

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, APRIL 25, 2018
8:30 A.M.

Present: Wade R. Fowler, Jr., Chairman
D. Ralph Huff, III, Vice-Chairman
Darsweil L. Rogers, Secretary
Evelyn O. Shaw, Treasurer

Others Present: David W. Trego, CEO/General Manager
Jay Reinstein, Assistant City Manager
Johnny Dawkins, City Council Liaison
Media

Absent: Melissa Adams, Hope Mills Town Manager/Liaison
Michael Boose, Cumberland County Liaison PWC Staff

REGULAR BUSINESS

Chairman Wade R. Fowler, Jr., called the meeting of Wednesday, April 25, 2018, to order.

APPROVAL OF AGENDA

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

PRESENTATION

David Trego, PWC CEO/General Manager presented the members of the 2018 Public Power (APPA) Line Worker's Rodeo. PWC Linemen will be competing on Saturday, April 28th in Wake Forest

Mr. Trego presented Garrett Locklear, Steve Rivers, Chris Carter, Austin Lee, Jeremy Hatem, Chris Johnson, Tyler Brayboy and Andrew Albertson. Mr. Trego stated two other members of the team, Nic Graham and Cameron Phipps will compete at the NCAMES.

Chairman Fowler thanked the team for going to Wake Forest to compete with the other linemen around the nation. He also thanked them for all their hard work during Hurricane Matthew.

Mr. Trego also presented PWC's new Procurement Manager, Trent Ensley. He asked Mr. Ensley to give the Commission a brief bio. Mr. Ensley stated he is relocating from Springfield, VA after spending a career in the Federal service, in the US Army, US Postal Service and in the Department of Housing and Urban Development. He stated he spent 15 years in the Army, part of the time he was in field artillery and the other in the acquisition corp. Since then he has had procurement assignments in the Postal Service and in the

Department of Housing and Urban Development. He is excited to relocate to Fayetteville and work with a good, solid organization. He stated he is thrilled to be here.

CONSENT ITEMS

- A. Approve Minutes of meeting of April 11, 2018
- B. Approve Resolution No. PWC2018.03 authorizing the use of the design-build contracting method for the Clifton Drive Sanitary Sewer Main Relocation project.

Comments: In 2013, the General Assembly enacted legislation authorizing the use of new contracting methods for public construction projects, one of which is design-build. Design-build is an integrated approach to a construction project that delivers both design (architectural or engineering) and construction services under one contract with a single point of responsibility. Selection of the design-build team is made via the “qualification-based” selection method outlined in G.S. 143-64.31.

- C. 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.

Staff requests approval for the issuance of a contract in the amount of \$195,000.00 to Milestone Utility Services for all software, software licenses, technical support, and update services to provide a ePortal software to integrate to the existing billing system (Oracle CC&B 2.3), Oracle MDM, integrated payment processor, and pdf billing in accordance with N.C.G.S. 143-129(e)(6) “sole source exception”. Information System’s staff has researched multiple sources for this equipment and has found that Milestone Utility services is the sole source provider to meet the unique requirements necessary to work within the Commission’s Oracle environment and provide necessary interfaces to existing PWC equipment and software.

The “sole source” request is supported by the following:

Milestone’s Web Portal integrates with the Commission’s current Oracle Customer Information and Billing System (CC&B).

- A. Milestone’s Web Portal integrates with the Commission’s Oracle Smart Meter Data Management System (MDM).
- B. Milestone’s ePortal enhances functionality to support customer self-service when conducting business with the Commission.

The total initial cost of the implementing the ePortal system with all services, hardware and software licenses is \$195,000. After implementation, a three (3) year annual support commitment of \$15,000 is required 30 days following Go-live.

This project will be funded through the Information System Department’s Annual Computer Systems Contract Budget.

