



DANVILLE CITY COUNCIL WORK SESSION AGENDA

MUNICIPAL BUILDING

January 5, 2021

7:30 P.M.

MEETING CALLED TO ORDER

MINUTES

- A. Consideration of Approval of Minutes from Regular Work Session held on December 1, 2020.
Council Letter Number CL - 2474.

WORK SESSION ITEMS

- A. Consideration of Authorizing the City Manager to Enter into a Capacity Agreement for Battery Energy Storage.
Council Letter Number CL - 2465.

PROGRAM UPDATE

ECONOMIC DEVELOPMENT UPDATE

COMMUNICATIONS FROM

- A. City Manager
- B. Deputy City Manager
- C. City Attorney
- D. City Clerk

E. Roll Call

CLOSED MEETING

As Permitted by Subsection (A)(3) of Section 2.2-3711 of the Code of Virginia, 1950, as amended for discussion or consideration of the acquisition of real property or of the disposition of publicly held real property; and

As Permitted by Subsection (A)(5) of Section 2.2-3711 of the Code of Virginia, 1950, as amended for discussion concerning a prospective business or industry related to economic development; and

As Permitted by Subsection (A)(7) of Section 2.2-3711 of the Code of Virginia, 1950, as amended for consultation with legal counsel and briefings by staff members or consultants pertaining to actual or probable litigation, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the public body.

- A. Motion to Convene in Closed Meeting
- B. Motion to Reconvene in Open Meeting
- C. Motion to Certify Closed Meeting

ADJOURNMENT

Council Letter

City of Danville, Virginia



CL-2474

Meeting Minutes A.

Work Session Meeting

Meeting Date: 01/05/2021

Subject: Consideration of Approval of Meeting Minutes

From: Susan M. DeMasi, City Clerk

COUNCIL ACTION

Work Session Meeting: 1/05/2021

SUMMARY

Consideration of Approval of Minutes from Regular Work Session held on December 1, 2020.

Council Letter Number CL - 2474.

Attachments

Meeting Minutes

December 1, 2020

A Regular Work Session of the Danville City Council convened on December 1, 2020 at 8:30 p.m. in the Council Chambers located on the Fourth Floor of the Municipal Building. Council Members present were: James B. Buckner, L.G. "Larry" Campbell Jr., Bryant Hood, Mayor Alonzo Jones, Barry P. Mayo, Vice Mayor Gary P. Miller, Sherman M. Saunders, J. Lee Vogler, Jr. and Madison J.R. Whittle (9).

Staff Members present were: City Manager Ken Larking, Deputy City Manager Earl B. Reynolds, Jr., City Attorney W. Clarke Whitfield Jr. and City Clerk Susan M. DeMasi.

Mayor Alonzo L. Jones presided.

MINUTES

Upon **Motion** by Council Member Saunders and second by Council Member Mayo, Minutes of the Regular Work Session held on November 5, 2020 were approved as presented. Draft copies were distributed to Council Members prior to the Meeting.

WORK SESSION ITEMS

Mayor Jones asked the City Attorney to discuss the options for the Caesars' Ordinance and Mr. Whitfield suggested staff add a paragraph that states, be it further ordained that \$2.9M was hereby appropriated for payment to 2291 Schoolfield LLC for the new police station. On the fourth paragraph, they could either eliminate the paragraph, which would require Council to go back and have a first reading and final adoption for every item. Or, Council could add language that says, be it further ordained that all further expenditures shall be approved by Resolution approved by the Council prior to such expenditure. By straw poll, Council chose the second alternative.

City Manager Ken Larking noted the \$2.9M was needed right away because of the agreement with the developer for the police station. Because there was a gap between now and when the City starts receiving recurring casino revenues that would make the purchase and lease payments, the City should set aside a certain portion of that \$15M to make those payments. Staff believes it may be about \$3M, it may be less; they want to set aside \$3M for that, which will probably be a second resolution.

