

AUGUST 17, 2015

A budget workshop was held at the Community Building at 6:00 PM with Mayor Bob McLean presiding with Councilmembers Byrd, Cook, Jenkins, Kuykendall, Scarborough, and Young. The City Manager and the City Attorney were present. Local news media present were Larry Franklin from the Clinton Chronicle, Randy Stephens from WLBG, and Judith Brown from GoClinton.com. Notice was mailed and emailed to all local news media on August 10, 2015.

- INVOCATION** The invocation was given by Councilmember Kuykendall.
- PLEDGE ALLEGIANCE** Mayor McLean asked Council and the audience to stand and recite the Pledge of Allegiance.
- CITIZENS ADDRESS** Mayor McLean stated that this is a workshop to discuss the utility rates.
COUNCIL Mayor McLean recognized Mr. Tim Alexander. Mr. Alexander stated that
UTILITY RATES he researched the electric rates of surrounding Cities. Mr. Alexander stated that the City of Laurens has a base rate of \$9.15 and Laurens charges 13 cents per Kwh. Mr. Alexander stated that Laurens CO-OP has a base rate of \$10 and for the first 200 Kwh a customer would pay 12.8 cents per Kwh and after 200 Kwh the Laurens CO-OP customers pays 10.2 cents per Kwh. Mr. Alexander stated that the City of Clinton charges 16.2 cents per Kwh which is one of the highest rates in the country. Mr. Alexander stated that the City of Clinton's base rate is \$20. Mr. Alexander stated that the temperature this summer was not but just a few degrees higher than last year but the utility bills were extremely high.
- TIM ALEXANDER**
- CHARLES FORTNEY** Mayor McLean recognized Mr. Fortney. Mr. Fortney stated that he lived at 404 Caldwell Street. Mr. Fortney stated that the City of Clinton owns part of a nuclear plant. Mr. Fortney asked how long is the contract and how much money would it cost to get out of the contract. Mr. Fortney stated that he has looked into using solar power and would the City allow him to use solar power. Mr. Fortney asked why City personnel mowed the grass outside the City limits.
- SOFIA GILLIAM** Mayor McLean recognized Ms. Gilliam. Ms. Gilliam stated that she lived at 469 Airport Road. Ms. Gilliam stated that she understands that PMPA is a CO-OP and the definition of a CO-OP is an entity owned and operated by the employees or the consumers. Councilmember Scarborough stated that PMPA and the City of Clinton is not a CO-OP. Councilmember Scarborough stated that PMPA is municipality owned and that there are three types of electric providers. Councilmember Scarborough stated that the first type of provider is investor owned such as Duke. Councilmember Scarborough stated that this type of provider is privately owned for profit company. Councilmember Scarborough stated that another type of electric provider is a cooperative. Councilmember Scarborough stated that the third type is a municipal government that provides electric services. Ms. Gilliam stated that she wanted to know who calculates the rates and who regulates the rates for Clinton. Ms. Gilliam stated that she received her utility bill and the cost has not changed but the utility bill did have a few less days on it. Mayor McLean stated that these questions would be covered during the meeting.

BEVERLY HARDIN

Mayor McLean recognized Ms. Hardin. Ms. Hardin stated that she lived at 239 Oak Street in Lydia Mill and has lived in Clinton approximately ten years. Ms. Hardin stated that she has invested money in making her home energy efficient.

Ms. Hardin stated that her utility bill doubled and her home is well insulated. Ms. Hardin stated that she has never met her Councilmember. Ms. Hardin stated that there are many citizens in her neighborhood on fixed incomes that will struggle to pay the electric bill. Ms. Hardin asked Council to think about how taxpayer's dollars are spent. Ms. Hardin stated that citizens are moving out of Lydia Mill because they could not afford the high electric rates. Ms. Hardin asked if Clinton pays PMPA more than the other cities. Ms. Hardin stated that she wanted to know if PMPA would agree to citizens using solar energy. Ms. Hardin stated that the City would reduce services if electric rates were reduced. Ms. Hardin stated that the only service she receives in Lydia Mill is the garbage pickup. Councilmember Scarborough stated that the PMPA contract was signed twenty-five years ago.

CHARLOTTE STRICKLAND

Mayor McLean recognized Ms. Strickland. Ms. Strickland stated that she lived at 100 Calvert Avenue and she has lived there for twenty years. Ms. Strickland stated that her May bill was \$220 and in June the bill was \$530. Ms. Strickland stated that she keeps her thermostat on 80 degrees. Ms. Strickland stated that something has to be wrong with the way the electric rates were calculated. Ms. Strickland stated that the difference in temperature between May and June was nine degrees which does not explain why her electric bill doubled. Ms. Strickland stated that she did not have a new electric meter. Ms. Strickland stated that the City assures citizens they would work with them to pay the electric bill but how can a citizen continue to pay high bills.

DARLENE KING SUMMER

Mayor McLean recognized Ms. Summer. Ms. Summer stated that she owned several businesses in Clinton. Ms. Summer asked if Council knew how many customers have left Clinton because of the high electric rates. Ms. Summer asked how the City went about changing the meters to a remote read meter. Ms. Summer stated that she has lost four renters and two pharmacy students who decided not to rent from her because of the electric rates. Ms. Summer stated that her beauty shop is only opened two days a week and her electric bill was \$400. Ms. Summer stated that a Section Eight client could not rent from her because she would not be able to afford the electric bill. Ms. Summer stated that the Federal government would not allow her to rent in Clinton. Ms. Summer stated that she is worried that citizens are moving out of Clinton turning Clinton into a ghost town.

CHLOE PURDUE

Mayor McLean recognized Ms. Purdue. Ms. Purdue stated that PMPA is an association with ten cities and out of the ten cities Clinton has the highest rates. Ms. Purdue stated that Mr. Stovall, City Manager, and Mr. Satterfield, Public Works Director, are on PMPA's board. Ms. Purdue stated that the board sets the utility rates. Ms. Purdue stated that Council is not going to do anything about the utility rates and help citizens. Councilmember Scarborough asked Ms. Purdue to stay for the whole meeting and see how Council and City staff would address this issue. Ms. Purdue quoted a parable from the Bible concerning a rich man and a poor

man. Ms. Purdue stated that she would like for Council to live on her income.

