

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, DECEMBER 12, 2018
8:30 A.M.

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

Others Present: David W. Trego, CEO/General Manager
Kathy Jensen, City Council Liaison
Michael Boose, Cumberland County Liaison
PWC Staff
Media

Absent: Dr. Telly Whitfield, Assistant City Manager
Johnny Dawkins, City Council Liaison
Melissa Adams, Hope Mills Town Manager/Liaison

REGULAR BUSINESS

Chairman Rogers called the meeting of Wednesday, December 12, 2018, to order.

APPROVAL OF AGENDA

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

AWARD PRESENTATIONS

WATER RESOURCES DIVISION

Presented by: Mick Noland, Water Resources Chief Operations Officer

NC Waterworks Operators Association (NCWOA) A-Surface Operator of the Year Award
Presented to David Robinson, Glenville Lake Water Treatment Operator

Mr. Noland stated this award is given each year to recognize the WTF Operator who holds the state's highest certification and has demonstrated outstanding ability, devotion and technical expertise in the operation of water treatment facilities. Mr. Noland stated David Robinson has been with PWC since 1995. He congratulated Mr. Robinson on this award.

NCWOA – Outstanding Operator of the Year Award
Presented to Chris Smith, Water Treatment Plant Manager

Mr. Noland stated this award is an overall award. This award is given each year to an individual who has demonstrated outstanding proficiency in plant operations, records and reports; exceptional organizational activities in the award winner's facility; demonstrated educational practices or investigations leading to the improvement of the profession; exceptional devotion to duties and outstanding service to the association. Chris Smith has been with PWC since 1990. Mr. Noland congratulated Mr. Smith on the award

NCAWWA Special Recognition

Presented to John Allen, Water Resource Engineering - Engineer 3

Mr. Allen received this award as a significant contributor to the advancement of the system's design, education, training, certification, construction, operation, maintenance management, water distribution and wastewater collection systems. Mr. Noland stated John Allen is the lead person on what he considers one of the most important programs we are working on. He makes sure we are one of the leaders in the State of North Carolina for asset management. He stated this has been a multi-year project and John Allen has been the lead person to ensure we have reached this level.

Mr. Noland stated the awards below were also received by PWC.

*NC American Water Works Association (NCAWWA) Best Tasting Water Award
NC Department of Environmental Quality Area Wide Optimization Program (AWOP)
– P.O. Hoffer Water Treatment Facility*

APPA EXCELLENCE IN PUBLIC POWER COMMUNICATIONS AWARDS

Presented by: Carolyn Justice-Hinson, Communications/Community Relations Officer

Ms. Hinson stated at the American Public Power Association (APPA) Customer Connections Conference which was held in November, PWC received two Excellence in Public Power Communications Awards. She stated there were 56 awards given to 43 different Public Power Utilities across the country. There were three categories (Print & Digital, Web and Social Media, and Video). Ms. Hinson went on to state PWC received an **Award of Excellence for Print & Digital** for our Storm Preparation Guide. We also received an **Award of Merit for Videos** for our series of ads 'People Make a Difference' which features PWC employees. It promotes the benefits of public power, PWC services and programs. Ms. Hinson thanked the Commission for allowing staff to do what they do.

Commissioner Fowler stated he has noticed a number of videos that have come out on Facebook and they are very good. Mr. Trego stated some of our videos have also been featured on the Weather Channel (regionally).

CONSENT ITEMS

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

Approve Minutes of meeting of November 14, 2018

Approve bid recommendation to award contract for the Rockfish Creek Water Reclamation Facility (WRF) Filter Rehabilitation to T.A. Loving Company, (subject to an approved budget amendment) the lowest responsive, responsible bidder, in the total amount of \$2,378,114.00 and forward to City Council for approval.

Funding will be subject to an insurance review and determination of reimbursement amounts from insurance. Funding for this project is subject to approval of a budget amendment which will designate the amount and type of funds for this contract, including amounts for other associated project costs such as construction management/observation. As such, contract award will not be made until an appropriate budget amendment is approved.

This project is identified in the Capital Improvement Program under WS44 and the budget code is CPR1000333. As stated above, the contract award will not be made until a budget amendment is approved that identifies source(s) and amount of funding necessary for the contract and associated project costs. A budget amendment will be necessary to cover final cost estimates of the project including construction costs and construction management oversight.

