

ORANGEBURG CITY COUNCIL AND DPU
BUDGET WORKSHOP MEETING MINUTES – JUNE 27 and JUNE 28, 2024

Orangeburg City Council and the Department of Public Utilities held Budget Workshop Meetings on Thursday, June 27 and Friday, June 28, 2024 at 10:00 a.m. at the DPU Operations Center.

Thursday, June 27th – Day 1

Mayor Pro Tem L. Zimmerman Keitt presided at this meeting.

PRESENT: L. Zimmerman Keitt, Mayor Pro Tem
 Councilmember Annette Dees Grevious
 Councilmember Jerry Hannah
 Councilmember Dr. Kalu Kalu
 Councilmember Sandra P. Knotts
 Councilmember Richard F. Stroman

Mayor Pro Tem Keitt opened the meeting and turned it over to Manager Harley who thanked City Council ("Council") for joining us for the budget workshop meetings for the 2024-2025 fiscal year. He informed Council that in front of them they have a booklet which includes an agenda for Day 1 which outlines the day. The day will start with a financial forecast which will be given by our consultants from Raftelis Will Kerr and Bart Kreps. They will also present an overview of our five-year capital improvement plan. We will also have some short informational presentations that will cover lighting, economic development, etc. Manager Harley said that we will also have a brief presentation during our lunch from Mr. Keith who is one of the local artists that is working with the program to do the mural downtown. Ms. Grevious has set this up and he will give you a quick look at what he is doing. There are no decisions for you to make, no votes to take; everything is just information. For us and what we do today from the DPU standpoint is that we want to give you as much information as you need to make informed decisions about the things that we are going to ask of you going forward. Manager Harley said tomorrow we will have another meeting which will be specific to the projects that we are talking about doing in the upcoming year. We will give you a proposed project list as well as updates on the current projects that we are doing. As you know, our projects are generally multi-year projects. He introduced Will Kerr and Bart Kreps but also, as all of you know, Josh Nexsen our Administrative Director, Eric Odom our Water Director, Richard Labrador our Wastewater Director, Dave Durgin our Gas Director, Wade Holmes our Electric Director, Daniel Driggers our Budget Director, Cheryl Lynch our HR Director, Randy Eppers our Business Development Coordinator, Lauren Privett our Comptroller, Sidney Evinger, who we invited to attend, Tanner Garrick a Superintendent in our Electric Division, and our friends from Border States, Jimmy Woods, his boss, and Dee that will help us with a lighting demonstration. Manager Harley said he and Council have talked a lot about lighting in the city and Director Holmes has a plan going forward that will be presented to you today and we will talk about the cost tomorrow; we want to make you understand what we have been trying to do with respect to lighting. He then asked Mr. Kreps to come up and give his presentation. Mr. Kreps said he appreciates the opportunity to talk to Council today; he and Mr. Kerr will tag team the presentation. He said they have looked at a couple of initiatives this year. He said the way they are going to go through their presentation is in two pieces; this year Raftelis was asked to do something in addition to what they normally do for DPU. One piece is a cost-of-service study. For utilities it is best practice every three to five years to do a cost-of-service study and this is they look at the revenue sufficiency of each of the utilities independently to see where they are relative to the revenues, relative to the cost of providing that service. The second piece is within the utilities; where we serve different types of customers; residential customers, commercial customers, and industrial customers. This study looks at how we are recovering those costs from those customers and whether or not we are doing this in a reasonable way or whether or not we want to make some adjustments. Mr. Kreps said Mr. Kerr is going to come up and talk about the cost-of-service study which looks at kind of a point in time like where we are today. The second piece of this is where we are going in the future which is the financial forecast. This is when we come in and talk to you every year; we have our road map. We look at where we are today and more importantly where we are going in the future. We look at our revenues and how we project those revenues in the future, our costs whether they are operational; capital is a big component which the DPU will spend tomorrow talking about, reserves, financial policies, etc. We will also talk about today what our projected rate recommendations are and how we compare them to other

