



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

Commission Members Absent: None

Staff Present: Ken Ashworth, Patricia Conner, Barry Dunkley, Barbara Dameron, Carolyn Evans, Jason Grey, Jim Harr, Jennifer Holley, Arnold Hendrix, Nate Lewis and Clarke Whitfield

Others Present: Dr. Gary Miller, Danville City Council

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.

Mr. Schasse said that August 7th is National Night Out for neighborhood watch organizations. Mr. Schasse said that it may be an opportunity to explain about energy rebates.

Mr. Schasse also said that July 28th was race day at the Pinnacles Hydro Plant. He said that it would be an enjoyable day for those attending.

Discussion / Business Items

Minutes of June 25, 2012 Commission Meeting: Chairman Vaughan asked for any corrections, deletions, or adjustments to the minutes of June 25, 2012.

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: Patricia Conner reviewed the May 2012 financial statements.

Ms. Conner then addressed additional questions from the Commissioners.

Electric Power Cost Adjustment & Energy Efficiency Fund: Doug Handley updated the Commissioners on the Power Cost Stabilization and the Energy Efficiency portion of the Power Cost Adjustment implemented in 2010.

Mr. Handley explained that information in 2010 indicated that power costs were expected to rise at first and then fall significantly. Delays in the Prairie State online data have forced power costs to rise for longer than anticipated therefore affecting the stabilization figures.

Mr. Handley asked that the Commission approve the preparation of an updated plan reflecting the latest AMP projections, and proposed schedule of payments for AMPGS stranded costs.

Mr. Handley also spoke on the excess power produced by the Freemont Plant that was sold for prices lower than anticipated. The price of natural gas has dropped helping to lower the prices but Mr. Handley said that indications are for the costs to rise again. Mr. Handley explained that, because of the historically low cost of power, Danville should lock in contracts with AEP for 2015 and 2016.

Mr. Handley also requested that the Commission approve using half the Energy Efficiency fund collection ratio to stabilize rates. Mr. Handley said that the amount collected is more than what is needed to effectively run the program.

Mr. Handley then addressed questions from the Commissioners.

Mr. Smith stated that he felt stranded costs should come from unrestricted reserved fund balance and not be added to the stabilization plan. He also said that the stranded costs figures should be separated out to provide transparency for the public.

The following motions were made-

Mr. Smith moved that the Danville Utility Commission approve an adjustment to the PCA factor and EE fund collection ratio which will take effect August 1, 2012, decreasing the EE charge from \$0.001 per kWh collected to \$0.0005 per kWh collected, while increasing the amount applied to the PCA collection by a factor of \$0.0005 per kWh. This adjustment will not alter the overall stabilized PCA amount of \$0.016 per kWh collected. Mr. Daniels seconded the motion. A vote was cast and the motion passed.

Mr. Smith then moved that the Danville Utility Commission approve the staff taking action as soon as practicable to reserve the energy prices for 2015 and 2016 within the AEP Fixed Load Shape contract. Mr. Daniels seconded the motion. A vote was cast and the motion passed.

Mr. Smith moved that the Danville Utility Commission approve the preparation of an updated power cost stabilization plan which will reflect the latest AMP cost projections, the future energy prices within the AEP Fixed Load Shape contract, and a proposed

schedule of payments for AMPGS stranded costs. This updated power cost stabilization plan proposal will be presented and considered by the Danville Utility Commission at an upcoming Utility Commission meeting. Mr. Turpin seconded the motion.

A discussion followed with Mr. Smith stating that he would like a portion of the stranded costs to come from the Power and Light reserves. Chairman Vaughan tabled the motion until other alternatives could be investigated and brought to the next meeting.

Update on Danville Utilities' Energy Efficiency Programs: Nate Lewis presented the Commissioners with a recap of Danville's Energy Efficiency Programs. Mr. Lewis said that the program has exceeded its original goals.

Mr. Schasse suggested that insulation rebates should be accompanied with air sealing. Mr. Lewis said that many of the local contractors do air sealing before installing the insulation.

Mr. Lewis then addressed questions from the Commissioners.

Communications from the Staff: Carolyn Evans and Barry Dunkley updated the Commissioners on projects in their divisions.

Closed Session:

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

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

A. Discussion or consideration of the acquisition and/or distribution 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.

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. Smith then made a motion that the Utility Commission for the City of Danville, Virginia immediately reconvene into open meeting.

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

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

Adjournment

Chairman Vaughan stated the next meeting is scheduled for August 27, 2012. There being no further business, Chairman Vaughan adjourned the meeting at 6:20 p.m.

Submitted by Patti OKeefe
Secretary to the DUC

August 27, 2012
Date Approved

Chairman
Danville Utility Commission