

PUBLIC WORKS COMMISSION  
MEETING OF WEDNESDAY OCTOBER 27, 2021  
8:30 AM

Present: Evelyn O. Shaw, Chairwoman  
Ronna Rowe Garrett, Vice Chairwoman  
Wade R. Fowler, Jr., Treasurer

Others Present: Elaina L. Ball, CEO/General Manager  
Michael Boose, Cumberland County Commissioner, Liaison

Absent: Darsweil L. Rogers, Secretary  
Chris Davis, City Council Liaison  
Telly Whitfield, Assistant City Manager  
Scott Meszaros, Hope Mills Town Manager  
Media

REGULAR BUSINESS

Chairwoman Evelyn Shaw called the meeting of Wednesday, October 27, 2021, to order.

APPROVAL OF AGENDA

Prior to the approval of the agenda, Commissioner Garrett motioned to amend the agenda by adding a closed session to discuss legal matters as Item VII, and move ‘Adjourn’ to Item VIII. Motion was seconded by Commissioner Fowler and the amended agenda was unanimously approved.

CONSENT ITEMS

Commissioner Fowler moved to approve Consent. Motion was seconded by Commissioner Garrett, and unanimously approved.

- A. Approve Minutes of meeting of October 13, 2021
- B. Approve cancellation of November 24<sup>th</sup> and December 22<sup>nd</sup> Commission Meetings
- C. Adopt PWC Resolution PWC2021.35 – Resolution Adopting Sick Leave Policy
- D. Approve the Eleventh Amended and Restated Power Supply and Coordination Agreement Between the Fayetteville Public Works Commission and Duke Energy Progress, LLC

Duke Energy Progress, DEP, and PWC agreed to a “favored nations clause” for the Return on Equity (ROE), when the Power Supply and Coordination agreement was amended in the 9th Amended PSCA in November of 2019. Subsequently in 2021, FERC approved a North Carolina Eastern Municipal Power Agency filing to address lowering the ROE. PWC’s favored nations clause requires that DEP reduce the ROE based upon the FERC ruling. The 11th Amended PSCA addresses the reduction of the ROE for PWC retroactive to January 1, 2021, and going forward.

END OF CONSENT

PRESENTATION OF FINANCIAL HIGHLIGHTS AND ANNUAL AUDIT REPORT FOR FISCAL YEAR 2021 PREPARED BY PBMARES, LLC

Presented by: Rhonda Haskins, Chief Financial Officer  
Robert Bittner, III, CPA, MBA – PBMares, LLC

Rhonda Haskins, Chief Financial Officer, presented Robert Bittner, Audit Partner for PBMares, LLC. Mr. Bittner stated he thanks PWC for the opportunity to serve the Commission again this year. Mr. Bittner stated the team is great to work with and the audit was very smooth.

Mr. Bittner went on to describe the differing sections of the Annual Comprehensive Financial Report (ACFR).

Mr. Bittner stated regarding the audit, PWC received a Clean Opinion or Unmodified Opinion. This is the highest level of assurance they can provide. This means on a reasonable basis they believe everything is stated appropriately as required in GAAP. Mr. Bittner responded to questions from Commissioners.

Commissioner Shaw stated in accordance with the PWC policy you received local support. She requested for Mr. Bittner to name the local support. He stated during the course of their proposal process this past year, they contracted with Mr. Willie Cooper to perform up to 40% of the audit for PWC and the City of Fayetteville. As of now they have not hammered exactly how much work Mr. Cooper has performed. There is still work being performed for the City.

He went on to continue to describe the sections of the ACFR.

Mr. Bittner stated in accordance with government auditing standings, they are required to audit and report the Commission's compliance with laws, regulations, grants, and contracts, as well as they are required to disclose any significant deficiencies or material weaknesses in internal control they note during the audit, as well as any fraud, waste or abuse they note in the course of the audit. He stated they did not identify any significant deficiencies or material weakness in internal controls this year during of the audit this year.

