

MINUTES OF THE TOWN OF WAYNESVILLE BOARD OF ALDERMEN
SPECIAL CALLED MEETING
December 3, 2015

THE WAYNESVILLE BOARD OF ALDERMEN held a special called meeting on Thursday, December 3, 2015 at 12:00 Noon in the conference room of the Municipal Building, 16 South Main Street, Waynesville, NC.

A. CALL TO ORDER

Mayor Brown called the meeting to order at 12:05 p.m. with the following members present:

Mayor Gavin Brown
Alderman Gary Caldwell
Alderman Julia Freeman
Alderman J. Wells Greeley
Alderman LeRoy Roberson

The following staff members were present:

Marcy Onieal, Town Manager
Amie Owens, Town Clerk
David Foster, Public Services Director
Preston Gregg, Town Engineer

The following media representatives were present:

Mary Ann Enloe, the Mountaineer

1. Welcome

Mayor Gavin Brown welcomed everyone to the meeting and thanked board members for freeing up their schedules to attend.

2. Wholesale Power Agreement Discussion

Manager Marcy Onieal began the discussion by providing an overview of the contract process. She noted that Louis Davis and Ted Orrell from Utilities Technology had spent many hours assisting with the contract completion and negotiation in conjunction with attorneys Coley and Pridgen. This process began back in March following approval at the board retreat to move forward with a new wholesale power agreement. Three proposals were presented and Santee Cooper was chosen as the preferred provider. Since March, time has been spent working to shore up some detail work and have appropriate legal language included in the contracts; however, the existing contracts do not differ greatly from those presented in March.

Manager Onieal clarified some comments made regarding savings from the contracts that were misinterpreted and misconstrued. The "savings" was based on the prevention of a huge cost escalation, not of concrete dollars added back to the general fund. Customers should not be expecting large savings related to their bills. This contract process will allow for

continued profitability and having funds available to keep residential rates on par with Duke customers. Manager Onieal applauded Mr. Davis' efforts and noted he had done a great job in negotiating some concessions. She explained that members should know the high points of the contracts and that she, Mr. Davis and Mr. Orrell are here to go through the fine points to make sure that all questions are answered. Manager Onieal added that there were two contract copies - one was a one year contract with Duke Energy that would be effective January 1, 2016, and the other was with Santee Cooper which would become effective January 1, 2017. Manager Onieal turned the meeting over to Mr. Orrell.

Mr. Orrell noted that he was not going to rehash the entire process, but wanted to refresh the board about some key points that led to having to remain with Duke for one year before starting with Santee Cooper.

Mr. Orrell explained that Duke had a problem with providing capacity to the system without modifications that could not be completed until August 2016. A Transmission Agreement was developed to work around the capacity issue to give Duke the time it needed to make system improvements and would allow for transfer to Santee Cooper on the implementation date.

One of the items negotiated with Santee Cooper is load side generation; meaning that the Town of Waynesville could run generators to help offset usage at the proper peak hour and could save the cost. Santee Cooper will allow 2 megawatts (MW) of load side generation. Mr. Orrell explained that diesel engine generators would be used for this power generation. Duke has agreed to allow for 1,000 kW of load side generation during their one year contract. UTEC staff and Town of Waynesville staff are investigating locations in the system where the mobile engine generator could be set up. This should be ready for load side generation by January 1, 2016.

Mr. Orrell continued by noting that Duke would give credit each month for the 1,000 kW if they can see that the generation is working. However, Duke does have the right to have the Town run the generators up to 40 hours a year to assist them (Duke), if necessary. Mr. Orrell added that in order for the Town to accurately identify the peak use time each month, it would take running the generators about 200 – 250 hours per year.

Mr. Davis provided a Power Supply Contract Summary, which is incorporated into these minutes, that provides an overview of each of the contracts including capacity, pricing, contract termination information and billing dispute information. He then asked if there were any questions regarding the contracts or the information presented.

Alderman Roberson inquired about the early out provision in the Santee Cooper contract and what were the chances of finding another power supplier in a short period of time. Mr. Davis answered that UTEC will be monitoring to ensure that Santee Cooper is providing service for the agreed upon average rates. Manager Onieal added that the contract includes a required one year notice for the early out which would leave time to negotiate with another power supplier.

Alderman Roberson asked about ownership of the facilities and what could happen if there was damage caused by a fluctuation of the town's load – for example a power surge that

affected the system. Mr. Davis answered that if something occurred on the town's side, it would be the town's responsibility to correct. The transmission lines are Duke's and Santee Cooper will be using them to get the power here. Manager Onieal reminded members that this is no different from the existing agreement – Santee Cooper is delivering the power only, nothing to do with the transmission.

