

COMMISSIONERS OF PUBLIC WORKS
Minutes of August 15, 2008

A public hearing and meeting of the Board of the Greenwood Commissioners of Public Works was held on Friday, August 15, 2008, at 5:30 p.m., in the board room at 121 West Court Avenue.

In attendance:

Gene P. Hancock	Steve Reeves	Jerry Smith	Sheree Brown
Michael G. Monaghan	Jeff Meredith	Cary Bishop	Chris Trainor
Henry O. Watts	Denise Ogletree	Jeff Auman	
	Jeff Chapman	Carlos Commetto	
	Amy Ashley	Stacia May	
	Allison Holland	Debbie Kemp	
		General Public (see sheet)	

- I. Chairman Monaghan called the meeting to order.
- II. Chairman Monaghan gave the statement of compliance with the notification provisions of the Freedom of Information Act. Chairman Monaghan stated the purpose of the public hearing which was to have a rate study presentation and to receive comments from the public regarding proposed increases in the electrical rate of 4.67%, 1.51% for natural gas rates, and 11.14% for water rates.
- III. Ms. Sheree Brown with Utility Advisors' Network presented the 2008 Combined System Rate Study for all three systems. Ms. Brown stated that the study was done in an effort to not over or under-collect in any particular area, and to update the 2007 Combined System Rate Study and incorporate 2008 revenue requirements. Ms. Brown explained that revenue requirements included the costs to own, operate, and maintain the systems and were used to determine if the rates are sufficient to cover the cost of actually managing and owning the system. Rate design issues were studied to determine if any modification was needed to recover the costs and meet market conditions. Ms. Brown presented information on 2008 test year revenue requirements from the 2008 budget. She explained that revenues were calculated and synchronized with weather-normalized forecasts used during the purchased power projections and the natural gas calculation and synchronized with the budget. Ms. Brown stated that actual updates for sales and purchased power and gas costs through the first quarter of 2008 were used, and provided an overview of electric, water, and gas systems and a comparison of present revenues with the revenue requirement. She noted revenue deficiencies were found in all three systems based on the current costs and projected revenues

for the year requiring a 4.67% increase in electric; an 11.14% increase in water; and a 1.51% increase in gas. Ms. Brown stated that total electric system cost was allocated between customer classes based on the type of cost and the billing determinants, for example, kilowatt hours or demand placed on the system, or the number of customers and the types of facilities and type of investments CPW has to make to serve the customers. She noted that some costs are related to the amount purchased while others are related to the amount of customers on the system or how many miles of line have to be run. Ms. Brown referred to Purchased Power Adjustment Clause revenues (PPAC) adding that fuel costs had risen dramatically over the last couple of years so that any costs over and above 1.7 cents per Kilowatt hour that CPW purchases from SCE&G are passed through the PPAC. She continued that each rate class had the percent increase required for each class in order to meet its cost of providing service. Ms. Brown reported that residential needed a 6.8% increase with rate design. She stated that CPW rates are competitive with Duke residential rates at almost all levels except the Duke all-electric rate and they hoped to address that next year. Ms. Brown stated that the small commercial rate design needed a 5.3% increase; that particular class had some disparities between CPW and Duke's Schedule G based on load factor. She explained load factor as the amount of energy a particular customer buys relative to the demand they place on the system, and higher load factor customers use the amount of capacity or demand they place on the system more efficiently than lower load factor customers. She pointed out that Duke's Schedule G recognizes this so some movement was made to compensate and allow the lower cost placed on the system by higher load factor customers to be recognized, and the same with commercial customers who only needed an overall increase of 1.65% to maintain competitiveness with Duke's rate. Ms. Brown stated that the objective was for no particular customer group or load characteristic to end up with an exorbitant increase. She noted an attempt made over the past several years to move toward more cost-based rates. Ms. Brown reported that large power needed a 2.87% increase, and recalled a rate design change made the year before to recognize the lower cost of higher load factor customers. She stated that differential between large power rate and Duke's OPT rate was also decreased. She continued that Duke offers a time-of-use rate so CPW has to compete for new load that comes into the town on large power. Ms. Brown pointed out that the extent to which CPW can gain new customers holds down cost for everyone, therefore making it beneficial for everyone when new customers are brought in and higher load factor customers are attracted. Ms. Brown noted an across-the-board 1.3% overall increase made to lighting. She referred to charts showing present and proposed rates where most customers are single-phase and would go from \$3.25 to \$3.50; three-phase customers would go from

