

January 26, 2016

A work session of the Council of the Town of Bedford, Virginia, was held in the Council Hall of the Municipal Building at 5:30 p.m., January 26, 2016.

Members present: Mayor Robert T. Wandrei; Councilman Tim Black; Councilman Robert D. Carson (arrived at 6:38 p.m.); Councilman Stacey L. Hailey; Vice Mayor Steve C. Rush; Councilman Beckham A. Stanley (arrived at 6:52 p.m.); 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

Mayor Wandrei opened the meeting and said the purpose of the work session was the discussion of electric issues.

Town Manager Kolakowski stated that at the end of the work session the Taxicab Rate Ordinance will be discussed. He said that the questions raised at the last meeting have been resolved by the Town Attorney in conjunction with the Police Chief and the operator of the taxi cab.

The Town Manager said he gave Council members a list of topics that Councilman Vest had talked to Delegate Austin about for possible discussion with the Delegate in Richmond on January 27. Mr. Kolakowski said he added one additional item to the list that was sent to Delegate Austin: to have the Delegate advocate for full funding for state incentives for enterprise zones. The Town Manager said that Senator Newman will be able to meet on January 27.

Town Manager Kolakowski said the staff would like to talk about the Electric Department's Capital Improvements Schedule being proposed, which is being brought forth to Council for consideration. He said it is an extensive list of projects, quite substantial in their scope and what they handle, and also in their anticipated expense.

John Wagner, Electric Utility Director, reviewed the draft Bedford Electric Capital Improvement Projects Summary, dated January 25, 2016, line by line. He said the Capital Improvement Projects were in three categories: 1) Snowden Hydro Plant 2) Transmission & Distribution Facilities 3) Peaking Generation.

Mr. Wagner explained each project in detail and discussion ensued with members of Council asking questions.

Mr. Wagner explained that the No. 1 project for transmission and distribution is the rebuild of the wood structure at the Centerville substation. The engineer has examined the structure and his opinion is that it could fail at any time.

January 26, 2016

Councilman Vest said that at the meeting Mr. Kolakowski indicated there is about \$90,000 that could be used for the rebuild and then the project would not have to be deferred until next year.

The Town Manager explained there are some bond proceeds that are allocated to the electric which the Town may be able to access.

Discussion ensued about starting the project in this fiscal year and ordering the materials.

Councilman Vest suggested that the Town Manager be authorized to start proceeding on this project.

Mr. Wagner said the following projects are safety issues: Replace "Dog House" Transformer and Concentric Neutral Cables, the Centerville to Bedford Weaving Circuit Reconfiguration, and the Frank Chervan Station Retirement. He stated that the Bedford Weaving Reconfiguration and the Frank Chervan Station Retirement need to be done together.

There was discussion regarding the following project: Add 3 MW of Diesel Generators for Peak Shaving & Emergency Back-up.

Mr. Wagner said he would meet with Mark Sendig regarding the generators and with Council's authorization go ahead with preparations for an RFP.

Regarding the peaking generator, Mayor Wandrei said it was the consensus of Council that the generator is a priority item which will save the Town money and for the staff to go through with the RFP and see what is out there.

Town Manager Kolakowski said that Council should be prepared to go ahead with projects if the RFP's fall within the amount that is acceptable to Council.

Mr. Wagner then reviewed the draft Bedford Electric Base Case - Proposed Rate Change Impact report. He said a rate study was conducted by an outside consulting firm last year. The consulting firm gave Council a two phase recommendation. The first phase was a four percent across the board rate increase, which was implemented on July 1. Mr. Wagner said coupled with that was a change in the way the power cost adjustment (PCA) was calculated, which also went into effect July 1. The second phase of the consulting firm's recommendation was to increase the customer charges. He said that page 1 of the report (Base Case) is the consulting firm's recommended change to customer charges. Mr. Wagner said his recommendation is to approve Case 3, on page 4, which would have a projected impact of \$470,004 in additional revenue.

Councilman Carson arrived at 6:38 p.m.

Discussion ensued regarding the increase in rates since 2014, the need for an increase, and the cost of capital improvements.

January 26, 2016

Town Manager Kolakowski said that part of the recommendation for the customer charge increase is to stabilize the revenue on a month to month basis. He said it can be reviewed once the increases are put into place. Mr. Kolakowski explained that increasing the customer charge was suggested not just to increase revenue but also to shift where the revenue was coming from to a more stable and a fashion that is guaranteed on a month to month basis which does not fluctuate with the weather. He said the idea of shifting and getting more revenue from the customer charge, which is a fixed charge, is part of the study and should be adopted.

Mr. Wagner said the trend in the industry is to shift more of the cost recovery to a fixed base charge such as a customer charge or a facilities charge. He explained that the Town would be less vulnerable to fluctuations and weather conditions and the charge would provide stability for revenue recovery.

Mayor Wandrei said the purpose of this discussion was to determine if Council is going to put out a notice of a rate increase, which would have to be discussed at a regular session. He said the question to decide at this meeting is which proposal would Council want to submit as a possible rate increase or if Council wants no increase.

Town Manager Kolakowski said that if there were a consensus on which one Council would like the staff to work into and to make projections on, then the staff could look at where the Town is within the budget in revenues to this year and put it all together. Then the staff would report on what is recommended as a final deal, given the capital projects that are projected and projected budgets moving forward.

The Mayor said that a consensus would give the staff something to work on as far as what they are going to put forth in a way of a notice if Council decides to go forward with a rate increase.

After a brief discussion, the Mayor stated it was the consensus of Council that it favors Case 3 of the Proposed Rate Change Impact report.

It was the consensus of Council for the staff to work on Case 3 in the draft Bedford Electric Base Case - Proposed Rate Change Impact report.

The Town Manager said the staff will finalize the numbers and bring a report back to Council for further consideration in conjunction with other revenue projections and expenses.

Sonia Jammes, Finance Director, explained that Council had been given copies of the American Municipal Power, Inc., draft Project Financial Feasibility Study, which needed to be done before the Town could be considered for refunding at AMP Ohio. Ms. Jammes said that once the study has been reviewed, a conference call will take place on January 29 about any recommended changes. She said then AMP will facilitate those changes and this report will go before their Board of Directors in February for approval

January 26, 2016

of the Town's request for refinancing for the 2005, 2005B, and the \$675,000 line of credit, refinancing it at their current rate which at the present time is one percent. She said if members of Council review the report and have comments, they should get their comments to staff, and those comments will be given to AMP Ohio in the conference call on January 29.

Councilman Stanley arrived at 6:52 p.m.

Chief of Police Foreman reported that Town Attorney Berry changed the one line that was confusing in the proposed Taxicab Rate ordinance. Mr. Berry said there will be an additional charge for thirty cents for each additional passenger. The Chief said #5 was changed as follows: charges for trips outside the town limits may be discounted by agreement between the taxicab driver and the passenger.

Mayor Wandrei said the proposed ordinance will be added to the agenda of the regular meeting as the second item of new business.

Mayor Wandrei adjourned the meeting at 6:55 p.m.