

**MINUTES OF THE TOWN OF WAYNESVILLE BOARD OF ALDERMEN  
REGULAR MEETING  
October 28, 2014**

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**THE WAYNESVILLE BOARD OF ALDERMEN** held its regular meeting on Tuesday, October 14, 2014 at 7:00 p.m. in the board room of Town Hall, 9 South Main Street, Waynesville, NC.

**A. CALL TO ORDER**

Mayor Brown called the meeting to order at 7:00 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  
Woodrow Griffin, Town Attorney  
Amie Owens, Town Clerk  
Eddie Caldwell, Finance Director  
Fred Baker, Utilities Director

The following media representatives were present:

Kevin Fuller – The Mountaineer  
Becky Johnson – Smoky Mountain News

1. Welcome /Calendar/Announcements

Mayor Gavin Brown welcomed everyone to the meeting and noted the following calendar events:

- October 31 – The Arc of Haywood County’s “Arc-tober Fest” at Harrah’s Casino
- November 4 – Election Day
- November 11 – Veteran’s Day
- December 8 – Christmas Parade in Downtown Waynesville

2. Adoption of Minutes

***Alderman Caldwell made a motion, seconded by Alderman Freeman to approve the minutes of the October 14, 2014 (regular meeting) as presented. The motion carried unanimously.***

## **B. REPORTS TO THE BOARD**

### **3. Tourism Development Authority**

Lynn Collins, Executive Director of the Tourism Development Authority (TDA) provided a year end review of 1% occupancy tax (OT) for each of the zip codes. Waynesville's collected OT was \$74,990 for fiscal year 2013/2104 which is 3% above projections; with 31% of the total OT collected occurring in Waynesville. She called attention to the numbers for the Clyde zip code and the fact that their increase was 462%. This was due to an audit that was completed by a firm from Charlotte who discovered lodgings that were not paying OT.

Ms. Collins shared a list of the projects that were funded in FY 13/14 for the two Waynesville zip codes. The total funding was \$74,680 for 21 different events and activities. She explained that if funds are spent for advertising, at least 50% of that must be spent in markets outside of a two hour drive time. Ms. Collins added that Maggie Valley took a cooperative approach and pooled their \$67,000 to market Maggie Valley as a whole, rather than one or two events. This has paid off for Maggie Valley and they are meeting with the ad agency used by the TDA in an attempt to further leverage funds.

Ms. Collins discussed historical data beginning from 2007 to present. She then called attention to the current year statistics noting that OT collections come in two months in arears. At the time of the meeting, Waynesville was 3% behind current projections, but 10% ahead of the previous year.

Alderman Freeman inquired as to who sets the projections. Ms. Collins noted that the TDA sets the projections based on tourism industry and local trends as well as the actual monthly totals.

Ms. Collins concluded her presentation by reminding members that a Town Representative to the TDA needs to be appointed during November, and that there is a position open for a representative with accommodations of 20 or greater units. Related to the Town appointee, Ms. Collins introduced current Chairman Ken Stahl, who is the outgoing Town representative and ineligible to serve again without a one year absence. Ms. Collins applauded Mr. Stahl for his service and he was asked if he would like to say a few words.

Mr. Stahl noted that the scope of the TDA is changing with more and more activity occurring in the digital world. The TDA is committed to keeping current and have met with consultants to develop a strategic plan to increase the tourism base for Haywood County. Mr. Stahl alluded to the new group sales person that is being added to the TDA staff to market Haywood County as an event destination.

Mayor Brown thanked Ms. Collins for her presentation and Mr. Stahl for his service. The Mayor clarified that he understood that the group sales position may be a budget matter for next year regarding possible town support and noted that he and the board were receptive to hearing more about the TDAs plans.

5. Brownfields Grant

Manager Onieal introduced Charles Ray, who is a part-time resident of Haywood County and whose career has been in public works and economic development. Mr. Ray works for PPM Consultants. Mr. Ray presented information on a Brownfields grant program proposal that would allow for a multi-jurisdictional approach to non-traditional brownfields site testing allowing for identification of multiple sites within the county that may not have qualified as superfund sites but could benefit from clean up. Mr. Ray made a presentation to all of the manager of the local governments in advance of this meeting to ascertain interest. Funding from \$400,000 to \$600,000 is available via this grant.

Mr. Ray explained that this was a very fast turn around for this grant with proposals being due December 19. It is possible to get a competitive grant submitted within this time frame if all are ready to participate. Mayor Brown commented that he was interested in moving forward with such a project as it could be a beneficial economic development spur.

