



**York County
Natural Gas**
AUTHORITY

GEARS

THE STEPHENSON ADMINISTRATION
CENTER RENOVATIONS SHOULD BE
COMPLETED BY MAY OF 2021
AND WILL INCORPORATE A
NUMBER OF NEW NATURAL
GAS TECHNOLOGIES

P R O G R E S S D U R I N G A P A N D E M I C

2020

No single event; no single day; just a year of unparalleled consequences that can be defined by four numbers. While 2020 will hold a melancholy memory to most, York County Natural Gas Authority (Authority) endured the challenges of this extraordinary period and celebrated several notable achievements during the fiscal year.



James T. Sprouse, Jr.
PRESIDENT & CEO

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. This disease and resulting global disruptions produced significant economic uncertainty and volatility in financial markets and supply chains. As rapidly as the environment transformed due to COVID-19, the Authority's decisions on operational and financial matters were equally flexible. This nimble approach helped mitigate negative impacts to the Authority during the audit year ending August 31, 2020. The Authority's overall cash and liquidity positions for Fiscal Year (FY) 2020 were stable and within budgeted amounts.



M. Brian Hall, III
CHAIRMAN

O U R P R O F I L E

The 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 formed in 2018 to secure prepaid gas supply arrangements for the three Authorities.

O U R P R O G R E S S

The Authority established a Strategic Plan in 2018 with areas of focus on Safety, Financial Stability, Growth, Customer Service and Stakeholders. As we continue to improve on the goals established under this plan, FY 2020 produced several notable achievements. Renovations to the Stephenson Administrative Center were initiated in 2019 to address multiple issues related to the aging facility. The completed project, designed by Yates Chreitzberg Hughes Architects and constructed by Leitner Construction, will provide a state-of-the-art appliance showroom as its centerpiece. In regards to appliance sales and FY 2020, the Authority achieved record annual and single month sales during this pandemic.

We are fortunate to provide natural gas service in a fast growing area; however, rapid expansion does present challenges. The Authority installed 1,618 new services during FY 2020, bringing our customer base to 69,855 active services. While this exhibits a reduction in the number of new services compared to the previous year, it contributes to an overall growth rate of 2.4% in active services. A challenge of regional growth is the response to utility locates. During FY 2020, over 43,000 locate tickets for natural gas were issued by SC811 in our service territory. A key

THE AUTHORITY
CONFRONTED
CHALLENGES DURING
THIS EXTRAORDINARY
YEAR AND
CELEBRATED
SEVERAL NOTABLE
ACHIEVEMENTS

CHANGING

index of damages per 1,000 tickets was reduced to 4.45 occurrences. This is down significantly from a recent peak of 7.40 damages per 1,000 tickets in 2016. The increase in active customers positions the Authority as the 11th largest public natural gas distribution system in the United States.

Another obstacle of growth is providing natural gas service at reasonable rates while funding the cost of new distribution main and services. The Authority's customer rates continue to measure favorably to comparable natural gas providers in South Carolina. The rate structure is made up of three components: commodity cost, transportation cost and margin. While market prices are low and the Authority's margin is stable, the cost of transporting natural gas has steadily increased and will continue to do so as demand on major pipelines outpaces 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 2020 experienced 2,603 HDD's, which was approximately 7.8% warmer than the previous year and 7.1% warmer than the five-year average. While the winter of 2019-20 seemed uneventful, a top-10 monthly throughput record of 1,153,832 dekatherms was established in January of 2020. Predictions for the upcoming winter in the Southeast are wide-ranging, with most analysts

forecasting a mild, wet winter. The Authority has taken steps to mitigate severe, unforeseen spikes in the cost of the gas for the upcoming winter. Regardless of the measures in place, we will always be subject to the uncertainties of the weather and the commodity market.

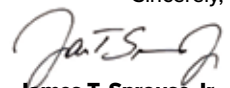
Notably, the Authority experienced only one lost day due to injury for OSHA reporting standards, helping the Authority to maintain lower insurance rates. During FY 2020, the Authority conducted an enhanced tabletop emergency exercise with its partners from PEG and hosted the Pipeline Safety Regulations Course for the Carolinas Public Gas Association. Authority safety team members conducted six Emergency Responder Training Seminars throughout our service territory. These accomplishments led to the Authority receiving the American Public Gas Association 2020 Safety Award for large public gas systems.