EMILY BAILEY

Mayor McLean recognized Ms. Bailey. Ms. Bailey stated that she lived at 316 South Woodrow Street. Ms. Bailey states that her question is about the different forms of City government and I do not know if this is the appropriate place to ask that because that does not seem to be what is being discussed tonight. Ms. Bailey states that she would like to address her question to the Mayor McLean, our Mayor.

Ms. Bailey states Mr. Mayor as a supporter of our present City Manager form of government I would like to respectfully ask your opinion as to which form of government, the City Manager form or the Strong Mayor form of government would be in the best interest of our citizens of Clinton and why do you think this. Mayor McLean states there are three forms of government. Mayor McLean states one form is Strong Mayor with a Mayor who runs the City and Council works under him. Mayor McLean states the other is the City Manager form of government you hire a professional City Manager to run your City. Mayor McLean states it depends on who it is. Ms. Bailey asked what is the third form and Mayor McLean state Mayor and Council form of government. Mayor McLean states Mayor and Council run the City and they hire an Administrator such as Mr. Stovall and he works directly for them and they are in charge of hiring and firing and running the City on a day to day basis. Mayor McLean states the City Administrator runs the City and carries out their wishes. Mayor McLean states that is not a whole different on what we have right now. Mayor McLean states Mr. Stovall has the authority to hire and fire we do not hire or fire and I cannot go to any City employee and tell them to cut my grass or cut your grass or pick up trash in this yard that keeps us from having input in overseeing employees that we should not have. Ms. Bailey states yes. Mayor McLean states it prevents corruption in the City. Mayor McLean states it is good to have a City Manager. Mayor McLean states there are three different forms and all three work in different forms of government. Mayor McLean states very small towns work real well with the Mayor Council form of government. Mayor McLean states the bigger you get the more complicated you get and you want a professional Manager. Mayor McLean states you do not just want someone who got elected and they cannot read or write to run a City of a 28 million dollar business. Mayor McLean states it is tough and it is a big business. Mayor McLean states if you have the right person at Mayor it could work too. Mayor McLean states that is why there are three forms of government all of them work well in the State. Mayor McLean states it depends on the circumstances. Mayor Mclean asked how long Clinton has had the City Manager form of government. Mr. Stovall states the early seventies. Ms. Bailey asks for our size of town what form of government is the best. Mayor McLean states it does not matter it is what the voters want and it is what the people in this town want. Mayor McLean states he is just one person. Ms. Bailey states he is the Mayor. Mayor McLean states he is the Mayor and I ran as a City Council form of government and I did run as a Strong Mayor. Mayor McLean states voters make this kind of decision, not me. Ms. Bailey states she wants to thank you for what you do for our town and I would also like to say I think Clinton looks better than it has in a number years. Ms. Bailey states that she does not think the people who do the maintenance are thanked enough and as a citizen I would just like to thank them. Mayor McLean states he wants to add more thing. Mayor McLean states this is a big business, a 28 million dollar business. Mayor McLean states he already has two other businesses I run. Mayor McLean

states there is no way I can run a 28 million dollar business and run my own businesses the way it should be run here. Mayor McLean states we need someone here full time I mean fourteen to fifteen hours a day. Mayor McLean states that is what this job takes. Councilmember Scarborough states the City is fortunate in this form of government to have a CEO. Councilmember Scarborough states if you look at running the City as a Business then the City Manager is the CEO who handles the administration and the details. Mayor McLean asks Ms. Bailey if he has answered her question and she states yes. Mayor McLean states this is a big job and it is not something for the weak of heart.

**MANGER'S REPORT
PMPA**

Mayor McLean recognized Mr. Stovall, City Manager. Mr. Stovall stated that the next item on the agenda is a presentation regarding the history, contract, and obligation to PMPA. Mr. Stovall recognized Mr. Coleman Smoak, General Manager for PMPA. Mr. Smoak stated that PMPA is a Joint-Action Agency which is one of forty-five in the country. Mr. Smoak stated that PMPA has ten members which are Abbeville, Clinton, Easley, Gaffney, Greer, Laurens, Newberry, Rock Hill, Union, and Westminster. Mr. Smoak stated that PMPA was incorporated in 1979 and is a public body, corporate, and politic of South Carolina. Mr. Smoak stated that PMPA started supplying wholesale electric services to participants on June 21, 1985 and PMPA has a staff of fifteen. Mr. Smoak stated that PMPA only supplies wholesale power. Mr. Smoak stated that PMPA's mission statement is PMPA is a Joint-Action Agency that provides its members reliable, wholesale electric services at the lowest possible rate, value-added services which enhance their continued success, and a forum in which they can work together for the betterment of all. Mr. Smoak stated that there are three types of utilities in the United States. Mr. Smoak stated that the first type of electric utility is investor-owned utilities and they are owned by the stockholders. Mr. Smoak stated that there are 193 in the United States and they service 68% of customers in the country. Mr. Smoak stated that another electric utility is Rural Electric Cooperatives. Mr. Smoak stated that these companies are operated by appointed boards and members. Mr. Smoak stated that there are 873 in the United States and they serve 13% of the customers in the country. Mr. Smoak stated that the third type of electric service is the Municipal Electric Systems. Mr. Smoak stated that these utilities are operated by City Councils and Utility Commissions. Mr. Smoak stated that there are 2006 in the United States and they serve 15% of the customers. Mr. Smoak stated that South Carolina has all three types of electric utilities plus Santee Cooper which is State owned. Mr. Smoak stated that Santee Cooper serves Cooperatives, retail, wholesale, and large industrial customers.

