

COMMISSIONERS OF PUBLIC WORKS
Minutes of August 27, 2009

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, August 27, 2009 at 5:00 p.m., in the Boardroom at 121 West Court Avenue.

In attendance:

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

I. Chairman Hancock called the meeting to order. The invocation was given by Ken Barnett.

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

III. Approval of Minutes:

A motion was made by Commissioner Monaghan and seconded by Commissioner Watts to approve the minutes of the regular meeting on June 11, 2009; the regular meeting on June 25, 2009; the regular meeting on July 9, 2009; and the regular meeting on July 23, 2009; the motion was unanimously approved.

IV. Financial Statement:

Commissioner Monaghan inquired about the status of bar coding assets. Ms. Ogletree responded that assets had been bar coded; however, the software to tie in the barcodes had not been completed. Mr. Auman noted that the software had been completed but more scanning was still needed to pull data back in for the next inventory; they are up to that point and ready for the next inventory. Ms. Ogletree stated that would take place at year-end. Commissioner Monaghan complimented staff on the internal audit reports. He asked about the results of the debt collection program. Ms. Ogletree responded that \$20,892 was collected for four months (April through July) since the program started. Another piece came directly to CPW in the amount of \$33,993 as a result of letters being sent; instead of paying the collection agency, they paid directly. She added that \$31,919.88 was paid to MASC for April through July, for a total collected over

four months from three different sources of \$86,805.54. Manager Reeves referred to page 13 of the financial report showing the beginning of another gas cost recovery true-up year for PGC. He stated that the year ended with a positive \$150,533.92, and the three-year rolling total is currently \$702,928. Commissioner Watts asked when payment into GASB 45 would begin. Ms. Ogletree responded that the agreement had just been signed for SC Orbit, and \$500,000 should be sent the next week. Ms. Ogletree pointed out a transfer to Metro of \$552,462 on the Combined Income Statement. She continued that it had to be reflected on the income statement since it is being funded with bond funds and is not really coming from operating funds. Ms. Ogletree explained that since it is an expense, it has to be reflected in an income statement and the source of the funds does not matter. Commissioner Monaghan stated that the report received by the Commissioners each month should only be operating and maintenance. Ms. Ogletree stated that they usually show all transfers and expenses; Commissioner Monaghan stated they could show them but this would be skewed for their purposes. He asked what was done in the past. Ms. Ogletree responded that this had never really been done in the past where they had transferred to Metro. Commissioner Monaghan reiterated that it should not be part of operating and maintenance for them; they could do whatever they want with the audit. He pointed out that it showed as a \$500,000 expense out of operating and maintenance which shows up in the bottom line. Ms. Ogletree stated that she had to report the expense because these reports are available to the public. Commissioner Monaghan clarified that he was not saying they should not reflect the expense; the O & M Report should be a tool for the Commissioners to know how well we are doing with income versus expenses. Bond expenses could be shown elsewhere. Mr. Barnett stated that bond monies could be shown as revenue to offset it. Ms. Ogletree stated that bond funds are not a revenue source; those are a cash flow source. Mr. Barnett stated that you are funding from that and this is not giving them a picture of how they act as operating funds. Ms. Ogletree stated she would simply show it as a footnote item rather than including it in the totals so that they are still reported as an expense that is not an O & M expense. Chairman Hancock stated that if \$500,000 is shown as an expense, it is a shock to their thinking in terms of rates and always watching the bottom line as Commissioners. Commissioner Monaghan asked where the funding of GASB 45 would come from; Ms. Ogletree responded that it is actually decreasing a liability and would not be shown as an expense item; it was already expensed last year; similar to paying an accounts payable. Commissioner Watts inquired about the last payment on City Pond; Manager Reeves stated that it had already been approved but was not sure if the final payment had been made. Commissioner Watts inquired about water sales; Ms. Ogletree responded that there was a little increase. Manager Reeves noted that consumption was 7 million gallons less this July than last July; however, sales had increased from the

previous month. Commissioner Watts inquired about an I-9 report shown on the internal control report. Ms. Ogletree explained that it is an immigration regulation to monitor proof of citizenship. With no further questions, the report was received as information.

V. New Business:

A. Mr. Mark Warner with the Greenwood Economic Alliance reported on the addition of a second South Carolina Department of Commerce certified site. He stated that it is 47 acres known as Emerald Road Tract II located at the old Jarvis Plant site. He stated that Heaner Engineering had done the certification package and there are only a few minor things to be corrected. He commented that it would be another shovel ready product in their inventory. He noted that Emerald Road is considered prime property because all of the infrastructure and a railroad are already in place. Mr. Warner reported that the next board meeting was moved back to September 28, at 4:45 p.m., at Piedmont Tech. He noted that it would be a short regular meeting followed by an annual report meeting.

