

COMMISSIONERS OF PUBLIC WORKS
Minutes of January 9, 2014

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, January 9, 2014 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

Arthur C. Bush	Steve D. Reeves, Jr.	Jerry Smith	Bill Patrick
Michael G. Monaghan	Teresa Lake	Greg Shaw	Stacia May
Henry O. Watts	Eduardo Noriega	Jeff Chapman	Chris Trainor
	Carlos Cometto	Wayne Bartley	
	Jeff Meredith	George Petersen	
	Vicki Knott		

- I. Chairman Watts called the meeting to order. The invocation was given by Commissioner Bush.
- II. Chairman Watts gave the statement of compliance with the notification provision of the Freedom of Information Act.
- III. Business:
 - A. Manager Reeves recommended approval of the low bid from Southern Cathodic Protection, in the amount of \$9,757, for a transmission integrity management plan in the gas department. He noted that maintaining this plan is a federal requirement. Commissioner Bush asked what the plan entails. Mr. Noriega explained that gas transmission lines are different than distribution lines. New regulations were passed about eight years ago requiring a specific and detailed plan of inspection for those lines. They must identify how many people live along the line, and depending on how many people live along the lines, it becomes a specific zone. Depending on the number of homes, the lines could need to be dug up and visually inspected. He added that a lot has been learned since the regulation began eight years ago, and the feeling was that a better manual was needed. Step one is to put together that written document; once that is in place, step two of the plan is to then identify the zones and go through the physical work prescribed in the manual.

A motion was made by Commissioner Monaghan, seconded by Commissioner Bush, and unanimously approved.
 - B. Chairman Watts noted that Item B. shown on the agenda would be discussed during *Executive Session* as a contractual matter.

- C. Manager Reeves recalled that staff was authorized at the last meeting to go back out for unit price bids on timber rather than the lump sum bids that were received. He continued that based on the estimates from the consultant, Thompson, the unit prices came in at an additional \$68,000, if the timber estimates are correct. He noted that the Commissioners had also authorized acceptance of the bid at that time, adding that had already been done. Manager Reeves then requested ratification of that action for the bid from Foothills Forest Products, at an estimated total of \$268,093, after noting a variation in the bids, dependent on the location and volume of timber.

A motion to approve the contract with Foothills Forest Products for the unit prices, as shown in a memo provided, was made by Commissioner Monaghan; the motion was seconded by Commissioner Bush, and unanimously approved.

IV. Other Business:

1. Manager Reeves expressed appreciation to staff for the efforts and work over the past couple of days of extreme cold weather. He added that precautionary measures were taken on Tuesday to keep everyone inside during the morning hours, except when there was an emergency. Mr. Chapman reported that two 6-in. waterlines were broken and repaired, noting that the lines did not freeze, the breaks were probably due to ground freezing and shifting. Crews worked during the entire night on Tuesday. Mr. Chapman noted a spike in water pumping causing the pumping rate to increase by 3.5 million per day to catch up. He stated that easements and large waterlines were checked for leaks in places not normally seen by the public, with none found. Master meter customers in Ware Shoals and Ninety Six were also called, with no problems reported. He noted that most of the spike was likely caused by plumbing breaks on the customer side of the meter. Manager Reeves pointed out that the pumping rate had now returned to normal. Mr. Chapman commented on there being no real demand issues, and that they had still stayed well below permit capacity. Mr. Meredith noted some electric load shifting done on Monday night and monitored throughout the night. A circuit re-arrangement was done on Tuesday that leveled loads on one station. He noted a peak set of 61.5 megawatts. Generators ran at the main office and the COC to help keep the peak from going too high, and as a precautionary measure to reduce load. Mr. Smith noted no issues with gas supply; adjustments were made by bringing on the upgraded Belton station. He added that a fair amount of gas was pulled out of PETAL storage because it was cheaper than market gas. He noted evidence of Transco's upgrades

shown by the pressure off Transco of 700 pounds, and Tuesday of 600, that in the past would have been 500 or less. Commissioner Monaghan asked about the recent increase in gas prices. Mr. Smith responded that it was due to the cold weather; this also happened in April and May of last year. Gas prices ran up and at that time they discussed waiver from the policy to not buy because prices were high and then came back down. He stated that having storage available acts like a hedge because storage cost is lower. The more gas pulled out of storage, the more we avoid higher market price gas. He reported that the price went from \$3.50 to \$4.40 in about a month; they pulled out of storage at around \$4.40; and the price was \$4.15 this morning and may come down further. Mr. Smith added that puts were bought while prices were relatively high.

