

The Washington City Council met in a continued session on Monday, March 28, 2011 at 5:30 pm in the City Council Chambers at the Municipal Building. Present were: Archie Jennings, Mayor; Bobby Roberson, Mayor Pro tem; Ed Moultrie, Councilman; Doug Mercer, Councilman; William Pitt, Councilman; Gil Davis, Councilman; Pete Connet, Interim City Manager; Franz Holscher, City Attorney and Cynthia Bennett, City Clerk.

Also present were: Mick Reed, Police Chief; Matt Rauschenbach, CFO; Keith Hardt, Electric Director; Allen Lewis, Public Works Director; Robbie Rose, Fire Chief; Mike Voss, Washington Daily News; and Delma Blinson, Beaufort Observer.

Mayor Jennings called the meeting to order and Councilman Pitt delivered the invocation.

APPROVAL/AMENDMENTS TO AGENDA

Councilman Mercer requested adding a discussion regarding future meetings. Mayor Jennings requested adding a public appearance by Jeff Aydelette, Editor, Compass News/County Compass. Councilman Davis requested adding a closed session under NCGS 143.318.11(a)(6) Personnel.

By motion of Mayor Pro tem Roberson, seconded by Councilman Moultrie, Council approved the agenda as amended.

JEFF AYDELETTE, COMPASS NEWS

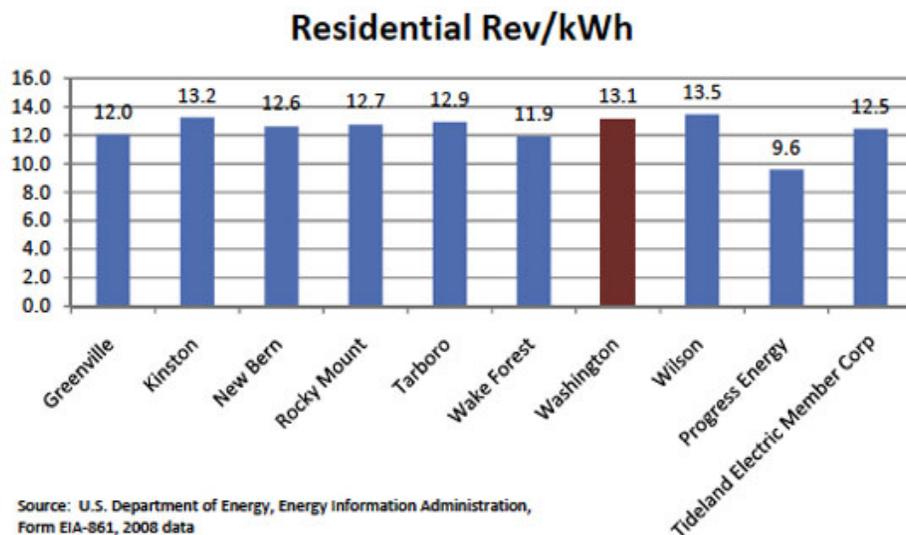
Mr. Jeff Aydelette stated he has been in the newspaper business since 1995. Recently he started a newspaper that has adopted a unique model: hard news, free to the reader and affordable ads for small businesses. On March 11th their newspaper made its debut in Beaufort County. He is asking Council to delay their consideration of an advertisement proposal from the Washington Daily News for an additional month to allow his paper to submit a proposal for advertisements as well.

PRESENTATION - APPA'S HOMETOWN CONNECTIONS ORGANIZATIONAL CHECK UP

Keith Hardt, stated this project started in October 2010, with authorization from City Council and financial assistance from ElectriCities. Tim Blodgett, President of Hometown Connections and Steve Vandamere, Senior VP of Planning/Marketing of Hometown Connections met with staff beginning in October 2010 to assess our organization. Hometown Connections is a subsidiary of the American Public Power Association. Mr. Hardt asked for the review to look at our operations and identify areas that are working well and areas that need improvement.

In 11 of 12 operational areas, Washington Electric Utilities received either strong or good ratings in a review of its operations, while strategic planning received a fair rating. "The electric division of Washington Utilities is well run and uniformly strong across all aspects of utility operations, including technical, financial and customer facing services," as stated in the report. "The community is well served by the utility."