Bids were received on November 29, 2018, as follows:

<u>Bidders</u>	<u>Total Cost</u>
T.A. Loving Co. Construction Services, Goldsboro, NC	\$2,378,114.00
Haren Construction Company, Inc., Etowah, TN	\$2,692,000.00
Crowder Construction Company, Apex, NC	\$2,763,800.00
State Utility Contractors, Inc., Monroe, NC	\$4,635,000.00

Comments: This project will require the contractor to provide labor to completely install all owner supplied filter equipment (previously procured under separate contract) in compliance with installation instructions and under the direct review of the filter manufacturer. The contractor shall provide materials and labor necessary to perform crack and spall repairs. Filters 1 thru 6 at the Rockfish Creek WRF are a critical component of the treatment process and were severely damaged in Hurricane Matthew and these repairs are necessary to return the filters to their original condition and operational efficiency in the treatment process.

Additional Comments: This project was bid with a closing date of November 29, 2018 and four bids were received. Addendum #1 issued November 16 provided updates to contract documents and bid form for pricing and provided questions and answers and meeting minutes from the November 8 pre-bid meeting. Addendum #2, issued November 26 provided additional questions and answers and instructed potential bidders to replace the bid unit increase price from 25% to 20% and to correct the item numbering sequence on the bid form. When the bids were opened, examination of the bid documents revealed that the apparent low bidder, T.A. Loving Company did not acknowledge receipt of bid Addendum #2 in their package. However, review conducted by PWC determined that the T.A. Loving Company acted to incorporate the changes directed in Addendum #2 in their bid showed pen and ink changes from 25% to 20% for the unit bid amounts and pen and ink changes to the item numbering sequence. Based upon their actions to incorporate these changes, TA Loving's omission of acknowledgement of Addendum #2 may be waived. PWC has worked with the T.A. Loving Company on similar projects including recent work at the Rockfish Creek WRF. T.A. Loving's bid was the lowest responsive and responsible bid and award is recommended to T.A. Loving. **SDBE:** The bidder intends to subcontract for electrical work with Via Electric Company, Madison, NC, a woman owned firm, and the bidder

intends to subcontract with CMT, Asheville, NC, a woman owned firm for concrete work. **LOCAL:** No local bidders responded to this bid opportunity.

Approve Capital Project Fund Budget Ordinances – PWCORD2018-38 and PWCORD2018-39

PWCORD2018-38 establishes an \$18.775 million Annexation Phase V, Areas 24-25 Capital Project Fund for a project to be funded with bond proceeds and transfers from the Annexation Reserve. This fund is needed now to establish budgets in support of executing engineering task authorizations and Right-of-Way activity.

PWCORD2018-39 Annexation Reserve Fund is amended to provide funding to Annexation Areas 24 & 25 for \$500,000.

Staff recommends that the Commission adopt the above referenced budget ordinances.

END OF CONSENT

4 MONTH (JULY THRU OCTOBER 2018) FINANCIAL RECAP – (Goal #1)

Presented by: Rhonda Haskins, Chief Financial Officer
Brenda Brown, Controller

Rhonda Haskins, Chief Financial Officer, stated during the four months in review (July thru October 2018) we had two hurricanes; one was more impactful to the utility than the other. She stated there are some increased costs and possibly some shift in attention to other matters as we go through the stats.

Ms. Haskins then presented Brenda Brown, PWC Controller. Ms. Brown began with the Fleet Maintenance Fund Summary. She stated the percentage of City Services to PWC Services has remained at 71% to 29%, respectively since last year. She stated the City Services has decreased 19.3% since 2015 and the PWC Services has also decreased 3.7 since 2015. Fleet Operating Expenses has decreased (compared to the same quarter last year) 12.9% to \$2,636,900. Actual Operating Revenues are below budget. The budget variance of \$800k is related to \$635K in City Services and \$165K in City Fuel Services.

The City Service Budget Variance is due to budgeted parts for services to vehicles that did not occur at the volume anticipated and delayed billing related to invoices for outsourced parts and services that were not received timely. The actual variance for City Services compared to last year is predominately related to PWC Fuel Island which was down as of July this year. That amounted to a variance of \$112K. Discussion ensued regarding the fuel island. Ms. Fritzen stated we had a leak in the fuel island that had to be remediated.

