

Lower Cape Fear Water & Sewer Authority
Regular Board Meeting Minutes

February 11, 2019

Chairman Edge called to order the Authority meeting scheduled on February 11, 2019 at 9:00 a.m. and welcomed everyone present. The meeting was held at the Authority's office located at 1107 New Pointe Boulevard, Suite 17, Leland, North Carolina. Director Leonard gave the invocation.

Present: Norwood Blanchard, Trent Burroughs, Wayne Edge, Larry Johnson, Al Leonard, William Milliken, Jackie Newton, Charlie Rivenbark, Bill Saffo, Larry Sneed, William Sue, Frank Williams and Rob Zapple

Present Electronically by Telephone: Phil Norris

Absent: None

Staff: Don Betz, Executive Director; John Wessell, General Counsel; Tony Boahn P.E., McKim & Creed and Amy Scruggs, Administrative Assistant

Guest: Frank Styers, Cape Fear Public Utility Authority Chief Operations Officer; John Malone, Cape Fear Public Utility Authority Water Resources Manager; Chad McEwen, Pender County Assistant County Manager; Kenny Keel Pender County Public Utilities Director; Glenn Walker, Brunswick County Water Resources Manager; and Heidi Cox, NC DENR Assistant Regional Engineering Supervisor, Public Water Supply Section Division of Water Resources

PLEDGE OF ALLEGIANCE: Chairman Edge led the Pledge of Allegiance.

APPROVAL OF CONSENT AGENDA

C1 - Minutes of Regular Board Meeting January 14, 2019

C2 - Kings Bluff Monthly Operations and Maintenance Report

C3 - Bladen Bluffs Monthly Operations and Maintenance Report

C4 - Bladen Bluffs Weekly Report: February 4, 2019

C5 - Budget Amendment #5

C6 - McKim & Creed Proposal for Professional Consulting Engineering Services Raw Water Main Valve Operator Modifications in the Amount of \$5,000.00

A) A Resolution of Lower Cape Fear Water & Sewer Authority Exempting Lower Cape Fear Water & Sewer Authority From The Provisions Of N.C.G.S. §143-64.31

C7 - McKim & Creed Proposal for Professional Consulting Engineering Services US Highway 421 Potential Raw Water Main Relocation Preliminary Environmental Survey in the Amount of \$7,500.00

A) A Resolution of Lower Cape Fear Water & Sewer Authority Exempting Lower Cape Fear Water & Sewer Authority From The Provisions Of N.C.G.S. §143-64.31

C8 - North Carolina 811, Inc. Membership Agreement

C9 - North Carolina Water and Wastewater Agency Response Network Mutual Aid and Assistance Agreement for Water and Wastewater Utilities

Chairman Edge called attention to the addendum to consent agenda Items C6 and C7 with the addition of a resolution for both items. Director Zapple noted the spelling of red-cockaded needed correction in the resolution presented for Item C7. Regarding Items C8 & C9 Director Zapple inquired if there is any financial cost or impact to the Authority as a result of joining the memberships of either of these two organizations. Executive Director Betz responded that membership in North Carolina 811, Inc. (NC 811) is mandatory by North Carolina General Statutes. Brunswick County, as a member of NC 811 and as the operations and maintenance contractor for the Authority's raw water main, has addressed excavation activities on behalf of the Authority; however, membership is required of the Authority as owner of the raw water main. Cost associated with NC 811 entails paying for a locator to mark the Authority's main when notified by NC 811. Regarding Item C9, Executive Director Betz explained that with the Authority being a member of the North Carolina Rural Water Association, there are no dues associated with membership in the North Carolina Water and Wastewater Agency Response Network (NC Water Warn) which is a completely voluntary association. NC Water Warn can be utilized in times of crisis and in light of the circumstances

with US HWY 421; it seems prudent to join due to the instant availability for assistance from numerous utilities across the state via the mutual assistance agreement.

Motion: Director Williams **MOVED**; seconded by Director Rivenbark, approval of the Consent Agenda Items subject to correction of the typographical error noted by Director Zapple. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

OLD BUSINESS

OB1- Status Update on Legal Review and Action Required Regarding Existing Easements for Construction of the Kings Bluff Raw Water Parallel Transmission Main Project (John Wessell, General Counsel)

Mr. Wessell reported there are a total of seven properties to address. With five properties additional easements are required and two properties have structures within the easements needing to be removed. Mr. Wessell has communicated with six of the owners plus he and Executive Director Betz have meet with three of the owners. The last owner will be contacted in the immediate future.