- D. Approve staff recommendation to transfer to Fayetteville Technical Community College (“FTCC”) certain equipment titled in the name of the Fayetteville Public

Works Commission and supplies and other tangible personal property over which the Fayetteville Public Works Commission exercise control and custody in its utility operations but is titled in the name of the City of Fayetteville in accordance with the Fayetteville Public Works Commission's Charter in exchange for FTCC initiating and operating a training program for electric line workers.

The recommendation, as approved by the Fayetteville Public Works Commission, shall be referred to City Council in accordance with Section 6A.9 of the Charter to request that the City of Fayetteville adopt a resolution authorizing the Fayetteville Public Works Commission to transfer to FTCC certain supplies and other tangible personal property titled in the name of the City of Fayetteville in accordance with G.S. 160A-274.

Comments: PWC has determined that the development of an electric line worker training program would be beneficial to PWC and the greater community, and PWC wishes to facilitate this endeavor by FTCC.

- E. Approve staff recommendation to sell in exchange for two hundred twenty-five dollars (\$225.00) a right of way to the North Carolina Department of transportation ("DOT") consisting of 0.079 acres from a tract that contains approximately 723.860 acres over which the Fayetteville Public Works Commission exercises control and custody in its utility operations but is titled in the name of the City of Fayetteville in accordance with Fayetteville Public Works Commission's Charter in order to facilitate DOT's construction activities on Bridge No. 250045 over the South River on SR 2030 (Hollow Bridge Road).

The recommendation, as approved by the Fayetteville Public Works Commission, shall be referred to City Council in accordance with Section 6A.9 of the Charter to request that the City of Fayetteville adopt a resolution authorizing the Fayetteville Public Works Commission to transfer the right of way to DOT in accordance with G.S. 160A-274.

Comments: PWC has determined that the sale of the right of way to DOT will not adversely affect PWC's utility operations, the amount offered by DOT is reasonable under the circumstances, and this resolution will eliminate a potential legal dispute between PWC and DOT.

- F. Approve Additional Changes to Service Regulations the Commission Approved on April 11, 2018, Regarding Rates and Fee.

Approve staff recommendation to amend the Fayetteville Public Works Commission's Service and Rate Regulations to clarify the applicability of electric meter totalization for billing purposes and electric meter coincident demand aggregation for rate schedule qualification.

In the Service and Rate Regulations, Section VI(4), page 25 of 29, the following sentence:

"Only those points of delivery located external to the Customer's plant structure may be included in a totalized metering system arrangement."

shall be deleted and replaced with:

“Both meter totalization for billing purposes and meter aggregation in order to qualify to take service on a particular rate schedule by combining the maximum 15 minute demands of multiple meters during a billing month shall be permitted only by written agreement between the Customer and PWC based upon the Customer’s electric service configuration and other relevant service arrangements.”

Comments: PWC has determined that its Service and Rate Regulations should be amended to address the manner in which customers may be charged for the delivery of electricity under various meter configurations.

END OF CONSENT

FACILITY INVESTMENT FEE (FIF) PRESENTATION BY RAFTELIS

Presented by: Melissa Levin, Raftelis Senior Manager

Ms. Rhonda Haskins, Interim Chief Financial Officer introduced Ms. Melissa Levin, Senior Manager of Raftelis.

Ms. Haskins stated Ms. Levin will present the results of the FIF calculation. In 1993 Raftelis was founded in Charlotte, NC to provide services that help clients solve their financial organizational technology challenges to achieve their objectives and ultimately make communities better places to live work and play. She went on to say Raftelis has assisted hundreds of water and waste water utilities throughout the country with financial, rate and management consulting services, including more than 50 North Carolina utilities.

Ms. Haskins stated Melissa Levin is a senior manager with Raftelis and has been with Raftelis since 1999 providing rate and financial services to many of those in North Carolina and throughout the southeast.

Ms. Levin stated she will discuss the Facility Investment Fees (FIFs), changes and the impact to PWC.

