



Commission Members Present: Steve Daniels, Lyle Lacy, Bob Schasse, Phillip Smith, Adam Tomer James Turpin, and Bob Vaughan

Commission Members Absent: Jeff Liverman

Staff Present: Ken Ashworth, Barry Dunkley, Barbara Dameron, Carolyn Evans, Jim Harr, Joe King, Kevin Martin, Denise Sandlin and Alan Spencer.

Others Present: Blair Kendall, Director of Business Development and Commercial Services, Southern Energy Management

Doug Handley, Utility Consulting Services

Cathy Liles, Goodman and Co.

Call to Order & Announcements

Chairman Vaughan 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 December 28, 2009 Commission Meeting: Chairman Vaughan asked for any corrections, deletions, or adjustments to the minutes of December 28, 2009. There were none. Mr. Smith made a motion to approve the minutes. Mr. Schasse seconded the motion. The motion was unanimously approved.

Update on Solar Demonstration Project at the Community Market: Blair Kendall gave background information on Solar Energy Management, the company chosen to design and build the photo voltaic pilot project at the Community Market at the Crossing at the Dan. Mr. Kendall spoke on Solar Thermal and Solar Photo Voltaic technologies and projects Solar Energy Management has completed for other cities and industries.

Mr. Kendall then updated the Commissioners on the Community Market Project by explaining that it was a 33.84 kW solar photo voltaic system with a year one output of

42,040 kWh and a tentative installation date of March 1, 2010. The date, Mr. Kendall said, was contingent of the amount of time needed to secure permits for the project.

Mr. Kendall then addressed questions from the Commissioners by saying that the unit will be connected directly Danville Utilities' power grid which is more efficient than the battery backup technologies used in the past.

Joe King stated that the cost will be funded by American Recovery and Reinvestment Grant funds and the Request for Proposals for the project specified that the vendor chosen would be capable of designing and building units using more than one solar technology and have the ability to work with Danville's customers. Southern Energy Management, Joe said, is also able to do energy audits which are not offered by many local companies.

Electric Rate Stabilization Strategy: Doug Handley told the Commissioners that current practice sets an over- or under- recovery limit of \$500,000 which requires that each fluctuation in the power market be passed on to rate payers through the power cost adjustment (PCA). Mr. Handley explained that this limit was set during a time when Danville had a long term purchased power contract. Mr. Handley recommended that the practice be made formal policy with an increase in the limit to \$1 million to reflect the current unstable power cost market. Mr. Handley explained that a wider range would allow for short term market variations to correct without sharp changes to the power cost adjustment.

Mr. Handley then spoke on Danville's long term power cost forecast saying that Danville purchased power strips for 2010 when costs were very high. The costs, he explained, have dropped significantly and Danville has purchased additional power strips for 2011-2013 at significantly lower prices. As a result, Danville's power costs will be high in 2010 and lower in 2012. Mr. Handley proposed that the PCA be used to levelize future prices by setting the PCA lower during the period of high costs and keeping the PCA at the same rate when power costs decline. This could be done, he explained, by adopting a 3 year rate stabilization policy with a limit set by the Utility Commission of \$3 - \$15 million.

Mr. Handley proposed that the Commissioners recommend City Council adopt a two part policy. Part A would raise the over/under-recovery limit to \$1 million dollars to stabilize short term market fluctuations through the PCA. Part B would spread the present higher power costs over the 2011-2013 periods when costs are expected to be significantly lower.

Mr. Handley then addressed questions from the Commissioners. Mr. Lacy stated that there would have to be discussions with the rating agencies to insure that Danville's rating were not adversely affected. Mr. Smith said that we should be mindful not to create a cash flow problem. Mr. Schasse suggested waiting for the prices to drop and then stabilizing the rates. Mr. Smith recommended Danville stay with the current PCA policy until after winter.

The Commissioners agreed that efforts should be made to stabilize the rates. Barbara Dameron said that she did not feel that Part A would affect Danville's bond rating but that Part B should be researched further.

Mr. Lacy requested that a more accurate band be pinpointed and brought back to the next meeting.

Preliminary FY 2011 Budget Proposals: Denise Sandlin presented information on the FY 2011 projected revenues for all five utility funds. Denise explained that all funds reflected a decrease due factors such as the economy, loss of businesses, less contribution in aid and a decline in investment income. Denise also reminded the Commissioners that the revenue figures reflected a decrease in the customer charges due to fewer truck rolls with the installation of the AMI meters.

Denise said that she anticipates bringing the budget back in February for Commission recommendation for approval by City Council. A meeting was set for February 15th to review the budget before the next regular Commission meeting.

Other: Chairman Vaughan welcomed R.B. Sloan and stated that the Utility Commission is a great platform to learn how impressive Danville is.

Communications

Communications from Commissioners: The Commissioners questioned Barbara Dameron and Denise Sandlin regarding the financial reports. Barbara and Denise addressed their questions.

Mr. Schasse requested a report showing the savings in theft, truck rolls and unbilled costs since the automated meters have been installed.

Mr. Turpin asked if information on how to read the meters would be available to customers.

Communications from Utilities Staff: Barbara Dameron stated the December statements were in line with the budget.

Barry Dunkley said there have been no problems as of yet with the current flooding, although Danville may receive a compliance letter from the Department of Environmental Quality regarding the problems experienced during the previous flooding.

Kevin Martin spoke on projects he was working on including the Tenant/ Landlord project.

Jason Grey told the Commission that he was working with two IPTV providers.

Jim Harr explained that there had been quite a few water line problems due to the cold weather but this type of problem is common throughout the country during the colder seasons.

Adjournment

There being no further business, Chairman Vaughan asked for a motion to adjourn. Mr. Smith made the motion. Mr. Schasse seconded the motion. The meeting concluded at 6:25 p.m.

Mr. Vaughan stated the next meeting is scheduled for February 15, 2010 to review and discuss the FY 2011 budget and the next regular Commission meeting is scheduled for February 22, 2010. .

February 22, 2010

Date Approved

Chairman

Danville Utility Commission

Submitted by Patti OKeefe
Secretary to the DUC