The report addresses Washington's electric rates, which received three stars out of a possible four-star rating. "Rates for Washington electric customers are competitive across all customer classes when compared to other North Carolina utilities," reads the report. "North Carolina on average is low among states for electricity costs, ranked 20th nationally (lower being better) in the most recent report from the U.S. Energy Information Administration. Within this lower-cost state, Washington's residential rates are higher than average, but remain close to the state-wide mean. Staff notes that among the 32 members of the North Carolina Eastern Municipal Power Agency (NCEMPA), they are the 12th least expensive."



Washington Electric Utilities received a good mark for its rates, although the report states, “Currently no written rate policy is in place to guide rate making. The absence of a rate policy is not unusual within public power; however, in the anticipated economic and power supply climate, this will become increasingly important,” reads the report. The report suggests the development of a more-formalized rate policy that outlines what factors will trigger a rate increase or decrease. “This has the effect of minimizing political considerations that may conflict with the ability of the utility to operate objectively, in the best interests of the utility and its stakeholders.” The report recommends Washington Electric Utilities conduct a rate study every three to five years. It also strongly encourages the publication of its rates broadly, no matter how they compare to other utilities’ rates.

In the area of strategic planning, Hometown Connections recommends Washington Electric Utilities “push its strategic thinking ahead further and develop a strategic plan that addresses more far-reaching goals for how the utility can operate successfully while providing benefit to the city government, to its customers and to the community as a whole.” Mr. Blodgett also encouraged the City to review APPA’s “Public Power in the 21st Century” report as a road map to use in establishing longer-term strategies and goals.

Recommendations

Overall

Overall, Washington is a well run electric utility. It is strong across virtually all aspects of its operations, resulting in strong customer care and service delivery at competitive electric rates. Uncertainties around the future of both the national and local economy will no doubt pose ongoing challenges to the utility. Nonetheless, Hometown Connections is confident that it will weather these challenges better than most utilities and that the community itself will be better off because of the services provided by the Washington Utility Department. Washington should remain current on utility best practices and continue pursuing opportunities to work with others to benefit from aggregation, be it electric supply, technology, expertise or influence. As part of this, Hometown Connections would encourage staff to continue making use of the resources available through Electricities of North Carolina, as well as those through the American Public Power Association, including the recently launched energy efficiency website, www.EERCnet.org, and the many listservs created to address a wide variety of issues facing public power. At the same time, the utility has much to offer the public power community, as many of its practices and policies are strong benchmarks from which others can and should learn. We would hope that utility staff will continue participating in the public power dialogue at both the state and national level.

Customer Service

1. Washington should review what information is included on page two of the bill and consider streamlining the look of this page.
2. If bank drafts are the most cost effective payment option, Hometown Connections would encourage Washington to replace the credit card authorization with a bank draft authorization on page two of the bill.
3. Hometown Connections would encourage billing staff to evaluate periodically the look and various functions of the utility bill and explore ways to leverage this important monthly communication with its customers.
4. Washington should continue to track both the share of each form of payment as well as the fully loaded costs of those payments to the utility.
5. Hometown Connections strongly encourages the adoption of EBPP options for virtually any size public power utility with the ability to discontinue paper bills at the customer's wish.
6. Hometown Connections recommends using outreach tools, such as surveys of customers, to explore customer preferences around bill paying, and building awareness of the desired payment option to customers through expanded bill messaging and bill stuffers.
7. Hometown Connections would encourage Washington to adopt, and consistently apply, policy on what weather conditions will postpone service terminations.
8. Washington should periodically assess the costs of delinquency and termination activities (labor, fuel, depreciation, etc.) to ensure that the rest of the customer base is not subsidizing the additional costs incurred by delinquent customers.
9. Hometown Connections would encourage Washington to continue tracking its service termination rates to look for changes in trends.
10. Hometown Connections strongly recommends that any utility periodically review its revenue cycle process for improvement.

