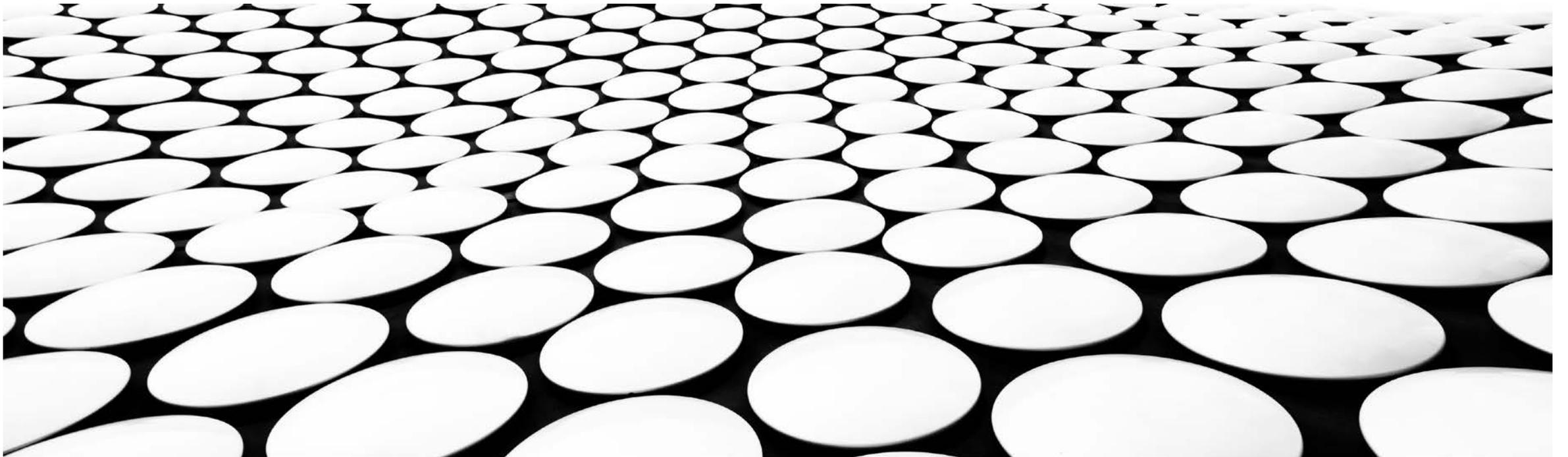


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# TOWN OF WINTERVILLE

POWER COST ADJUSTMENT DISCUSSION



# CONDITIONS THAT CAUSED THE NATURAL GAS SPIKE

- Event was titled “Winter Storm Fern” Was a Polar Vortex event ( Temps were in the single digits with highs in the 20’s)
- Category 3 “Major” Winter Storm – Blizzard Conditions in many states including NC.
- Event extended from January 23<sup>rd</sup> -27<sup>th</sup>. Followed by a major snowstorm (Winter Storm Gianna) the following week from Jan 30<sup>st</sup> to Feb 1<sup>st</sup>.
- The regions of the country affected were Southeast, South, Mid Atlantic, Midwest, Ohio Valley, New England, and Canada
- The event covered 13 states.
- The average state saw 1-2 feet of snow.
- There were over 1,000,000 outages during the event.
- **Loss of Natural Gas Production reduced available supply at a time of extremely high demand. Causing the price to reach \$135.00 per MMBTU.**



## CURRENT NATURAL GAS PRICES

- The war in Iran has not had an impact on domestic natural gas prices.
- Currently Natural Gas Prices are remaining low in the **\$2.75 - \$3.00 per MMBTU range**.
- This is the result of increased production in the United States and has resulted in the US exporting NG.
- **Global Impact:** The massive increase in U.S. supply, paired with upcoming new projects, is expected to create a potential global LNG glut, which could reduce prices in the coming years. (source: EIA US Energy Information Agency)
- The rise in temperatures associated with seasonal changes has also greatly reduced the demand.



## CONTRACT TERMS

- Currently the Town has a contract with Carolina Power Partners, LLC.
- They own a natural gas fueled energy plant in Kings Mountain, NC.
- The contract began January 1<sup>st</sup>, 2018 and runs through December 31<sup>st</sup>, 2038.
- Natural Gas is considered the least expensive uninterruptable source for energy production.

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# HOW NATURAL GAS PRICES AFFECT OUR PURCHASE FOR RESALE COST

- There are two components that affect the price that the Town of Winterville pays for wholesale power
- Cost of Production
  - Natural Gas which is purchased to convert to electricity.
  - Energy purchased on the “Wholesale Market” if needed due to a plant shut down, or if the wholesale prices drop below the cost of production.
- Transmission
  - Duke transmission from Kings Mountain to GUC.
  - GUC transmission through Greenville to Winterville.