CONSIDERATION OF APPOINTMENTS TO BOARDS AND COMMISSIONS

Vice Mayor Miller noted the Committee on Appointments met earlier this evening and make the following recommendations:

Building Code Board of Appeals:	Reappoint:	Jeffrey L. Bond and Arthur Craft
Employee Retirement System:	Reappoint:	Lenard Lackey
Fair Housing Board:	Reappoint:	Emmett Young and Tommy Bennett
Planning Commission:	Reappoint:	Kalil Khan and James Bolton
Danville Pittsylvania Community Services Board:	Appoint:	Geary Davis

Council had no objections to the proposed Appointments.

CONSIDERATION OF VACATING APPROXIMATELY 0.58 ACRES OF RIGHT OF WAY ON OLD FARM ROAD

Assistant Director of Public Works/City Engineer Brian Dunevant noted the City had a request to vacate some unimproved right of way on Old Farm Road, from the adjacent property owner. Staff has sent this through all the applicable departments and there no objections. Staff recommended that the City vacate the right of way.

Council agreed to put this on an upcoming business agenda.

CONSIDERATION OF PETITIONING THE COMMONWEALTH TRANSPORTATION BOARD FOR OWNERSHIP OF PARCEL #50902

City Attorney Clarke Whitfield explained the Commonwealth of Virginia owns this piece of property; the City had sent them a bill for grass cutting, and they did not realize they owned it. The Commonwealth said they would not pay for the grass cutting but would give the City the lot. Mr. Whitfield recommended the City accept the lot and get it back onto the tax rolls.

Council agreed to put this on an upcoming business agenda.

PROGRAM UPDATES

Mr. Larking noted Council will receive an email from the IT department in the next few days; the City was migrating from the current Microsoft Office to a Cloud Based Office 365. They will be taking the emails off the server and onto the Cloud. When they migrate over, there have been some people having to re-enter their credentials, and it may happen to Council Members. If they have any issues during the process, Council can reach out to the City Manager's office, they will connect them with the Help Desk and get their device working as quickly as possible.

City Attorney Clarke Whitfield explained there were changes to the Freedom of Information Act; each locality was required to have a FOIA officer and list that officer on the website. Currently he was the FOIA Officer for the City, and was proposing that Arnold Hendrix, the City's Public Information Officer be appointed as the City's FOIA Officer. This will be on an upcoming business agenda.

Mr. Whitfield noted he received an email from Judge Kiser's law clerk who was asking Council to pass a proclamation recognizing Judge Kiser for his thirty-nine years of service to the City of Danville. He was appointed in 1981 and served until his death several months ago. There were no objections from Council for the City Attorney to put together a resolution for Judge Kiser.

ECONOMIC DEVELOPMENT UPDATES

Mayor Jones noted the new location for the antique store on Arnett Boulevard was a great idea and Director of Economic Development Corrie Bobe noted all the credit goes to Kelvin Perry.

Mr. Buckner brought an article in Virginia Business to the attention of Council, 100 People to Meet, the Rainmakers, and the second name on the list was Ms. Bobe, honored in the publication for her hard work and dedication to the City of Danville. Ms. Bobe thanked Council for their support, without that, they would not see so much success, not only within the City of Danville but throughout the entire region.

Ms. Bobe noted it was time for the EDA CEDS; each year they work in partnership with the Planning District and other localities within Southern Virginia to submit their Community Economic Development Strategy. Included was a list of projects they would like to seek out additional funding for; this was a partnership not only with the Economic Development Office, but with Parks & Recreation, Utilities and Public Works. Many of the projects were long term, heavy investments that the City and/or the City and County will make. By being on this list, the City will be able to apply for grant funding through the EDA, or if they were planning on applying for funding through the State, being part of this list, their applications will rank higher in the consideration. This item will be on an upcoming business agenda.

Council Member Campbell questioned for next year, the Riverfront Park, will they be moving forward with that and Ms. Bobe noted she hoped so. Parks & Recreation was over half the way funded for the park and Mr. Sgrinia has been reaching out to local industries for contributions. They would love to see it funded and under construction in 2021. Mr. Campbell asked if they could use money from the Casino and Mr. Larking noted it was one of the items that was up for discussion by the Investing in Danville Community. People felt it was one of the projects that would be under consideration; it was ultimately up to Council to decide how to do that.

