

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

County Manager's Conference Room
Henrico County Administration Building
4301 East Parham Road

August 7, 2015
9:30 A.M.

Approved Minutes

Present were board members Jerry Walker (chair), Henrico County; Susan Hafeli (vice chair), Fairfax County; Bill Eger, City of Alexandria; Wayne Lassiter, City of Richmond; John Morrill, Arlington County; Jim Morris, Virginia Beach Public Schools; Rick Raike, Hampton Roads Sanitation District; Najib Salehi, Loudoun County; Dave Simmons, Gloucester County Schools; Jerry Spivey, City of Norfolk; and Mark Tschirhart, York County Schools.

Also present were VEPGA members Micah Archibald, Prince William County Service Authority; Seth Austin, Chesterfield County; Larry Burkett, City of Richmond; Susan Elliott, City of Charlottesville; John Hasher, Virginia Beach Public Schools; Cathy Lin, Arlington County Schools; Jennifer Privette, City of Newport News; Julia Reynolds, Chesterfield County; and Jerry Riddick, City of Norfolk.

Also present were VEPGA counsel Louis Monacell and Cliona Robb with Christian & Barton; and VEPGA Secretary/Treasurer Joe Lerch with the Virginia Municipal League.

I. Call to Order

Jerry Walker called the meeting to order at 9:41 a.m.

II. Approval of Minutes of Previous Meetings (2/6/15 and 5/7/15)

A motion to approve the minutes from February 6, 2015 meeting and May 7, 2015 annual meeting was made by Dave Simmons and seconded by Rick Raike. The motion passed unanimously.

III. Additions to the Agenda

An update on the EPA's Clean Power Plan was added as a third item to the Legislative Update.

Jerry Walker noted that a chart describing which codes and rate schedules that apply to certain streetlights will be placed on the website. This chart was prepared by Dominion Virginia Power.

Item B under the Legal Update, the Arlington County standby question, was then taken up for discussion. Cathy Lin reported that Dominion Virginia Power was requiring Arlington schools to pay a \$1,060 per month standby charge for solar panels and it was not clear if this is different than what should be applied under the terms and conditions for net metering in the VEPGA contract.

Cliona Robb noted that standby charges, in the Master Agreement, Schedule C, and as a function of demand charges in rate schedules have always been in the VEPGA contracts. In regards to rate schedule designs she asked if VEPGA wanted to encourage net metering and that this is a discussion that has not yet happened.

Jerry Walker asked Cliona Robb to prepare a document on how demand/standby charges apply to renewable energy and that more discussion is needed. In the case of Arlington it would be beneficial to have VEPGA, the vendor, and Dominion Power sit down to discuss the expectations and understanding of all three parties as to how the charges should be applied.

IV. Appointment of New Board Members to fill vacant unexpired terms

Joe Lerch noted that there are two vacancies on the board for terms that will expire on June 30, 2016. According to the bylaws the board can appoint members to these vacancies. Jerry Walker asked the board to consider potential appointees for consideration at the November meeting.

V. Committee Updates

A. Energy Efficiency & Conservation

Susan Hafeli reported that the committee will meet on September 10th. The topics for the preliminary agenda include an update of the EPA Clean Power Plan final rule by Frank Rambo with the Southern Environmental Law Center and high efficiency lighting for parking lots.

B. Budget & Finance

Wayne Lassiter reported that the unaudited financials for FY 15 presented a good news story. Overall VEPGA was 30 percent under budget. Additionally there is a healthy fund balance of approximately \$160,000.

C. Joint Action Committee

Jerry Riddick reported that the committee met on June 18th and was given a demonstration of a proposed LED streetlight and the chart showing which streetlight types are assigned to specific codes and rate schedules. As noted earlier this will be posted on the VEPGA website. The committee is scheduled to meet again on September 17th.

Joe Lerch reported that the Virginia Municipal League will be surveying its members regarding responses to streetlight outages. He will forward the results of the survey to Jerry Riddick so that he can share with the JAC.

VI. Legal Update

A. Matter Related to Dominion Rates

1. Board review of fixed priced REC for Rider G-CM

Cliona Robb reported that Dominion Virginia Power had offered to keep the REC price at the current level. A motion was made by John Morrill, seconded by Rick Raike, to accept the offer which will be effective starting October 1 and last until September 30, 2016. The motion passed unanimously.

2. Deferred Fuel Balance

Louis Monacell reported that as of June 30th VEPGA has a deferred fuel balance of \$4.5 million, with \$2.7 million of the gain accruing in June. He also noted that VEPGA has the specific rates for riders effective July 1st and that these can now be sent to the membership via email and posted on the website.

