



Danville Utility Commission
4:00 p.m. November 24, 2014 Meeting
Council Conference Room, City Hall
Minutes

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

Commission Members Absent: Michael Nicholas and Dawn Witter

Staff Present: Michael Adkins, Patricia Conner, Barry Dunkley, Carolyn Evans, Jason Grey, Arnold Hendrix, Jennifer Holley, Becky Meadows, Linda Mills, Jeanne Scott, Jonathan Sharp, Cynthia Thomasson, Clarke Whitfield and Allen Wiles

Others Present: Dawn Lund, Utility Financial Services
Buddy Rawley, Danville City Council
Dr. Gary Miller, Danville City Council
Charles Fiero, Severn Trent
Jerry Shupe, Severn Trent

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.

Discussion / Business Items

Minutes of October 27, 2014 Commission Meeting: Chairman Smith asked for any corrections, deletions, or adjustments to the minutes of October 27, 2014.

Mr. Turpin then made a motion to approve the minutes as amended. Mr. Schasse seconded the motion. The motion was unanimously approved.

Review of Utilities' Financial Statements: Patricia Conner reviewed the September financial statements.

Ms. Conner then addressed questions from the Commissioners.

Severn Trent Rebate: Barry Dunkley explained that Severn Trent received funds for treatment of waste sludge from Chatham, VA and is sharing those profits with Danville. Mr. Dunkley then introduced Jerry Shupe, Project Manager for Severn Trent and Charles Fiero, Regional Manager for Severn Trent.

Mr. Shupe spoke on developments at the wastewater treatment plant saying the new systems in place and treatment of sludge from Chatham have saved over \$62,000 at the plant. The city share of \$31,273 was presented to Chairman Smith.

Mr. Shupe then answered questions from the Commissioners and said he would be back in January to bring additional details on the savings.

Mr. Shupe said that Mr. Dunkley worked closely with their company to get these savings.

2014 Cost of Service Study: Dawn Lund from Utility Financial Services, the City's rate consultants, spoke on the cost of service study and the proposed rate design that her company did for Danville Utilities. Ms. Lund said she brought some preliminary recommendations but could return after the first of 2015 to bring final results.

Ms. Lund explained that her study covered three key targets- operating income, minimum cash reserve and debt coverage ratio.

Ms. Lund said her firm feels that small periodic rate increases to cover these items are better than large unplanned increases. Smaller planned increases, she said, will minimize the impact on customers.

Ms. Lund recommended the following staggering rate increases over the next 5 years:

Telecommunications Fund- No rate change.

Gas Fund- 2% rate increase every other year beginning in 2017.

Wastewater Fund- 3.5% rate increase every other year beginning in 2016.

Water Fund- 3% every other year beginning in 2017.

Electric Fund- 1.5% rate increase every year beginning in 2017 and keeping the PCA at .002 unless power supply costs increase or decrease. In 2017 the PCA would be increased to .004.

Ms. Lund said these increases should allow the utility to reinvest in its infrastructure and remain healthy. Ms. Lund then addressed questions from the Commissioners.

Jason Grey reminded the Commissioners that, although Ms. Lund provided a 5 year snapshot, the rates will be addressed again in 2016.

Ms. Lund said they only fund that would see an increase in 2016 would be the wastewater fund.

Ms. Lund said she was seeking guidance on the wastewater fund increase to complete the rate study. She asked if the Commission wanted to consider a 3.5% increase in the wastewater rates for 2016 and a 2% rate increase in the gas rates, a 3% increase in the water rates and a 1.5% increase in the electric rates for 2017.

Mr. Grey said we could take formal action at the next meeting but should provide guidance so she could move forward on her rate design.

Mr. King made a motion to provide guidance directing the consultant to proceed on the study using the recommended financial rates as presented for 2016 and 2017, understanding that if the Commission sees results that it cannot recommend to council they will direct the consultant to make changes. The electric analysis will include the current plan of increasing the PCA to .004 in December 2014. Mr. Donohue seconded the motion.

A vote was cast and the motion passed unanimously.

Adjournment

Chairman Smith stated the next meeting is scheduled for January 26, 2015. There being no further business Chairman Smith adjourned the meeting at 6:25 p.m.

Submitted by Patti OKeefe
Secretary to the DUC

January 26, 2015

Date Approved

Chairman
Danville Utility Commission