

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY FEBRUARY 8, 2023
8:30 AM

Present: Ronna Rowe Garrett, Chairwoman (VIRTUAL)
Donald L. Porter, Vice Chairman
Evelyn O. Shaw, Secretary

Others Present: Mick Noland, Interim CEO/General Manager
Adam Lindsay, Assistant City Manager
Deno Hondros, City Council Liaison

Absent: Wade R. Fowler, Jr., Treasurer
Jimmy Keefe, Cumberland County Liaison
Media

REGULAR BUSINESS

Vice Chairman Donald L. Porter called the meeting of February 8, 2023, to order at 8:30 am.

APPROVAL OF AGENDA

Commissioner Evelyn Shaw motioned to approve the agenda. The motion was seconded by Commissioner Ronna Rowe Garrett, and was unanimously approved.

CONSENT ITEMS

Upon motion by Commissioner Evelyn Shaw, seconded by Commissioner Ronna Rowe Garrett, Consent Items were unanimously approved.

A. Approve Minutes of meeting of January 25, 2023.

END OF CONSENT

WATER/WASTEWATER AND ELECTRIC RATE RECOMMENDATIONS

Presented by: Rhonda Haskins, Chief Financial Officer
Jason Alban, Director of Financial Planning and Capital Projects

Mr. Noland, PWC Interim CEO/General Manager stated staff has been working for weeks; we have spent a lot of hours to ensure we have our numbers correct for our cost of service to our customers based on their usage of our water and wastewater system.

Ms. Haskins will not be with us this morning, and she was extremely disappointed she would not be able to make the presentation, considering the work she has put into it. Mr. Alban will lead the discussion.

Mr. Alban thanked his team for working diligently and tirelessly in gathering all the information during this entire process. He also thanked the management and their divisions for their input in the modeling as well.

He stated PWC is not immune from the current events and changes in the past months and several years. He stated in 2021 average inflation was about 5%; in 2022 average inflation was about 8%; current inflation is about 6–6.5% range. The Federal Reserve continues to raise rates. We are certainly in a dynamic environment. We have also had stimulus programs which has infused a lot of money into the system which has created some supply chain issues, as well as bidding and contractual issues.

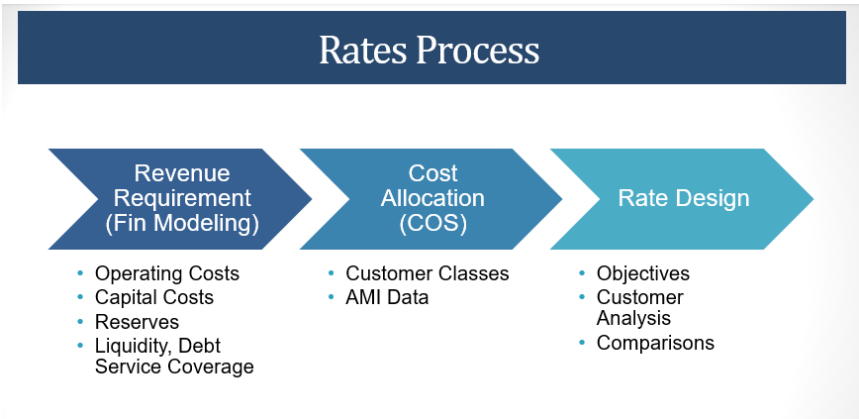
Mr. Alban went on to state this is our normal process. We do this every year, and we look at rates on an annual basis.

He stated our mission is to deliver, safe, reliable, and affordable electricity, water and wastewater services to our customers that reside in Fayetteville and many surrounding areas in Cumberland County, North Carolina. This plan and rate recommendation aligns with our strategic priorities, in particular operational excellence and financial health.

Purpose of the Presentation:

- ▶ Present to the Commission and the Public the following recommendations:
 - Water/Wastewater retail and wholesale rates for the next two years – eff. May 1
 - Electric retail rates for one year – eff. May 1 (off-cycle)
 - Recommendations based on 10-year capital and O&M budget projections and revenue deficits indicated in fiscal years 2023-2025 in each system
- ▶ Proposed rate schedules and ancillary documents will be delivered to the PWC Clerk and posted on our website for the public to access when the notice of public hearing is published
- ▶ February 22, 2023 – Public Hearing
- ▶ March 8, 2023 – Adoption of Rates

Mr. Alban stated each year PWC focuses on the rate cycle for either the electric or the water system. This year it was the water system that was the focus. PWC engaged with NewGen Strategies throughout the Rates Process.



