

ORANGEBURG CITY COUNCIL AND DPU  
BUDGET WORKSHOP MEETING MINUTES – JUNE 16, 2022

Orangeburg City Council and the Department of Public Utilities held a Budget Workshop Meeting on Thursday, June 16, 2022 at 9:00 a.m. at the DPU Operations Center with Mayor Michael C. Butler presiding.

PRESENT:           Michael C. Butler, Mayor  
                      Dr. Kalu Kalu, Mayor Pro Tem  
                      Councilmember Bernard Haire  
                      Councilmember Jerry Hannah  
                      Councilmember L. Zimmerman Keitt  
                      Councilmember Sandra P. Knotts  
                      Councilmember Richard F. Stroman

Manager Harley informed City Council ("Council") that we will go through our normal presentation with them and at any time during the presentation if they have any questions, please feel free to interrupt if you need clarification on something. As a part of our discussion, as you recall, in a part of our planning and goal setting session we said we were going to bring some things back to you in respect to some options regarding rates so we have our rate consultants Raftelis, Mr. Bart Kreps and Mr. Will Kerr with us and they will be presenting to you after our staff has gone through their portion of our presentation.

Director Josh Nexsen informed Council that the agenda for today is to give the operational very high level budget and there is still a lot of moving parts to this and it is really just an estimate at this time. The main area of this presentation will be the capital projects, the capital budget, review of the current projects, and proposed new projects for the new fiscal year as well as to summarize the total capital outlay needed by the department. The presentation will then follow with a financial forecast and rate update from Raftelis and Tom Sullivan. Our goal is to maintain the integrity of the DPU which is one of the most respected utilities in the state of South Carolina. Some takeaways from the operational budget as far as revenues and costs are on the increase in sales and while that would normally be a very good thing that is primarily due to a very bad thing. We have seen inflation as Council is well aware running at nearly ten percent and in some areas it is much higher than that. The cost of electricity and natural gas that we purchase from our suppliers and sell to our rate base is reflected in that very large increase. Unfortunately, it looks like that increase is being passed on and bears no benefit to the DPU or its customers. Operating expenses as you know continue to increase due to inflation. A tight labor market means you are paying more to get jobs filled. On the capital budget side, we are seeing a lot of the same pressures; prices 30 – 50 percent over our initial budgetary expectations. The impact of the economic environment and operating revenues of the DPU directly affect capital finance; our capital and operational budgets. Pass-through cost increases of purchased power and gas are probably some of the highest we have seen in fifteen years, since the early 2000s. Operating expenses are projected to increase quite a bit on things as simple as paper and printing which have already gone up significantly. Of the next year's operating budget, the DPU will have revenues of around \$100 million. We are projecting that increase quite significantly and it could increase again before this operational budget is finalized and presented to Council. The DPU transfer to the City's General Fund is projected to increase slightly. It is down from the current year as you know when there was a one-time \$1.2 million increase to the City's General Fund and this budget has it going back to a more normalized level. The net profit after the transfer for the DPU is projected to be \$3,525,000 which will be the lowest net income for the DPU since 1980. At that time the transfer to the City was \$1.8 million and at that same time the balance sheet for the DPU was around \$125 million; it is about \$400 million now. The cash provided by operations is budgeted to increase slightly, primarily due to the time it is taking us to get projects done. The General Fund transfer is budgeted to remain at \$6.2 million, again this is a return to the year before last level before the additional \$1.2 million increase in the current year. The use of cash over the next few years for capital spending is budgeted to increase

quite a bit. The total cash budgeted to draw down is \$3 million during the upcoming fiscal year.

Administrative Division – Director Josh Nexsen

Director Nexsen informed Council that the Administrative Division has four projects that are all previously approved.

Administrative Division Project – DPU Operations Center Crew Quarters and Assembly Building (Previously Approved Project) – Cont’d.

Director Nexsen gave an update on this project. This project is the building that you are sitting in and it is 95 percent complete. That last five percent of the project cost \$650,000 and we are currently in mediation with the general contractor over some punch list items. This project should be wrapped up and completed by the end of September.

Administrative Division Project – Enterprise Software Upgrade (Previously Approved Project) – Cont’d.