Community Outreach

11. Hometown Connections would encourage Washington, as part of any future customer outreach, to test the need for additional or different office hours.
12. Hometown Connections would recommend that Washington provide after hours outbound messaging on its customer service line that provides office hours, the number to call in an emergency and online or other options available.
13. Hometown Connections would encourage Washington to include clearer "Contact Us" information on its website. (website has been updated since survey)
14. Hometown Connections would encourage Washington to celebrate Public Power Week.
15. Hometown Connections would encourage Washington to track resources, in-kind and monetary donations and employee volunteer hours donated and report these to customers and staff on a periodic basis.
16. Hometown Connections would encourage Washington to explore options for a citywide newsletter to its customers.
17. Hometown Connections would encourage greater redundancy of utility billing and payment information throughout the Washington website.
18. Hometown Connections would encourage the Washington staff to review websites of similar sized utilities for comparison.
19. Hometown Connections would encourage Washington to conduct more in-depth customer satisfaction surveys at regular intervals.

Utility Programs

20. Hometown Connections would encourage Washington to benchmark other public power energy efficiency efforts, including both their program offerings and how they convey energy efficiency information to the customer.
21. Washington and Electricities of North Carolina should continue monitoring state and federal renewables rulemaking as well as renewables technology that make the most economic sense to the utility and its customers.
22. Hometown Connections would strongly encourage Washington to leverage the resources available through APPA.

Power Supply

23. While Hometown Connections was impressed with the level of power supply knowledge of Washington's Electric Utility Director, who also participates on the NCEMPA Rates Committee, it recommends that other staff members become more educated in the area of power supply.
24. Hometown Connections would encourage Washington to continue playing an active role in power supply planning and ensure that customers are educated on the benefits of local control, especially as it relates to peak shaving.
25. Hometown Connections recommends that if not already in place, Washington develop, continuously update and maintain a contingency plan in the event the single transmission feed is interrupted.

Distribution Operations

26. Hometown Connections recommends the completion of looping the entire system when economically feasible as this will help achieve higher reliability and greater customer satisfaction.
27. Hometown Connections would encourage Washington to begin tracking line losses, enabling the utility to measure and improve in this operational area over time.
28. Hometown Connections would suggest that Washington begin tracking and trending outages.
29. Hometown recommends the easy to use APPA software, *Reliability Tracker* to manage outage information.
30. Hometown Connections would encourage Washington to assess its physical security plan and make the appropriate improvements to ensure security and safety at its facilities.
31. Hometown Connections would encourage staff to submit its application for RP₃ at the earliest opportunity.

Employee Safety

32. Hometown Connections would encourage the utility to develop a policy, with timelines, for locating AEDs on utility property and vehicles.
33. Hometown Connections would encourage Washington to review its disaster planning and to participate in any future disaster drills occurring at the county or city level.
34. Hometown Connections would encourage Washington to consider a broader slate of safety metrics that would more fully describe the effectiveness of the city and utility's safety efforts.
35. Hometown Connections would encourage the utility to establish departmental and individual safety goals that heighten awareness and support a strong safety culture.
36. Hometown Connections would encourage the utility to embrace meaningful ways of recognizing safety practices and milestones.

Governance

37. Hometown Connections would encourage the city council to view favorably those city manager candidates that possess experience in a public power community.
38. The electric utility should develop a formal orientation program for new city council members on the utility's operations.
39. Washington should consider a change in city council terms from two year terms to staggered, four year terms.

Strategic Planning

40. Hometown Connections recommends that Washington executive staff and governing body review APPA's *Public Power in the 21st Century* report as a road map in establishing longer term strategies and goals.
41. Hometown Connections would encourage Washington to push its strategic thinking ahead further and develop a strategic plan that addresses more far reaching goals for how the utility can operate successfully while providing benefit to the city government, to its customers and to the community as a whole.

Rates

42. Hometown Connections strongly encourages Washington – and all public power utilities -- to publicize electric rates broadly, regardless of how they compare.
43. Hometown Connections would encourage Washington to investigate the inclining block rate structure for its residential rates.

44. Hometown Connections would encourage a more formalized rate policy that outlines what factors will trigger a rate increase or decrease.
45. Hometown Connections would recommend that as part of any cost-of-service study, rate subsidization between electric customer classes, as well as between utility services, be examined and opportunities to minimize these subsidies be explored.
46. Hometown Connections would encourage Washington to conduct an outside rate study every three to five years.

Administration, Accounting and Finance

47. Hometown Connections would encourage the city to examine CIS providers who have an established solution with a good track record within public power.
48. Hometown Connections would recommend that Washington review its cash reserve policy and make the changes necessary to ensure that it has the support of utility and municipal decision-makers.
49. Hometown Connections strongly encourages Washington to track in-kind services and contributions, assign a monetary value to them and include this dollar amount in the overall promotion of the electric utility's value to the Washington Utility stakeholders.
50. Washington's should review capital expansion options and develop a policy on system development fees that are adequate to fund the utility's new construction requirements driven by that development.