communities. Mr. Kreps told Council to feel free to ask any questions they may have. Mr. Kreps said the DPU is an enterprise fund; it is funded from user charges; it is not funded from taxes in any way. An enterprise fund by definition should be self-supporting; it should be able to cover its costs. There is no tax funding that comes in; the DPU actually makes a payment to the City's general fund. It is all revenue from user fees and our overall goal is to make sure that it is at least equal to and/or greater than covering its costs. We look at the individual utilities to see if they are covering their costs. There are two ways you can look at costs; one way is the cash basis. Different customer classes use the system differently; they have different levels of service, different demand requirements. Some customers use the system and require service very consistently, some customers peak the system more and the cost-of-service study get into this in a detailed way. What we are trying to do ultimately is the way we charge for services to do it in an equitable way. The legal test with rates within public utilities is that we can't be arbitrary capricious in the way we set our rates; the rates have to be reasonable, they don't have to actually be exact. When we are doing cost-of-service we just try to make sure things are reasonable and not too far out of sorts in any situation. There are industries out there with guidelines and we follow the guidelines to make sure that we are doing things in a reasonable way and are consistent with those guidelines. As you look at our findings, the electric system is supporting the other utilities; they have a return of 13.1%. Mr. Kreps said for the gas system there is a return on assets which is about 2.9%; it is recovering its costs but it is not at a level that is sufficient to be adequate for reinvesting into the system so it is being supported by some extent by the electric division. The water system has a negative return; it is not recovering its costs right now we are at -1.1%. The wastewater system has a negative return of -0.5%. The key takeaway is that we are recovering our costs from our customers classes in an equitable way. The biggest issue we see is trying to resolve the discrepancy with electric supporting gas, water and wastewater. Ideally we would like for that return to be consistent across all the utilities. Councilmember Kalu asked with the Railroad Corner projects there will be an increase in the utilities. Manager Harley said that the DPU is seeing development all over our system and in the last five years we have been trying to plan and project how we would handle this because we knew growth on the system was rising. We have been planning for this and that is why we have done some strategic rate increases and investment in our system from the industrial side, the residential side, and the commercial side. Mr. Will Kerr gave the financial forecast for the DPU. Over the last couple of years, we have had some rate changes and this is to keep up with a pretty high inflation environment that we have seen. Electric and gas were done last year and the year before that water and wastewater; back and forth. We have a lot of reinvestments to do in all four utilities. In FY 2024 we have over \$23 million in projects and over the next five the CIP we have in this forecast has almost \$20 million a year in capital projects which is a little bit of an increase of what they were projecting last year. The price of projects and equipment is still considerably higher than what it was five years ago. Mr. Kerr said we have some debt funding in the future; roughly \$40 million in bonds and loans in addition to our most recent borrowing we needed to drop in more of just a planning number into the future and then another \$11 million in SRF loans which are out there as well. He said water and sewer are unfortunately in the hole at this point and if we start projecting forward our net incomes without any rate increases is not a great picture. We have decent combined net income right now with electric and gas helping water and sewer but that would deteriorate over time as we invest in assets. Operating costs are going to continue to creep up on an inflationary basis to the point where we are not making any money without any action; in fact, we would be losing money without any action on our rates. Mr. Kerr said they have two rate options they have put together to meet the plan that they have been talking about and this includes fully funding the CIP, maintain reserves, and covering our costs, etc. Option 1 is smaller increases, alternating between the utilities similar to the cadence that we have seen in the last couple of years. What we would see for FY 2025 is a \$1.8 million increase in the water revenues and a \$1.1 million increase in the wastewater revenues for a total of \$2.9 million. The overall increase across the system would be about a 2.3% increase. He said around two years ago there was a decision made to phase in some water and sewer increases every other year over a five-year three increase program. This option would kind of stick to that plan where we are doing water and sewer increases every other year to get them to where they need to be by FY 2027. Manager Harley said we presented this to Council as an option to do an alternating spread over several years. The spread, when you kick it out over time, it doesn't cost more in the immediate but over the years the combined increase is like borrowing money which would be higher. It will cost you more money to do this over time; it also feels like we have to keep being dependent with a rate increase. He said this is why we want to present Council with a second option. Mr. Kerr said Option 2 would be a little bigger increase up front but then you get a couple of years off for FY 2026 and 2027 before you would go back and revisit in FY 2028 for additional increases. Option 2 is an increase across all four divisions for a total of \$7 million which is around at 5.6%

increase for FY 2025. There are pros and cons to both of these options; under Option 1 you spread it out over time but you have to go back and do them every year whereas Option 2 you do it all up front and get to take a couple years off. The other benefit of Option 2 is over that three-year period you don't need as much of an increase under Option 1 and really across the full five years. It would be \$9.6 million (7.2%) versus \$7 million (5.6%); this is the savings that Manager Harley mentioned earlier. Granted the FY 2028 increase is a little higher than the FY 2028 and 2029 in Option 1 but in totality it would be some savings doing it sooner rather than later. At the end of the day, both of these options are projected to get us to the same place; to deliver that capital plan. Manager Harley said that we really want to hear your feedback what Council thinks as this helps us as we craft the final portions of the budget going forward. It helps us make decisions on what we ultimately bring to you in the budget. Councilmember Grevious asked if it is possible to get what you need if the increase in 2025 with Option 2 is not as high and balanced out a little bit more between 2025 and 2028 or is it structured with that 2025 being that high because of that anticipated inflation. Manager Harley said yes it is but as Josh mentioned those are estimates. Two things will happen and we will adjust to those changes so if Council says I am not comfortable giving you the 5.6% increase we will make those adjustments going forward. Anything beyond that and between what we are showing here we would adjust that 2028 to what it would need to be to come up where we are hoping to be. Councilmember Grevious said we can tell customers that their rates are going to increase by 5% but the takeaway is you are getting these great services in addition to what they are already getting. Manager Harley said our argument would be that we are investing in the long-term reliability of the system, resilience of the system (we will go down less, we hope that when we go down we will be back up pretty quick, and we will be more sustainable going forward in how you control your financial resources in investing in the system). If you don't make those investments and something happens to put us in the dark, out of water, out of gas, we won't have a lot of options to spend a lot of money to get these issues fixed because we would have lost control of the situation at that point. We challenge our team to look at the most critical assets, things that cannot fail like our plants; we cannot let plants fail. We make sure we do everything in our power financially to maintain the most critical assets on our system.

Councilmember Grevious introduced Mr. Herman Keith, an artist, gave a presentation during lunch regarding revitalizing small rural areas through the power of art. The SC Rural Arts Project is based out of Lake City, SC. He introduced Mr. Damon Johnson who is a former art teacher in Orangeburg, SC and is now at the Berkeley Center of Art at Goose Creek High School. Mr. Keith said they use art to shine light on rural communities throughout SC knowing that these communities have stories to tell. It has been his mission since 2015 to basically tell the stories visually through a mural making process; they put the public in public art. Everyone in our community participates in the creation and making of this public piece of artwork.