B. Chairman Hancock referred to a draft Tobacco Policy that was postponed from the previous meeting. Manager Reeves suggested a change to the second paragraph that would delete the mention of 25 feet and allow for designated smoking areas to read as follows: "It is the policy of the Greenwood CPW to prohibit the use of all tobacco products in CPW building, in CPW vehicles, and on CPW property except in designated areas". The Commissioners agreed on an effective date of December 1, 2009.

A motion to approve the policy as recommended was made by Commissioner Monaghan, seconded by Commissioner Watts, and unanimously approved.

C. Chairman Hancock referred to a Cell Phone Policy postponed from the previous meeting. He stated that CPW was taking action in an effort to prevent accidents caused by texting and using cell phones while driving. Manager Reeves explained that that the policy would prevent employees from being able to use personal cell phones during working hours except during breaks or lunch; the other thing would prevent employees from using any cell phone, even a CPW issued phone, while driving a CPW vehicle unless operating in a hands-free mode. The Commissioners agreed to an effective date of October 1, 2009 in order to allow time to get hands-free devices into operation.

A motion to approve the policy as recommended was made by Commissioner Watts; seconded by Commissioner Monaghan, and unanimously approved.

- D. Chairman Hancock presented a recommendation for a new customer service assistant position that was approved during the 2009 budget process. He stated that the Commissioners were aware of the need for the position. Manager Reeves noted the position was the only additional position in the 2009 budget. He added that the amount of hours being worked by Vickie Gorham, Allison Holland, and Amy Ashley takes away from their effectiveness in performing their regular duties because of constantly filling in and helping others.

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

- E. Chairman Hancock presented a recommendation from management for purchase orders totaling \$127,500 for GIS projects approved in the budget process. Manager Reeves added that GIS has become an important tool for technical people working in the field; this expenditure is part of an ever evolving process for the continuation of that program.

A motion to approve the expenditures as recommended was made by Commissioner Monaghan, seconded by Commissioner Watts, and unanimously approved.

- F. Mr. Jerry Smith provided highlights of updates to the August 13 Gas Supply Backup Option presentation. He stated that the focus was now on a couple of new tools for backup gas supply. He noted that we currently have some storage and can interrupt the interruptibles to some degree, but what is being proposed is to add a few more tools for more flexibility. Mr. Smith stated that the proposed storage would be a fixed asset, and also peaking service which is not fixed and is flexible and can be modified every year as needed. He pointed out that the interruptibles were incorporated into some of the charts. Mr. Smith referred to a chart summarizing transportation and storage resources and average peak monthly usage. He noted the addition of gas storage plus the ability to interrupt. If everyone were interrupted, we would be able to cover average usage in most of the summer months but not any winter months. Mr. Smith continued with a breakout of existing storage assets that included interruptibles. He noted total back up gas supply of roughly 13,700 and peak of 23,000, still making us 10,000 short. He pointed out current withdrawal of 4,900 per day from storage, noting that ESS gets drawn down quickly, while WSS and GSS take a long time to deplete. Mr.