Manager Onieal added that there is a high-level of interest among the local governments and due to the expedient turn around time, identification of sites is critical. She noted that PPM Consultants would prepare the grant documents and be paid from grant funds with no matching funds required.

Alderman Freeman asked about protection for the Town and Manager Onieal explained that all of the entities would sign a Memorandum of Agreement and that Haywood County would be the primary grantee. Both the Mayor and Manager Onieal thanked Mr. Ray for bringing this opportunity to the region.

**C. UNFINISHED BUSINESS**

6. Wholesale Electric Power Supply Services Proposals

Kevin O'Donnell with Nova Energy Consultants provided the results of the Wholesale Power Supply Request for Proposals (RFPs) received in advance of the current contract expiration on December 31, 2015. He provided aggregate numbers for suppliers who responded to the RFPs and each of the companies have given permission to discuss their proposals in open session. Respondents were the current supplier Duke Energy, Southern Power and Santee-Cooper. Mr. O'Donnell provided an initial year comparison coupled with a 10-year net present value cost for the bidders. Each of the bidders provided presentations that are attached to these minutes as reference.

Mayor Brown indicated that the Town has always felt obligation to keep rates competitive with its current provider and make sure to look out for the customers. He added that the goal is to not unnecessarily burden citizens who purchase power from the Town.

No action was required by the board at this meeting and Mr. O'Donnell is available should there be any follow up questions that the board wishes to discuss. As the timeframe for any transition would be six- to nine-months, Mr. O'Donnell is requesting that the board make a decision as soon as possible to allow for any necessary negotiation or regulatory compliance matters to be completed prior to a new contract period in twelve months.

# Town of Waynesville Power Supply Analysis

Kevin W. O'Donnell  
President  
Nova Energy Consultants, Inc.  
Oct. 28, 2014



## RFP Details

- Issued Sept. 15, 2013
- Firm, native load all-requirements
- Results back Nov. 15, 2013
- Met with town staff in Feb, 2014
- Fred and Kevin traveled to a SC town in April to assess that towns satisfaction with a certain supplier
- Made a presentation to this board in May. Discussions with suppliers have continued.

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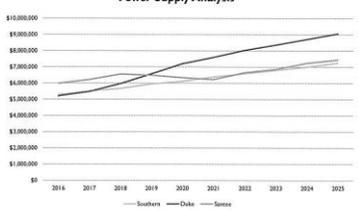
## RFP Results for 2016

Summary			
Town of Waynesville			
Power Supply Cost			
Year 2016			
Supplier	Total Costs (\$)	%	Increase
Current Cost	\$5,407,654	---	---
Southern Power	\$5,300,335	-1.8%	
Duke Energy	\$5,311,203	-1.6%	
Greiner Cooper	\$5,984,249	10.7%	

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## 10-Year Costs

Town of Waynesville  
Power Supply Analysis



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## 10-Year NPV RFP Results

Year	NPV at 5%		
	Supplier		
	Southern Power	Santee Cooper	Duke
2016	\$4,809,374	\$5,438,343	\$4,726,733
2017	\$4,758,080	\$5,170,578	\$4,714,504
2018	\$4,665,235	\$5,398,253	\$4,812,262
2019	\$4,667,281	\$5,089,152	\$5,153,696
2020	\$4,611,077	\$4,726,039	\$5,177,015
2021	\$4,538,818	\$4,673,913	\$5,399,427
2022	\$4,459,118	\$4,501,195	\$5,487,800
2023	\$4,377,647	\$4,419,349	\$5,389,543
2024	\$4,276,590	\$4,443,624	\$5,349,960
2025	\$4,138,483	\$4,303,990	\$5,197,373
<b>NPV at 5%</b>	<b>\$45,371,773</b>	<b>\$48,119,526</b>	<b>\$53,739,630</b>

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## Customer Cost Comparison

Town of Waynesville Power Supply Analysis Cost Impact - Annualized							
Years	Residential		Commercial		Industrial		
	Supplier		Supplier		Supplier		
	Southern	Duke	Southern	Duke	Southern	Duke	
Current	\$1,156.00	\$1,156.00	\$1,500.00	\$1,500.00	\$360,676.00	\$360,676.00	
2016	\$14.45	\$36.87	\$13.16	\$18.12	\$5,498.88	\$10,088.07	
2017	\$13.74	\$39.00	\$29.72	\$21.64	\$5,157.19	\$3,795.57	
2018	\$56.98	\$77.08	\$77.84	\$106.60	\$13,110.98	\$18,052.38	
2019	\$75.14	\$150.73	\$167.48	\$145.40	\$18,294.58	\$19,692.52	
2020	\$96.49	\$245.08	\$208.48	\$130.02	\$16,187.39	\$11,098.78	
2021	\$133.88	\$399.63	\$289.68	\$167.44	\$10,274.28	\$11,403.40	
2022	\$161.52	\$599.18	\$349.78	\$179.80	\$6,624.52	\$14,813.45	
2023	\$189.22	\$804.09	\$409.13	\$173.81	\$7,046.64	\$13,672.22	
2024	\$217.08	\$1,022.42	\$470.75	\$176.41	\$8,110.83	\$10,810.55	
2025	\$261.99	\$1,499.78	\$546.48	\$1,090.74	\$7,178.48	\$10,748.88	