Our ten year modeling (FY2021-2033) considers revenues, growth, operating/capital costs. We found in this process revenue requirements have increased.

	2021 Cycle	%	2023 Cycle	%
Water	\$5.5-\$6M	5.5%	\$10-\$12M	>8%
Electric	\$0M	0%	\$13M	>6%

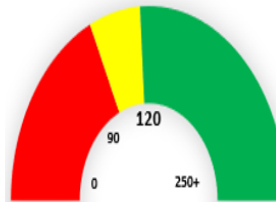
- ▶ Bond issuances even years starting in FY 2024
- ▶ Electric net draws from rate stabilization of \$7M and \$26M FY 2023-2024

Financial Modeling and Revenue Requirements

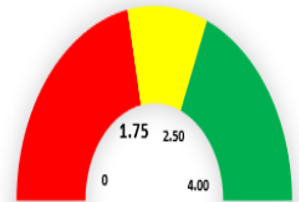
Rate Drivers/KPIs

Electric Rate Stabilization Fund			
Fiscal Year Ended June 30	Deposits and Earnings	Withdrawals	Balance
Beginning Balance			\$ 51,159,600
2020	3,737,016	(8,856,254)	46,040,362
2021	2,561,886	(7,970,771)	40,631,477
2022	11,786,970	(9,732,270)	42,686,177
2023	7,259,147	(14,053,600)	35,891,724
2024	660,701	(26,400,000)	\$ 10,152,425
Total	\$ 26,005,720	\$ (67,012,895)	

Days Cash Target > 120 Days



Debt Coverage Ratio Target > 1.75



Note: Water lowered to 115 days for FY 2024 (120 beginning FY 2025)

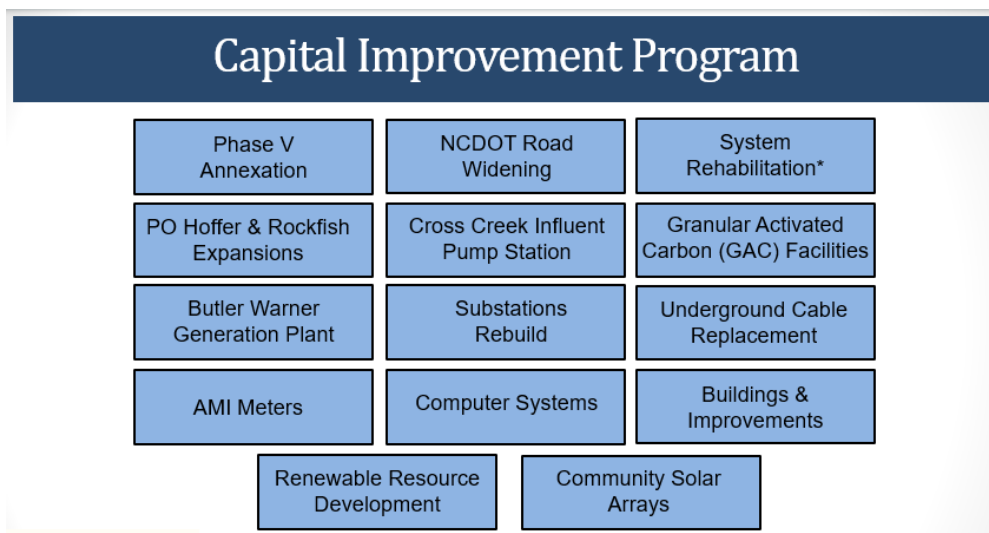
Factors Driving Rates include:

Cost Drivers:

• Capital Investments	• Operating Expenses
• Days Cash	• Debt Service
• Inflation	• Supply Chain

Increases in key projects and operations costs

• Operating Expenses 20%+	• Vehicle Costs 30%+
• Key Projects 30-100%	• NCDOT 70%+
• Annexation 200-300%	• Chemical Costs 40-70%
• Substations 35%+	• Transformers 100-200%
• Personnel 10%+	• Debt Service 15%+



* \$4.0M ARPA grant wastewater rehab; continuing to pursue recovery fund allocations for which most have gone to state and local governments.

