

**Virginia Energy Governmental Purchasing Association  
(VEPGA)**

County Manager's Conference Room  
Henrico County Administration Building  
4301 East Parham Road  
February 18, 2011  
9:30 A.M.

**Minutes**

*Present were board members Steve Sinclair, Fairfax County; Paul Proto, Henrico County; David Baker, Fredericksburg City Schools; Mike Barancewicz, Loudoun County Schools; Tom Colbert, Prince William County Schools; Matt Groff, Prince William County; Wayne Lassiter, City of Richmond; Jim Morris, Virginia Beach Schools; Tom Reinsel, Fairfax County Schools; Najib Salehi, Loudoun County; Dave Simmons, Gloucester County Schools; Jerry Spivey, City of Norfolk; and Mark Tschirhart, York County Schools.*

*Also present were VEPGA member representatives Bill Eger, City of Alexandria; Laura Conant, Arlington County; Susan Hafeli, Fairfax County; Lori Herrick, City of Virginia Beach; Rob Key, Chesterfield County; Jerry Walker, Henrico County; and Ping Yip, City of Newport News.*

*Also present were VEPGA counsel Louis Monacell and Cliona Robb with Christian & Barton; VEPGA consultants Ken Strobl and Glenn Watkins with Technical Associates; and Joe Lerch with the Virginia Municipal League.*

I. Call to Order

*Chairman Sinclair called the meeting to order at 9:41 a.m.*

II. Approval of Minutes of Previous Meetings

*Chairman Sinclair informed the Board that the draft minutes for the November 12, 2010 were not yet available and would be placed on the May 5, 2011 agenda for consideration.*

III. Additions to the Agenda

*Ms. Robb said that the latest update on the fuel factor would be included as part of Legal Update - Item 6 A.*

*Mr. Barancewicz said he would discuss the 1<sup>st</sup> meeting of the Energy Efficiency and Conservation Committee under committee reports – Item 8.*

*There was a brief discussion on the location May 6 annual meeting. There was general agreement that the Henrico Manager's conference room would not be an appropriate*

*location. Mr. Lerch will research various locations - including VML Insurance – and report back to Chairman Sinclair and Vice-chairman Proto. Chairman Sinclair indicated his preference not to hold the meeting at Dominion. Other considerations should include adequate parking and a better room configuration than last year's meeting. Louis Monacell offered that Christian & Barton would treat the Board to dinner at Maggiano's at Innsbrook to celebrate Mr. Proto's retirement following the meeting. Chairman Sinclair said that the meeting would then be scheduled between 11 – 5.*

#### IV. Proposed 2011-2012 Budget (Attachment A)

*This item was moved to committee reports – Item 8 – to be included in the Budget and Finance Committee report.*

#### V. Nominations for 2011-2012 Board

*Chairman Sinclair noted that nominations for expiring and vacant Board terms are currently being accepted and would be voted on at the annual meeting in May. Citing the bylaws Mr. Lerch noted that at least 30 days before the annual meeting the Board must solicit nominations from the membership.*

#### VI. Legal Update

- . Consideration of Matters Related to Negotiations with Virginia Power, including
  - 1. 12/29/10 Virginia Power Agreement in Principle

*Chairman Sinclair gave an overview the agreement noting that the negotiation team (which included Mr. Monacell, Mr. Robb, Mr. Watkins, Mr. Strobl, Mr. Proto and Mr. Sinclair) participated in 15 conference calls over the length of a year. Contentious issues included base rate increases, return on equity, rate adjustment clause issues, FTR credits, and length of contract. The most notable parts of the agreement were length of contract at 3 1/2 years with a re-opener clause at 2 ½ and a 4.6% savings over jurisdictional rates.*

*Referring to handouts Louis Monacell gave a comparison of the original Dominion offer vs. the approved Agreement in Principle. He noted that from January 1 - April 1 new charges will be offset by \$7.4 million in credits. On April 1 the base rate increase by \$4.633 million. Overall increase is 7% but varies by individual jurisdiction (7-8%). In future years rate changes (for all riders) will be set January 25 - effective July 1. Best estimate of fuel factor for 2011 – effective July 1 - will be coming March 1st from Dominion. Mr. Monacell noted that Dominion Virginia Power has a monopoly on transmission service but allows for competition on rates. In 2007 the General Assembly repealed customer choice except for accounts of 5 Megawatts or above. McGuire Woods (outside counsel for Dominion) advises that VEPGA should be allowed to go elsewhere since they can negotiate rates directly with the company. However, current market prices are well above the current contract price so there is no need for VEPGA to look elsewhere. Mr. Monacell projects that the Dominion rate contract will not exceed the market price unless riders (such as for North Anna nuclear plant reactor) push it above. However, he expects that this would not happen during the contract period. Mr. Monacell*