In 2019, PEG conducted an engineering study which led to two major recommendations. Under the Authority's management, the 4.4 mile Van Wyck project replaced a 6-inch pipeline with 12-inch steel to feed the Lancaster County panhandle. This project was completed in August of 2020 at a record pace, and eliminated a 'bottleneck' in the system. Additionally, efforts were made to address the second recommendation of adding compression in Blacksburg at PEG's connection to Williams Transcontinental Pipeline. Multiple studies have been completed during 2020 with the focus of having the compressor station operational by 2024.

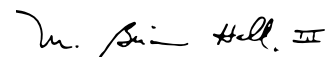
Patriots Energy Group Financing Agency (PEGFA) completed its second year of providing discounted natural gas supplies to the members of PEG. The Authority's savings in 2020 under the PEGFA prepaid gas deal totaled \$1,407,839. When added to prior prepaid gas deals, the Authority achieved total savings of \$2,586,906 for our customers. Savings generated from these types of transactions are a vital component used to reduce 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 unwavering support of the Authority during a challenging FY 2020. We are also extremely proud and appreciative of our employees for their consummate efforts in providing safe and reliable service to the customers of York County Natural Gas Authority.

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

BOARD OF DIRECTORS



G. Stevens Moore, Jr.
VICE CHAIRMAN
City of Rock Hill



Ellen M. Weir
TREASURER
City of Tega Cay



Elizabeth S. Owen
SECRETARY
City of Rock Hill



Amy B. Faulkenberry
City of Rock Hill



Dennis Getter
York County



Michael S. Drummond
York County



Albert J. Hanlon
York County



R. Marc Howie
Town of Fort Mill

* City of York Board position is currently vacant

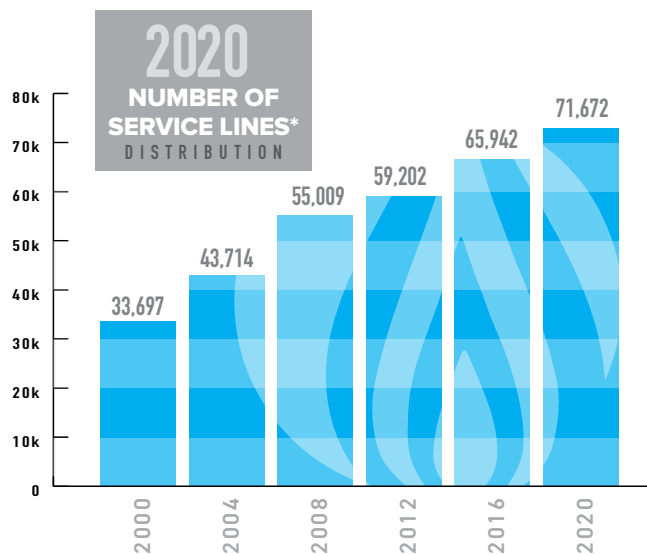
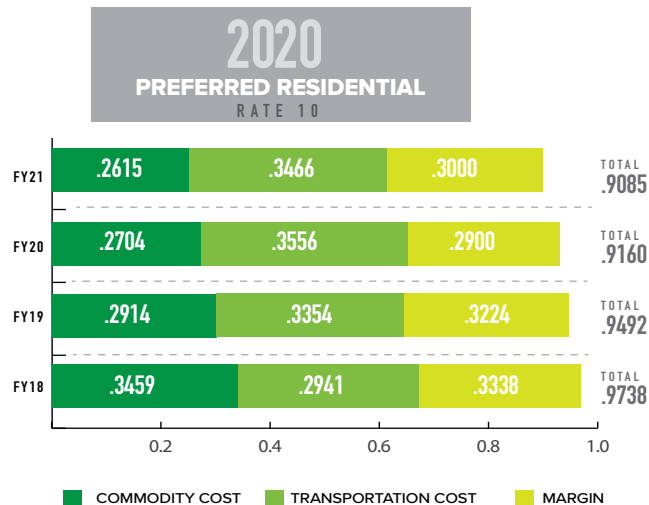
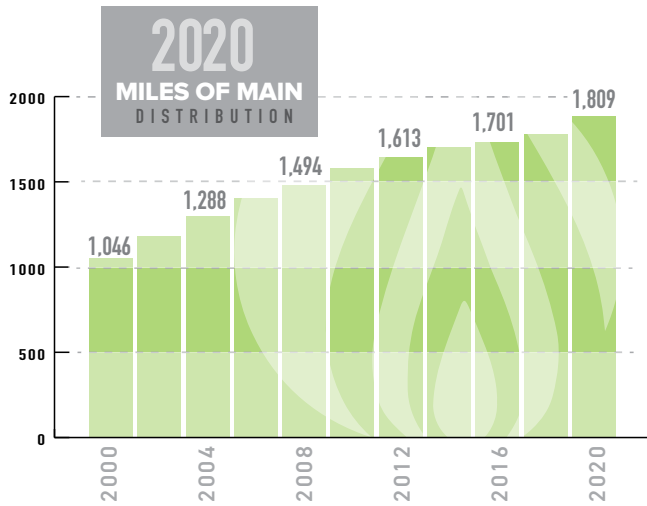
OUR MISSION

