

COMMISSIONERS OF PUBLIC WORKS
Minutes of February 13, 2014

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, February 13, 2014, at 1:00 p.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	Jeff Meredith	Jeff Auman	Stacia May
Henry O. Watts	Eduardo Noriega	Jeff Chapman	
	Carlos Cometto	Wayne Bartley	
	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. Mr. Smith reported on the spring 2014 natural gas outlook, beginning with a review from May 2012. He recalled gas prices at that time had moved up, were not expected to remain high and did not. He noted some similarities with the current situation. He recalled pointing out in 2012 that the market price for natural gas may have turned a corner with a three-year average of \$3.63 and beginning to rise. He noted current prices are at \$3.53 and beginning to rise. Last year, spot market had moved from approximately \$3.30/Dth in February to \$4.40/Dth in April/May. This year it had gone from \$3.50 to \$5.70. Mr. Smith continued that at one point, the twelve-month strip prices had exceeded 2014 prices, then briefly shifted from contango, with higher forward prices to backwardation, with lower forward prices. He reported that the twelve-month strip is now \$0.38 above 2015. He then provided a chart showing the stock contract, the twelve-month strip, and 2014 price. Mr. Smith recalled that the discount price ended up going away, at which time they had talked about holding off on prices because nearby prices were inflating. Mr. Smith pointed out April and May prices from last year were at 16% above the three-year average, ending the year being a good guide for prices. He stated that the duration of price decline took about three months for the price inflation to get worked out from May/June to August/September. He noted the same duration when a couple of times the spot contract approached the twelve-month and 2015; almost every time that

happens, subsequent prices fall off. He showed the same chart today, whereas, before it was on either side of the three-year average; now it is 25% to 60% above, with relatively high prices. Mr. Smith then provided an update for winter 2013-14, noting cold weather, more so in the midwest and northeast. He stated that it had been "coldish" here but had not been that cold. He reported that residential and commercial usage for November to January was relatively higher, but was exceeded in both 2009-2010 and 2010-2011. He continued that as a result of cold weather, prices were pushed higher so that a fairly large quantity of gas was withdrawn from storage. Mr. Smith stated that this was the first chance to use storage assets that had hardly been used in prior years. He showed charts with gas daily prices and withdrawals from storage, noting that gas was pulled from Petal storage, ESS storage, and WSS storage. He added that WSS had the highest priced gas at around \$6, and others were at about \$3.80 to \$3.85. Mr. Smith stated that \$3.85 gas was pulled out in a market that was at around \$4.50 and got to almost as high as \$8. There is a benefit when pulling gas out of storage of not having to buy market price gas. Commissioner Bush asked about the amount of gas still in storage; Mr. Smith responded that about 20,000 still remained, but that could be emptied by the end of winter. Mr. Patrick noted that storage used to be primarily for times of short supply or pipeline capacity issues; we can get the gas now, but it's a matter of the cost. Mr. Smith noted another purpose of gas in storage, pointing that GSS is used for balancing. He explained that gas can be pulled out of storage if they are short one day; if we have more gas than needed, it can be put into storage. With the supply situation, storage gas could be the only gas you might be able to get. He noted there had been no supply problems. Mr. Smith reported on customers that were interrupted in January; some of them self-interrupted, such as Self Regional Healthcare, who does not like the nuisance associated with going to alternate fuel. If we tell them we might be curtailing them, they go onto their alternate fuel. Commissioner Monaghan asked what could have caused the spike in prices other than the weather. Mr. Smith responded that everything has been positive with more gas coming out of shale; more infrastructure and more pipelines so that more gas is accessible; and storage facilities have been expanded. He commented that since there is more flowing gas in the pipes and more storage gas available, then it can only be weather driven. He continued by noting that so far when prices had been inflated, they had ended up coming back down. He then shared information going forward, stating that the gas market is now in backwardation; forward prices are lower, which means that the market doesn't expect the premium to continue. Mr. Smith showed prices for the past two years and 2015. He noted that calendar year 2014 showed a discount of \$0.40 for 2015. He provided a forecast from Bentek based on detailed models that add up all of the elements

of demand and expected production, noting that showed that supply exceeds demand. The price forecast for 2014, 2015, and through December of 2018 is in the low \$4 range; the twelve-month strip is around \$3.50 now. Mr. Smith summarized that the gas market is still well supplied. They have had to weather the cold conditions, which increased demand and reduced storage levels, but that is expected to return to normal levels at around \$4 in a few months. Mr. Smith concluded with a request for an exception to the Gas Purchasing Policy requiring 20% hedged volume for April and May, and suggested that be revisited in May. Manager Reeves stated that a motion was not required. With no further discussion, the Commissioners acknowledged having been advised and expressed no objection.

- B. Manager Reeves recommended approval of an invoice, in the amount of \$13,595.56, for a software service agreement for the SCADA system in the electric department.

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

IV. Other Business:

1. Manager Reeves reminded the Commissioners of a pre-bid conference on February 27, at 2:00 p.m., as well as the Annual Awards Banquet at 6:00 p.m. on that same day.
2. Commissioner Watts asked for an update on gas expansion. Mr. Noriega responded that they left the lake area near Laurens Highway temporarily because of other projects, including Publix. He reported that as soon as classes are available, staff would begin attending training for repair of the newer, higher tech gas appliances.
3. Manager Reeves expressed appreciation to staff who worked during the extreme weather, noting only one electrical outage the previous night, with just thirty customers affected for an hour and a half.

V. Executive Session:

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

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

Approved: _____, 2014

Secretary