Mr. Smoak stated that in South Carolina there are twenty-one cities in the electric business. Mr. Smoak stated that every one of the twenty-one cities purchase their power wholesale for resale at a retail rate. Mr. Smoak stated that PMPA owns part of a nuclear plant which is the Catawba Nuclear Station. Mr. Smoak stated that Catawba Nuclear Plant houses two units that put out about 2,258 MW (mega-watts). Mr. Smoak stated that Unit 1 began operating in 1985 and Unit 2 began operating in 1986. Mr. Smoak stated that the cost of building the Catawba Nuclear Plant was \$3.5 billion and the license to operate has been extended until December 5, 2043. Mr. Smoak stated that the Catawba Nuclear Plant is owned by four entities which are North Carolina Municipal Power Agency, North Carolina Electric Membership Corporation, PMPA, and Duke Power. Mr. Smoak stated that Unit 1 is split between Duke which owns 39% and NC Electric Membership Corporation which owns 61%. Mr.

Smoak stated that Unit 2 is owned by PMPA which owns 25% and NCMPPA which owns 75%. Mr. Smoak stated that PMPA's contract with the Catawba Nuclear Plant is that PMPA would use energy not only from Unit 2 but also Unit 1. Mr. Smoak stated that other energy sources are the McGuire Nuclear Plant, Duke, Santee Cooper, and Southeastern Power Administration Dams. Mr. Smoak stated that 85% of the energy comes from the Catawba Nuclear Plant, 5% comes from the energy generated by the dams, and 10% comes from other energy sources. Mr. Smoak stated that Clinton's power mix they sell to customers is 90% carbon free. Mr. Smoak stated that from 1970 to 1975 Duke was serving Clinton and during these years the wholesale rates that Duke charged went up 270%.

Mr. Smoak stated that during this time Duke was caught in a capital crunch and in 1975 Duke offers to sell Catawba to the Municipalities and the Cooperatives in South Carolina. Mr. Smoak stated that Duke told their wholesale customers during this time that Duke may not be able to supply power to them. Mr. Smoak stated that the three reasons the Municipalities purchased the Catawba Nuclear Plant are an adequate, dependable power supply, more control over wholesale costs, and they would share the risk. Mr. Smoak stated that from 1975 to 1980 other agencies like PMPA were formed in North Carolina and in 1978 the SC General Assembly enacts PMPA enabling legislation. Mr. Smoak stated that in 1980 PMPA and the Cooperatives signed their project agreements with Duke. Mr. Smoak stated that from 1980 to 1985 PMPA was getting their members to sign the contract and Duke still continued to go up on their wholesale rates during this time. Mr. Smoak stated that PMPA negotiated three contracts with Duke. Mr. Smoak stated that the first contract was the Sales Contract to buy the nuclear plant. Mr. Smoak stated that the next contract was the Operating and Fuel Agreement which contracts with Duke to operate the Nuclear Plant for PMPA. Mr. Smoak stated that the third contract was the Interconnection Agreement but that agreement has since been cancelled. Mr. Smoak stated that there are two agreements between the Cities and PMPA. Mr. Smoak stated that the first agreement is the Catawba Project Power Sales Agreement. Mr. Smoak stated that this agreement runs until either the bonds are paid or August 1, 2035. Mr. Smoak stated that in this agreement each participant purchase its share of the Catawba Plant on a take or pay basis. Mr. Smoak stated that the bond holders wanted some type of assurance the bonds would be paid. Mr. Smoak stated that each participant pays its percentage of monthly Catawba project power costs, which includes the debt service. Mr. Smoak stated that under this agreement if a participant defaults it is not relieved of its responsibility to pay PMPA and all non-defaulting participant's shares are increased pro rata up to 25%. Mr. Smoak stated that if Clinton defaults then the other Cities would have to step up and take over Clinton's portion of the debt up to 25%. Mr. Smoak stated that the second contract PMPA and the participants have is the Catawba Project Power Sales Agreement. Mr. Smoak stated that the Supplemental Sales Agreement tells PMPA to take each Cities energy use and put the energy requirements together. Mr. Smoak stated that the Supplement Power Agreement tells PMPA to supply the participant's power from the nuclear plant as well as other sources. Mr. Smoak stated that Clinton's share in Catawba is 7.8%. Mr. Smoak stated that the wholesale power rates are set and PMPA's participants are required to pay these rates. Mr. Smoak stated that Clinton has agreed to set their rates whereas the debt to PMPA would be paid. Mr. Smoak stated that the obligation to pay PMPA is an operating expense of the participant's electric system. Mr. Smoak stated that this obligation to PMPA must be paid before Clinton pays its own

bondholders. Mr. Smoak stated that Clinton is the seventh largest City out of the ten members and represent about 4.9% of the power PMPA sells to the members. Mr. Smoak stated that PMPA splits the debt of the participants by the size of their electric system. Mr. Smoak stated that the larger Cities buy more power and pay more of the debt. Mr. Smoak stated that PMPA does not set the retail rates but only sell power to the participants by wholesale rates. Mr. Smoak stated that PMPA's rate structure was set so that no member pays more than 10% of the cost than any other City. Mr. Smoak stated that all of the participants cost is within 10% of each other. Mr. Smoak stated that in 1978 Nuclear Generation was the best available option and at this time it was against the Federal law to use natural gas.