Mr. Bittner stated the auditors are also required to issue the AUC260 Letter. This is a required communication for auditors to those charged with governance. He explained the purpose and the contents of this document. He stated there were no control deficiencies related to the financial statements.

While uploading the financial statements to the LGC, they complete a Data Input Form. Now there is a Performance Indicators Report they are required to present to the Commission in open session. He stated there are no Performance Indicators in the document that would require a response to the LGC. There are four pages of indicators and there are no items of concern.

The Commission thanked Mr. Bittner for the Annual Audit Report.

Ms. Haskins stated the following events have shaped our year.

New Rate

Water and Sewer Rates postponed until July 2020

New Cost of Service Water and Sewer Rates will be effective August 2021

COVID-19

\$3 million Emergency Fund Transfer to the City (\$1m in prior year)

Business Closures Impacted Sales in All 3 Utilities  
 COVID Assistance to Customers \$4.4m through October 2021

Weather Impacts

Average rainfall down from prior year

Milder temperatures with heating degree days were up and cooling degree days were down from prior year

DEP

\$22.2 million Coal Ash settlement receivable

COVID assistance Department of Social Services - \$2.6m

- HOPE - \$1.3m
- Connections of Cumberland - \$148k
- Action Pathway – \$116k
- Cumberland Rental & Utility Assistance (IEM) - \$222k
- Operation Blessing - \$5k

Key Financial Ratios - The Current Ratio is 4.3:1; Quick Ratio is 4.0:1

Highlights

	2021
Operating Revenues	<b>\$ 337.1</b>
Power Supply and Generation	<b>148.3</b>
Other Expenses	<b>154.1</b>
Payment in Lieu of Taxes	<b>11.5</b>
Change in Net Position	<b>55.0</b>
Unrestricted Cash and Investments	<b>127.9</b>
Total Assets	<b>1,489.4</b>
Total Net Position	<b>\$ 1,091.1</b>

Key Performance Indicators: Days Cash is 136; Debt Coverage Ratio is 2.59, including intergovernmental expenses, and 3.18 excluding inter-governmental expenses. Leverage is 31.6% (Total Debt/Net Book Value). Ms. Haskins also reviewed the Age of Systems.

Ms. Haskins noted the Net Position is growing each year. For 2021, Electric Net Position is \$506.4M; Water/Wastewater is \$584.8M

Electric Revenues were \$224.3M, a decrease from the prior year (\$229.1M) and below budget @ \$227.5M. Water/Wastewater Revenues were \$112.8M, exceeding the prior year (\$110.0M), and higher than budget @ \$110.6M.

Influences on Sales:

Heating Days - Average Winter Temp 49.8° vs 52.0° PY

Cooling Days - Average Summer Temp 73.2° vs 75.2° PY

Rainfall - Total Rainfall for was 48.3” vs 57.3” PY

Electric - Average kWh per Month

- Residential – Up 3.4%
- Non-Residential – Down 5.6%

- Large Users – Up 14.8%
- Water - Average Gallons per Month
- Residential – Up 1.0%
  - Non-Residential – Down 2.4%
  - Large Users – Down 8.2%

