



Danville Utility Commission
4:00 p.m. December 5, 2016 Meeting
Council Chambers, City Hall
Minutes

Commission Members Present: Vanessa Cain, Bill Donohue, Ken Larking, Michael Nicholas, Fred Shanks, Phillip Smith and Jim Turpin

Commission Members Absent: Trina McLaughlin

Staff Present: Michael Adkins, Meagan Baker, Patricia Conner, Greg Disher, Barry Dunkley, Carolyn Evans, Jenny Holley, Kelly Kinnett, Becky Meadows, Jerry Shupe, Mike Spencer, and Clarke Whitfield

Others Present: Jacob Thompson of GDS Associates, City Councilman Gary Miller

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 October 3, 2016 Commission Meeting

Chairman Smith asked for any corrections, deletions, or adjustments to the minutes of October 3, 2016.

Mr. Nicholas made a motion to approve the minutes. Mr. Donohue seconded, all members voted in favor and the motion carried unanimously.

Review of Utilities' Financial Statements

Mr. Nicholas moved that the reviewing of the financial statements be eliminated unless any commission members have questions. Ms. Cain seconded and the motion carried unanimously with all members voting in favor.

Water Leak Adjustments

Jason Grey presented on the City's water leak adjustment policy. Approximately 150 Danville Utilities customers annually experience high water consumption due to underground water leaks, as a result of damaged service lines on the customer's side of the meter. Based on this ongoing problem concerning water leaks between the meter and the customer's home, the city would like to provide relief for the customer. Assuming the customer follows the required process, which includes repairing the leak within sixty days of the billing cycle from when the leak was detected, they would be eligible for a bill adjustment. The credit would help relieve the customer from unknown and unexpected costs.

Mr. Donohue recommended modifications to the policy's language, concerning leaks at the fault of the utility, and to clarify under what circumstances who would be eligible for an adjustment and who would not.

Mr. Nicholas made a motion to approve staff's recommendation by revising Danville's municipal code 38-48 to include an adjustment for water leaks from the meter to the premise, and to include the language modifications that were discussed. Mr. Donohue seconded, all members voted in favor and the motion passed unanimously.

2017 Biennial Rate Study

Jacob Thompson of GDS Associates presented information on the City's electric, gas, water, and wastewater biennial rate study.

Mr. Donohue noted discrepancy in the calculation of rate of return in table six of the draft report of the study. Mr. Thompson stated that he would recompute the numbers and submit the updated figures in the final report. It was noted that the corrected calculation of rate of return will be more favorable than as originally presented. Mr. Donohue and Mr. Smith commented that if the utility has to draw from unrestricted cash to cover costs, a rate increase may be required in future years.

Mr. Turpin asked if it is better to raise rates or borrow more money. Mr. Thompson stated that it depends on several factors, such as the utility's credit worthiness.

Based on the utility's performance, no water or wastewater base rate increase is recommended for FY2018 and FY2019. The water and wastewater divisions were near or above all recommended performance measures.

Mr. Shanks asked if it was recommended to put off a rate increase, if the fund will include a shortage, and require dipping into the cash fund. He continued questioning if by putting it off, it would require an even higher rate increase later down the road. Mr. Thompson said that the cash is available to help absorb the shortage so it should not hurt the utility in the long run.

Concerning the gas division, GDS did not recommend a base rate increase. However, Thompson mentioned that losses are projected for the next two years, mostly due to a

decline in gas consumption. 2.4 million dollars would have to be pulled out of unrestricted funds to cover the shortage.

Mr. Donohue and Mr. Smith expressed concern with the gas division's recommendation because of the decline in consumption. Mr. Donohue recommended staff look at this more closely and consider a rate increase. Mr. Donohue also recommended looking at how much the gas fund has to contribute to the general fund and see if it could be adjusted when revenue is down.

Given the projected information, GDS did not recommend a base rate increase for the electric utility. Thompson noted customer's bills will increase due to adjustments being made to the Power Cost Adjustment (PCA). The PCA will also remain on the same schedule that was established earlier this year. Looking at the electric fund, the cash balances are well above the recommended amount and given the strong cash performance, a rate increase does not appear to be necessary.

GDS Associates does recommend revising the outdoor and street lighting rates. The current rate does not cover the cost to provide the service. These rates have not been updated in the last eight years and since then power costs, operating expenses, labor expenses, and materials costs have increased. The recommendation would result in an increase of \$620,000 which represents a 34% increase in lighting revenues.

Department Discussions

Mr. Larking recommended the commission discuss the recommendation from Mr. Adkins concerning the utility's general fund contribution. Mr. Adkins noted the proposed language changes made to the current policy. Mr. Larking also reported that Ms. Patricia Conner has taken a new position and will no longer be providing the financial report at the commission meetings.

Mr. Dunkley mentioned updates on the water study that is currently underway by Virginia Tech, as a result of the taste and odor issues. He reported that no significant information has been found as of yet.

Jason Grey introduced Kelly Kinnett, who is the new Water and Gas Distribution Director.

Mr. Donohue complimented Mr. Thompson on his presentation during today's meeting. Mr. Shanks, Mr. Turpin, and Mrs. Cain each reiterated what Mr. Shanks said, by thanking him for a job well done.

Adjournment

Chairman Smith stated the next meeting is scheduled for January 23, 2016. There being no further business, Chairman Smith adjourned the meeting at 6:00 p.m.

Submitted by Meagan Baker
Secretary to the DUC

January 23, 2017
Date Approved _____

Chairman
Danville Utility Commission