Ms. Levin began by defining a FIF. It is a one-time charge assessed against “new development” as a way to pay for “facilities” needed to support growth or to recoup costs for existing facilities.

She stated facilities are core assets. They are water treatment plants; wastewater treatment plants. They are basically all of the water transmission and distribution lines; collection systems; storage; tanks; and the land the core assets sit on.

Regarding new development, they consider the subdivision of land; construction; redevelopment; or conversion. It is basically anything that is increasing the number of your service units is considered new development according to the new House Bill. .

When are the fees assessed? For the subdivision of land, fees can be assessed during plat recordation or when the utility commits to providing new service. For any other new development the fee must be paid at the time of application.

Ms. Levin gave a background on the change to the way the FIFs are calculated. She stated the Town of Carthage was inappropriately assessing system development fees, and collecting fees based on calculations that were not correct. They were also assessing these fees inappropriately as well. This started a lawsuit that the town ultimately lost. As a result of the lawsuit we have a new bill. House Bill 436 amends Chapter 162A, Article 8 of the General Statutes. It provides a uniform authority for all water/sewer utilities to assess these facility investment fees in NC. It was signed into law on July 20, 2017.

The House Bill 436 states if you will have fees in place on July 1, 2018, those fees must adhere to the guidelines and process set forth in the House Bill 436. It also requires preparation by a financial professional or licensed professional engineer.

The first step to adopting the fees is preparation of a written analysis and written report. The preparer is required to consider written comments. The utility is to conduct a public hearing to adopt Facility Investment Fees. It must be noticed in the newspaper for 45 days. The FIFs must be published in the annual budget, rate plan or ordinance. An analysis must be conducted every five years at a minimum.

The new bill allows several ways to calculate the fees. They are:

1. Buy-In Approach. This approach focuses on existing facilities with available capacity to serve new customers. The analysis is based on fixed asset records.
2. Incremental/Marginal Cost Approach. This approach focuses on additional facilities required to meet anticipated growth. Analysis is based on capital improvement plan.
3. Combined approach is a combination of the two approaches above.

Once the approach has been determined the utility identifies cost of facilities; consider/make adjustments as necessary; determine the FIF for the basic family service unit; and establish equivalency or conversion table for various categories of demand.

PWC has chosen to use the Buy-In Approach. Raftelis looked at our existing facilities. We have capacity in our existing facilities to service new customers in the near term. There may be expansion projects but they are not in the near term and since we have to redo the fees in the next five years, anything that would be done would be captured in the next fee analysis.

Mr. Trego asked if we need to make an investment (because we have used up our system capacity) can we change the methodology if necessary. Ms. Levin stated, yes we can do it. Discussion ensued.

Ms. Levin explained in detail the method used to determine the FIFs per ERU (Equivalent Residential Unit). PWC has elected to use our average day demand. Ms. Levin stated we are unique in the industry. By using our average day demand we result in a fee that is a little less than other utilities. She went on to state that other utilities use planning numbers /State guidelines for various reasons and do not consider the average day demand for their customers.

Mr. Trego stated he wanted this information discussed because this is one of the areas that is in the discretion of the Commission for which numbers we use. He stated PWC directed Raftelis to use our actual numbers because it is consistent with other decisions the Commission has made. He went on to state while our total usage is increasing our usage per

customer is decreasing because we have high efficiency toilets and other things that are taking the average daily use per residential customer down. We thought if we are taking the capacity of our system and reserving it (in a sense) for new developments, we should use our actual numbers and not some empirical number that was an average. It would be more accurate, based on experience. It would also provide for costs, as far as economic development is concerned, that are accurate, as low as possible and not inflated. Additional discussion ensued on PWC's usage of average day demand versus using planning numbers, which are higher.

The resulting suggested FIF for water (3/4" meter) is \$634.00 and \$1,107.00 for wastewater.

