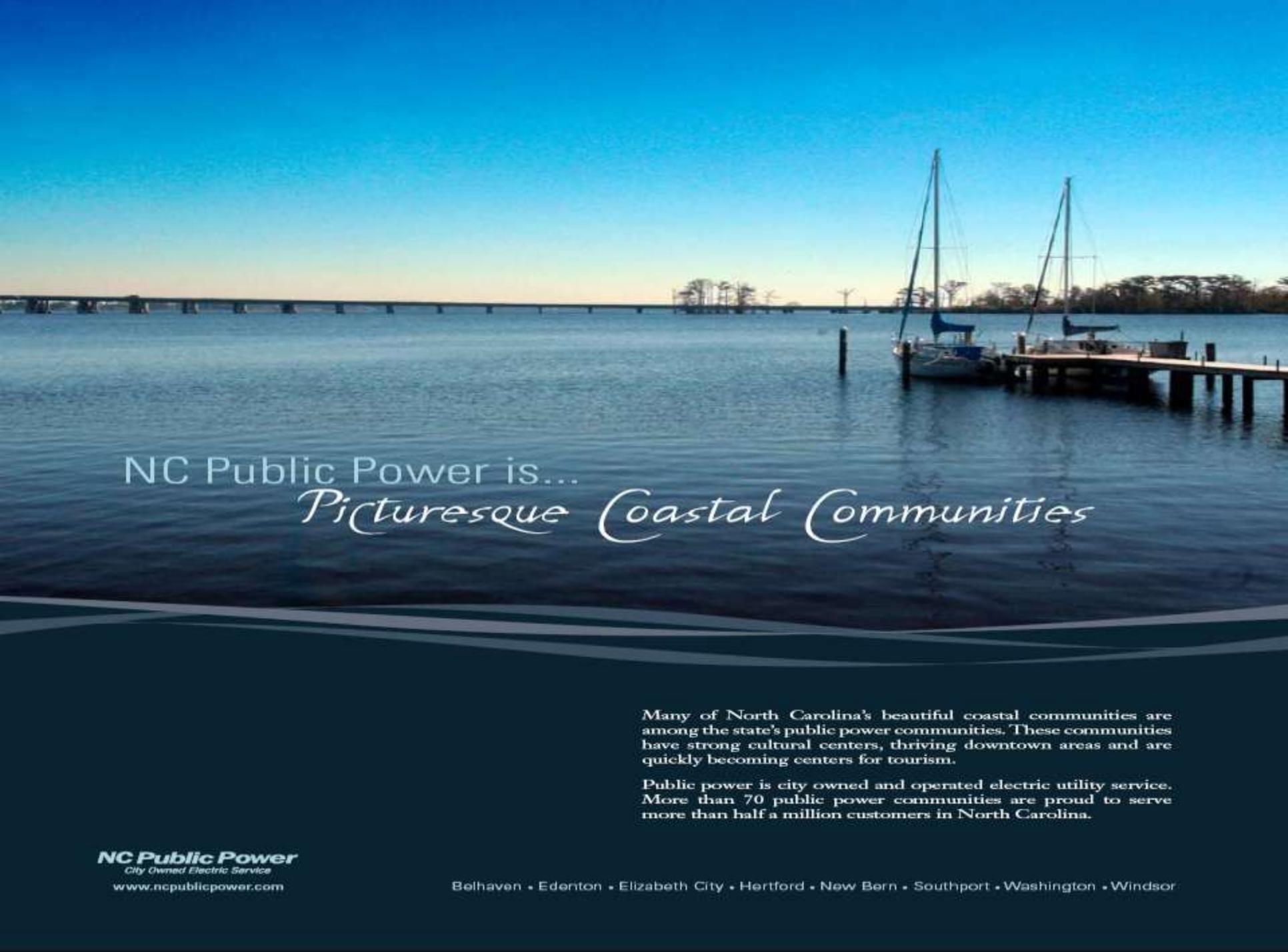


**CITY OF NEW BERN  
ELECTRIC UTILITY  
PRESENTATION  
2011**



NC Public Power is...