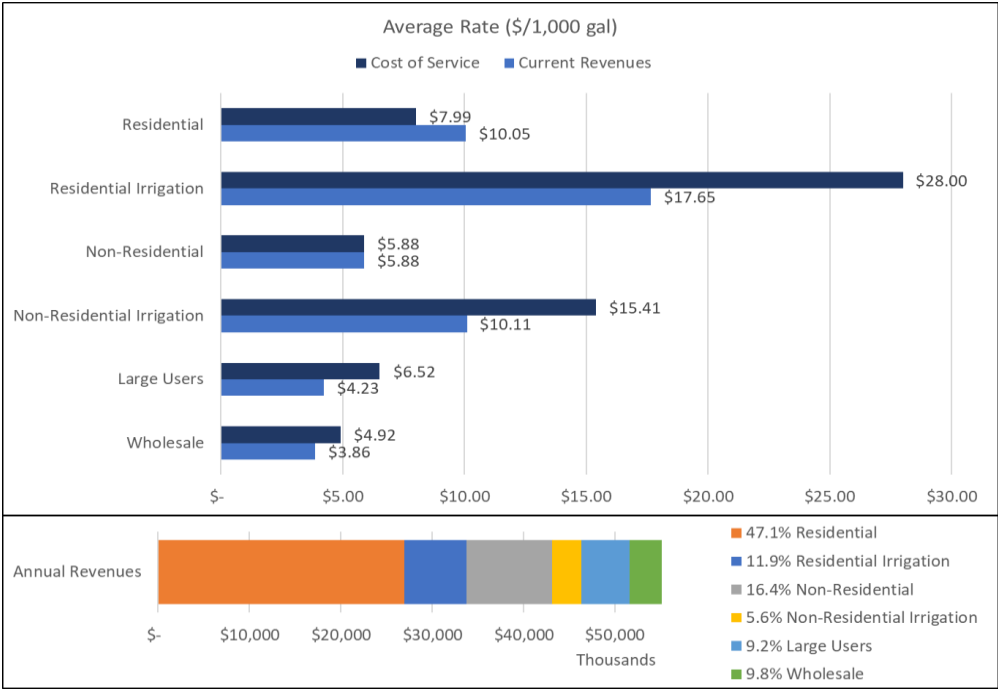
Note: 40%+ increase in CIP plans thru FY2027

Water/Wastewater Cost of Service

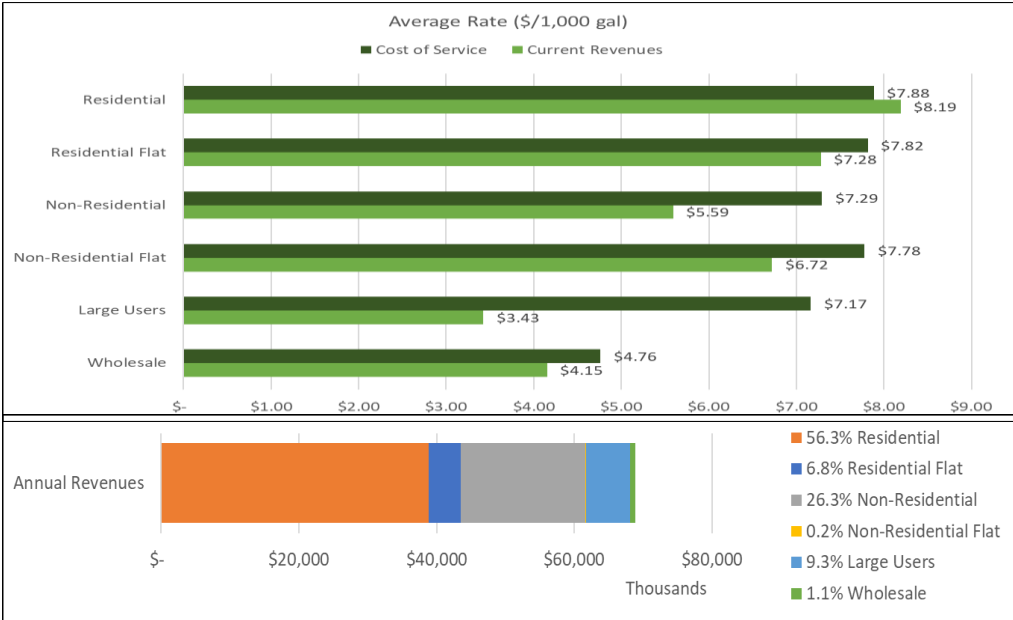
Guiding Principles

- ▶ Customer class allocations
- ▶ Average Day Demand, Max Day and Max Hour classifications
- ▶ Functionalization across Treatment, Transmission, Distribution, etc.
- ▶ Interclass equity and movement to COS by class
- ▶ Identification of under-collection between systems and classes
- ▶ Fixed and variable revenue recovery