\$10.27 to \$11.00. She stated that the first 650 Kilowatt hours are currently charged at \$0.07.03 and would move to \$0.07.45 and those over 650 would move from \$0.05.4 to \$0.06. Commercial rates were kept within the customer charge to address getting more fixed cost recovery. She explained that the costs on the system are primarily fixed costs that the CPW incurs regardless of how much energy is sold. Ms. Brown stated that the commercial rate over 10,000 Kilowatt hour block was left alone and the energy rate was moved down for the first 10,000 Kilowatt hours; they increased the demand customer charges to move toward fixed cost recovery as opposed to variable cost recovery. Ms. Brown noted more movement made with large power to give some benefits to the higher load factor customers who really cause less cost to the system and to move toward more fixed cost recovery. Ms. Brown shared additional considerations with modifying the purchased power adjustment clause, noting that CPW is currently in negotiation for a new power supply arrangement that would go into effect in January 2010. She pointed out that costs are rising astronomically with wholesale power supply around the southeast; capacity is very short and they are starting to build more, so everybody will be faced with increases. Ms. Brown continued that the purchased power adjustment clause was modified to avoid pancaking increases each year based on what happens. In that way, the CPW charges exactly what they are charged as opposed to having an additional margin or an over-recovery. Ms. Brown expressed a need to look at a residential all-electric rate for new neighborhoods so that if a developer has the option of going with Duke, CPW could also provide an attractive rate to get the load within the city and hold rates down through better utilization of the system.

Ms. Brown presented the water system portion of the rate study pointing out the reason for a significant increase of 11.14% to retail due to the significant decline in water usage. Ms. Brown explained that most costs are fixed in nature, such as building the water system, putting in water tanks, the systems to treat the water, and the delivery systems. Fixed costs do not change depending on the amount of water sold; however, if less water is sold and the rates have been designed on a basis of how much water is used, then the CPW stands to either over or under-collect and has been under-collecting significantly necessitating increase. Ms. Brown noted a rate change made the previous year when they moved toward eliminating discounts for high usage. She pointed out that there is no difference between the first gallon and the last gallon of water sold in terms of the cost of providing the water. Due to the high level of increases required, the decision was made to hold off on any additional rate design change and eliminate more of the discounts in an effort to avoid some customers receiving an increase even greater than 11%. Ms. Brown referred to wholesale rates consisting of sales to Ware Shoals where a

much larger increase is needed because of the decline in sales. Ms. Brown provided a bill comparison based on 6,000 gallons usage stating that Greenwood still compares favorably within the group.

Ms. Brown reported on the gas system portion of the rate study where with allocating between the different customer classes based on their customer usage characteristics and the cost placed on the system, a 3.16% increase is needed on the residential; 1.7% on commercial; 0.29% on firm; and 0.73% on interruptible. Ms. Brown stated that revenues and gas costs for the residential and commercial classes were based on actual data through first quarter and weather-normalized usage for the remaining months. She explained that sales are projected based on a thirty-year cycle of normal weather usage because so much of the gas usage is weather driven. She stated that actual data was used for revenues and gas costs with industrial customers; since there are not a lot of those customers, CPW did individual customer projections. She noted a discount for residential class usage in excess of 10,000 cubic feet. The evaluation of load characteristics indicated that excess usage was really for heating load and does not really continue throughout the summer; therefore, there is no real justification for the discount with most customers. She noted that the rate was consolidated for the second and third consumption blocks to eliminate discounts. Ms. Brown continued that the first block was increased disproportionately while still keeping it below the second and third blocks to prevent large increases for smaller customers or customers on fixed incomes. She noted an overall increase of 1.69% to commercial rates, and that there is interest in developing a large commercial rate class in the next study. They determined it best to increase all rate components proportionately across-the-board for now and to work with actual rate design issues later should they decide to split the classes. Ms. Brown explained that CPW is charged by the transportation company for the pipeline that brings gas from the supplier to the city gate. She noted a special pipeline demand charge (PDC) was established last year so customers would only pay the actual cost and not pay more or less because of volatility with actual sales caused by the weather. Ms. Brown stated that there is no real justification for differences in base rates between firm and interruptible customers because the PDC was moved out of base rate and gas costs are separate and are run through a gas adjustment clause. Both are provided the same type of service, which is gas over the CPW distribution system and does not justify differences in base rates. Ms. Brown recalled a move to demand rates last year for industrial customers in order to send a more appropriate economic price signal to the interruptible customers before they switch to alternative suppliers. She stated that an uneconomic price signal costs all customers money because the revenue cost responsibility shifts to other customers when large industrials switch to another source of