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## Pros of Leaving Duke

- Lower costs.
- Greater ability to control price variability through hedging, if town so desires.
- Less risk of being exposed to coal ash costs – assumed 2% increase in rates associated with Duke and coal ash. The exact coal ash no. is very debatable.
- Duke/NCEMPA deal could be a pro or a con.

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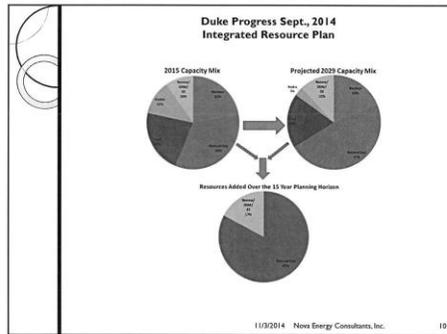
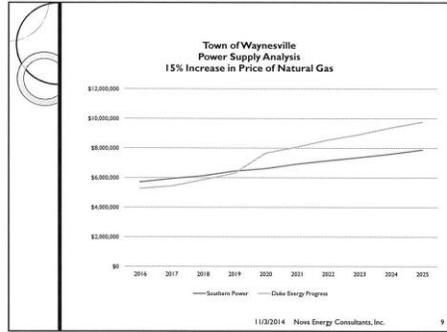
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## Cons of Leaving Duke

- Commodity risk - lack of fuel diversity. Interstate pipeline capacity risk.
- Political risk.
- The town had a longstanding and pleasant relationship with CP&L/Progress.
- SERC requirements may be more burdensome.
- Town will need to buy renewable requirements on its own. Nova's costs will increase if we buy the renewables for the town.

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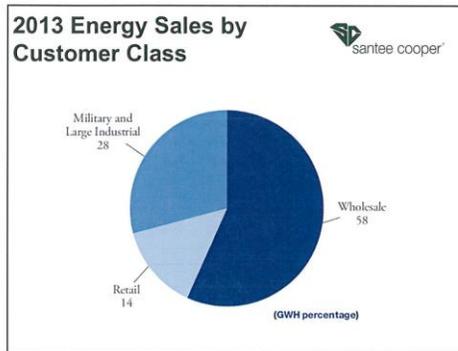
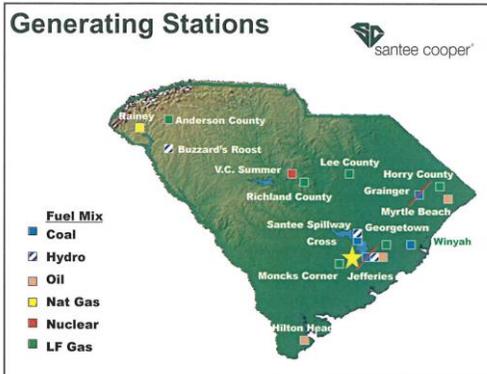


- ### Timeline
- October – presentation of results.
  - Mid-November – request decision on entity to begin contract discussions.
  - December – contract presentation.
  - December or early January – sign contract.
  - January – start transmission process.
- 11/3/2014 Nova Energy Consultants, Inc. 11

## Supplier Presentations

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### Nuclear Expansion

Santee Cooper has an ownership interest in two new nuclear units to diversify its fuel mix and meet customer energy needs.

Overview	
Unit	Summer Units 2 & 3
Capacity	2,200 MW total (1,100 MW each)
Current Ownership	Santee Cooper 45% SCE&G 55%
Operator	SCE&G

Fuel Diversification Based on Current Ownership		
	2013	2020
Coal	53%	31%
Purchased Power	17%	10%
Natural Gas	16%	16%
Nuclear	11%	40%
Hydro	2%	2%
Renewables	1%	1%

### Who Do We Serve?

- Source of power for over 2 million South Carolinians
- Direct service to over 170,000 retail customers in Berkeley, Georgetown and Horry Counties.
- Primary source of power distributed by the state's 20 electric cooperatives in all 46 counties
- Power for 28 large industrial facilities, the cities of Bamberg and Georgetown (soon to be Seneca) and the Charleston Air Force Base.
- Supplemental power to the Piedmont Municipal Power Agency (PMPA) and Contingent power to the Alabama Municipal Electric Agency (AMEA)
- Provide water to more than 75,000 customers through regional water systems.