Mr. Smoak stated that when three-mile happened in 1979 it caused more cost to be added to the running of the nuclear plants in order to ensure another accident did not occur. Mr. Smoak stated that in 1988 the use of natural gas became available and Duke built gas turbines to supply energy. Mr. Smoak stated that PMPA projected the cost of energy to rise but after 1988 the wholesale rates went down by 48%. Mr. Smoak stated that Duke was able to capitalize on the rate reduction and the ability to use natural gas but PMPA was committed to the nuclear plant and could not lower their rates. Mr. Smoak stated that the Finance Committee rate objectives are the rates should be adequate to cover PMPA's cost of providing services, the rates to the participants should be fair and reasonable, rates should reflect the impact of a participant's load additions or reductions on PMPA's cost of providing services, rates should assist participants in the ability to attract and retain customers in order to promote participant strength and stability in a competitive market, rates or other programs should allow PMPA and its participants to maintain stable cash flow through matching revenues and costs, and the differences among the participants' average annual wholesale charges should be minimized, such that each participant's average cost should be with +- 10% of PMPA's average charge to all participants. Mr. Smoak stated that PMPA's budget is \$273,223 million dollars. Mr. Smoak stated that 35% of the budget is debt service, 33% of the budget goes toward operating the Catawba Nuclear Plant, 9% is for capital additions to the Catawba Plant, 18% of the budget is for purchasing supplemental power, and 2% of the budget goes toward operating PMPA. Mr. Smoak stated that PMPA was aware that over the years the rates would increase and PMPA had built up a Rate Stabilization Fund to help offset the rate increase. Mr. Smoak stated that PMPA has been using the funds from the Rate Stabilization Fund to help keep the rate increase as low as possible. Mr. Smoak stated that PMPA uses four components for their rate structure. Mr. Smoak stated that the first component is the Base Billing Demand Rate which is a rate to cover the fixed costs that the participants must pay. Mr. Smoak stated PMPA also uses an Additional Billing Demand and this charge would vary every month depending on how much energy Clinton uses. Mr. Smoak stated that there are two energy charges which are the Base Energy Charge and the Additional Energy Charge. Mr. Smoak stated that the Base Energy Charge is the cost of the energy Clinton uses from the Catawba Nuclear Plant and the Additional Energy Charge is the cost of buying energy on the open market. Mr. Smoak stated that Clinton's total annual bill is between \$11 million and \$12 million. Mr. Smoak stated that out of that annual payment approximately \$611,890 per month or \$7.3 million per year goes toward the Base Billing Demand which is the debt payment. Mr. Smoak stated that PMPA has had a policy concerning solar power since 2009. Mr. Smoak stated that if a citizen wishes to use solar energy then there would be an agreement between

the citizen, PMPA, and Clinton. Mr. Smoak stated that PMPA would purchase the power from the solar unit and PMPA would give the credit to Clinton and Clinton would reimburse the customer. Councilmember Scarborough asked how much would it cost Clinton to get out of the PMPA contract and how long it would take. Mr. Smoak stated that he did not know the cost or time but the City needs to get an attorney if they are considering this type of action. A citizen asks if it would be seven million dollars for the remaining years on the contract and Mr. Smoak stated no. Ms. Summer asked Mr. Smoak if he been to other meetings about rate increases and Mr. Smoak stated yes. Ms. Summer stated that PMPA sells wholesale power and must stay within certain parameters when selling the power to Clinton and Mr. Smoak agreed. Ms. Summer stated that citizens should look at the City's retail power rates and not the wholesale rates. Ms. Summer stated that she does not think the solution is trying to get out of the PMPA contract but the City needs to look at their retail rates. Councilmember Young asked how many electric meters and industry did Clinton have before entering the PMPA contract. Councilmember Young stated that Clinton's population and large industry has shrunk over the years but the City still has to meet the debt cost which is \$611,890 per month. A citizen asked if PMPA is under any type of State or Federal agency and Mr. Smoak stated no. A citizen asked if any City has defaulted and Mr. Smoak stated no. A citizen asked if Clinton could get an adjustment from PMPA because of the industry Clinton has lost in the last few years. Mr. Smoak stated that Clinton is using more power than in 1980. Mr. Stovall asked Mr. Smoak to discuss the cooperative buyout. Mr. Smoak stated that in 1980 the Cooperatives also signed an agreement to purchase part of the Catawba Nuclear Plant. Mr. Smoak stated that when PMPA was facing deregulation on the retail side and the Cooperatives decided to default on their agreement. Mr. Smoak stated that the Cooperatives went to the Federal Agency they borrowed funds from to purchase their share of the nuclear plant and got the agency to agree to allow the Cooperatives to sell their part of the nuclear plant. Mr. Smoak stated that the Federal agency also forgave a portion of the debt. Mr. Stovall stated that the Federal agency offset some of the debt the Cooperatives had and Mr. Smoak agreed. Mr. Stovall asked if Clinton was offered to have some of their debt offset by Federal taxpayers so the Clinton's rates would be lower and Mr. Smoak stated no. Councilmember Scarborough stated that PMPA and citizens must subsidized the debt Cooperatives no longer have to pay and in turn could afford to lower their rates.

ELECTRIC RATES

Mr. Stovall stated that the next item on the agenda is information from the City Manager about current rates and courses of action in response to citizen concerns. Mr. Stovall stated that he would give Council and citizens an update on how the City calculates the electric rates and how the City of Clinton would move forward. Mr. Stovall stated that Council and City staff did not sign the PMPA contract but must work within the confines of the contract. Mr. Stovall stated that the topics discussed during this meeting are how does the City calculate a utility bill, what is a Kwh and what does it pay, how does the City compare to others, what happened this summer, where are the rates going, and how is the City going to respond to this issue. Mr. Stovall stated that the first step in calculating a utility bill is a meter reading. Mr. Stovall stated that in the past the City used a Field Representative to go out and get a reading but now the City uses remote read meters to gather the meter readings. Mr. Stovall stated that in the future the meters will send their information through a fiber network to a computer in the Municipal Center. Mr.

CALCULATE UTILITY BILL

Stovall stated that the City subtracts the current meter reading from the one taken last month to determine the energy usage in Kwh. Mr. Stovall stated that the average home in South Carolina uses 1200 Kwh per month. Mr. Stovall stated that the City calculates the Purchase Power Cost Adjustment by comparing the cost of power sixty days prior to the billing cycle with the revenue collected sixty days prior to the billing cycle. Mr. Stovall stated that if the City collects too much the Purchase Power Cost Adjustment number would be negative and the customer receives a refund but if the City collects too little then the number would be positive and the surcharge is added on the utility bill. Mr. Stovall stated that the City uses this formula to calculate a utility bill which is the base rate + Kwh use x volumetric base rate + Kwh use x PPCA.