Ms. Levin stated as part of House Bill 436, they are required to provide a conversion/equivalency table. They take the fee that is provided for the 3/4" meter and escalate it for the larger meter sizes.

	Cost-Justified			
Meter Size	Meter Ratio	Water	Wastewater	Combined
3/4"	1.00	\$634	\$1,107	\$1,741
1"	1.57	\$995	\$1,738	\$2,733
1.5"	4.29	\$2,720	\$4,749	\$7,469
2"	5.71	\$3,620	\$6,321	\$9,941
2.5"	10.00	\$6,340	\$11,070	\$17,410
3"	14.29	\$9,060	\$15,819	\$24,879
4"	28.57	\$18,113	\$31,627	\$49,740
6"	57.14	\$36,227	\$63,254	\$99,481
8"	100.00	\$63,400	\$110,700	\$174,100
10"	157.14	\$99,627	\$173,954	\$273,581
12"	198.30	\$125,722	\$219,518	\$345,240

Ms. Levin stated the above meter ratios are based on PWC meters. Most utilities are using meter ratios from the AWWA M1 Manual, which have the gallons per minute that the typical meters flow. It looks at the flow differential between the meters. PWC actually looked at the meters we use and the flow differential between the specific meters to determine what the meter ratios are and they are estimated based on our meter ratios.

Commissioner Rogers asked how these calculations compare with what we currently charge. They are a little higher. Discussion ensued on how the scale has changed with the new legislation.

Ms. Levin noted that there is a separate fee for the multi-family units which is 70% of the ¾" meter (single-family residential). She stated the 70% was determined based on PWC billing information that examined flow for multi-family units versus single-family.

Ms. Levin responded to questions from Council Liaison Dawkins and discussion ensued on residential and non-residential rates for water, sewer and electric. It was noted that FIF fees are the same regardless if the plat is residential or non-residential.

Commissioner Rogers asked about the advantages in keeping the system healthy and refurbished, and charging a higher rate for FIFs. Mr. Trego responded he believes keeping the FIFs at this level gives us a competitive advantage. If some is looking to locate here and looks at the cost to develop a site, if they see our FIF fees and compare them to another county that may have higher fees, that is a competitive advantage. Discussion ensued.

Mr. Trego asked Ms. Haskins the average amount of FIFs we have collected. Ms. Haskins responded over the last five years we have collected an average of \$1.3 million per year.

Commissioner Huff stated the problem with the growth in the city is the storm water and the UDO, and doubling or tripling FIFs will not fix it. He stated he builds in about 40 municipalities and PWC's FIFs are the lowest among the lowest he knows of.

Chairman Fowler thanked Ms. Levin for the presentation and explanation of the report.

COMMISSION ACTION – SET PUBLIC HEARING FOR FIF FEES

Commissioner Huff motioned to set the public hearing for FIF Fees for June 13, 2018. Motion was seconded by Commissioner Shaw and unanimously approved.

GENERAL MANAGER REPORT

Duke – Challenge at FERC

Mr. Trego stated PWC initiated a formal challenge at FERC against Duke because they did an accounting change on how they accounted for some of their material and supplies. They used to have a line item in their FERC Form 1 for inventory they would buy but it wasn't used and useful and we would not be charged for the inventory that was just sitting. They decided to change their methodology. They would no longer have unassigned inventory and they would assign it to a project or area even if the project was in the future. PWC's

perspective was they used an accounting change to increase their revenue. He stated we have protocols in our contract which we negotiated that if they are to make this type of substantive change they have to go through a formal process at FERC. We went through our normal true-up procedure and we did an informal challenge but they basically stated it is standard industry practice and they were allowed to do it. PWC filed a formal challenge at FERC a while ago.