## WHAT ARE OTHERS DOING TO ADDRESS THE HISTORICAL SPIKE?

- Greenwood, SC, Deferred Rate increase (TBD) and used Rate Stabilization Funds that is funded with a base PCA.
- New River Power and Light ( Boone, NC) Standing PCA that was increased in March.
- McCormick, SC, 3 cent per kWh PCA to be rolled into next years budget as a continued rate increase.
- Concord, NC 3% rate increase in their PCA ( Concord.gov)
- Greenville Utilities Commission – Recommending rate increases of 3.1% for next FY (The Daily Reflector)
- New Bern 2% increase Effective March 10<sup>th</sup> and an additional .9% beginning April1st. (WCTI)
- Rocky Mount 15% Rate increase as of March. (Rocky Mount Telegram)

# CURRENT RATES COMPARISON

	Ayden		Greenville Utilities Commission		Farmville		Winterville	
Electric	Single Phase Base	16.00		23.00		13.04		20.00
	Three Phase Base	19.00				31.68		
	per kWh	0.1242		* 0.10717		0.1342		0.1053
	PCA (per kWh)	0.00603						0.05
Electricity	1,000 kWh	140.20		130.17		147.24		125.30
PCA	1,000 kWh	6.03		0.00		0.00		50.00
Electric Tax	7 percent	14.79		12.86		15.00		17.71
TOTAL		161.02		143.03		162.24		193.01

*per kWh rate includes:	
Energy Base Rate	.0223
PPA**	.08487
Combined Rate	.10717

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# GUIDANCE FROM LGC AND UNC SCHOOL OF GOVERNMENT ON FISCAL FUND MANAGEMENT

- **Financial "Red Flags":** While legal, the **Local Government Commission (LGC)** and the UNC School of Government often view frequent interfund transfers as a "red flag" for financial sustainability, suggesting that funds should ideally be self-supporting.
- **GAAP (Generally Accepted Accounting Principals) Compliance:** Each fund is a separate, self-balancing accounting entity. Mismanaged transfers can lead to budgetary imbalances and financial misstatements
- Transfers are allowed in NC with the authority given in GS 159-13(b)(14)



# AFFECT OF TRANSFERS ON THE GENERAL FUND AND ELECTRIC FUND

- **State Funding Consequences:** Under G.S. 159G-37(b), transferring money from a water or sewer enterprise fund to the General Fund to supplement general resources can **disqualify** a local government from receiving certain state loans or grants for water and wastewater projects.
- Solid Waste and Stormwater funds can not be transferred.
- For Winterville, this essentially only leaves the Electric Fund available for transfers.



# HISTORY OF ELECTRIC TRANSFERS TO THE GENERAL FUND

Budget Year	Amount Transferred
2025-2026	\$ 350,000.00
2024-2025	\$ 350,000.00
2023-2024	\$ 650,000.00
2022-2023	\$ 650,000.00

# FUND BALANCE USED TO BALANCE THE BUDGET

- General Fund used Fund Balance to balance the budget originally in the amount of \$1,886,961  
Amended appropriation **\$3,658,854**
- Electric Fund used Retained Earnings to balance the budget in the amount of \$1,100,479  
Amended appropriation **\$1,797,810**

Current Fund Balance Available			
	General Fund	Electric Fund	
FB as of 6/30/25	\$12,425,450	\$8,080,660	
FB Appropriation YTD	<u>\$3,658,854</u>	<u>\$1,797,810</u>	
Current Fund Balance	<b>\$8,766,596</b>	<b>\$6,282,850</b>	

Fiscal Year	General Fund	Electric Fund
2025-2026	\$3,658,854	\$1,797,810
2024-2025	\$2,257,229	\$1,997,849
2023-2024	\$1,830,409	\$1,386,713
2022-2023	\$1,372,617	\$2,398,356



# REVENUE AND EXPENDITURE REPORT

## MONTH END 02/28/2026

■ Electric Fund Expenditures	\$6,516,091
■ Electric Fund Revenues	\$5,599,223
■ Currently loss	<b>\$916,867</b>



# FUTURE CAPITAL PROJECT AND HIGH PRIORITIES

- General Fund
  - Cemetery Expansion
  - Downtown Parking Improvements
  - Public Buildings – Roof and HVAC systems are old and need replacing
  - Park Improvements – Buildings, ADA Compliance and Multipurpose Center
  - Emergency Medical Service
  - Fire Apparatus
- Electric Fund
  - Old Tar Rd Widening Project (Reimbursed by NCDOT but will have to cash flow \$1.4 million for the project)
  - Laurie Ellis Rd Line Extension
  - New Sub-Station
  - New Subdivisions Infrastructure



## FACTORS USED TO EVALUATE IMPLEMENTATION OF THE PCA

- Projected budget shortfall of \$766,000 for the Purchase for Resale line item.
- Precedent was established in 2022 with the use of a 5 cent per kWh rate. This occurred during the beginning of the Russia Ukraine war when NG prices spiked for an extended period of time.
- Temporary rate adjustment: Rate to be used in the months of March, April, May, and June. Which typically has less energy demand than July, August, September.
- Would allow for losses to be recovered before 6/30/2026, which is the end of the fiscal year.
- Didn't require additional use of Retained Earnings.
- PCA is a rate schedule that is adopted as is a tool to help mitigate unforeseen impacts associated with the wholesale energy markets.
- January and February "Purchase for Resale" cost combined totaled for an increase of \$932,185 over last year for the same period.
- Electric Fund Operating Income for FY ending 06/30/2025 \$147,997.
- Change in Electric Fund Net Position as of 06/30/2025 \$49,644.

# PCA HISTORY

- **5 cents per kWh**
  - Cycle 1 - first bill was 10/28/22 and billed for **6 billing cycles**.
  - Cycle 2 - first bill was 11/15/22 and billed for **6 billing cycles**.
  -
- **2.5 cents per kWh**
  - Cycle 1 - first bill was 4/28/23 and billed for **3 billing cycles**.
  - Cycle 2 - first bill was 5/12/23 and billed for **3 billing cycles**.
  -
- **1.5 cents per kWh**
  - Cycle 1 - first bill was 7/28/23 and billed for **12 billing cycles with last bill on 6/28/24**.
  - Cycle 2 - first bill was 8/14/23 and billed for **12 billing cycles with last bill on 7/12/24**.



# **QUESTIONS AND DISCUSSION**