

July 20, 2022

MEMO TO: Elaina Ball, CEO/General Manager

MEMO FROM: Rhonda Haskins, Chief Financial Officer

SUBJECT: FY 2023 Electric and Water/Wastewater (W/WW) Fund Budget Amendment #1 PWCORD2022-27

Attached is a budget ordinance amendment #1 to the Electric Fund and W/WW Fund for Commission action at the July 27<sup>th</sup> meeting increasing the Electric Fund by \$14,755,100 to a total of \$273.2 million. There is no net effect to the W/WW Fund.

The purpose of this amendment is to recognize an increase in the Duke Energy Progress (DEP) actual energy rate over their estimated rate for calendar year 2022 and the annual DEP True-Ups. PWC recognized DEP's actual monthly energy costs from January – July 2022 trending higher than the 2022 billing rate and cost pressures to the rate likely to continue through December based on current market conditions. This would result in a significant true-up payment due to DEP with interest. To lessen the impact of interest costs to PWC, PWC and DEP agreed upon an adjustment to the billed energy rate of \$7.74/MWh to be applied to the remaining 6 months of this calendar year. PWC intends to utilize the Electric Rate Stabilization Fund to fund this increase. Additionally, the W/WW Fund is being amended to include funding for roof replacements at the Thickening and Transfer buildings at Cross Creek. This project is being carried over from FY22. The W/WW fund is also being amended to include a high service pump rehabilitation project at the P.O. Hoffer plant. An explanation of amended items is listed below:

#### Electric Fund

- **Electric Fund Revenue:** Total Electric Fund Revenue increased \$14,755,100.
  - The Transfer from Electric Rate Stabilization Fund (ERSF) increased by \$8,545,200 to provide funding for the additional DEP energy costs.
  - The Appropriation from Electric Net Position increased by \$6,209,900. These funds will be transferred to the ERSF and the Coal Ash Reserve to cover the DEP True-Up and the annual CCR True-Up.
  
- **Electric Fund Expenditures:** Total Electric Fund Expenditures increased \$14,755,100.
  - Operating Expenses increased \$8,545,200 due to the additional \$7.74/MWh from DEP.
  - The Appropriation to Electric Rate Stabilization Fund increased by \$5,355,200 to cover costs for the DEP True-Up.

- The Transfer to Coal Ash Reserve increased by \$854,700 to cover costs related to the CCR True-Up.

W/WW Fund

- **W/WW Fund Revenue:** Total W/WW Fund Revenue is not affected.
- **W/WW Fund Expenditures:** Total W/WW Fund Expenditures has a net zero affect.
  - Capital Expenditures increased by \$333,000 due to the roof replacements and pump rehabilitation projects listed above.
  - The Appropriation to W/WW Net Position decreased by \$333,000 to cover costs of the W/WW projects mentioned above.

Staff recommends that the Commission adopt the attached budget ordinance amendment PWCORD2022-27.

# FY 2023 AMENDMENT #1 BUDGET ORDINANCE (PWCORD2022-27)

BE IT ORDAINED BY THE COMMISSIONERS OF THE FAYETTEVILLE PUBLIC WORKS COMMISSION (PWC):

That the Fayetteville Public Works Commission Budget Ordinance adopted June 8, 2022 is hereby amended as follows:

Section 1. It is estimated that the following revenues and other financing sources will be available during the fiscal year beginning July 1, 2022, and ending June 30, 2023, to meet the appropriations listed in Section 2.

	Listed As	Revision	Revised Amount
<u>Schedule A: Electric Fund</u>			
Electric Revenues	\$ 203,245,400	\$ -	\$ 203,245,400
Operating and Other Revenues	13,824,400	-	13,824,400
BWGP Lease Payment	12,760,000	-	12,760,000
Customer Contributions	1,216,400	-	1,216,400
Budgetary Appropriations	27,411,400	14,755,100	42,166,500
<b>Total Estimated Electric Fund Revenues</b>	<b>\$ 258,457,600</b>	<b>\$ 14,755,100</b>	<b>\$ 273,212,700</b>
<u>Schedule B: Water and Wastewater Fund</u>			
Water Revenues	\$ 54,926,500	\$ -	\$ 54,926,500
Wastewater Revenues	60,948,100	-	60,948,100
Operating and Other Revenues	8,033,500	-	8,033,500
Customer Contributions	5,537,000	-	5,537,000
Intergovernmental Revenue - Assessments	1,290,000	-	1,290,000
Budgetary Appropriations	8,354,500	-	8,354,500
<b>Total Est Water and Wastewater Fund Revenues</b>	<b>\$ 139,089,600</b>	<b>\$ -</b>	<b>\$ 139,089,600</b>
<b>Grand Total</b>	<b>\$ 397,547,200</b>	<b>\$ 14,755,100</b>	<b>\$ 412,302,300</b>