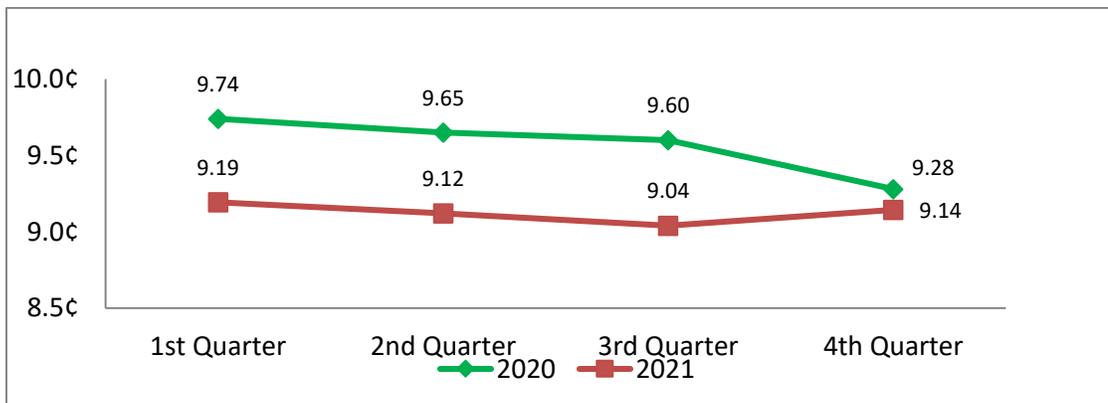
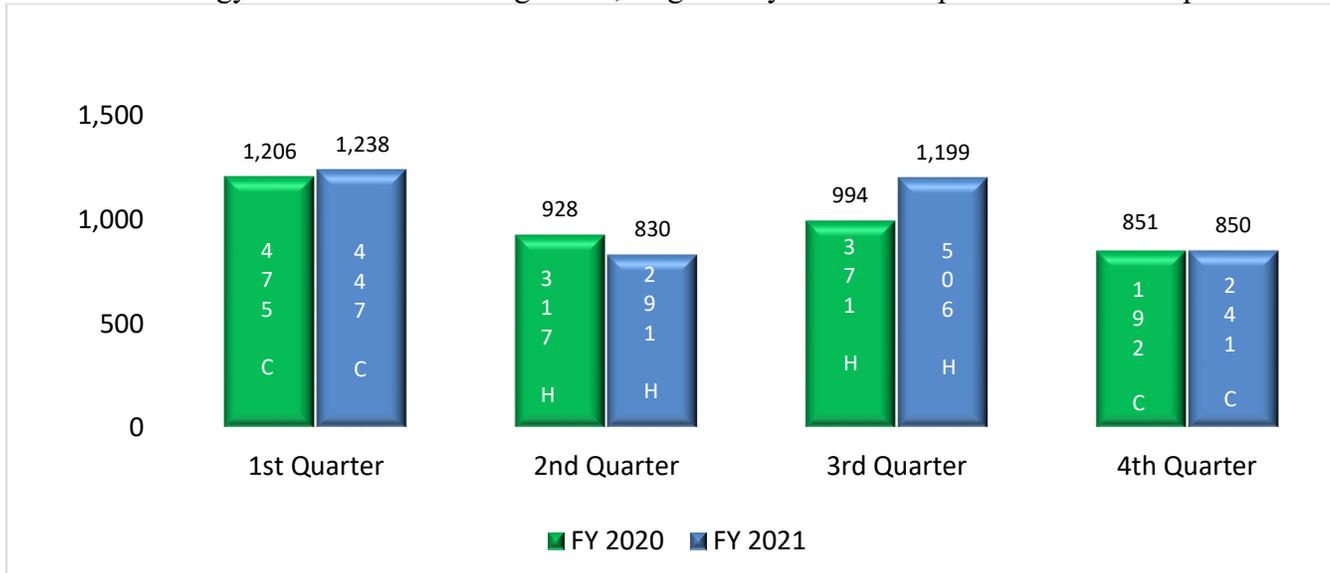
Wastewater - Average Gallons per Month