supply. She noted a continued move toward more fixed charge recovery and an effort to consolidate firm and interruptible rates. She stated that increases were needed of 0.3% with firm industrial class and 0.76% for interruptible industrial class. She continued that firm industrial demand rate is based on contract demand, while interruptible is monthly maximum daily quantity, and the proposed rate design makes more movement toward the goal of moving towards a uniform industrial base rate. She pointed out that changes must be phased in over a long time period because of the impact on individual customers. Ms. Brown explained the pipeline demand charge (PDC) was implemented last year in order to unbundle the rate, and was designed to assure cost recovery without over- or under-recoveries and to charge what we are being charged to recover cost. She continued that due to significant reduction in usage during the summer months, the effective rate is much higher in the summer. Ms. Brown reported that an adjustment to the PDC is recommended to make fixed-dollar adjustments to equalize the expected rate but continue to collect total costs without over- or under-recoveries in any year, to take effect in January for calendar year 2009 because we are too far in to make adjustments this year. Ms. Brown noted a recent Transco rate refund and rate reduction on the pipeline demand charge; they would work on how to get that savings back to the customers and reduce the pipeline demand charge for next year.

Chairman Monaghan opened the floor for public comment. He asked each person to wait to be recognized and to limit their comments to no more than four to six minutes.

Mr. Jim Babb asked about unbundling of the gas pipeline demand charge; Ms. Brown explained three basic components going into the gas rates noting two are done on a pure pass-through with no margins. She explained the base rates that are the cost for CPW to operate and maintain the distribution system to get that gas delivered to the city gate to homes and businesses.

Ms. Jeannie Britt referred to Ms. Brown's statement regarding the need for another study with gas all the while proceeding with increases across-the-board. Ms. Britt asked about unbundling to get money back. Ms. Brown noted that Ms. Britt was talking about two different things and then provided an explanation of different gas customer classes each with a different rate design and a different way of recovering costs. She explained "across-the-board" as meaning that a 1.69% overall increase is needed; they are simply increasing each rate for that class by 1.69%.

Dr. Lex Walters of the Heritage Company and Dazzle Carwashes in Greenwood stated concern with the increases to electricity and particularly with water for single-metered customers who are heavy users such as carwashes. Dr. Walters stated that he did not understand the large water increase because rates are not going up on the water supply since it comes out of Lake Greenwood. Commissioner Hancock responded that the problem is coming from not enough water being sold. Ms. Brown further explained that the water system has historically been subsidized by the electric and gas systems adding that reductions in debt service over the next couple of years for the water treatment plant would help to stabilize things. Dr. Walters referred to a large increase to basic monthly charges for 1 ½-in. to 2-in. meters in 2007 and suggested adjustments rather than significant increases. He pointed out that many people in Greenwood and many living in his apartment complexes are struggling, and asked the Board to receive and carefully weigh the public input before making a decision. Chairman Monaghan thanked Dr. Walters and asked Manager Reeves to provide information on what was spent the past couple of years for mandated improvements. Manager Reeves reported that water system improvements for upgrades to the line portion of the system had totaled nearly \$10 million. He stated that approximately \$2.5 to \$3 million was spent at the water treatment plant over the past year and a half for upgrades to continue meeting regulations mandated and passed along by EPA through the federal government and through DHEC at the local level. Manager Reeves then addressed Dr. Walters' earlier comment about the water supply and not having to buy water. He pointed out that the debt service that goes into the bonds that had to be borrowed for line and system improvements and upgrades at the water treatment plant are all a part of fixed cost; the system itself is a fixed cost and those do not change no matter what the Board does. He continued that this would go away if more water could be sold, but unfortunately water consumption had decreased instead of increased. Chairman Monaghan pointed out that the closing of National Textiles had cost CPW over \$500,000 per year in revenue. Mr. Chapman pointed out significant increases in the cost of water treatment chemicals and materials for replacement lines in the distribution system. Ms. Brown noted a difference of only about \$10,000 in the CPW 2007 water system budget as compared to 2008, and that CPW had done an excellent job of keeping costs down.

