

COMMISSIONERS OF PUBLIC WORKS
Minutes of February 9, 2012

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, February 9, 2012 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

Gene P. Hancock	Steve D. Reeves, Jr.	Jerry Smith	Bill Patrick
Michael G. Monaghan	Ken Barnett	Jeff Auman	Stacia May
Henry O. Watts	Eduardo Noriega	Jeff Chapman	Chris Lindley
	Carlos Cometto	Richard Gentry	David Tuck
	Jeff Meredith	George Petersen	Wayne Bartley
	Vickie Gorham	Vicki Knott	

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

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

III. Business:

A. Manager Reeves presented a recommendation to approve an agreement for annual software service for SCADA in the amount of \$11,591 with CGA, adding that it was formerly done with QEI. Mr. Meredith explained that QEI is the same company but had changed names; this is the annual software and hardware maintenance agreements for the SCADA system.

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

IV. Other Business:

1. Manager Reeves informed the Commissioners that only \$4,428 of the \$20,000 allotted had been contributed to the CPW Cares Program, likely due to the mild winter weather. The Commissioners agreed to wait until April to make any decision on the balance.

2. Mr. Smith provided an update on natural gas futures and forward positions for 2012. Mr. Smith noted that the information was now in the daily reports, but the chart had been modified based on recent transactions. He noted that

the chart mainly illustrated option collars, and summarized the current hedge position for each month and futures. He reported that with option collar protection, call options are owned at \$2.80 and we do not pay more than that price. The \$2.80 call is the upper end of the collar; the \$2.40 put sold is the bottom end. He noted an advantage with the premium on the option ending up at about \$0.20, so we are indifferent at \$3.00. A couple of months are slightly above that, but the \$0.20 premium ends up only costing \$4,000 per month. Mr. Smith stated that is fairly inexpensive, giving us gas at \$2.80, or netting out at the premium at \$3.00. He commented that hedge prices shown do not include the options because the effect is unknown. The volumes do reflect the option protection, so we are fairly well covered for summer, and the outlook is that prices will not be running away upward any time soon. If they do move up somewhat, we are protected. Chairman Monaghan stated that some commentaries expect prices to rise. Mr. Smith responded that something needs to make them rise; if the economy continues to improve, or industrial demand. He concluded that this gives protection in case prices do move higher. He continued that there is some winter coverage beginning in December through February; they purchased earlier through November, then December was the new position at the lower price. He stated that they would probably add to the winter position in the next couple of weeks, depending on how things go. Chairman Monaghan asked about the level of pricing in storage. Mr. Smith responded that it depends on which storage piece, explain that GSS and WSS is around \$6 and had been that for a while. Currently, they are withdrawing some gas out of GSS because they have to seasonally, which is good because they pull out expensive gas and can replace it with cheaper gas. Petal weighted cost is unknown, but they were injecting below \$4, so it is probably around \$3.60 or \$3.70. Chairman Monaghan asked when the least impact would be to withdraw in order to mitigate high prices; Mr. Smith responded that would easily be something you want to do in winter. They just calculated the cost of gas for February and because gas volumes are much lower than normal for this time of year, there is smaller volume to spread out costs of transportation and storage; PDC charges were 50% higher than two months ago because the fixed costs are being divided by a smaller volume.

V. Executive Session:

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

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

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Approved: _____, 2012

Secretary