- Residential – Up 2.7%
- Non-Residential – Down 7.9%
- Large Users – Down 2.1%

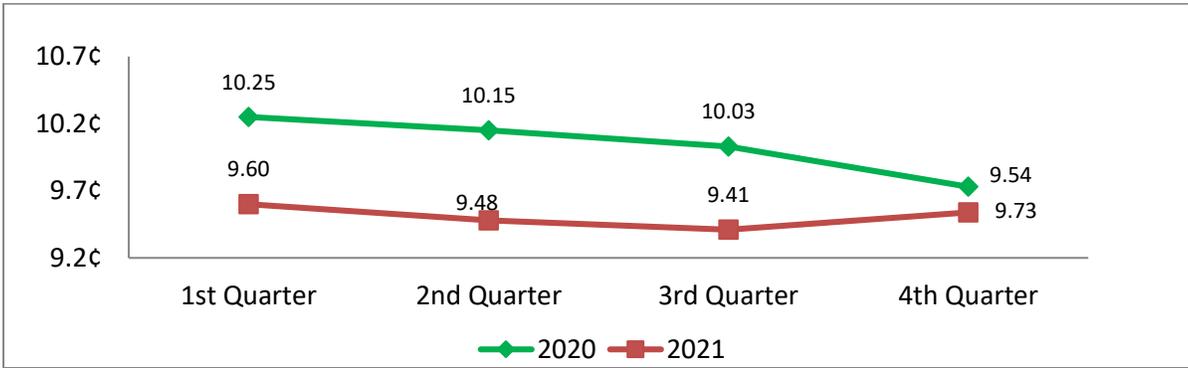
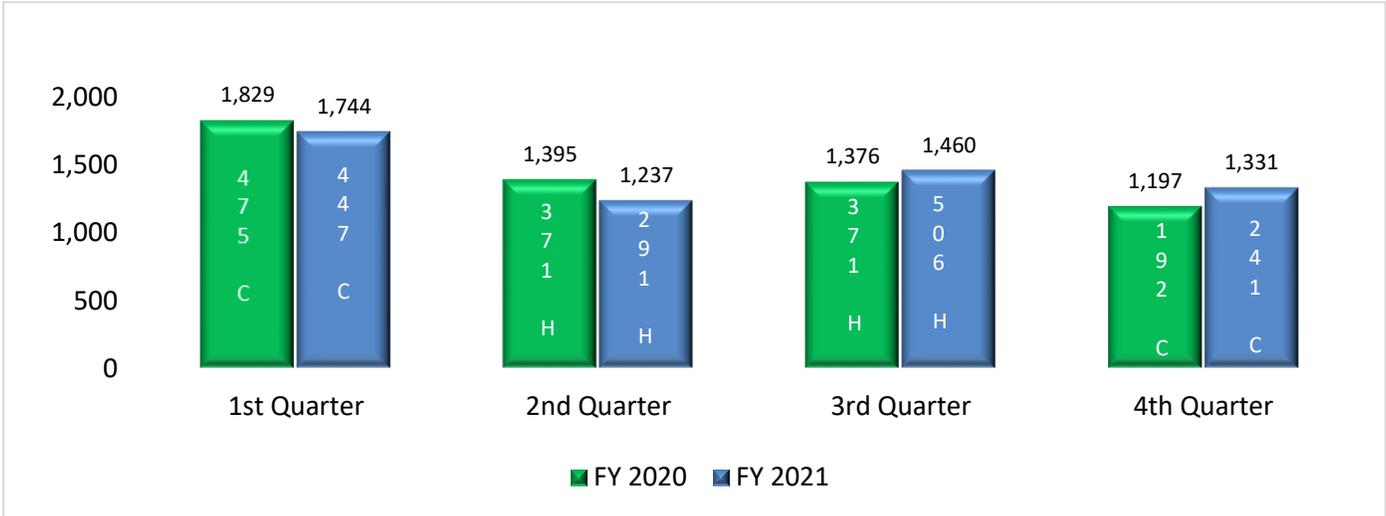
Electric Sales Revenues are down 2.3% from the prior year; \$199M, compared to \$204M in FY2020. Electric Volume Sales are up 1.6% from the prior year.

Water/Wastewater Sales Revenue: Water Up 7.7% from the prior year (\$52M, compared to \$48M in FY20). WW is up 5.1% over the prior year (\$54M, compared to \$51M in FY20). Volumes sales for Water are up .8% from the prior year; WW volumes sales are up 1.4% from the prior year.

