



Danville Utility Commission
4:00 p.m. May 23, 2016 Meeting
Council Chambers, City Hall
Minutes

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

Commission Members Absent: Michael Nicholas

Staff Present: Michael Adkins, Meagan Baker, Patricia Conner, Greg Disher, Barry Dunkley, Carolyn Evans, Jason Grey, Rebecca Meadows, Alan Spencer and Allen Wiles

Others Present: Jerry Shupe of Severn Trent

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 25, 2016 Commission Meeting

Chairman Smith asked for any corrections, deletions, or adjustments to the minutes of April 25, 2016.

Mr. Turpin made a motion to approve the minutes. Ms. Donohue seconded the motion and the motion carried unanimously.

Review of Utilities' Financial Statements

Patricia Conner reviewed the Utilities' financial statements. Ms. Conner then addressed questions from the Commissioners.

Mr. Turpin questioned the electric fund's predicted shortfall and recommended a detailed presentation at the next meeting similar to the gas presentation at today's meeting.

Power Cost Adjustment Recommendations

Mr. Grey gave an overview on the PCA and how it reached the current balance. He then presented two different scenarios for recovering the PCA balance based on the recommendations received at last month's meeting.

Scenario 1 reduces the balance to two million by June 2020 by adjusting the PCA every quarter beginning in October 2016. The PCA adjustment would result in a 1.13% increase on customer's bills. It also includes repurposing three million in restricted funds for AMP stranded costs to pay off the under-recovered balance.

Scenario 2 reduces the balance to 4 million by December 2020 by adjusting the PCA every quarter beginning in October 2016. The PCA adjustment would result in a 0.75% increase on customer's bills. It also includes repurposing three million in restricted funds for AMP stranded costs to pay off the under-recovered balance.

Mr. Donohue questioned what parameters and analysis were used to create the two scenarios.

Mr. Turpin mentioned he wanted to stress how these two scenarios would minimize the effect on the customer compared to the initial proposals presented at the last meeting.

Mr. Donohue recommended keeping the ending balance goal at zero and to pay the PCA off at a much faster rate. He mentioned paying off a total of \$5 million - \$3 million in the first year and \$2 million in the second year or whatever reasonable amounts and increments that makes sense for the utility. Additionally, he said this method would also have minimal impact on the customer.

Mr. Turpin questioned if Mr. Donohue's recommendation would affect the city's bond ratings. Mr. Adkins responded saying he recommended waiting until the current fiscal year is closed out and to do the write-offs in increments or as the appropriate funding is available.

Mr. Smith recommended staff bring this topic back after the current fiscal year is closed to move forward with Scenario 2 and the option of writing off a higher amount which will be determined at that time.

Mr. Smith announced he needed to leave and Vice-Chairman Donohue would take over to lead the remainder of the meeting.

Overview of FY2016 Gas Fund

Director of Water and Gas Distribution, Allen Wiles introduced Rebecca Meadows, Gas Control Manager who presented information on the gas funds predicted shortfall for the current fiscal year. Ms. Meadows began with an overview of the different rate classes for gas customers. She said the gas fund is expected to reach about 86% of what was budgeted.

Ms. Meadows explained how warmer temperatures have directly affected gas consumption. November and December 2015 and March 2016 all had higher temperatures resulting in lower consumption.

Mr. Schasse asked what criteria were used to determine the budget. Ms. Meadows said they typically use historical consumption because it directly relates to their specific customer classes.

Using unexpended funds, the gas department predicts they will be able to balance the budget.

Department Discussions

Barry Dunkley announced that the grant in partnership with Virginia Tech has been blessed by DEQ and has been sent to the National Fish and Wildlife Foundation for final approval. He also mentioned with all of the rainfall, the taste and odor issues have diminished but they are still adding carbon as precautionary. Mr. Shanks noted it was worth mentioning the money for the grant will be coming from Duke Energy as a result of the coal ash spill. Mr. Larking added that the money is separate from the settlement money the city received as well as the money used for the upgrades to Abreu-Grogan Park.

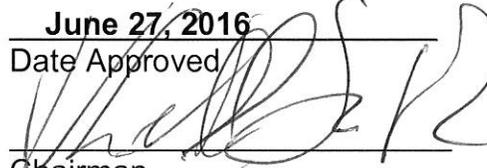
Mr. Shanks stated that the information and professionalism that has been shown at the past meetings is promising and he believes the commission and staff will reach an agreement on the PCA soon that will mutually benefit the city and its customers. Mr. Turpin echoed Mr. Shanks and reemphasized that the commission is working hard to minimize the effect on the customer while keeping the best interest of the utility in mind.

Mr. Grey expressed his appreciation of the dialogue at the meetings as it helps staff know how to properly prepare for the next upcoming meetings.

Adjournment

Vice-Chairman Donohue stated the next meeting is scheduled for June 27, 2016. There being no further business, Vice-Chairman Donohue adjourned the meeting at 5:43 p.m.

Submitted by Meagan Baker
Secretary to the DUC

June 27, 2016
Date Approved

Chairman
Danville Utility Commission