YCNGA 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

2019-2020

FINANCIAL

STATEMENT OF NET POSITION



(*) Includes active and inactive service lines

ASSETS

AS OF AUGUST 31

Utility Plant

Gas Plant in Service	\$ 260,433,830	\$ 244,974,494
Accumulated Depreciation	(104,376,787)	(97,627,741)
	<u>156,057,043</u>	<u>147,346,753</u>

Other Property and Investments

Restricted Funds	7,169,153	1,035,406
Prepaid Pension Costs	2,394,800	1,902,994
Other	1,438,705	897,100
	<u>11,002,658</u>	<u>3,835,500</u>

Current Assets

Cash & Cash Equivalents	8,045,870	8,029,866
Investments - Operating & Maintenance	10,732,292	13,473,827
Investments - Renewal & Extension	10,087,881	12,414,636
Investments - Series 2017 Bond Proceeds	43,825	43,825
Investments - Customer Deposits	510,736	491,981
Investments - Capital Reserve Fund	5,497,495	5,445,112
Accounts Receivable (net)	3,935,037	3,364,628
Accrued Interest	9,100	10,090
Advance for Prepaid Gas - PEG	5,454,253	---
Inventories	3,171,829	2,842,623
Prepaid Expenses	636,800	706,547
	<u>48,125,118</u>	<u>46,823,135</u>

Deferred Charges & Intangibles

Intangibles (net of amortization)	9,394,419	9,636,978
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Deferred Outflows

Deferred Outflows Related to Pension	3,074,157	2,565,062
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TOTAL ASSETS

\$ 227,653,395	\$ 210,207,428
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Liabilities and Net Assets

Long-Term Liabilities

Bonds Payable	\$ 12,229,038	\$ 8,314,014
Post Retirement Benefit Obligation	3,124,258	1,898,342
Deferred Compensation	2,394,800	1,902,994
	<u>17,748,096</u>	<u>12,115,350</u>

Current Liabilities

Current Portion of Long-Term Debt	2,290,286	1,691,815
Accounts Payable	3,173,079	3,108,476
Accrued Expenses	3,537,352	604,082
Deferred Compensation	250,000	250,000
Customer Deposits	2,209,186	2,143,211
	<u>11,459,903</u>	<u>7,797,584</u>