Residential Energy Time of Use - Average kWh, Degree Days and Cents per kWh YoY Comparisons

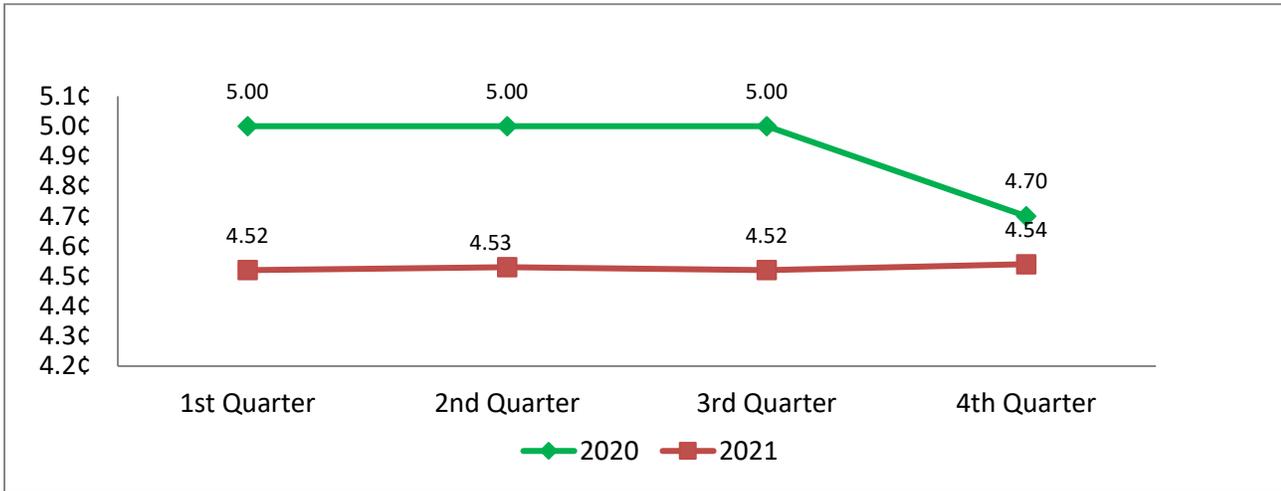


Non-Residential Energy (Small Power Service) Time of Use - Average kWh, Cents per kWh and Degree Days YoY Comparisons



Non-Residential Energy (Medium Power Service) Time of Use - Average kWh, Cents per kWh and Degree Days YoY Comparisons





Ms. Haskins noted the following are our largest Electric customers: Walmart, Food Lion, Fayetteville Technical Community College, Momentive Spec. Chemical; Fayetteville State University, Mann+Hummel, Nitta Gelatin, Goodyear, Cargill, Cape Fear Valley Medical Center.

The top ten water users were: Aqua Water, Dak America, Town of Spring Lake, Ft Bragg Military Base. Hoke County, Goodyear, Cargill, Cape Fear Valley Medical Center, Momentive Specialty Chemicals, and Carolina By Products.

The top ten wastewater users were: Fayetteville State University, Nitta Gelatin, Cape Fear Valley Medical Center, Cargill, Carolina By Products, Goodyear, Eastover Sanitary District, Mann+Hummel, Norcross District, and Town of Stedman.

Ms. Haskins discussed the Other Operating Revenue in Electric, Water and Wastewater. She noted the Butler Warner Lease Payment is the largest of the revenue we have. She noted in Water/Wastewater our Investment Income decreased significantly. She also noted a significant decrease in our interest rates.

**Electric System Requirements**

- Purchased MWh 2,082,412
- System Demand 427MW
- Coincident Peak Demand 419MW

**Water System Usage**

- Total Volume 8,285 Mg, down .56%
- Highest Monthly Peak Flow 38.0 Mg
- Average Monthly Flow 25.0 Mg

**Wastewater System Usage**

- Total Volume 6,139 Mg, up .57%
- Highest Daily Peak Flow 29.6 MGD (RF); 26.7 MGD (CC)
- Average Monthly Flow 17.0 Mg (RF); 14.7 Mg (CC)

Ms. Haskins stated the largest expenditures in the Electric Fund, excluding Power Supply, were Personnel Services at \$35.3M; Capital Outlay was \$20.2M; Appropriations were \$19.4M; Transfer to the City was \$15.7M; Other Operating Expenses were \$9.5M; and Debt Related Payments were \$2.0M.

