

**PASQUOTANK COUNTY, NORTH CAROLINA
JUNE 2, 2014**

The Pasquotank County Board of Commissioners met today in a work session on Wednesday, June 2, 2014 in the Community Room at the W.C. Witherspoon Memorial Library.

MEMBERS PRESENT:

Jeff Dixon, Chairman
Joseph S. Winslow, Jr., Vice-Chairman
Lloyd E. Griffin, III
Cecil Perry
Dr. William R. Sterritt
Gary G. White
Frankie Meads

MEMBERS ABSENT: None

OTHERS PRESENT:

Rodney Bunch, County Manager
Sheri Small, Finance Officer
Rich Olson, City Manager
Frank Heath, Perquimans County Manager
Bill Diehl, Perquimans County Engineer
Karen Jennings, Clerk to the Board

The work session was called to order at 3:00 PM by Chairman Jeff Dixon. County Manager Rodney Bunch advised that he has met with the City Manager and the Perquimans County Manager to make them aware of the need to discuss a new rate for bulk water sales from the RO water plant.

Water Superintendent John Gregory passed out a sheet listing the RO production costs per 1,000 gallons for 2013 and the first four months of 2014, ranging from a high of \$10.28 to a low of \$6.90. He said a rate adjustment is needed and that a rate of \$6.50 per 1,000 gallons had initially been recommended. The current rate is \$5.34 per 1,000 gallons. Mr. Gregory said the RO costs included in the calculations are labor, electricity, membrane refurbishment, chemical costs, operational costs including maintenance, indirect costs, debt payments, and reserves.

City Manager Rich Olson stated that the city has done its own calculations associated with the RO plant and he said they have no problem with the operation of the plant. He said the city agreed to the operating costs, but has an issue regarding how the debt is distributed. He said he believes the city should only be charged for 12.5% of the debt payment based on its take or pay obligation of 250,000 gallons per day from the 2,000,000 gallon per day capacity. He said according to his calculations the city should only be paying \$4.30 per 1,000 gallons and has been overpaying for some time now. He noted that the city is only taking 50,000 gallons per day from the RO plant and is taking the remaining 200,000 gallons of its take or pay obligation from the conventional plant. He said he does not believe the production cost of conventional water is as high as the cost of RO water.

Mr. Bunch said when the contracts with the city and Perquimans were initially written, a schedule of how the rates would be determined was agreed upon and that schedule has not been altered.

Perquimans County Manager Frank Heath stated that he agrees with Mr. Olson's reasoning and that Perquimans County's percentage of the debt would only be 7.5%.

Mr. Bunch said something that must be considered is that the plant had to be designed to produce more water than was to be sold because a certain amount of water is lost during production. Water Superintendent David Smithson added that about 25% is lost during production. Mr. Bunch pointed out that during the design of the plant, it was designed to provide more water to Perquimans than Perquimans is now purchasing which added to the cost of the plant.

Mr. Olson noted that the city originally had discussions about purchasing 500,000 gallons per day, but because the plant took so long to get onboard the city had to spend \$2 million to expand its well field, so the city cut its allocation from 500,000 gallons per day to 250,000 gallons per day.

Bill Diehl, Perquimans County Engineer, said the original estimate he had of the water costs was based on selling 1.3 million gallons per day and currently he believes between 600,000 and 700,000 gallons are being sold per day. He explained that Perquimans County was originally considering purchasing 350,000 gallons per day, but dropped back to 150,000 gallons per day due to the economy.

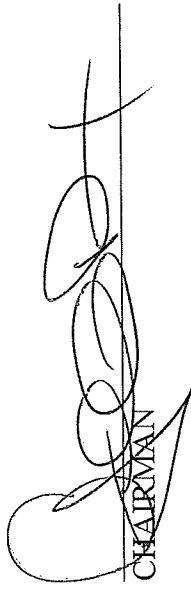
Mr. Smithson stated that in order to treat 1.3 million gallons per day the RO plant would have to run at full capacity 24/7 and that is not practical. He said is it now running at about 64% of capacity.

Mr. Olson asked that the Board take another look at the production costs before making a decision on a new bulk rate for RO water.

After lengthy discussion, the Board asked staff to do further research on the RO production costs.

The meeting was adjourned at 3:40 PM.


CLERK TO THE BOARD


CHAIRMAN