Section 2. The following amounts are hereby appropriated for the operations of the Fayetteville Public Works Commission and its activities for the fiscal year beginning July 1, 2022, and ending June 30, 2023, according to the following schedules:

	Listed As	Revision	Revised Amount
<u>Schedule A: Electric Fund</u>			
Operating Expenditures	\$ 205,239,400	\$ 8,545,200	\$ 213,784,600
Debt Service	2,193,300	-	2,193,300
Capital	21,242,400	-	21,242,400
Payment in Lieu of Taxes - City	12,405,800	-	12,405,800
Intergovernmental Expenditure - Economic Development	-	-	-
Intergovernmental Expenditure - Other	-	-	-
Budgetary Appropriations	17,376,700	6,209,900	23,586,600
<b>Total Estimated Electric Fund Expenditures</b>	<b>\$ 258,457,600</b>	<b>\$ 14,755,100</b>	<b>\$ 273,212,700</b>
<u>Schedule B: Water and Wastewater Fund</u>			
Operating Expenditures	\$ 78,581,800	\$ -	\$ 78,581,800
Debt Service	28,833,500	-	28,833,500
Capital	19,208,000	333,000	19,541,000
Budgetary Appropriations	12,466,300	(333,000)	12,133,300
<b>Total Est Water and Wastewater Fund Expenditures</b>	<b>\$ 139,089,600</b>	<b>\$ -</b>	<b>\$ 139,089,600</b>
<b>Grand Total</b>	<b>\$ 397,547,200</b>	<b>\$ 14,755,100</b>	<b>\$ 412,302,300</b>

Section 3. That appropriations herein authorized shall have the amount of outstanding purchase orders as of June 30, 2022, added to each appropriation as it appears in order to account for the payment against the fiscal year in which it is paid

Adopted this 27th day of July 2022.

