

ORANGEBURG CITY COUNCIL AND DPU
BUDGET WORKSHOP MEETING MINUTES – JUNE 23, 2025

Orangeburg City Council and the Department of Public Utilities held a Budget Workshop Meeting on Monday, June 23, 2025 at 10:00 a.m. at the DPU Operations Center.

PRESENT: Mayor Michael C. Butler
 L. Zimmerman Keitt, Mayor Pro Tem
 Councilmember Annette Dees Grevious
 Councilmember Jerry Hannah
 Councilmember Dr. Kalu Kalu
 Councilmember Sandra P. Knotts
 Councilmember Richard F. Stroman

Mayor Butler opened the meeting and turned it over to Manager Harley who thanked Council for their attendance. He said that the DPU will be sharing with Council today some of the things that are on the horizon for the DPU from prospective projects and all of the things that we have going on but first before we get into that, as we have done before, we will have a discussion on the financial forecast. We work closely with Raftelis and you know Mr. Bart Kreps and Mr. Will Kerr and they will be talking about rates and the planning of the spend that we have projected over the next several years; remember we try to do this in five year chunks. We try to look out over the several years to determine what our projects are going to look like, what our spending is going to look like and this helps us to pinpoint what the rates need to look like and Raftelis helps us to do this on an annual basis.

Mr. Kreps thanked Manager Harley and Council for the opportunity to visit with them. He said that Raftelis works with the DPU on the rate and financial planning process. Mr. Kreps said he will talk a little bit on the front end to get things going and then he will have his colleague Mr. Will Kerr go through some of the nuts and bolts. Mr. Kreps informed Council that last year they talked about two big tasks; a cost of service study that the DPU likes to do every couple of years which looks at how each of the individual utilities are recovering their costs independently and it also looks at the structure of our rates and the classes of customers. We went through the detail of this last time so he gave Council a refresher because what this does is it helps set up the recommendations we make on rates going forward and the structure of the rates. The aim of the discussion today and our primary task this year is to update the financial forecast. We look at the financial forecast for the next five years, where we are today, where we are going in the future, and what our costs are going to look like in the future; particularly what the capital costs are going to look like and how we are going to finance those capital costs because that is going to feed into what we are going to do on rate recommendations. Mr. Kreps said we will also talk about the history of rates and where we have been and some of those key issues are in the current forecast. We will spend a good amount of time talking about the capital needs because capital really drives rates and the DPU has a lot of infrastructure projects that they have to do for all the utilities. Unfortunately the costs of all these project keeps continuing to go up for things that are outside of our control but it is something we have to deal with. Also, he said they will talk about some of the reserves the DPU have in the enterprise fund and why we have those reserves and then we will look at the results for the forecast. The forecast basically tells us how much revenue we think that we need and then we look at the rate design piece in terms of how we think we should recover that related to the rate structure and ultimately what the impacts are on customers because that is what you care about at the end of the day. We will also look at some benchmarking where Orangeburg sits relative to others that provide these services. The DPU is a Proprietary Fund or an Enterprise Fund so it is funded from user charges and not from taxes so that is its source of recovery. When you look at costs of service you want to make sure that the utilities are individually recovering those costs. What we found out last year was each of the utilities are reasonably recovering their costs from the different customer classes based on the way the rate structure is designed. The more important issue is how each utility recovers its costs independently and what we found is that the electric system still continues to support the water and sewer system and a little bit less to the extent the gas system so what we are trying to do is rebalance this a bit as we go forward. We can't do all of this at once but we have developed a plan to help phase this out over time. When you look at cost of service and how the DPU needs to follow this we don't have to follow it exactly to the decimal point but we have to set our rates in a reasonable way. The cost of service study we do every couple of years is the rate design piece. The bulk of what we want to talk about this year

is the updated financial forecast and the recommendations. Mr. Kreps then asked Mr. Kerr to walk Council through the details.

