

COMMISSIONERS OF PUBLIC WORKS
Minutes of November 19, 2009

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, November 19, 2009 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

Gene P. Hancock	Ken Barnett	George Petersen	Vicki Knott
Michael G. Monaghan	Jeff Elliott	Chris Lindley	Stacia May
Henry O. Watts	Jeff Auman	Jeff Chapman	Bill Patrick
	Denise Ogletree	Richard Gentry	Vickie Gorham
	Jerry Smith	Jeff Meredith	Chris Trainor
	Allison Holland	Carlos Cometto	David Tuck

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. Executive Session:

A motion was made by Commissioner Monaghan and seconded by Commissioner Watts to go into *Executive Session* to discuss contractual and personnel matters; the motion was unanimously approved.

The meeting returned to open session.

IV. Approval of Minutes:

A motion was made by Commissioner Monaghan to approve the minutes of the regular meeting on October 8, 2009, and the regular meeting on October 22, 2009; the motion was seconded by Commissioner Watts, and unanimously approved.

V. Business:

A. Mr. Jerry Smith referred to a request from Eaton to transport customer-owned gas through the CPW Rate Code 3500. He noted that that there is a tariff but currently there are no transport customers. He continued that a qualified supplier had been retained by Eaton and they would like to start transporting on December 1, 2009. The current tariff provides a basic rate structure but

does not address operational issues related to transport imbalances and penalties. Commissioner Monaghan asked if the hospital bought their own gas; Mr. Smith responded that they do not and are buying first of month index. He continued that Eaton is currently served under Rate Code 3200 at a firm commercial rate, using approximately 50 Decatherms per day with a fairly flat load profile and are likely to incur fewer imbalances. This makes them a good candidate to be the first transport customer because at 50 Decatherms a day, they are fairly small so there would not be much of an impact on other customers if they get out of balance. Commissioner Monaghan asked about any advantage of Eaton becoming a transport customer. Mr. Smith responded that the idea would be that they could deliver gas to our city gate at a lower cost than we would charge them on our firm commercial rate. Mr. Barnett added that because of the rate structure, there is no real impact one way or the other on CPW because we pass through the cost of gas; the rate structure for all other cost on our system is relatively the same in this rate structure as any other. Commissioner Monaghan asked about recovery of overhead. Mr. Smith responded that the distribution charge for gas transportation would be recovered from our city gate to their meter. Mr. Barnett pointed out that they would not be using our transportation; the small piece of demand charges for power capacity would not be in this rate. Mr. Smith continued that they would deliver it to our city gates and we would re-deliver to them. Mr. Patrick summarized that in effect, they would have an agent or broker to purchase the gas for them and make arrangements with Transco to get it to our city gates; then we would get it to their plant and charge them a distribution charge or transportation charge. Mr. Smith responded that was correct. Commissioner Watts asked if this would be for all Eaton facilities; Mr. Smith responded that it would only be for the Laurens Highway location. He noted that a phone line was installed in order to communicate directly with the electronic meter; some configuration programming was done on the AS400 system because customer-owned gas requires daily accounting for usage, nominations, and deliveries. He stated that a document was developed specific to Eaton to address handling of imbalances and associated penalties. This was one of three documents developed including an amendment to modify the language to the industrial distribution service tariff; and also, an agency authorization form they would fill out to notify us of their designated agent or supplier. Then, a customer agent agreement that the supplier completes to basically qualify that supplier's credit, that they can do what they are supposed to do, and are accountable in case of a penalty or an imbalance. He stated that CPW needs to have the security of knowing they would pay for it. Mr. Smith summarized the proposed treatment of imbalances. At the request of Commissioner Monaghan, Mr. Smith then provided an example of an imbalance. If they are