For the four months, ending October 31, 2018, Ms. Haskins stated the Electric Sales were \$73,669,400 (residential, commercial and industrial sales), up 5.0% from the prior year. Electric Power Supply costs were \$57,017,900, up 14.4% from the previous year. Electric G&A Expenses were \$5,550,550, down 8.1%; Other Operating Expenses were \$12,005,600, up 18.8%; and City Transfer/PILOT \$4,046,100, up 4.4%. Ms. Haskins stated the revenue continues to keep pace with the operating expenses.

Electric Power Supply costs were \$56,624,700; Transmission costs were \$4,393,200; Other Generation Plant Expenses were \$1,452,800; and Lease Payments were \$7,550,600. Electric power costs increased 14.4% from 2018 to 2019 due to \$4.5M increase in Coal Ash payments and \$2.4M increase to prepayments for the current year.

Electric Power Purchased: MWh Purchased was 776,134, up 2.4%. The cost per MWh was \$73.464, up 11.6%. Ms. Haskins stated the MWh purchased is higher this year due to residential customer usage.

Water Sales were \$14,361,100, up 6.4% compared to the prior year. Wastewater Sales were \$16,176,300, up 4.6%. G&A expenses were \$4,173,300, down 16.9%. Other Operating Expenses were \$20,960,300, up \$21.1%. Aid, Grants, FIF, Transfers were \$3,330,400, up 77.6%.

The Operating Revenues for Water/WW were \$33,814,100. Total Operating Revenues were \$25,133,600. The Change in Net Position was \$12,127,700. The YTD M-gallons sold were 2,902,654; a decrease in 2.1%. Ms. Haskins noted the water volume sales are down 2.5% since 2015 and 4.7% over budget for FY2019. Residential usage is up 5.3%

Electric Margin Report: Margin as Percent of Total Sales is 31.7%. This represents a decrease from last year of 6.4%; and a change of 8.3% since 2015. Discussion ensued.

Water Margin Report: Margin as Percent of Total Sales is 80.0%. This represents a decrease from last year of 1.7%; and a change of 16.2% since 2015.

Capital and Debt Service: Ms. Brown stated although the actual to last year has been comparable for both Electric and Water, we are falling significantly lower than anticipated expenditures for budget. Staff explained the reasons for the variances.

Ms. Brown stated the Capital Expenditures for Electric, Water and Fleet are down. She noted for Electric, the expenditures are down \$4.7M compared to budget. Ms. Brown gave a synopsis of the reasons for the decreased expenditures. She stated Capital Expenditures are under budget but higher than this time last year for Electric and Water.

She stated Electric has spent 19.1% of their Annual Capital Budget; and Water has spent 11.8%.

The Electric and Water Bad Debt as a percent of sales, remain under 1% at .48%. Staff explained the reason for the increase in this year's bad debt expense. Ms. Haskins stated due to the OAR (Oracle Architectural Redesign) upgrade staff shut down some of the operations to complete it. The bad debt was not entered for June 2018 until July 2018. The books were already closed when the function came back online. Discussion ensued.

The Days Cash Operating Reserve is 143 days, above the target of 120 days. Ms. Haskins stated staff will keep an eye on this statistic as they come back to the Commission regarding water and electric rates.

Commissioner Shaw requested additional information regarding TOU Rates. She asked if staff anticipates the TOU Rates will reduce the demand expense. Mr. Rynne stated yes, we

are looking for the customer to not use energy during the coincident peak period. We are sending the price signal not only to the largest customers through coincident peak rates but also to our residential customers through TOU rates. Additional discussion ensued.

DISCUSS THE 7TH AMENDED POWER SUPPLY AND COORDINATION AGREEMENT (PSCA) BETWEEN DUKE ENERGY AND PWC

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

Mr. Trego stated staff and the Commission have discussed several times some of the settlements that we have come up with regarding Duke. Duke did an accounting change that resulted in an increase of roughly \$1.4M in our annual rates. We contested it at FERC and we won the case. We received a \$2.8M in refunds for calendar years 2015 and 2016, as well as a credit in our true-up in 2017.

Duke contested and was appealing the order at FERC. We engaged, along with ElectriCities, in discussions with Duke because we wanted to see if we could come to a mutual agreement to lock in those refunds. We have come to a settlement with Duke and the refunds are locked into our agreement. This Amended Power Supply Agreement reflects that settlement. In addition, we have had numerous conversations with the Commission on the effect of the reduction of Federal income taxes on corporations. There has also been a reduction in the state corporate income tax rate over the years. We have negotiated a settlement, again with ElectriCities of NC, for the deferred state taxes Duke had on their books. For calendar 2019 thru 2026, they will refund the money back to us through a rate deduction (\$900,000 a year). Since this changes the agreement, we need the Commission to vote to authorize our Chairman, Commissioner Rogers, to execute the agreement and accept the changes and lock in the settlements and the refunds we receive from them.