Mr. Kerr informed everyone that he will be walking us through the financial forecast. He said the utilities are dealing with a lot of challenges right now such as aging infrastructure and capital needs, regulatory and compliance burdens, workforce challenges, etc. Mr. Kerr said he is going to mainly discuss aging infrastructure and capital needs. Pretty much every utility that he and Mr. Kreps work with is dealing with challenges with delivering capital projects; it is hard at this time to get projects done. Prices are up compared to where they were a few years ago and in addition to the price of construction and delivering capital projects being higher, it is also paired with higher borrowing costs. There have been higher interest rates than we have seen in the last few years and it is compounding to create a very challenging environment for utilities especially as you look over the next five years and think about the projects you have to do and then try to figure out a way to pay for them. The goal of the financial forecast is layering in those capital projects and projecting our operating expenses, projecting our revenues in the future, and making sure we have the resources available to deliver the projects that need to get done. Mr. Kerr said that we have been working on a five year plan and we are on year four for this plan and basically what they have been doing is incrementally chipping away and raising the DPU rates to get the revenues to where we want to be; electric, and gas one year, and then water, and wastewater the next year. This is year four of that five year plan. Electric and gas rates increased in 2023 and these are back in the proposal for approval hopefully this year for FY 2025-2026. He said a couple of key variables and assumptions they want to flag is one, the reserves for the utility fund is in pretty good shape but if we do nothing on the rate side and we don't borrow for capital projects, there are a few things that the DPU have assumed in the future, this will deplete those reserves fairly quickly. Staff is estimating capital spending of around \$40 million this year and for FY 2026 through 2030 the CIP we received has about another \$200 million so for FY 2025 which is the current year we are in plus the next five years we have about \$240 million in capital projects loaded into our model. This is an increase for that same period where we were projecting last year we are about \$25 million above that with the addition of a couple of new projects. In working with staff he said that they understand that there are discussions of increasing the general fund transfer from the DPU to the City's general fund to raise it an additional \$3 million which will be a significant increase. Mr. Kerr said the transfer is now \$6.1 million and it would potentially go up to \$9.1 million. Councilmember Hannah asked if this trajectory is based on customer service quota as it is today or is it based on projected customer service growth. Mr. Kerr said that they have assumed a very modest customer growth in their forecast; they typically lean to the conservative side. They have projected some growth but not a lot. Councilmember Keitt asked if the grants and loan funding will continue to increase in the future. Mr. Kerr said the grant funding is tricky; there has been some challenges. They have distributed money for water and wastewater projects and we are having a hard time getting it spent and there is some concern about that program. The DPU has not assumed future grant funding into the forecast unless we know it has been identified as being available. Manager Harley said that we wouldn't have included anything unless we have already been committed to getting the grant. We will continue to apply for grants because they are a helpful supplement but some of them are difficult to get and manage as we have found out from some of the ones that we have. He said we will pursue grants as much and as often as possible but can't plan on them in the future. Mr. Kerr said we saw the grant activity increase after the financial crisis and there was an influx of money at the federal level but we are starting to see now that these funds will probably not continue. Councilmember Kalu asked that with all the variables with the global and economic factor, what percentage will this have on the impact of the forecast. Mr. Kerr said that we will certainly want to watch the cost of borrowing as the US economic conditions unfold over the next 12 – 18 months. The global issues are definitely concerning as we read the news right now and it sounds like there will definitely be some increases in fuel costs but it is a little hard to understand the full impact of how this will impact us. The best approach is really what we are doing which is each year taking a look at our five year forecast and saying here is where we are and here is where we are projecting where we need to go. Mr. Kerr proceeded to discuss the capital needs and spending. He said that with the level of increases that we have assumed there will likely still be the need to borrow some money and we are forecasting around \$51 million in future bonds and loans which on a \$200 million capital plan over the next five years isn't a huge amount but a decent chunk of it. As inflation creeps along and we deliver capital projects and as we take on new debt due to those capital projects and if we are not keeping pace we will start to fall behind. This is when we are leaving the transfer at \$6.1 million and if you bump the transfer to \$9.1 million this would take us straight to the bottom line. Mr. Kerr said with the additional transfer possibly over the next few years we would need to raise rates to recover the