short and used more than was delivered, they would take our gas; we would charge them our PGC, plus the PDC, plus the distribution charge. Mr. Patrick clarified "short" as meaning that they are short on their deliveries to our city gate versus what they burned or took. Mr. Smith provided an example whereby they burned 100 Decotherms and only delivered 90, we would be providing them 10 Decotherms. In that case, that would be a 10% imbalance. For imbalances from 3% to 10%, we would add a 15% penalty on top of that; for imbalances of 10% to 15% it would be a 30% penalty; and a 50% penalty would be added for imbalances above 15%. Mr. Smith pointed out that they would have the entire month to track things, so as long as they are paying attention, it should not be a problem. They would know the balance and should be able to true-up pretty close to zero at the end of the month. Mr. Patrick noted there would be a problem for CPW should they take more than they delivered during cold periods. Mr. Barnett added that we are not planning for any of that and they are agreeing to that when they go under this rate code. Mr. Smith added that firm customers are under our umbrella of core customers and we are committed to providing firm service; when they transport their own gas, they go outside of that umbrella and do not have the protection that goes with it. Mr. Smith recommended authorizing use of the amendment as drafted, as well as use of the other documents in support, with a start date of December 1, 2009. He stated that the expectation would be to come back later with modifications to the tariff itself and further adjustments after some operational learning time. He pointed out that in working with their supplier and energy manager, who have done some analysis of our rate structure, there is still a possibility they will say they do not want to move ahead with it if they find it is not economical for them. Commissioner Monaghan asked about the economic impact of Eaton buying their own gas, and how they can buy gas cheaper than CPW who buys at bigger volumes. Mr. Smith responded that volume does not really make a difference; years ago it did, but the difference would be so small that it could not be measured. He continued that it is a gamble for Eaton that they can buy gas and transport it at a delivery cost below our PGC. Mr. Barnett added that they only think they can buy and transport cheaper; we do not necessarily believe that they can. Mr. Patrick added that their broker is telling them that he thinks he can buy gas for them cheaper and get it delivered. When they start analyzing all of the costs, they may well conclude that by having the protection of our firm service and paying the firm rate, they will come out just as good, if not better, than when they start paying for the gas and paying Transco and anybody else they have to pay to transport through, as well as paying our transportation charge. Mr. Smith stated that they have probably been told there is a pot of gold at the end of the rainbow and are now trying to figure out just how much there is. Commissioner Monaghan asked if there would be negligible

economic impact on CPW if we go through with this. Mr. Smith responded that the official position is that we are supposed to be indifferent to whether or not they are a firm customer or a transport customer because we are getting our money either way; we still recover the distribution charge and are indifferent. Mr. Patrick noted that the tariff was put together so as to look at the cost needed to recover for transportation within our system, to cover the cost that should be covered for hauling gas for them and to pay for their share of the pipeline, etc. Mr. Barnett stated that was how the tariff was originally developed. Commissioner Watts asked about adding in their other facilities. Mr. Smith responded that the other facilities are not configured so well; in fact, one of them does not use enough gas to transport and would not qualify. The other facility's load profile is much different. The Commissioners expressed their understanding and agreed to proceed.

A motion was made by Commissioner Monaghan to approve the recommended amendment with the understanding that the agency authorization and other agreement would also be used administratively; the motion was seconded by Commissioner Watts, and unanimously approved.

- B. Mr. Smith provided an update on winter gas supply, along with information on opportunities to improve system reliability and deliverability. He noted three recommendations would be provided along with information on the winter outlook, a review of gas resources and requirements, revisiting some charts provided at a previous meeting, an option for firm transport on CGT, a capacity release plan, and peaking service. Mr. Smith stated that the private winter forecast from AccuWeather is calling for relatively cold weather in the southeast and along the eastern seaboard. He added that according to the report, it will not be dramatically colder, but there could be periods of severe storms with snowstorms hitting Interstate 20 and possibly closing it. He noted that no trace of winter had been seen at this point. Mr. Smith continued that the winter forecast from the government (NOAA), paints a similar picture; if we believe these forecasts, we would expect winter to be relatively cold or at least to have relatively cold periods and possibly severe cold. He provided a chart that summarized transportation assets, peak utilization by month, and average monthly usage, as well as current storage resources and assets, plus the ability to interrupt industrial customers. He noted that in a worst case scenario with the way we sit today, we could interrupt in January and recover about 13,000; with peak day usage of about 23,000 there would be a gap. He continued with a table outlining two issues, the first being the transporting of gas and other with gas supply. He explained that gas supply is having the gas and being able to move it; transporting is actually moving it. Mr. Smith provided a chart showing remedies, and noted that transportation