*Picturesque Coastal Communities*

Many of North Carolina's beautiful coastal communities are among the state's public power communities. These communities have strong cultural centers, thriving downtown areas and are quickly becoming centers for tourism.

Public power is city owned and operated electric utility service. More than 70 public power communities are proud to serve more than half a million customers in North Carolina.

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# Frequently Asked Questions

- Why are we in the electric business?
- Where do we get our power?
- Who is ElectriCities? What is NCEMPA?
- Why did we join the Power Agency?
- Where does the money from the electric bills go?
- Can we get out of the contracts with the Power Agency?
- What is the City doing to help people lower their bills?
- The latest news on electric consumption and electric rates.

# Why are we in the electric business?

**The City of New Bern was one of the first cities of its size in the nation to provide street lighting to ensure the safety of its residents.**

- ▣ **Dec. 23, 1901** - Contract awarded to Smith Courtney & Company of Richmond, Virginia, for an electric light system.
- ▣ **July 11, 1902** - City Council accepted electric light system from Smith Courtney & Company. Sixty-two arc lights and up to 200 incandescent lights now in operation; 1500 is the capacity. Employed a chief engineer, E. Ellis Williams, at \$65/mo.
- ▣ **Oct. 14, 1902** - Aldermen requested that the city arc lights were to be lighted all night continuously.

# Why are we in the electric business?

From providing street lighting, the City now provides nationally recognized, reliable, safe electric power to 21,200 customers.

Public Power Cities benefit from operating their own utilities in numerous ways including:

- High system reliability.
- Efficient storm response.
- Local customer service.
- Local governance and rate control.
- Cost sharing of City services allowing for higher levels of service to the public.
- Overhead to underground utility conversion projects which improve aesthetics.
- Decorative street lighting.

# Where do we get our power?

- **All the power purchased by the City comes from the North Carolina Eastern Municipal Power Agency (NCEMPA).**
- In 1981 New Bern entered into the initial Project Sales Agreement with NCEMPA to purchase a percentage of four power plants: Harris Nuclear Plant, Brunswick Nuclear Plant, Mayo Coal Plant, and Roxboro Coal Plant.
- New Bern also entered into the Supplemental Power Sales Agreement with NCEMPA in 1981 for all power needs above the output of the power plant ownership. New Bern first received power from its ownership in NCEMPA in April of 1982.

# Who is ElectriCities? What is NCEMPA?

- ElectriCities is the management group for the two municipal power agencies in North Carolina - NCMIPA1 and NCEMPA. North Carolina Municipal Power Agency 1 (NCMIPA1) and North Carolina Eastern Municipal Power Agency (NCEMPA.)
- NCEMPA is a group of 32 cities in Eastern North Carolina that joined together to purchase a percentage of four power plants and wholesale power to serve their customers.
- New Bern is a member of NCEMPA. The NCEMPA Board of Commissioners governs the power agency. New Bern has three commissioners on that Board – Mayor Bettis, Alderman Bucher, and Jon Rynne.

# Why did we join the Power Agency and purchase the plants?

- A group of utilities that negotiate a single large power supply contract are more attractive to a supplier and receive better rates than individual small utilities.
- Ownership of power generation allows for flexibility and stability of power supply costs.
- In the years preceding 1981, power supply costs were very volatile and generation capacity was diminishing.

# July 1975 16% Power Supply Rate Increase

## City sets power rate hike

City power customers who think their bills are already sky-high can expect a jolt when they open the next bill.

City power rates were hiked Tuesday to conform with the market increase by Carolina Electric & Gas, the city's power supplier.

The 16 per cent increase in the base rate is expected to produce an average 12 per cent rise in a customer's bill.

The hike does not apply to fuel adjustment rates, which is why the total bill will show about a 12 per cent increase instead of the 16 per cent jump, City Manager J. C. Outlaw told New Bern aldermen.