Director Nexsen gave an update on this project. The DPU has spent the last 6 – 8 months in contract negotiations and defined our statement of work to make sure we are clear about the level of detail we put into our statement of work to make sure we cover all of our basis on our interfaces because this is a rather complex project. To date we have spent around \$25,000 and hopefully we will fall within the \$550,000 project budget. It has been seven years since we have upgraded the software.

Administrative Division Project – Sprinkle Avenue – Land Improvement Project (Previously Approved Project) – Cont’d.

Director Nexsen informed Council that this project is the other portion of the land directly behind the Operations Center; up Sprinkle Avenue (between Joe Jeffords and Sprinkle). This is approximately 26 acres of land with an entrance off of Sprinkle Avenue that the City’s Forfeited Land Commission granted to the City. The property is segregated from the current Operations Center site by a railroad track that has an easement on it on either side which prohibits anyone from crossing that right-of-way. The land has a wetland about half an acre that needs to be mitigated. We will clear/mass grade the site which will improve the stormwater drainage in that area. This will be a potential economic development site for the City in the next two to three years.

Administrative Division Project – Cyber Security Assessment (Previously Approved Project) – Cont’d.

Director Nexsen said that the DPU IT Department has been working over the past 6 - 8 months on planning. A lot of work has been done on the front end working with the Cyber Security Insurance Provider on parts of this project which can be done in-house. A lot of this project is housekeeping and accounting clerical work; making sure you have certain systems and processes in place before we hire a firm to come in. The DPU has been working with the Department of Homeland Securities Cicero Group (the Cyber Security Group) and they actually conduct weekly scans of all our IP addresses and our internal and external networks and let us know of any vulnerabilities.

Administrative Division Project – HVAC and Roof Replacement (Previously Approved Project) – Cont’d.

Director Nexsen said this project is to replace the four roof top HVAC units at the Main Office as well as the roof on the Main Office. These are actually two separate projects; each \$350,000 with a total budget of \$700,000. The roof was last replaced in the 1980s. The four roof top units were replaced in 2000 and they normally last about 20 years at the most. These units are on their last leg and the maintenance costs alone is starting to surpass the cost of replacement. As with many projects, we are finding much higher bid prices than we estimated a year and a half ago when we initially started the project as well as long delays in obtaining materials. We have solicited bids for this project and they

came around \$1.2 million which is a \$500,000 increase over the estimates. We are in the process of determining whether we cut parts of the project and make do with what we have a little longer or look at other options so we can try and stay in our budget of \$700,000.

Electric Division – Director Wade Holmes

Director Holmes informed Council that the Electric Division has seven projects that they will be working on for this upcoming fiscal year; five are previously approved projects and two are new projects. Our primary goal is to replace aging infrastructure and improve our system for reliability and resiliency. So far the DPU has completed the rebuild upgrades on Substations 4, 16, 1, 10 and 12. Presently we are working on Substations 2, 7, 9, 19, 20 and 25.

Electric Division Project – Rebuild – Substation 19 (Previously Approved Project) – Cont'd.

Director Holmes said that Substation 19 is located on Old Ellore Road and is our delivery point substation. When we buy power from Dominion Energy it comes through this substation for 90 percent of our system. The switches and breakers are relatively 30 plus years old so the DPU wants to upgrade this substation so that will be able to provide power to the rest of the system with greater reliability and also have the reliability to increase our megawatts. Right now, our system is capable of handling 250 megawatts but we are trying to upgrade the connection point to our provider which is Dominion Energy so the we can handle up to 400 megawatts of electricity. Upgrading this substation also allows us to get rid of one of our older substations which is Substation 6.

Electric Division Project – Rebuild – Substation 20 (Previously Approved Project) – Cont'd.

Director Holmes said that Substation 20 is located on Rowesville Road. The substation is located directly across from what they call the "Power Site." The Economic Development Commission can tell you that if any extremely large industrial customer want to come to the Orangeburg area this is the main site that they look at. There is around 800 megawatts of potential customers looking at this area. When we get one of these potential customers we will have the ability to serve the customer without any hiccups. Manager Harley said this area is the most popular site in the state of South Carolina. This substation now is capable of 50 megawatts and we have the potential to increase it to 150 megawatts.