*noted that the TERF (Tax Effective Recovery Factor) was kept at a 1.29 rate. The TERF compensates VA Power on tax paid for income for construction of new facilities. All future riders were agreed too except for RPS, RECs, and conservation programs.*

*Mr. Watkins from Technical Associates gave a report (utilizing handouts) on the make-up of rate increase. He noted that Rider T is a pass through with no room for negotiation. Rider R (Bear Garden facility) will remain pretty flat while Rider S (Virginia City facility) will increase next year and then level off. He also noted that both of these riders would eventually go down in the future due to depreciation. He and Mr. Monacell note that the Warren County plant is in the works with an additional rider possibly kicking in January 1<sup>st</sup>, 2012 to cover soft costs. Mr. Watkins said that the point is that there will be changes in the overall rate due to riders over the term of the contract. This is mainly the result of riders for ROI for generation facilities which is new. Ms. Robb pointed out that the rates for VEPGA were made fair as compared to jurisdictional rates.*

*There was a short discussion regarding street lights. Mr. Barancewicz asked if there will there be a comparable level of service for the new rate for street lights. Mr. Simmons also shared the same concern. Ms. Robb answered that a process letter is in effect and the Joint Action Committee (JAC) is still dealing with this letter to hopefully make improvements in service to street lights. Mr. Watkins pointed out that this is a recurrent problem across the country.*

*Mr. Watkins then talked about current and proposed rates by individual jurisdictions. He noted that Dominion's records are horrendous and should not be taken as gospel, but he is available to talk about each jurisdiction to help them figure it out. He noted that schools and government were not separated. Mr. Colbert asked if this could be broken out. Mr. Watkins answered that this can be done but it will be difficult. Mr. Monacell pointed out that the problem is that Dominion has not broken this out by code. Mr. Barancewicz talked about how this is an ongoing problem and how Loudoun fixed this noting that it took hundreds of man-hours to purify the database. He explained that this effects how you track energy use and institute smart metering. Mr. Sinclair pointed out that Newport News did this in anticipation of competition. Mr. Watkins said you have to get your customer representative to help out in this effort.*

*Mr. Watkins referenced the handout for individual rate accounts. Mr. Eger asked if these are exact come April 1st. Mr. Watkins answered yes. Ms. Robb said that VEPGA needs to give Dominion the green light after today's meeting and then it becomes official. Mr. Monacell provided a clarification that large accounts can be on 100 account code (with a low load factor) and that small accounts can be on 130 account code (with a high load factor). VEPGA members have the flexibility to switch back and forth based on what will save more money. Mr. Walker pointed out that Dominion Power will run a comparison of rates per request, noting that this is a great tool for energy managers. Mr. Salehi discussed the redesign of rate schedule 132 and that the number of local governments purchasing high voltage under this rate schedule is low. The rate schedule redesign is going to increase the majority of local government's rate since they purchase low voltage.*

*Mr. Strobl from Technical Associates then reported on fuel costs estimates. He explained that a large amount in prior and current year balances need to be brought down. Bottom line is that current rate is underestimated and the prior rate was also underestimated so that the cumulative estimated fuel factor increase is 1 cent per kilowatt hour. Due to the past and current balances VEPGA cumulatively owes Dominion approximately \$30 million. Mr. Simmons said it's a "Catch-22" in that if you save on energy than Dominion's estimate on fuel use is off. Discussion commenced on Dominion's ability to hedge. Mr. Monacell pointed out that Dominion charges as they burn it not as they buy it. Mr. Monacell said that VEPGA members will pay more starting July 1 unless it is adjusted next month or thereafter by negotiation with Dominion to start to make up the shortfall. Mr. Strobl said that we are now paying 2.705 cents per kilowatt hour now and that Technical Associates made an estimate based on costs of current fuels and how they might increase (coal, nuclear, natural gas, oil). He predicts a conservative (high) estimate of 3.83 cents per kilowatt hour. Ms. Robb pointed out the prediction is based on what we should be paying (the make-up) and estimating a rise in fuel prices. Mr. Baker pointed out that the "truing up" of annual fuel costs is creating volatility in local budgets. He asked if this could be done over a 2-year period to smooth it out. Mr. Watkins said that Dominion is typically "risk averse" and would probably not be inclined to do so. In future years the estimated fuel factor (starting July 1<sup>st</sup>) will be known on January 25th (by contract obligation). Mr. Baker asked what the impact on the overall rate would be on July 1st. Mr. Monacell said the average rate is 8.2 cents per kilowatt hour and that a penny increase for fuel would result in an increase of 12.2 % for a total increase of almost 20%. Mr. Monacell pointed out that on March 1<sup>st</sup> we will know the predicted amount, but not the actual number until July 1<sup>st</sup>.*