Mr. Jim Babb stated that according to an article in The Index Journal, it appeared there would be a net increase of 20% across-the-board for gas, electricity and water. Ms. Brown responded that was not correct.

An unidentified gentleman asked why county residents pay 85% – 90% more for water and sewer than city residents. Chairman Monaghan responded that they are paying more for the lines. Commissioner Hancock added that the county pays 1.8% for water and the city pays 1%.

Mr. Doug Collins representing Regency Park Apartment Complex stated that seven years ago when the complex was built they had opted to be annexed into the city and receive CPW services because they were assured by CPW they would do everything possible to keep utility costs under control in the future. He noted that about one third of the residents there are retirees on fixed incomes and these kinds of increases hit them hard. Mr. Collins asked the Board to take that into consideration. He stated that it would seem if CPW wants to sell more water, they would not increase rates, and that it almost seems that their logic is reversed. Mr. Collins stated that the reality is that if the water bill goes up, people will begin to look at ways to cut back on usage on an individual level in their homes. If the key is to increase usage and we have the excess capacity built into the system, the logic may be a little bit reversed. Mr. Collins noted that as a consumer, the logic is going to be the same as when gas prices go to \$4/gallon; if the price continues to go up, and if you have excess capacity and are trying to figure out how to get people to use more, you don't continue to raise the prices every year. Mr. Collins noted that people in the county are paying even more than those in the city, and asked about expanding the system in the county to pick up more users, or looking at lowering the rates so that people would use more water if that is the key. He pointed out that if rates go up another 11% next year, people would be looking for every way possible to use less water in their homes including low flow toilets and showerheads. He stated that there seemed to be a continuous cycle with no apparent solution, and simply reacting to the current circumstances rather than being proactive does not help. Commissioner Hancock stated that 80% of Greenwood County is served with water now; some of the infrastructure was built with grant money and CPW puts in matching money. Commissioner Hancock noted that people are already cutting back on water usage because of drought conditions. Mr. Collins asked if the consumers were receiving a mixed message when they are told that they need to conserve, but if and when they do conserve, CPW will have to charge them more. Chairman Monaghan referred to a complete rate design change a few years ago that had impacted single meters for numerous apartments on one meter whereas at one time the base rate was on every meter; every house had a base rate, and an apartment with 45 units was considered the same as a single-family home. He stated that a single resident house should not have the same base rate as a 100-unit apartment complex,

and that was probably where most of the increases were seen for the apartment complexes.

Mr. Rudy Groomes of Stoney Pointe asked about percentages of services rendered to city residents versus county residents. Manager Reeves stated that electric service is entirely inside of the city limits; water is about 50/50, although we may possibly have reached the point of selling more to customers outside of the city than inside; and portions of five counties are served with natural gas, with the largest portion to industrial customers outside of the city. Mr. Groomes noted no representation on the CPW Board from outside of the city. Chairman Monaghan responded CPW is a municipal utility. Mr. Groomes stated that they were probably set up initially as a municipal utility but had since expanded into the county and yet there is still no representation from the county. Chairman Monaghan commented on construction of infrastructure being very conducive to growth of industry in the county. He explained that the disparity for water rates for inside and outside city residents came about because the inside city residents had built and fully paid for their water system; then a complete new water treatment plant had to be built outside of the city in order to bring in industry such as Fuji and Solutia. He pointed out that it would be unfair for the city residents to be charged again for the infrastructure to benefit outside city residents. Mr. Groomes asked if anyone had considered adding some representation from someone outside of the city since those people have to pay more for the lines to bring their water. Mr. Groomes asked how the natural gas line that runs up Highway 25 was paid for, and if enough people had signed on to justify having the line. Manager Reeves explained that before that line was installed, CPW only had one transmission line connected to the system that runs to the town from the pipeline running from Houston, TX to Long Island, NY. If there was ever an operational problem with that line, Greenwood would have been totally without gas. This line was not installed to serve customers along Highway 25 but to be a redundant service line to all the citizens in Greenwood so that there would be an ample gas supply should there be a problem. Mr. Groomes asked about the CPW's fund balance and specifically what amount they had in investments. Ms. Ogletree responded that there was roughly \$9 million invested. Commissioner Hancock noted that was not even enough to cover the gas bill in December. Manager Reeves noted that may sound like a lot of money to the average citizen, but with an annual budget of \$80 million, the last year we had to go to the bank to get money out of those investments to pay for gas. Mr. Groomes stated that according to the newspaper, CPW had somehow found \$1.25 million and sent that amount over to the city. Mr. Groomes stated surprise with the date and time chosen to hold a public hearing and suggested some time other than a Friday