OB2 - Resolution of Lower Cape Fear Water & Sewer Authority Authorizing the Chairman to Execute the Memorandum of Understanding Regarding Capacity and Cost Allocation for Raw Water Pipeline

Executive Director Betz reported the project's design is approximately 80% complete and with Brunswick County and Cape Fear Public Utility Authority (CFPUA) preparing funding of the project, adoption of the Memorandum of Understanding (MOU) is needed by all four regional partners. Pender County adopted the MOU on February 4th.

Motion: Director Williams **MOVED**; seconded by Director Blanchard, approval of the *Resolution of Lower Cape Fear Water & Sewer Authority Authorizing the Chairman to Execute the Memorandum of Understanding Regarding Capacity and Cost Allocation for Raw Water Pipeline*. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

OB3 - Status Update on Hurricane Florence Damages Pertaining to FEMA Claims and to Water Service During Construction of NC DOT Bridges on US Highway 421

A) FEMA: Resolution Designation of Applicant's Agent (North Carolina Division of Emergency Management Hurricane Florence FEMA-4285-DR-NC)

Executive Director Betz explained that FEMA requires approval of the presented resolution which authorizes and designates him to execute and file applications for federal and/or state assistance on behalf of the Authority for obtaining certain state and federal financial disaster relief and emergency assistance.

B) Estimate of Bladen Bluffs Repair of River Bank

Concerning restoration of the river bank and relocating of the air backwash lines at the Bladen Bluffs facility, Director Zapple questioned how the Authority would move forward if FEMA did not approve funding. In response Executive Director Betz commented that the Authority owns the facility and leases the land from Smithfield and in speaking with the Smithfield representative, he explained the estimated repair cost of \$800,000.00 is beyond the Authority's capability to pay upfront for reimbursement by Smithfield as is the normal procedure. From that discussion, it was determined the next step is to obtain a decision from FEMA and if funding is denied, a discussion concerning recommendations will be held with Smithfield. The relocation of the air backwash lines will protect the system from future flooding which will benefit Smithfield as the facility's sole customer. Mr. Boahn explained that the \$800,000.00 repair cost is a high level budgetary estimate and was prepared to begin the FEMA process. In moving forward and in having discussions with Smithfield the right course of action can be determined and the cost can be refined. Mr. Boahn noted both line relocation and bank restoration are equally important; however, restoration of the river bank is more in accordance with FEMA funding guidelines.

Motion: Director Burroughs **MOVED**; seconded by Director Newton, approval of the *Resolution of Lower Cape Fear Water & Sewer Authority Authorizing the Chairman to Execute the Memorandum of Understanding Regarding Capacity and Cost Allocation for Raw Water Pipeline*. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

C) Letter to NCDOT

As recommended by Director Norris at last month's board meeting, Mr. Wessell prepared a letter putting NCDOT on notice concerning potential damage to the Authority's raw water main during NCDOT's bridge construction on US HWY 421. Mr. Wessell referenced the letter provided in Item OB3 C as an addendum to the agenda and stated the letter can be toned down and edited as directed by the Board.

Based on discussion by several Directors, Mr. Wessell suggested he edit the letter to be less forceful concerning damage liability and focus more on awareness and the need for caution to prevent potential damage to the Authority's main during construction. Mr. Boahn recalled that McKim & Creed has previously spoken with NCDOT, who is agreeable, about open cutting the highway for relocating the Authority's main. Since this would provide a considerable savings to the Authority, he agreed the letter should not be overly aggressive should the Authority need NCDOT's future cooperation.