After lunch, Manager Harley informed Council that the bottom two presentations on today's agenda we will do tomorrow morning. Tomorrow's agenda is not very long if that is alright with Council. Manager Harley said that all the things that we talked about in terms of the five-year projected plan, without detail of what the projects are, we just put the numbers for each group from administrative through wastewater for each fiscal year. Essentially, Director Odom will look at water, he will say over the next five years what do I need to do; what are my priorities. He will list those out and the projected cost along with that; each division will do this. Manager Harley said he is in constant communication with the directors how we do this; there is only so much money to go around so we are always talking about priorities; what can't wait and what can wait. During further discussions, Manager Harley informed Council that we have pursued grants and have received more than we ever received before but it is not going to solve our problem. It is not going to be enough to get it all done so we are going to have to do it with the collection of rates and what we have done over the last year with bonds and borrowing. We will continue to do this as much as possible, but it is not always possible. Manager Harley said we will now have short presentations, 5 – 10 minutes. We want to introduce Council to some things that have either been topics that we have talked about and we want to tell you where we are in the process.

Manager Harley said first we will have Director Holmes talking about lighting; we have talked a lot about lighting. Council has had some concerns about where we are; parts of the City being dark. We have invested a tremendous amount of money in upgrading our lighting; we are not completely there yet but this next step Director Holmes is going to talk about is how we are going to continue to improve the lighting. We are also going to give you some information to help you understand what we have done and the kind of lighting that we have and the difference between what we have now and what we had before. He then informed Council that the team from Border

States will help Director Holmes with the presentation. Director Holmes said around four or five years ago we updated all of our street lighting to an LED light fixture and in doing so we brought a much clear and cleaner light to the city but we also brought up a lot of questions when it comes to the lighting because it is a lot different from what everyone was used to. He said they will do a demo so Council can see what the LED lights look like from a much closer distance. Mr. Jimmy Woods with Border States is DPU's account manager so he works with Director Holmes and others in the electric division a lot. They provide a lot of the DPU's electrical material that you use on your system. One of the things that falls in that category is lighting. During the demonstration he showed Council the lighting the City had before and the LED lighting the City has now. After the demonstration, Director Holmes said they plan to go to each one of the districts and change out all the low LED lights to high LED lights. The medium lights have a field adjustable wattage switch which allows us to adjust the wattage from that light up to high so it can be more uniform pertaining to the brightness in each district. Manager Harley said that in some districts people have complained about the lights being too low but it is also not uncommon to have people complain that the lights are too high so we have to try and balance what the communities want; it will probably not be everyone's desired light level. Manager Harley said that he spoke with Chief Austin and his staff on some of the benefits that some of the new lighting might offer them as they try to keep crime at a minimum in the city. Mr. Woods showed Council the next generation lighting; today you have a photo control on top of the light which picks up sunset and sunrise and turns the light off which the DPU has no control over remotely. What is coming in the lighting industry is lighting control which will have a cellular communication module in it which will give the DPU access to sit in the office and monitor the lighting, dim the lighting, get information back from the light that will help them with the daily operations here at the city. There is also a sensor that will be added to the bottom of the light which can do noise detection, air quality, detect a tilt which can happen if a car has hit a pole and it is leaning. You can also do motion detection whereas when a person or a car is approaching and the sensor will pick up that motion and bring the light back up instantly to full brightness. You will also be able to do remote disconnect if you have a customer not paying their bill instead of sending a truck out there you can turn lights off or on. Director Holmes informed Council that Mr. Woods group will install the lights in the parking lot for the new City Hall; they have come up with a lighting plan that will maximize the usage of lighting for that area. Mr. Woods said this is a service that they provide because you already purchase your lights from them. Mr. Holmes and his group doesn't put lights up just where they think they are needed; there is science behind this. Border States actually does the studies and engineering to give you that even light layout that you have. Mr. Woods said they want to give you the most without it being too much lighting. Councilmember Keitt said that they are glad to see the upgrade of the lighting.

Manager Harley informed Council that Director Odom will come before you to present two items. As you may recall, the DPU brought one of the items to you before which is the Leak Protection Program. Director Odom asked Council if they would like to have an option for our customers who have an unforeseen water leak that results in high water bills and the ability to offset that cost somehow and not have to pay. About a year ago we met with Council in an executive session regarding Leak protection. We had a lady from HomeServe who came in and presented on a leak protection program. A leak protection program basically, if implemented, allows residential customers one leak every 12 months to be offset; the program would pay for that leak. He said the benefit of a program like this is 1) your customers have a piece of mind that any unexpected water leak or expense would be covered, and 2) the utility benefits from recapturing that loss revenue or bad debt expense write off. There are several options that you can choose from of coverage limits, \$500, \$1,000, or \$2,500 which covers one leak every 12 months. A leak is classified as twice the 12-month average cost of a water bill. This program would cost residential customers \$1.15 per month per customer for \$500 coverage, \$1.40 per month per customer for \$1,000 coverage, and \$1.60 per month per customer for \$2,500 coverage. Director Odom said there are two ways to look at this, it can be added as a separate line item on the customer's bill. If we use this company, it is a 100% opt in for all our residential customers and they will have the ability to opt out at any given time. The other option is that we can build it into the base rate of our utility rates for water. If we choose this option we would get a 10% discount on the costs per month per bill. Manager Harley said this cost is not built in to what Mr. Kreps and Mr. Kerr showed you earlier; we will have to build that into that cost. Director Odom said it would basically be about a little over \$1 - \$1.25 added to what has already been presented to you. We are looking at \$1,000 worth of coverage if this is something Council would be interested in discussing further as a potential to offer our customers. We have seen a lot of our customers that would benefit from this coverage as we have seen a lot of high water bills. It only needs to be twice your average water bill for you to