The State Utilities Commission granted the interim increase to CP&L Aug. 20. The city hike will be effective Monday.

While some aldermen spoke out against higher electricity rates, Mayor Charles Kimbrell said if the city rate was not increased to match CP&L, it "could boarder on financial disaster for the city." The city paid about \$150,000 more for

power in July than in July, 1974, but bought less, he added.

According to the July utilities report, the city purchased \$337,921 worth of power for July, 1975, compared with \$292,225 for July, 1974. The number of services disconnected or in arrears were 2,200 this July, and 800 in July 1974.

At the end of July, the city had 11,623 active accounts.

The cost per kilowatt hour to the customer was nearly 3 cents in July, and 1.8 cents in July, 1974.

"The obligation we have is to provide the revenue to provide services," the mayor said.

Alderman Gray Ingram almost held up the vote, telling the board that the utilities review committee was going to meet Thursday, and might change the CP&L rate hike. Kimbrell suggested that the board approve the hike and then, if it is changed, a special meeting could be called to put the city's rates back.

"Is this going to be a losing deal we break even or what?" Alder Davis asked.

"It will improve our situation," Outlaw replied, adding city's coffers need improving.

After the motion was made to New Bern's power rates, Ingram said the people don't get off their rear start going to Raleigh, you are find it going up every month. I want to continue paying it, ok don't want to pay it and I won't say.

Alderman Tim Montgomery needed "second" to the motion passed unanimously.

The CP&L increase was pending a final hearing and details of the company's general rate schedule. The final rate hike is less than the increase, the company will have the excess to customers with interest.

# April 1976

## 32% Power Supply Rate Increase

New Bern, N. C. — Wednesday, April 21, 1976

### City nixes not paying CP&L

# Power revolt unplugged

BY MEG GUNKEL  
Staff Reporter

New Bern aldermen spent more than two hours Tuesday discussing the possibility of refusing to pay Carolina Power and Light Co. increased rate costs May 1 and not raising city power rates.

Aldermen Ben Hurst and Ella Bengel favored the move, but aldermen Tom Davis, Tim Montgomery and Gray Ingram voted the motion down. Mayor Charles Kimbrell and city attorney A. D. Ward also spoke against the plan not to pay the increased power rates.

The aldermen will meet 8 p.m. tonight to again consider the rate hike. Tuesday's meeting was recessed past midnight.

A memorandum from City Manager J. C. O'Leary stated that the impending rate hike "increases the wholesale rates to us approximately 32 per cent."

A 10 per cent hike, to put New Bern customers on par with CP&L retail rates, would still result in a \$650,000 revenue loss based on the last 12 months of power usage, the memo said.

The idea of refusing to pay the increased wholesale costs was launched by Mrs. Donna Pope, an electric customer who

described herself as a "working mother."

She advised the board, "Just say no, CP&L, we will continue to pay you what we have. You are entitled to make a living, but not a killing."

"I don't believe they will pull the plug," Mrs. Pope said, adding that if they did, national television would spotlight the town and "crooks don't like to be put in the light."

"We are being robbed," she said, "and for me not to say something tonight would make me an accessory."

Mrs. Pope was the only person to speak against the city electric rate hike.

Hurst agreed, making a motion to tell CP&L that "we just won't pay any more than what we are paying at the present time."

Mrs. Bengel seconded the motion, adding that all ElectricCities municipalities should band together and fight the hike.

"I believe that if New Bern will do what they did 200 years ago and be the first to jump in the water...others will follow," Mrs. Pope told the aldermen. Mrs. Bengel concurred. "It's time that someone takes

a stand."

Attorney Ward called the plan "not a realistic option." He said the idea appealed to him as much as it did to the others, but "in four to six months, if the city has to pay the bill, and it assuredly will, where will this money come from?"

Mayor Kimbrell agreed with Ward. "You are going to create a situation that will cost you more dollars," he said. "You are not going to get change by shirking your legal responsibilities."