Following discussion, upon motion by Commissioner Fowler, seconded by Commissioner Shaw and unanimously approved, the Commission authorized Chairman Darsweil L. Rogers to execute the 7th Amended Power Supply Coordination Agreement between Duke Energy and PWC. This amendment covers the previously discussed settlements with Duke regarding the future charging of Construction Materials and Supplies as well as creates a credit over 8 years for excess deferred state income taxes that Duke has collected as a result of the lowering of the state corporate income tax rate.

GENERAL MANAGER REPORT

Revenue Bonds

Rhonda Haskins gave the Commission an update on the Series 2018 Revenue Bonds.

She stated on November 27th, the PWC sold its \$83,645,000 Revenue Bonds, Series 2018 for the purpose of (1) funding approximately \$72M in new money projects; and (2) refunding the callable maturities of its Revenue Refunding Bonds. Series 2009A for debt service savings.

The Bonds were sold on a competitive basis and the PWC received 11 bids from underwriters, with Wells Fargo providing the lowest cost of funds (TIC or True Interest Cost) of 3.51%.

She went on to state the new money portion of the Series 2018 Bonds will be repaid over a 25-year term with interest only payments through FY2021 and level debt service payments of approximately \$4,695,000 thereafter.

Ms. Haskins gave a schedule of the financing timeline, which she noted was very tight. She stated it was a collaborative effort. She thanked everyone for their help, including Jamie West, Lisa Buffaloe, and Karen Aippersbach, as well as Jay Toland (City of Fayetteville, Interim Chief Financial Officer).

Mr. Trego stated PWC was one of the first municipalities in the state to do the reverse auction. Now the LGC is promoting it because they are seeing the savings. He stated this is the third time we have done it and each time we have seen the savings.

Grays Creek Water

Mr. Trego gave a brief update regarding water to the Grays Creek area, predominately, the area that was affected by GenX. He stated it was reported in the newspaper that the finance committee of the County Commissioners had an overall discussion regarding what to do in extending water to that area. He stated it centered on the immediate area as well as the long term needs of getting water to that overall area. Mr. Trego stated PWC began discussions with the County several years ago when Commissioner Shaw was Chairlady.

Mr. Trego stated he has had several conversations with Amy Cannon (County Manager). There is a consent decree that is pending between Chemours and various entities. It is before the DEQ. He has shared his concerns with our Chairman as well as with the County Manager. Mr. Trego stated it sounds like everything in the consent decree is pointing to the solution that Chemours has pushed over the years, which is putting filters in homes and on wells, versus extending water which is a long-term solution. They have that option within the Consent Decree. There are certain reasons why they can come back with the filter options, versus extending water.

Mr. Trego stated in his opinion these filters take care of the symptom, but they do not get rid of the problem. He stated there is an impact on the property values. Though you can improve the quality of the water with these filters over time, you are still taking water that is tainted and that could have an impact on that area with regard to property values, versus having public water available. He believes in the long term is a better option (with regard to property values).

Mr. Trego stated Amy Cannon sent a letter to DEQ which also mentions some of the issues he has discussed. It requests

Mr. Trego stated Amy Cannon forwarded a letter to him, addressed to DEQ mentioning some of the issues he has discussed; wanting to see if we can push forward with DEQ, the option they have identified as their preferred option which is public water; yet the restrictions within the Consent Decree seem to point that it may/may not go in that direction. Mr. Trego stated

there are questions in the letter that address the issues. It is important to get the questions out there to see if there is a solution that potentially point to us partnering with the County to provide water to the area.

County Commissioner Boose stated this issue will be discussed at the County Commissioners' Closed Session on Monday evening. He invited as many as are interested to attend. He stated we owe it to the children to get clean water to them. David Trego stated him, Mick Noland (and staff), as well as, Commissioner Shaw plan to attend the closed session. Discussion ensued.

