



**Commission Members Present:** Bill Donohue, Michael Nicholas, Bob Schasse, Fred Shanks, Phillip Smith, Jim Turpin and Dawn Witter

**Commission Members Absent:** Joe King

**Staff Present:** Michael Adkins, Ken Ashworth, Barry Dunkley, Jason Grey, Arnold Hendrix, Jennifer Holley, Clarke Whitfield and Allen Wiles

**Others Present:** Brett Vassey, Virginia Manufacturers Association  
Dave Bennett, Intertape  
Mike Jones, Intertape

**Call to Order & Announcements**

Chairman Smith opened the meeting and asked that the attendance be recorded. As a quorum was present, the meeting was called to order.

**Discussion / Business Items**

Minutes of July 28, 2014 Commission Meeting: Chairman Smith asked for any corrections, deletions, or adjustments to the minutes of July 28, 2014. Mr. Nicholas asked that the minutes be changed to reflect that Ms. Witter seconded the motion on the bottom of page two.

Mr. Nicholas also said that the minutes should read that Chairman Smith adjourned the meeting.

Mr. Nicholas then made a motion to approve the minutes as amended. Mr. Nicholas seconded the motion. The motion was unanimously approved.

Review of Utilities' Financial Statements: Michael Adkins reviewed the June 2014 financial statements.

Mr. Adkins and Jennifer Holley then addressed questions from the Commissioners.

Virginia Manufacturers Association Presentation: Mr. Donohue introduced Brett Vassey, President and CEO of the Virginia Manufacturers Association. Mr. Vassey explained that a coalition has been founded to raise awareness of recent rate increases and their effect on area businesses. Mr. Donohue said thirty companies currently belong to the coalition.

Mr. Vassey said that Danville's Industrial rate of 9.1 cents per KWH was higher than the national average of 8.2 cents per KWH. He added that, in comparison, Dominion Power has an industrial rate of 5.4 cents per KWH. Mr. Vassey said to attract new business and keep existing ones, Danville will need to find solutions.

Dave Bennett from Intertape said that Danville's rates are higher than any other localities where their other plants are located. Bennett said that even with energy efficiency upgrades, Intertape's budget has been exceeded. As a result, he said, Intertape has moved all new growth to other plants and scaled its operations back. This, according to Bennett, has caused the elimination of two jobs and a projected loss of 20 jobs in the future.

Mr. Vassey said that VMA does not want to suggest cutting industrial rates and increasing residential or commercial rates. Instead, he said, the organization has devised four solutions to cut the rates.

Mr. Vassey said that, per the Supreme Court, any charges not used for cost of service cannot be included in the rates and must be labeled a tax. Mr. Vassey said that VMA suggests removing the portion of the rates currently used for revenue to the City's general fund and Danville's schools and programs. Mr. Donohue added that Danville does not have tax rights in the county where it provides power to many of its customers.

Mr. Vassey then suggested allowing industrial customers to purchase their power from the private market.

The third suggestion made by VMA was to sell Danville Utilities' customers and infrastructure to an investor owned utility.

Finally, Mr. Vassey proposed offsetting added costs to the industrial customers with tax incentives for job retention. Mr. Vassey said that this would require a multi- jurisdictional agreement.

Mr. Vassey said that Danville has a source of revenue in the Tobacco Commission that can be used to defray costs if needed.

Discussion on AMPGS Stranded Costs: Mr. Grey gave background on the AMPGS stranded costs that were left after the project was cancelled in 2009. Mr. Grey said that AMP has requested that Danville start paying its portion of those costs. In addition, Mr.

Grey added, City ordinance says that the \$5.6 million in costs must be paid within five years.

Mr. Grey said the case against Bechtel should go to trial in December. Mr. Smith added that the property and permits will also have value.

Mr. Grey then addressed questions from the Commissioners.

Electric Portfolio Presentation: Mr. Grey updated the Commission on Danville's current electric power portfolio and its future peaking generation opportunities.

The Commission discussed options such as solar and gas energy and residential interruptible rates.

Mr. Grey then spoke on the congestion charges from last winter saying that much of the country was suffering from low temperatures which drove the price of up.

Discussion on Extending the Power Cost Adjustment Balance Limit: Mr. Grey said that in order to close the 2014 fiscal year, the auditors requested the power cost adjustment limit be raised to \$20 million to bring the account into compliance with the ordinance.

Mr. Grey then answered questions.

Mr. Shanks said that council relies on the Utility and other Commissions when voting on issues and the Commissioners should be cautious when making their recommendations. Ms. Witter suggested a motion to table the vote for the increase until information is brought back on its effect on Danville's bond rating. Mr. Nicholas seconded the motion.

Mr. Smith said that the auditors would not sign off on the financials until they see that the ordinances comply with the reality of the situation.

Mr. Adkins said that City Council needs this information to finish their budget. Mr. Shanks said that some harm could be done if this is tabled.

A vote was cast and all Commissioners voted against postponing the resolution.

Mr. Turpin said that the PCA has to match the negative balance so he moved that the Danville Utility Commission recommend to City Council that the Power Cost Adjustment cap be temporarily raised from \$2 million to \$20 million until December 31, 2018 to allow time for the balance to recover to approved limits. Mr. Donohue seconded the motion.

A vote was cast and Mr. Nicholas voted against the recommendation. All other Commissioners present voted in favor.

### **Communications from Utility Staff**

Allen Wiles updated the Commissioners on projects in the Water and Gas Division.

Mr. Dunkley said staff would be dropping the water level in the Schoolfield Dam to do inspections. Mr. Dunkley then answered questions from the Commissioners.

Ms. Holley said the energy efficiency program has provided 122 residential rebates since July.

### **Communications from the Commissioners**

Ms. Witter asked Mr. Dunkley to contact the EPA. She added that if they were present when the water level was dropped they could verify there was no more coal ash. Mr. Grey said staff could make a call.

Mr. Donohue said that, with the information provided by the VMA, the Commissioners are responsible for investigating options and he felt the utility is no longer an economic partner in the area. In addition, Mr. Donohue said the customers and investors are not being served well and there has been turmoil in the management. He said it was time for strategic planning and exercise.

Mr. Smith said Mr. Grey and Mr. Donohue should discuss options to bring to administration.

Mr. Shanks agreed that residents are stretched and Danville is not competitive for business. Mr. Shanks said a study is needed to get rates in line with other utilities. Mr. Shanks said it should be a priority to aggressively look for solutions.

Mr. Turpin said the biennial rate study may address many of these issues.

Mr. Nicholas said that two items need to be addressed. The first is the role of the utility and if it is to fund the general fund or simply to provide a service. He added that he supports a study. The second is a risk mitigation strategy because what happened in January will happen again.

Mr. Smith said that Mr. Donohue and Mr. Grey should discuss the options and report back. He said he looks forward to addressing these items at the next meeting.

### **Communications from the Director**

Mr. Grey spoke on the recent investigations in the Utilities Department. Mr. Grey said he admits that mistakes were made by both management and employees and steps are being made to rectify the situation. He said there is an ongoing investigation and he will report back to the Commission when it is complete.

Mr. Grey also said that next month Dawn Lund from UFS will be present to speak on the rate study. Mr. Grey added that City Council will also be invited to attend.

### **Adjournment**

Chairman Smith stated the next meeting is scheduled for September 22, 2014. There being no further business Chairman Smith adjourned the meeting at 6:25 p.m.

Submitted by Patti OKeefe  
Secretary to the DUC

**September 22, 2014**  
Date Approved

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Chairman  
Danville Utility Commission