file a claim; what they require is a receipt from Lowe's for a couple of PVC fittings to prove that you actually fixed the leak. Director Odom said the new meters that we have the ability for a customer to go online to their account and set thresholds; if you use 50 cubic feet of water a day you can set it as 55 and in the event that you use 60 or 1,000 it would notify you by email the following day. These meters record every hour but they report every 24 hours so when it hits around 2:00 a.m. timeframe in the morning it would kick out a report and notify the customer. Manager Harley asked Council if this is something they would consider in the future and what way would seem more comfortable. Councilmembers Kalu and Keitt said this is something they would need to discuss further. Director Odom said the next things is to provide Council with some information on two new federal regulations that are coming regarding the lead and copper rule. He said the DPU is still in a good place when it comes to lead in drinking water. Our most recent set of sampling results that we conducted were significantly lower than the EPA requires. Our highest recorded value was .003 parts per million and the regulated limit is .015 parts per million. There is an upcoming proposed federal limit that drops that number from .015 to .01. Even with the upcoming regulation we are still significantly beneath that. The reason for this is that our current treatment methods at our plant are designed to limit lead or copper to leach into our water system which prevents lead being in the drinking water or keeping it well beneath what the federal government regulates us at. Director Odom said to date, we have found zero lead service lines in Orangeburg DPU's water system. He said lead gets into drinking water by lead pipes, lead solder that use to be used in soldering copper pipes and leaded alloys that are in brass fitting that are in kitchen sink faucets and used to be in water fountains at schools. The brass use to have a lead content that could leach out into the drinking water. All new fixtures since 2014 are no lead brass. This upcoming regulation that we have to meet in October has two primary things we have to meet. One is we have to inventory our entire water system and document DPU service line material and the customer service line material. We also have to notify any customer that we find that has a lead service line or unknown (galvanized requiring replacement), whether it is on the DPU or the customer side, we have to send a letter to the customer stating we do not know what your service line material is and we have to provide them with some additional information about lead, etc. If it is a known lead service line we will have to include opportunities to replace the lead service line; currently we do not have any lead service lines or the galvanized requiring replacement so what we fall into currently based on our efforts to determine our systems inventory numbers is the lead status unknown and we must include opportunities to verify this material. We are working on this on an online database where a customer can scan a QR code, they will enter their name, address, and take a picture of their service line or we will give them a drop down list so they can identify it for us, they will hit send on their cell phone and it will update our database as to what the customer's line material is. Manager Harley said if something does show up we have to provide an opportunity a way to fix it and a way for financing. Director Odom said there are a lot of funding opportunities through the federal government that is available to help pay for the customer side and the city side. The problem with this is that it is going to get very, very expensive. If we determine that we have any lead lines we are going to have to go in and dig the road up to replace them. He said they have built a website dedicated to this lead service line inventory that tracks every service line that we know of in our system; it tracks the customer side material as well as the city owned side of the material. Anything after 1988 that was established is considered no lead; for the remaining lines the DPU has either used internal records that we have or our current water meter changeout program which has been a huge help to this process. We have changed out a little over 14,000 water meters in the past year and as part of that they are cleaning out the meter boxes and they are determining the material into the meter box and the material going out of the meter box which is an approved method through our regulatory and federal agencies. Everything has been verified; no lead. There is a future regulation coming out which is the lead and copper rule improvements that is going to basically rewrite the rule we have to meet in October of this year and basically it makes all utilities go in a ten year timeline and remove every known lead service line and actually verify whether there are known lead services lines so we are way ahead of the ball game on the verification process just through our water meter changeout program.

Manager Harley informed Council that we have two more presentations for today; Director Durgin and then Mr. Etters. Director Durgin informed Council that Manager Harley has asked him to brief them on some Natural Gas topics that are affecting the division right now. The Gas Division unlike the water and wastewater plants does not have a plant so we have to rely upstream pipelines to deliver gas to Orangeburg. Both of these pipelines are in the middle of rate cases to ask for rate increases and we anticipate that the annual impact on residential customers will be around \$4 - \$4.50 per residential customer. Manager Harley said this is a passthrough so this is beyond our control. Director Durgin said the manager is right but the control that we do have is what we are

currently doing. The two pipelines that we are talking about is Carolina Gas Transmission and Southern Natural Gas. Approximately a year ago Carolina Gas Transmission notified us that they were beginning rate proceedings and because they are regulated under the Federal Energy Regulatory Commission there is a very set prescriptive rules and processes that they have to follow. One of the processes was to have a pre-settlement hearing and it is much like buying a car. They come in and they say, it is this much and we are interveners, we really want to pay this much and the process goes back and forth for several months until they reach an impasse and could not make a decision. They were asking for an 85% rate increase and with Manager Harley's support and our legal help intervener in Washington, D.C. they were able to get them down to about an 18% increase. The last time they had an increase was in 2012 so twelve years an 18% increase is not an unreasonable amount of increase but it just seems very big at the time. This was not enough for the pipeline so we then moved to the next step is that we had an administrative law judge assigned to act as a moderator between the groups in what they call settlement hearings. The settlement hearings have a deadline in where they only continue for a certain amount of time before we actually go to trial before a judge and have a definitive opinion made. We are at the end of the settlement hearings and we are still very far apart so we are anticipating that we are going to end up going to trial and participating with every other LDC in South Carolina (Dominion, Charleston, Columbia) and also our municipal group (Bamberg, York County, Lancaster County, Clinton Newberry) which are part of our intervener group to have those rates come down as low as possible. Trial staff in Washington, D.C. tends to be on the side of the interveners group; they are a neutral party but they want to make sure that there are just and reasonable rates. They also have the ability to look at all the inputs of their costs, there expenditures, are they justified, not justified, and they come up with a number that is supposed to be fair and equitable. Director Durgin informed Council that Southern Natural Gas began their rate case approximately six months ago. We went through the same process of pre-settlement hearings and were not able to come to an agreement so now we have moved to the FERC level and we currently awaiting a settlement judge to start with the moderating of negotiations. In that we do not have a number yet where we know what the rates will be changed to, based on historical positions at the FERC is where we got these estimated impacts which is \$4 - \$4.50 per residential customer.

