



Danville Utility Commission

4:00 p.m. July 25, 2011 Meeting
Council Conference Room, City Hall

Minutes

Commission Members Present: Joe King, Jeff Liverman, Phillip Smith and Jim Turpin

Commission Members Absent: Steve Daniels, Bob Schasse, Fred Shanks, Bob Vaughan

Staff Present: Michael Adkins, Ken Ashworth, Barry Dunkley, Carolyn Evans, Jim Harr, Nate Lewis, and Alan Spencer

Others Present: Jim Herndon, Nexant Inc.
Sabu Balan, Nexant Inc.
Aubrey Hilliard, Texican Horizon Energy
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 June 27, 2011 Commission Meeting: Vice-Chairman Smith asked for any corrections, deletions, or adjustments to the minutes of June 27, 2011. There were none. Mr. King made a motion to approve the minutes. Mr. Turpin seconded the motion. The motion was unanimously approved.

Election of Officers: Mr. Smith opened nominations for next year's Chairman. Mr. Turpin nominated Mr. Vaughan. There were no other nominations. A vote was cast and Mr. Vaughan was elected Chairman.

Mr. Smith then asked for nominations for next year's Vice-Chairman. Mr. Turpin nominated Mr. Smith for the position. There were no other nominations. A vote was cast and Mr. Smith was elected Vice-Chairman.

Review of Utilities' Financial Statements: Michael Adkins reviewed the May 2011 financial statements. Mr. Turpin questioned the Natural Gas Gross Profit. Mr. Adkins stated he would investigate and bring the information back to the next meeting.

Mr. Adkins then addressed additional questions from the Commissioners.

Long Term Natural Gas Hedging: Jim Harr introduced Aubrey Hilliard, Danville's natural gas hedging consultant, who spoke on opportunities for long term hedging. Mr. Hilliard presented information on the cause of the current low natural gas prices and the future expectations for an escalation in those prices.

Mr. Hilliard said that shale drilling has caused an over abundance and natural gas is currently selling below replacement costs but due to environmental concerns and gas fired power generation, the costs are expected to climb drastically. Mr. Hilliard said that historically there has been but one time he recalls that prices fell below replacement costs. Mr. Hilliard suggested that Danville hedge a portion of its gas needs for as long as five years into the future.

The Commissioners agreed with Mr. Hilliard's recommendation.

Mr. Liverman moved that the Danville Utility Commission direct staff to hedge natural gas supply for a period up to five years at prices and quantities recommended by Aubrey Hilliard.

Mr. Turpin seconded the motion. A vote was cast and the motion passed unanimously.

Review of Danville Utilities Home\$ave Residential Energy Efficiency Program: Nate Lewis introduced Jim Herndon and Sabu Balan from the energy efficiency implementation firm Nexant. Mr. Balan presented information on Danville Utilities Home\$ave, the new Residential Energy Efficiency Rebate program which began on July 15th.

Mr. Balan explained that Nexant considered which rebates will be cost effective for Danville Utilities and will bring the most benefit. The program's objective, said Mr. Balan, is to help optimize electricity consumption while promoting customer awareness of energy efficiency.

Mr. Balan explained that the rebate processing would be done by Nexant. Mr. Turpin stated that he would like to see analysis on the program's breakeven point.

Mr. Balan and Mr. Herndon then addressed questions from the Commissioners.

West Piedmont Planning District Commission Regional Water Supply Plan: Barry Dunkley explained that Virginia Code requires that all local governments submit a water supply plan to ensure that adequate and safe drinking water is available. To be more cost effective, Danville participated in a West Piedmont Planning District Commission Plan with eleven other local cities and counties.

Mr. Dunkley presented information on the plan. Mr. Dunkley said the plan details such information as projected water demand for the next 50 years and drought contingency plans.

Mr. Dunkley said that staff would like to bring the plan to City Council for approval.

Mr. Turpin moved that the Danville Utility Commission recommend that the City Council approve the West Piedmont Planning District Commission Regional Water Supply Plan and adopt the Drought Management Plan Ordinance.

Mr. Liverman seconded the motion. A vote was cast and the motion passed unanimously.

Communications

Communications from City Manager: Joe King said that after a nationwide search that was narrowed down to 12 and then to 3, Jim Kendrick was chosen for the position of Utilities Director. Mr. King said that Mr. Kendrick would start with Danville Utilities on August 1st.

Communications from Utilities Staff: Barry Dunkley spoke on current repairs at the Water Plant.

Carolyn Evans explained that all customers have started receiving monthly bills and spoke on the Meter Data Management System.

Communications from Commissioners: There were none.

Director's Report: There was none.

Public Comments: There were none.

Adjournment

Vice-Chairman Smith stated the next meeting is scheduled for August 22, 2011. There being no further business, Vice-Chairman Smith adjourned the meeting at 6:10 p.m.

Submitted by Patti OKeefe
Secretary to the DUC

August 22, 2010

Date Approved

Chairman
Danville Utility Commission