

2019 ANNUAL REPORT

PLOTTING OUR PROGRESS



**York County
Natural Gas**
AUTHORITY



James T. Sprouse, Jr.
PRESIDENT & CEO



M. Brian Hall, III
CHAIRMAN

Our Mission

York County Natural Gas Authority provides safe, reliable, and affordable energy solutions to York and portions of Cherokee Counties in accordance with our enabling legislation through continuous investment in infrastructure, employees and the community for the benefit of our customers.

Our Profile

York County Natural Gas Authority (Authority), a natural gas distribution company, was established in 1954 as a political subdivision of the State of South Carolina with the first service lines installed in 1957. The Authority's service territory includes York County and northeastern Cherokee County. The Authority is governed by a ten-member Board of Directors representing York County (3), the City of Rock Hill (3), the Town of Fort Mill (1), the City of Tega Cay (1), the City of York (1) and the Town of Clover (1). The Authority has no taxing authority and operates solely based on revenues generated from the sale of natural gas.

Under contract, the Authority operates and maintains a transmission pipeline for Patriots Energy Group (PEG). PEG, a South Carolina Joint Action Agency (JAA), supplies energy solutions to the natural gas authorities of York, Chester and Lancaster Counties.

Patriots Energy Group Financing Agency (PEGFA) is a separate South Carolina JAA consisting of the same three Authorities. PEGFA was introduced in an effort to secure a prepaid gas supply transaction for the three Authorities. On August 16, 2018, PEGFA closed on an \$832,350,000 Gas Supply Revenue Bond, which provided a discount of \$0.456/dekatherm (DTH) on the gas volumes purchased through this gas supply prepayment.

Our Progress

As we continue to improve on the goals established under our 2018 Strategic Plan, efforts during Fiscal Year (FY) 2019 delivered another successful year for the Authority. While we are fortunate to provide natural gas service in a fast growing area; it does present challenges. The Authority installed 2,121 new services during FY2019, bringing our customer base to 68,242 services. The Authority is the 11th largest public natural gas distribution system in the United States.

One significant change during the fiscal year was the addition of locate personnel, eliminating the use of a subcontractor for this function. While 50,000+ locate tickets were issued during the year, damages per 1,000 tickets were reduced to 5.42 occurrences. This is down from a peak of 7.40 damages per 1,000 tickets in 2016.

A major challenge of growth is providing natural gas service at reasonable rates while funding the cost of new distribution main and services. Despite the cost of expansion, the Authority's residential rates continue to compare favorably to our peers. Residential rates are made up of three components: commodity cost, transportation cost and margin. While market prices are low and the Authority has steadily reduced its margin, the cost of transportation has experienced steady increases and will continue to do so as demand on major pipelines outpace available capacity.

Weather is one of the most important factors impacting the Authority's financial results. Heating Degree Days (HDD's) is a benchmark used in the gas industry to measure the impact of winter temperatures. Fiscal Year 2019 experienced 2,822 HDD's, which was approximately 8.6% warmer than the previous year. While multiple daily and monthly throughput records were set during the prior year, FY2019 set the total throughput record of 7,974,460 DTH. Predictions for the upcoming winter in the Southeast are varied, with most analysts forecasting a slightly colder and wetter than normal winter. The Authority has taken some steps to mitigate severe, unforeseen spikes in the cost of the gas for the upcoming winter. Regardless of the steps taken, we will always be subject to the uncertainties of the weather and the commodity market.

The Authority strives to be an industry leader in safety. Over 70 hours of safety-related training were held for Authority employees during FY2019. The Regulatory Compliance group conducted five emergency responder training seminars throughout our service territory. Due to our focus on safety, the Authority's Experience Modification Rate was reduced to 0.82, helping to achieve lower insurance rates.

Patriots Energy Group (PEG) hired its first Executive Director during 2019, naming Mike Enoch to this position. Mr. Enoch, the former General Manager of Chester County Natural Gas Authority (CCNGA), brings a wealth of experience to lead PEG in the coming years. One of PEG's goals during 2019 was to conduct an engineering study during the year, which lead to two major recommendations. Projects defined in this study include: 1) the replacement of a 6" bottleneck in Van Wyck and 2) the addition of compression in Blacksburg.

