

January 13, 2015

A called meeting of the Council of the Town of Bedford, Virginia, was held in the Conference Room of the Municipal Building at 5:15 p.m., January 13, 2015.

Members present: Mayor Robert T Wandrei; Councilman Tim Black; Councilman Robert D. Carson; Councilman Stacey L. Hailey; Vice Mayor Steve C. Rush; Councilman Beckham A. Stanley; and Councilman James A. Vest

Members absent: None

Staff present: Town Manager Charles P. Kolakowski; Town Attorney W. W. Berry, IV; and Clerk of the Council Teresa W. Hatcher

The Town Manager reported that a study (Electric Rate Review and PCA Methodology) had been commissioned in order to try to identify the price pressures on the cost of electricity for the Town utility, trying to identify where the costs were and what was driving the price so that the proper consumers of electric could be charged in accordance, as much as possible, with what they were contributing to the actual expenses for the utility depending upon time of use, amount of use, load factors. (The study was done by Utility Financial Solutions). Mr. Kolakowski said the study was done in order to identify the cost factors and assign them as much as possible where needed and also give the Town a plan for revenue generation in order to cover not only the year to year expenses but also long term maintenance, upkeep, and improvements to the system.

Ms. Dawn Lund, Vice-President of Utility Financial Solutions, met with Council through the Internet. Ms. Lund said that her firm is an international consulting company that provides financial services to utilities across the country. Ms. Lund said her company was hired to conduct a cost of service study and a rate design study for the Electric Department. She said the Electric Department is an Enterprise Fund which means the revenues of the utility should meet financial requirements or obligations, including investment for reliability. Ms. Lund said a cost of service study should be done every two to three years or when there is a change in cost structure. She said the reason for the study is that this is a method to equitably allocate the revenue requirements of the utility among the various customer classes of service.

Ms. Lund continued to review the study page by page and explained the topics of the study: Recommended Minimum Cash Balance, Operating Income; Summary Financial Projection; Financial Summary; What is a PCA; and COS Rate Results – Work Towards Over Time.

Ms. Lund reviewed the following recommendations included in the study: a 4% rate increase is recommended in 2015 as a minimum increase needed to work toward financial targets; additional increases may be needed with the next budget recommendation; targets should be monitored with the budget process, including debt coverage ratio; and in addition to the increase, a 6 month rolling PCA is recommended.

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The Town Manager said the manner in which rates are set is a significant change. Mr. Kolakowski stated this is going to take some discussion on where the Town wants to go and how to compare that to neighboring utilities. He said at some point the Town needs

to have the bottom line that the rates are sufficient to cover costs. Mr. Kolakowski said that going forward we are looking at some level of increases, some amount of stability in the Town's power costs – energy costs are probably going to be fairly stable; the great unknown is transmission and capacity expenses, which are imposed by PJM and other causes. Mr. Kolakowski said the Town is looking forward to providing rates which are reflective of where the costs are; the consumer is paying a fair share; and the Town is able to generate sufficient revenue to do the maintenance, the upkeep, and the improvements that are needed for a quality utility system.

A general discussion ensued regarding rates, businesses, and industries.

It was the consensus of Council to direct the staff to prepare an ordinance for a four percent (4%) increase in electric rates effective February 1, 2015.

A brief discussion ensued regarding the Tuttle Group International report..

Mayor Wandrei adjourned the meeting at 6:46 p.m.