Tape recorded to insure accuracy



"We have people that just cannot pay," Hurst told him. "Someone along the line has to have enough moxie to stand up and fight."

Casting their votes against the plan to refuse to pay, Montgomery said he thought it would cost the city tens of thousands of dollars in the long run, Davis said he thought the city ought to go through litigation to work against the hike,

and Ingram said the city doesn't "have a snowball's chance in hell" to win against CP&L.

Tonight's meeting is expected to focus on the options outlined in Outlaw's memo.

Those options include raising rates 10 per cent and absorbing the anticipated \$650,000 loss in revenue. Outlaw said adjustments "might be made to reduce our expenditures accordingly for the rest of this fiscal year. We would then need to make some rather substantial and difficult adjustments in our budget for next fiscal year to cope with this reduction in revenue.

Other options are to hike city rates 21 1/2 per cent to offset the entire CP&L hike, adding a surcharge of 11 1/2 per cent to all commercial customers to produce "approximately \$325,000, or one-half of the revenue loss," increasing property taxes or increasing other charges, such as sewer, water or refuse collection to help offset the revenue loss.

If property taxes are used to meet the revenue shortage, the 60-cent tax rate would have to be more than doubled to generate \$650,000 more. The tax rate now provides \$625,000 to the city coffers.

# April 1976

## Three Power Supply Rate Hikes in 14 Months

### Power rate hiked 21.5%

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Alderman Tom Davis asked to have the increase "simplified" and put into "dollars and cents," but those figures were also not given.

The city is now working under a rate schedule that is producing \$1,082,000 in profits, but which were transferred to the general fund from the power fund in October. Those profits will not be reduced by the hike in wholesale rates.

The wholesale rate hike to the city was set at 32 per cent by Outlaw, and he said a 21½ per cent retail hike would cover the added expenses of the wholesale rate. Retail prices are higher than wholesale.

The 21½ per cent hike was passed unanimously by the aldermen, with all five present. They are Aldermen Davis, Ben Hurst, Tim Montgomery, Ella Bengel and Gray Ingram.

#### 3 RD HIKE IN 14 MONTHS

The rate hike is the third in the past 14 months. Rates were adjusted to the CP&L retail schedule Jan. 2, 1975, when the fossil fuel charge was also added. A 16.26 per cent hike was adopted Sept. 1, 1975, although the city did not see an increase from CP&L at that time.

The 21½ per cent was termed "an average," by Mayor Charles Kimbrell. "It won't quite measure up to it," he said.

Outlaw explained that matching the CP&L rates will provide a varying hike to each schedule, with all-electric homes hit

the hardest in the residential rate schedules. All-electric homes will have their bills computed on two separate schedules, one for summer and a second for winter, November through June.

Figures computed by city utilities director Willard Bedwell, who is on vacation this week, show that matching the CP&L retail rate schedule would raise an all-electric home from the present city rate of \$26.08 for the first, 1,000 kilowatt hours (kwh) to \$35.11 during the summer CP&L rate.

#### ALL-ELECTRIC UP 50 PERCENT

An 11½ per cent surcharge added to that figure would bring the total 1,000 kwh to \$39.14, or roughly a 50 per cent hike.

With regular service, where only lights and the refrigerator are run on electricity, the rate will increase from \$31.09 now to \$37.08 under the CP&L schedule, according to Bedwell's figures for the first 1,000 kwh.

The 11½ per cent surcharge, added to the CP&L rate, would make a final total of \$41.34 for the regular service rate.

Outlaw said a reduction or abolition of the surcharge could be made in the future if the Federal Power Commission (FPC) denies part or all of the CP&L wholesale rate hike request, which is going into effect May 1, subject to refund, until a final EPC division is made.

"Would this go back to the customers?"

Alderman Davis asked?

"Whatever this board decides," Outlaw answered.

"I think they should be refunded," Davis stated.

#### 'LET'S — GO TO COURT'

Davis said he favored raising the power rates, "but then let's go to court," he said to fight CP&L. He said the CP&L hike was the same as a supplier driving a distributor out of business, and should be fought in the courts.