Alderman Roberson inquired about the pricing and the capacity price and the energy price. Mr. Orrell noted that the capacity price is the same as the demand and is fixed; the energy portion will fluctuate based on use.

Alderman Caldwell asked if there would be a flicker or an interruption when the generators kick on. Mr. Davis noted that a customer would not notice when the power switches over to the load side generation.

Mr. Orrell provided reports run on three different days illustrating the capabilities for projecting when the peak use would be, as well as a hand drawn graphic to show how the load side generation could be helpful in possible cost savings.

Mr. Orrell added that UTEC will do the economic analysis for the load side generation including the lease rate for the generators from Caterpillar. Eventually, UTEC would propose a permanent plan for the 2 MW generator including where in the system it should be installed. He noted that the intention is to have a permanent plant set up.

Mr. Orrell commented that this load side generation is a unique feature of these power contracts and is a win-win for everyone. Alderman Roberson asked why Duke would not allow this load side generation in the previous contracts. Mr. Orrell answered that Mr. Davis had fought to get this added to the contract on behalf of the town.

Alderman Roberson clarified that the generators did not have to be located adjacent to substation. Mr. Orrell confirmed that the generators could be installed anywhere. One possible location is at the Sonoco plant as they are the largest user of electricity. The existing transformer could be used and with this generator on site could help costs to have a spare transformer there. Mr. Orrell noted that other sites are also being considered.

Alderman Roberson asked about the noise from the generators. Mr. Orrell noted that they are noise suppressed and sound is attenuated. The goal is to keep the generators outside of residential areas, if possible.

Alderman Roberson asked if Santee Cooper or UTEC could turn the generators off remotely. Mr. Orrell explained that currently, they have the clients to turn on and off their generators themselves, but it could be done remotely. He noted that Alan Lovelace is the utility director with UTEC and who would do this. Alderman Roberson inquired if a control panel would be housed at Public Works for such control. Mr. Orrell explained that this could be done from home via a secure website.

David Foster, Public Services Director added that he and Mr. Davis have had conversations with leaders at both Giles and Sonoco since they are already operating an

industrial site in an effort to mitigate noise concerns. Alderman Roberson noted that he had been contacted by individuals living behind Giles about the noise.

Alderman Roberson asked why every municipality did not utilize this load side generation if it was cost effective. Mr. Orrell responded that if every customer was doing this, it would shift the loads around for the power companies. There are very few who utilize this arrangement.

Manager Onieal noted that the next steps would be to adopt the contracts and to authorize the mayor/manager to execute. Mayor Brown noted that everyone has had the opportunity to review the contracts, this is essentially an 11-year deal designed to protect the town customers from energy cost spikes. There are assurances built in to protect the customers and the town will still generate some profit.

Alderman Roberson inquired about possible expansion of the customer base and what that would entail. Mr. Orrell noted that there have been several shortcomings identified in the system and that there are areas for improvement. He explained that you cannot take Duke customers away, but that if there are new homes are built or development occurs in Waynesville that are at least 300 feet outside of Duke existing lines, these could be areas for expansion.

Mayor Brown clarified that the fuel cost is still a factor in the price so there is a potential for “true ups” as have been seen with Duke based on spikes in fuel prices. But as Santee Cooper is diversified in its energy sources, this should be a minimal impact. Mayor Brown added that the early out provision keeps the Town of Waynesville protected from large cost increases.

Mayor Brown asked if there were any further questions or discussion to be held. There being none, he recapped that there were two contracts for approval – one the Duke Energy for power supply and coordination agreement effective January 1, 2016; the other the wholesale power purchase agreement with Santee Cooper effective January 1, 2017.

Alderman Greeley made a motion, seconded by Alderman Freeman to approve the Power Supply and Coordination Agreement with Duke Energy effective January 1, 2016 and to approve the Wholesale Power Purchase Agreement between Santee Cooper and the Town of Waynesville effective January 1, 2017, and authorizing the mayor and/or town manager to execute the agreement on behalf of the town, as presented. The motion carried unanimously.

3. Closed Session

Alderman Greeley made a motion, seconded by Alderman Caldwell to enter into closed session to discuss personnel matters as permitted by NC General Statute §143.318.11(a)(6). The motion carried unanimously.

The Board entered Closed Session at 1:18 p.m.

The Board returned from Closed Session at 1:31 p.m.

Mayor Brown again thanked Mr. Orrell and Mr. Davis for their assistance with the contracts and thanked the board members for their attendance and participation.

ADJOURN

There being no further business to discuss, Alderman Greeley made a motion, seconded by Alderman Caldwell, to adjourn the meeting at 1:34 p.m. The motion carried unanimously.

ATTEST:

Gavin A. Brown, Mayor

Marcia D. Onieal, Town Manager

Amanda W. Owens, Town Clerk