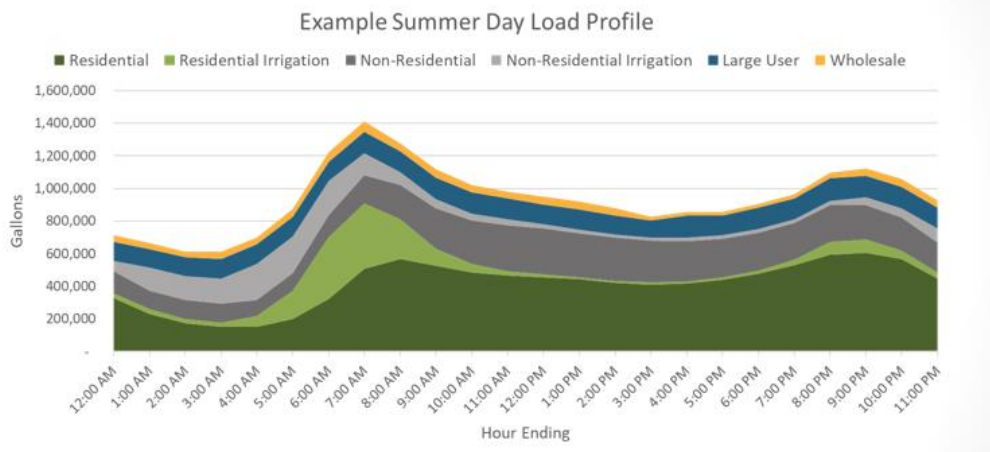
Water COS to Current Revenues



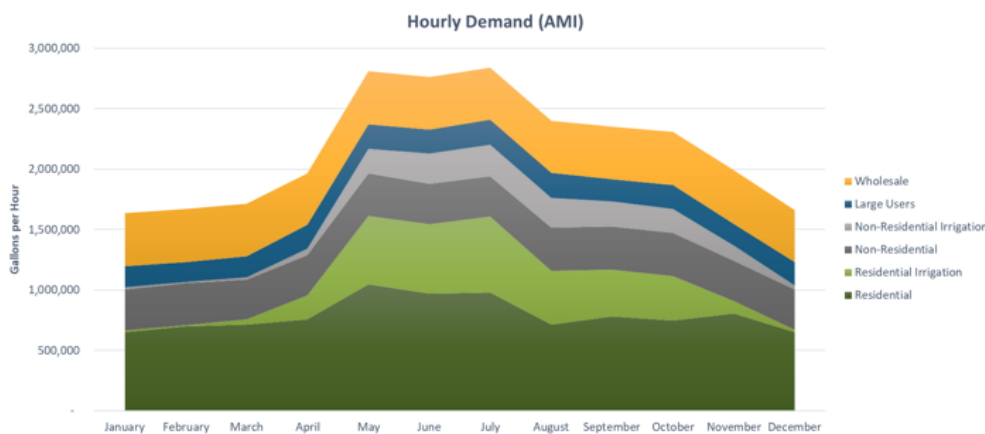
Wastewater COS to Current Revenues



Water Max Hourly Demand



Water Max Hourly Demand – Customer Class by Month



Water/Wastewater Plan

- ▶ Annual average 8.6% annual total system revenue growth
- ▶ Additional cost recovery needed from the wastewater system
 - Water 6.8%
 - Wastewater 10.2%
- ▶ Direct more of the increase to classes that are further from cost of service
- ▶ Cap maximum rate increase at rate class level for water and wastewater
- ▶ Similar rate changes in each year of the two-year cycle
- ▶ Differentiate the fixed charges with a higher basic facility from wastewater

Water/Wastewater Recommendations

- ▶ In order to meet the long-term capital and operational needs of the water and wastewater systems staff recommends the following:
 - May 2023: rates that result in water revenues increasing approx. 7.0% and wastewater revenues by 10.2% for an overall revenue increase of 8.7%
 - May 2024: rates that result in water revenues increasing approx. 6.6% and wastewater revenues by 10.2% for an overall revenue increase of 8.5%
- ▶ No change to current relative Outside City differential
- ▶ Increase basic facility charges and volumetric charges in both years

- ▶ Increase water and wastewater Utility Line Relocation Riders in first year only

Utility Line Relocation Rider (ULRR)

- ▶ ULRR purpose is to ensure adequate funding for three large NCDOT projects: Raeford Rd., Ramsey St., and Camden Rd.
- ▶ Collected \$12.4M thru December 2022
- ▶ Projects originally estimated at \$60M; currently \$130M
- ▶ After delays in prior years, project schedules were escalated in current planning
- ▶ Even with recommended increase to ULRR, reserve fund is projected to be deficient starting FY 2027

