

JT. Municipal Power Agency Relief Committee 10/25/11

Handout from Thomas Joyner, Nash Produce

A recent article in the Rocky Mount Telegram attempted to justify transfer of money from the electric fund to the general fund. According to Mr. Penny's analysis, residents of Rocky Mount would save only \$25 annually and would trigger a \$50 increase in property taxes. He stated the tax burden would easily be twice the benefit.

I didn't realize that only residents of Rocky Mount were serviced by the utility as stated in Mr. Penny's editorial. Could this transfer of funds be considered an "illegal tax" on customers outside the city limits of Rocky Mount? These customers receive no "benefits" or "dividends" from city services yet pay the same extraordinarily outrageous utility rates.

Using the analysis provided by Mr. Penny the following scenario is also true: Based on average rates from The Rocky Mount Utilities website, an average customer consuming 1000 KWH of electricity would pay annually \$1,693.80 while the customer would be billed \$1,233 annually for the exact same consumption if serviced by Progress Energy. This difference of \$460.80 annually or \$7,372.80 over the next 16 years, (the remaining bond life), would add almost 1/2 year of estimated pension benefits to a retired person living on a fixed income. Most people would probably rather have this cash than ownership in the utility poles outside of their homes.

The entire debate regarding the electricity in Rocky Mount is not based on transfers of money from the utility fund to the general fund. Mr. Penny's calculations do prove that if we were billed at the Progress Energy rates and property taxes increased, the customer would annually save \$410.80. This would certainly make Christmas a lot more comfortable for a lot of families in Rocky Mount.

The only solution for Rocky Mount and other members of Electricities is to sell the entire system to the merged Progress Energy / Duke company. Members of the NC General Assembly and the utilities commission must be involved to accomplish this. One thing is certain, if you don't try to get the system changed then we accept the fate of burdensome utility rates to the point that businesses will not connect to the system and people will continue to move out of Rocky Mount. That is not a favorable future for Rocky Mount.

Thomas Joyner
Rocky Mount

May 12, 2011

**Mr Charles W. Penny
331 South Franklin St
PO Box 1180
Rocky Mount, NC 27802**

Manager – City of Rocky Mount

Mr. Penny,

This letter is to request a release from The City of Rocky Mount Public Utilities service. It is the City of Rocky Mount's belief that electricity supplied to Nash Produce, located at 6160 South NC 58, Nashville NC 27856, is in its electrical territory. This electricity is supplied from the East side of Nash Produce's property along highway NC 58 South.

Nash Produce will offer \$125,000 to the city of Rocky Mount for this release payable in installments of \$25,000 on July 1 each year beginning in 2011 and ending July 1 2015.

Regards,

Thomas Joyner

President

On Saturday I read of another "feel good" position taken by our politicians and city leaders. The general assembly is attempting to insure that public input is required prior to the electric utility rate being raised. I thought this was already the case. I have attended both City Council and Electricities Board meetings to discuss both. The bottom line is the debt will be serviced regardless of whether consumption stays flat or goes down, therefore your rates will continue to rise if more money is need to service the debt.

Our leaders refuse to acknowledge the imperative need to get out of the electricity business. They state that communications have taken place with Progress Energy. What they don't say is they want to stay in the utility business by continuing to own the infrastructure; i.e. Power grid, equip etc. The only way this will work is for Progress Energy / Duke to take completely over all assets and Electricities and its member cities to disband.

Continuing to gather information from Graham Edwards, president of Electricities, only leads to further misinformation. His main goal is to keep his job.

According to information on the City of Rocky Mount's website and other information provided over the last months, the average city utility rate is 13.2 cent per kWh while Progress Energy's is 9.6 cent per kWh. This is a 37.5% difference. It has also been stated that the revenue generated from the sale of electricity is approximately \$80.0 million annually. This would mean if the City of Rocky Mount's customers were to be charged through Progress Energy at their rate the savings would be roughly \$30.0 million dollars. This money would be left in the customers hands.

The city claims to only siphon off 2 to 3 million dollars for the general fund. A slight increase in property taxes would easily cover this amount. This still leaves over \$25.0 million to be spent in on local job creation, local restaurants, auto dealerships, housing markets, etc. Most of this money would go back into the local economy.

This same scenario exists in Wilson, Tarboro, Greenville, New Bern and the countless other municipalities hooked to Electricities. How much money would remain in Eastern NC if the merged Progress Energy / Duke took over the sale of electricity? It may even mitigate some of the cuts currently being proposed in the General Assembly.

I for one usually don't feel very confident when a politician or city leader tells me I should feel good because they are trying to help. This generally means I will pay extra for it at some point and time in the future. Conversely, I'm sure I would feel much more satisfied if I had a few dollars in my pockets as a result of a lower utility bill.