costs to remain in the same spot. In terms of rate design electric and gas are in our proposal for this year. Your increase in electric and gas is consistent with what we have presented before. They have focused on some of the revenue recovery from the fixed charges. In the years 2027 and 2030 they have slightly larger increases projected for water, sewer, electric, and gas to deliver those growing capital needs. Councilmember Hannah asked about possibly increasing the water and wastewater rates as well and Manager Harley said that decision is up to Council. Councilmember Hannah asked Mr. Kerr what he would suggest regarding the rates. Mr. Kerr suggested balancing the increase for this coming fiscal year between the four utilities because water and wastewater could use some increases as well and maybe this will help to take a little bit of pressure off of electric because they are already sort of in the middle of the market. Manager Harley told Council that the DPU has always given them those options of an increase on all the rates or the option of doing rate increases on two of the rates alternating the years; it all works. One option is not better than the other; it is how Council wants to approach the increases.

Manager Harley informed Council that we will now present our Capital Projects. He let them know that Director Josh Nexsen was out of the office today so Comptroller Lauren Privett will do Administrative Division presentation. Manager Harley also informed Council that Mr. Ryan Etheridge will be giving the Wastewater Division presentation in Director Richard Labrador's absence.

Administrative Division Capital Projects

Comptroller Privett informed Council that the Administrative Division has four previously approved projects and one new project.

Administrative Division Project – Main Office Roof Replacement (Previously Approved Project) – Cont'd.

Comptroller Privett informed Council that the DPU is almost finished with the Main Office Roof Replacement project. As you know, we had a few issues that occurred on the inside of the building with this project and it should be completed by the end of this fiscal year.

Administrative Division Project – Main Office Flooring Replacement (Previously Approved Project) – Cont'd.

Comptroller Privett said that the DPU is waiting on the issues inside the building which was caused by the new roof to be completed and then work on the flooring will begin. This project should be completed by the end of December.

Administrative Division Project – Telephone System Upgrade (Previously Approved Project) – Cont'd.

Comptroller Privett informed Council that the DPU needs to upgrade our telephone system and that it has been about seven years since the last upgrade. We updated our current system around 2017 and it is at its end of life and will no longer be supported. We expect that this project will be completed by the end of this fiscal year.

Administrative Division Project – Old Warehouse Facility Updates (Previously Approved Project) – Cont'd.

Comptroller Privett said that the DPU is updating our old Warehouse which use to house our crews. We are having HVAC and lighting repairs done and this should be completed by January of 2026.

Administrative Division Project – DPU Datacenter (New Project)

Controller Privett informed Council that the DPU Datacenter is a new project. The Datacenter was last updated in 2019 and typically last around 5 – 6 years and so we are at its end of life and we need to update it. This should take 6 – 12 months. The Datacenter houses all of our critical business systems and all of our backup servers.

Electric Division Capital Projects

Director Wade Holmes informed Council that the Electric Division has five previously approved projects and three new projects that he will be presenting today. He said over the last 6 ½ - 7 years the Electric Division has either rebuilt or repaired eight of our substations. These substations are roughly around \$50 million of investment that Council has allowed us to do which has made our system more reliable, more resilient, and is modernized with today's technology.

Electric Division Project – Substation 25 (Sprinkle Avenue) (Previously Approved Project) – Cont'd.

Director Holmes informed Council that Substation 25 will help us to get rid of the last three of our oldest substations that we have on our system which is Substation 2 (behind the Orangeburg Fairgrounds) which is 63 years old, Substation 7 (Five Chop Road and Sprinkle Avenue) which is 56 years old, Substation 17 (between SCSU and Claflin University) which is 42 years old. Substation 9 (Glover Street) which is 50 years old will have portions of its circuits transferred to Substation 25. He said the national average on the life cycle of a substation is around 30 years old so we have gotten good use out of these older substations. Director Holmes said they are looking to have this project completed by the end of this calendar year.

Electric Division Project – SCADA Replacement (Previously Approved Project) – Cont'd.

Director Holmes said the SCADA (Supervisory Control and Data Acquisition) Replacement Project allows us to sit at our main office building and control devices that we have out in the field. For example, the Water Plant will have remote access to their plant facilities and their pump stations and the same for the Wastewater Plant. The Gas Division will have the capability to monitor their gas border stations, and the Electric Division will be able to monitor and see what is going on at our substations, what our voltages look like, and what circuits we have opened and closed. SCADA brings all this information back to a centralized location. Manager Harley said that the DPU has two young superstar engineers who built this system. Director Holmes said we are saving money by using these engineers to do this project.