Mr. Trego stated FERC's decision not only impacts PWC but it also impacts all municipals in NC and co-ops. He stated we received an order from the FERC that they accepted our challenge and Duke has to restate three years of their FERC Form 1 books within 60 days. They have the right to appeal it within 30 days. Mr. Trego stated in a sense, not only did they grant our challenge, but this is a precedent setting order basically saying all utilities need to adhere to the previous methodology. You can't zero out the materials and supplies account and then charge customers for it. Mr. Trego stated not only may Duke challenge it but other utilities who use this methodology may challenge it.

He stated this order will impact our true-ups for 2015, 2016, 2017 and possibly years going forward. He stated for the 2015 true-up it will be \$1.5M. We do not know what the subsequent years will be yet. More discussion ensued.

He stated although we do not know if they will appeal they still must go through the process and begin preparing their books. Once we receive all the needed information and because it will also impact 2018, his recommendation to the Commission is that we take a look at it as a whole. We have the ability to go through the Wholesale Power Cost Adjustment to refund money to the customers if/when appropriate.

Outage on Friday, April 20, 2018

Mr. Trego stated the outage on last Friday was on the Duke side. They had a piece of equipment to fail and had the ability to reset itself and turn the power back on. But it did not. Duke needed to physically send a crew here and clear it. It took roughly two hours to get here. Mr. Trego stated for two of the three hours the power was off there was nothing we could do (as far as restoring all the power). We were able to switch some of the services to POD3 and were able to get the hospitals back on and downtown on ahead of the other areas. Once we received the go ahead from Duke we were able to switch back to POD1 and able to get the power back on methodically. Commissioners commented about their feedback from the public. Discussion ensued.

Building Business Rally (BBR)

Mr. Trego stated we are in the process of preparing for our BBR. Commissioner Rogers stated 'we are systems-go'. We have proclamations related to the event being prepared by Mayor Colvin, Mayor Warner, Chairman Lancaster and we will also ask the mayor of Spring Lake to prepare one. Commissioner Rogers stated 11 procurement and 13 resources will be attendance at FTCC (Horace Sisk Gym). He thanked the team for having done a tremendous job in pulling everything together. Mr. Trego stated we have a number of classes scheduled to assist vendors; to teach new and existing vendors how to do business better. There will be resources present to assist existing and new entrepreneurs. Commissioner Rogers stated the dollars that can be secured and there is potential. He went on to state the dollars are leaving the community and they don't have to.

Parks and Recs

Mr. Brown stated Council Member Jensen in her position as chairwoman of the Parks and Recs Committee asked PWC how we can be of assistance to the City Parks and Recs Committee. He stated he is working with Jay Reinstein to develop a list of sites and to see what we can do within the confines of the charter. Council Member Dawkins thanked PWC for considering assisting the Committee.

Commissioner Comments:

Commissioner Rogers asked staff to bring to the Commission as a discussion staff's analysis of Predictive Maintenance. Mr. Trego stated the electric side is somewhat different than the water side. Mr. Rynne stated the Electric Division uses Cascade that catalogs and tracts our substations. It tells you when the next maintenance action will be needed on all the equipment. Mr. Trego stated he will have a presentation at a future Commission meeting. Discussion ensued.

Commissioner Shaw stated as challenging as the outage was we must count our blessings. She stated in the scheme of things, although two hours may feel like a lot, she received queries and not complaints. She stated residents were understanding and were even more so when they read it was on the Duke side and not the PWC side.

Commissioner Shaw thanked Mr. Russell, Mr. Copeland and all those involved in the basketball tournament. She stated she appreciates, as a Commissioner, the fact they go the extra mile in bringing the employees together.

She also requested to receive a brief update on where we are in securing customer data. She stated in the recent weeks and months we have seen so many national breaches and she would like to know if any of our processes have changed because of this threat. Discussion ensued.

Commissioner Huff inquired about the closing of Yadkin Road. Council Member Dawkins stated it will be closed for approximately a mile for seven days to repair a culvert.