Dr. Miller questioned if there was any hope of getting the money back from the Governor's Budget, the \$700,000 they struck from the budget this year and Mr. Larking noted they will keep trying to get that. There was \$740,000 that was taken away when the pandemic hit; Whitt Clement was instrumental in helping Danville get that appropriation and he has been in conversations with him about how to get that back. Mr. Vogler noted there were some items they could move forward with related to the park without having the full amount so the City was not starting from scratch. Mr. Larking noted he sent an email to Council about doing the design work, and based on the feedback he received, he authorized Mr. Sgrinia to go forward with the design work for the park. Once that was completed, the City can go out to bid, get some real costs on what it would cost to build the park and Council can make a decision on how to appropriate those funds to cover that cost.

CLOSED MEETING

At 8:53 p.m., Vice Mayor Miller **moved** that this meeting of the City Council of the City of Danville, Virginia be recessed and that Council immediately reconvene in a Closed Meeting for the following purposes: discussion and consideration of the acquisition and disposition of real property, for a public purpose where discussion in an open meeting would adversely impact the bargaining position of the City as permitted by Subsection (A)(3) Section 2.2-3711 of the Code of Virginia, 1950, as amended, and more specifically to consider the discussion regarding the sale of a specific parcel of property for use by a prospective industry or mixed use project looking to locate to the City; and an economic development discussion and update concerning a prospective businesses or industry where no previous announcement has been made, or the expansion of an existing business or industry where no previous announcement has been made as permitted by Subsection (A)(5) of Section 2.2-3711 of the Code of Virginia, 1950 as amended, and more specifically to consider the update of multiple prospective businesses or mixed used industrial projects considering locating in the City or region as well; and discussion or consideration of investment of public funds where bargaining is involved where if made public initially, the financial interest of the governmental unit would be adversely affected as permitted by Subsection (A)(6) of Section 2.2-3711 of the Code of Virginia 1950 as Amended.

The Motion was **seconded** by Council Member Buckner and carried by the following vote:

December 1, 2020

VOTE: 9-0
AYE: Buckner, Campbell, Hood, Jones, Mayo,
Miller, Saunders, Vogler and Whittle (9)
NAY: None

Upon unanimous vote at 10:31 p.m., Council reconvened in open session, and Vice Mayor Miller moved for adoption of the following Resolution:

CERTIFICATE OF CLOSED MEETING

WHEREAS, the Council convened in Closed Meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Freedom of Information Act; and

WHEREAS, Section 2.1-344.1 of the Code of Virginia, 1950, as amended, requires a Certification by the Council that such Closed Meeting was conducted in conformity with Virginia Law;

NOW, THEREFORE, BE IT RESOLVED that the Council hereby certifies that, to the best of each Member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements of Virginia Law under Section 2.2-3711 were heard, discussed or considered, and (ii) only such public business matters as were identified in the Motion by which the Closed Meeting was convened were heard, discussed or considered by the Committee.

The Motion was **seconded** by Council Member Buckner and carried by the following vote:

VOTE: 9-0
AYE: Buckner, Campbell, Hood, Jones, Mayo,
Miller, Saunders, Vogler and Whittle (9)
NAY: None

ADJOURNED: 10:32 P.M.

APPROVED:

MAYOR

ATTEST:

CITY CLERK

Council Letter

City of Danville, Virginia



CL-2465

Work Session A.

Work Session Meeting

Meeting Date: 01/05/2021

Subject: Battery Energy Storage System Proposal

From: Jason Grey, Utilities Director

COUNCIL ACTION

Work Session Meeting: 01/05/2021

SUMMARY

Danville Utilities has been evaluating various ways to lower electric demand during transmission and capacity peak hours. Approximately 30% of the City's power supply costs are demand related and can be lowered by various types of peak shaving. After extensive evaluation, staff recommends pursuing a 10.6 megawatt battery energy storage system that would be beneficial to the ratepayers of Danville Utilities. This project will help reduce the City's rising transmission, capacity, and congestion charges. Staff proposes entering into a 20-year capacity agreement with Delorean Power to construct, own, and operate a 10.6 megawatt lithium-ion battery storage system at our current warehouse property on Industrial Avenue. The City would not be responsible for any of the upfront capital costs or the maintenance of the facility.