Electric Division Project – Substation 24 (OCCIP) (Previously Approved Project) – Cont'd.

Director Holmes informed Council that we are upgrading part of the infrastructure at Substation 24 which is located at the OCCIP which provides power to all the customers in the industrial park and provides backup to Substation 15 (HWY 301 North) and Substation 20 (Rowesville Road). The upgrade will increase the substation's overall load capacity from 30MW to 80MW.

Electric Division Project – Gas Turbine Generator Control System Upgrade (Previously Approved Project) – Cont'd.

Director Holmes said the gas turbine generator control system is a previously approved project. The system is very antiquated and has been online and onsite for the last 35+ years and right now we cannot buy parts for it because of its age so what we are looking to do is to modernize it with a new control system that will allow us to remotely access and control our gas turbine generators either from the main office, the operations center, and even from home. Director Holmes said we need this type of access when we receive calls from Duke Energy regarding capacity.

Electric Division Project – LED Streetlighting Upgrade (Previously Approved Project) – Cont'd.

Director Holmes informed Council that the LED Streetlighting Upgrade project consists of upgrading all 1,600 streetlights to make it more uniform between each of the six districts that we have. All the lights on all the six districts are now LED lights and we are now going back and changing our controllers and making adjustments on the lights so they all burn at the same brightness.

Electric Division Project – Transmission Poles and Conductors Replacement and Maintenance Phase 1 & 2 (New Project)

Director Holmes informed Council that the Transmission Poles and Conductors Upgrade is a new project on our 115kV loop. This project consists of replacing wood poles between Substation 19

(Old Elloree Road) and Substation 10 (Hwy 601). The ages on the wood poles in these sections need to be replaced because most of these lines were built back in the late 70s or early 80s, so we are talking about 40 or 50 year old poles. He said the wood poles will be replaced with steel poles that should last around 80 years.

Electric Division Project – Substation 9 46kV Upgrade (New Project)

Director Holmes said Substation 9 (Glover Street) is another new project. The lines that come into this substation is fed by inline fuse units on top which makes it difficult to take the substation down in case of an emergency or some type of maintenance so we want to take that full structure down and put in a 46kV breaker which we already have in stock as a spare at this substation and upgrade it so that when we need to take it down we can open the breaker remotely which makes it easier for the workers, easier for maintenance, and upgrades.

Electric Division Project – Smart Lighting Upgrade (New Project)

Director Holmes informed Council that the Smart Lighting Upgrade is a new project. Over the last three years lighting has changed drastically when it comes to going from a metal halide to a high pressure sodium and now to LED. Manufacturers are not making high pressure sodium lights anymore; everyone is moving towards LED lights. As a result, he said we will need to develop a plan to address all of our 18,000 private lights and leased lights. Director Holmes said we did some consulting with a company called E Source to figure out the cost, the cost benefit of doing this, and to come up with a good plan to change out these lights over a three-year period.

Gas Division Capital Projects

Director Dave Durgin inform Council that the Gas Division has two existing projects and one new project for the upcoming fiscal year.

Gas Division Project – Cannon Bridge Road Pipe Replacement (Previously Approved Project) – Cont'd.

Director Durgin said the Cannon Bridge Pipe Replacement project is the modernization and resiliency of rebuilding the main feed to the City from our original border station. This pipe is 70 years old and if it goes out the whole system goes out. Director Durgin said we have been working on getting this project designed and engineered, and we are ready to start putting out portions of it for bid. We anticipate there should be an additional 30 months of work to get this approximately five miles of 10-inch main rebuild.

Gas Division Project – Russell Street (bypass to Cameron Reg Station) (Previously Approved Project) – Cont'd.

Director Durgin informed Council that the Russell Street project is to modernize and replace aging infrastructure. This project is at the end of its construction period and should be completed by the end of July 2025.

Gas Division Project – Replacement of Gas Crossing – Zan Street (New Project)

Director Durgin said this project is the Replacement of the Gas Railroad Crossing located at the end of Goff Avenue. He said we are proposing to move it down to the new Zan Street crossing that the SCDOT built several years ago. This project is to help modernize the gas system. We anticipate that this project will take three months to complete and we hope to have it done by the beginning of next year.