Montgomery said he didn't "see how we can raise our rates above CP&L rates — it just doesn't seem feasible." He suggested cutting other city services and raising rates to match CP&L's rates, leaving the city to absorb the remaining \$650,000 costs from the wholesale hike.

"Could the ten departments reduce their budgets about five per cent to take care of this extra cost?" Montgomery asked.

Outlaw told him that "at least" a \$10 million budget is being planned for the fiscal year 1976-77 and such a cut would mean "a drastic reduction to the point of cutting staff, because personnel is the largest item."

"The budget would never stand up to a \$650,000 cut," Davis said.

"There must be somewhere the city can absorb some of it or half of it," Montgomery said.

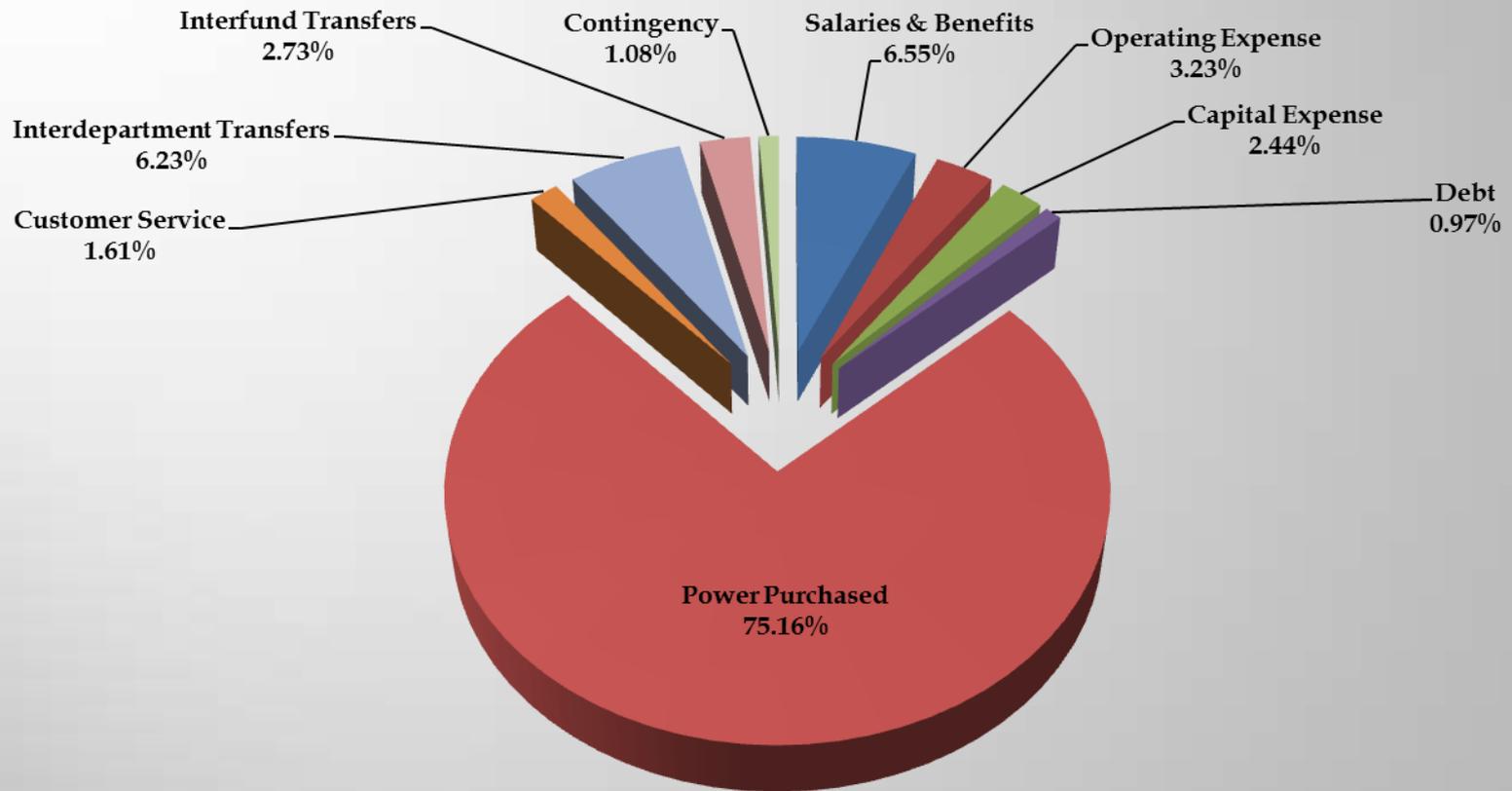
See FOUR, Page 12A

# Where does the money from the electric bills go?

For the fiscal year 2010-2011:

- **75.2% of the Electric Department's budget is allocated for the power purchased from the Power Agency .**
- 14.3% is budgeted for designing, building, operating, and maintaining the transmission, distribution, and substation infrastructure which make up the electric system.
- 7.8% is budgeted for shared services such as Information Technology, Human Resources, Customer Service, Finance, and Accounting.
- 2.7% is allocated for inter-fund transfers that are outlined in this fiscal year's budget.

