



Danville Utility Commission
4:00 p.m. January 23, 2017 Meeting
Council Chambers, City Hall
Minutes

Commission Members Present: Vanessa Cain, Ken Larking, Trina McLaughlin, Fred Shanks, Phillip Smith and Jim Turpin

Commission Members Absent: Bill Donohue, Michael Nicholas

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

Others Present:

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 December 5, 2016 Commission Meeting

Chairman Smith asked for any corrections, deletions, or adjustments to the minutes of December 5, 2016.

Mr. Turpin made a motion to approve the minutes. Ms. McLaughlin seconded, all members voted in favor and the motion carried unanimously.

Review of Utilities' Financial Statements

Mr. Smith made a motion that the reading of the financial statements would be eliminated unless commission members had any questions. With there being no questions, Ms. Cain seconded, and the motion carried unanimously with all members voting in favor.

2017 Biennial Rate Study Follow-Up

Mr. Grey discussed the questions commissioners had from the previous meeting. He reported the northern gas project will be postponed until after the cast iron project is completed which is estimated to be in 2022. The funding that was appropriated for the

northern gas feed project will be moved over to the cast iron project. A contractor will be brought in to help expedite the project.

Mr. Shanks asked why the northern gas project was postponed. Mr. Grey responded that the current gas pipe size is not large enough and would not provide sufficient capacity and would have to be replaced with a larger pipe. The project will be reevaluated to determine the best place to connect the lines.

Mr. Grey further discussed the major changes in the gas budget because of the loss in revenue. The 2015 calendar year was a very warm year and therefore some of the numbers were off. Going forward, more normal temperatures are expected and the revenue should be more in line with projections. The staff recommended postponing a rate increase until results from the next cost of service study are available.

Mr. Smith asked how much the northern loop project was projected to cost. Mr. Grey responded it would cost around three million dollars and take one to two years to complete.

Mr. Jacob Thomas, the department's consultant with GDS Associates, will speak at the February meeting to concerning rate on return questions previously posed.

Mr. Turpin moved that the Danville Utility Commission approve the 2017 biennial rate study presented by GDS Associates recommending no utility base rate increases for fiscal years 2018 or 2019 and adjusting lighting rates to meet the cost of service. All members voted in favor and the motion was unanimously approved.

Introduction to Fiscal Year 2018 Utilities Budget

Ms. Jenny Holley reviewed the 2018 budget starting with items that affect all five utility funds. The impact of absorbing of credit card fees was one of the most substantial items.

Mr. Turpin questioned whether costs for the credit card fees would be spread out across all utilities. Ms. Holley responded the costs will be spread across the water, gas, and electric funds through internal allocation accounts.

Concerning the wastewater fund, there were no significant changes. Regular capital projects included repairs and equipment upgrades, engineering for treatment modifications, and building repairs at the treatment plant. The installation of sewer connections forecasts a shortfall.

The water funds are forecasted based on the results of the biennial rate study review. The budget includes increases in engineering requested for a pilot program to include existing water service lines into the existing GIS mapping system. Mr. Turpin asked about the money budgeted for this project. Mr. Kinnett reported that although the city has a current system, work needs to be done to improve it so that more specific data can be stored.

There was also an increase in chemical supplies due to the increase in quantity of material required such as, carbon for taste and odor issues.

Mr. Turpin, Mr. Shanks, and Mr. Smith all questioned the prepaid metering capital project. Mr. Grey explained that it is a program to provide a mechanism for customers to prepay their utility bills to control their energy usage, better manage their budgets, and eliminate deposits required for traditional accounts. Each expressed concern with return on investment. Mr. Grey decided to defer the project until the commissioners received more information.

Mr. Smith asked if the engineering has been completed for the Schoolfield Dam project. Mr. Dunkley stated the dam appears to be structurally intact but some work still needs to be performed. The amount budgeted is based strictly on estimates.

Ms. Holley reviewed the gas fund mentioning that revenues have been down due to warm temperatures.

Mr. Turpin asked whether public works takes care of the paving and Mr. Grey reported that the utilities department handles its own paving.

Mr. Shanks recommended that the staff stay on top of determining whether it is cost effective to do work in house or by a contractor.

Mr. Turpin mentioned he would like to see improvements made to water lines in the Ferry Road area.

Ms. Holley reviewed the electric fund noting a major increase in tree trimming. This is due to moving the funds from regular capital maintenance to operating accounts, as well as, increasing the number of contractor crews which is offset by decreases in personnel and benefits.

The electric department's main focus for this budget year is on tree trimming, substation improvements, and upgrades to power lines for better system reliability.

Mr. Smith asked for more information on the substation projects. Mr. Disher explained that a contractor has been retained to analyze all 17 substations in order to specify and prioritize the work that needs to be done.

Concerning the telecommunications budget, Ms. Holley mentioned \$200,000 is set aside for equipment upgrades and \$450,000 is included to continue the fiber to home program. This project would be funded partially from operating funds of the Telecommunication fund and the remainder from fund balance.

Mr. Shanks asked what neighborhood was next for the fiber to home project. Mr. Spencer reported that Southwyck Farms would be the next neighborhood to receive fiber.

Mr. Turpin asked why the fund was not increasing but remaining about the same each year. Mr. Grey stated that they lost the service and funding when the city's IT department took over the internet and phone service for all city departments so it appears stagnant.

Recommended modifications will be made to the proposed budgets and will be presented to the commission at the February 27, 2017 meeting.

Department Discussions

Mr. Shanks thanked the staff for the informative budget presentation.

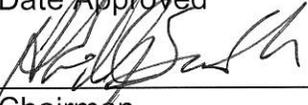
Mr. Grey mentioned that Prairie State continues to perform very well and ran at 101% in December.

Adjournment

Chairman Smith stated the next meeting is scheduled for February 27, 2017. There being no further business, Chairman Smith adjourned the meeting at 5:40 p.m.

Submitted by Meagan Baker
Secretary to the DUC

February 27, 2017

Date Approved


Chairman
Danville Utility Commission