

ORANGE WATER AND SEWER AUTHORITY
PUBLIC HEARING AND MEETING OF THE BOARD OF DIRECTORS
OCTOBER 27, 2016

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a public hearing and regular meeting on Thursday, October 27, 2016, at 7:00 P.M. at the Chapel Hill Town Hall Council Chamber, 405 Martin Luther King Jr. Boulevard, Chapel Hill.

Board Members present: John A. Young (Chair), Jeff Danner (Vice Chair), Barbara Foushee (Secretary), Yinka Ayankoya, Terri Buckner, David (Dave) Moreau, Robert Morgan, Heather Payne and Ruchir Vora.

OWASA staff present: Ed Kerwin, Justin Andrews, Denise Battle, Dylan Bowers, Mary Darr, Greg Feller, Robert Herring, Katie Harrold, Kenneth Loflin, Andrea Orbich, Ruth Rouse, Todd Taylor, Mary Tiger, Stephen Winters, Robin Jacobs (Epting and Hackney) and Robert Epting (Epting and Hackney).

Others present: Elijah Ayankoya; Shannon Brummett, Regional Vice President, General Services Corporation (GSC); Meg Holton, Water, Wastewater and Stormwater Manager at the University of North Carolina at Chapel Hill (UNC); Earl Manhertz; David Occhiuzzo; Ben Poulson, Associate Director of Energy Services at UNC; James Ray; Kathy L. Sain-Ray; Crystal Sorrell of GSC; Taylor Sorrell; and Pamela Tekumalla.

There being a quorum present, Chair John Young called the meeting to order.

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MOTIONS ACTED UPON

1. Dave Moreau made a motion to close the Public Hearing on the proposed change in the water rate for Multi-Family Master Metered customers; the motion was seconded by Robert Morgan, and unanimously approved.
2. Robert Morgan made a motion to conclude the Board's discussion on the proposed change in the water rate for Multi-Family Master-Metered customers with the intent of further discussion and a possible decision on December 8, 2016; second by Heather Payne and the motion passed with a vote of eight to one with Jeff Danner opposed.
3. John Young made a motion to amend the Minutes of the September 8, 2016 Work Session of the Board of Directors by adding the following sentence to the end of the first paragraph on page 3, Item Three, Discuss Multi-Family, Master-Metered Rate Structure Alternatives: *John Young supported further consideration of the uniform commodity rate; however, he said he would oppose the motion because this decision was scheduled for the Board's consideration at its October 13 meeting and because this meant the Board did not receive, consider, and provide the appropriate opportunity for insights from absent Board Members.* Second by Jeff Danner and unanimously approved.

4. Robert Morgan made a motion to approve the Minutes of the September 8, 2016 Work Session of the Board of Directors as amended in Motion No. 2; second by Ruchir Vora and unanimously approved.
5. Dave Moreau made a motion to approve the Minutes of the September 8, 2016 Closed Session of the Board of Directors; second by Robert Morgan and unanimously approved.
6. Robert Morgan made a motion to approve the Minutes of the September 22, 2016 Meeting of the Board of Directors; second by Ruchir Vora and unanimously approved.
7. Robert Morgan made a motion to approve the Minutes of the October 13, 2016 Work Session of the Board of Directors; second by Ruchir Vora and unanimously approved.
8. Robert Morgan made a motion to approve the Minutes of the October 13, 2016 Closed Session of the Board of Directors for the Purpose of Discussing a Personnel Matter; second by Ruchir Vora and unanimously approved.
9. Terri Buckner made a motion to place the proposed revisions to OWASA's Cross Connection Control Ordinance for approval on the Board's December 8, 2016 agenda and that staff will notify/inform customer and stakeholders; second by Jeff Danner and unanimously approved.

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ANNOUNCEMENTS

Conflict of Interest

John Young said any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose at this time; none were disclosed.

Special Meeting

John Young said the Board will hold a Special Meeting to discuss diversity and inclusion on Thursday, November 3, 2016, at 6:00 P.M. in OWASA's Community Room.

OWASA Employee Service Awards

Ed Kerwin recognized OWASA employees who have served for 10, 15, 20 and 30 years at OWASA. The following employees received service awards:

10 Years: *Dylan Bowers, Johnny Breedlove, Andrew Crawford, James Dodson, Vishnu Gangadharan, John Miller and Jason Thomas

- 15 Years: Nathan Barnhardt, Brett Bradshaw, Terry Burkhardt, *Robert Herring and Pamela Whitmore
20 Years: Donald Boggs, *Ed Kerwin and *Denise Battle
30 Years: Roy Blackwood

The Board thanked and expressed appreciation to staff for their service to OWASA and the community.

*These employees attended the Board meeting and were recognized by their supervisors.

PETITIONS AND REQUESTS

John Young asked for petitions and requests from the public, Board and staff; there were none.