The largest expenditure in the Water Fund were Personnel Services at \$37.6M; Debt Related Payments were \$23.8M; Capital Outlay was \$22.7M; Other Operating Expenses were \$16.3M; Appropriations were \$.3M; and Contractual Services were \$.2M.

#### Power Supply Costs

- Slightly Lower Average Coincident Peak Demand (\$0.8m)
- Higher kWh Sales - \$1.2M without price adjustments from DEP
- DEP Pricing (\$3.5M), excluding true-ups
- COVID-19 Impacts
- Lower Coal Ash Expenses and Settlement (\$22.0M). Ms. Haskins discussed previous Coal Ash expenses.

Electric power cost excluding Coal Ash decreased 2.8% from 2020 to 2021 due to decreased DEP prices, lower average CP demand and lower kWh purchases. Ms. Haskins discussed Duke Energy costs over the past several months. Ms. Haskins stated we are expecting to receive our price for calendar year 2022 in December as well as estimates for forecasting and look forward. Additional discussion ensued.

PWC's PILOT (Payment In-Lieu of Taxes) & Services to the City of Fayetteville, including Economic Development totaled \$19.6M. Ms. Brown noted over the last 5 years, PWC's total impact to the City's General Fund was \$83.2 Million. We have agreed to contribute \$1.2M each year for five years for Economic Development. Additional discussion ensued.

Electric & Water Bad Debt as a Percent of Sales remains under 1% at .29%, compared to .40% in FY20. Discussion ensued.

Ms. Haskins stated the Water/Wastewater Fund has 70.3% of PWC's Capital Assets; Electric has 29.7%. She reviewed PWC's Capital Improvement activities and Sources of Funding; PWC's Debt Service and Coverage; and Third Party Capital Contributions for Electric, Water and Wastewater.

The Electric Rate Stabilization Fund has a balance of \$40.6M. The Water Wastewater Rate Stabilization Fund has a balance of \$1.35M; The Coal Ash Reserve has a balance of \$229,634. Ms. Ball discussed PWC's rate stabilization funds.

Commissioner Shaw thanked the staff for the financial report.

#### GENERAL MANAGER REPORT

##### **Bond Issuance Process**

Ms. Ball stated we are continuing our bond issuance process. The LGC approved our application on October 5<sup>th</sup>. We met with all three ratings agencies and the entire team fielded a number of questions and we completed pricing on October 19<sup>th</sup>. The resulting bid process yielded the lowest interest rates we have experienced as a commission outside of state loans. We expect to close on November 4<sup>th</sup>. Ms. Ball thanked the Finance Team, Water Resources, our Financial Advisor, and our Bond Counsel.

## **COVID**

We have no positive cases. We are preparing for potential implementation of the federal mandate for testing and vaccination. OSHA passed the ETS over to the OMB on October 12<sup>th</sup>. Ms. Ball stated we are just waiting for the published rules.

## **Customer Service Survey by Escalante**

We received the results from our first CS Survey by Escalante. The team is reviewing, and Mr. Grice is preparing an action plan. We will brief the Commission and CAG by the next two meetings.

## **Wholesale Water Agreement**

The Commission continues to work on the wholesale water agreement for Grays Creek. The County may be able to access ARPA funds to support water in that area.

The EPA Published a New Strategic Plan for Addressing PFAS.

The new EPA Administrator held a press conference. EPA has an integrated approach to address PFAS as a nation. It is focused on three areas: a research science approach to understanding exposures and toxicities to human health; pursuing an analytical approach to restricting and setting limits around PFAS; and remediation.

## **House Bill 951**

Bill 951 passed the general assembly and was signed by Governor Roy Cooper. Under this bill it mandates that the DEP and DEC reduce their CO2 emissions in the state to the 2005 levels by 2030 and be carbon neutral by 2050. It keeps NCUC as the regulatory body. And it requires the commission to protect system reliability in the state of North Carolina. It also requires the commission to use least cost planning to achieve the goals. We have been asked, and we are curious what these changes will mean long term for our wholesale cost. We have made that request to DEP and they are working on their cost estimates as to what this energy transition will result from a cost perspective.