He also inquired about water at Grays Creek. He asked how we will get the water to the Grays Creek area. Mr. Trego stated we have always taken the approach when we look at our system of not just considering the load we supply today but looking into the future. He stated extending to Grays Creek, because of the density and the rural nature between here and there the county has the access to grants and funding. He stated we are coordinating with the county to facilitate the best way to meet the needs down there. We are participating in updating the study to determine what it will take to get water down there. PWC Staff and County Staff are talking. He stated the study did not just take a look at the contaminated wells, it took a look at basically the whole 87 corridor. He stated we need to take a look at what it does to our capacity and put it into our plan. We are engaged and want to be part of the solution and in a way that is prudent to our operations. He stated since you do not have customer density in the area you do not have revenue to come in to cover depreciation. He stated that is where the federal grants and funding assist when it comes to rural development. Additional discussion ensued.

Council Liaison Comments:

Council Member Dawkins stated he received a lot of comments regarding the outage from a number of businesses on Raeford Road. He stated he spoke to Mr. Rynne and was informed we are in the process of developing a fourth POD. He stated he is very proud of PWC and he wants to remain so. He is very happy to see that PWC is looking at a fourth POD so if we have this problem again it can be mitigated somewhat.

Council Liaison Dawkins went on to state that the City is building a smart stadium. He stated they will need 10-12 routers; a lot of power going into it. Mr. Brown, Customer Programs Senior Officer stated PWC has spoken to Kristoff Bauer and has been informed the Astros are responsible for the request. We are waiting for a formal request from them. He stated we can give dark fiber but we are waiting to find out where they want it and what they want. *(Commissioner Shaw later asked Mr. Brown to clarify that PWC can provide and not give the dark fiber to the Astros. Mr. Brown stated it can be provided for a fee.)*

Council Member Dawkins stated this is the biggest economic development project since 1917. He stated he is working with their lawyers and will come to our lawyer to find out ways in which PWC can be active and participate in the economic development project. He stated they have some found trivial defects in the charter which will allow PWC to participate. Council Member Dawkins went on to state they want PWC to be on the stadium if at all possible. It will be huge and it will take a lot of power.

Mr. Reinstein stated Council Member Dawkins sent a letter to Mr. Trego regarding tapping into PWC's relationship with ElectriCities regarding CAT Site 1. He stated there is a cost to do a study of \$24,000. He stated the hope they could work through PWC to get a discounted rate or for PWC to help them fund it. Mr. Trego stated typically the economic-development work they do is for municipal utilities which are integrated more directly with the city than the way PWC is integrated. He stated we have a charter which guides how we do business. There is a significant difference in how most other municipalities in North Carolina can utilize the services of ElectriCities economic development than we can. He stated we also have the EDC services right here. Mr. Trego stated he will discuss it with Jon Rynne and Mark Brown. Commissioner Shaw asked that Mr. West, PWC General Counsel also be consulted as she is very concerned that we stay within the confines of our legal responsibilities and obligations. Mr. Trego stated there is a specific section of the charter dealing with the Commission's ability to be involved with economic development. It is a two-step process; the Commission must approve it and then the Council must approve it.

Commissioner Dawkins also inquired of the value of the equipment going to FTCC. Mr. West stated it is less than \$10,000. Mr. Trego stated a lot of it is surplus that can be used. PWC will be the prime partner in this project.

Jay Reinstein announced the Fleet Maintenance Committee meeting will be on Monday, April 30th at 5pm. Mr. Reinstein stated the City is working on a letter in request for an extension now.

REPORTS AND INFORMATION

A. Monthly Incident Summary – March 2018

B. Position Vacancies

C. Actions by City Council during meeting of April 9, 2018, related to PWC:

- Approved Bid Recommendation – Filter Equipment and Components for Rockfish Creek WRF
- Approved Bid Recommendation – In-Line Process Pumps

ADJOURNMENT

Upon motion by Commissioner Rogers, seconded by Commissioner Shaw and unanimously approved, the meeting was adjourned at 10:16 a.m.