Water Division Capital Projects

Director Eric Odom informed Council that the Water Division has six previously approved projects and three new projects for the upcoming fiscal year.

Water Division Project – Water Main Replacement Project (Previously Approved Project) – Cont'd.

Director Odom said the Water Main Replacement Project is our cast iron replacement project in the Quicktown Area. This project is slated to be completed by the end of August or the first of September. Once we get the lines tied in we will go back and start transferring services and abandoning all of the old water mains. One added benefit to this project is that we were able to tie into our 12-inch water main on Hwy 301 and extend it out to Russell Street. We did not know at the time that SCSU was going to have a massive capital improvement plan going on so hopefully the 12-inch line will provide some additional capacity to the university also.

Water Division Project – Dantzler Tank Refurbishment Project (Previously Approved Project) – Cont'd.

Director Odom informed Council that the Dantzler Tank Refurbishment Project is now complete and the tank is back online.

Water Division Project – Water Treatment Plant Residuals Process Upgrade (Previously Approved Project) – Cont'd.

Director Odom said the Water Treatment Plant Residuals Process Upgrade is a project that includes upgrading our Washwater Pumps to be able to wash filters. This project includes splitting the waste stream through our Water Treatment Plant and cleaning out our 14 acre alum sludge lagoon. When this project is complete it will significantly enhance our operational capabilities at our Water Treatment Plant. We will be able to wash filters at a much faster pace than we currently do now so we can take things offline and get them back on very quickly.

Water Division Project – North Road Booster Pump Station Project (Previously Approved Project) – Cont'd.

Director Odom stated that the North Road Booster Pump Station Project consists of installing the new 16-inch water main to the pump station which will add additional capacity along the North Road area. As you know, we acquired the Bull Swamp Rural Water System and the North Road Booster Pump Station Project will help facilitate tying that system to ours.

Water Division Project – Bull Swamp Rural Water Acquisition (Previously Approved Project) – Cont'd.

Director Odom informed Council that the Bull Swamp Rural Water Acquisition project is to improve the infrastructure in this area. We are putting in about 15 miles of new water lines to replace a lot of the old ageing infrastructure that was in the system when we acquired it. This will also allow us to tie it into our current water system and will add additional capacity in the area. He said 85% of this project will be paid for through grant funds.

Water Division Project – Connection to Bamberg BPW (Previously Approved Project) – Cont'd.

Director Odom said that the Connection to Bamberg BPW is currently under construction. This is a project that is being funded through Bamberg Board of Public Works that was able to acquire a skip grant. Once interconnected we will have an emergency connection and hopefully be able to wholesale to the town of Bamberg.

Water Division Project – Raw Water Pump Station Upgrades (New Project)

Director Odom informed Council that the Raw Water Pump Station Upgrades is a new project. The electrical equipment in this pump station is around 25 years old and it is becoming difficult to find parts when things fail. Our plan for this project is to have a Preliminary Engineering assessment done so we can get an idea of what needs to be replaced. The first part of the project will consist of engineering and bidding and the process of construction to follow in FY27.

Water Division Project – Elevated Water Tank Rehabilitation Program (New Project)

Director Odom said the Elevated Water Tank Rehabilitation Program is a project to refurbish all of our elevated water tanks which we do about every 15 years. He said we are on the 15 year cycle now and we have five tanks left to rehabilitate. We have not decided which water tanks we are going upgrade in the upcoming fiscal year because we are waiting on a report from our engineers and we are going to take the ones in the worst conditions and tackle two of those this year and hopefully the following three the next year.

Water Division Project – Replace Water Main on Hwy 400 to Slab Landing Road (New Project)

Director Odom informed Council that we have replaced a good portion of our water main on Hwy 400 and this project addresses an area where we have had around six water main breaks on this line over the last five or six years which is due to be replaced.

Wastewater Capital Projects

Superintendent Ryan Etheridge informed Council that the Wastewater Division has no new projects and one previous project for the upcoming fiscal year.