is largely dependent on Transco right now, with a limited ability to backhaul gas. We can get interruptible supply from CGT but there is not a contract; we can interrupt. For gas supply we can pull on storage and have the option for peaking service. Commissioner Monaghan asked what was meant by backhauling gas; Mr. Smith responded that there is some storage in Pennsylvania and if we were to pull that out, it would be backhauled because it is going counter-directional (north to south). He noted that peaking service would be the first choice option for gas because that does not affect anybody. Mr. Smith's first recommendation was as follows: because of the weather forecast with expected periods of supply disruptions and price disruptions, releasing only one firm FT contracts on a non-recallable basis; all other releases would be done on a recallable basis. In addition, release firm capacity on a month-to-month basis since more value might be derived in months where capacity values are greater with the cold weather month-to month rather than for the whole winter. He referred to a chart showing release on non-recallable basis noting that would not be needed, even under the worst scenario. Everything else would be on a recallable basis and one month at a time. Mr. Smith then noted a customer meeting a month ago at which time notification was received that the City of Union has given back its capacity to CGT. They have about 500 Dth/day in winter, and 325 in summer. Because the 325 is lower in the summer the overall demand charge is lower in the summer and if we wanted, could obtain this capacity with a commitment of one year. Basically, we would try it out for one year and revisit it at the end of the year. At that time, volumes can be expanded and the term could be extended. He noted all are conditions that normally do not happen. Mr. Smith then referred to a system map showing two inter-connects; the primary inter-connect with Transco at Ware Place, and a secondary inter-connect. He stated that the primary inter-connect has a 12-in. line that is at 700 lbs. Right now, all gas flows from this primary point through the pipeline down into Greenwood. Mr. Smith noted that the secondary point would only be used for back up if there were a problem with the primary and is a smaller line with lower pressure. He noted a third connection at CGT that is not currently used. He pointed out that it is about forty miles down to Greenville; should there be a problem, from a strategic point of view, even a little bit of gas coming from the South end could really help out with gas control. There is an inter-connect there, but we do not use it because there is no contract. Mr. Smith noted an annual cost of about \$37,000 to obtain the capacity, adding that is relatively inexpensive, given the fact that the benefit could be substantial in an emergency. He stated that an additional 500 Dth from CGT permits CPW to release additional Transco capacity on a recallable basis. He noted the benefits of CGT Firm Transfer including: providing diversity of supply; pressure/flow support at South end of system; additional volumes

