

**MINUTES**  
**UTILITIES COMMITTEE MEETING**  
**FEBRUARY 11, 2008—6:00 PM**  
**CITY COUNCIL CONFERENCE ROOM—2<sup>ND</sup> FLOOR, CITY HALL**

Committee Members Present: Walker Reid, Chairman  
Councilman Keith Tidwell

Committee Members Absent: Councilman James Watson

Other Council Members Present:  
Councilman Dale Burkett

The Utilities Committee met on Monday, February 11, 2008, at 6:00 PM in the Council Conference Room located on the 2<sup>nd</sup> Floor at City Hall, 181 S. South Street, Gastonia, North Carolina. Chairman Reid called the meeting to order.

**Item 1. Proposed Cost Adjustment for Wholesale Electrical Energy Costs**

Chairman Reid recognized Mr. Ed Miller, Director of Electric Utilities, for the purpose of staff's presentation.

Mr. Miller explained the reason why staff recommends that Council adopt a formal policy to pass on the wholesale cost of energy increases as they occur to the City's ratepayers. He said staff met with ElectriCities and generated a Wholesale Cost Adjustment Rider. He said the Rider would allow wholesale cost increases to be passed on based on projected load growth. He said there is also a "true-up" adjustment where actual load growth of the previous year is compared to the projected load growth and appropriate increase or decrease would be made. For FY 07/08, this represents a 2% rate increase.

**Committee Recommendation:**

The Committee voted unanimously (2-0) to recommend that Council approve the recommendation for the Wholesale Cost Adjustment Rider with the effective date of April 1, 2008.

**Item 2. Proposed Electrical Rate Adjustment**

Mr. Miller said that the current financial condition of the Electric Department was discussed at the recent Council Retreat. He said the Fund Balance was approximately 1% of its gross revenues, or a little over \$600,000. Mr. Miller said this had been depleted from nearly \$5M five years ago to the current figure of approximately \$600,000. He said staff had made every attempt within the Electric Department to absorb the wholesale increases and other pressures as seen within the department, such as the cost of raw materials, which has escalated. He said that raw material had increased 200% to 300%. Mr. Miller said the weighted average of purchased material over the last four years was a 36% reduction. He said the third pressure was the increase of maintenance needs. Mr. Miller said in an effort over the last five years to reduce our wholesale cost impact, we made every effort to expand the City's system to bring in new load.

He said the system was now stretched out to where it reaches all annexed areas. He said without load growth, the City would see increased wholesale costs.

Staff recommended a 4.25% general rate increase to address:

- Depleted fund balance reduced from an excess of \$5M in 2003 to less than \$650,000 in 2008
- Material increases in excess of 36%
- Address long-term growth opportunities
- Address resource needs resulting from capital expansions

**Committee Recommendation:**

The Committee voted unanimously (2-0) to recommend Council approval of a 4.25% rate increase to rate codes: RS, RW, RE, RO, CS, CM, CL, CX, IS, IM, IL, IX, and TOU that will be used to meet the immediate and long-term needs of the Electric Department with an effective date of April 1, 2008.

**Item 3. Proposed Rate Modifications**

Mr. Miller said the City has several market-based rates that are designed to be competitive with neighboring utilities. He said the rates were used to attract new businesses and industries to Gastonia. Mr. Miller reviewed the proposed market designed rates and revised rental light rates designed to provide a positive margin based on incremental cost of electricity (see attached Exhibit B-1, Exhibit B-2).

**Committee Recommendation:**

The Committee voted unanimously (2-0) to recommend Council adopt the proposed changes as indicated in Exhibit B-1 and Exhibit B-2, effective April 1, 2008.

**Item 4. Clarification of Language to Commercial and Industrial Rates**

Mr. Miller said in an effort to be consistent with neighboring utilities and to preserve initial capital investments by the City, staff recommended that the City incorporate specific language in its rates that required new large commercial and industrial customers to meet a minimum of 50% of the load that was requested at the time of initial construction. He said clarification to language in existing rates would allow the City to evaluate commercial and industrial customers annually to ensure that they are on the correct rate schedule based on energy and demand records from the previous year (Exhibit C).

**Committee Recommendations:**

The Committee voted unanimously (2-0) to recommend that the full Council approve these clarifications to become effective April 1, 2008.

**Item 5. Proposed Electrical Generation Rider Modifications**

Mr. Miller said that the City's wholesale rates changed this past July. He said that the existing Generation rider needed to be adjusted accordingly. In addition, there was a request to allow Electricities to control customer's large generators during peak periods. He said a new Generation Rider was recommended for approved to allow the same mutual benefits to the City and the customer, while extending the control to Electricities for load management purposes.

**Committee Recommendation:**

The Committee voted unanimously (2-0) to recommend approval of these Riders with the effective date of April 1, 2008.

**Item 6. Proposed Low-Income Fund to Offset Electric Costs**

Mr. Miller said given the proposed increases to the electric rates, staff recommended that funds be allocated that would allow a portion of recent and proposed electric increases to be offset to low income City customers. The proposed program, Gastonia Energy Assistance Resource (GEAR) targets the lowest 30% residents as defined by the Department of Housing and Urban Development (HUD).

**Committee Recommendation:**

The Committee voted unanimously (2-0) to recommend approval of this program, contingent on the approval proposed 4.25% general increase with an effective date of July 1, 2008.

**Item 7. Proposed Water and Sewer Capital Improvements Five-Year CIP**

Chairman Reid recognized Mr. Flip Bombardier, Assistant City Manager, for staff's presentation.

Mr. Bombardier presented the Committee with an updated five and ten-year water and sewer capital improvement program (CIP) similar to the one currently nearing completion. He said funding for such was recommended through a revenue or similar bond, with a possible recommendation for sale of such in either FY 08/09 or FY 09/10.

**Committee Recommendation:**

This item was presented for informational purposes only. He said the item would be brought back to the Committee as the proposed CIP and its funding mechanism further develop. No Council action was required at this time.

**Item 8. Other Business**

Having no other business, the meeting was adjourned at 7:15 PM.