Thomas Joyner

Rocky Mount, NC

March 22, 2011

Mr. Buck Newton

Ms. Angela Bryant

Mr. Jeff Collins

Re: Electricities

Nash Produce is one of The City of Rocky Mount's largest utility customers. Our usage for 2010 was over \$382,000. We have also been able to connect part of our business to Progress Energy. If we used the rate we pay Progress Energy (.066/kwh) as opposed to the rate we pay The City of Rocky Mount (.123/kwh) we would have saved \$175,000 in 2010 alone. This higher rate business and residences are paying throughout eastern NC is devastating to the economies trying to grow and keep jobs in the area. I attended the town hall meeting held in Rocky Mount on Mar 17. It was disappointing to see our leaders stand up and say there was no solution to this problem. There is an extraordinarily simple solution to this problem. Sell the entire system including power grids, equipment, etc.

I talked with Mr. Graham Edwards, president of Electricities, for 20 minutes after the meeting. I am convinced his only concern is to keep his job and keep the municipal governments in the utility business. Even he would admit that Electricities is not as far under water with debt if the entire system is sold. It is probable that Progress Energy and Duke would be interested if approached about purchasing the entire system. This would eliminate the member municipalities from participating in the sell of electricity. The municipalities are not on board because this has been a source of revenue for them in the past.

If this sale were to occur, there is nothing any government agency, or private company could do to stimulate the economy east of I 95. It would essentially leave \$2.2 billion dollars in our area to grow the communities.

We need your help. Please give me a call should you wish to discuss further.

With kindest regards,

I am

Thomas Joyner

To the Editor:

I read with interest your article "*Electricities Opens Up on Debt Options*" in the Thursday edition on the Telegram. I would like to submit a couple of options that were not mentioned as well as expand on the comments by Mr. Michael Colo with Poyner and Spruill.

I work with one of the larger customers of Rocky Mount Utilities and happen to be far outside of the city limits of Rocky Mount. We have done quite a bit of research associated with this issue as it is very important.

First off, in my opinion, there is no larger issue facing Rocky Mount, Wilson, Greenville, New Bern and the many other municipalities who chose to become members of Electricities. These cities did not necessarily volunteer for membership, but due to projected electricity shortages, joined to insure a stable energy source. This was approved through the NC General Assembly. The agency provided energy as projected until around 1999 after the flood. Soon after the flood and in conjunction with numerous other causes, electricity consumption dropped in eastern NC. The loss of several manufacturing facilities, which used large amounts of electricity, caused demand to drop. Unfortunately, the debt associated with Electricities remained as it does today. This burden on our communities will only continue to grow as businesses relocate out of the Electricities grid. No energy intensive business will choose to locate a business on this grid when they can move only a short distance away and connect to a source that is at least 40% less. Assuming this is true, our utility rates will continue to grow regardless of what happens to energy prices in general because fewer customers will be servicing the debt.

Around 1999 Bill Johnson, the current president of Progress Energy, led a team that made an offer to purchase Electricities. At this time, as is still true, the debt exceeded the value. The municipalities involved determined that paying off the additional debt would be an unfair burden and did not pursue this option. Eleven years later, the condition has deteriorated. Debt levels, as a percentage of consumption, continue to rise as do our rates. Our city leaders would have us to believe that the best option is to stay the course and that we will have the debt paid off some day. The question is: once the debt is paid off, what will we own? The answer is: part of two nuclear power plants you have no control over that will continue to cost money as new regulations come in to play, costing more money. Moreover, our municipalities do not generally favor getting out of the utility business. The city of Rocky Mount will have to raise property taxes to cover lost revenue associated with the utilities. I would suggest residents would still be better off under a system whereby you purchase your electricity from Progress Energy. There is absolutely no benefit to Rocky Mount or any other municipality staying with Electricities.

In addition, the City of Rocky Mount continues to encourage conservation and ways to insulate citizens' homes. Actually, this is what they do not need to occur. Electricity consumption needs to increase or rates will go up to pay off the debt. As a property owner, I recently rented a home out in a rural area. I ran an ad in the paper and out of

around 30 inquiries that I received, at least 25 asked who supplied the power. We have a problem and everyone is aware of it.

The two best options for getting out of Electricities are as follows:

- 1) Sell the entire NCEMPA (Electricities) to Progress Energy. Even if a short sale occurs, whereby the municipalities have debt remaining associated with Electricities, our utility rates will decrease dramatically. Estimates would be 20 to 25% rate reductions and still pay off the remaining debt.
- 2) The better option is to contact the members of the General Assembly and ask them to step in and broker a sale to Progress Energy. Allow the NC Utilities Commission to allow Progress Energy to raise rates enough to cover the difference between the "value" of NCEMPA and the debt.

Both options would require all involved municipalities to agree to sell. My guess is if Rocky Mount, Greenville and Wilson agree everyone else will agree. These three have over 50% of the debt.

I would contend that no other program at the Federal or State level would put more money in to eastern NC. Ultimately \$2.6 billion would be paid off by all customers of Progress Energy leaving more money for the residents.

Progress Energy would not be buying new assets, rather it would be taking control of assets it is already supplying power to. The incentive for Progress Energy is more direct customers, each of which represents long term profit opportunities for Progress Energy.

The only way this will occur is if citizens demand this option through our representatives. The easy thing for our representatives to do is stay the course. The better option for the citizens is to sell NCEMPA. It can and must be done for the future of Rocky Mount and the surrounding area.

Submitted by:
Thomas Joyner