afternoon at 5:30 p.m. so more citizens could come. Commissioner Hancock noted that ads had been run in the paper several times as well as articles written in the paper about CPW. He stated that it was held at 5:30 p.m. in hopes that there would be more participation. Mr. Groomes suggested another day other than a Friday afternoon. Manager Reeves noted that the last three had been held during the week at 5:30 p.m. with far less participation than was here today.

Mr. Jim Babb stated that it was a foregone conclusion that the Board would approve the rate increases and asked if it would have to go to Columbia following approval here. The Commissioners responded that it did not, adding that they could approve it without a public hearing, but they wanted to hear the public input. Mr. Babb stated that his understanding was that the purpose of the increase was to make up the \$1.7 million deficit. Manager Reeves responded that it was to match projected revenues with projected expenses. The budget was adopted with a \$1.7 million deficit, but since that time the deficit had increased on the yearly operating costs. Mr. Babb stated that the public is under the assumption from the newspaper that CPW is trying to make up a \$1.7 million deficit with a 20% across-the-board hike in the three areas, of which 20% is water and sewer. Ms. Brown stated that she did not understand where they would get 20%. She explained that the two cannot be added together and provided an example by averaging the percentages.

Mr. Henry Quarles noted that senior citizens had been hit hard from every side including a property tax increase without any increase in their income. He noted these same people already cannot pay their bills, like the large gas bills. He asked the Commissioners to do what they could to hold down rates and to consider those who already cannot afford the rates and are going without basic needs to pay their bills. Chairman Monaghan noted that the biggest impact on senior citizens comes from natural gas, fuel oil, and gasoline for cars. The Commissioners are trying to minimize the natural gas increases by hedging gas and buying at opportune times as much as possible; however, the wholesale cost is the biggest expense and has to be passed on. He pointed out that CPW has the third lowest electric rates in the state right now. Ms. Brown stated that they always take into account those on fixed incomes with every rate design and rate study.

Mr. Calhoun Mays stated that he represented 800 to 1,000 units down town. Mr. Mays asked if CPW was mandated to give the money to the city adding that the money should be kept in their own coffers to help offset the rate increase if they were in such a bad state. He continued that it would seem

that the rate increase with water was disproportionate to the rate increase for gas. He asked about the possibility of electric and gas subsidizing water a little longer for an easier transition. He noted that a lot of folks do not use all three services and it seemed those who use only water are getting hit disproportionately with a larger increase. Ms. Brown responded that the fact that they don't use the other services is the reason that you should not subsidize water because you are asking them to subsidize a system they are not even part of. Mr. Mays noted that those living in the county cannot use the electricity. Ms. Brown stated that they had tried to correct this because each system needs to stand alone. Mr. Mays asked about a longer transition period into the water rate increases. Ms. Brown responded that we are trying to be competitive with electric in order to attract new businesses; that cannot be done with subsidies going from the gas and electric. She noted that new industry is the best way to lower the cost for everybody. Mr. Mays referred to an earlier comment made by Dr. Walters and inquired about expectations for the next couple of years. Manager Reeves explained that the increase referred to earlier was because Dr. Walters' system was on a master meter. He explained that before he was paying the same fixed rate as a residential customer with a ¾-in. meter although he has a 4-in. meter, so he was not paying enough of the demand charge. Mr. Mays asked if the \$1.25 million given to the city was mandated. Chairman Monaghan noted that every incorporated area usually has a franchise fee; CPW does not have a franchise fee and so that is in lieu of a franchise fee. Commissioner Hancock noted that as a city utility we pay for all of the lights and water in an exchange of checks amounting to over \$600,000; \$50,000 also went to the Arts Center to help them out with utilities for five years. Mr. Mays stated appreciation to CPW and the Board and acknowledged the tough decisions they must make. Chairman Monaghan noted that waterline extensions outside of the city had always been paid for either by developers who are developing a subdivision or by grants through the county.