# What are the contributors to the retail electric rates?

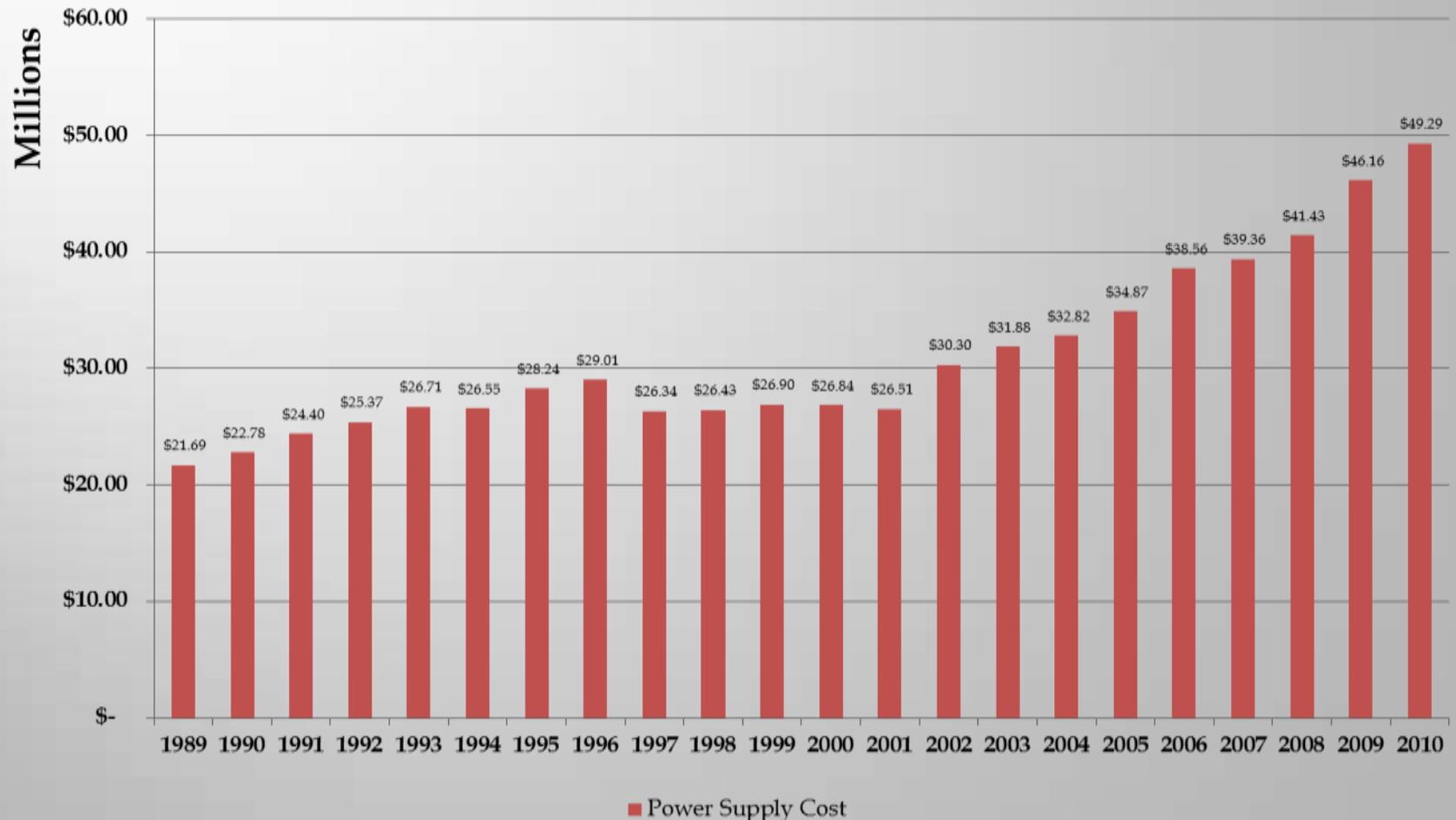


**Electric Department Budget 2010/11  
by Cost Center**

# What are the contributors to the retail electric rates?

## Power Supply Cost

New Bern Power Supply Cost 1989-2010



What are the contributors to the retail electric rates?

# Debt

- In 1981 the City of New Bern and 31 other cities joined together to purchase a portion of four power plants.
- The City of New Bern currently owes **\$143,558,178.76** for those plants.
- **38.8%** of the power supply costs goes directly to pay for this debt.
- The City pays \$1,436,878.45 each month towards the debt service, operation, and maintenance of the four power plants.

## What are the contributors to the retail electric rates?

- 75.2 % of the retail electric rate revenue goes to Power Supply Costs. 38.8% of the Power Supply Costs go to Debt payment for the power plants
- 29.2% of the retail electric rate revenue goes to Debt payment for the power plants.
- 4.2 cents of the average Residential Electric Costs of 14.7 cents/kWh goes to pay the Debt for the Power Plants.
- Progress Energy's average Residential Electric Cost would be 10.2 cents/kWh for the average residential electric customer in the City of New Bern.
- $14.7 - 10.2$  cents = 4.5 cents/kWh difference in cost.
- **4.2 cents of the 4.5 cent difference in cost per kWh can be attributed to the payment of the Debt on the power plants.**

## Can we get out of the contracts with the Power Agency?

- **The City is actually obligated to two separate agreements with NCEMPA.** The first is the Initial Purchase Agreement for the ownership purchase of the four generating plants, and the second is the Supplemental Power Supply Agreement for buying all of the power that may be needed above and beyond the output of the ownership interest in the four plants.