Smith stated that the current requirement for winter peak is roughly 23,000 per day; back up assets represent about 13,700 broken out into storage and interruption. He reported that the two additional assets being looked at are Petal Storage for an additional 6,600, and peaking service that would be flexible and could add as much as we want. He noted that they are looking currently at 7,000 to 10,000 per day to make up a lot of winter backup. Mr. Smith clarified that the proposal would add the Petal Storage of 6,600 per day, and the peaking service that would be determined each year to existing resources. Commissioner Monaghan asked if interruptibles were only interrupted in a dire emergency. Manager Reeves clarified that was not necessarily the case; they get a break on their rate for our right to interrupt them. We don't want to spend a great deal of money in storage to make sure they do not get interrupted and then give them that special rate at the same time. Mr. Patrick added that in effect if you did pay more money for storage to cover them, your firm customers would pay that cost of the storage. Mr. Smith stated that you would expect those firm customers to pay the cost of the storage, but not the interruptible. Mr. Patrick stated that the interruptible should pay the cost of the storage for the firm customers, not to protect the interruptible customers. Mr. Smith continued that ultimately how much you interrupt would be a function of the type of emergency. There is a balance because we would like to keep them on, but on the other hand, they have agreed to be bumped out so they are a resource to use. Mr. Smith explained the benefits of expanded storage which is to improve daily deliverability and supply flexibility, and financial benefits to offset price spikes by withdrawing lower cost gas. He stated that gas is also a short-term physical hedge that is the compliment to NYMEX hedges. Mr. Smith pointed out that volumes were modified for Petal Storage and they are now looking at a smaller quantity of 99,000 Dth rather than 225,000 as reported at the last presentation. Withdrawal rights are 6,600 Dth per day versus 15,000 before so pricing has not changed. Mr. Smith provided an updated chart showing the Petal Storage withdrawal profile. He pointed out that 11,504 can be withdrawn for eleven days and 7,600 for another five days, then it drops to 1,000 for roughly sixteen days of emergency supply. Mr. Smith provided a peaking service overview showing that the cost as configured now for 17,000 per day for November to March and 10,000 for December, January and February would cost roughly \$40,000 per year. Compared to storage, peaking service is relatively inexpensive. Because we can revisit it every year, the commitment to peaking can be modified based on actual needs. Mr. Smith pointed out that another benefit of peaking service would be the ability to start this winter, whereas Petal would not start until April of 2011. He stated that because peaking service would provide delivered gas, we would have unused transportation capacity that could be released to someone else so that some benefit could be

captured by selling unused transportation. With storage you are presumably withdrawing lower cost gas; with peaking you are getting daily priced market gas. Mr. Smith showed seasonal storage withdrawals versus monthly peak usage as well as the risks to gas supply of hurricanes in summer and storms in winter. Mr. Smith provided three different scenarios of the backup supply profile with Petal and Peaking with 0% interruption, 50% interruption, and 100% interruption. He pointed out the more likely scenario of interruption would be comparable to 50%. Mr. Patrick pointed out that 100% interruption would seem to be the most relevant chart from a financial standpoint if you are trying to put the costs where they belong. If the firm customers are going to pay for this, which seems to be the case, then they ought to get the benefit of being able to interrupt 100% of the interruptible, unless you go out and allocate some of this cost to interruptible. Mr. Smith stated that would be determined; the Petal piece is something that is fixed and if you want to presume 0% interruption, then peaking could be reduced or increased to accomplish that. Mr. Patrick stated that interruptible are the same thing as storage or peaking. Chairman Hancock said that it was the same, but if you bought the peaking service for the interruptibles, that would have to go in their costs. Mr. Barnett commented that a small portion of the transportation demand charges are picked up by the interruptibles. Mr. Patrick asked if they pick up any part of the storage or peaking costs. Mr. Barnett responded that when they are interrupted that throws more of the demand cost of the transportation back on the firm customers. Mr. Patrick stated that it would seem that if you are going to buy peaking or storage to protect the interruptible customers, then they should pay for it. Mr. Barnett agreed that they should pick up a portion. He continued that there are two pieces; part is that the charges to maintain from the city gate to the whole rest of the system when you interrupt it lost. Commissioner Monaghan stated that would need to be weighed in the percentage of interruption, and against how much peaking service you get because there is a financial impact to the rest of the system when they are off. Mr. Smith stated that the way it was configured, it turns out that the opportunity cost of interrupting the interruptibles amounts to about the same as the peaking service or about \$40,000 per year. The way it works out, the demand charges for the Petal would go into the PDC so the interruptibles would be paying some of the cost of the Petal through the PDC. Mr. Smith stated that it is possible to interrupt 100%, but would likely be less; a reasonable scenario based on history would be to base the plan on 50% interruption. Mr. Smith provided an updated chart of storage capacities with Petal and peaking going from 4,900 per day to as much as 21,500 with a peak of 23,000. Mr. Smith pointed out demand charge costs for Petal Storage of \$297,000 per year that had been \$697,000 in the previous presentation. He stated that roughly \$400,000 was traded in for