ITEM ONE: PUBLIC HEARING

John Young opened the Public Hearing on the proposed change in the water rate for Multi-Family Master-Metered (MFMM) customers.

Stephen Winters, Director of Finance and Customer Service, said the purpose of tonight's public hearing is to give the public an opportunity to comment on the proposed change for MFMM accounts and for the Board to discuss the input and determine next steps.

Mr. Winters said that MFMM customers are those residents who live in properties for which one OWASA meter serves more than one residential dwelling such as duplexes or apartment complexes. In these instances, OWASA bills the property owner rather than individual residents for water and sewer services. Generally, water and sewer service costs are either included in the residents' rent or, if the property is sub-metered, billed separately by the property manager or a third-party service provider. For properties without sub-metering, a resident's dwelling unit expenses do not increase or decrease no matter how much water the resident uses.

Mr. Winters said the Board is considering changing the way OWASA charges MFMM customers for water use; instead of a seasonal rate which is higher during the months of May through September and lower from October to April, the proposal is to change to a year-round rate. (The sewer rate and fixed monthly service charges will remain the same.) Water use at most MFMM complexes does not fluctuate greatly from month-to-month and customers are surprised when their bills increase but their water use has not.

Mr. Young opened the Public Hearing for public comments and noted that a few comments were received via e-mail from customers and stakeholders.

Shannon Brummett, Regional Vice President of General Service Corporation, said he agrees with proposed change for MFMM customers and hopes the Board approves it.

Dave Moreau made a motion to close the Public Hearing on the proposed change in the water rate for Multi-Family Master Metered customers; the motion was seconded by Robert Morgan, and unanimously approved. Please see Motion No. 1 above.

Mr. Young opened the discussion for Board comments.

Mr. Moreau pointed out that the data for the MFMM residents for this class of customers is very different than any other customer class that OWASA serves and that the seasonal rates no longer seem appropriate for MFMM customers.

Heather Payne acknowledged that MFMM customers' billing is a problem but that she believes that a conservation signal, such as that communicated through seasonal rates, should be maintained for all customer classes. She stated that if a uniform rate is appropriate for one customer class, a uniform rate should be used for all customers.

Terri Buckner reminded the Board that the MFMM customer billing was discussed as part of our affordability outreach and that she would be willing to vote on the proposed change tonight.

Jeff Danner said that water conservation is a stated goal of rate-making and eliminating the seasonal rate conservation signal for MFMM customers would be contrary to that goal. Mr. Danner opposed voting on the proposed MFMM change tonight.

Yinka Ayankoya said that she agreed with the proposed change for MFMM customers but wants to ensure that the administrative fee charged to MFMM customers, and allowed by the North Carolina Utilities Commission (NCUC), is appropriate.

Mr. Winters said that the NCUC governs the administrative fee, not OWASA.

Mr. Young said he has concerns about eliminating a conservation signal to MFMM customers and suggested incorporating an increasing block rate structure. However, this alternative would require a change in the NCUC's rate-approval practices. Mr. Young opposed a vote on the MFMM change tonight.

Mr. Moreau said that an excess-use charge could also be applied, however, this option would require additional review and analysis. Mr. Moreau also stated that his comments are not intended for the short-term, that he is willing to vote for a uniform rate now, or in December, and to consider other options in the future.

Robert Morgan made a motion to conclude the Board's discussion on the proposed change in the water rate for Multi-Family Master-Metered customers with the intent of further discussion and a possible decision on December 8, 2016; second by Heather Payne and the motion passed with a vote of eight to one with Jeff Danner opposed. Please see Motion No. 2 above.

ITEM TWO: QUARTERLY ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Board received this as an information item.

ITEM THREE: MINUTES

John Young made a motion to amend the Minutes of the September 8, 2016 Work Session of the Board of Directors by adding the following sentence to the end of the first paragraph on page 3, Item Three, Discuss Multi-Family, Master-Metered Rate Structure Alternatives: *John Young supported further consideration of the uniform commodity rate; however, he said he would oppose the motion because this decision was scheduled for the Board's consideration at its October 13 meeting and because this meant the Board did not receive, consider, and provide the appropriate opportunity for insights from absent Board Members.* Second by Jeff Danner and unanimously approved. Please see Motion No. 3 above.

Robert Morgan made a motion to approve the Minutes of the September 8, 2016 Work Session of the Board of Directors as amended in Motion No. 2; second by Ruchir Vora and unanimously approved. Please see Motion No. 4 above.

ITEM FOUR: MINUTES

Robert Morgan made a motion to approve the Minutes of the September 22, 2016 Meeting of the Board of Directors; second by Ruchir Vora and unanimously approved. Please see Motion No. 5 above.