Mr. Stovall stated that for example if a customer uses 1500 Kwh for one month then the customer's bill would be the \$20 (base rate) + \$220 (1500 Kwh x .148) + \$15 (1500 x .01) which equals \$257. Mr. Stovall stated that a kilowatt is a measure of power or work equal to 1000 watts and a kilowatt hour measures energy use. Mr. Stovall stated that a kilowatt looks at energy use and time. Mr. Stovall stated that if a customer uses a 100 watt light bulb for one hour then he uses .1 Kwh and a 40 watt bulb could run 2.5 hours and also use .1 Kwh. Mr. Stovall stated that a customer using a CFL 26 watt bulb for three hours and forty-eight minutes would use .1 Kwh and a LED 18 watt bulb running for five hours and thirty-three minutes would use .1 Kwh. Mr. Stovall stated that different household items use different levels of energy and a customer should be aware of this. Mr. Stovall stated that a customer pays 14.8 cents per Kwh. Mr. Stovall stated that the revenues from this rate breaks down as follows: 65% to PMPA, 9% to a transfer to General Fund, 16% to the Water Department to help subsidize the delivery of water to a customer and 10% for Electric operations. Mr. Stovall stated that the City has two budgets operating at the same time, General Fund and the Utility Fund. Mr. Stovall stated that the Utility Fund supports water, electricity, and sewer. Mr. Stovall stated that the General Fund supports Police and Fire protection, Street Department, Sanitation Department, and Inspections. Mr. Stovall stated that a portion of the electric revenues are transferred to the General Fund to help support the various General Fund departments. Mr. Stovall stated that all electric companies use certain standards of measurements to determine how well they do in taking power from the substation and delivering it to the customer's home. Mr. Stovall stated that one form of measurement is the number of times in a year a customer would experience an electric outage for longer than five minutes. Mr. Stovall stated that this report takes in to account how big is the electric system, how many Kwh the system sells, and how many customers the system serves. Mr. Stovall stated that the information is broken down into ten regions and the lower the number the better the job the system is doing to keep the customer's power on. Mr. Stovall stated that the City ranking is .7041 which is the lowest ranking in their region. Mr. Stovall stated that 14.8 cents per Kwh buys the customer this type of service. Mr. Stovall stated that the next measurement rates the electric system's outage in minutes during a year. The City of Clinton's rating is 99.4 which is below the average. Mr. Stovall stated that the Electric Department does an above average job of keeping the electric system running. Mr. Stovall presented a chart comparing the residential electric rates for a 1000 Kwh. Mr. Stovall stated that the City of Newberry customer's pay \$126 for 1000 Kwh and the City of Abbeville customer's pay \$127. Mr. Stovall stated that the City of Newberry and the City of Abbeville are part of PMPA. Mr. Stovall stated that the City of Clinton customer's pay \$169 for 1000 Kwh. Mr. Stovall stated that the State

UTILITY COMPARISON

compares every City's sewer rates based on 6,000 gallons per month. Mr. Stovall presented a chart with the results of the rate study. Mr. Stovall stated that the Cities at the bottom of the chart are able to borrow bonds for capital improvements on their sewer infrastructure. Mr. Stovall stated that these Cities do not have to build these improvements into their rates. Mr. Stovall stated that the Cities in the middle part of the chart have to build their capital improvements into their rates. Mr. Stovall stated that the Cities at the top of the chart, including Clinton, are under a DHEC Consent Order for their Sewer System. Mr. Stovall stated that DHEC will regulate the City's Sewer System until the City can make all of the necessary repairs. Mr. Stovall stated that prior to this year the Sewer System was not self-sufficient and had to be subsidized. Mr. Stovall stated that this year the City broke out the sewer charges so the customer could see how much pays for the treatment, collection and the I&I fee. Mr. Stovall stated that the Sewer System is in bad shape. Mr. Stovall stated that when it rains the rainwater gets into the Sewer System and the City has to pay to treat rainwater. Mr. Stovall stated that the treatment cost varies because the treatment cost the City pays LCWSC varies each month. Mr. Stovall stated that as the City fixes the issues with the Sewer System then the I&I flow would be reduced and the cost to the customer would come down. Mr. Stovall stated that as the Sewer System improves then the rates will stabilize. Mr. Stovall stated that he could not give a time line when this issue would be fixed because until the City actually pulls up the sewer lines and see the issues then the City could associate a cost and time to the projects. Mr. Stovall presented charts comparing regional residential sewer rates and Laurens County sewer rates. Mr. Stovall stated that Fountain Inn charged the highest sewer rate and the City of Clinton was next. Mr. Stovall presented a chart for water rates based on 6,000 gallons per month in South Carolina and that the City is at the lower end of the chart. Mr. Stovall stated that because the water rates are so low a portion of the electric rates goes toward supporting this department. Mr. Stovall stated that the City water rates are also low in the region. Mr. Stovall presented a chart for residential property taxes based on a \$100,000 home in South Carolina and the City is at the low end of the chart. Mr. Stovall stated that the revenue from property taxes support Police and Fire protection. A citizen stated that his property tax bill is a lot higher than what Mr. Stovall stated the City received. Mr. Stovall asked if the citizen looked at his total property tax bill and he stated yes. Mr. Stovall stated that in Laurens County all of the taxing entities partner with Laurens County and a citizen gets one tax bill. Mr. Stovall stated that the property tax bill includes taxes for Laurens County, School District and the City of Clinton. Mr. Stovall stated that out of that one property tax bill the City of Clinton receives \$160. Ms. Summer asked if the chart was based on 4% and Mr. Stovall stated yes. Ms. Summer stated that as a landlord her property is taxed at a 6% rate and the City of Clinton has a lot of rental property. Mr. Stovall stated that this chart is based on one residential home. Mr. Stovall stated that the City collects more revenue from the 4% property than the 6% property because the property taxed at 4% has a higher assessed value. Mr. Stovall presented a map of Clinton which shows the areas that are taxable. Mr. Stovall stated that over 50% of the property in Clinton is not taxable and does not contribute to providing funding for General Fund services such as Police and Fire. Mr. Stovall stated that the only way the non-taxable properties contribute to the General Fund services is by the 9% transfer from the Utility Fund. Ms. Summer asked why does the City not charge them a property tax bill and Mr. Stovall stated that the State determines that certain types of property are tax exempted. Ms. Summer asked if the City could charge these tax exempted properties a fee for Police and Fire