above FT quantities on interruptible basis; reduced need for peaking service because of supply diversity; and providing for additional capacity in case of system expansion. Mr. Smith recommended the following: commit to 500 Dth/day (winter), 375 Dth/day (summer) of firm transportation capacity on CGT. Chairman Hancock asked Mr. Smith to find out about equalizing the BTU with propane now that the propane plant had been removed and how LNG figured in the system. After noting that the main lines had to be odorized and the removal of the odorization station, Chairman Hancock asked how that would be handled. Mr. Smith responded that he would get back with Chairman Hancock with answers to both questions. Mr. Smith noted that deliveries from Elba Island are intermittent so BTU should not be an issue. Mr. Barnett added that the connection point was upgraded three or four years ago for use in an emergency, but they did not think about the odorization. Mr. Smith stated that a station could be put there if needed. Mr. Smith continued with the recommendation which was to commit to pick up the transport on CGT for a one-year commitment to give a live connection on the South end of the system, at a cost of \$37,000 per year. Mr. Smith then provided an overview of peaking service, noting that the volumes needed and the duration for the winter months had been defined now. He stated that the quote for the coming winter was around \$50,400. Mr. Smith provided a chart showing peak gas supply sources and utilization of peaking service by monthly volumes, the extent to which interruptible industrials could be interrupted, and storage withdrawals. He commented that the peaking service would be tapped first. Mr. Smith showed an annual chart with peaking services, and how that would supplement and complete the ability to match peak loads on an emergency basis to fill in the deficiency we have. Mr. Smith's third recommendation was to commit to peaking service as outlined to provide supplemental gas supply in case of a gas supply emergency, at a cost of approximately \$50,000 for winter 2009-2010. Mr. Barnett recapped the three recommendations as follows: a capacity release plan to basically have one chunk for winter and everything else month by month; to do the annual contract with CGT for capacity at the South end at a cost of \$37,000; and the peaking service at a cost of \$50,000.

A motion to approve the three recommendations as presented was made by Commissioner Monaghan and seconded by Commissioner Watts. Chairman Hancock asked about SCANA transportation cost from Southern Natural to CPW. Mr. Smith responded that had not been worked out yet, but the expectation was to buy on a delivered basis. They would have a receive point at Aiken, SC and move it on CGT from there. Mr. Barnett clarified that the \$37,000 cost is for the capacity to move it from the point at Aiken and up. With no further discussion, the motion was then unanimously approved.

- C. Mr. Barnett presented recommendations for bid items opened at the previous meeting.

E-1-2010 – Electrical Annual Blanket Purchase Order Items (including HPS lamps, house meters, duplex wire, triplex wire, primary wire, and photo cells) Mr. Barnett noted that in each case, the low bidder is recommended. Chairman Hancock pointed out only one bid was highlighted on the bid recommendation form, and that was Shealy Electrical. Mr. Meredith clarified that his memo that accompanied the recommendation form also included taxes and the dollar figures recommended for approval are: \$14,439.65 to HD Supply for items A, B, C, and F; \$14,573.40 to Shealy Electric for Item D; and \$38,151.92 to Line Equipment Sales for Items G, H, I, and J. Mr. Meredith added that they went with the low bidders that had firm pricing on the wire.

A motion was made by Commissioner Watts to approve the bids as recommended for A, B, C, and F to HD Supply; Item D to Shealy Electrical; and Items G, H, I and J to Line Equipment Sales; the motion was seconded by Commissioner Monaghan, and unanimously approved.

E-3-2010 – Lights for Library, Long Alley, and Theater – Mr. Barnett presented a recommendation from staff to award the bid for decorative lights and poles at a cost of \$44,659.66, including tax to Shealy Electrical.

A motion to award the bid to Shealy Electrical as recommended was made by Commissioner Monaghan, seconded by Commissioner Watts, and unanimously approved.

E-4-2010 – Lights for Library and Oakland Elementary – Mr. Barnett presented a recommendation to award the bid for concrete bases to Line Equipment Sales in the amount of \$9,276.90; fiberglass poles to Shealy Electrical in the amount of \$8,253.71; and decorative lights to Wesco, Inc. in the amount of \$7,670.40. In each case, all are low bidders.

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

W-1-2010 – Water Meters (Annual Blanket Purchase Order Items) – Mr. Barnett presented a recommendation to award the bid for water meters to Carolina Meter. He noted that Carolina Meter included the ERT's as requested; the other bidder, Ferguson Waterworks did not. Mr. Chapman explained that the two bidders were the only two deemed qualified to bid.