## **Water and Sewer Options for Airport Corridor**

We are continuing to draft options for support of additional water and sewer capacity in the airport corridor. This is potentially another ARPA Fund project for the City.

## **APPA Award**

We've been awarded the Smart Energy Provider Award by APPA. We will have more information on this award soon. Ms. Ball thanked everyone who works on customer programs, system projects. We have a lot of terrific teams and projects that have contributed to PWC being recognized by APPA

## **Events**

- We are planning our UW Campaign for next month. We are excited to kick it off.
- This weekend will be our walk to support Alzheimer's (the Jay Walkers). It is scheduled for Saturday morning at Segra @ 10am.

- First Veterans Breakfast to support our veterans. We have about 50 employees who are veterans, and we want to recognize and thank them for their service to our country. Ms. Ball thanked Mr. Russell and Ms. Fritzen for organizing this event.
- Community Impact Awards will be at Segra Stadium on November 16<sup>th</sup>. All Commissioners are welcomed.
- During the next two Commission meetings we will share the results of our Employee Survey, our Customer Survey, and our plans to advance both of those measures. We will continue to brief the commission on our strategic priorities and projects.

Commissioner Shaw stated she recently read the Cumberland County Board of Education approved a land purchase for a new school. She asked if there is infrastructure in the area already. Mr. Noland responded he did not have information on it. County Commissioner Boose stated the Board of Education began the purchase years ago. He stated it is his understanding the developer has already completed the infrastructure. He has plans in conjunction with the school system for a planned community. Mr. Noland stated they have had discussions with Don Broadwell on Elliott Bridge Road. Commissioner Boose stated it is the same developer.

## COMMISSIONER/LIAISON COMMENTS

Commissioner Shaw

Thanked Ms. Haskins, finance team, Mr. Noland, and his team. She stated the Commissioners recognize the hard work that goes into the audit and the presentation. She stated staff gave them thorough information and they made it user friendly.

County Commissioner Boose

County Commissioner Boose stated regarding PFAS, they are trying to convince Representative Hudson's office this area will be perfect. Since it will be federal, we have already had the problem for some time. We are asking for them to focus effort here in Cumberland County.

He also commended staff on the year-end presentation. He thanked PWC for providing the city lights. He had not previously known PWC was responsible for providing them.

## REPORTS AND INFORMATION

The Commission acknowledges receipt of the following reports and information.

- A. Cash Flow Report – September 2021
- B. Recap of Uncollectible Accounts – September 2021
- C. Investment Report – September 2021
- D. Purchase Orders – September 2021
- E. Position Vacancies
- F. Actions by City Council during the meeting of October 11, 2021 related to PWC:
  - Approved Resolution Regarding Cape Fear Regional Theatre Sponsorship
  - Approved Phase 5 Annexation Area 23 Section 1 Resolution Declaring Costs, Ordering Preparation of Preliminary Assessment Roll, and Setting Time and Place for Public Hearing on Preliminary Assessment Roll

## CLOSED SESSION TO DISCUSS LEGAL MATTERS

Commission Garrett motioned to enter closed session pursuant to North Carolina General Statutes Section 143-318.11(a)(3) to consult with legal counsel regarding the following pending consolidated lawsuits: Fayetteville Public Works Commission versus North Carolina Environmental Management Commission and City of Greensboro, Docket No. 21 EHR 01771, and Haw River Assembly versus North Carolina Environmental Management Commission and City of Greensboro, Docket No. 21 EHR 01770. Motion was seconded by Commissioner Fowler, and unanimously approved. The Commission entered closed session at 10:20 a.m.

Upon motion by Commission Rogers, seconded by Commission Garrett, the Commission returned to open session at 10:47 a.m.

## ADJOURNMENT

There being no further business, upon motion by Commissioner Fowler, seconded by Commissioner Garrett, and unanimously approved, the meeting adjourned at 10:48 am.