

**MANAGER'S BRIEFING SESSION
MARCH 16, 2015 – 4:00 P.M
3rd FLOOR LOBBY CONFERENCE ROOM (FISHBOWL)**

MINUTES

PRESENT:

Mayor William Bencini; Cynthia Davis (At-Large); Jeffrey Golden (Ward 1); Christopher Williams (Ward 2); Alyce Hill (Ward 3); Jay Wagner (Ward 4); Mayor Pro-Tem James Davis (Ward 5); and Jason Ewing (Ward 6).

ABSENT:

Council Member Latimer Alexander (At-Large)

STAFF PRESENT:

Greg Demko, City Manager; Randy McCaslin, Assistant City Manager; Eric Olmedo, Budget and Performance Manager; Garey Edwards, Director of Electric Utilities; Marty Hanson, Chief Operations Engineer; Jeff Moore, Director of Finance; Jeron Hollis, Public Information; JoAnne Carlyle, City Attorney; Lisa Vierling, City Clerk; Tom Vincent, Deputy City Clerk.

MEDIA PRESENT:

Pat Kimbrough, *High Point Enterprise*

[Note: all handouts and presentations will be attached as a permanent part of these proceedings.]

Council Retreat Update

City Manager Greg Demko said there was a letter from Mayor Bencini about the Council Retreat on April 1st at the High Point Museum. The Retreat will be from 8:00 a.m. to 3:00 p.m. and lunch will be provided. Mr. Demko asked Council to bring their ideas for top projects and some specifics.

Electric Department Presentation

Garey Edwards, Director of Electric Utilities introduced himself and Marty Hansen, the Electric Department's Chief Operations Engineer. Mr. Edwards explained that the City of High Point was different than most other cities because High Point sells electricity. Eighty other municipalities in the state sell electricity. He said this can be used as an economic tool to encourage companies to relocate here and the citizens also get a good deal. Mr. Edwards shared a timeline of public power in North Carolina; High Point began generating electricity in 1893. He pointed out the advantages of local ownership are: control operating process, control of pricing, local customer service center and the ability to respond quickly to outages and customer's needs.

Mr. Edwards showed a diagram that illustrated how power is transmitted from Catawba Nuclear Power Plant to the City of High Point. The Nuclear Power Plant is managed by Duke Power and the NC Municipal Power Agency (NCMPA1) handles business dealings with Duke Power. The NCMPA1 owns 75% of one of the nuclear reactors. He displayed a map of the City of High Point showing the four transmission stations (delivery points) where power is brought in. The power is brought in at 100kV and the City saves some money doing it that way. The four delivery points are connected with tall steel poles carrying 100kV transmission lines. Mr. Edwards said there are 14 substations around the City.

Garey Edwards explained the Electric Department is broken up into six divisions: Overhead Division primarily concerns itself with overheard distribution and transmission; Service Division hook up houses, disconnect people and work on street lights; Underground Division maintains the underground transmission, 40% of the City's system is underground; Substations Division maintain the substations; Engineering Division does engineering for local projects and maps the system with a GIS system; and the Metering Division brings in every meter once every seven years and tests it for accuracy. The Electric Department's Budget is approximately \$120 million. Wholesale power is 80% of the budget. The Department operates 14 substations with 420 miles of overheard line and 340 miles of underground lines. There are approximately 39,500 customers and 63 full-time employees. Mr. Edwards displayed a pie chart illustrating how the budget is broken up: wholesale power is 80%, electric operations 14%, customer service 3.6%, transfers/reimbursements are 1.85% and 0.44% for warehouse operations. Assistant City Manager Randy McCaslin pointed out when there is a wholesale power increase that has to be passed on the customers. Mr. Edwards added the City pays approximately \$100 million a year for wholesale power.

Mr. Edwards discussed several projects including the Johnson Street Transmission Project, the Penny Road Substation and Penny Road Transmission work. He also showed upgrades of switches and a new transformer being installed. Mr. Edwards said other projects included the Washington Street Project, the High Point University Pharmacy Science Building new dormitories, downtown underground cable and switch replacement, hospital expansion utility upgrades and substation upgrades. Future projects include Skeet Club Road widening and transmission line construction, Penny Road Substation and Deep River Substation transmission lines and advanced metering infrastructure.

Mr. Edwards showed a list of the top electric users. High Point University is the largest user. Southern Film Extruders is changing from Duke Power to the City of High Point. He noted a lot of cities would be happy to have this rate of growth. City Manager Greg Demko pointed out the growth helps to spread out the payments to Electricities for the nuclear power plant.

Mr. Edwards gave a history of Electricities. He explained it was formed in 1965 to protect city's rights with electric power. Mr. Edwards said the original price commitment for Catawba Nuclear Power Plant was \$593 million and the price upon completion was \$1.6 billion. The price increase was due to a lot of additions that had to be made because of Three Mile Island. Mayor Bencini asked about the conversation concerning the extension of the debt on Catawba Nuclear Power Plant. Mr. Edwards said the current debt on the plant was supposed to be paid off in 2019 or 2020 with a 5% increase next year. Other cities want to extend the debt and take the savings now. There would have been an 18% or 20% drop in the rates in 2020, what the refinancing does is put \$21 million more on the debt but for one year there is a 6% savings. Mr. McCaslin said a final decision on the debt refinancing had not been made yet. Council Member Cynthia Davis asked how long the debt extension was for. Mr. Edwards said it would extend the debt for 15 more years.