Deferred Inflows

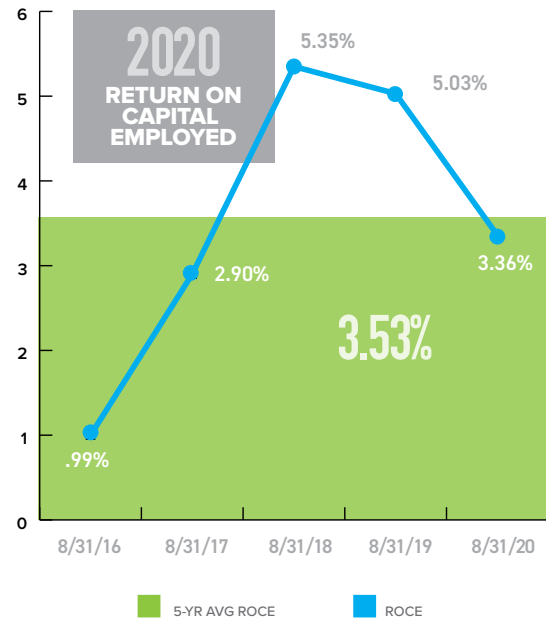
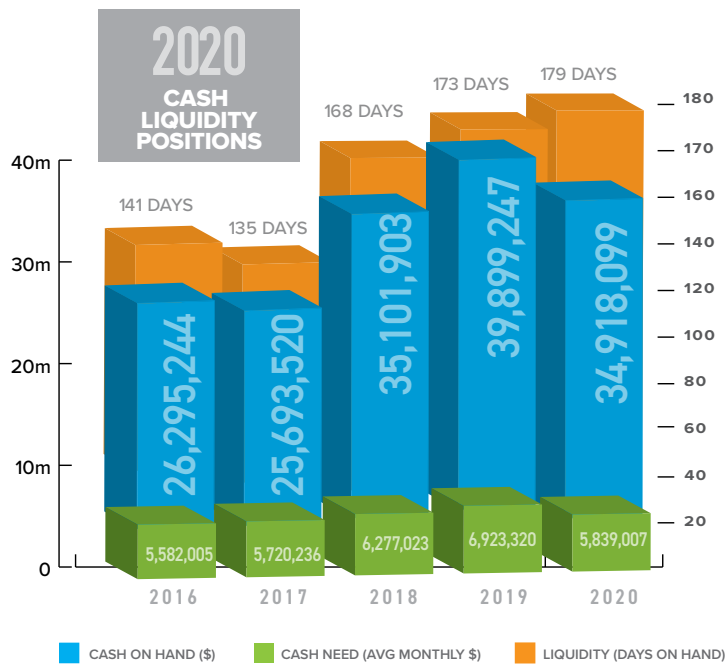
Deferred Inflows Related to Pension	78,354	598,464
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Retained Earnings

Invested in Capital Assets, Net of Related Debt	141,537,719	137,340,924
Restricted (Bond Proceeds for Capital Investment)	7,169,153	1,035,406
Unrestricted	49,660,170	51,319,700
	<u>198,367,042</u>	<u>189,696,030</u>

TOTAL LIABILITIES AND NET POSITION

\$ 227,653,395	\$ 210,207,428
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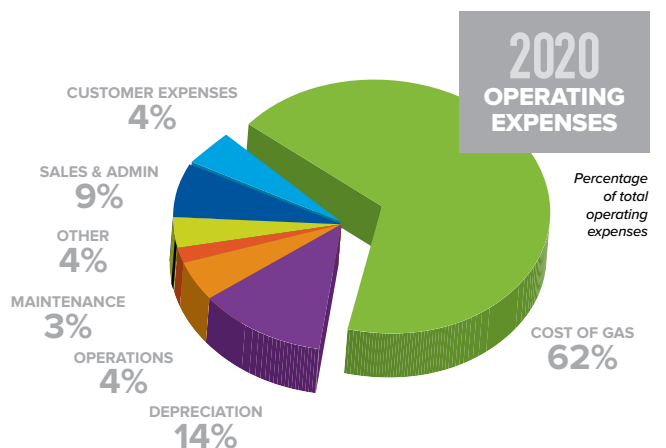
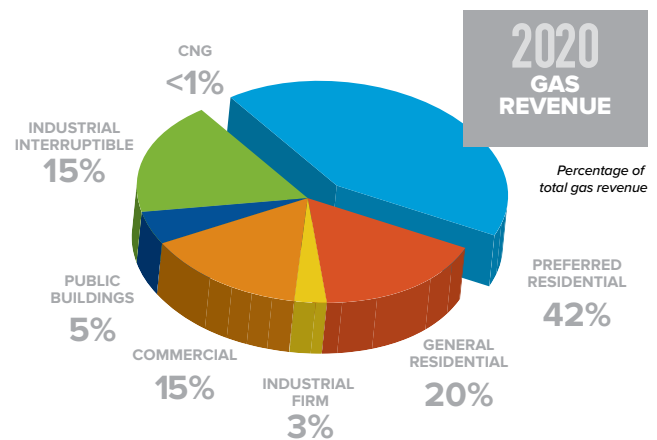