Manager Harley informed Council that Mr. Etters will close out the day for us and then tomorrow we will start with Director Driggers and Director Nexsen. Mr. Etters informed Council that everything that you have heard about today and the money that the DPU is required to spend to maintain its services validates what we will be talking about. Orangeburg has been in a stagnant period for a long time. We are moving out of that stagnant period and could not have happened without the DPU. People are looking at us because we have water, wastewater, natural gas, and electric and this is why they are coming to our area. He broke it down into three components, industrial development, commercial development, and residential development. The industrial development is booming; we have shown the power site that the county owns on Highway 21 right across from Okonite 18 times to customers anywhere from 25 megawatts to 250 megawatts which 250 megawatts represents around twice our system load. All of these people are very interested because of the utilities there. This Council and previous Council agreed to waterline extensions, gas line extensions, and substation upgrades. Mr. Holmes has taken that substation from 33 megawatts up to 150 megawatts. The commercial development is significant; all of us always want more amenities and more quality of life for our residents. In the next 18 months we see quite a bit of this; from the North Road to Highway 601, and on Chestnut Street. Mr. Etters said retail development in Orangeburg is booming. Orangeburg County has seen a boom in residential development like it has never seen in its history. In 2019 we had 116 new home starts and last year we had 4,600 new home starts, and this year is on track to be a very good year also. Around 2,000 new home starts are in our service territory. Mr. Etters said we are going to be able to have housing for people that want to move here so they don't have to live in Summerville or Columbia; they can actually live here and spend their money here which benefits all of us.

Manager Harley told Council that he hopes this day gives you a flavor of how our planning process goes. Tomorrow is a continuation of our workshop and we will go through the FY25 list. He thanked Mr. Kreps, Mr. Kerr, and Mr. Woods for their presentations. In Mayor Butler's absence, Mayor Pro Tem Keitt thanked everyone for all they have done today; it has been a beautiful experience here and very informative letting us know where we are and where we are going. The meeting adjourned at 2:15 p.m.

Friday, June 28th – Day 2

Mayor Michael C. Butler presided at this meeting.

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

Mayor Butler opened the meeting and turned it over to Manager Harley. He thanked Council for their time and work yesterday and today. As you recall, for the benefit of the Mayor, yesterday we talked about a cost of service study we did, rate options, and things that we are working on to bring before you and want your feedback on. We hope that you have given some thought to what was brought before you and will continue to do so. Manager Harley said that as we go through the next few weeks please reach out to him and give him your thoughts and questions that come up about what we talked about yesterday and what we will talk about today so he can help the team craft something that you are comfortable with moving forward on. Today we will go through the list of FY25 budget projects that are either ongoing projects or projects that we are proposing to do for the next fiscal year. You will get to ask questions about those projects, why they are important, what they do for us, how they improve our operation, how they make us more resilient, how they make us safer, how they make us more reliable. Remember those words because that is always our theme and when we do stuff we want to be reliable, resilient, and safer in how we operate for not only for our employees but our customers as well. Manager Harley said that yesterday we cut the day short and we pushed two presentations to today and we still should be able to get out by 2:00 p.m. Director Nexsen will give a presentation and Director Driggers will give a presentation. Both of these presentations will be at the end and close out the day.

Administrative Division Capital Projects

Director Nexsen thanked Council for taking time out of their day to help guide us on our capital projects. All of the projects that are going to be presented here are located in your books; some of the projects are recurring projects specifically like our Operations Center project which is substantially complete; we actually came in a bit under budget on this project. We have three recurring projects that will be completed at the end of this fiscal year and we have one recurring project which is the Main Office roof which should be bid out in the next week and completed by the end of the year. The Administrative Division also has three new projects.

Administrative Division Project – Main Office Roof Replacement (Previously Approved Project)
 – Cont'd.

Director Nexsen informed Council that he has a file from his predecessor showing that they had a new roof installed on the Main Office in 1987. Apparently the original roof lasted 15 years and had some leaks. The current roof was designed by a company out of Charlotte which was bought by another company and they actually have all the plans so they are helping us to do a redesign of the current roof. The current roof has lasted almost 40 years. He said that the new roof project should be completed by the end of September.

Administrative Division Project – Main Office Flooring Replacement (New Project)

Director Nexsen said that some of the flooring in the Main Office was done around 2004 but most of it was probably done in the pre-90s and there are areas in the building where the carpet is unravelling. Where they put down carpet in the Main Office years ago they would use big wad rolls and once it gets a fray in it and starts unravelling from vacuuming there is no fixing it. He said the DPU would like to put down flooring like we have here in the Operations Center which are carpet squares; they are put down 2 X 2 squares so if you get a damaged area you can peel them up and put a new one down. This type of carpeting is a lot easier and a lot cheaper and the life of it is just about the same as carpet rolls. The Main Office has approximately 25,000 square feet of carpet and we estimate it is going to cost around \$250,000.

Administrative Division Project – Telephone System Upgrade (New Project)

Director Nexsen said the DPU telephone system is a Cisco system and it was last replaced in 2017 and typically telephone systems have a seven-year life span; after that the software that you buy that runs the phone system goes unsupported. We are at the point now where this was actually one of the systems identified in our cybersecurity assessment. We believe it is going to cost around \$400,000 to upgrade the phone system.