Ms. Jeannie Britt stated that it appeared there would be a 20% across-the-board increase after adding the percentages of the three utilities (6.8%, 11% and 3%). Ms. Brown explained that the three percentages cannot be added together; there are different pieces and each piece would go up by a certain amount and that does not mean every piece would go up by every percent increase, but that it would only go up the percent they were told. If residential electric is going up 6.8% that is all that it would go up; if gas is going up 3%, that is all it is going up. You cannot add them up and say the electric is going up 20%. Ms. Britt stated that she understood that the individual utilities would not go up 20%, and asked how it is averaged out. Ms. Brown explained that you would take all three bills and add them up

with the increases then divide the new bill by the old bill to see the average. For instance, a 3% increase on gas would bring the overall percentage down. For example, an average small water customer's increase would only amount to about a \$1 increase at a rate of \$0.0026 per gallon. Mr. Chapman added that the average household uses about 6,000 gallons of water per month; the average bill inside the city would go up \$1.62 per month, and in the county, on average it would go up \$2.40 per month. He pointed out that CPW would still remain in the lower 19% of public utilities in the state even after the increase.

Ms. Jo Groomes pointed out high unemployment rates in Greenwood. She asked about meter readings and whether those were read monthly after noting that their water bill never changed although they travel a good bit. She referred to the money given to the city just because an auditor found surplus monies. Commissioner Hancock responded that the auditor found surplus funds of \$9 million from paying bonds and pointed out that was not a large amount given the December gas bill is more than that. There really are not excess funds other than from satisfying the bond payments. He noted that with regard to the meter question, meters are read electronically from the vehicles in order to cut back on staff, trucks, and gas. The meter reader does not know anything about the amount that was used the previous month; after he enters the reading it goes to the main frame computer downtown. Chairman Monaghan added that someone would be glad to come out and check their meter to be sure it is operating properly. Ms. Groomes asked about the cost of the rate study. Manager Reeves responded that \$10,000 was budgeted per utility for a total of \$30,000. Ms. Groomes asked the Board to consider easing into an 11% increase for water rather than all at one time.

Mr. Charles Helms commented on fixed costs, variable costs and meeting bond payment obligations. He stated that if the system operates at a deficit, more and more money would have to be borrowed through bonds and that would automatically increase the costs.

Manager Reeves distributed copies of a recent SCAMPS electric rate survey. He stated that Greenwood CPW ranked in the bottom 13.8% for the entire state in water rates and would still be in the lower 19% after the rate increase; CPW is the third lowest in the state with electrical rates, and with gas are normally in the bottom two or three in the state. He concluded that nobody wants a rate increase and the Board does not want to pass it on, but in looking at the rest of the state Greenwood is in excellent shape.

An unidentified gentleman stated that if there was a surplus of \$1.25 million this year, it should not be necessary to have an increase. Manager Reeves responded that there really was not an extra \$1.25 million for this year, and in fact, are actually in a deficit situation. The surplus comes from CPW having \$9 - \$10 million in investments which by audit standards was a surplus. It does not matter that it is in reserves, it is still classified as a surplus, so by bond ordinance, CPW has to make a transfer to the City of Greenwood. If we do not have the rate increase, we would continue to operate in a deficit position. Chairman Monaghan added that the transfer was in lieu of a franchise fee. The unidentified gentleman asked if there was a set annual amount for the fund transfer. Commissioner Hancock responded that CPW committed to \$1.2 million per year with nearly \$700,000 going to utilities for buildings, street lights, fire hydrants, etc. Commissioner Hancock added that this also keeps the city taxes in line, and CPW also saved the taxpayers money through annexing all of the new schools into the city limits to serve them.