Patriots Energy Group Financing Agency (PEGFA) completed its first year of providing discounted natural gas supplies to the members of PEG. The Authority's first year savings under the PEGFA prepaid gas deal totaled \$1,230,944. When added to prior prepaid gas deals, the Authority achieved savings of \$2,285,058 for our customers. Savings generated from these types of transactions are a vital component in reducing gas supply costs to the customers of York County Natural Gas Authority.

In closing, we would like to recognize the Authority's Board of Directors for their continued support of the Authority during FY2019. We are also extremely proud and appreciative of our employees for their tireless efforts in providing safe, reliable and affordable energy solutions for the benefit of our customers.

Sincerely,

James T. Sprouse Jr.,

President and Chief Executive Officer
York County Natural Gas Authority

Brian Hall, Chairman

York County Natural Gas Authority Board of Directors
Town of Clover

“
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”



Steel Creek Galvanizing Plant BLACKSBURG

REVENUE GENERATING PROJECT



Addition of a new, large industrial customer, combined with the widening of I-85, provides a stronger feed in the I-85 corridor of Blacksburg. Project involved installation of a small meter station, railroad crossing, and various sizes of steel and plastic pipe.

Fort Mill Southern Bypass

FORT MILL

SYSTEM IMPROVEMENT AND STRENGTHENING

Completed over the summer months to adequately supply gas during normal and peak days for the growth in northern York County. This project required the installation of 3,200 feet of 6" steel, 4" steel and 4" plastic gas main.



Blacksburg Renewal Project BLACKSBURG

INTEGRITY MANAGEMENT

Ongoing 5-year project, now in phase II, designed to replace existing distribution main and services to enhance safety, reliability and integrity of the pipelines. Once completed YCNGA will have unified records of the Blacksburg system with multiple isolation valves and stronger, more reliable service for expansion.



Highway 274

LAKE WYLIE/YORK

GOVERNMENT RELOCATION

Spanning two years, the relocation of facilities was completed in 2019. Started under the York County Pennies for Progress program, this project was designed to replace the bridge over Mill Creek and widen both Hwy 274 and Pole Branch Road. YCNGA relocated nearly 6,600 feet of pipe along Hwy 274 and Pole Branch Road to accommodate for the widening.



2018-2019 board of directors



Charles E. Alvis
VICE CHAIRMAN
City of Rock Hill



G. Stevens Moore, Jr.
SECRETARY
City of Rock Hill



Ellen M. Weir
TREASURER
City of Tega Cay



Albert J. Hanlon
York County



Michael S. Drummond
York County



Amy B. Faulkenberry
City of Rock Hill



Dennis Getter
York County



R. Marc Howie
Town of Fort Mill



Elizabeth S. Owen
City of York

STATEMENTS OF NET POSITION

FOR THE YEAR ENDED AUGUST 31

ASSETS

AS OF AUGUST 31

Utility Plant

Gas Plant in Service	\$ 244,974,494	\$ 242,812,581
Accumulated Depreciation	(97,627,741)	(90,996,274)
	<u>147,346,753</u>	<u>151,816,307</u>

Other Property and Investments

Restricted Funds	1,035,406	1,035,406
Prepaid Pension Costs	1,902,994	1,654,632
Other	897,100	897,100
	<u>3,835,500</u>	<u>3,587,138</u>

Current Assets

Cash & Cash Equivalents	8,029,866	8,039,012
Investments - Operating & Maintenance	13,473,827	12,168,983
Investments - Renewal & Extension	12,414,636	8,405,343
Investments - Series 2017 Bond Proceeds	43,825	43,825
Investments - Customer Deposits	491,981	995,966
Investments - Capital Reserve Fund	5,445,112	5,448,774
Accounts Receivable (net)	3,364,628	2,226,371
Accrued Interest	10,090	10,572
Inventories	2,842,623	2,747,507
Prepaid Expenses	706,547	582,636
	<u>46,823,135</u>	<u>40,668,989</u>