Electric Plan and Recommendations

- ▶ Prior action in 2020 decreased rates 4.3% and were anticipated to stay in effect until 2024 study; however, environment and revenue requirement changed
- ▶ In order to meet the long-term capital and operational needs of the electric system staff recommends the following:
 - Off-cycle rate increase
 - May 2023: rates that result in an overall electric revenue increase of 6.1%
- ▶ Maintain current time-of-use and load factor pricing signals
- ▶ Apply rate increase equally to all classes thru increase to basic facility and volumetric charges

Recommended Rates

(Most commonly utilized rates shown)

Water Basic Facility Charges – Inside City

Meter Size	Current	May 2023	May 2024
3/4"	\$20.00	\$21.25	\$22.50
1"	\$31.80	\$33.80	\$35.80
1 1/2"	\$51.90	\$55.15	\$58.40
2"	\$86.20	\$91.60	\$97.00
2 1/2"	\$144.00	\$153.00	\$162.00
3"	\$242.80	\$258.00	\$273.20
4"	\$410.50	\$436.15	\$461.80
6"	\$695.70	\$739.20	\$782.70
8"	\$1,180.30	\$1,254.05	\$1,327.80
10"	\$2,004.30	\$2,129.55	\$2,254.80
12"	\$3,405.00	\$3,617.80	\$3,830.60

Water Usage – Inside City

<u>Residential Water Per Gallon – Inside City</u>	Current	May 2023	May 2024
First 2,000 Gallons	\$0.00211	\$0.00218	\$0.00226
Next 3,000 Gallons	\$0.00251	\$0.00260	\$0.00269
Next 5,000 Gallons	\$0.00341	\$0.00353	\$0.00365
Additional Gallons	\$0.00408	\$0.00422	\$0.00437
<u>Residential Irrigation Water Per Gallon – Inside City</u>			
First 30,000 Gallons	\$0.00607	\$0.00694	\$0.00795
Next 30,000 Gallons	\$0.00743	\$0.00850	\$0.00974
Additional Gallons	\$0.01155	\$0.01321	\$0.01514
<u>Non-Residential Water Per Gallon - Inside City</u>			
All Gallons	\$0.00312	\$0.00335	\$0.00370
<u>Non-Residential Irrigation Water Per Gallon – Inside City</u>			
All Gallons	\$0.00580	\$0.00649	\$0.00727
<u>Large Water User Per Gallon - All Users</u>			
All Gallons	\$0.00316	\$0.00348	\$0.00384

Wastewater Basic Facility Charges – Inside City

Meter Size	Current	May 2023	May 2024
3/4"	\$20.00	\$22.25	\$24.50
1"	\$31.80	\$35.40	\$38.95
1 1/2"	\$51.90	\$57.75	\$63.60
2"	\$86.20	\$95.90	\$105.60
2 1/2"	\$144.00	\$160.20	\$176.40
3"	\$242.80	\$270.10	\$297.45
4"	\$410.50	\$456.70	\$502.85
6"	\$695.70	\$773.95	\$852.25
8"	\$1,180.30	\$1,313.10	\$1,445.85
10"	\$2,004.30	\$2,229.80	\$2,455.25
12"	\$3,405.00	\$3,788.05	\$4,171.15

Wastewater Usage – Inside City

	Current	May 2023	May 2024
<u>Residential Wastewater Per Gallon – Inside City</u>	\$0.00545	\$0.00575	\$0.00618
<u>Non-Residential Wastewater Per Gallon – Inside City</u>	\$0.00631	\$0.00716	\$0.00815
<u>Large Wastewater Per Gallon - All</u>	\$0.00477	\$0.00553	\$0.00641
<u>Flat Wastewater – Inside City</u>	\$41.80	\$45.25	\$49.22

Utility Line Relocation Rider

Meter Size	Water		Wastewater	
	Current	May 2023	Current	May 2023
3/4"	\$2.00	\$4.00	\$1.00	\$2.00
1"	\$3.40	\$6.80	\$1.70	\$3.40
1 1/2"	\$6.60	\$13.20	\$3.30	\$6.60
2"	\$10.60	\$21.20	\$5.30	\$10.60
2 1/2"	\$14.80	\$29.60	\$7.40	\$14.80
3"	\$21.40	\$42.80	\$10.70	\$21.40
4"	\$33.40	\$66.80	\$16.70	\$33.40
6"	\$66.60	\$133.20	\$33.30	\$66.60
8"	\$106.60	\$213.20	\$53.30	\$106.60
10"	\$280.00	\$560.00	\$140.00	\$280.00
12"	\$353.40	\$706.80	\$176.70	\$353.40

