



Danville Utility Commission

4:00 p.m. January 23, 2012 Meeting

Council Conference Room, City Hall

Minutes

Commission Members Present: Joe King, Jeff Liverman, Bob Schasse, Fred Shanks, Phillip Smith and Jim Turpin

Commission Members Absent: Steve Daniels and Bob Vaughan

Staff Present: Michael Adkins, Ken Ashworth, Barbara Dameron, Barry Dunkley, Carolyn Evans, Jason Grey, Jim Harr, Jennifer Holley, Jim Kendrick, Nate Lewis and Clarke Whitfield

Others Present: Dr. Gary Miller, Danville City Council

Call to Order & Announcements

Vice-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 November 28, 2011 Commission Meeting: Vice-Chairman Smith asked for any other corrections, deletions, or adjustments to the minutes of November 28, 2011.

There were none. Mr. Turpin made a motion to approve the minutes. Mr. Schasse seconded the motion. The motion was unanimously approved.

Review of Utilities' Financial Statements: Michael Adkins reviewed the November 2011 financial statements.

Mr. Turpin requested the Gas Fund's net income figures excluding hedging. Mr. Adkins said he would present those figures to the Commissioners.

Jim Harr spoke on the effect that hedging has had on Danville's prices. Mr. Harr said that hedges were put in place to protect Danville's customers and Danville's prices are approximately twenty cents lower per therm than both Columbia Gas and Virginia Natural Gas.

Mr. Turpin questioned the increase in bad debts in the Electric Fund. Mr. Adkins said that overall the figures were good and he would bring more information about the increase back to the next meeting.

Mr. Turpin also requested that Mr. Adkins separate the Energy Efficiency figures from the totals.

Mr. Smith thanked Mr. Adkins for providing the loan schedules that were requested at the last meeting.

Mr. Adkins then addressed additional questions from the Commissioners.

FY 2013 Budget Review: Jennifer Holley explained that her budget review would not include Capital Improvement Projects and those details would be included in the next agenda packs or before if requested.

Ms. Holley stated that debt service had increase due to refinancing of bonds that are now coming due.

The Commissioners discussed sewer taps and if the fees should be raised to completely recoup Danville Utilities' cost for each tap. A question arose if the sewer tap fee had ever been voted on. Staff will verify that information and bring answers to the next meeting.

Ms. Holley then addressed questions from the Commissioners.

Discussion of Service Disconnection Policy: Carolyn Evans said City Council has requested the Utility Commission review the service disconnection policy after a question was raised at a Council meeting.

Ms. Evans explained that recent changes now give customers 51 days between when they are billed and when their services are disconnected and the \$50 fee is not charged until day 51.

Ms. Evans explained that even with the automated system, manual intervention is needed to verify that all payments have been posted before the services are disconnected.

Mr. Schasse suggested that there may be fewer disconnects if customers knew the fee would be \$50 when services were terminated and \$50 when reconnected. Mr. Schasse said that the fees should be listed on the bills and late notices.

Mr. King said that change could be implemented and that more information to the customer is better.

Mr. Liverman moved that the Danville Utility Commission affirm the miscellaneous fees and charges as recommended by the Utilities Department staff and approved effective August 1, 2011 and that the reconnection fee be included in the last late notice.

Mr. Schasse seconded the motion. A vote was cast. Mr. King, Mr. Liverman, Mr. Schasse and Mr. Smith voted in favor. Mr. Turpin voted against. The motion passed.

Interconnection Agreement: Ken Ashworth reminded the Commission of the Net Metering Rider that was approved in 2010. Mr. Ashworth stated that a more detailed standard has now been developed that specifies what is acceptable.

Mr. Ashworth then addressed questions from the Commissioners after which Mr. Turpin moved that the Danville Utility Commission adopt the attached Interconnection Agreement effective January 23, 2012. Mr. Liverman seconded the motion. A vote was cast and the motion passed unanimously.

