

GREENVILLE UTILITIES COMMISSION
WORKSHOP SESSION
GREENVILLE, NORTH CAROLINA
Thursday, February 7, 2019

The Board of Commissioners of the Greenville Utilities Commission met in a Workshop Session at the Hilton Greenville on February 7, 2019 at 8:45 a.m. with the following members and others present, and Chair Rebecca Blount presiding.

Commission Members Present:

Rebecca Blount, Chair
Joel Butler, Chair-elect
Parker Overton, Secretary
Don Mills

Kelly L. Darden, Jr.
Minnie Anderson
Tommy Stoughton

Ann Wall was absent.

Commission Staff Present:

Tony Cannon, General Manager/CEO
Chris Padgett
Roger Jones
Randy Emory
Anthony Miller
Jeff McCauley
Keith Jones
Amy Wade

Richie Shreves
George Reel
Sandy Barnes
Steve Hawley
John Worrell
David Springer
Phil Dixon

Others Present:

Tim Blodgett, President and CEO, Hometown Connections, American Public Power Association

INTRODUCTIONS:

Having a quorum present, General Manager/CEO Tony Cannon stated that this workshop will provide the Board an opportunity to review their statutory duties and fiduciary responsibilities to GUC and its customers. Senior management was available for any questions. Mr. Cannon then introduced Mr. Tim Blodgett. Mr. Blodgett reviewed the workshop agenda which was approved by consensus of the Board.

Mr. Blodgett stated the learning objectives of this workshop are to:

- Identity the origins of public power and the other major participants in the US electric industry
- Explain the advantages of living and working in a public power community
- Describe the three legal duties of all non-profit organization boards
- Outline options for attracting new board members and enhancing their onboarding process
- Compare approaches to running an effective board meeting
- Identify appropriate board-level measures of organizational effectiveness
- Develop criteria for both CEO and board-specific assessment of performance

INDUSTRY TRENDS AND CHALLENGES FACING PUBLIC POWER:

Mr. Blodgett stated that public power is entering a time of great change and reviewed the following factors that are driving this change and their financial impact:

- Shifting regulatory environment
- Changing power supply
- Aging infrastructure
- Workforce/policy maker issues

- New technologies
- Evolving customer preferences
- Asymmetric competition

There was discussion among the Board members of what they felt were today's greatest threats to the community-owned utility business model. Some challenges mentioned were:

- Lack of community knowledge (local control)
- Changing customer demographic
- Politics
- Balancing cost versus rate
- Succession planning
- Public perception / customer choice
- Private equity in utility
- Distributed generation

After discussion of these challenges, Mr. Cannon reminded the Board of the importance of communicating GUC's value by educating the community.

Mr. Blodgett examined factors driving change for public power utilities. One trend is the increasing and uncertainty of national and state regulatory requirements including cyber security risks, the future of tax-exempt financing, and renewable standard policies. Another factor is the changing power supply. Mr. Blodgett stated that there is a shifting of power supply from coal to natural gas and solar. Another challenge is the aging infrastructures, which are also not designed for modern grid technology. This challenge impacts not only the electric system but also water and wastewater systems. The next area of concern for utilities relates to workforce. Utilities are facing a mass exodus of the baby boomers retiring and their loss of experience and knowledge. Succession planning is key, particularly in the areas of engineering, information technology and customer service. Also, the workforce culture and the dynamics are changing with the baby boomers retiring and the millennials entering the workforce. The fifth challenge is the rapid change in technology and how business is conducted. GUC strives to be efficient and reliable and evaluates its rate structure every 5 years to help alleviate financial pressures. The last major concern to consider is evolving customer expectations. Customers want more reliable, low-cost, high quality, clean energy service with information easily available at their fingertips.

After much discussion about these challenges facing public power utilities, Mr. Blodgett indicated that following a short break, the value of a community-owned utility will be discussed.

BREAK 10:00 – 10:10 a.m.

COMMUNICATING THE PUBLIC POWER ADVANTAGE:

Local control/security, quality of life, customer service, value stays local, and economic development were among the values of our community-owned utility that were discussed by the Board members. Mr. Blodgett pointed out that there is a drop in citizens knowing that they own the utilities. Additionally, the needs of citizens are changing, and it is becoming apparent that the community is more virtual to the millennial citizens versus the past citizens who had a more civic goal in giving back to the community through clubs, such as Rotary and Civitans. Mr. Blodgett expressed the need to the public and communicate GUC's value and strategic roadmap for success. Mr. Blodgett also stated that you must get out in the community and tell your story, what you do, and find out what you need to improve. GUC can not assume that customers know the value of GUC and that it is important to actively promote and communicate.