- **The cities can only leave the agreement if they buy their way out.** Currently, the City of **New Bern would need to pay \$143,558,178.76** plus legal fees and penalties to exit the contract. Upon exiting, the City would then have to retain a new contract with a power supplier to provide the power necessary to serve its customers and pay for the new \$143 million-plus debt.
- The City is restricted from selling the electric system to pay its share of the purchase debt; there are numerous legal hurdles to selling the system to an investor-owned utility; sale to another city is feasible if that city would assume our portion of the debt; ownership by one city cannot exceed 25% of the plants.
- The Supplemental Power Supply Agreement provides the contractual terms for all generation purchased above the ownership-interest power output of the plants. This agreement expires in 2017. **The City would need to give 10 years' notice if it intends to leave this contract.** If the City elects to leave the contract, it would need to negotiate and retain a new contract with a power supplier to furnish the power necessary to serve its customers.

**What is the City doing to help people lower their bills?**

# Promoting Growth, Load Management, Distributed Generation, and Energy Conservation

## Definitions

- Growth - Adding new customers who receive power from the City electric system.
- Load Management - The use of load control switches at customer residences to turn off appliances during peak electric demand periods.
- Distributed Generation - Small generating units located at the customer's facility for the purpose of shedding electric demand on the utility system during peak periods.
- Energy Conservation - The reduction of the amount of kilowatt hours consumed within a residence or business.