Administrative Division Project – Warehouse Facility Updates (New Project)

Director Nexsen the Warehouse was built in 1967 and it served has a former crew quarters and warehouse. The crews have been moved over to the new crew quarters and so this project is mainly around three areas, 1) is repurposing some of the previous crew quarters for inventory storage, 2) lighting and electrical upgrades in that building, and 3) addressing some heating and air issues that we have over there. We are estimating this project will cost around \$250,000.

Electric Division Capital Projects

Director Holmes informed Council that the Electric Division has four continuing projects from last year and three new projects that he would like to present to you this morning. Over the last six years the Electric Division has either modified, rebuild, or updated eight of our substations. When we talk about substations these are 40 – 50 year investments. Most of the substations were gifted to the DPU and the ones that we did build the average substation transformer ran a shade under \$100,000. In today's cost, that same substation transformer costs over \$2 million.

Electric Division Project – Substation 18 – Cannon Bridge Road (New Project)

Director Holmes informed Council that the DPU will be upgrading Substation 18 on Cannon Bridge Road. This substation feeds one of our largest industrial customers. Our industrial customers do a lot of heavy lifting when it comes to the revenues that the DPU takes in so it is very critical that we keep the substations that feed them working correctly. We are looking to spend around \$4.5 million on the upgrades. This substation actually works in conjunction with Substation 4 when it comes to feeding that load. When we have to take Substation 4 offline for maintenance or any type of repairs we have to have a backup ready and available to take on that 10 megawatts load. Once we finish Substation 18 upgrade we will have the capabilities to split the load between Substation 18 and Substation 4. The benefit of this is that we will not have to put such a heavy load on one substation.

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

Director Holmes informed Council that Substation 20 is located on Rowesville Road and it is the substation that will feed what we call the Power Site. The Power Site is looked upon as one of the most sought after industrial sites on our system. We have taken that substation from a 50 megawatt substation to a 150 megawatt substation. This is crucial because all the industrial customer that are looking at South Carolina are looking in that 100 megawatt range. It has the capability of being three separate substations each at 50 megawatts or we can it combined together to be a giant substation to carry the full 150 megawatts itself. This substation is 95% completed and we are just doing some touchups when it comes to controls and monitoring parts.

Electric Division Project – Substation 25 – Sprinkle, Whaley, South Broughton (Previously Approved Project) – Cont'd.

Director Holmes informed Council that Substation 25 is the new substation the DPU is building which will take the place of Substations 2, 7 and 17. Those three substations themselves represents over 160 years of substations online that have been constantly running and are well past their prime. Since they are smaller substations we can combine their effort and all their capacity into the one substation. Councilmember Grevious asked what the timeframe is for completing this project and Director Holmes said we hope to have this substation completed by the end of next year and then we will start migrating load to it in 2026.

Electric Division Project – SCADA System Replacement (Previously Approved Project) – Cont'd.

Director Holmes said SCADA stand for System Control And Data Acquisition which is a system that allows our dispatcher or system controller to sit in our Main Office and be able to access facilities in the field (reading the gas pressures at a gas border station, reading the flow at a lift station for water or wastewater, or looking at a substation breaker and seeing the status of it). This is the control software part of the process allows us to know that when a tree falls on a line and that fall causes a breaker to open up at a substation and the power goes out the SCADA System is what brings that data back to our central office to let us know what is going on in the field. It helps us monitor and control the facilities that we have out there in the fields. Our current system is around 25 years old and it is at the point that we need to upgrade it.

Electric Division Project – Substation 24 – OCCIP (New Project)

Director Holmes said Substation 24 is located in the OCCIP. This substation was built around the 1990s or early 2000s. The transformer was a spare that we had which was built in 1985 or 1986. We have another transformer also at this substation and our goal is tie this transformer to the substation network so we can switch the load from the transformer currently online to this transformer while we make some major repairs on the existing transformer. When this project is finish, we will have two fully functional transformers at this site to serve our industrial customers.

Electric Division Project – Gas Turbine Generator Control System Upgrade (New Project)

Director Holmes informed Council that the Gas Turbine Generator Control System Upgrade is a new project. We have 25 megawatts of generation that the DPU controls itself. At Substation 16 we have twin Gas Turbine Generators that run for backup power when we are requested to run them by Duke Energy. Since we have moved into our new power purchasing agreement we see that the request for the DPU to run those generators will probably be more frequent than what we had with Dominion Energy so what we are looking to do is to upgrade the control process. What we have now is almost thirty years old; we are looking to upgrade the software, upgrade the computer system, upgrade some of the control wiring, and the control system itself for that we can remotely monitor control and run the generators as need be.

Electric Division Project – LED Streetlighting Upgrade (New Project)

Director Holmes said that yesterday we spoke about the LED Streetlighting upgrade project. We are looking at having uniform light across all six districts. This project will require changing out around 250 lights throughout all the six districts.

Gas Division Capital Projects

Director Durgin informed Council that we were able to successfully finish the Highway 301 Bridge Project where the bridge is being replaced at the Edisto River and we removed the gas pipes from the bridge without any interruptions. The McCord's Ferry Project is complete; we have replaced the gas pipe that went over the Sunnyside Canal which was another major safety improvement on the system. We have completed the Russell Street Rehab which was the mass fixing of all the potholes on that street. Project Road which was our extension down Kennerly Road to serve the Blythe Asphalt Plant has been completed and they have been getting gas from us for about six months. We have a continue project on Cannon Bridge Road and on Project House 2 which is the new subdivision project on Lake Marion in Calhoun County that we have extended to. The subdivision expects to start paving in the subdivision by the end of July. He informed Council that the Gas Division has several new projects.