Wastewater Division Project – Northwood Estates Phase II (Previously Approved Project) – Cont'd.

Superintendent Etheridge said the Northwood Estates Phase II project continues with the replacement of deteriorated pipes and manholes in the Northwood Estates wastewater collection system. This project is helping to reduce excessive inflow and infiltration of storm water during heavy rain events. We hope that this project will be completed within the next year.

Manager's Presentation

Manager Harley informed Council that every year we update you on routine capital items which are things that do not rise to the cost level of the projects that the DPU brings to you. We group these capital items in this category and it covers every division. This is ongoing regular routine work that we have to accomplish on a daily, weekly, or monthly basis. As you talk about customer growth, the number is still flat but we anticipate that at some point this will turn. Renewals and replacements are where we continue to spend money to keep our system going.

Manager Harley said that the Joe Jeffords Hwy Project is a project that will impact every division and we cannot say no to it; we have to do it. The SCDOT will be widening Joe Jeffords Hwy and this is going to require us to relocate all of our utilities. This project does not improve service, does not expand service, does not serve new customers, it just relocates what is already working. This project makes us spend money to relocate the services that we already have on that stretch of highway. The total estimate of the relocations will cost \$6.5 million and a portion of this amount we hope to get back but we do not know what that number looks like. Manager Harley believes the amount will be a total of 4% of the project cost we might get back for the water and wastewater relocations from SCDOT. The electric division owns some right-of-ways that the SCDOT would have to reimburse us for. This is the extent of any money that we might get back. Manager Harley asked Controller Privett to give the budget comparison.

Controller Privett gave the budget comparison which went through April and said we are right on budget. She said that for FY26 the DPU has an increase in revenue projected but we also have a much larger increase in costs projected so we are not looking to have as much of an operating profit for FY26. The economic environment on operating revenue and the pass-through costs increase for the purchase of gas and electricity which we are expecting and then generating lower operating costs due to higher costs and lower revenue. Comptroller Privett informed Council that the DPU is not requesting any new positions.

Councilmember Grevious asked if the project borrowing the DPU does is normal for utility companies and do we ever see ourselves as just relying on our reserves. Manager Harley stated that when we started this process one of things that we had a conversation about was how to balance the need for rate increases and the amount of cash so we put together a mix which included borrowing and the use of cash and the raising of rates in a way so we didn't do it all with the rates,

we didn't do it all with cash, and we didn't do it all with borrowing so he thinks the \$200 million that is projected will include \$50 million is borrowed; we try to balance this out. He said this is something that happens in the utilities basically because our projects are so costly we just can't do it with cash without being a burden on the customer. Manager Harley said that the DPU in the past hasn't borrowed a lot of money so there is a capacity to do this but we don't want to necessarily max this out because he doesn't like to borrow money either if he doesn't have to. In terms of our infrastructure and capital needs, we are in a place where we have made a lot of progress and we did some of this with borrowed money. To close the gap we might not have to do a lot more borrowing but we may have to do some more to get us a little closer to where we want to be comfortable with our system and be able to maintain it and deal with it in a smooth fashion. Manager Harley asked Mr. Kerr to address this issue also. Mr. Kerr said that some capital investments are really large and that financing them with cash whether that is money in the bank or trying to generate the money is really hard to do. For some of the long-lived assets that are going to carry on thirty or forty years it is better to spread that cost out over time. Councilmember Grevious said that she would like to see what it would look like if Council would increase water and wastewater rates also but if she is the only one that wants to do this, it is not worth looking into. Ms. Grevious said that she suggested this last year and she knows Council never wants to increase the rates for our customers but if we have to do it she prefers to do it one time instead of every year coming back and doing increases. She knows this is a heavy burden but this is something she would like the rest of Council to think about. Councilmember Kalu suggested looking at all the numbers to see how they look; he would like to look at all the scenarios. Councilmember Keitt said that Council has to look at the constituents and that they have not done bad with raising the rates over the years. After further discussion, Council asked Manager Harley to supply them with different scenarios regarding rate increases. The meeting adjourned at 1:40 p.m.

Respectfully submitted,



Carol E. Franklin

Executive Administrative Assistant to the Manager
Department of Public Utilities