D) Resolution Authorizing the Executive Director to Seek Funding for the Lower Cape Fear Water & Sewer Authority Transmission Main Relocation Capital Project

Executive Director Betz explained the presented resolution is the Board's statement to relocate the raw water main on US HWY 421 and it directs him to seek available funding for the project without depleting the Authority's resources and/or increasing the water rate. A two to four week shutdown of the main would have a tremendous, ripple effect impact; not only to the Authority's industrial customers of Invista, Praxair, Fortron Industries and Southern States Chemical but to those whom these industries provide services. Such a shutdown would impact 160 employees who would be out of work. Dozens of downstream facilities could possibly shut down including pharmaceutical, paper, chemical, electronics, wastewater treatment and construction material plants. Oxygen supplied to regional medical and wastewater treatment facilities including hospitals, nursing homes and home health care would be at risk. The halt of material deliveries to multiple major auto manufacturers could shut down production lines at a cost that can reach \$1 million dollars per hour. Additionally there would be a significant impact to local support businesses including trucking, industrial supply, utilities and waste disposal industries. McKim & Creed estimates the probable project cost for relocation of the main at \$2,006,438.00 with an anticipated schedule of 315 days. Executive Director Betz recommended a capital project ordinance be prepared for relocating the main. He said there is an opportunity that an assisting agency can provide approximately three quarters of the cost to be repaid over a three year term. This repayment timeframe works well due to the Authority being debt free in four years. Upon approval of the presented resolution, Executive Director Bez will work with the assisting agency and prepare an agreement to present for Board approval at the March 11th meeting.

Motion: Director Williams **MOVED**; seconded by Director Newton, approval of the *Resolution Authorizing the Executive Director to Seek Funding for the Lower Cape Fear Water & Sewer Authority Transmission Main Relocation Capital Project*. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

OB4 - Kings Bluff Raw Water Pump Station Air Quality Emission Compliance and Cost-Benefit Analysis for Continued Participation in the Duke Energy Demand Response Automation Program (DRA) (Tony Boahn, P.E., McKim & Creed)

By direction of the Board a cost-benefit analysis was prepared by McKim & Creed to determine if the cost of updating the Kings Bluff Raw Water Pump Station for emission compliance will sufficiently be offset by the benefits of continued participation in the Duke Energy DRA program. Mr. Boahn presented a PowerPoint presentation of the cost-benefit analysis which is hereby incorporated as a part of these minutes. DRA is an open ended program with 2 year renewals where either the Authority or Duke Energy can terminate participation with a sixty days' notice prior to the end of the then current term. DRA requires the Authority's participation in a minimum of three energy curtailment events per year for which the Authority receives credits on its monthly electric bills. Credits for curtailment events vary based on each event and a monthly credit of \$2,925.00 (\$35,100 annually) is received for being in the program. Emission compliance costs includes the initial oxidation catalyst capital expenditure of \$131,000.00 with an annual reoccurring monitoring service cost of \$7,000.00 and an emission testing cost every three to five years of \$10,000.00. The annual cost for DRA participation inclusive of fuel and labor is \$6,050.00. DRA historical data from 2014 to date illustrates a cumulative credit of \$307,237.56 which would be reduced by approximately \$35,000 for fuel and labor. If the Authority opted out of the DRA, its electric bill would increase by \$35,100.00 per year. For continued participation in DRA the Authority must become emissions compliance. The emissions cost recovery calculation indicates the breakeven point to occur in approximately March or April of 2023. Beyond then there will be an annual net gain of approximately \$28,850.00 from DRA participation. In response to a question by Director Leonard, Mr. Boahn responded that the cost analysis does not take into account any repair costs for the aged generators. He noted participation in DRA is good in that it provides for regular operation of the generators during each event which is normally for a span of six hours. In the future the Authority is still planning on replacing the generators and Mr. Boahn said new generators would have the proper emission equipment. Director Norris questioned the outcome of this scenario if Duke Energy decided to end the program next month. Mr. Wessell responded that on January 17th he and Executive Director Betz spoke with Mark Kametches who is a Duke Energy