Water/Wastewater Wholesale

Wholesale Water Per Mgal

	Current	May 2023	May 2024
With No O&M	\$3.8151	\$4.2020	\$4.6222
With O&M	\$4.4949	\$4.9507	\$5.4458

Wholesale Wastewater Per Mgal

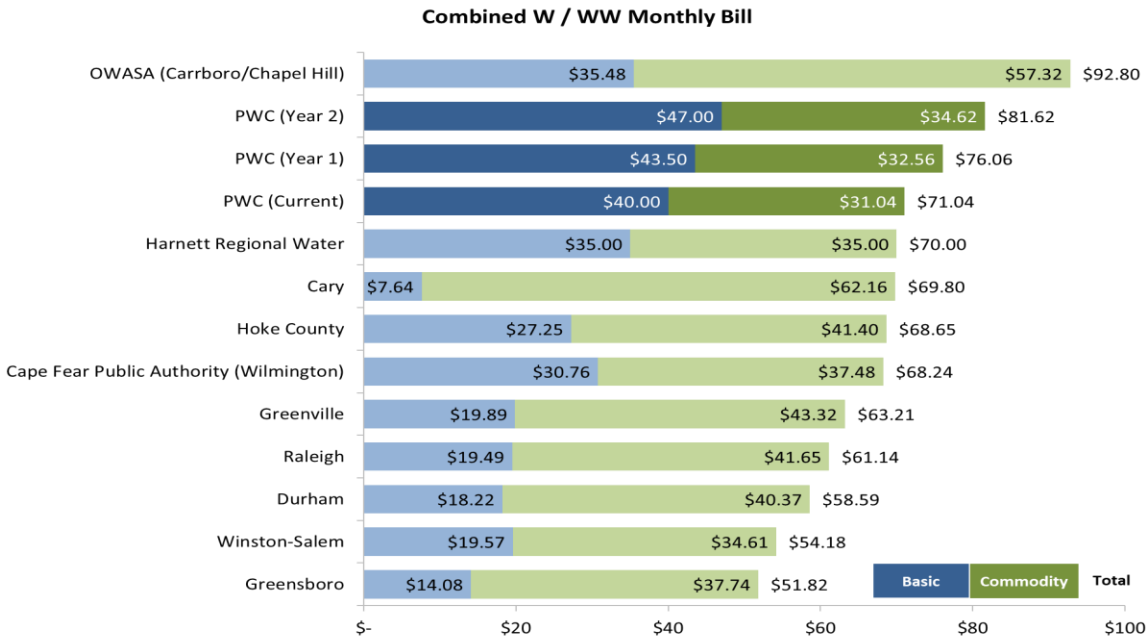
With No O&M	\$5.1700	\$5.6870	\$6.2557
With O&M	\$6.6800	\$7.3480	\$8.0828

Electric Rates

Description	Charge Description	Current	May 2023
Residential	Basic Facility Charge - Single Phase	\$20.00	\$22.00
	Basic Facility Charge - Three Phase	\$25.00	\$27.50
	Energy - On Peak kWh	\$0.13000	\$0.13845
	Energy - Off Peak kWh	\$0.08473	\$0.09024
Small Power	Basic Facility Charge - Single Phase	\$30.00	\$33.00
	Basic Facility Charge - Three Phase	\$45.00	\$49.50
	Energy - On Peak kWh	\$0.13500	\$0.14378
	Energy - Off Peak kWh	\$0.08935	\$0.09516
Medium Power	Basic Facility Charge - Single Phase	\$37.00	\$40.70
	Basic Facility Charge - Three Phase	\$52.00	\$57.20
	Demand - All kW	\$14.75	\$15.71
	Energy - On Peak kWh	\$0.05000	\$0.05325
	Energy - Off Peak kWh	\$0.04500	\$0.04793
Medium Power Coincident Peak	Basic Facility Charge	\$290.00	\$319.00
	Demand - Coincident Peak	\$17.14	\$17.14
	Demand - Customer Peak	\$4.50	\$4.79
	Energy - All kWh	\$0.03925	\$0.04180
Large Power	Basic Facility Charge	\$290.00	\$319.00
	Demand - Coincident Peak	\$17.14	\$17.14
	Demand - Customer Peak	\$3.00	\$3.20
	Primary Discount	-\$0.50	-\$0.53
	Energy - All kWh	\$0.04545	\$0.04840

