



Danville Utility Commission Meeting Agenda 4:00 p.m., May 6, 2019

City Council Chambers, Danville City Hall

- I. Call to Order**
 - A. Roll Call
 - B. Announcements

- II. Discussion/Business Items**
 - A. Minutes of the March 25, 2019 Commission Meeting
 - B. Review of Utilities' Financial Statements
 - C. Transco Capacity Proposal
 - D. Schoolfield Hydro Renewable Energy Credit Strategy 2019-2020
 - E. Power Supply and Peaking Generation Update

- III. Communications**
 - A. City Manager
 - B. Utilities Staff
 - C. Commission Members
 - D. Public Comments
 - E. Director's Report

- IV. Adjournment**

Next Utility Commission Meeting

4:00 p.m. Monday, June 24, 2019

**City Council Chambers
4th Floor, City Hall**



Commission Item Number: DUC190506 - 1
Utility Commission Meeting: May 06, 2019
Item: II. B. Review of Utilities' Financial Statements

Financial Report

February financials will be reviewed.



Commission Item Number: DUC190506 - 2

Utility Commission Meeting: May 06, 2019

Item: II. C. Transco Turn Back Capacity Proposal

Transco Turn Back Capacity Proposal

Danville Utilities has received a proposal from Transco that we consider granting them as an option to take back a portion of our unutilized production-area capacity in exchange for a discount on our reservation rate.

The portion of the Turn Back Capacity they are offering to take allows us to source 17% of our daily supply at its receipt point, Station 30. The remaining receipt points of our FT contract, namely Stations 45, 50, and 62, make up an additional 25%, 19%, and 39% respectively. At Station 65, our capacity is fully telescoped, and we can take 100% of our supply there. For a number of years, we have sourced all of our supply at Station 65 and have not used the upstream receipt points.

Proposal

Transco proposes an offer to take back the capacity we have from Station 30 to Station 65 (see attached Transco map), or 2,875 DT of our firm transportation capacity, and swap it with Station 65 capacity. In exchange for this option, Transco would commit to take back the Station 30 capacity and offer us a discount on the reservation rate that equates to \$0.08/DT. They will reduce the rate from \$0.43300 to \$0.35300, and the annual cost for Station 30 to 65 capacity will go from \$454,379 to \$370,429, for a savings of \$83,950 per year. We would execute a discount agreement with a ten-year term effective November 1, 2019, or the date Transco receives the necessary authorizations from FERC.

Additionally, Transco would notify us by November 15, 2019, whether they will exercise the option for the remainder of the Turn Back Capacity from station 45 to station 65 (an additional 4,227 dekatherms per day), and what the effective date of the turn back will be. The effective date would be between October 1, 2020, and April 1, 2021, subject to receiving the FERC authorizations. This action would reduce the rate from \$0.41774 to \$0.33774 and the annual cost for this capacity would go from \$644,512 to \$521,084, for a savings of \$123,428 per year. If Transco exercises the option, we would execute a discount agreement with a 10-year term.

This proposal assures an \$83,950 annual savings at Station 30 beginning November 1, 2019, and the potential for an additional annual savings of \$123,428 at Station 45 beginning between October of 2020 and April of 2021. The total savings that would be passed through the purchase gas adjustment would be \$207,378.40 if Transco elected to pursue the optional 4,227/dekatherms per day.

Recommendation

I move that the Danville Utility Commission recommend to City Council pursuing Transco's proposal of releasing 2,875 dekatherms per day of capacity between stations 30 to 65 with an additional option of 4,227 dekatherms per day at a discount rate of \$0.08/ dekatherm.



Commission Item Number: DUC190506 - 3
Utility Commission Meeting: May 06, 2019
Item: II. D. Schoolfield Hydro Renewable Energy
Credit Strategy 2019-2020

Schoolfield Hydro Renewable Energy Credit Strategy 2019-2020

Renewable power generation creates actual power in the form of electricity, and environmental benefits to society from “green” power production. The actual power is sold into the local grid, and the environmental benefits are sold in the form of Renewable Energy Credits or “RECs”, sold separately as a commodity into the marketplace. While RECs are not actually a measure of power, each REC represents one megawatt hour (MWh) of renewable-generated energy. For each REC purchased the customer is able to claim the equivalent MWh of energy reduction as an offset to their conventional energy use. The environmental benefits include the greenhouse gases avoided by generating electricity from renewable sources rather than conventional fuels.

Virginia does not have renewable energy mandates, but the RECs are valued and can be sold into other states that do have renewable portfolio standards. The RECs are valued differently based on different requirements (run-of-the-river hydro, wind, solar, plant life, etc.).

Recommendation: A suggested motion follows:

I move that the Danville Utility Commission recommend to City Council selling the renewable energy credits associated with the generation at Schoolfield Hydro Plant for a minimum of \$3.00/REC for calendar years 2019 and 2020.



Commission Item Number: DUC190506 - 4
Utility Commission Meeting: May 06, 2019
Item: II. E. Power Supply and Peaking Generation Update

Power Supply and Peaking Generation Update

Jason Grey will provide an update on the City's 2018 power supply. He will also provide a summary of technologies being reviewed to help reduce demand during transmission and capacity peaks for both winter and summer months.