PROPERTY TAX

services. Mr. Stovall stated that is called Fee for Services or a PILOT agreement. Mr. Stovall stated that the City could not legally force someone to pay a Fee for Services or PILOT agreement. A citizen asked if the City would refuse the tax exempted properties Police or Fire service and Mr. Stovall stated no. Mr. Stovall stated that the City asked in a recent survey if additional revenue to fund City services was needed how would you prefer to see that revenue raised. Mr. Stovall stated that 63% of the citizens surveyed selected a property tax increase and 37% selected a utility rate increase. A citizen asked if the City could raise the Sales Tax and Mr. Stovall stated that the State limits the amount the City could collect for Sales Tax. Mr. Stovall stated that he wanted to look at the monthly cost of living in Clinton. Mr. Stovall presented a chart comparing Clinton to five PMPA Cities, one Duke City and one SCE&G City. Mr. Stovall stated that it would cost a citizen \$13.33 per month for property taxes, which is lowest amount. Mr. Stovall stated that the chart then adds the sanitation fee, water and sewer charges, and then the electric rates. Mr. Stovall stated that after all of the services are added to the monthly bill then the City of Clinton is no longer the most expensive City. Mr. Stovall stated that the monthly amount to live in Clinton is \$351.48. Mr. Stovall stated that when the PPCA charge is added to the chart then it cost a Clinton citizen \$370.98 per month to live in Clinton. Mr. Stovall presented a chart that shows the PPCA charge for February and March. Mr. Stovall stated that when a customer receives the March utility bill it is for the month of February. Mr. Stovall stated the PPCA charge was -\$24.30 and the PPCA charge in June was \$43.50. Mr. Stovall stated that the two reasons for the high utility bills are consumption and the PPCA charge. Mr. Stovall presented a chart with five homes representing five areas in Clinton which shows Kwh usage. Mr. Stovall stated that the time frame for this usage is May through July. Mr. Stovall stated that across the board every house in this area had higher consumption. Mr. Stovall stated that one answer from citizens about the higher consumption is the new meters. Mr. Stovall stated that the City serves 4073 electric meters. Mr. Stovall stated that 3290 electric meters have been replaced by remote reads and the City has 783 electric meters to replace. Mr. Stovall stated that the Public Works Department tested five meters and found that the test meters recorded the same reading or lower. Mr. Stovall stated that the City contracted an outside agency to test the electric meters. Mr. Stovall stated that 277 electric meters were tested with the following results: 4 meters undercharged by 100%, 3 meters undercharged by 50%, 3 meters undercharged by 25%, 16 meters undercharged by 1%, and 215 meters were accurate. Mr. Stovall stated that the independent test did not find any electric meters overcharging. Mr. Stovall stated that the City receives a calendar from an organization called ElectricCities that shows the temperature for each day of the month with the Clinton's electric usage. Mr. Stovall showed a comparison of the energy usage days between April 2014 through July 2014 to April 2015 through July 2015. Mr. Stovall stated that the temperature in June and July 2015 was extremely high and the City's overall energy usage was high. Mr. Stovall stated that City staff did not anticipate this high temperature jump and did not anticipate having more energy usage days. Mr. Stovall stated that in June 2015 the City had more very high energy days and in July 2015 the City did not have any low energy days and many more very high energy days. Mr. Stovall stated the high temperatures drove the energy consumption up in June and July. Mr. Stovall stated that the higher the temperature the harder an air conditioner works to cool a home and the more usage a customer pays for. Mr. Stovall stated that it is hard to compare utility bills because each home has different levels of insulation and each home use a different type and size of air

UTILITY RATES

conditioning. Mr. Stovall stated that all of these factors play a part in how much energy a customer uses in a given month. Mr. Stovall stated that since 2006 the City has received a rate increase from PMPA and the City has passed these rate increases on to the customer. Mr. Stovall stated that in 2013 the City's electric rate was .14 cents per Kwh and the City made the decision to try to keep the rates at .14 cents and not increase them even though PMPA's rates still increased. Mr. Stovall stated that the City uses the PPCA charge to make up the difference. Mr. Stovall stated that the PPCA is a factor added or subtracted from your bill designed to make sure that the City collects enough to cover the cost of electricity without having to utilize operational revenue which is designed to provide services and maintenance on the system. Mr. Stovall stated that the City Manager and the Public Works Director, Dale Satterfield represent the City of Clinton on the PMPA's board. Mr. Stovall stated that votes on the PMPA board is weighted based on the City's share in the Catawba Nuclear Plant. Mr. Stovall stated that when the City of Clinton's representatives on the PMPA board votes on rate issues the City's vote counts for 7% of the total vote. Mr. Stovall stated that the PPCA is a common charge used by Cooperatives, Municipals, and Investor Owned Utilities. Mr. Stovall stated that some electric companies calculate the PPCA charge on a monthly basis and some calculate the bill annually. Mr. Stovall stated that the City purchases power from three sources and the cost of power changes based on how much of each energy source the City uses. Mr. Stovall stated that the City uses the same amounts of SEPA and nuclear energy each month but the power purchased from Santee Cooper varies. Mr. Stovall stated that the PPCA charge went into effect in January 2015. Mr. Stovall stated that in January customers paid 14.21 cents per Kwh because of the PPCA charge but in July 2015 customers paid 17.70 cents per Kwh. Mr. Stovall stated that the City would take steps to try and keep the City's electric rate at 14.8 cents per Kwh. Mr. Stovall stated that if the City had not implemented the PPCA charge then the City would have to raise the base charge to 16 cents per Kwh. Mr. Stovall stated that the utility bills went up because of the consumption, higher temperatures, and the PPCA charge. Mr. Stovall stated that the PPCA charge made up about 17% of the electric bill increase and the rest of the increase was due to consumption. A citizen asked Mr. Stovall if it was normal for a City to subsidize departments and Mr. Stovall stated no. Mr. Stovall stated that the Water Rate charged to customers does not cover the cost of bringing water to a customer's home. Mr. Stovall stated that the Water Department is not self-sufficient and operates at a loss. Mr. Stovall stated that the Water Department operates at a loss of \$400,000 per year so the City subsidizes the department with electric revenue. Mr. Stovall stated that last year customers received a sewer bill with two charges, Sewer Treatment and Collection and an I&I fee. Mr. Stovall stated that this year customers have three charges which are Treatment Charge, Collection Charge, and the I&I Charge. Mr. Stovall stated that prior to the current year the Sewer Department did not collect enough revenue to pay for the treatment. Mr. Stovall stated that the City would use revenue from the Collection Charge to pay the treatment cost which left fewer funds to maintain and repair the sewer lines. Mr. Stovall stated that the Collection Charge would go toward repairing the lines and the Treatment Charge would go toward paying to treat the water. Mr. Stovall stated that the City is under the Consent Order by DHEC and cannot put off the sewer line repairs. Mr. Stovall stated that this current fiscal year the Sewer Department is self-sufficient and is not subsidized. Ms. Summer asked if the City receives the Sales Tax charge and Mr. Stovall stated that the revenue from Sales Tax goes to the State. Councilmember Scarborough stated that it would take time to