2. Commissioner Watts referred to departmental reports, and asked how the keyless entry works. Mr. Meredith explained that it works off badges, the same as now, only now they will be adding more doors at the main office. Chairman Watts noted gas going in on Old Laurens Highway and asked how they go about determining where to go next; Mr. Noriega responded that they look at the number of visible propane tanks; also, by demand as people ask when they see them working. The decision is based on demand and the number of propane tanks. Commissioner Watts asked about the SCRIA grant; Mr. Chapman responded that the South Carolina Rural Infrastructure Authority is the grant that was funded a couple of years ago. He noted two applications made since that time for water improvements on the Montague project, adding that an application for the third try would be hand-delivered to Columbia on the following day. He added that if the project is not picked this time, it is likely that it is not something they want to do. Manager Reeves noted that the Montague project is one that will have to be done; depending on the grant, the plan is to start either in fall or after the first of the year. Commissioner Watts asked about the new bill-pay site. Ms. Lake noted that Mr. Auman was out sick, and an answer would be provided by e-mail. Commissioner Watts asked about the agreement for power sharing with Duke Energy at the water treatment plant. Mr. Chapman responded that they are waiting on the final language in an agreement with Duke that was put together by the EPA and DHEC. EPA contacted DHEC, who decided that what we are doing with Duke will not be covered under the emissions, so we will not have to retrofit our generators to maintain the current agreement with Duke. He noted a due date of May 31 for the new legislation. Mr. Chapman further explained that Duke contacts us during peak demand times and asks us to run our generators, adding that they ran the generator during the past cold weather event on Monday and Tuesday. Mr. Chapman stated that they are waiting now on the final language, but should be in good shape,

according to Senator Graham's office. Chairman Watts asked about GASB 68. Ms. Lake explained that it will be implemented in 2015 or 2016, and that it deals with the South Carolina Retirement Fund. Currently, those funds are held with the Retirement System and we do not have to count anything on the balance sheet or financial statements that show the liability for our former employees or current employees for the retirement. Because of GASB 68, we will have to get a report from the state that tells us the percentage in the plan that belongs to us. The liability for our former and current employees in the system will have to be shown on the balance sheet as a liability. She noted that GASB 45 is for other post employment benefits (OPEB) received by employees and retirees, such as medical and Blue Cross/Blue Shield. Commissioner Monaghan stated that an accountant from Elliott Davis was of the opinion that the rating agencies would count this; Ms. Lake stated that there is nothing saying at this time whether they will or will not, the only thing that possibly makes us alright is the fact that every governmental entity throughout the United States will have to recognize this. She pointed out that the State of South Carolina Retirement System is not underfunded as much as some other states. Part of the liability that will have to be shown is the underfunded amount based on the South Carolina Retirement System. She continued that some changes have been made to the plan, such as increases to the percentages of employer and employee contributions. As interest rates go up and our money earns more investment income, that will also help to curtail the underfunding of the plan. Ms. Lake stated that the percentage that can be contributed to CPW that is underfunded for the whole state retirement plan will show as a liability on our financial statements, which will reduce our net assets or net position. The bond rating agencies look at the amount in the net position or fund balance to determine if you are able to pay bond liability, so that is where the bond rating agencies could possibly give a lower rating. The fact that they are comparing us to other governmental entities our size could help us not to have a lower rating. Ms. Lake noted there are no guarantees because our share is unknown at this point. Mr. Patrick asked how the share is determined; Ms. Lake responded that it will be by percentage of employees, and other factors, such as age. They will have to do actuarial reports at state level that somehow shows how to break it out using a formula based on number of employees and ages. There is no segregated money in the retirement plan; there is not a separate pot for CPW. There will have to be some type of third party actuary audit done to show us how to break that out. Mr. Patrick noted that although South Carolina is in better shape than some, it will still be a big number; Ms. Lake agreed. She added that with OPEB now, each year the net position is decreased by over \$700,000 just for other post employment benefits, so retirement will likely be even more.

V. Executive Session:

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

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

Approved: _____, 2014

Secretary