peaking service at a cost of \$40,000 that would still serve our purposes. The total proposed cost would be roughly \$337,000 depending on the peaking service. Mr. Smith provided storage cost offsets noting that with peaking service there is not much ability to recover costs. Storage costs can be recovered through inter-season spreads and intra-season spreads somewhere in the range of \$165,000 to \$305,000; demand charge costs for Petal and peaking service would be approximately \$337,000. Mr. Smith concluded with a recommendation as follows: commit to Petal Storage as the fixed component with other tools available such as interruption and peaking service to be configured on a yearly basis; for the next two winters determine in advance how much peaking service is appropriate based on loads and weather expectations; in 2011 – 2012 once the Petal Storage comes on line, take Petal Storage into account when determining peaking service needs; evaluate opportunities to obtain temporary Petal storage as they arise between now and April 2011; and develop and seek approval for a new gas storage management policy. Mr. Patrick asked about a cost comparison with what is being recommended by customer class versus what was provided on August 13; Mr. Smith responded that was not done this time; however, it would be roughly half what it was before. Mr. Patrick commented that a typical residential customer would pay an extra \$2 more per month, and a typical firm industrial would pay around \$400 to \$475 per month extra each month for the year. Mr. Smith responded that was correct. Commissioner Monaghan asked how often in the past we had run out of gas after interrupting. Manager Reeves responded that it had not happened in the past eighteen to twenty years; the propane plant had only been run about twice. Commissioner Monaghan inquired about the probability of running out of gas if nothing was done. Chairman Hancock noted that it would be a gamble without some kind of storage; you are buying insurance so you can sell gas. Mr. Smith referred to the chart showing current ability to back up supply with no interruption and the risk with where we sit right now without peaking or Petal. Mr. Patrick noted that the risk is certainly greater in September, October and November and runs over into December with hurricane season; winter storms can be more temporary interruptions but are not likely to take out platforms, etc. Mr. Smith agreed that a winter storm would only be for a duration of days whereas the impact from a hurricane could be weeks and months. Commissioner Monaghan asked if enacting the recommendations would provide tools to obtain better pricing. Mr. Smith responded that it would to some degree because storage would give some ability to offset pricing if they do well managing the storage. Mr. Patrick clarified the reasons for using some Petal storage instead of all peaking services after noting that peaking is cheaper. He continued that storage gives some opportunities to buy low and sell high. Mr. Smith responded that it

gives the ability to capture those opportunities but also some operational benefits in terms of balancing that peaking does not. Mr. Smith recommended approval of Petal storage with the understanding that they would follow up with something later on peaking. Commissioner Watts asked when actual payments would start should this be approved today. Mr. Smith responded that it would be a five-year commitment beginning in April of 2011. Chairman Hancock noted that opportunities to buy storage do not come along very often. The Commissioners expressed appreciation for the presentations.

A motion was made by Commissioner Monaghan to approve gas storage acquirement as recommended; the motion was seconded by Commissioner Watts, and unanimously approved.

VI. Other Business:

1. Manager Reeves reminded the Commissioners of a pre-bid meeting for the next CDBG grant project at 3:00 p.m. that afternoon at the operations center.
2. Manager Reeves informed the Commissioners of a request coming through an e-mail from Mr. Steve Brown at the City where the fire chief is asking to put a telecommunications tower on the Fair Street water tank. He recalled an earlier request coming from the County for a different tank. Mr. Chapman noted this as the oldest tank located near the City shed. Manager Reeves noted that only our own equipment is on the tank now; it would be stated in the agreement that their tower could not interfere with our equipment. Manager Reeves asked about inclusion in the exchange of checks; the Commissioners agreed that it would not be included. Mr. Patrick inquired about any demand from other cell phone companies who would be willing to pay; Manager Reeves responded that there was no interest in this particular tank, and the odds are that they would only be interested in those tanks in further reaching areas.

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

4. Commissioner Monaghan inquired about the request from Lander. Manager Reeves responded that cost information was just received and would be on the next agenda.

5. Commissioner Monaghan inquired about the status of the next joint meeting with the City. Manager Reeves responded that the last date given to them was September 15 and nothing had been heard back from Mr. Barrineau.
6. Commissioner Monaghan inquired about the status of the agreement for the Federal Center; Manager Reeves responded that Mr. Barrineau is working on the language for a legal agreement.
7. Commissioner Watts inquired about the status of the current water line project. Mr. Cometto responded that it is approximately 50% along. Commissioner Monaghan inquired about shovel-ready projects; Mr. Cometto responded that there are two projects, the CDBG that is also a bond project so it is actually two projects in one. Mr. Chapman stated that the water plant has plans drawn and permits being applied for to be able to have other shovel-ready projects in the event that additional grant or stimulus money is identified. Commissioner Monaghan inquired about anything from the man in Washington; Manager Reeves responded that they were discussing earmarks for future funding for ongoing projects in the budgets. Mr. Chapman noted that the first earmark was around \$900,000.
8. Mr. Gentry reported on the continued effort to search for grant opportunities.

VII. Executive Session:

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

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

Approved: _____, 2009

Secretary