

COMMISSIONERS OF PUBLIC WORKS
Minutes of November 20, 2008

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, November 20, 2008 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

Gene P. Hancock	Steve D. Reeves, Jr.	Vickie Gorham	Curtis Burnett
Michael G. Monaghan	Ken Barnett	Jeff Meredith	Chris Trainor
Henry O. Watts	Jeff Auman	Jeff Chapman	Bill Patrick
	Carlos Cometto	Vicki Knott	Stacia May
	Denise Ogletree	Jeff Elliott	Richard Gentry
		Jerry Smith	

I. Chairman Monaghan called the meeting to order. The invocation was given by Commissioner Hancock.

II. Chairman Monaghan gave the statement of compliance with the notification provision of the Freedom of Information Act.

III. A motion was made by Commissioner Hancock and seconded by Commissioner Watts to approve the minutes for the October 9, 2008 regular meeting and the October 23, 2008 regular meeting as received; the motion was unanimously approved.

IV. Financial Statement:

After Chairman Monaghan noted that the Board would undergo an intense budget review on December 1, the financial report was received as information.

V. New Business:

A. Manager Reeves recalled several past discussions with the Board on the concept of hiring a collection agency for past due bills and bad debts. He then presented a recommendation from staff to select the low bidder, Online Utility Exchange, at a cost of 25% of actual collections. Chairman Monaghan expressed to staff the need to be really sensitive and selective given the difficulty with the economy. He stated that many people in the community had been faithfully paying on time for years and are now without work. After noting around 300 layoffs at Solutia and 44 at Velux, he stressed the importance of working with people as much as possible, and stated that he felt sure the other Commissioners were in agreement.

A motion was made by Commissioner Watts and seconded by Commissioner Hancock to approve the collection agency as recommended; the motion was unanimously approved.

- B. Manager Reeves stated that only one bid in the amount of \$90,898 was received for HVAC work at the COC. After noting that the amount was well over what had been budgeted and that only one bid was received, Manager Reeves joined with staff in recommending the bid be rejected and the item rebid at a later date, potentially with a different scope of work.

A motion to reject the bid and to rebid later was made by Commissioner Hancock, seconded by Commissioner Watts, and unanimously approved.

VI. Other Business:

1. Mr. Smith provided handouts showing redistribution options for Transco gas capacity release funds. He explained how Greenwood CPW owns transportation capacity used to serve core customers on Transco, and current forecasts are that there will be excess capacity that will need to be released. Mr. Smith explained that capacity can be released to others who will reimburse us for that capacity, as we have been doing every month since 2004; however, in this case, more capacity would be released than in the past. Mr. Smith then provided a winter release plan showing owned capacity. He stated that we are basically segmenting capacity into pieces to release to others, some on a term basis for the whole winter and the rest released on a month-to-month basis based on actual needs. He stated that some had already been released for winter, some additional for November, and as the end of November approaches, an assessment would be made for December. Chairman Monaghan noted the possibility of an unanticipated cold slam and asked how the amount to be released for winter was determined. Mr. Smith responded that the volumes being released are still well in excess of peak usage so that even on the coldest day there would be excess capacity. Chairman Monaghan inquired about the recourse should the estimate be wrong. Mr. Smith referred to baseload releases shown under the recall basis column of the 2008-09 capacity release plan done on a non-recallable basis, meaning we release it to somebody and they reimburse us; it is theirs and we cannot get it back. He continued that the additional monthly amounts are done on a recallable basis meaning that when we release it to somebody, they reimburse us and then if we want it back, we can bring it back. Mr. Smith continued that if there were a case where there was unusually high usage or cold weather or both, the capacity needed would be recalled. He added that

the recallable amounts still exceed peak capacity, and if for some reason that did not work, we could buy delivered gas. Chairman Monaghan asked if it was worth the risk for only \$0.01 per dt with recallable versus non-recallable. Mr. Smith responded that they realized that as they went through it, and as a result, future releases would be made on a recallable basis. Chairman Monaghan asked if non-recallable had already been released. Mr. Smith responded that everything in the top portion of the capacity release plan and November had been, but December through March 2009 had not. Chairman Monaghan stated that he did not have a problem with releasing recallable but did with non-recallable. Commissioner Hancock assured Chairman Monaghan there would not be any problems because they are covered with this plan. Mr. Barnett added that Mr. Smith had looked back at peak cold days for a number of years and what is being released is well below that on a non-recoverable basis; some eases up closer on a recoverable basis, meaning you can get it back. Mr. Smith has built in a safety margin, plus interruptible customers are always there even when you had all of the capacity and are using it. If you got into a bind, interruptible customers' tariffs state that we can recall that capacity if needed. Chairman Monaghan inquired about the timeframe limits with gas storage. Mr. Barnett responded that there still had to be capacity with the gas in storage. He then explained two means of buying gas with capacity; one on Transco's line and the other with SCE& G. He added that if one was full, we could still probably get both the gas and the capacity from the other. Commissioner Watts asked if all of the capacity had ever been used; Mr. Barnett responded that it had not in recent years. Mr. Smith then provided a diagram showing winter peak usage and an analysis of the highest peak days for the last five years in relation to capacity releases. He stated that they would also look monthly at usage and weather and then release additional amounts, all of which is recallable. Manager Reeves stated that support of the release plan by the Board would be necessary; he added that the other part of the recommendation was to decide what to do with the funding that comes as a result of releasing capacity. Mr. Smith explained two options for those funds that come back as capacity is released. He stated that the options are very similar to the issue a month ago with respect to the Transco refund. Option one is to keep the fund as an over-recovery and use it for rate stabilization; the second is to refund the capacity release through the PDC mechanism. Chairman Monaghan expressed that rate stabilization would be the better way. Mr. Smith provided an illustration using an actual residential customer breaking out the bill into three cost components, PGC (purchased gas cost), PDC (pipeline distribution charge), and other charges consisting of base charges and customer charges. The actual bill for November of 2008 in this case was \$58.57; if we apply those funds to the PGC, their total bill would be \$0.07 less, or \$58.50. If you apply the funds to the