3. Market Prices vs. DVP rates

Louis Monacell began the discussion by remarking that while SCC jurisdictional customers with an aggregate load of 5 megawatts or greater can go to the open market to shop for a utility supplier, customer choice has not been significantly used in Virginia. The board decided to have a supplier make a presentation to the negotiating team for information purposes. It was noted by Cliona Robb that VEPGA cannot shop under the current contract with Dominion.

B. Arlington County standby charge question

It was noted that this item was already covered earlier in the agenda.

C. SCC

1. Dominion's biennial review, IRP, fuel, and rider cases

In regards to the biennial review Louis Monacell reported that Attorney General's office entered testimony that even with a write off of soft costs for the North Anna 3 unit, Dominion still over earned by \$11 million. He also note that the Attorney General's office was aggressive on other fronts. Specifically quantifying a rate surplus of \$230 million per year going forward and that the ROE (return on earnings) should be reduced by 30 basis points from 10 percent to 9.7 percent. He reminded the board that the 2013 General Assembly enacted legislation that may prohibit a reduction in ROE. This is significant in that the VEPGA contract is tied to this review and that without the 2013 legislation VEPGA members would have benefitted going forward.

Mr. Monacell also reported that the AG's office asked the SCC to investigate whether plans for the North Anna 3 capital costs are prudent. Currently they are at \$15 billion and would double the investment on which rate of return is based.

For the IRP (integrated resource plan) Dominion filed five different plans with least cost being the one that built all natural gas burning facilities. The other plans included (1) building more solar; (2) co-firing with coal and natural gas; (3) building North Anna 3; and (4) building more wind.

For fuel Mr. Monacell reported that it is 6/10th cent lower for jurisdictional customers and already in effect with expectation that the SCC will approve the reduction.

For Rider U, putting existing lines underground, all three commissioners said that Dominion failed to show how charging the customers \$6 billion over the life of the investment was prudent.

Dominion filed a rider for the Greenville natural gas plant and Mr. Monacell said that this is likely to be approved. He further noted that the capital cost of North Anna 3 would be ten times greater than the estimated cost of \$1.4 billion to construct the Greenville facility.

Dominion also filed Rider T-1 to cover the costs of transmission for PJM for residential customers.

Other riders currently pending include R,S,B and W.

2. Net Energy Metering Rules

Cliona Robb reported that the SCC would be approving a new net metering rule required by two pieces of legislation approved by the 2015 General Assembly. Specifically the new rule will require Dominion to sign off on any net metering application to verify that the renewable energy does not exceed the load requirements of the home, building or facility.

3. APCo experimental riders for non-dispatchable renewable generation.

Cliona Robb noted that this case represents a trend in green tariff filing where no rational customer would accept it.

The board adjourned for lunch at 11:15 a.m.

The board reconvened at 11:50 a.m.

D. Legislative Update

1. AG's Opinion on Municipal Electric Rates Being Subject to SCC regulation

Referring to the attachment Louis Monacell explained how the recent AG's opinion that the General Assembly could enact legislation requiring the SCC to regulate municipal electric utilities has a relation to VEPGA. This is because in the 1970s Dominion challenged the statute allowing local governments to contract directly with utilities as unconstitutional. The Virginia Supreme court upheld the statute.

2. 7/13/2015 Meeting of General Assembly's Commission on Electric Utility Regulation

Referring to the handouts Louis Monacell reported on the meeting noting that the Danville electric utility has some of the highest electricity rates in Virginia. He also referred to a presentation by Dominion touting their low cost for utility customers compared to other states and regions.

3. Clean Power Plan

Cliona Robb noted that the EPA had issued its final rule and that as expected there will be a legal challenge from various parties. She also said that Christian & Barton will moderate a legal panel on the final rule on November 5th in Richmond the day before the next board meeting.

VII. Administrative Update – use of current kWh for allocation of VEPGA dues

Joe Lerch reported that Glenn Watkins, with data provided by Dominion, developed a spreadsheet that provides kWh usage by VEPGA accounts and that it could be used to update the kWh baseline utilized in determining annual assessments. He noted that current assessments are based on 2000 usage data and that an update may result in significant changes to some members' annual assessments. The board may want to consider a phase-in approach for adjusting assessments as well as a policy on how often the kWh data should be updated for the assessments.

VIII. Current Roster of VEPGA Members

Joe Lerch reported no new additions or subtractions to the roster since the last meeting.

IX. Adjournment

Prior to adjourning Jerry Walker noted that this would be Dave Simmons last meeting as he was retiring. Additionally he asked for a volunteer to chair the JAC as Jerry Riddick will also be retiring later this year.

The meeting adjourned at 12:21 p.m.

Respectfully submitted,



Joe Lerch
Secretary