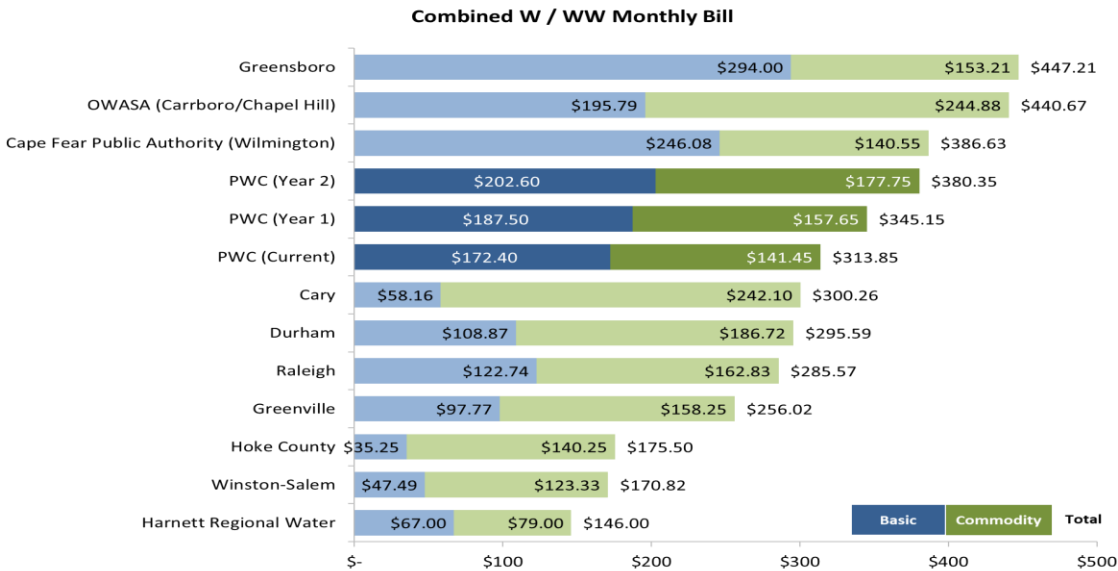
Water/Wastewater Rate Comparisons

Residential



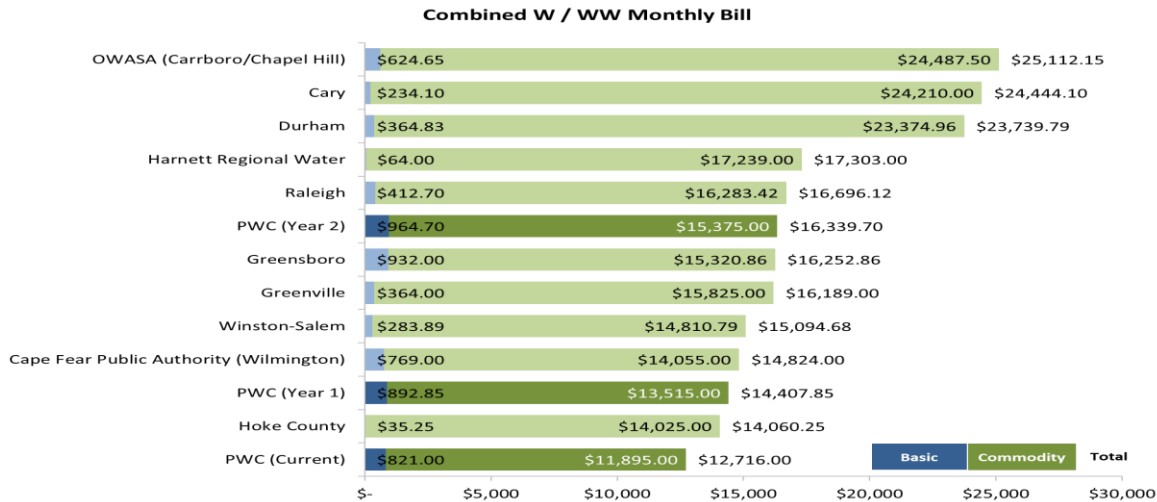
Residential Customer - 3/4" Meter at 4,000 Gallons/month