Ms. Linda Free of Avondale stated that taxes had gone up, mortgages had gone up because of taxes, and now with CPW asking for an increase, even small increases hurt the people on disability and social security.

Ms. Brown provided rate comparison information with Duke Power rates at the request of Dr. Walters and Mr. Collins. Manager Reeves stated that copies of the State Budget and Control Board's water rate comparison sheet could be provided later.

Mr. Jim Street requested a copy of the presentation and asked if Ms. Brown was an employee of CPW. Ms. Brown responded that she works for CPW as a consultant. He commented on possible water restrictions in the future and asked about the effect. Mr. Chapman responded that the first trigger level for voluntary restrictions would be when the lake hits 433, and the lake was at 435.92 as of that morning. Based on tracking over the past two and a half months, it would be about October 27 before they would hit the first trigger level. He added that historically when we move into fall with more rainy weather and with the hurricane season and temperature drop, chances are we would never hit that level. If we do, the first response would be to no longer install any new irrigation taps and go to voluntary request for water restrictions. He stated that voluntary water conservation efforts had already been enlisted. Mr. Chapman continued that we are in a three-year drought cycle which is a severe situation. Mr. Rudy Grooms asked if Santee Cooper was taking more water out of the lake than is coming in and if we have to oblige them. Mr. Chapman responded that is a county issue that CPW has

nothing to do with; however, the FERC has mandatory downstream requirements that must be maintained for the minimum amount of stream flow to pass through the dam. He noted that the County Engineer shared information recently showing that of the 3.12 feet the lake is down, of those 36 inches, four inches are from the water use of CPW with the remaining 32 inches predominantly from evaporation and downstream requirements the feds have put on the dam. Mr. Groomes noted that Santee Cooper did not appear to be following the same requirements that Duke had followed.

Mr. Collins commented on an inconsistency with what had been said and pointed out that if your water source is drying up, but you have sized your plant for excess capacity in hope that new industry would come in and take that excess capacity, but do not have the water source to supply that excess capacity, there is an inconsistency. Chairman Monaghan commented that there is a drought this year; next year there may not be and that would not be an issue. Commissioner Hancock stated that they would be in better shape with Lake Greenwood than anywhere else in the state.

Mr. Jim Street asked about having representative on the Board from the county. Commissioner Hancock responded that it had already been tried by the Supreme Court of South Carolina and the decision was that there does not have to be any other representation. Chairman Monaghan pointed out that the Commissioners also live in the county and pay county taxes. Mr. Street asked about the possibility of bringing Newberry or Laurens Counties on board to use water. The Commissioners responded that they would love to sell them water.

At the request of Chairman Monaghan, Manager Reeves explained water plant capacity size. Manager Reeves stated that the size was determined back in the late 70's when water consumption was near the peak of plant capacity. At that time, Sara Lee was coming on board and several announcements of industries coming to Greenwood and CPW made a strategic decision to upsize the plant capacity size to meet the projected demand of incoming industries and other growth factors. He continued that Sara Lee then became National Textiles which closed down, and some of the other industries have not used the amount of water they said they would use. When they tell you they are coming and that they need "X" gallons per day, then you have to design facilities to meet those needs. If they don't purchase "X" amount of gallons, everyone is stuck with the plant design we have. Manager Reeves stated that if all of those industries had used what they projected, we would be averaging in the 22 -25 million gallons per day, but that is not happening. Mr. Chapman pointed out that twenty years ago, the projected growth rate

for this area was such that we would need to do upgrades to expand and cover the growth of the population projected for the next 20 years. Since we lost industry, our projected population growth for this county is such that we do not have to do any plant expansion to cover projected growth for 10 to 20 years.

Dr. Walters asked when the bonds would be paid off. Ms. Ogletree responded that the most recent bond issue would be paid in 2028. Manager Reeves noted that some bonds would also be paid off in 2009.

Chairman Monaghan closed the floor for public comment.

IV. New Business:

A motion was made by Commissioner Hancock and seconded by Commissioner Watts to approve rate increases of 4.67% for electric; 1.51% for natural gas; and 11.14% for water; the motion was unanimously approved.

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

Approved: _____, 2008

Secretary