Gas Division Project – Russell Street (bypass to Cameron Reg Station) (New Project)

Director Durgin said the Russell Street Project would be replacing a section of a 6-inch steel gas main with high-density plastic on the street between Armstrong Terrace and approximately Old Elloree Road where Husqvarna is located.

Gas Division Project – Hwy 178 Bridge Crossing Replacement 6” Pipe (New Project)

Director Durgin informed Council that the Hwy 178 Bridge Crossing project would be the DPU replacing a 6-inch steel gas main with high-density plastic on the Hwy 178 Bridge on North Road over Caw Caw Creek.

Gas Division Project – Main Feed on Cannon Bridge Road (New Project)

Director Durgin said the DPU is looking at replacing the Main Feed on Cannon Bridge Road. We have a regulatory compliance issue that we are addressing in this area. This project is part of our reliability and maintenance on the system.

Manager Harley informed Council that Director Durgin, Director Labrador, and Director Odom have a lot of regulatory things that they have to stay on top of that will over time cost us money.

Water Division Capital Projects

Director Odom informed Council that before he started at DPU we received a plaque for becoming a member of the 100 Year Cast Iron Pipe Club which means the water division touched 100 years before he started working here. There is actually at 150 Year Club so there are some people out there that have much older systems than we do. He said Charleston Water to this day still digs up wooden pipes. Director Odom said the Water Division does not have any new capital project to present for this year; they do have several ongoing projects that have been previously approved. The 1954 Pump Station has been completed; the miscellaneous Water Plant project has been completed; and the Hwy 301 water main replacement project similar to what the Gas Division did has been completed.

Water Division Project – Water Main Replacement Project (Previously Approved Project) – Cont’d.

Director Odom said the Water Main Replacement Project is the Quicktown Project which is located in Councilmember Hannah’s district. The DPU will be replacing all the water mains which will be about 20,000 feet of pipe, and we will be replacing all the water services. A contractor has been procured and we hope to breaking ground on this project in the next week or two.

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

Director Holmes said Council is aware of the Water Meter AMI Deployment project. This is a project where we change everyone’s water meter and unfortunately not everything always goes as planned but we have done around 15,000 water meter changeouts to smart meters where we get meter reads every hour as opposed to every thirty days. This will be a huge improvement to all of our customers. He said that we hope this project will be done in the next 2 – 3 months.

Water Division Project – Washwater Tank (Previously Approved Project) – Cont’d.

Director Odom said the Washwater Tank project is the water tank located in the Edisto Memorial Gardens at our Water Treatment Plant. It has a brand new paint job and the new City Rose Logo on it. This project is complete and came in significantly under budget.

Director Odom said the next projects were previously approved but we have been getting through the design process, the grant process, and they are all going to start rolling very significantly over the next fiscal year.

Water Division Project – Water Treatment Plant Residuals (Previously Approved Project) – Cont’d.

Director Odom said the Water Treatment Plant Residuals Project is the one he and Manager Harley came to Council about during a City Council Meeting. This project is at DHEC under permitting review right now and as soon as we get the permit we are going to bid it out. This project will take approximately 500 days.

Water Division Project – Dantzler Street Tank Refurbishment (Previously Approved Project) – Cont'd.

Director Odom informed Council that the Dantzler Street Tank Refurbishment Project is another water tank we will be repainting. This project has been delayed but we hope to complete it this fiscal year. It has a cellular antenna on the top and we have been having to coordinate with the cellphone provider to have that equipment removed. We have given them a deadline of October to remove their equipment so in October we should be able to start this project and once our contractor is onsite it should take 60 – 75 days to complete.

Water Division Project – North Road BPS Project (Previously Approved Project) – Cont'd.

Director Odom said the North Road Booster Pump Station Project is a grant project; 85% will be paid for with grant money. This will be a complete upgrade of our North Road Pump Station including a new suction line from in town all the way up to the pump station. This will assist in serving the new acquisition of Bull Swamp Rural Water Company.

Water Division Project – Bull Swamp Rural Water Acquisition (Previously Approved Project) – Cont'd.

Director Odom informed Council that the Bull Swamp Water Acquisition project will consist of replacing 15 miles of pipe through this property; 85% of the project will be paid for with federal dollars.

Water Division Project – Connection to Bamberg BPW (Previously Approved Project) – Cont'd.

Director Odom said the Bamberg Board of Public Works project is a grant project that will tie DPU and the Bamberg BPW systems together to create another wholesale customer for us in the future.

Wastewater Capital Projects

Director Labrador informed Council that the Wastewater Division has no new projects for this upcoming fiscal year and one continuation project for the Northwood Estates Rehabilitation.

Wastewater Division Project – Northwood Estates Phase I (Previously Approved Project) – Cont'd.

Director Labrador said that Phase I of the Northwood Estates rehabilitation project is substantially complete.

Wastewater Division Project – Northwood Estates Phase II (Previously Approved Project) – Cont'd.

Director Labrador informed Council that Phase II of the Northwood Estates rehabilitation project will continue to replace deteriorating pipes and manholes in the collection system to keep out the infiltration and inflow of storm water during heavy rainfall events. The SC Rural Infrastructure Authority has granted the DPU \$1 million for construction of this project. We anticipate completing this project during the upcoming fiscal year.

Capital Projects Summary

Director Nexsen informed Council that this last portion of the presentations is just a summary that brings together all of the details that you just heard by the directors. He continued to give them a summary of the projects and the overall costs. Director Nexsen said another portion of DPU's capital project budget is our routine capital. What we include in routine capital are the things that do not meet the threshold of \$250,000 in any single item or project but are material in nature when you add them all up. Director Nexsen proceeded to give Council a summary of the routine costs.