**SOLUTIONS
SHORT TERM**

correct all of the issues but Council is working toward a self-sufficient Water Department and repairing the sewer lines. A citizen asked if the City makes the departments self-sufficient and make the repairs to the sewer lines would the electric bill go down and Mr. Stovall stated yes. Mr. Stovall stated that City staff has worked on some short term, mid-term and long term solutions to the issues. Mr. Stovall stated that the short term solutions are a six month plan. Mr. Stovall stated that City staff needs to improve communication with the customer. Mr. Stovall stated that the City is going to put a website up that will address the questions and concerns of citizens. Mr. Stovall stated that the City would post utility rates on the website as well as include this information in the utility bill. Mr. Stovall stated that City staff would work with assistance agencies. Mr. Stovall stated that City staff would meet with the agencies that help customers with their utility bills in order to understand their policies and procedures. Mr. Stovall stated that the City would invite these agencies to use vacant office space in the Municipal Center. Mr. Stovall stated that City staff would request Council eliminate the fees and penalties on the July utility bill. Mr. Stovall stated that the July utility bill was extremely high and the City does not want to add to the cost of that bill. Mr. Stovall stated that City staff would request Council reduce the penalty fee from 10% to 5% for the August utility bill. Mr. Stovall stated that the 10% penalty fee would be charged to customers who do not reach out to the City for help or do not pay their bill by the due date. Mr. Stovall stated that City staff would bring an Ordinance before Council in September eliminating the \$25 Administrative Fee for a service connect. Mr. Stovall stated that since many meters can be controlled from the office the City does not have to send out a Field Representative to reconnect the service. Mr. Stovall stated that the City would freeze any positions that are not a front line service position such as a Police Officer or Street Department crewman. Mr. Stovall stated that the City would freeze capital expenditures over the next few months. Mr. Stovall stated that City staff would improve customer access to management. Mr. Stovall stated that the City would place a member of the Management Team in the Municipal Center's lobby to answer questions and provide assist to customers. Mr. Stovall stated that the PPCA charge will be reduced over the next three months. Mr. Stovall stated that City staff would implement an Energy Review Program in order to help customers make their homes more energy efficient. Mr. Stovall stated that City staff would like to adjust assistance policies and allow up to six extensions per year. Mr. Stovall stated that the City would open up the opportunity to sign up for budget billing anytime and not limit the ability to sign up to January. Mr. Fortney stated that if a customer has a credit on the budget billing the City does not give a refund but a credit. Mr. Fortney stated that he would like to see the City give the credit back to the customer in the form of a check and Mr. Stovall stated that he would look into it. A citizen asked if a customer could pay their bill by credit card and Mr. Stovall stated yes. Mr. Stovall stated that the customer could call Customer Service or go on line to pay their bill. A citizen stated that the City charges a fee for using the credit card and Mr. Stovall agreed. Mr. Stovall stated that the City is charged for the credit card use and in turn passes that charge on to the customer. Mr. Stovall stated that the City would set up a Rate Stabilization Fund. Mr. Stovall stated that the purpose of this fund is to be used to offset a PPCA spike to level billing for our customers until rate adjustments can be made. Mr. Stovall stated that to fund this account the City would transfer \$50,000 from the Utility Contingency Fund and reallocate 50% of funds going to the Reserve Fund to the Rate Stabilization Fund. Mr. Stovall stated that the funds would only be used for reducing energy costs for our citizens and for no other purpose. Mr.

MID-TERM

Stovall stated that when the City experiences another PPCA spike then the City would pay for part of the cost through this fund and the customer would also pay a portion of the cost. Mr. Stovall stated that the min-term solutions are six to eighteen months plans. Mr. Stovall stated that a mid-term solution is an independent Cost of Service Study. Mr. Stovall stated that the City would request financial assistance from PMPA to have an independent qualified rate consultant and engineer review our system, assess true cost of services, and assist in developing plans to make services self-sufficient. Mr. Stovall stated that it would take at least a year to complete the study. Mr. Stovall stated that based on the consultant's recommendations the City would adjust water and sanitation rates to achieve self-sufficiency. Mr. Stovall stated that the City would review other potential rate recommendations and structures to improve customer experience and promote economic growth. Mr. Stovall stated that in September Council would consider a second reading of the DSM Program Ordinance. Mr. Stovall stated that the DSM Program is an incentive rate to reduce customer rates for DSM customers by 2.3% in a year effective January 1, 2016. Mr. Stovall stated that City staff would implement a program to provide funding for both customer donations and a match grant from the City to increase funds available at local assistance agencies to assist customers with utility bills. Mr. Stovall stated that the City would form a Rate Reduction Task Force consisting of the City Manager, DPW Director, DAS Director, CFO, 3 members of Council, PMPA Representative, and local business owners and citizens to guide and advise the task force. Mr. Stovall stated that the City would create Energy Audits for citizens. Mr. Stovall stated that the City would set aside funding and find a qualified individual to perform full energy audits on high use residential and small commercial accounts. Mr. Stovall stated that the City would look into an Energy Efficient Loan Program. Mr. Stovall stated that the City would utilize City funds or outside agency funds to provide grants or low interest loans that allow residents and businesses to make energy efficiency improvements and use the savings from these improvements to reimburse the account creating a self-perpetuating fund to support energy reduction strategies. Mr. Stovall stated that the City would complete the legal work and negotiation required to raise pole attachment fees in Clinton to a market rate from our current discount rate. Mr. Stovall stated that the revenues from these fees would be used to reduce electric rates for customers. Mr. Stovall stated that the City would design, develop, and implement a policy regarding the use of Utility Revenue to support the General Fund operations. Mr. Stovall stated that this policy would control General Fund spending. Mr. Stovall stated that the City would develop and implement a City Net Metering Policy in conjunction with PMPA to allow for the customer installation and use of solar and for a wholesale buy back rate for customer who wishes to use solar power. Mr. Stovall stated that long term solutions are from eighteen months moving forward. Mr. Stovall stated that one long range plan is to request outside aid for debt relief. Mr. Stovall stated that the City would seek State and Federal aid to relieve some of the City's debt. Mr. Stovall stated that the City would request PMPA to look at the rates. Mr. Stovall stated that the City would ask PMPA to look at rate structure that would be fair to the other participants and be more favorable to Clinton. Mr. Stovall stated that the City could determine if the Catawba share could be sold and the City focus solely on distribution. Mr. Stovall stated that the City could look at restricting any current Utility debt to lower annual debt payments and could PMPA restructure any of the PMPA debt allocated to Clinton to provide any rate relief. Mr. Stovall stated that the City should develop a rate plan for each and every service and determine a timeline for