Commissioner Monaghan asked for an explanation of why there were only two. Mr. Lindley explained that there are two different types of meters, Badger and Census; Carolina is the only vendor that can supply the Badger and Ferguson is the only vendor that can supply the Census brand. Ferguson cannot supply the Itron ERT portion of the meter which is what the hand-held system reads and therefore, could not quote the complete package. Mr. Barnett continued that of the two bidders, the only one that actually bid the complete package is Carolina Meter and that is the recommendation.

A motion to approve the bid from Carolina Meter as recommended was made by Commissioner Watts. Commissioner Monaghan asked if Carolina Meter was a distributor. Mr. Lindley responded that they are the Badger distributor for this part of the southeast; in the past we have gotten quotes from Carolina Meter's sister company, but those were token quotes with no plan to win the bid, so they deemed there was no point in sending anything to them. Chairman Hancock noted there are only two kinds of water meters; it would cost a fortune to stock parts and there will not be a lot of bidders on meters. With no further discussion, Commissioner Monaghan seconded the motion made by Commissioner Watts, and the motion was unanimously approved.

W-2-2010 – Hydrants and Yokes (Annual Blanket Purchase Order Items) – Mr. Barnett presented a recommendation to award the entire package to Mainline Supply; Mainline was the lowest bidder on eight of the ten items, and the 1% savings to be achieved by “cherry picking” would not be worth the administrative costs.

A motion was made by Commissioner Monaghan to award the bid to Mainline Supply; the motion was seconded by Commissioner Watts, and unanimously approved.

W-3-2010 – Valves, Kits, and Mega Lugs (Annual Blanket Purchase Order Items) – After noting a little more difference by “cherry picking” with this group of items, Mr. Barnett presented a recommendation to approve the water valve boxes to the low bidder, Atlantic Supply; Ferguson Waterworks be awarded the bid for the ¾ inch. Commissioner Monaghan asked for clarification; Mr. Chapman commented that “cherry picking” was being recommended in this instance in order to award the low bidders and encourage competition and continued bidding. Mr. Barnett noted that each one shown in green on the bid recommendation form was the low bidder. Commissioner Monaghan stated that as a matter of principal and practice, he really hated “cherry picking” unless there is an outrageous difference. Commissioner Watts noted an overall difference of around \$2,000. Mr.

Chapman stated that the thought was to reward the low bidders and encourage their interest in bidding so that we were not going with just one company. Commissioner Monaghan asked about history. Mr. Lindley stated that with water items, there is a group of about five vendors that competitively compete for our business; there are probably two or three of those that rank a good bit higher than the others. The main motivation and only reason to "cherry pick" would be the difference in the total package, and that decision would be up to the Commissioners; if they feel the difference is small enough to not "cherry pick", there is no issue with that. He continued that with the amount of dollar difference, they felt they should at least recommend "cherry picking" so that it is up for discussion and decision of the Commissioners. Chairman Hancock indicated a desire to purchase as cheaply as possible. Commissioner Monaghan asked about doing business with the total package low bidder, Tec Utilities; Mr. Lindley responded that they are one of the main five vendors dealt with on a weekly basis. Mr. Petersen noted that all are suppliers with which we routinely do business. Commissioner Monaghan stated that his experience had been that people will "low ball" on certain things, so you should look at the whole package. Mr. Barnett noted that roughly \$2,000 was the difference with "cherry picking" and the total package with Tec Utilities. Mr. Chapman stated there was no objection at all with going with the total bid package. Mr. Lindley noted a total price with "cherry picking" of \$66,244.39; buying from one company would be \$67,434.35, so in looking throughout the whole year that is not a lot of savings.

A motion was made by Commissioner Watts to accept the low bidder from each company as recommended; the motion was seconded by Chairman Hancock. The motion passed by a vote of two to one, with Commissioner Monaghan voting "no".