PDC, the difference is \$0.49 so the PDC would have a greater impact on the customer's bill than PGC. Chairman Monaghan asked if the whole thing would bring it closer to market on the daily report showing whether we are on market or under market. Mr. Smith expressed the opinion that the PDC option would provide more relief to the customer. Chairman Monaghan asked if only residential would be affected; Mr. Smith responded that it would affect residential, commercial, and firm industrial customers. Mr. Patrick added that the philosophy would be that the firm customers are the ones paying for that capacity in their rates.

A motion was made by Commissioner Hancock and seconded by Commissioner Watts to approve the capacity release plan as presented and to use option two to refund capacity release through the PDC mechanism; the motion was unanimously approved.

2. Manager Reeves updated the Commissioners on an offer to purchase property along Highway 246 adjacent to the city pond property. He stated that the offer presented was rejected and a counter offer presented that was nearly \$100,000 higher. He noted that he had informed the agent that unless the Commissioners gave an affirmative, they would not respond to the counter offer. The Commissioners did not want to respond.
3. Manager Reeves noted a question from Commissioner Hancock about the loss of utility revenues from the closing of the North Plant at Solutia. He stated that unless things change, the impact would be a reduction in water revenues of approximately \$45,000, and gas revenues of approximately \$25,000. He added that is not as tremendous an impact as might have been anticipated. Chairman Monaghan suggested that the bigger impact might come from the approximately 300 families who possibly use gas, water, and electric.
4. Manager Reeves presented a change order as recommended by staff for the flocculator project upgrade at the water treatment plant currently in progress. He stated that the change order for an additional \$44,121.22 was to coat the concrete on the flocculator inner walls and floors to provide a longer life and prevent leaching of the concrete. He noted that with the entire budget for bond projects currently under spent by \$127,870, there are excess bond funds for water treatment plant projects. Chairman Monaghan inquired about the status of the water tank project; Mr. Chapman responded that it was complete with this being the only open ongoing project at the water plant; there are some small purchases for security equipment scheduled for next year.

A motion to approve the change order as recommended was made by Commissioner Watts, seconded by Commissioner Hancock, and unanimously approved.

Chairman Monaghan inquired about the remaining \$100,000; Manager Reeves responded that there would be plenty of projects for consideration next year.

5. Manager Reeves provided information on hydrant meters used by Metro as requested by the Commissioners. He reported in excess of one million gallons of water used at a value to CPW of approximately \$3,200 from March through November of 2008, and noted that amount had not been billed. He also reported a cost of about \$400 for repairs on those meters. Chairman Monaghan stated that if we are going to fix the meters so they can use them, Metro should be charged for those repairs, but not for the water usage.
6. Manager Reeves noted a request from Chairman Monaghan to discuss a \$616,000 refund from Transco. Chairman Monaghan stated that we may be faced with a tremendous amount of bad debt caused by the economic situation and suggested a delay with payments back to customers until this solidifies and the full impact of the bad debt incurred is known. Commissioner Hancock stated that had already been voted on and been passed to refund the money as a credit on the bills; he added that the capacity release discussed earlier is a different story. Chairman Monaghan stated that if you are going to incur \$600,000 worth of debt due to the layoffs you should have something to back it up. Commissioner Hancock stated that it is going back to the people who used and paid for the gas. Chairman Monaghan clarified that he was not saying not to do it, but rather to delay it. Mr. Patrick stated that from a legal perspective, he was not sure if a customer might be successful in suing if they did not give it back to the class of customers that paid it, but there is a reasonable argument that Transco raised the rates, you passed those raised rates on to a class of customers who paid those increased rates. The Federal Energy Regulatory Commission said those rates were not appropriately raised; therefore, Transco is refunding those funds to CPW. He stated that the legal principal involved is that it is appropriate to refund the refund you get because you were charged rates that were not approved to the class of customers who paid those increased rates. They are basically in the same position as your customer as CPW is as Transco's customer. Mr. Patrick expressed from a legal perspective that there is a good argument that it should go back to the class of customers that paid it. It was not an illegal increase but was a non-approved increase, but the way the system works is they are enabled to put that increase in before a decision is made on whether

or it is appropriate. Mr. Patrick commented that he understood Chairman Monaghan's suggestion was to keep it as an "economic rainy day" fund and then give it back. He stated that if you are ultimately going to give it back, it may be a cash flow issue and important from a cash flow standpoint. Chairman Monaghan asked about the dollar impact per customer. Manager Reeves responded that it would range from just a few cents up to several hundred dollars depending on the customer, with several hundred dollars being a business. Mr. Smith added that it was as high as \$27 with residential customers; Manager Reeves added that the average was a little over \$12. Chairman Monaghan noted 300 people out there who may not be able to pay their gas bills; if we were to sustain that until they get back on their feet, we may need money to back it up. Commissioner Watts pointed out that those getting \$300 may need their refunds and others may as well, no matter the dollar amount. Mr. Smith commented that with a longer delay comes more opportunity for people to exit or enter the system. Chairman Monaghan concluded the discussion with no action being taken.

VII. Executive Session:

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

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

Approved: _____, 2009

Secretary