

COMMISSIONERS OF PUBLIC WORKS
Minutes of November 10, 2011

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, November 10, 2011 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

	Steve Reeves	Vickie Gorham	Bill Patrick
Michael G. Monaghan	Ken Barnett	Chris Lindley	Chris Trainor
Henry O. Watts	Jeff Meredith	George Petersen	Chris Lindley
	Eduardo Noriega	Greg Shaw	Stacia May
	Denise Giannetti	Jeff Chapman	David Tuck
	Jerry Smith	Carlos Cometto	Russell Holley

- I. Chairman Watts called the meeting to order. The invocation was given by Ken Barnett.
- II. Chairman Watts gave the statement of compliance with the notification provision of the Freedom of Information Act.
- III. Business:
 - A. Mr. Jerry Smith provided an update on 2011/2012 winter and capacity release planning that included: winter weather outlook; regional gas supply update including an increase from shale gas production; regional gas transportation update; and the Greenwood CPW update on capacity release, hedge position, and storage position. Mr. Smith began with the winter forecasts from AccuWeather, NOAA, and the Farmers' Almanac, reporting that all predictions for the southeast are pretty closely aligned with each other. He stated that both AccuWeather and NOAA predict it will be mild with hardly any frozen precipitation for the southeast, and are not forecasting anything threatening. The Farmers' Almanac forecast specific to the southeast is predicting winter temperatures to be near or slightly above normal, with below normal precipitation and near normal snowfall; the coldest periods will be in mid-December and early and mid-February; and snowiest periods will be in mid-December and early February. Mr. Smith continued with a regional gas supply update, noting a surge in on-shore gas production from shale had kept the natural gas market well supplied, with winter gas storage at just below record levels. He continued showing points both north and south of Greenwood where shale gas enters the transport system, the various points where gas comes in the Transco system, and the expectations of that

impact to increase and in some cases to double and triple, offsetting the declines in the Gulf of Mexico and Gulf coast. Mr. Smith provided a map of Pennsylvania (Marcellus) shale production numbers for new incoming pipelines. He noted that with the larger, each is ten times the amount coming in as on our peak days. Mr. Patrick asked if only gas was being produced from shale; Mr. Smith responded that it is gas and oil, but more gas than oil. He noted meetings to discuss legislation that would enable the export of natural gas since the supply is so abundant. He continued with storage inventory that is pretty full at 3,794 bcf of gas in storage nationally at the end of 2011, just short of the record established last year. Mr. Smith reported on Transco projects completed since last year where a lot of compression was done, improving deliverability. He stated that most upgrades were done for power plants that are counter-seasonal, pulling on gas in summer and not in winter. The compression will create more capacity that is not being used and benefit us also. Mr. Smith showed a schematic of the CPW system with two primary interconnects, a high-pressure line down Highway 25, and a secondary station at Belton with a lower pressure line. He stated that the CGT interconnect would start this year to give pressure from the south. Mr. Smith noted firm transportation contracted through January 2013 that provides 500 Dth/day in winter, and 325 in summer. He stated that once the interconnect is operational with the SCADA system, that will give pressure and supply from the south end and diversity of supply. It is a different pod of gas from Southern Natural pipeline and is different from Transco. This will be used as a source of peak period supply when cold weather is coming. Mr. Smith reported on the capacity release plan that would utilize the FT in a more flexible manner. Previously, they would release some capacity on an annual basis and get a slightly higher price; now they will release everything on a recallable basis. This allows us to capture the benefits of capacity release when not needed and use capacity when needed. It also allows us to recall FT as needed to meet system demands, withdrawals from storage, or both. He noted that the approach is especially useful for CGT capacity. Mr. Smith then covered hedge position noting that for December, January, February and March about 50% of hedgeable volumes have been purchased at fairly attractive prices. For April through October, about 40% has been purchased, and for November a little under 30%. He provided a gas storage summary as of the end of October 2011, and charts showing CPW's winter natural gas transportation assets, demand, and winter peak day profile. He noted that part of the policy is to have at least 30% in storage going into winter; they are positioned to be able to draw down storage for demands or resale. Mr. Smith summarized that the following factors all contribute to an overall improvement in winter deliverability: winter weather forecasts point to above normal in southeast; continued modest demand from a struggling economy;

improved gas supply from shale and/or LNG gas; improvements in the Transco pipeline system; record quantities of gas in storage; and access to additional supply via CGT as needed. He concluded that these factors are all favorable in terms of gas supply and together suggest that current resources should be sufficient to serve systems demands, and especially given the ability to interrupt. Commissioner Monaghan asked about a plan for using puts, calls and collars; Mr. Smith responded that they have currently bought puts for November and December, and had also bought futures. They bought some puts following a rally, then prices came back down so they bought some futures. The plan is to continue doing that, for instance, if there is a cold snap and prices move out, they would likely put some puts on with the expectation that prices would come back down.

