



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

Commission Members Absent:

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

Others Present: Dawn Lund, Utility Financial Solutions
Mayor Saunders
John Gilstrap
Alonzo Jones
Lee Vogler
Buddy Rawley
Dr. Miller
James Buckner
Larry Campbell
Representatives from Dan Valley Foods, Virginia International Raceway and 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.

Mr. Smith said that he and Mr. Donohue met with the City Manager and Mr. Grey and are going to move forward with an examination of Danville Power and Light's relationship with its customers, suppliers and employees. Mr. Smith said the committee will be available for informed opinions on how to streamline the distribution system to be more efficient. The goals, said Mr. Smith, are to better serve the community and the economic development needs of the city.

Mr. Smith said that they hope to be able to report back to City Council with an array of options by February.

Mr. King talked about the new steering committee formed to discuss options for lowering rates and said he is anxious to hear their ideas. He said, however, the rate study and other business cannot be put on hold until February when options are presented.

Discussion / Business Items

Minutes of August 25, 2014 Commission Meeting: Chairman Smith asked for any corrections, deletions, or adjustments to the minutes of August 25, 2014.

Mr. Nicholas made a motion to approve the minutes. Ms. Witter seconded the motion. The motion was unanimously approved.

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

Mr. Adkins then addressed questions from the Commissioners.

2015 Rate Study Update and Orientation: Dawn Lund, Vice President of Utility Financial Services, presented information on how the company determines cost of service, develops financial projections and calculates rates.

Ms. Lund explained that when calculating rates, each class should pay their fair share of their own expenses.

Ms. Lund said that rates should bring in enough revenue to cover the cost of service, to meet their own expenses including depreciation and to reduce cross subsidization between classes.

Ms. Lund addressed questions from the Commissioners saying that a cost of service study only determines the rate needed to recoup the cost associated with running the utility. Any decisions about the communities' ability to pay the charges are made on a local level by the Commission and City Council, said Ms. Lund.

The Commissioners also questioned if the cost of service study would suggest if the amount contributed to the general fund is in line with other utilities. Ms. Lund said the study would not make a recommendation but would say if the contributions were a reasonable percentage.

Ms. Lund said UFS would not have specifics of their study until November but, in many cases, if a utility delays rate increases, larger increases are needed in the future. She added that to keep a utility healthy, small yearly rate increases are necessary.

Ms. Lund then answered additional questions from the Commissioners and City Council Members.

Closed Session: Mr. Nicholas moved that the Commission go into closed session for discussion, consideration or interview of prospective candidates for employment, assignment, appointment, promotion, performance, salaries, disciplining of specific public employees or appointees as permitted by Subsection (A) (1) of Section 2.2-3711 of the Code of Virginia, as amended and more specifically to consider:

Discussion and consideration of filling the vacant Director of Utilities position.

Mr. Donohue seconded the motion. A vote was cast and all Commissioners voted in favor.

Upon completion of the closed meeting Mr. Nicholas moved that the Danville Utility Commission immediately reconvene into open meeting. He further moved that the Danville Utility Commission adopt a resolution certifying that to the best of each member's knowledge that (1) only public business matters lawfully exempted from open meeting requirements under 2.2-3711 were heard, discussed or considered and (2) only such business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting.

Ms. Witter seconded the motion. A vote was cast and the motion passed unanimously.

Communication from the City Manager

Mr. King said that the study being conducted was meant to find the best solution going forward. Mr. King added that in a recent discussion with AEP the company seemed interested in purchasing Danville Utilities.

Mr. Vogler asked that research about power production behind the grid be done before a sale is considered.

Mr. King said Danville is looking at a 24 hour peaking plant in the county and if it is built in Danville's service territory it would provide power without transmission charges and be a major gas customer.

Communications from Utility Staff

Carolyn Evans said that 6,200 customers have signed up on the eAccounts program and 1,000 receive their bills electronically.

Mr. Nicholas questioned why customers could not pay electronically on their phones and with other credit cards besides Discover. Ms. Evans said the issue involved fees and cyber security.

Barry Dunkley updated the Commissioners on projects in the Water and Wastewater Division. Mr. Dunkley said that construction has started on the THM project and that Duke Energy would be making an announcement about their results of the coal ash inspection.

Allen Wiles gave an update on the Cast Iron Replacement Project.

Communications from the Public

Brett Vassey of Virginia Manufacturers Association commended the Commissioners for their work to seek out options for lowering the industrial rates. Mr. Vassey said VMA found the discussion with Appalachian Power encouraging.

Communications from the Commissioners

Mr. Nicholas urged patience as Danville looks at options for lowering rates.

Mr. Shanks said that he appreciated the Commission's work on a strategic plan and that City Council is pleased that the Commissioners are studying options.

Mr. Donohue stressed that the strategic planning should be transparent.

Mr. Turpin said that the Commission needs to be cautious to look at how options will affect Danville in the future. He also said that, although Danville's rates are currently higher, he felt the surrounding utilities will eventually raise their rates.

Communications from the Director

Jason Grey said the November AMP meeting will take place in Danville.

Adjournment

Chairman Smith stated the next meeting is scheduled for October 27, 2014. There being no further business Chairman Smith adjourned the meeting at 6:00 p.m.

Submitted by Patti OKeefe
Secretary to the DUC

October 27, 2014
Date Approved

Chairman
Danville Utility Commission