representative directly involved with the DRA program. The Authority's initial contract began in November 2010 and had an initial term of five years followed by automatic renewals of the contract for additional terms of two years, unless either party elects to terminate the agreement by giving written notice of the intent to terminate not less than sixty days before the end of the then current term. Additionally, Duke may unilaterally terminate the agreement if the Authority has three consecutive non-compliance events. Mr. Kametches indicated there is no current intention to end the program and he said that in the past, the only participants removed from the program were those who refused to participate in the required curtailments. He indicated that the NC Utilities Commission has the authority to terminate the program but in his opinion, there is currently no indication that the Commission wants to terminate the program. Mr. Kametches also indicated that if the Commission did decide to terminate the program, Duke could grandfather the then current participants and allow them to continue in the program but no new parties could enter the program. Mr. Wessell said it was very clear from the discussion that Duke is in favor of the DRA program and has been very satisfied with the results the Authority has shown by its participation. Mr. Wessell noted it is clear there absolutely is no guarantee that the DRA will continue indefinitely or for a long enough period for the Authority to recover the costs Mr. Boahn just described. He said it is his opinion, based on the conversation with Mr. Kametches, that it is more likely than not that the program will continue for an adequate length of time for the Authority to recover its costs. In response to questions about the emissions equipment, Mr. Boahn said the emissions equipment vendor said it is reasonable for the equipment to last for about 10 to 15 years and at that point the estimated repair cost would be about \$10,000.00. In response to a question by Director Johnson, Mr. Boahn responded that the vendor will provide equipment designed to meet the emission standards specific to the Authority's generators; therefore, it is incumbent upon the vendor to build a working system that meets the standards. The vendor has provided a proposal; however, Mr. Wessell said he will take a closer look at the contract, which hasn't yet been seen, to see what guarantees, if any it includes. In response to a question by Director Leonard, Executive Director Betz stated that the financial benefit received from Duke comes in the form as a credit on the Kings Bluff Raw Water Pump Station electric bill. For this current year the cost of energy for the station is budgeted at \$700,000.00. Without these credits the actual cost is estimated to be \$760,000.00. Director Leonard suggested that after the breakeven point is reached in 2023, the budget should be structured so that the savings is allocated towards generator replacement or refurbishment. Executive Director Betz said next month the Finance Committee will begin work on the Fiscal Year 2019-2020 where a capital improvement fund will be built in the rate structure. Funding for this capital expenditure for the emissions equipment would come from fund balance. Executive Director Betz commented the Authority has not yet received a response from NC DEQ to the request for an emission deadline testing extension from March 1, 2019 to May 1, 2019.

Motion: Director Leonard **MOVED**; seconded by Director Sue, that the Executive Director is authorized to expend up to \$131,000.00 in order to come into compliance with the NC DEQ emissions regulations and is authorized to continue participation in the Duke DRA program.

Motion: Director Zapple **MOVED**; seconded by Director Sneed, to amend the main motion to include that staff is directed to establish and provide funding options, going forward, for a repair/replacement fund for the generators. With adoption of the amendment the motion will read: The Executive Director is authorized to expend up to \$131,000.00 in order to come into compliance with the NC DEQ emissions regulations and is authorized to continue participation in the Duke DRA program. Additionally, he is directed to establish and provide funding options, going forward, for a repair/replacement fund for the generators. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

NEW BUSINESS

NB1 - Appointment of 2019-2020 Finance Committee by Chairman

Chairman Edge noted the members he appointed to the Finance Committee for fiscal year 2019-2020 including:

Wayne Edge, Chairman
Norwood Blanchard
Trent Burroughs
Al Milliken
Phil Norris
Rob Zapple

Motion: Director Sneed **MOVED**; seconded by Director Williams, approval of the Finance Committee as presented. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

NB2 - Appointment of 2019-2020 Evaluation Committee by Chairman

Chairman Blanchard noted the members he appointed to the Evaluation Committee for fiscal year 2019-2020 including:

Al Milliken, Chairman
Wayne Edge
Norwood Blanchard
Trent Burroughs
Phil Norris
Rob Zapple

Motion: Director Sneed **MOVED**; seconded by Director Williams, approval of the Evaluation Committee as presented. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

EXECUTIVE DIRECTOR REPORT

EDR1 - Customers' Water Usage Report as of January 31, 2019

For the month of January Brunswick County's water usage remains above projection as it has done for the previous four months. Currently, the Authority supplies CFPUA 100% of its raw surface water supply with January's usage being close to projection. Pender County's usage remains steady with January's usage being slightly above projection.

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS


PUBLIC COMMENT

None

ADJOURNMENT

There being no further business, Chairman Edge adjourned the meeting at 10:10 a.m.

Respectfully Submitted:



Trent Burroughs, Secretary