- B. Chairman Watts presented a request to consider a sulfuric acid tank as a bond project. Manager Reeves noted that the bids were just opened for a 5,250 gallon storage tank, and the recommendation is to approve the low bid in the amount of \$26,600 from Southeastern Fiberglass, with the project to be paid out of the 2007 Bond Funds.

A motion was made by Commissioner Monaghan, seconded by Chairman Watts, and unanimously approved.

- C. Manager Reeves referred to a memorandum from Mr. Tuck regarding chemicals for which the vendors have agreed to maintain the same prices for another year, and prices are expected to remain stable.

A motion was made by Commissioner Monaghan to approve the extension of chemical prices for one year, as recommended by staff; the motion was seconded by Chairman Watts, and unanimously approved.

- D. Manager Reeves stated that Mr. Cometto had evaluated the bids for the CDBG project and had recommended acceptance of the low bid from Long & Sons Utility Company, in the amount of \$185,413, pending verification of references and qualifications. Mr. Patrick clarified that the Commissioners could go ahead and approve pending it being subject to verification of references and qualifications and upon the recommendation by management. They could do so and then management could follow up with each of them by an e-mail or memo stating they had checked those references, and it would be management's recommendation the low bid be accepted and therefore, the motion would be effective. They could also choose to wait until there is another meeting before it becomes effective. Manager Reeves noted that he was asked at the last meeting to look into ways to possibly eliminate the

second meeting in November, and this was an attempt to accomplish that. If the Commissioners did not wish to do that, the second meeting could be rescheduled for some date other than Thanksgiving Day. The Commissioners agreed to postpone consideration and approval of the bid until the next meeting in order to allow time for verification of references. The meeting was scheduled for the following Thursday, November 17, at 10:00 a.m.

- E. A motion to elect Commissioner Monaghan as Chairman was made by Chairman Watts; the motion was seconded by Commissioner Monaghan, and unanimously approved.

A motion to elect Commissioner Hancock as Vice Chairman was made by Commissioner Monaghan; the motion was seconded by Chairman Watts, and unanimously approved.

A motion to elect Chairman Watts as Secretary was made by Commissioner Monaghan; the motion was seconded by Chairman Watts, and unanimously approved.

Chairman Watts noted that these would take effect at the next meeting.

IV. Other Business:

1. Manager Reeves asked for guidance on the CPW Cares Program for the upcoming winter, adding that in past years, the funding amount specified for matching funds had been up to \$20,000.

A motion was made by Commissioner Monaghan, seconded by Chairman Watts, and unanimously approved.

2. Manager Reeves presented an early request from the Chamber of Commerce to approve sponsorship in the amount of \$2,500 for Ari the Lion Topiary during the Festival of Flowers.

A motion was made by Commissioner Monaghan, seconded by Chairman Watts, and unanimously approved.

V. Executive Session:

A motion was made by Commissioner Monaghan and seconded by Chairman Watts to go into *Executive Session* for a contractual matter; the motion was unanimously approved.

The meeting returned to open session. Mr. Patrick stated that during *Executive Session*, the Manager discussed with the Commissioners the proposal from Elliott Davis Accounting Firm for audit services. The proposal is that the current price be held for the 2011 audit, and that they would agree to do the 2012 and 2013 audits at an annual increase of 3% for each year, meaning an increase of 3% from 2011 to 2012, and 3% from 2012 to 2013. He stated that the Commissioners were inclined to make a motion to approve Elliott Davis under the terms as proposed for the years 2011, 2012, and 2013.

A motion was made by Commissioner Monaghan; the motion was seconded by Chairman Watts, and unanimously approved.

VI. With no further business, the meeting was adjourned.

Approved: _____, 2011

Secretary