



Danville Utility Commission
4:00 p.m. May 22, 2017 Meeting
Council Chambers, City Hall
Minutes

Commission Members Present: Vanessa Cain, Bill Donohue, Ken Larking, Fred Shanks, Phillip Smith and Jim Turpin

Commission Members Absent: Michael Nicholas

Staff Present: Michael Adkins, Meagan Baker, Amy Chandler, Greg Disher, Carolyn Evans, Jason Grey, Jenny Holley, Alan Johnson, Kelly Kinnett, Jerry Shupe, Mike Spencer, and Clarke Whitfield

Others Present: Mike Migliore of AMP and Joshua Beeber of Nexant

Call to Order and 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 April 24, 2017 Commission Meeting

Chairman Smith asked for any corrections, deletions, or adjustments to the minutes of April 24, 2017.

Mr. Turpin made a motion to approve the minutes. Ms. Cain seconded, all members voted in favor, and the motion carried unanimously.

Review of Utilities' Financial Statements

Mr. Smith asked to dispense the reading of the financial statements unless the finance director believed there was important information that needed to be shared. Mr. Adkins reported there was nothing substantial and it was agreed by all the commissioners to dispense the reading of the financial statements.

Power Supply Update – American Municipal Power

Mike Migliore of American Municipal Power (AMP) provided a power supply update of the City of Danville's generation resources and discussed changes from 2016 to 2017. He also discussed the trends surrounding capacity markets and transmission rates.

Mr. Migliore reported how changes in the weather have effected energy consumption for the utility. August 2016 was the hottest summer month in 122 years and February was the warmest winter month in 123 years.

Concerning power sources, Mr. Migliore stated that the overall strategy is to provide rate stability to customers, diversify the portfolio to mitigate risks, balance long and short term purchases, and balance peaking, intermediate, and base load resources.

He then reviewed each of the projects that Danville is a partner in. These include: Prairie State, which is the largest power provider, Run of the River Hydro, Meldahl, Greenup, Fremont, SEPA, and Schoolfield and Pinnacles Hydro, which are owned by the city.

Mr. Donohue asked about the strategies implemented for each AMP member. Concerning the goal of providing a diversification strategy, he asked what made AMP decide to add these run of the river hydros to the City's portfolio. Mr. Migliore replied that concerns that coal plants would eventually be eliminated forced them to look at adding the run of the river hydros. He also added that they would increase the City's renewable energy portfolio.

Mr. Donohue also asked why AMP would encourage members to invest in three on the same river when they are all affected by the same environmental factors. Mr. Migliore stated that it was looked at as one single project rather than three individual projects. Mr. Donohue also asked what type of return on investment is expected from these projects. Mr. Migliore reported that currently they are above market rate, producing a positive return on investment.

Mr. Shanks asked how the Renewable Energy Credits (RECs) were being handled. Mr. Migliore reported that they would keep and sell them, and then give them back to the City of Danville.

Mr. Shanks asked for an explanation for the over purchase of power. Mr. Migliore stated that as the City's load began to fall, there was excess power.

Concerning congestion charges, Mr. Migliore stated that the City has a fixed amount of congestion hedges and will participate in monthly hedging purchases if there is an apparent need for more.

Mr. Shanks asked if the City had to pay MISO and AEP transmission fees for Prairie State because of its geographical location. Mr. Migliore stated that the payments to MISO were minimal.

Mr. Migliore reported that AEP's transmission rate increased by 25% for 2017. Mr. Grey mentioned that staff and AMP have been meeting with AEP to negotiate the increase since it has significantly increased the City's transmission costs.

Mr. Donohue asked if the topic had been brought to the Attorney General's office, stating that it is impacting the citizens of the state of Virginia. Mr. Grey stated that he would consider the option if necessary.

Energy Efficiency Measures for FY 18-19

Meagan Baker presented on the proposed new measures for the Home\$ave residential energy efficiency program for FY 2018-2019. Staff recommended adding two new measures to include high-efficiency CAC with natural gas furnaces and smart thermostats. No changes were needed for existing measures for the residential program or the commercial and industrial program.

Mr. Donohue suggested offering a package rebate that included both the high-efficiency CAC with natural gas furnace and the smart programmable. Ms. Baker agreed and said they would look into possibly adding that in the future.

Mr. Turpin made a motion that the Danville Utility Commission recommend to City Council to accept staff's recommendation of adding high efficiency CAC with natural gas furnace and single family smart programmable thermostats to the FY2018 and 2019 Home\$ave residential energy efficiency rebate program. Mr. Larking seconded the motion, all members voted in favor, and the motion passed unanimously.

Schoolfield Hydro Billing and Metering

Mr. Grey stated that based on the transformer design and layout at Schoolfield Hydro, the City is required to read and report the monthly generation. The staff would like to recommend allowing AMP to provide this service and maintain the revenue grade meter/equipment and provide one bill for all of the City's generation sources. This would cost the City approximately \$500 per month.

Mr. Shanks questioned the cost of the project. He asked if the meter is read remotely why the cost was so high. Mr. Grey reported that there was more involved than just reading the meter and if there were issues with it, AMP would be responsible for it.

Mr. Donohue moved that the Danville Utility Commission recommend to City Council allowing American Municipal Power to provide metering and billing services for the Schoolfield Hydro generation facility. Ms. Cain seconded, all members voted in favor, and the motion passed unanimously.

Additional Funding for Riverside Substation Upgrade and Replacement of Oil Breakers with U-Bushings

Mr. Grey stated that staff would like to transfer \$2.9 million from the electric fund balance and debt service \$3 million to cover rebuilding the Riverside Substation and replacing the 69 KV transformer and the 138 KV transformers. He reported that they did not exactly know what the costs would be for rebuilding the Riverside Substation at the time of the budget process.

Mr. Shanks asked why exactly the staff is requesting the money now. Mr. Grey stated that instead of waiting to order the equipment since they have a lead time of at least twenty weeks, they want to go ahead and get started on the project now in hopes of completing it on time.

Mr. Donohue mentioned that he would recommend bonding the entire project based on the latest PCA recoveries and the warm winter.

Mr. Larking moved that the Danville Utility Commission recommend to City Council to bond 5.9 million to allow transformers and other equipment with long lead times to be ordered for pending substation upgrades.

Mr. Donohue seconded, all members voted in favor, and the motion passed unanimously.

Department Discussions

Mr. Turpin expressed his appreciation of Mr. Barry Dunkley, who served as the City's director of water and wastewater treatment, and recently retired. He thanked Mr. Dunkley for his many years of service to the City of Danville. Mr. Smith reiterated what Mr. Turpin said. He also expressed his concern with the budgeting process and issues with staff not including the funding needed for the Riverside Substation rebuilding in the original budget.

Mr. Grey recognized Greg Disher and the power and light department for receiving the RP3 gold award, which is based on power reliability.

Adjournment

Chairman Smith stated the next meeting is scheduled for June 26, 2017. There being no further business, Chairman Smith adjourned the meeting at 6:04 p.m.

Submitted by Meagan Baker
Secretary to the DUC

June 26, 2017

Date Approved



Chairman

Danville Utility Commission