Deferred Charges & Intangibles

Intangibles (net of amortization)	9,636,978	828,377
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Deferred Outflows

Deferred Outflows Related to Pension	<u>2,565,062</u>	<u>2,465,288</u>
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TOTAL ASSETS

\$ 210,207,428 **\$ 199,366,099**

Liabilities and Net Assets

Long-Term Liabilities

Bonds Payable	\$ 8,314,044	\$ 10,005,790
Post Retirement Benefit Obligation	1,898,342	2,009,980
Deferred Compensation	1,902,994	1,654,632
	<u>12,115,350</u>	<u>13,670,402</u>

Current Liabilities

Current Portion of Long-Term Debt	1,691,815	1,662,706
Accounts Payable	3,108,476	2,855,861
Accrued Expenses	604,082	484,045
Deferred Compensation	250,000	250,000
Customer Deposits	2,143,211	2,018,180
	<u>7,797,584</u>	<u>7,270,792</u>

Deferred Inflows

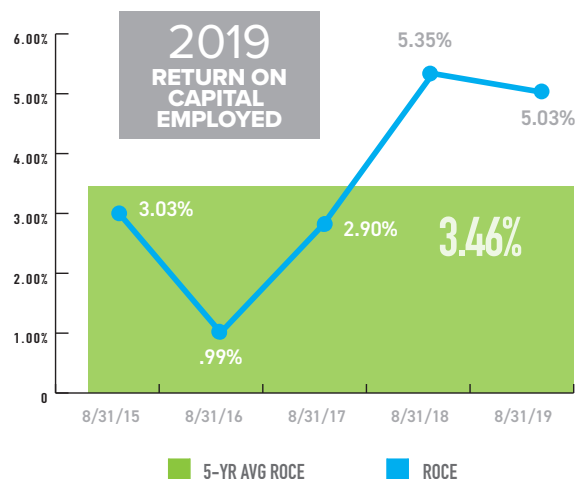
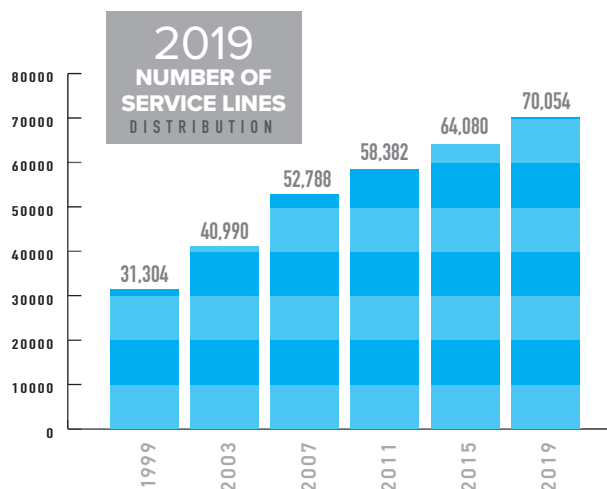
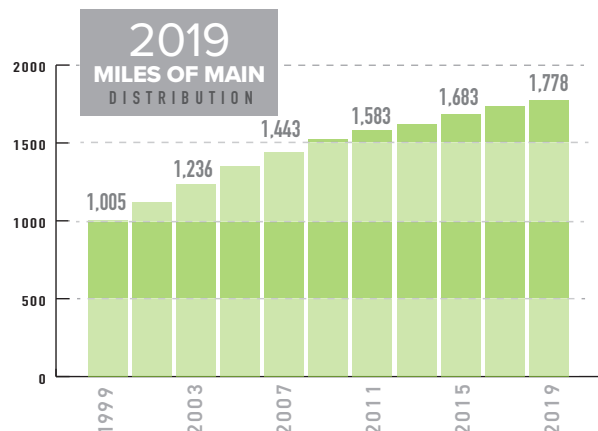
Deferred Inflows Related to Pension	598,464	353,103
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Retained Earnings