Electric Division Project – Substation 25 – (Previously Approved Project) – Cont'd.

Director Holmes said that Substation 25 is located on Sprinkle Avenue directly across the road between the Fairgrounds and our new substation. Once we get this substation built and online we will be able to take Substations 2, 7, 9 and 17 offline. Substation 2 is located behind the Fairgrounds, Substation 7 in on Sprinkle Avenue, Substation 9 is on Glover Street and Substation 17 is located between SCSU and Claflin University. Substation 25 will replace these older substations. Manager Harley said that the DPU wants to put substations as best as we can where they would reduce interaction with the public. Councilmember Hannah asked once substations go offline what do we do with the substations and the land. Director Holmes said that we will recoup anything that we can use of the old substation such as the transformer. We will have it tested and if it has any viable life left in it we will keep it as a spare in our inventory. If the transformer has no viable life left in it we will sell it for the metal. Director Holmes and Manager Harley would ask Council what they would like to do with the land. Manager Harley said that in one case he and Randy Efters brought a project to Council that they are still working on and will bring back to them; in other cases, the DPU will reach out to the City Administrator to see what the City might be able to with the land. Councilmember Keitt said that with this kind of consolidation in the next two or three years we will be able to save some funds.

Electric Division Project – Mobile Radio Upgrade (Previously Approved Project) – Cont'd.

Director Holmes said this project will be wrapping this year. We have already purchased the equipment and right now it is in the programming phase. The DPU has always had its own radio system for communication between the office and the trucks and dispatch; now we are actually doing like the City did and going on the 800-MHz State owned system.

Electric Division Project – 115 kV Loop to Substation 24 (Previously Approved Project) – Cont'd.

Director Holmes said this project is located off of Galaxy Road near the City/County Industrial Park. This is our only substation that is not on our 115kV Loop. We prefer to have this substation on our 115kV Loop because it will provide that bi-directional feed and allows us more reliability and resiliency when it comes to our system. We have entertained three options of either purchasing a right-of-way to that substation from three different approach points and right now we are still analyzing those options so we can bring that substation on to our 115kV Loop.

Electric Division Project – Distribution Resiliency Upgrade 8320 – (Proposed Project) – New

Director Holmes said that this a new project which is a distribution and resiliency upgrade on our 8320 System. When we talk resiliency, we are talking about building a system that is capable of operating as normal as possible during the most critical events such as severe thunderstorms, hurricanes, tornadoes, and ice storms. What we start to see in industry is that instead of building bigger lines or adding bigger poles technology has allowed us to look back and improve the main arteries of overhead powerlines. The average wood pole on a system lasts anywhere from 30-35 years but if we go back and replace those poles with ductile iron poles and install tree hardened circuitry it will increase the longevity from 30 years to 75 years. When a severe weather event comes through and a tree falls over it will not knock the power out. When a tree falls on these lines and poles it will not cause any type arcing or tracking down to the ground. Councilmember Kalu asked how do we plan to pay for this project and Director Holmes said this is probably a ten year project so the total amount for this project would be spread out and not spent in the next fiscal year; this is a long term project. Circuitry enhancement include the impact of 35% EV penetration on circuitry design. All the dealerships have started selling electric vehicles which will require charging stations so we need to make sure our system can handle it. We are trying to get ahead of the curve so when businesses and people are purchasing more electric vehicles we are prepared.

Electric Division Project – Substation 26 – (Proposed Project) – New

Director Holmes said with this project we are looking to locate this substation at the end part of Rowesville Road and it is just for a specific industry that is out there. This industry has a very high consumption. They use the power within a specific time; its like having an arc and when you hit that arc it is a big power draw and then once it goes offline it goes back. There is a lot of spiking in the current load for this industry customer which can affect the overall system in that area. We have a spare transformer that is not being used which is 30 years old. If we put that transformer near the location of that industrial customer we can use it to feed that customer which has been expanding over the last three years and won't have that ripple affect on the line up Rowesville Road. Once you come back towards town there is a lot of industry with very sensitive equipment that the current voltage swings affect.

Gas Division – Director Dave Durgin

Director Durgin said that the Gas Division would like to present its capital projects which represents our efforts to improve the aging infrastructure of the DPU system.