BACKGROUND

Staff evaluated approximately a dozen possible battery storage system proposals in 2019 in an effort to lower transmission and capacity costs. No recommendations were made in 2019 and the price of the battery systems have dropped significantly because of additional manufacturing due to cell phones, tablets, electric vehicles, and growing deployment of battery storage systems. Delorean Power's proposal is unique in that they bill based on the performance of the system during transmission and capacity peaks rather than the available capacity of the system. Their battery storage proposal was the only response that offered this incentive.

RECOMMENDATION

Staff recommends Danville City Council authorizes the City Manager to enter into a capacity agreement for 10.6 megawatts of battery energy storage to be constructed within the Danville Utilities service territory as recommended by the Danville Utility Commission.

Attachments

Resolution

Presentation

PRESENTED: _____

ADOPTED: _____

RESOLUTION NO. 2021-____.____

A RESOLUTION APPROVING AND AUTHORIZING THE CITY OF DANVILLE, VIRGINIA TO ENTER INTO A CAPACITY AGREEMENT FOR 10.6 MEGAWATTS OF BATTERY ENERGY STORAGE CAPACITY TO BE CONSTRUCTED WITHIN THE DANVILLE UTILITIES SERVICE TERRITORY.

WHEREAS, the Utility Commission recommends approval of entering into a twenty year capacity agreement with Delorean Power for 10.6 megawatts of battery storage to be constructed at 864 Monument Street within the Danville Utilities territory; and

WHEREAS, the resource would benefit the ratepayers of Danville Utilities by providing local energy storage system in an effort to lower rising transmission, capacity, and congestion charges.

NOW THEREFORE, BE IT RESOLVED, by the Council of the City of Danville, Virginia, that is does hereby authorize and approve the City of Danville to enter into a twenty year capacity agreement with Delorean Power for 10.6 megawatts of energy storage which provides capacity during peak demand periods and to be constructed at 864 Monument Street within the Danville Utilities service territory; and

BE IT FURTHER RESOLVED, by the Council of the City of Danville, Virginia, that the City Manager, be, and is hereby, authorized and directed to execute or sign the capacity agreement document necessary to complete the above referenced transaction.

APPROVED:

MAYOR

ATTEST:

CLERK

Approved as to
Form and Legal Sufficiency:

CITY ATTORNEY



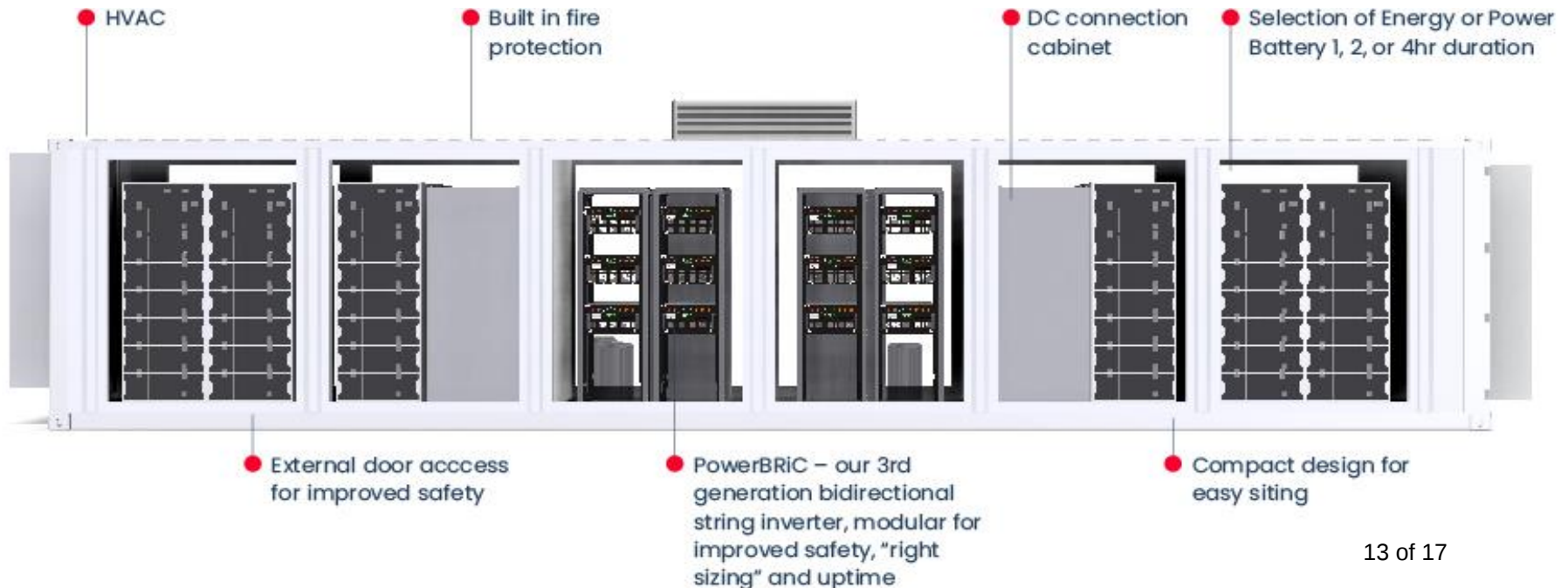
Battery Energy Storage System Project

Peaking Capacity

- Seeking summer/winter resource
- Rising transmission and capacity costs
 - 2021 AEP Transmission rate-November 2nd 19% increase
- Low cost non-fossil fueled resource
- Dispatch based on AEP transmission peak hour
- Dispatch based on PJM capacity peak hours

Battery Energy Storage Technology

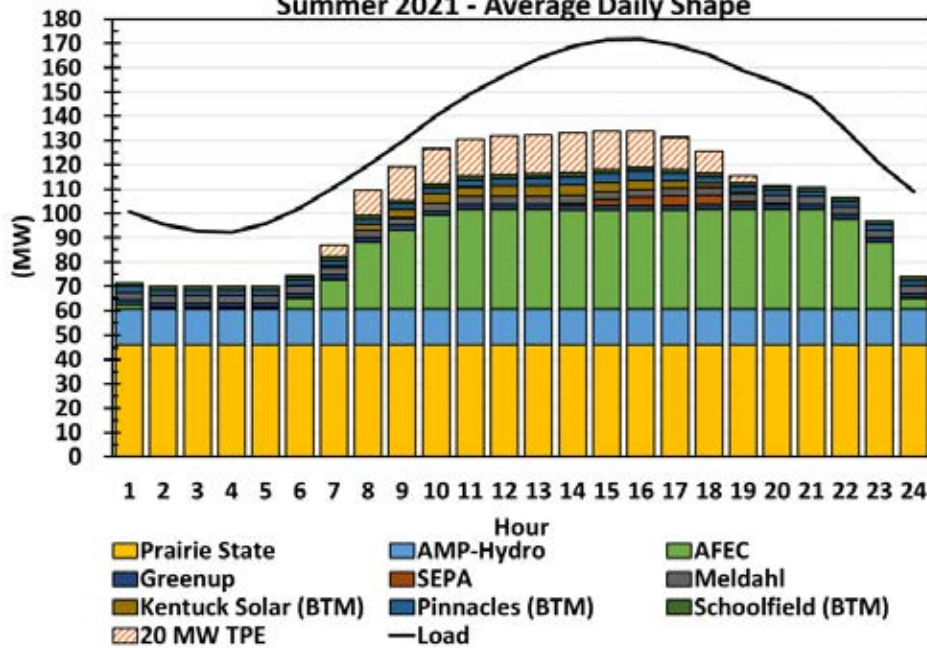
- Used solely for peak shaving
 - Charge during off-peak hours and discharge during on-peak periods
 - Reduce exposure to rising transmission and capacity rates
 - Batteries and production degrade approximately 1.5% annually