CASH NEED IS THE MONTHLY AMOUNT REQUIRED CALCULATED AS THE AVERAGE MONTHLY OPERATING COSTS, INCLUDING COST OF GAS FOR THE WINTER MONTHS OF NOVEMBER THROUGH MARCH

STATEMENT OF REVENUE, EXPENSES & CHANGES IN NET POSITION

FOR THE YEAR ENDED AUGUST 31

	2020	2019
OPERATING REVENUE	\$59,676,830	\$68,726,081
Operating Expenses		
Cost of Gas	32,358,981	40,046,697
Operations	2,077,081	2,196,930
Maintenance	1,343,938	1,223,496
Customer Expenses	2,304,824	2,148,756
Sales, General & Administration	4,782,477	4,347,695
Depreciation & Amortization	7,357,227	7,225,074
Other	1,901,215	1,130,054
	<u>52,125,743</u>	<u>58,318,702</u>
Operating Income		
Before Interest Expense	7,551,087	10,407,379
Interest Expense	<u>289,506</u>	<u>223,173</u>
Operating Income	7,261,581	10,184,206
Non-Operating Income (Expense)		
Interest	685,914	559,816
Appliance Program	332,600	430,190
Other	390,917	450,016
	<u>\$ 8,671,012</u>	<u>\$ 11,624,228</u>
NET INCOME		
Capital Improvements		
System Expansion	9,240,392	7,740,887
Vehicles	410,894	586,164
Furniture, Fixtures and Equipment	217,192	352,892
Land and Buildings	2,111,776	200,466
Construction in Progress - increase/(decrease)	<u>3,874,672</u>	<u>(6,480,162)</u>
	15,854,926	2,400,247
Intangible asset (facility custody agreement)	-----	8,830,401
	<u>\$ 15,854,926</u>	<u>\$ 11,230,648</u>



2019 - 2020 COMPLETED PROJECTS

BLACKSBURG

I-85 State Widening Project Government Relocation

While planning and construction continues on the Blacksburg Renewal Project, highway improvements around Exit 102 and Exit 104 have given us the opportunity and ability to plan for future growth along the growing interstate corridor in Cherokee County.

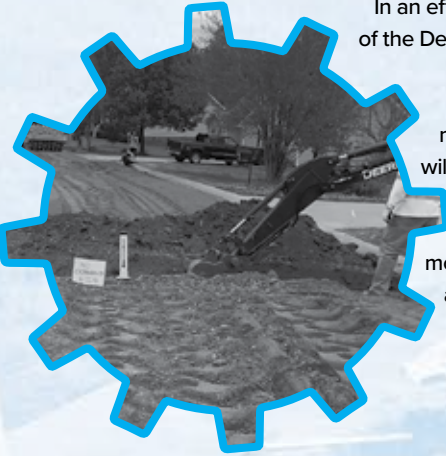
In an effort to remove our gas lines ahead of the Department of Transportation's plans to expand the lanes on I-85, we relocated sections of distribution main and service lines. This project will continue into 2020-2021 with an upgrade of facilities to 6" and 8" steel pipelines. In addition, more pipe will be installed to supply a two-way feed to the Steel Creek Galvanizing Plant near Exit 104.

CLOVER/LAKE WYLE

Lawrence Road – Hwy 161 Tie-in System Improvement and Strengthening

In anticipation of growth within the Clover area, 3 miles of 4" plastic main were installed, tying into the existing 6" distribution pipe near the Clover Lateral Meter and Regulation Station. Installation of the gas main took place within the State right-of-way for the entire length of the project.

For years, Fort Mill has been the area of concentrated growth in the county, but now Clover is seeing a surge in development. With numerous subdivisions underway, maintaining and improving infrastructure is key to furthering growth in the community.



The pandemic, known as COVID-19, made a very real appearance in March causing us to change gears from our normal operations. The new normal, initially thought to be temporary, has still not completely revealed itself. Operations and policies have shifted or been modified, but we have not deviated from our mission. We remain committed to providing an efficient and reliable source of energy while maintaining the health and safety of our employees and community.