Technology

51. Hometown Connections would encourage Washington – either at the utility level or city-wide – to expand and firm up a plan that identifies and prioritizes cost-effective technologies and outlines actionable goals and timelines toward their implementation.
52. Hometown Connections would encourage Washington to evaluate AMI technologies most suitable for its service territory characteristics and understand fully the paybacks of the various solutions.
53. Hometown Connections would strongly encourage staff to allocate the necessary resources to develop a viable GIS that remains current and effective. At a minimum we would encourage that all new equipment going into the field is being captured, including both geospatial and age information.
54. Hometown Connections would strongly encourage a thorough evaluation and upgrade of the existing phone system with an eye toward greater ease of use and customer service.
55. Hometown Connections would strongly encourage Washington to stay current on cyber-security issues and work with ElectriCities of North Carolina and others to monitor the security of its infrastructure, including an independent vulnerability assessment.
56. Hometown Connections would encourage staff to take advantage of the technology resources available through ElectriCities of North Carolina and APPA, in particular the technology-focused listserv they maintain, which is an excellent forum for dialogue with utility peers across the country.

Human Resources

57. Hometown Connections would encourage Washington to consider an employee survey facilitated by an outside firm.
58. Hometown Connections would encourage Washington to find more current data in the establishment of its employee salary ranges.
59. Hometown Connections would encourage Washington to create expectations for two or more years of continued work for those obtaining journeyman training.
60. Washington's tuition policies are within the norm, but we would encourage the city to remain current on changing national and state expectations around tuition support.
61. Hometown Connections would encourage Washington staff to develop support for policies that give management greater flexibility in addressing the anticipated loss of skills within the utility.

Ken Raber, ElectriCities stated this has been a very good process from beginning to end. He commended Council for everything they are doing in communications, customer service and the organization checkup. Washington is the first in the state to do the organizational checkup. This has been a valuable learning experience for everyone involved. Mr. Raber asked if Council

would be willing to let Keith Hardt or someone else present this process to NCEMPA and explain the value that this project has had. Council, by consensus agreed to allow Keith Hardt to present this project to the NCEMPA board. Mayor Jennings asked Mr. Raber if he could assist the City with a customer survey and Mr. Raber responded "yes".

WASHINGTON DAILY NEWS VIP PLAN

Matt Rauschenbach, CFO stated that a brief presentation was made at the last Council meeting by Andrea McClain McGee. This is a follow up to that presentation. Mr. Rauschenbach stated we spent \$8500 last year on advertisements and to date we have already spent \$9700. The City Page was started in the Fall at a cost of approximately \$350-\$385 per publication(\$4200 per year), also customer education initiative advertisements will be the responsibility of the City and not Electricities. We will save money over all and will give us the ability to run more ads than we could've run before for the same or even less money. Councilman Mercer wants to delay discussions on this item until budget meetings and not take any action on this tonight.

FUTURE MEETINGS

Councilman Mercer stated that last year during budget discussions we had several items in the Personnel Policy that directly impacted the budget. It was determined that these items would be addressed during this year's budget discussions. Several personnel policy meetings were held to discuss these items. Councilman Mercer stated he would like to see personnel policy items that directly impact budgeting discussions presented to Council before the end of the budget year to determine inclusion or exclusion in the budget. Mayor Jennings and Councilman Mercer continued discussions regarding the budget process. Councilman Mercer requested the numbers so they can be incorporated into the budget discussions.

CLOSED SESSION UNDER NCGS 143-318.11(a)(6) PERSONNEL

By motion of Councilman Mercer, seconded by Councilman Pitt, Council agreed to go into closed session under NCGS 143.318.11(a)(6)Personnel at 6:40pm.

By motion of Councilman Davis, seconded by Councilman Pitt, Council agreed to come out of closed session at 7:05pm.

ADJOURN

By motion of Councilman Moultrie, seconded by Councilman Pitt, Council adjourned the meeting at 7:10pm until April 11, 2011 at 5:30 pm in the Council Chambers at the Municipal Building.

Cynthia S. Bennett, CMC
City Clerk