# ELECTRIC & W/WW FUNDS SUMMARY

DESCRIPTION	ADOPTED	BUDGET	PROPOSED
	ORIGINAL BUDGET FY 2023	AMD #1 FY 2023	AMENDED BUDGET FY 2023
<b>ELECTRIC FUND:</b>			
REVENUES	\$229,829,800	\$0	\$229,829,800
CONTRIBUTIONS AND/OR GRANTS	1,216,400	0	1,216,400
REMITTANCES FROM CITY	0	0	0
APPR. FROM RATE STABILIZATION FUND	5,000,000	8,545,200	13,545,200
TRANSFER FROM ELECTRIC CAPITAL RESERVE	0	0	0
TRANSFER FROM BWGP STARTUP COST RES	0	0	0
TRANSFER FROM REPS	1,867,300	0	1,867,300
TRANSFER FROM COAL ASH RESERVE	7,175,700	0	7,175,700
TRANSFER FROM BUDGET CARRYOVER	216,500	0	216,500
NOTES RECEIVABLE - COAL ASH ADJUSTMENT CREDIT	0	0	0
TRANSFER FROM CAPITALIZED INTEREST FUND	130,000	0	130,000
SERIES 2021 BOND PROCEEDS	0	0	0
APPR. FROM ELECTRIC NET POSITION	13,021,900	6,209,900	19,231,800
<b>TOTAL REVENUES ELECTRIC</b>	<b>\$258,457,600</b>	<b>\$14,755,100</b>	<b>\$273,212,700</b>
<b>EXPENDITURES</b>			
EXPENDITURES	\$57,339,300	\$0	\$57,339,300
PURCHASED POWER & GENERATION	147,998,300	8,545,200	156,543,500
BOND INTEREST EXPENSE	1,030,600	0	1,030,600
BOND INTEREST AMORTIZATION	(172,600)	0	(172,600)
OTHER FINANCE COST	24,100	0	24,100
INTEREST - LEASES	50,300	0	50,300
PAYMENT IN LIEU OF TAXES - CITY	12,405,800	0	12,405,800
CAPITAL EXPENDITURES	21,242,400	0	21,242,400
DEBT RELATED PAYMENTS	1,162,700	0	1,162,700
APPR. TO RATE STABILIZATION FUND	1,319,000	5,355,200	6,674,200
TRANSFER TO REPS RESERVE	2,275,900	0	2,275,900
BWGP START COST RESERVE	60,000	0	60,000
TRANSFER TO ANNEXATION PH V RESERVE - CITY FUND PORTION	5,487,800	0	5,487,800
TRANSFER TO COAL ASH RESERVE	3,573,000	854,700	4,427,700
TRANSFER TO ELECTRIC SUBSTATION REBUILD	3,000,000	0	3,000,000
TRANSFER TO TRANS EQUIPMENT CPF	1,411,000	0	1,411,000
LEGAL RESERVE	250,000	0	250,000
APPR. TO ELECTRIC NET POSITION	0	0	0
<b>TOTAL EXPENDITURES ELECTRIC</b>	<b>\$258,457,600</b>	<b>\$14,755,100</b>	<b>\$273,212,700</b>
<b>WATER &amp; WASTEWATER FUND:</b>			
REVENUES	\$123,908,100	\$0	\$123,908,100
CONTRIBUTIONS AND GRANTS	5,537,000	0	5,537,000
REMITTANCES FROM CITY	1,290,000	0	1,290,000
APPR. FROM ANNEX PH V RES. FUND	4,940,400	0	4,940,400
TRANSFER FROM CAPITALIZED INTEREST FUND	1,311,600	0	1,311,600

# ELECTRIC & W/WW FUNDS SUMMARY

DESCRIPTION	ADOPTED	BUDGET	PROPOSED
	ORIGINAL BUDGET FY 2023	AMD #1 FY 2023	AMENDED BUDGET FY 2023
TRANSFER FROM BUDGET CARRYOVER RES	2,102,500	0	2,102,500
APPR. FROM W/WW NET POSITION	0	0	0
<b>TOTAL REVENUES WATER &amp; WASTEWATER</b>	<b>\$139,089,600</b>	<b>\$0</b>	<b>\$139,089,600</b>
EXPENDITURES	\$79,534,500	\$0	\$79,534,500
BOND INTEREST EXPENSE	11,319,400	0	11,319,400
BOND INTEREST - AMORTIZATION	(1,034,700)	0	(1,034,700)
LOAN INTEREST EXPENSE	462,500	0	462,500
OTHER FINANCE COST	31,700	0	31,700
INTEREST - LEASES	50,300	0	50,300
CAPITAL EXPENDITURES	19,208,000	333,000	19,541,000
DEBT RELATED PAYMENTS	13,147,600	0	13,147,600
LOAN PRINCIPAL PAYMENTS	3,904,000	0	3,904,000
APPR. TO RATE STABILIZATION FUND	250,000	0	250,000
APPR. TO ANNEXATION PHASE V RESERVE	2,202,700	0	2,202,700
TRANSFER TO ANNEXATION PHASE V RESERVE	2,100,000	0	2,100,000
TRANSFER TO NCDOT RESERVE	5,472,300	0	5,472,300
TRANSFER TO TRANS EQUIPMENT CPF	1,835,000	0	1,835,000
LEGAL RESERVE	250,000	0	250,000
APPR. TO W/WW NET POSITION	356,300	(333,000)	23,300
<b>TOTAL EXPEND. WATER &amp; WASTEWATER</b>	<b>\$139,089,600</b>	<b>\$0</b>	<b>\$139,089,600</b>
<b>TOTAL ELECTRIC &amp; W/WW</b>	<b>\$397,547,200</b>	<b>\$14,755,100</b>	<b>\$412,302,300</b>