ITEM FIVE: MINUTES

Robert Morgan made a motion to approve the Minutes of the September 22, 2016 Closed Session of the Board of Directors for the Purpose of Discussing a Personnel Matter; second by Ruchir Vora and unanimously approved. Please see Motion No. 6 above.

ITEM SIX: MINUTES

Robert Morgan made a motion to approve the Minutes of the October 13, 2016 Work Session of the Board of Directors; second by Ruchir Vora and unanimously approved. Please see Motion No. 7 above.

ITEM SEVEN: MINUTES

Robert Morgan made a motion to approve the Minutes of the October 13, 2016 Closed Session of the Board of Directors for the Purpose of Discussing a Personnel Matter; second by Ruchir Vora and unanimously approved. Please see Motion No. 8 above.

ITEM EIGHT: COMPREHENSIVE ANNUAL FINANCIAL REPORT – COMMENTS FROM THE BOARD AND PUBLIC

John Young said that OWASA's financial condition is excellent and that over 80 percent of

OWASA's Capital Improvements Program investments go towards renewing and replacing infrastructure.

Mr. Young asked about the status of benchmark information the Board requested about how OWASA's liability relating to other post-employment benefits (OPEB) compares to other similar organizations. Stephen Winters said that information is being developed.

Heather Payne congratulated staff on a job well done.

ITEM NINE: UPDATE TO THE CROSS CONNECTION CONTROL ORDINANCE

Todd Taylor, General Manager of Operations, provided a presentation on the proposed revisions to OWASA's Cross Connection Control Ordinance. He said that in 1999, the OWASA Board of Directors adopted an Ordinance for the Control of Backflow and Cross-Connections to "...prevent the community drinking water from being contaminated by a polluting substance caused by a back siphonage, back pressure, or a direct connection..." In general, this ordinance ensures that certain connections to the drinking water distribution system are either prohibited or, at a minimum, have a testable device (i.e. backflow prevention assembly) installed on the connection to reduce the potential for contaminants being drawn back into the drinking water distribution system. Mr. Taylor went on to say that while industry best practices in regards to the prevention of backflow and cross-connections have evolved, OWASA's Ordinance has remained virtually unchanged since its adoption. Therefore, staff is proposing changes to reflect current practices.

Mr. Taylor said that it is important to note the proposed revisions with the most significant impact will be to customers who are required to have these devices will be the standardization to a reduced pressure principle device, as well as actively enforcing the requirement of annual testing of the device. Mr. Taylor said that staff will inform and solicit feedback from affected customers about the proposed changes and active enforcement prior to Board approval.

Heather Payne said her concern with the proposed revisions is that customers have devices that are buried and the cost to replumb as proposed would be expensive. She suggested a variance process be implemented to replace a device in the current location instead of replumbing.

Terri Buckner requested feedback from customers and stakeholders prior to a vote.

Mr. Taylor said that staff plans to notify and inform customers and stakeholders of the proposed revisions and will provide that information to the Board.

Terri Buckner made a motion to place the proposed revisions to OWASA's Cross Connection Control Ordinance for approval on the Board's December 8, 2016 agenda and that staff will notify/inform customers and stakeholders; second by Jeff Danner and unanimously approved. Please see Motion No. 9 above.

ITEM TEN: ANNUAL REVIEW AND UPDATE OF STRATEGIC TRENDS AND UTILITY PLANNING ISSUES

The Board received this report and suggested next year's review include information on technologies that other utilities are implementing and areas of importance being noted by national water and wastewater organizations.

ITEM ELEVEN: FINANCIAL REPORT FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2016

The Board received this as an information item.

ITEM TWELVE: EXECUTIVE DIRECTOR WILL SUMMARIZE THE KEY ACTION ITEMS FROM THE BOARD MEETING AND NOTE SIGNIFICANT ITEMS FOR DISCUSSION AND/OR ACTION EXPECTED AT THE NEXT BOARD MEETING

Ed Kerwin summarized the meeting as follows:

- Staff will address the Board's feedback on the Cross Connection Control Ordinance;
- Staff will address the Board's feedback on the Update of Strategic Trends and Utility Planning Issues;
- Staff will add the 12 Month Board Schedule to each agenda; and
- The November 10, 2016 Work Session will include the following:
 - o Review Draft Advanced Metering Infrastructure System Community Engagement Plan;
 - o Discussion of the Long-Range Water Supply Plan Goals and Objectives;
 - o Review an Interlocal Agreement for Historic Rogers Road Sewer Bidding and Construction between Orange County and OWASA; and
 - o Staff recommendations regarding OWASA's 40th Anniversary in February 2017.

ITEM THIRTEEN: CLOSED SESSION

Without objection, the Board of Directors convened in a Closed Session in the First Floor Conference Room for the purpose of discussing a personnel matter.

The meeting was adjourned at 10:15 P.M.

Respectfully submitted,



Andrea Orbich

Executive Assistant/Clerk to the Board