Operating Budget

Director Nexsen informed Council that a company's financial statement basically has two parts, the balance sheet which is everything you own and everything that you owe. He said when you receive our financial statements and he talks about the balance sheet you will see cash,

infrastructure, inventories, what people owe us, the assets that we own and on the liability side you will see everything that we owe (things that we bought but have not paid for, loans, bonds, liabilities to the pension system, etc.). The other side of this is an income statement which is a summary of results of your operations between point A and point B. The capital portion is quite a bit larger than the operational budget. Director Nexsen talked about the DPU income statement; we are projecting sales to increase by about 1.4% and are expecting our cost of sales projected to decrease slightly by 2.3% which is actually a good thing and part of this is because of those rates increases we discussed. Total operating expenses are projected to increase by 3.5% and this purely based off of the consumer price index. One of our biggest cost on our operational side outside of purchased power and purchased natural gas is our staffing (payroll, the retirement system, health insurance, etc.). Staffing has crept up a bit over the past few years but the DPU projects it to level out and no new positions are being requested in the upcoming year.

DPU General Terms and Conditions

Director Nexsen informed Council that the DPU talked about updating the General Terms and Conditions ("GTC") coincident to the budget ordinance. Our GTC is the way we relate with our customers and is an ordinance that the City passes and so within it is a new program that we were planning to implement which is a Customer Utility Improvement Program. Proposed revisions to the upcoming GTC for the upcoming year is to improve customer adoption of new technologies and efficiency measures. This will help streamline the customer/utility execution process. These types of programs have been around for a while through other utilities which were originally approved by the SC Budget and Control Board under Section Code 58-37-10. This allows utilities to take a lien position on owner occupied property to facilitate utility improvements through a financing mechanism that would loan money on your utility account and bill installments over a long period of time for things like a new heating and air unit, more energy efficient windows, insulation, a natural gas generator for standby power, solar panels, etc. There are a lot of things we all can do to reduce usage and help improve our energy bills. If the property is not owner occupied but the landlord / owner wants to do it, they can. Director Nexsen said another benefit is that we would get a list of pre-qualified licensed, bonded, Better Business Bureau checked electricians, plumbers, HVAC people, etc. When projects come in the DPU would look at the list we would send out a contractor; the contractor would do the work, we would pay the contractor directly, and put it on the customers utility bill for a period of time. Councilmember Grevious asked what type of finance charges and Director Nexsen said the DPU was thinking somewhere between 4 and 8%.

Transfer Cost

Manager Harley informed Council that the DPU has one more presentation that Director Driggers will bring before you that we spoke with you about a little over a year ago that is a transfer policy that governs what we transfer to the City. The DPU did some research to see what other utilities do and also looked at the APPA and we are bringing to you a recommendation. He said we specifically looked at what Rock Hill does with respect to how they manage their transfer.

Director Driggers said that having strong financial policies is the best practice for the City. Back in 2023 there was a presentation done with Council about the need to have a policy related to the transfer and some of the things we noted was that Council currently does not have a formal policy for this. Recently during the FY24 budget Council approved for the DPU to borrow \$21 million and when we were doing the work with financial institutions and the financial advisors one common question that kept coming up was does the City have a policy related to the transfer. He said this prompted them to revisit this and bring it back up. The other thing the DPU noted when looking at it there was no standard formula for planning the process. Simply put, while it was approved for the budget each year there was no standard way to come up with a number so we wanted to look at how do we formulize standardization of that data. Director Driggers said that Manager Harley stated early that we looked at the APPA and their study indicated that utilities our size contribute approximately 5.1%. For FY24 DPU's contribution totaled 6.3%. He said Rock Hill has a similar policy to this and we looked at if we took DPU's gross revenues inside the city times 5% that is similar to a franchise fee that total would be \$1.4 million. Then we looked at DPU's assets and if we take the assets that DPU has inside the city and calculate what would be the tax revenue if we paid that revenue it would come to around \$616,000. If the DPU wanted to contribute a normal 3% rate of return on gross revenues then that number would equate to approximately \$3.8 million and then we added that together to come up with the \$5.8 million. The

\$5.8 million is really close to the transfer amount that is currently in place. If we would follow that example, the transfer would equal \$5.8 million. Talking internally about this we said it is not realistic to reduce the transfer so we want to put a line in the policy that will create the formula of 6.1 and the transfer would increase when a total exceeds the 6.1. We are trying to do what is right for all parties. Manager Harley said Council is not capping the amount forever but you build some growth and everybody will have a plan to govern themselves around going forward. Director Driggers said this allows DPU and the City to do their planning long term based off the formula. There is another piece that we added to the policy that the end approval is Council's decision; there is language in the recommended policy where Council can amend it annually as they see fit as a body. Manager Harley informed Council that they have the authority to do something different but as we move forward you will have a guiding principle setting up the criteria of how we do the transfer going forward. Director Driggers said the simplified request is that the DPU is looking at including the policy with the budget ordinance this year and we considered the franchise fee approach, the payment in lieu of taxes approach, the rate of return approach; we would include in it the setting of the floor so that we don't fall below the \$6.1 million which is currently in place. When we do the budget we know that everything is estimated to be added in a true up at the end of the year with the Administrative Director from DPU and the Finance Director from the City because if your revenues go up then we want to make sure we adjust the transfer for that and if your revenues go down we want to make sure we adjust for that also. After further discussions the meeting adjourned at 1:20 p.m.

Respectfully submitted,



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