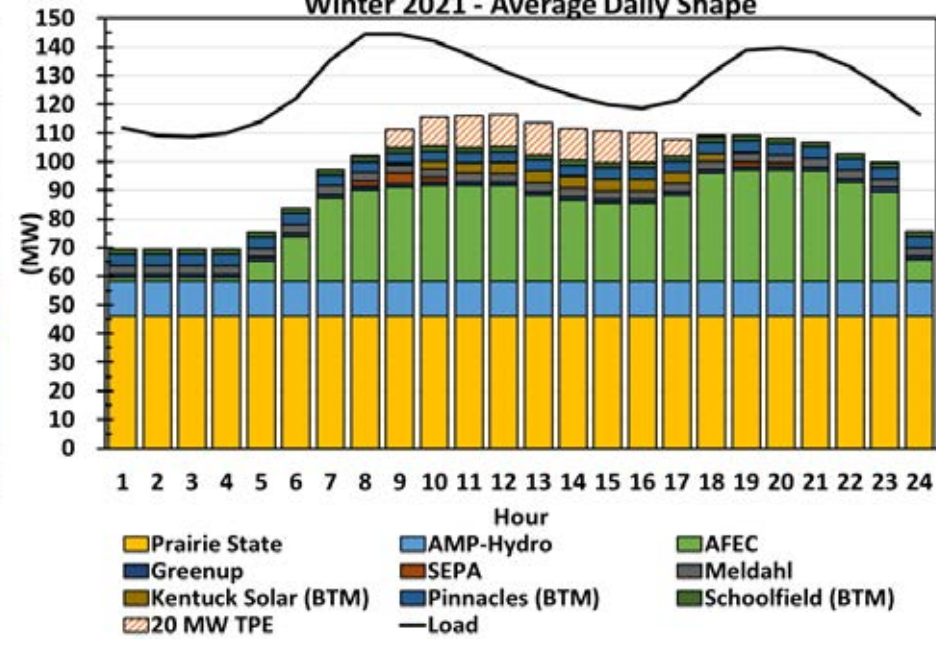
Danville Utilities Warehouse site project 10.6 MW/2 Hour Battery Storage System

- Delorean Power
- 20-year capacity agreement
 - City would not be responsible for the capital costs or maintenance of the battery facility
- Fixed, non-escalating price proposal
- \$4.25/kW-month or ~\$541,000/year one
- Danville to realize transmission and capacity avoidance benefits
- Capacity rate would be based on prior year's performance
- Delorean Power would monitor AEP/PJM peaks dispatch batteries based on analytical software.
- Allow Delorean Power to operate the batteries in the PJM Frequency Regulation market to lower capacity rate. Delorean be responsible for their own energy costs.