Gas Division Project – US Hwy 301 Bridge Replacement (Previously Approved Project) – Cont'd.

Director Durgin said this is a continuing project where we are replacing the existing original feed to the system which was originally located on the US Hwy 301 Bridge. We have reconsidered our design and have shifted it a little bit south of the 301 Bridge. We feel that this route gives us a better more cost effective solution to maintaining reliability to the DPU system. This project is estimated to still be around \$1.3 million and we are anticipating on bidding it out in the next couple of months. We have already purchased the pipe which has saved us approximately \$100,000 by locking in the price when we did.

Gas Division Project – Improvements to the Belleville Road Area (Previously Approved Project) – Cont'd.

Director Durgin said that they have been working diligently on the Belleville Road intersection. We have been spending the last year working on rebuilding that intersection and that regulator station to be sure that we can serve that area reliably. The work is 99 percent complete on that intersection so now we will begin focusing our efforts on the larger part. Lead times on materials are continuing to be a challenge for us. Councilmember Knotts asked which intersection and Director Durgin said it is the intersection at Old Belleville Road and Cameron Road which is where the regulator station is located that feeds that area.

Gas Division Project – Improvements to the Edisto Drive Area (Previously Approved Project) – Cont'd.

Director Durgin said the improvements to the Edisto Drive actually go hand in hand with the 301 Bridge Project; as we move forward with one we will move forward with the other.

Gas Division Project – McCord's Ferry (Previously Approved Project) – Cont'd.

Director Durgin said that McCord's Ferry is another ongoing project. It was listed as Project House last year. We were able to proceed with this project and it came in under the projected budget. We are at an 80 percent completion level and the developer has already connected approximately 12 houses to the system and has ordered another 56 services. Manager Harley said this is the project near Elloree.

Gas Division Project – Riverside Drive Pipe Replacement (Previously Approved Project) – Cont'd.

Director Durgin said this project is on Riverside Drive where we are replacing the 8" steel main. Our bid documents that will go out next week. We have already secured the materials so we have taken care of that piece of the lead times and we are hoping to still be able to complete this project within this fiscal year.

Gas Division Project – Russell Street Rehabilitation (Proposed Project) – New

Director Durgin said this is a new project. We are re-examining the way that we deliver utilities within the Orangeburg area and have identified that this particular area on Russell Street is part of the original system which is approaching being 70 years old so we are going to replace the gas main before it becomes an issue. Currently this gas main resides about two feet in front of the doorways of the Pecan Company and the other buildings on this strip. We are planning on moving the gas main to the backside of the building so that we remove high pressure gas from being in the direct downtown area. We project this project will cost approximately \$400,000 and add to the improvement, safety, and reliability of the DPU Gas system.

Director Durgin said in summary we have budgeted approximately \$6.8 million and we are planning to spend approximately \$4 million next year. We are also working on a plan to re-address the patches along Russell Street between Magnolia Street and the By-Pass. This was a project that Council approved to allow us to change out that leaky pipe and

we have been working with several asphalt companies on remediating and consolidating these patches. Hopefully this will be done in the late Fall.

Water Division – Director Eric Odom

Director Odom said the Water Division has five projects, three which have been previously approved and two new projects for the upcoming year.

Water Division Project – Relocate of 12" Water Main Across Edisto River due to Hwy 301 Bridge Replacement (Previously Approved Project) – Cont'd.

Director Odom said currently we have budgeted \$2 million for this project. As part of this project we are going to increase the size from a 12 inch to an 18 inch pipe. We had anticipated this project would have already been done but it is currently being delayed to the SCDOT right-of-way acquisition process. We heard a few weeks ago that they plan to bid the bridge work in August of 2022 and construction hopefully beginning in the first quarter of 2023. Our water main has to be relocated before they start the bridge work because our water main is in the footprint of the new bridge.

Water Division Project – Replace Lead Joint Cast Iron Mains (Previously Approved Project) – Cont'd.