*The Board adjourned for lunch at noon.*

*Mr. Colbert Leaves.*

*The meeting reconvened at 12:33 pm*

*Discussion continued regarding fuel costs and whether VEPGA should consider negotiating an adjusted fuel factor with Dominion for remaining fiscal year. There was general consensus not to do so. Mr. Monacell explained that the main reason for under recovery balance was due to extreme weather - warm summer, cold winter.*

*Mr. Watkins said the contract is scheduled to be finalized March 7th. Chairman Sinclair said to inform Dominion that VEPGA agrees to the contract with the proposed rate schedules.*

*Mr. Strobl and Mr. Watkins left at 12:40*

## 2. 2/16/11 Virginia Power meeting on service quality issues

*Ms. Robb provided a handout and summary of the Joint Action Committee (JAC) meeting. One of the issues discussed was the difference between Northern Virginia and Hampton Roads experience. Dominion mostly listened. Ms. Robb will develop a summary of the items discussed with Pat Hayworth of Dominion and when they will get back to us*

*with responses. Chairman Sinclair noted that the number of Dominion representatives at the meeting was good and that they heard a lot.*

*Budget & Finance Committee Report (out of order) was then taken up. Mr. Baker Indicated that certain information just coming in and the numbers will be fine-tuned for the May meeting of the board. Mr. Lerch pointed out that a revised attachment A for the proposed 2011-2012 budget was placed at each member's seat for reference. Mr. Simmons made a motion (seconded by Mr. Lassiter) to adopt the proposed budget. The motion was adopted unanimously.*

*Mr. Baker leaves.*

### 3. Finalizing 2011 Contract

*Ms. Robb noted that the contract is scheduled to be finalized on March 8<sup>th</sup>.*

### 4. Information sessions in northern, central, and eastern regions

*Regarding the informational sessions on the new contract, Ms. Robb referred to a handout of suggested dates provided by Dominion. The Board chose the following dates for the meetings by region:*

*May 3rd for eastern Virginia  
May 10th for central Virginia  
May 18th for northern Virginia*

*Mr. Monacell noted that Dominion has never done this before and that it would be good for a board member to attend the sessions. Board members noted they will attend. Mr. Monacell asked if Christian & Barton should attend. The Board indicated that it was not necessary.*

## B. Update on Recent Activity Impacting Virginia Energy Users

### 1. SCC proceedings on jurisdictional rates

*Ms. Robb and Mr. Monacell distributed handouts on expected and possible jurisdictional rate increases and provided an overview. Mr. Monacell noted the significance of multiple riders throughout the year. Ms. Herrick asked what the effective rate increase on customers will be in order to inform local elected officials. Mr. Monacell expects at least a 10% increase.*

### 2. General Assembly developments

*Mr. Monacell provided the legislative report. Mr. Eger had question about electric utility working group report legislation that failed in committee. Mr. Monacell reported that Commission on Electric Utility Regulation (CEUR) rejected the legislation. He also reported that at the recent CEUR meeting Senator Watkins asked for three issues related to rates to be addressed by the commission and that the chairman - Senator Norment -*

*indicated at yesterday's meeting these issues and others will be addressed in the upcoming year.*

*Mr. Reinsel thanked the negotiation team for their work on the contract. Other members of the Board echoed his comments.*

**VII. Summary of Benefits of VEPGA Membership (Attachment B)**

*Referring to the attachment Ms. Robb gave an overview of the draft summary of benefits. Chairman Sinclair asked the Board members to review and provide any suggested edits over the next two weeks. The final copy will be posted on the website.*

**VIII. Committee Reports (if any)**

*Mr. Barancewicz announced that he will send the members of the Energy Efficiency and Conservation Committee an email to set the date for the 1<sup>st</sup> meeting of the calendar year. The committee will work on the agenda and speakers for the annual meeting. It was noted that Mr. Eger and Ms. Herrick were added to the committee at the last board meeting.*

**IX. Financial Statements (Attachment C)**

*Chairman Sinclair referred to the attachment showing the current balances.*

**X. Next Meeting Date(s)**

*The board will convene next at the annual meeting on May 6<sup>th</sup>.*

**XI. Adjournment**

*Ms. Herrick announced that 39 persons have signed up for the new Virginia Energy Managers Wiki group.*

*Meeting adjourned at 1:35 pm.*

Respectfully submitted,

Joe Lerch  
Secretary

**VEPGA**  
**February 18, 2011**  
**Attachment A**