AEP Fixed Load Shape Update: Doug Handley updated the Commissioners on the department's efforts to re-distribute the utilities existing energy fixed load shape with American Electric Power.

Mr. Handley explained that with Danville's part ownership in the Freemont Energy Center load, the entire AEP load would not be necessary. Mr. Handley explained that Danville negotiated with AEP to extend the existing arrangement to reduce excess energy as the Freemont plant becomes operational this month.

Mr. Smith asked how much of Danville's load is represented by the AEP portion. Mr. Handley answered that it was approximately 10% and he would get exact numbers to the Commission.

Mr. Handley then addressed additional questions from the Commissioners.

AMP Project Update: Jim Kendrick updated the Commission on AMP projects in which Danville is a stakeholder including the Freemont Energy Center which is scheduled for Unit 1 to go online February 1st and Unit 2 to go live April 1st. Mr. Kendrick also spoke on the Prairie State plant that is scheduled to become operational on February 26th and three hydro projects, Willow Island, Cannelton and Smithfield that are now under construction and progressing well and set to go online in 2014 - 2016.

Mr. Kendrick updated the Commissioners on the AMPGS project saying the final numbers for the project were calculated and Danville received a letter from AMP stating our portion of the project is \$9 million. Mr. Kendrick explained that he has been working with Doug Handley to devise a plan to send to AMP by the end of January.

Mr. Handley reminded the Commission that the existing strategy approved by City Council uses \$69 MWh wholesale cost as the target number to set the PCA. Mr. Handley stated that number is projected to hold thru end of next fiscal year.

Mr. Handley said that, using the same strategy of stable annual power cost, the amount is forecasted to go up approximately \$4 per MWh in future years. Mr. Handley explained that Amp will bill us and that will assist to stabilize our power cost over the next 5 years and recover the AMPGS costs.

Mr. Kendrick then addressed questions from the Commissioners.

Closed Meeting: Mr. Schasse then made a motion to close the meeting. The motion was as follows-

I move that this meeting of the Utility Commission of the City of Danville, Virginia be recessed and that the Commission immediately reconvene in closed meeting for the following purpose:

A. Discussion or consideration of the acquisition of real property for a public purpose where discussion in and open meeting would adversely impact the bargaining position of the City as permitted by Subsection (A) (3) of Section 2.2-3711 of the Code of Virginia, 1950, as amended.

B. Discussion of the award of a public contract involving the expenditure of public funds, including discussion of the terms or scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the public body as permitted by Subsection (A) (29) of Section 2.2-3711 of the Code of Virginia, 1950 as amended.

Mr. Turpin seconded the motion. A vote was cast and all present voted in favor of the closed meeting.

Upon completion of the closed meeting, Mr. Schasse then made a motion that the Utility Commission for the City of Danville, Virginia immediately reconvene into open meeting.

Mr. King seconded the motion. The motion was voted on and passed unanimously.

Mr. Schasse then moved that the utility commission for the City of Danville, Virginia adopt a resolution certifying that to the best of each member's knowledge that

- (i) only public business matters lawfully exempted from open meeting requirements under section 2.2-3711 were heard, discussed or considered and
- (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting.

Mr. King seconded the motion and a vote was cast. The motion passed unanimously.

Communications

Communications from City Manager: There were none.

Communications from Utilities Staff: Jim Harr told the Commissioners that Phase XI of the Pipeline Replacement Project has begun.

Communications from Commissioners: Mr. Smith expressed that it was nice to have Mr. Turpin back at this meeting.

Director's Report: There were no additional comments.

Public Comments: There were none.

Adjournment

Vice-Chairman Smith stated the next meeting is scheduled for February 27, 2012. There being no further business, Vice-Chairman Smith adjourned the meeting at 6:50 p.m.

Submitted by Patti OKeefe
Secretary to the DUC

February 27, 2012

Date Approved

Chairman
Danville Utility Commission