Workstation Replacement – Mr. Barnett presented a recommendation to purchase PC's from Dell, the low bidder. He explained that Mr. Auman had intended to put the bid out for 28 units; however, the package asked for only 21 units. The recommendation is to purchase 28 PC's from Dell at the same price per unit as was bid on the 21 units. The total package for 28 PC's would be \$20,948.34, including tax and shipping. Mr. Barnett noted that the only difference would be to purchase 28 PC's rather than 21. Commissioner Watts asked about the number budgeted for; Mr. Auman responded that thirteen were budgeted when they were trying to cut the budget last year. They did not spend as much on network equipment as anticipated this year; permission has been requested to move that money over into this category to replace them.

A motion to purchase 28 PC's from Dell was made by Commissioner Watts. Commissioner Monaghan stated that he would not approve any purchases until an overall plan was provided as previously requested. Chairman Hancock stated that this purchase was covered at the last meeting, so far as a recommendation. Commissioner Monaghan stated that he had requested a long-range plan at the last meeting. Commissioner Watts noted that request came after they had already voted to purchase the 28; Mr. Barnett clarified that a long-range plan was requested at the last meeting and is still due back to the Board. Chairman Hancock added that Mr. Auman was following the recommendation from VC3 following their audit. Mr. Auman noted that it was not possible to provide a long-range plan in just one week's time. Commissioner Monaghan stated that it could have been done over some period of months or years and had not been seen. With no further discussion, Commissioner Monaghan seconded the motion, and the motion was unanimously approved. Commissioner Monaghan asked for a timeframe to receive a long-range, ten-year plan and asked Mr. Auman to consult with various department managers.

VI. Other Business:

1. Mr. Barnett reported that Mr. Russell Holley, the CPW project manager for the renovations at the main office building, was asked to obtain a quote from Town and Country while they are already on site. Mr. Barnett noted that two of the bathrooms downstairs are in need of a good bit of work, and that a thirty-day quote of \$12,388 was provided. He noted that the quote includes new fixtures and tile. Mr. Barnett added that this appears to be a good price given that a quote in excess of \$9,000 was obtained back in August of 2008.

A motion to approve renovations to two bathrooms at the Gene P. Hancock Administrative Building was made by Commissioner Monaghan, seconded by Commissioner Watts, and unanimously approved.

2. Mr. Gentry reported that addresses and survey packages are being put together for the upcoming CDBG Grant; door-to-door surveys are about to begin to about 300 homes.
3. Commissioner Monaghan noted receiving several compliments for serviceman in both the gas and water departments and especially on the quality of service, knowledge, and courtesy.

4. Chairman Hancock asked if anything was heard from Belle Meade regarding a sprinkler that was never billed. He added that he referred them to Manager Reeves. Ms. Holland responded that a call was received regarding a sprinkler at the entrance to the subdivision; the water ERT meter was not picking up their usage so they were billed the minimum for several months. When they called to have the meter turned off, the meter was read, and they were called when we had to bill them for all of the unbilled usage. Commissioner Watts inquired about checking meters periodically to be sure the ERT is reading correctly. Mr. Chapman responded that the water department goes out and tests if there is a discrepancy or a problem. As far as meter readers, if a meter reading does not change for several months, they issue a work order for a meter check. Mr. Auman added that one project for the upcoming year is to make the system kick out a report on any meters that get repeated readings so that someone is prompted to go out to check and determine if it is legitimate.

5. Commissioner Monaghan pointed out that a recent article about CPW Cares in *The Index Journal* had correct information on customer contributions; however, the part about CPW allocating \$20,000 in matching money was not included. If that money is not matched, we give United Ministries the balance anyway. Mr. Trainor responded that he was waiting until the inevitable time when that happens since every year CPW ends up contributing what remains.

6. Mr. Barnett noted mention at the last Board meeting about a group of people looking to replace their septic tanks with sewer where there might be a grant out of Ninety Six. Commissioner Monaghan stated that it was the Federal Ninety Six District; Mr. Gentry added that it was the Resource Conservation District. Mr. Barnett continued that Mr. Gentry had tracked the lady down but had not yet talked with her.

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

Approved: _____, 2010

Secretary