noland commented on the corrosion control methods PWC utilizes and how it also benefits the homeowners.

Mr. Trego stated another item on the list is the ‘Compensation Policy’ above the max. He stated currently we do not have any employees in that situation. He stated Bobby and he will return to the Commission with a report once the budget is completed.

The next one is 'Tracking the Assets'. He stated he will confer with Dwight Miller on this request. It was a request related to how we track assets for depreciation costs.

The next is 'Switching to An Alternate Source of Power'. We currently have standard interconnection requirements for emergency generators. He stated a lot has come to the forefront. We have had requests from some customers as a result of the hurricane desiring to put in emergency generators and we have standard interconnection requirements for customers to do hook-ups. He believes this item can come off the list.

"Customer Segmentation Related to Smartgrid" – this item is related to how we will implement programs once the AMI meters are completely installed. Mr. Trego stated the reason this item has not been updated is, the programs we decide to bring and the way to segment customers will be directly related to the rate decision the Commissioners make.

Commissioner Rogers asked for staff to place a date next to the current open and future requests.

Procurement

Commissioner Huff commented on the open Fleet Operations request, confirming it is on hold until the City makes a decision. Mr. Trego responded yes. The City (at their Strategic Planning Session) made a decision to engage a consultant to take a look at the economics of whether or not it was feasible for the City to take back part or all of the Fleet Maintenance Operations back within the City. The item is on hold, waiting for the City to take action.

REPORTS AND INFORMATION

The Commission acknowledges receipt of the following reports and information.

- A. Monthly Cash Flow Report – February 2017
- B. Recap of Uncollectible Accounts – February 2017
- C. Investment Report – February 2017
- D. Position Vacancies
- E. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. #18480 – 6" RJDJ fire line @ NC HWY 59 (Hope Mills Rd) & US401 (Raeford Rd)
- F. Actions by City Council during meeting of March 13, 2017, related to PWC:
 - Selection of Independent Auditor

ADJOURNMENT

There being no further business, upon motion by Commissioner Rogers, seconded by Commissioner Huff and unanimously approved the meeting was adjourned at 9:37 a.m.