As a public utility our focus is delivering safe and reliable energy for the benefit of our customers.

ESSENTIAL ENERGY

As part of the energy sector, pipelines are considered to be one of the 16 critical infrastructure divisions, which are the backbone of our nation's economy, security and health. Authority employees are considered critical infrastructure workers and given priority to carry out tasks during periods of community restrictions.

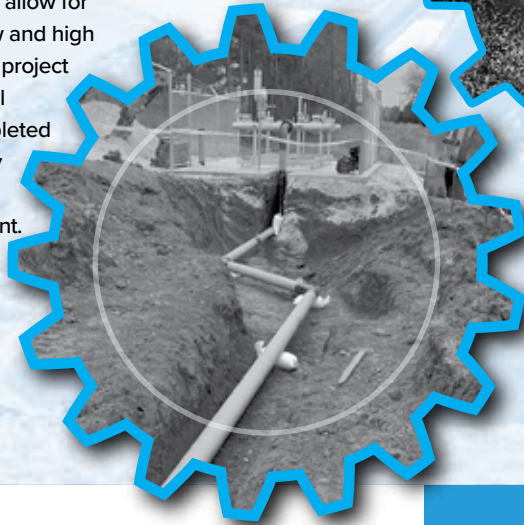
A key aspect of serving customers safely and protecting our communities has been educating our employees on COVID-19 and its health impacts.



FORT MILL

Fort Mill District Tie-ins System Improvement and Strengthening

One of our larger projects completed during FY 2020 was a series of critical tie-ins allowing for the northern portion of York County to receive gas from an alternate location. In addition to the installation of a new gas pipeline, the existing station located at Banks Road was replaced with a larger station now fed from the existing 12" steel high pressure line extending from the Fort Mill Lateral. Multiple high pressure taps were eliminated along Fort Mill Parkway, Spratt Street and Hwy 21, as the new station and tie-ins allow for the ability to separate our low and high pressure pipelines. While this project was in progress, an additional distribution access was completed near Fountain Court and Hwy 21. Connection points were installed for future development. The completion of this project supports further growth and demand in the Fort Mill region.

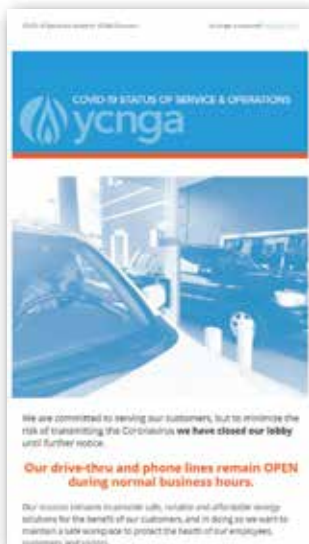


ROCK HILL

Heathwood Subdivision Renewal Integrity Management

The third and final phase of this project was completed during the summer of 2020. Initially begun in 2017, this project entailed the installation of nearly 4,000 feet of 2" plastic pipe, along with new service lines.

As infrastructure continues to age, more replacement projects are warranted to maintain the integrity and safety of our distribution system. The replacement and renewal of the pipeline also enhances the reliability and accuracy of our data helping to improve knowledge of our underground facilities.



Our leadership team has kept a clear line of communication with our staff, customers, and community.



MARCH GEAR SHIFTS

- Closed the lobby
- Cancelled all non-emergency work in customer homes
- Suspended late fees and cutoffs for nonpayment
- Initiated COVID-19 questionnaire to pre-screen customers prior to any physical interaction with employees
- Increased office sanitization, availability of hand sanitizer and education on frequent and proper hand-washing
- Staggered shifts with work groups alternating between home and office to maximize spacing
- Continued safety meetings and training with multiple, small groups

A W A R D S

2020

This year the Authority was the recipient of three awards from the American Public Gas Association.

Research Foundation Personal Achievement Award

Distinguished Service Award

CEO James T. (Jimmy) Sprouse, Jr., received recognition for the substantial contributions he has made over the years to the public gas industry.



Safety Award

Awarded for maintaining high safety standards within the organization, community, and industry.

The American Public Gas Association is an industry organization representing America's publicly owned natural gas local distribution companies (LDCs). York County Natural Gas Authority is the 11th largest public natural gas distribution system in the United States.





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