LONG TERM

implementation. Mr. Stovall stated that that the City could look at working with non-taxing entities that require but do not directly fund General Fund services to obtain a PILOT payment from them which would reduce the transfer amount and provide rate relief. Mr. Stovall stated that the City should continue to invest heavily in economic development efforts in the hopes of increasing population and businesses which would help absorb some of the fixed costs. Mr. Stovall stated that the City would identify and implement new revenue opportunities to increase fairness and reduce the need for General Fund taxpayers and electric rate customers to support non-taxpaying entities. Mr. Stovall stated that the entities exempted from paying taxes do put money into our community. Mr. Stovall stated that the City should look at transitioning to performance or priority based budgeting and away from inflationary budgeting. Mr. Stovall stated that the City should separate the Utility System to create a stand alone entity if it could reduce costs. Mr. Stovall stated that the City could look at separating the Utility bill and charging for different services at different times of the month.

QUESTIONS

Mr. Stovall stated that he would answer any questions from the audience. Mr. Stovall stated that one question is did Dunkin Donuts cancelled their plans to locate in Clinton because of the electric rates. Mr. Stovall stated that a franchise of Dunkin Donuts was going to build a distribution center in Clinton and the project was cancelled because the franchise owner went bankrupted. Mr. Stovall stated that PMPA does have a program which allows Clinton to offer a special industrial rate in order to compete with Duke or SCE&G. A citizen asked if tree limbs on the power lines causes an increase in the Kwh use and Mr. Stovall stated that is a true statement. Mr. Stovall stated that the City has a two man Right-of-Way crew and about fifty miles of right of way they have to trim. Mr. Stovall stated that the City hired a contractor to clear the right of way and the City is in the process of creating a Right-of-Crew Department. A citizen asked what is the connection fee for solar energy. Mr. Satterfield stated that he has spoken with a customer who priced solar energy and the cost of his solar panels is \$60,000. Mr. Satterfield stated that the companies selling the solar panels do offer rebates but citizens need to know that some solar providers do not have the customer's interest in mind just the rebates from the Government. A citizen asked if a customer could run off of a generator. Mr. Stovall stated that the City Ordinance requires a citizen to have electricity and it does not have to be the City's power. Mr. Stovall stated that a citizen could not connect a generator to the City's power because if the power goes out then the generator would keep the power line alive. Mr. Stovall stated that this situation is harmful to the Electric Department as they try to restore power and do not realize a generator is making the power line active. A citizen asked who was responsible for setting the retail electric rates and Mr. Stovall stated Council and City staff. A citizen requested City staff put a map in the paper or on the website that shows the Wards and the Councilmember that serves the Ward. Mayor McLean stated that City staff could place that information with the utility bill. A citizen asked if the City could charge the tax exempted properties for Police and Fire service. Mr. Stovall stated that other Cities implemented a Fire Service Fee. Mr. Stovall stated that the fee could be a flat fee per parcel or based on square footage. Mr. Stovall stated that for a citizen already paying taxes the property tax bill goes down to compensate for the fee and the fee is a wash on the property tax bill.

MAYOR'S REPORT

Mayor McLean stated that he wanted to thank everyone that attended the meeting. Mayor McLean thanked Mr. Coleman Smoak and Mr. Stovall for their informative information. Mayor McLean stated that Council has inherited these issues and it would take time to make the changes needed to improve the systems. Mayor McLean asked everyone to remember David Anderson's family due to his tragic murder. Mayor McLean thanked the City and County Law Enforcement for their work on the case and for their quick response to the situation.

**COUNCILMEMBER
REPORT**

councilmember Cook asked if the short term objectives would be brought before Council in the September meeting and Mr. Stovall stated he would. Councilmember Cook thanked everyone for coming to the meeting and for the presentations.

Councilmember Young thanked Mr. Stovall and Mr. Smoak for their presentation. Councilmember Young stated the presentation was informative. Councilmember Young thanked everyone for attending the meeting and for their input

Councilmember Jenkins thanked Mr. Stovall and City staff for their presentation. Councilmember Jenkins stated that she also received a high electric bill. Councilmember Jenkins stated that Ms. Hardin is in her Ward and she may not go door to door but she does ride through her Ward

Councilmember Byrd thanked the citizens for attending the meeting. Councilmember Byrd encouraged citizens to attend more of the Council meetings that are held the first Monday in a month.

Councilmember Kuykendall stated that these types of meetings are important and this was an informative meeting. Councilmember Kuykendall stated that he is thankful Council has a City staff that could take a complicated topic and address it. Councilmember Kuykendall stated that Clinton is a great place to live and let's have a positive attitude when we hear about someone leaving Clinton.

Councilmember Scarborough thanked everyone for coming to the meeting. Councilmember Scarborough thanked the citizens for their input. Councilmember stated that the problems have been building for many years and there is not a quick solution to all of the problems but Council would work toward a solution.

ADJOURN

With there being no further business before Council motion was made by Councilmember Scarborough to adjourn and seconded by Councilmember Kuykendall. The vote was unanimous.

CITY CLERK

MAYOR