2019 RESULTS OF BOARD SELF-EVALUATION:

Mr. Blodgett reported that the results of the self-evaluation were overall good. He felt that there should be a new column added for "do not know" or "not aware." This may be needed for new members who may not be informed or aware. Mr. Blodgett stated that the few areas that had marks in the "seldom" column, such as areas on policies and practices, and these types are up to the staff to educate the members of the Board. Another area for improvement is for staff to provide more time to review projects with the Board. Mr. Cannon stated that Workshops are scheduled throughout the year to provide the Board with all facts and a chance to ask questions

on large projects/initiatives prior to voting on such items. Mr. Blodgett stated that there should be a succession plan for Board members as well as staff in order to have a quality board.

EFFECTIVE GOVERNANCE – UNDERSTANDING BOARD ROLES AND RESPONSIBILITIES:

There was discussion about the roles and responsibilities of a Board. It is important to have a strong Board that sorts and prioritizes the diverse and complex needs and expectations of the owners. The Board should remain current on industry trends, attract/retain a skilled CEO, articulate a strategic direction for the organization, evaluate Board effectiveness, and represent stakeholders. Mr. Blodgett reviewed that a Board must have a clear view of the future direction of the organization, have an effective working relationship with the CEO, and have members who are interested, engaged, effective and meet their fiduciary responsibilities. Mr. Blodgett described that a governance is the process of providing strategic leadership and entails setting direction, making policy and strategic decisions, overseeing and monitoring organizational performance, and ensuring overall accountability, all while engaging multiple stakeholders.

Mr. Blodgett announced that all governing boards have a duty of care, loyalty, and obedience. The members should participate in decisions on behalf of the organization by exercising independent judgement and making efforts to become familiar with the relevant facts. Members must set aside their own interest. Members should honor the terms and conditions of the organization's mission, bylaws, and policies. It was noted that it would be helpful if the Board received a list of responsibilities and talking points. It was expressed that Board members would like to be able to attend future Orientation Session to reinforce their knowledge. Another suggestion was to pair up new Board members with more seasoned Board members as a "go-to" person for questions. Mr. Blodgett states that exit interviews should be conducted when a Board member's term expires to allow for improvement.

Mr. Blodgett also mentioned that it is a powerful tool to tie back the strategic objectives of the organization for projects and initiatives. It will help the Board stay at a high level. Additionally, there should be a plan in place for Board member development and attracting viable candidates with a diverse skill set.

Bylaws, Conflict of Interest Policy, Whistle-blower Policy, and Code of Conduct policy help protect the organization and avoid liability. Mr. Dixon stated that these policies are currently in place and reviewed by the Board annually. The mechanics of a board meeting should respect the time of the Board members and the agenda materials should contain the appropriate level of detail.

LUNCH BREAK 12:00 p.m. – 12:45 p.m.

Mr. Stoughton left the meeting.

MEASURING AND IMPROVING PERFORMANCE:

Mr. Blodgett stated that it is the Board's role to take the necessary steps to assure effectiveness of hiring its 1 employee, the General Manager/CEO. The Board is responsible for providing the General Manager/CEO with the direction, resources, and authority needed to successfully lead the organization. They are also responsible for focusing on priorities and establishing measures to determine effective performance of the General Manager/CEO. There was discussion among the Board that the following areas should be monitored:

- Financials
- Safety
- Image:
- Reliability
- Customer Satisfaction/Complaints
- Employee Turnover
- Employee Satisfaction
- Operational Performance
- Workforce Diversity
- Efficiency

Additionally, the Board should develop goals for the organization and agree on targets and measures of manager performance and compensation. Public power utilities are losing managers to co-ops due to compensation challenges and a balance should be found between experience and compensation.

The Board should consider the organization's strategic plan, objectives, and values when making decisions.

Sandy Barnes provided a quick update on GUC's cyber security initiatives and stated that GUC has a cyber security response team, a Cyber Security Policy in place, and provides annual training for employees in order to reduce risk to cyber attacks.

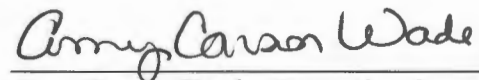
SUMMARY AND TAKE-AWAYS:

In summary, Mr. Blodgett reiterated that the value of public power must be communicated to the community. The strategic plan should always be at the forefront when making decisions.

ADJOURNMENT:

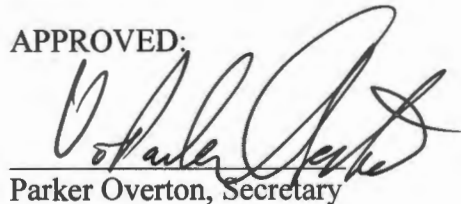
With there being no further business, it was the consensus of the Board to adjourn the meeting at 2:30 p.m.

Respectfully submitted,



Amy Carson Wade, Executive Secretary

APPROVED:



Parker Overton, Secretary