## Santee Cooper Goal



In 2007, Santee Cooper's Board approved an ambitious goal:

***Create 40% of its energy from non-greenhouse gas emitting resources, biomass fuels, energy efficiency and conservation by 2020.***

## Renewable Energy



- Biomass
    - Landfill: 30 MW
    - Woody Biomass: 74 MW
    - Digester/Biogas: 27 MW
  - Solar: 3.4 MW
  - Wind: 2.4 kW
- Total: 134 MW

## Green Power Program



- Launched September 2001
- Voluntary program
- National Accreditation from Center for Resource Solutions (CRS) in San Francisco, California



## Proactive Reductions...



- We have cut our CO<sub>2</sub> Emissions by 23% since 2005.
- With all initiatives appropriately accounted for, we expect to cut our CO<sub>2</sub> emissions rate a total of 40% by 2029 compared to 2005 – **EPA 30%**.
- What have we done:
  - Retired 4 coal fired units
  - Running plants at maximum efficiency
  - Continued use of available hydro resources
  - Increased use of natural gas
  - Building nuclear
  - Early use of Renewable Resources and Energy Efficiency

## Why Santee Cooper...



- Non-profit organization
- Low cost, reliable, diversified generation portfolio; on the forefront of new nuclear generation to further reduce fuel costs
- Committed to protecting our environment as a leader in emissions control technologies
- Strong relationships with our customers

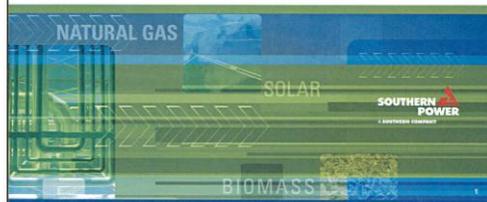


**Questions?**

## SOUTHERN POWER

Southern Power Company  
Waynesville, NC

October 28, 2014



### Southern Company

Founded in 1912, Southern Company is one of the largest providers of electricity in the U.S.



- More than 4.4 million customers
- Nearly 46,000 megawatts of generating capacity
- Approximately 26,000 employees
- 120,000 square miles of territory




### Southern Company

- Five Primary Subsidiaries:
  - Alabama Power
  - Georgia Power
  - Gulf Power (Florida)
  - Mississippi Power
  - **Southern Power: Leading U.S. wholesale energy provider**




### Southern Company

A Strong Cultural Focus

- SouthernStyle
  - Unquestionable trust
  - Superior performance
  - Total commitment
- Target Zero
  - Every job, every day, safely




### Southern Power Company

Southern Company created subsidiary Southern Power in 2001 to sell competitive generation

- Leading U.S. wholesale energy provider
- SPC serves electricity to EMCs, municipalities, G&Ts, investor-owned utilities, and marketers; Serves 39 Customers in 8 States
- Over 8,800 megawatts of generating capacity
- Operating 17 facilities 8 states (Alabama, California, Florida, Georgia, Nevada, North Carolina, Texas and New Mexico)
- 9 natural gas facilities, 7 solar plants and the largest wood-fired biomass plant in the U.S.
- Credit Rating BBB+/Baa1 – S&P and Fitch/Moody's
- "Southern Power distinguishes itself from its unregulated merchant generation peers by endeavoring to contract the majority of its output, ensuring considerable cash flow stability."
  - April 10, 2014, Standard & Poor's






### Southern Power Company North Carolina Gas Assets

- **Plant Cleveland**
  - Cleveland County, NC (near Grover, NC)
  - COD December 1, 2012
  - 4 Siemens F class Combustion Turbines
  - 720 MW
- **Plant Rowan CC and CTs**
  - Salisbury, NC
  - COD 2001, SPC purchased from Progress Ventures in 2006
  - 3 Combustion Turbines and 1 Combined Cycle, GE 7F class turbine technology
  - Expansion possibilities
  - Fuel oil backup
  - 925 MW