Invested in Capital Assets, Net of Related Debt	137,340,924	140,147,811
Restricted (Bond Proceeds for Capital Investment)	1,035,406	1,035,406
Unrestricted	51,319,700	36,888,585
	<u>189,696,030</u>	<u>178,071,802</u>

TOTAL LIABILITIES AND NET POSITION

\$ 210,207,428 **\$ 199,366,099**



2019 CASH & LIQUIDITY POSITIONS

■ CASH ON HAND (\$)
 ■ CASH NEED (AVG MONTHLY \$)
 ■ LIQUIDITY (DAYS ON HAND)

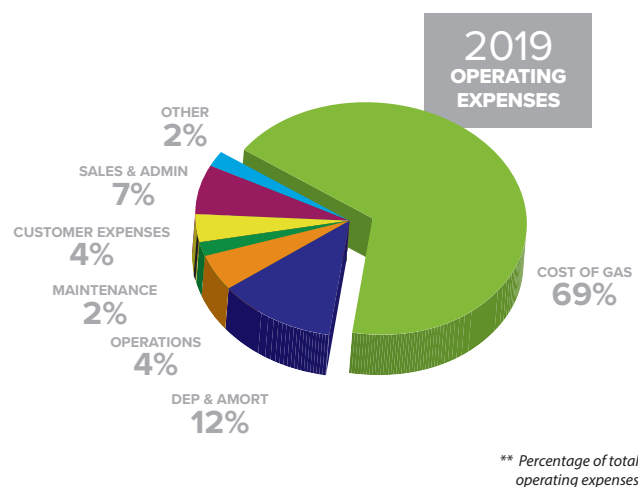
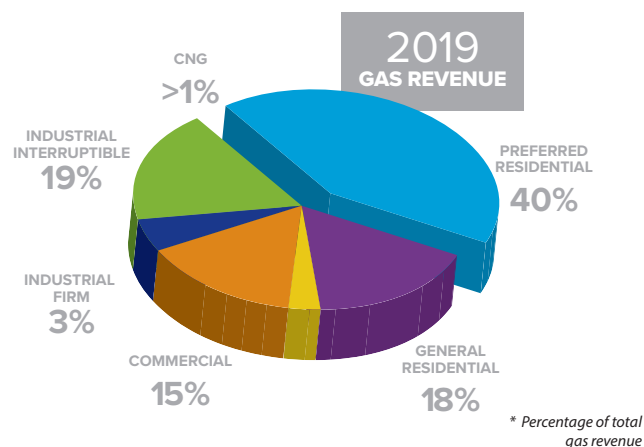


CASH NEED IS THE MONTHLY AMOUNT REQUIRED CALCULATED AS THE AVERAGE MONTHLY OPERATING COSTS, INCLUDING COST OF GAS, FOR THE WINTER MONTHS OF NOVEMBER THROUGH MARCH.

STATEMENTS OF REVENUE, EXPENSES & CHANGES IN NET POSITION

FOR THE YEAR ENDED AUGUST 31

	2019	2018
OPERATING REVENUE	\$68,726,081	\$66,921,059
Operating Expenses		
Cost of Gas	40,046,697	38,263,973
Operations	2,196,930	2,721,475
Maintenance	1,223,496	1,002,398
Customer Expenses	2,148,756	2,066,118
Sales, General & Administration	4,347,695	4,178,488
Depreciation & Amortization	7,225,074	6,696,683
Other	1,130,054	1,467,289
	<u>58,318,702</u>	<u>56,396,424</u>
Operating Income		
Before Interest Expense	10,407,379	10,524,635
Interest Expense	223,173	256,404
Operating Income	<u>10,184,206</u>	<u>10,268,231</u>
Non-Operating Income (Expense)		
Interest	559,816	195,644
Appliance Program	438,869	364,320
Other	441,337	329,711
Change in pension plan terms	---	4,661,898
	<u>1,440,022</u>	<u>5,551,573</u>
CHANGE IN NET POSITION	<u><u>\$ 11,624,228</u></u>	<u><u>\$ 15,819,804</u></u>
Capital Improvements		
System Expansion	7,740,887	8,416,863
Vehicles	586,164	243,905
Furniture, Fixtures and Equipment	352,892	184,450
Land and Buildings	200,466	63,155
Construction in Progress - inc/(dec)	(6,480,162)	379,722
	<u>2,400,247</u>	<u>9,288,095</u>
Intangible asset (facility custody agreement)	8,830,401	---
	<u><u>\$ 11,230,648</u></u>	<u><u>\$ 9,288,095</u></u>