City of Fayetteville Fleet Operations

Mr. Trego stated the City of Fayetteville voted to enter into a contract with Vector for the City's Fleet Services as of July 1, 2019. We are in the process of arranging a meeting with Vector and the City regarding the transfer of services. Mr. Trego stated because of the nature of the contract, it appears we will not have to enter into an interim agreement with the City.

Mr. Trego stated, as we mentioned before, our current Fleet building will need upgrades. While the building is grandfathered under the safety rules, yet we do not have bays that are high enough for the newer trucks. We plan to have a presentation to the Commission regarding options for upgrading the building.

New Customer Portal

Mr. Trego stated we have almost 3,500 new customers signed up to utilize the portal. We have 2,100 additional e-bill customers and 1,000 new auto-pay customers.

Grinding of the Trees

The 25th Annual Grinding of the Greens will be January 12th. Mr. Trego stated we coordinate with the City of Fayetteville and Duke Energy Progress to recycle trees as mulch.

United Way Campaign

Mr. Trego stated we had a goal of \$115,000. On the first day we surpassed our goal. Currently we are at almost \$130,000, with almost 99% participation of our employees. . He stated he very pleased. Our employees have stepped up to the plate.

Public Power Report

Carolyn Justice-Hinson stated we have been working on a report that talks about the benefits of PWC and Public Power. We will begin distribution in the December 30th issue of the Fayetteville Observer. We will also distribute the report through other means.

COMMISSIONER/LIAISON COMMENTS

Commissioner Shaw

Commissioner Shaw asked when the Calendars will be distributed. Ms. Justice-Hinson stated we will distribute them at our Customer Service Center, City Hall, and the libraries. We receive requests from schools, apartment complexes and more. She stated residents just need to contact the Customer Service Center for a copy.

Commissioner Shaw also requested more information regarding customer bills which are due on December 3rd and again on December 31st. Mr. Trego stated he will check out which cycle is affected and respond back to Commissioner Shaw.

Commissioner Fowler

Commissioner Fowler stated he really likes the videos that are on Facebook. He states believes it is important to reiterate that PWC is not for profit, and videos need to be developed to reflect it.

Council Member Jensen

Commissioner Rogers welcomed Council Representative Jensen to the PWC Commission and stated there is always a seat at the table for her.

REPORTS AND INFORMATION

The Commission acknowledges receipt of the following reports and information:

- A. Cash Flow Report - September 2018
- B. Investment Report - September 2018
- C. Personnel Report - November 2018
- D. Position Vacancies
- E. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr # 18277 – install. of 12” RJDIP water main nr. SR2299 and Bus I-95
 - Encr # 18622 – install. of an 8” RJDIP sewer main nr. SR2299 (Russell St.) & Bus I-95
 - Encr # 18771 – install. of 2” tapping saddle & 2” PVC water main @ SR 1409 (71st School Road) & a 16” x 8” tapping sleeve and valve on existing water main @ SR1609 and Radnor St.
 - Encr # 18772 – install of 2” blow off assembly & 2” PVC water main on SR1400 (Cliffdale Rd) and SR1409
 - Encr # 18778 – install of 6” RJDIP fire hydrant leg nr. SR3569 (Old Raeford Rd.) and SR1402
 - Encr # 18780 – install. of 2” SDR-21 water lateral and a 6: sewer lateral on US401 (Ramsey St.) nr. US401 Bus. (Country Club Dr.)
 - Encr # 18785 – install. of 8”, 6” & 2” SDR-21 water mains on SR1364 (Dominion Road)
 - Encr # 18786 – install. of 6” water lateral for private fire hydrant on US-Hwy 301 & Bus. I-95 (Eastern Blvd)
- F. Actions by City Council during the meeting of November 13, 2018, related to PWC:

- Approved Bid Recommendation – Cross Creek Water Reclamation Facility Screens Replacement
 - Approved Bid Recommendation – Annual Construction Services Contract for Overhead Distribution Construction
 - Approved Bond Order - Authorizing and Approving the Sale and Issuance of PWC Revenue Bonds – Series 2018
- G. Actions by City Council during the meeting of November 26, 2018, related to PWC:
- Approved Bid Recommendation – Relay Control Switchboards for Fenix #2 Substation
 - Approved Bid Recommendation – Prefabricated Relay Control House for Fenix Substation #2

ADJOURNMENT

There being no further business, upon motion by Commissioner Fowler, seconded by Commissioner Shaw and unanimously approved, the meeting adjourned at 9:55 a.m.