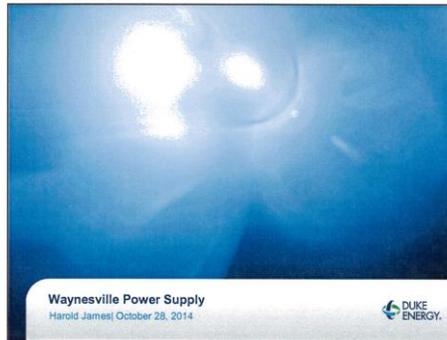

### Southern Power Company Customers

<b>Requirements Service</b> Carol EMC Cowles-Fayets EMC Flint Energies Irwin EMC Middle Georgia EMC Ocmulgee EMC Oconee EMC Oklawaha EMC Sawnee EMC Southern Rivers EMC Tri-County EMC Energy/United City of Geneva Cobb EMC Dalton Utilities	<b>Block Power Sales</b> <b>Southern Region</b> Georgia Power Gulf Power MEAG Georgia Energy Cooperative (15 members) Morgan Stanley Constellation-Exelon GreyStone Power Corporation Jackson EMC Cobb EMC <b>New Markets</b> City of Austin	<b>Florida Region</b> Orlando Utilities Commission Florida Municipal Power Agency Florida Power & Light Company Seminole Electric Cooperative Duke Energy Florida Tampa Electric Company <b>Carolina Region</b> North Carolina EMC North Carolina Municipal Power Agency 1 Duke Energy Progress Santee Cooper Energy/United <b>Solar</b> Tri-State Generation NV Energy Duke Energy Progress San Diego Gas & Electric Southern California Edison El Paso Electric
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### Requirements Service Benefits

- Customer loads are served with the same firmness as Southern Company (SoCo) operating company native loads
- Incremental capacity planning over term is handled by SPC
  - Capacity purchases reflect optimal generation mix
  - Guaranteed pricing for capacity purchases
- Load diversity within SPC
  - Benefits both capacity and energy purchases
  - Winter peaking entities receive the most benefits in load diversity as Southern Power's top 100 hours usually all occur during the summer months
- Minimal environmental risk
  - Tier 1 and Tier 2 capacity sales are natural gas fired generation

# DUKE ENERGY



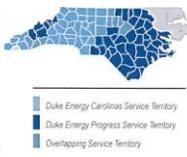
### Our commitment to North Carolina



Duke Energy is committed to delivering safe, reliable, affordable and increasingly clean electricity to Waynesville, North Carolina.

### DM2 Commitment with deep roots in North Carolina

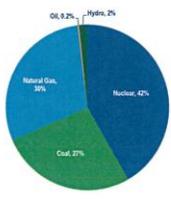
- 110 years of service
- 3.2 million retail customers
- Serve all but one wholesale customer in NC service territory
- Two utilities
  - Duke Energy Carolinas
  - Duke Energy Progress
- 5 of our 11 operating nuclear units located in NC
  - 6 nuclear units in SC
- Over 149,00 miles of transmission, distribution lines
- 13,200 employees, 8,700 retirees in NC
- Payroll in NC = \$1 billion
- \$16 million annual investment in NC for community support and charitable donations.
- Helped add an additional \$775 million in capital investment and more than 5,300 new jobs



### Generation Mix

Reflects generation of Duke Energy Progress fleet

Fuel Type	GWh Generated	% of total
Nuclear	23,275	42%
Coal	14,953	27%
Natural gas	16,518	30%
Hydro	965	2%
Oil	95	<1%



Generation is net of joint owners' share, reflects 2013 data  
DEP has added 2215 MW of generation since 2009

**Wholesale Power**

- Energy-kWh
  - Fuel cost are a pass-through to wholesale customers-no mark-up
  - Wholesale customers enjoy the SAME fuel cost as retail customers
  - Joint Dispatch Agreement (JDA) shares generation of combined Duke Energy Carolinas and Duke Energy Progress fleets
  - Diverse generation fleet and fuel mix ensures lowest cost during extrinsic events
  - Commodity risk is mitigated by NCUC approved hedging strategy
- Demand-kW
  - Demand Rate in first five years of contract is fixed and not tied to actual cost
  - Demand rate in year six through ten is formula rate tracks actual cost of DEP production plant and includes return component - Waynesville would pay their "load ratio" share of the actual cost



**D. COMMUNICATIONS FROM STAFF**

7. Town Attorney – Woody Griffin

Attorney Griffin had no business to discuss.

8. Town Manager – Marcy Onieal

Manager Onieal had no business to discuss.

**E. COMMUNICATIONS FROM MAYOR AND BOARD OF ALDERMEN**

**F. CALL ON THE AUDIENCE**

No one addressed the board.

**G. ADJOURN**

***There being no further business to discuss, Alderman Greeley made a motion, seconded by Alderman Roberson, to adjourn the meeting at 9:39 p.m. The motion passed unanimously.***

ATTEST

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Gavin A. Brown, Mayor

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Marcia D. Onieal, Town Manager

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Amanda W. Owens, Town Clerk