Building on Our Progress

1954

Under the direction of local attorney C.W. Spencer, legislation was passed to create the Authority as a not-for-profit, political subdivision of the State.



First deposits for service taken under the new entity. **OFFICE** established in the Huckle Building at 121 Hampton Street.



1968

CHERRY ROAD

Expanded into the industrial market creating more financial stability and demand for year round gas service. **OFFICE** relocated to Cherry Road with 19 employees.



OFFICE - The Authority purchased the former Pepsi-Cola plant in 1985. After significant renovations were completed the Authority moved to the building at 979 W Main St.

1957

HAMPTON STREET

1985

WEST MAIN STREET

More aggressive plans were made to expand service into residential and commercial markets as industrial customers (textiles) declined.



Commercial Water Heating Solutions

Installation of tankless water heaters soared with promotions and education through lunch & learn sessions. Captain Steve's Family Seafood Restaurant replaced four large tank water heaters with a trio of Rinnai Demand-Duo water heaters that combine the on-demand, continuous supply of tankless with a 119-gallon tank.

Second Install Crew Added

to the Appliance Sales & Service Department allowing for better customer service and quicker installation intervals.



Public Natural Gas Week 2018 ARC Blood Drive Collected 48 units



Winthrop Partnership promoting damage awareness during Safe Digging Month



Community Events

As part of our Strategic Plan it is our goal to develop and maintain strong and mutually beneficial relationships within the community. Through community events and networking we are able to develop relationships and generate new ideas, sales leads and economic development partnerships.



1993 OPERATIONS CENTER

A new Operations Center was built to add **OFFICE** space and house company vehicles and equipment. In 2010 renovations were made to add a meter warehouse, welding shop and additional office space.



Additional growth in customers and employees created the need for expanded office space. The Customer Service Center was built to include 9,800 square feet of **OFFICE** space, an appliance showroom, payment center, support offices and outdoor living area. The building was awarded LEED® Silver Certification in 2014.



2019 ADMINISTRATION CENTER



Renovations have begun on the Stephenson Administration Building. Plans are in place to create additional **OFFICE** space and a state-of-the-art showroom. From the panoramic fireplace display to the corner kitchen, laundry room, grilling center and outdoor living area, customers will be able to experience and visualize natural gas appliances in a home setting.



2011 CUSTOMER SERVICE CENTER

Construction was also completed on the area's first public CNG fast-fill station, located in the center of the YCNGA campus.

In 2011 the Administration Building was dedicated to the Authority's first official president, William S. Stephenson, and renamed the Stephenson Administration Center.



We Work Safe!

By prioritizing workplace safety, we focus on providing a safe environment and educating employees on the importance of following safety standards.



Safety Survivor Month in March

encouraged teamwork in safety-related competitions held throughout the month.
Pictured: Meter Quickset Challenge Finalists



Code B Live Demo

Operations employees demonstrated how they coordinate with emergency response personnel when responding and repairing a damaged gas line.



Employees dress in personal protective equipment (PPE) to repair a ruptured line

Emergency Management

Pipeline emergency response trainings were held for public sector responders across our service area including Rock Hill, Fort Mill, Lancaster, Chester, and Blacksburg. The training including demonstrations, table top exercises and an advanced mock emergency response exercise for PEG and its members.





979 W MAIN STREET
ROCK HILL, SC 29730
(803) 323-5304