Mr. Edwards showed a comparison of residential rates and pointed out there was a 3% or 4% difference between High Point and Duke Power. Council Member Ewing asked what the percentage used is of the electricity the City purchases. Mr. Edwards said the electric markets are very dynamic; the average market price is about two cents a kilowatt hour. The average the City pays is approximately 8.7 cents a kilowatt hour. He said we sell some on the open market. Mr. Ewing asked if the City had the capacity to supply a couple of large industrial users. Mr. Edwards said yes, capacity was not an issue.

Mr. Edwards pointed out everyone wants the lines underground, but it is very expensive. The cost is approximately 10 times the cost of an overhead system and the life expectancy is 30 – 40 years. He added when underground goes out the whole thing has to be replaced. Cost of new underground lines in a subdivision is approximately \$1 million a mile. Transmission underground is approximately \$1000 a

foot. The cost of replacing a current overhead system is \$1.2 million to \$1.5 million a mile. The City of High Point has a lot of rear lot lines. In the 1960's and 1970's a lot of lines were put in backyards to keep them out of sight. Currently there are fifteen and a half miles of backyard lines affecting 1425 customers. Those areas were particularly hard hit in the ice storm last year. The lines are hard to access and all the work has to be done by hand. Retrofitting these areas would cost \$18 million to \$23 million dollars. Mr. Edwards said he was asking for a machine in the next budget that would make it easier to work on the backyard lines.

Mr. Edwards said reliable power is very important to people now more than in the past. When new firms are considering locating to the City they ask for outage numbers and similar data. He added that High Point's reliability is twice that of its competitor. Mr. Edwards pointed out the City of High Point is one of 184 communities in the nation with RP3 (Reliable Public Power Provider) recognition. Mayor Bencini asked how having lines underground related to reliability. Mr. Edwards said that it helps but when there is an outage underground it takes longer to repair. He said underground lines help prevent tree limbs from breaking wires. Mr. Edwards pointed out when it snows; the salt water gets into the underground electrical vaults and causes problems.

Mr. Edwards explained trees are trimmed to prevent unsafe conditions and maintain reliable service. The City has a contract with Asplundh to trim trees on a five-year cycle. Mr. Demko asked why there were not as many power outages during the recent ice storm. Mr. Edwards said that was due to the tree trimming program and the ice storms last year cleared out a lot of the dead wood. He added that the main causes of outages are weather, vehicle and construction accidents and animals. Mayor Bencini asked what was happening when you heard a transformer explode. Mr. Edwards said that was a fuse blowing and it was a protection device. He mentioned assistance the High Point electric department has given other cities and the assistance received by the City of High Point during last year's ice storm.

Mr. Edwards said the Department does their own safety and training. The City has career paths for underground, overhead, meters and substations that have been sanctioned by the Department of Labor. He noted up until the recent traffic accident the Department had 2,422 days without time lost to injuries. Mr. Edwards said it take five to eight years from the time they hire someone until they are qualified to work primary power. Council Member Ewing asked how well utilized was the Home Energy Audits. Mr. Edwards said it depended on the economy and the time of year. He said they were popular in February after people got big bills in January. Council Member Golden asked if someone had a home health issue, such as dialysis, do they call the Electric Department or Customer Service. Mr. Edwards said if it is very critical people should have a standby unit. He added that every circuit had someone with a health issue on it.

Mayor Bencini asked if the debt refinancing for the Catawba Nuclear Plant had to be approved by the Local Government Commission (LGC) and if there was a possibility they may not approve of the extension. Mr. Edwards said the LGC would eventually have to approve the refinancing, but he did not know how the Commission felt about it. Council Member C. Davis pointed out this means the promises that have been made to the citizens and users over the years about seeing the light at the end of the tunnel will now be prolonged. The Mayor felt this has become a political motive versus a business motive and Mr. Edwards noted that this recommendation actually came out of the Electricities Rate Committee. The debt refinancing/restructuring will move through NCMPA1, then to the Electricities Board of Directors, then to the Local Government Commission.

Council Member Cynthia Davis asked if it would help to write a letter. Mr. Demko said there are two levels at the LGC the matter has to pass. There is a preview level that has to approve it to pass it on to the LGC for a financial review. Mayor Bencini asked if there was anything the City could do such as a resolution. Jeff Moore, Director of Finance, said he thought it would be helpful. Ms. Davis reiterated

that promises had been made that this would be paid off. Mr. Edwards, Mayor Bencini, Mayor Pro Tem J. Davis, Council Member Cynthia Davis and Mr. Demko all expressed their wishes not to extend the financing. Council Member Ewing asked if the City was required to have alternative forms of energy. Mr. Edwards said that was a requirement and the City was purchasing alternative energy.

ADJOURNMENT

The meeting adjourned at 5:10 p.m. on a motion duly made and seconded.

Respectfully Submitted,

Tom Vincent
Deputy City Clerk