Non-Residential



Non-Residential Customer - 2" Meter at 15,000 Gallons/month

Large User



Large User - 4" Meter at 1,500,000 Gallons/month

SUMMARY

- ▶ W/WW annual average 8.6% total system revenue increase FY 2024 & FY 2025
 - Differentiate basic facility charge between water and wastewater \$1.00 each year
 - Increase Utility Line Relocation Rider for water and wastewater
- ▶ Electric 6.1% total system revenue increase FY 2024
- ▶ Additional electric staff recommendations:
 - Retain customer choice and eliminate mandatory requirement for Medium Power CP scheduled September 2023
 - Adjust Community Solar Rider Bill Credit from \$1.56 to \$1.59 per solar panel March 2023
 - Apply formula-based Buy All Sell All Rider Customer Credit, currently \$0.0623 per kWh for 2023, to Renewable Energy Buy Back Rider, with annual updates effective each January 1, subject to modification within any calendar year based on changes in DEP's charges

Estimated Customer Impacts – Inside City

	Residential	Non-Residential	Large User
	3/4" Meter 4000 gals 1000 kWh	2" Meter 15,000 gals 8000 kWh / 35kW	4" Meter 1,500,000 gals 1,050,000 kWh / 1500kW
Water	\$1.57	\$8.82	\$504.45
Wastewater	\$3.45	\$22.48	\$1,191.00
Electric	\$7.95	\$62.62	\$3,419.00
Total	\$12.97	\$93.92	\$5,114.45

PURPA Considerations

In order to comply with our federal law obligations under the Public Utility Regulatory Policies Act of 1978 (PURPA), as amended, staff will also address at the public hearing, the following issues, among other PURPA-mandated issues:

Demand Response

Smart Grid Investments

Electric Vehicle Charging Programs

Declining Block Rates
Net Metering

Interconnection
Interruptible Rates

Seasonal Rates

Staff recommends the Commission set a Public Hearing on the proposed Water/Wastewater and Electric Rates and PURPA Section 111 mandatory considerations for February 22, 2023.

Commissioner Evelyn Shaw motioned to set a public hearing for February 22, 2023, on the proposed Water/Wastewater and Electric Rates and PURPA Section 111 mandatory considerations. Motion was seconded by Commissioner Ronna Rowe Garrett, and unanimously approved.

GENERAL MANAGER REPORT

No Comments

COMMISSIONER/LIAISON COMMENTS

Commissioner Ronna Rowe Garrett

Commissioner Garrett thanked Vice Chairman Porter for managing the meeting, as she is in DC on business. She also thanked Ms. Haskins, and Mr. Alban, and the entire team for the clear briefing. It is a complex topic, and it is not easy to brief. It was clear to her, and she appreciates the context.

Commissioner Evelyn Shaw

No Comments

Commissioner Donald Porter

No Comments

City Council Liaison Deno Hondros

Council Member Hondros apologized for not being in person last meeting, though he was on the phone but his unmute button would not cooperate. He stated he had comments from the last meeting in which PWC presented the results of the Disparity Study.

The state delegation brought a lot of money to Cumberland County and Fayetteville. He stated part of the money was matching funds from the State for minority owned businesses which the Council adopted in December, working through the FCEDC (Mr. Van Geons). It was presented to the Council to contribute \$1.25M and ask the County to do the same. These funds would be to help some of the minority owned businesses who cannot be awarded a contract because they do not have the insurance, or the bonds needed to submit a bid. The Council agreed, however there were some issues with the County, and they did not agree. Council Member Hondros stated FCEDC came back to the Council to ask if they would be willing to fund the entire \$2.5M with the understanding the State would match the funds and they agreed. The Disparity Study is the 'what,' it quantifies the disparity and hopefully this is one step in the 'how' to address it. He stated Fayetteville State recently had a ribbon cutting at their entrepreneurial hub, and hopefully that will also be a resource.

Commissioner Porter thanked Mr. Hondros for how seriously he takes his responsibility to bring and well as take information back to the Council.

Assistant City Manager Adam Lindsay

Mr. Lindsay stated in response to the question asked at the last PWC Board Meeting, the City Council has opted to discuss the board appointment at their next meeting.

REPORTS AND INFORMATION

The Commission acknowledges receipt of the following reports and information.

- A. Personnel Report - January 2023
- B. Career Opportunities
- C. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. #19085 – Install of overhead street lights @ Glensford Dr. (SR1596) to Sycamore Dairy Rd.
 - Encr. #19086 – Install of underground/overhead street lighting @ McArthur Rd (SR1600).
- D. Actions by City Council during the meeting of January 26, 2023, related to PWC:
 - Approved Lease of Suite 301 of R.C. Williams Building

ADJOURNNEBT

There being no further discussion, upon motion by Commissioner Evelyn Shaw, seconded by Commissioner Ronna Rowe Garrett, and unanimously consent, the meeting adjourned at 9:16 am.