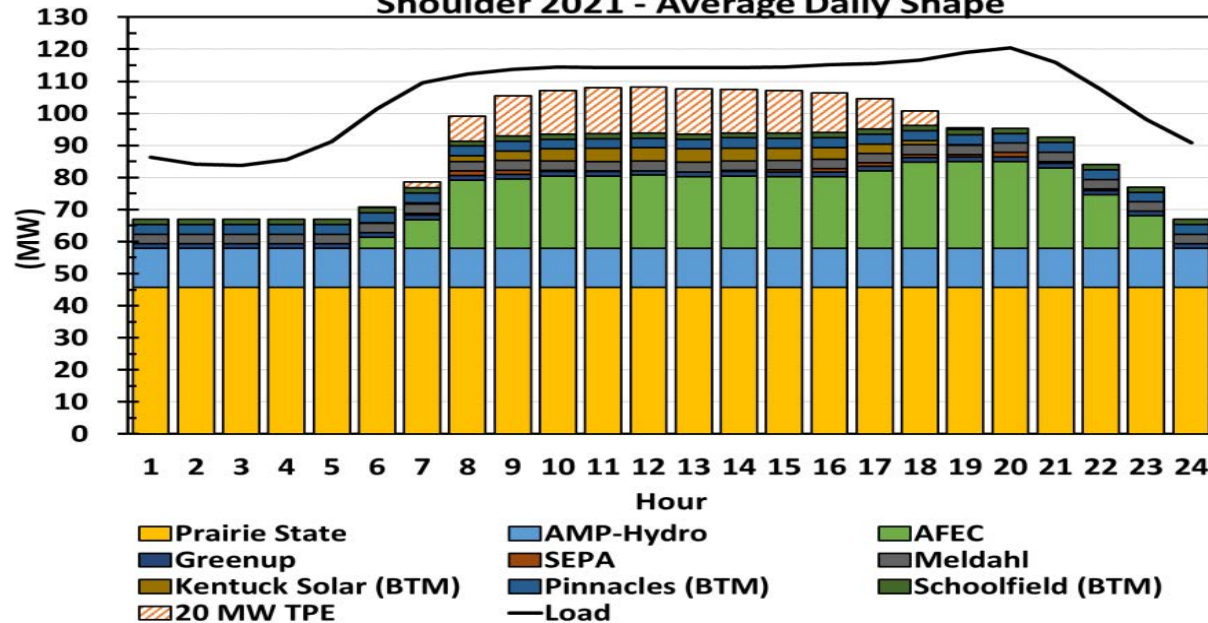
Summer 2021 - Average Daily Shape



Winter 2021 - Average Daily Shape



Shoulder 2021 - Average Daily Shape



Project Site

- 864 Monument Street
- Utilities Warehouse site-unused 90'x60' area
- Delorean Power would need a Special Use Permit- No setback requirements
- Delorean Power has included all of the costs associated with the property in the PPA (taxes, permitting, etc).



Economics

<u>Delorean Proposal</u>						
	<u>kW-month price</u>	<u>Escalation</u>	<u>Capacity (kW)</u>	<u>Yearly costs</u>	<u>Transmission and Capacity costs (5% annual Increase)</u>	<u>Estimated Savings</u>
Year 1	\$ 4.25	0%	10600.0	\$ 540,600.00	\$ 1,753,200.00	\$ 1,212,600.00
Year 2	\$ 4.25	0%	10467.500	\$ 533,842.50	\$ 1,840,860.00	\$ 1,307,017.50
Year 3	\$ 4.25	0%	10336.656	\$ 527,169.47	\$ 1,932,903.00	\$ 1,405,733.53
Year 4	\$ 4.25	0%	10207.448	\$ 520,579.85	\$ 2,029,548.15	\$ 1,508,968.30
Year 5	\$ 4.25	0%	10079.855	\$ 514,072.60	\$ 2,131,025.56	\$ 1,616,952.96
Year 6	\$ 4.25	0%	9953.857	\$ 507,646.69	\$ 2,237,576.84	\$ 1,729,930.14
Year 7	\$ 4.25	0%	9829.434	\$ 501,301.11	\$ 2,349,455.68	\$ 1,848,154.57
Year 8	\$ 4.25	0%	9706.566	\$ 495,034.85	\$ 2,466,928.46	\$ 1,971,893.61
Year 9	\$ 4.25	0%	9585.234	\$ 488,846.91	\$ 2,590,274.88	\$ 2,101,427.97
Year 10	\$ 4.25	0%	9465.418	\$ 482,736.33	\$ 2,719,788.63	\$ 2,237,052.30
Year 11	\$ 4.25	0%	9347.100	\$ 476,702.12	\$ 2,855,778.06	\$ 2,379,075.94
Year 12	\$ 4.25	0%	9230.262	\$ 470,743.34	\$ 2,998,566.96	\$ 2,527,823.62
Year 13	\$ 4.25	0%	9114.883	\$ 464,859.05	\$ 3,148,495.31	\$ 2,683,636.26
Year 14	\$ 4.25	0%	9000.947	\$ 459,048.31	\$ 3,305,920.08	\$ 2,846,871.76
Year 15	\$ 4.25	0%	8888.436	\$ 453,310.21	\$ 3,471,216.08	\$ 3,017,905.87
Year 16	\$ 4.25	0%	8777.330	\$ 447,643.83	\$ 3,644,776.88	\$ 3,197,133.05
Year 17	\$ 4.25	0%	8667.613	\$ 442,048.29	\$ 3,827,015.73	\$ 3,384,967.44
Year 18	\$ 4.25	0%	8559.268	\$ 436,522.68	\$ 4,018,366.51	\$ 3,581,843.83
Year 19	\$ 4.25	0%	8452.277	\$ 431,066.15	\$ 4,219,284.84	\$ 3,788,218.69
Year 20	\$ 4.25	0%	8346.624	\$ 425,677.82	\$ 4,430,249.08	\$ 4,004,571.26
				\$ 9,619,452.12		\$ 48,351,778.61
				Total Spent (20 years)		17 of 17 Total Savings