# Promoting Growth, Load Management, Distributed Generation, and Energy Conservation

## Growth

- Adding new electric customers to the City power system distributes the debt costs and lessens the power supply cost burden on each customer.
- The City pays \$1,436,878.45 each month towards the debt service, operation, and maintenance of the four power plants.
- Each new customer contributes to paying this monthly expense by at least the minimum customer charge.
- The City is working with focus groups made up of community stakeholders to create policy and procedures which promote growth and development.

# Promoting Growth, Load Management, Distributed Generation, and Energy Conservation

## Load Management

- The City is actively cutting Power Supply Costs through its Load Management and Distributed Generation programs.
- 10,700 residential customers participate in load management cutting an average of \$100,000 of electric demand cost each month.
- New customers with load management switches or Distributed Generation add the most value to the whole customer base. These customers help distribute debt load and have the smallest impact on power supply costs.
- All new homes built within City limits are required to have load management switches to gain this value.
- The City is actively investigating new “Smart Grid” technologies to improve the effectiveness of its Metering and Load Management Program. This technology will greatly assist customers with managing their energy consumption.
- It is estimated that 40% of the residential load management switches have been disabled since their installation. Smart Grid technology will monitor and report failures and disconnects of the switches, in real time, allowing for a vast improvement in the effectiveness of the demand reduction program.

# Promoting Growth, Load Management, Distributed Generation, and Energy Conservation

## **Distributed Generation**

- The City dispatches 25 generators located at customer facilities cutting an average of \$150,000 of the electric demand costs each month.
- The City is at the limit of its contractual Generation Allocation and is actively working to gain more allocation through PURPA exemption of existing generators.

Promoting Growth, Load Management, Distributed  
Generation, and Energy Conservation

**City of New Bern  
Energy and Customer  
Service Workshop**

# Lowering Your Bills—Long-Term Solutions

## Tips for reducing energy consumption to lower your bill:

- **Free Energy Audits.** Do your own online or with help via a home visit from the City. Find out what may be causing your bill to be higher than expected.
- **Load Management.** Join with fellow customers to keep power costs lower.
- **Shopping for a new heat pump or appliances?**
  - Rebates are available from the City for energy efficient purchases. (Federal tax credits may be available ,too.)
  - Load Management Program participation is required.
- **Help may be available.** Weatherization programs and weatherization help agencies – Twin Rivers Opportunities  
318 Craven St. New Bern, NC 28562 252-637-3599

# Getting Service

- Check out utility costs before leasing or purchasing. Customer Service will provide deposit estimates for addresses.
- Deposits dictate the amount you can anticipate your monthly bill to be.
- Minimum Housing Code Inspections help customers avoid unsafe housing, which may also have potential exorbitant utility expenses.

# Payment Concerns – Short-Term Solutions

- Help is available. Visit the Customer Service Office as soon as you know you have a problem to discuss if extra time can be worked out to pay a high bill.
- Help agency partners for crisis situation referrals.
- Medical Alert Program.
- Meter tampering is dangerous. We all pay when someone steals power.

# The latest news?

- The City of New Bern had the highest energy consumption month in the history of the Electric Utility in December of 2010. **53,843,063 kWh's** were purchased and distributed to customers in this month.
- The City of New Bern had the highest energy consumption year in it's history in 2010 due to the extremes in weather.
- Energy Consumption is the largest driver of customer bill amounts. Cold or Hot weather, outside of the averages, increases consumption and bill amounts.
- Duke and Progress Energy are merging into one company. All effected parties have input into this process through regulatory agencies, NCUC and FERC. Opportunities for change are created by this process.
- Power supply rates are not projected to increase until 2015.
- Power supply costs are the greatest driver of New Bern's retail rate.

**Questions?**