Director Odom said that this is our cast iron and galvanized pipe replacement project that was previously approved. This project is bound by Whitman Street, Russell Street, Magnolia Street, and Whittaker Parkway. Part of this project will come back to 301 and tie into our 12" water main with the plans to run a 12" water main to one of SCSU's primary meters. We see that SCSU and Clafin continue to add buildings and grow and obviously these new buildings require more fire flow than buildings built in the past. We are incorporating some improvements in this project to help out with some of those projects that happen on SCSU and Clafin. Currently we are in the acquisition phase for \$1.6 million for a CDBG Grant to help offset some of the cost of this project. Director Odom said he and Manager Harley have also discussed some other grant funding that is going to become available in the next few months for water and wastewater that we may be able to incorporate into this project to hopefully offset 100 percent of this cost. Some of the overall benefits are to improve the overall reliability for the system and to improve water quality which is one of the primary goals.

Water Division Project – Water Meter AMI Deployment (Previously Approved Project) – Cont'd.

Director Odom said that this our Water AMI project which we had to come back and ask for an additional \$1.1 million to see this project through. Had we not locked in our prices in November it would probably cost double the amount for this project right now because meter prices are skyrocketing. We hope to have the meters by the end of this year.

Water Division Project – Repaint Dantzler Street Elevated Water Tank (Proposed Project) – New

Director Odom said this project is repainting of our Dantzler Street Tank. The total project cost is \$500,000. This tank was last painted in 2007 and has a cellular antenna on it which brings in revenue for the DPU. The cellular company is proposing changing that equipment out on the tank so we are required to go through a structural evaluation to make sure that it will support the new antenna and part of that evaluation determined that it was not going to meet the current days codes. The cellular company is paying for all the structural improvements on the water tank and once they are done we are going to repaint it. It is going to cost around \$500,000 because we actually have to sandblast all of the inside and outside of the tank. Councilmember Hannah asked if the residents in the area will be disrupted in any way and Director Odom said no; we have redundancy built into the system where we can take that tank offline for several months at a time and then put it back online.

Water Division Project – Alum Sludge Lagoon Cleanout (Proposed Project) – New

Director Odom said that our Alum Sludge Lagoon Cleanout is a new project. The lagoon was built in the 1989 – 1991 timeframe. At that time the Water Treatment Plant sent all of the solids that we removed out of the river water in our treatment to this lagoon. In 2001 we stopped when we put in a membrane system and routed the solids to the Wastewater Treatment Plant. In 2005 we came to Council and did a project where we cleaned out a section of the lagoon because it was full. During heavy rain events we increase the chemicals that we use at the Plant so we have a heavier residual load but at the same time the Wastewater Collection System as well as the Plant doesn't like the additional rain in our hydraulic loading coming from the Plant to the wastewater system. During poor water quality due to high rain events the cleanout will allow us to be able to get off the wastewater system and give us another place to get rid of our Water Treatment Plant residuals. The total project cost is \$4 million.

Wastewater Division – Director Richard Labrador

Director Labrador said that the Wastewater Division has no new projects for the upcoming fiscal year and two current projects.

Wastewater Division Project – Biosolids Dryer Replacement (Previously Approved Project) – Cont'd.

Director Labrador said the Biosolids Dryer Replacement project is substantially complete and we hope to be finished by the end of this fiscal year.

Wastewater Division Project – Hampton Drive Area Rehabilitation (Previously Approved Project) – Cont'd.

Director Labrador said the Hampton Drive Area Rehabilitation project replaces the deteriorated pipes and manholes and reduces excessive inflow and infiltration. We received an RIA grant to help with the cost and updated the project scope. This project will begin before the end of this fiscal year and hopefully will be finished early of the next fiscal year.

Manager

Manager Harley said the DPU projects focuses on addressing aging infrastructure and we will always endeavor to try to maintain our safe and reliable system. We do a ton of work on a regular basis which are the numbers that you see listed as our Routine Capital Items. The DPU is always addressing issues throughout the system trying to make sure that we continue to provide service. Manager Harley informed Council the Mr. Bart Kreps and Mr. Will Kerr from Raftelis will give present a forecast in terms of our rates. We have some options for you to look at.

Raftelis Presentation

Mr. Bart Kreps presented the DPU financial forecast and Mr. Will Kerr presented three options for Council to consider regarding rate increases. No vote was taken at the meeting.

The meeting was adjourned.

Respectfully submitted,

*Carol E. Franklin*

Carol E. Franklin  
Executive Administrative Assistant to the Manager  
Department of Public Utilities